

STUDY CASE: RENCONSTRUCTION OF COMMUNITY CENTRE IN PLJEVLJA



I: INTRODUCTION

Reconstruction of the Community Center in Pljevlja started in 2007 and was funded from the budget of the Municipality of Pljevlja and the capital budget of Montenegro. Within a seven-year period, i.e. from 2007 to 2013, at least 27 public bids concerning reconstruction and renovation of the Community Centre were invited. For these purposes €3.7 million was spent, not including 2008 for which MANS does not have official data.

In 2014, an additional sum of €1.5 million was planned for the continuation of the works, but by

the end of the year there was no end in sight of the works.

The case study will prove that the suspicion concerning an abuse of official position by the officials in the municipality of Pljevlja is founded. It refers to creating jobs regarding the reconstruction works on the basis of public procurement by giving preference to certain contractors, concluding agreements on performing construction works far beyond the determined public procurement values, whereas the cost of the agreed works accrued by subsequent signing of annexes to the agreements, which caused the municipality to lose hundreds of thousands of euros. The study examines several major public procurements concerning the reconstruction of the Community Centre in Pljevlja.

II: COMPANY “VING” HAS ITS FIRST ENGAGEMENT IN 2007: During years-long reconstruction of the Community Centre in Pljevlja, most of the works were entrusted to the Pljevlja-based company “Ving”, which did not meet agreed obligations. In spite of this, the Municipality of Pljevlja continued cooperation with it over the course of years.

In that sense, the first in a series of tenders regarding the reconstruction of the Community Centre was invited early in May 2007.¹ According to the tender, external works on the building were estimated at €400,000, which was the sum envisaged in the Plan for Public Procurement for that year.² Two tenders were submitted, one by the company “Lipa” offering €593,000, whereas the company “Ving” offered to perform the works for €629,000.³

¹ Tender No. 09/07 on 04 May 2007

² Plan for Public Procurement of the Municipality of Pljevlja on 20 April 2007

³ Offer of the company „Lipa“ from Cetinje worth €593,423.78, while the Pljevlja-based „Ving“ offered €629,005.90

5. Cijena ponuda:

1. D.O.O. »Ving« - Pljevlja.....629.005,90 eura sa PDV-om
 2. D.O.O. »Lipa« - Cetinje.....593.423,78 eura sa PDV-om

Offered prices of the first tender invited in 2007

The Municipality of Pljevlja selected as the most financially sustainable the offer submitted by the company "Ving", which was to carry out the works for €629,000, what would be €230,000 more than the estimated value of the public procurement.⁴ Though the municipality could legally reject the public procurement⁵, it engaged the company "Ving", although the annual Plan for Public Procurement envisaged only €400,000 for this particular procurement.

The contract with "Ving" was concluded in June 2007, giving four months for completion of works, where the contractor had to commence the works within 10 days from the day of signing of the agreement.⁶ Interestingly, the selected contractor was paid €200,000 in advance,⁷ although the advance payment was not in accordance with the tender, nor the agreement concluded. The agreement no termination clause.

The company "Ving" entered the business in July 2007.⁸ During the next two years, instead of completing the works within the time limit, the Municipality of Pljevlja signed a series of annexes to the agreement, thus increasing the value of the original agreement for additional €152,000 on the grounds of subsequent works.⁹ This means that the total cost of the performed works surpassed the staggering sum of €780,000, i.e. the job cost almost twice the money originally laid down in the tender.¹⁰

	TENDER	CONTRACT VALUE	VALUE WITH ANNEXES
EXTERNAL WORKS COMMUNITY CENTRE	€400,000	€629,005	€781,439

Difference between estimation laid out in tender and agreed works is almost twice bigger

⁴ Minutes on review, evaluation and comparison of offers on 12 June 2007

⁵ Article 72 paragraph 4 of the Law on Public Procurement (Official Gazette of the Republic of Montenegro 46/06) sets out that a public tender process may be rejected if the submitted offers exceed the sum allocated for the procurement in question

⁶ Construction contract, No. 02-031-548 on 25 June 2007

⁷ Advance invoice No. 49/07 on 25 July 2007

⁸ First page of the construction log of the company „Ving“ d.o.o. on 5 July 2007

⁹ Annex I No. 105/07 on 21 November 2007; Annex II No. 02-031-548/2 on 22 January 2008; Annex III No. 02-031-548/3-07 on 23 April 2010

¹⁰ Finalized situation No. 20/10 on 05 May 2010

III: WORKS FROM 2008 AND 2009 ALLOCATED TO "VING"

In March 2008, the Municipality of Pljevlja allocated a new to "Ving" – a plumbing job estimated at about €115,000¹¹ at the Cultural Center, although it was estimated at €105,000¹² in the public tender. This contract had no termination clauses either, while the determined penalties for each day of exceeding the agreed time limit of the work were 0.3 per cent of the contract value, whereas they were not allowed to exceed three per cent of the total contract value. This did not comply with the public tender, where the penalties were determined to be 0.5 per cent, i.e. it was not allowed to exceed five per cent of the total contract value.

	Public Tendering Process from 2008	Agreed Value
Works on water supply and wastewater system	€105,000	€114,656

In 2008, the Municipality of Pljevlja allocated work to "Ving" for the sum higher than estimated

In March 2009, when the Public Works Directorate in the Municipality of Pljevlja published a tender for final works on the reconstruction of the Community Centre, the value of the works was estimated at the sum of €1 million.¹³ These works were also assigned to "Ving" for the sum that was higher by one third, i.e. its offer of €1,365,096 was accepted as the most favorable, with an advance of 30 per cent, which was not stipulated in the tender documents, whereas the five-month time limit for completion was envisaged.

4. Procijenjena vrijednost predmetne javne nabavke je sa PDV-om do 1.000.000,00 €.
XI. INFORMACIJE O PONUDENIM CIJENAMA
Cijena najpovoljnije ponude: 1.365.096,77 € »VING« DOO Pljevlja

Offer of „Ving“ higher by one third from the estimated value of the work in tender documents

Namely, the Public Works Directorate sent an official letter¹⁴ to the Mayor of the Municipality of Pljevlja seeking the approval to exceed the originally estimated value of the public procurement. The approval was granted the following day¹⁵ on the grounds that the funds for the works were provided from the municipal budget for 2009, with a sum of exactly €1 million. So, even though there was a legal possibility to annul the tender process, it was not done in this case, which was directly at the expense of the Municipality of Pljevlja.

The contract with "Ving" was concluded in October 2009,¹⁶ four months after the selection of the most favorable bid. A month later, a €440,000 worth contract on co-financing the final work on the reconstruction of the Community Centre in Pljevlja was signed between the Ministry of Culture, the Public Works Directorate and the Municipality of Pljevlja.¹⁷ However, an annex to the contract was signed in December thus raising the sum to €700,000.¹⁸ The Ministry and the

¹¹ Contract No. 02-031-308/1 on 26 March 2008

¹² Tender No. 04/08 on 18 January 2008

¹³ Tender No. 05-19/9 on 16 March 2009

¹⁴ Official letter of Public Works Directorate No. 01-1940/2 on 26 May 2009

¹⁵ Response of Construction and Development Directorate of Municipality of Pljevlja No. 12-032-296 on 27 May 2009

¹⁶ Construction contract No. 02-031-1113 on 08 October 2009

¹⁷ Co-financing agreement No. 01-4560/1 on 5 November 2009

¹⁸ Annex to Co-financing Contract No. 02-031-198/1 on 13 December 2010

Directorate agreed to allocate the sum of €700,000 for co-financing the works from the capital budget funds for 2009 aimed at construction and reconstruction of cultural facilities.

Član 3.

Ministarstvo kulture, sporta i medija i Direkcija javnih radova saglasni su da se, od sredstava opredijeljenih Kapitalnim budžetom za 2009. godinu, sa pozicije Izgradnja i rekonstrukcija objekata kulture, iznos od 700.000,00 € izdvoji za sufinansiranje svih završnih radova na adaptaciji pozorišne dvorane sa pratećim prostorijama u Domu kulture u Pljevljima.

€700,000 from the capital budget allocated for the Community Centre makeover

The Municipality of Pljevlja concluded a series of assignment agreements with the company „Ving“, transferring financial claims from the Public Works Directorate. In the period from August 2010 to December 2011 the Pljevlja-based company ceased a total of €665,000 for the performed works.¹⁹ Moreover, "Ving" was also late with the completion of the works. Only two years after the signing of the contract the works were completed, even though the deadline for the completion was four months.²⁰ Available data indicate that the Municipality has not incurred penalties for the delay.²¹

IV: CONTROVERSIAL CONTRACTS WITH “TEHNO-GRADNJA”

In July 2010 the Municipality of Pljevlja invited a tender²² for constructing and installing stage lightning and audio and video system in the municipal auditorium of the Communal Centre, estimating the value of the works at €290,000.²³ The work was allocated to the Pljevlja-based company “Tehno-gradnja”²⁴, with a contract worth more than €313,000 signed the same year in August.²⁵ Not only the value of the contract was higher but it did not contain a termination clause.

Two years later, through a negotiation process,²⁶ this company was hired again regarding installing audio and video stage lighting in the Community Centre building. Namely, late in 2011, the Municipality of Pljevlja was given a permission to open negotiations on selecting the most favorable tenderer, after receiving not a single acceptable offer during the tender procedure. By a process of negotiation, the work was allocated to the company “Tehno-gradnja,” based on the contract worth €663,000²⁷ and signed in May 2012, even though it did not meet all requirements, i.e. it did not have one of the necessary licenses, but submitted as an evidence the decision „that it fulfills the requirements for obtaining the license.”²⁸

¹⁹ Assignment Agreement signed on 12 August 2010, 21 December 2010, 25 March 2011, 5 October 2011 and 23 December 2011

²⁰ Last page of the construction log of the company „Ving“ d.o.o. on 18 November 2011

²¹ Decision by Agency for Construction and Investment of the Municipality of Pljevlja, No. 12-350-212 on 7 December 2012

²² Tender No. 08/10 on 06 July 2010

²³ Tenders were submitted by companies „Elektrovat“ from Belgrade worth almost € 331,000, “Tehno-gradnja“ from Pljevlja worth nearly €314,000 and a completion deadline of 90 days, whereas an offer of the Belgrade-based company “AVC Group“ was rejected due to incomplete documents on its eligibility.

²⁴ Company “Tehno-gradnja“ is owned by Mirko Bjekovic, a member of the Municipal Assembly of the Democratic Party of Socialists in Pljevlja

²⁵ Construction contract No. 02-031-392 on 23 August 2010

²⁶ Tender No P1/11 on 31 October 2011

²⁷ Construction contract No. 04-406-41/16-2010 on 3 May 2012

²⁸ License on low and medium voltage electrical installation works

WORKS PERFORMED BY "TEHNO-GRADNJA"	YEAR	VALUE	COMPLETE WORKS
stage lighting Installations	2010	€313,000	Yes
Installing stage lighting	2012	€663,000	No

Controversial contracts with company "Tehno-gradnja"

Contrary to the public tender, the contract concluded with "Tehno-gradnja" set out that the Municipality would pay advance nearly half a million euro in advance to the designated contractor, even though the company had stated in the offer that it would demand claims only 15 days after the completion of the works. According to the available data, the works envisaged in the contract did not commence at the beginning of 2014.²⁹

V: DOZENS OF PUBLIC TENDERS FOR SIX YEARS

In the period between 2007 and 2012 the Municipality of Pljevlja invited at least 10 lower value public tenders for furnishing, decorating or reconstruction of the Community Center in Pljevlja. The prices of the allocated works were higher than the estimated values of the public procurements, or annexes to the contract were subsequently concluded with selected tenderers by which the basic price of the works was increased.³⁰

The available data show that the estimated value of the 10 public tenders was €356,000, while the agreed value, including the subsequent increase in the basic price, was €405,059, which is €49,000 more than originally determined. On the basis of these 10 tenders, the company "Ving" was allocated four jobs at the price of €136,000.

Period 2007/2010	Number of public tenders	Estimated value	Agreed and paid amount
Lower value works	10	356,000	405,059

Municipality of Pljevlja invited a series of lower value public tenders for reconstruction of Community Centre

Moreover, in the period from 2008 to 2012 the Municipality of Pljevlja put in 11 requests for submitting offers using a shopping method for furnishing and adaptation, as well as electrical and engineering works at the Community Center in Pljevlja.³¹ The total value of procurements under shopping amounted to €165,500, and the works had a total value of €182,247, out of which the works allocated to "Ving" amounted to over €158,000.

Period 2008/2010	Number of public tenders	Estimated value	Agreed and paid amount
Shopping methoda	11	165,500	182,256

Shopping method often used for reconstruction of Community Centre

²⁹ Decision adopted by Construction and Development Directorate of Municipality of Pljevlja, No. 350-13/2014-2 on 3 February 2014

³⁰ Decision on assignment of contract on 29 June 2007; 4 March 2008; 1 August 2008; 11 August 2008; 20 January 2009; 22 January 2009; 23 January 2009; 29 May 2009; 23 September 2009; 25 July 2012

³¹ Decision on low value purchases on 11 April 2008; 2 July 2008; 29 July 2008; 18 August 2008; 28 October 2008; 26 December 2008; 19 March 2009; 28 May 2009; 24 March 2010; 10 March 2011; 11 September 2012

VI: RECONSTRUCTION OF COMMUNITY CENTER FROM THE BUDGET OF THE MUNICIPALITY OF PLJEVLJA

For the purpose of reconstructing the Community Center, a sum of €500,000 was allocated from the budget of the Municipality of Pljevlja for 2007, whereas €611,000 was realized.³² A budget of €650,000 was allocated for this project for the year³³ 2008, but MANS does not have information on the money spent.

YEAR	BUDGET PLAN	REALIZED
2007	500,000	611,0005
2008	650,000	unknown
2009	700,000	886,157
2010	589,049	767,355
2011	1,200,000	861,265
2012	642,559	582,134
2013	361,114	52,047
2014	1,580,000	unknown

The budget plan for 2009 envisaged a sum of €700,000, whereas €886,000 was spent.³⁴ During 2010, €589,000 was planned to be invested, while €767,000 was allocated for this purpose.³⁵ The budget plan for 2011 envisaged €1.2 million, whereas €861,000 was invested.³⁶ The 2012 budget projected investing €642,000, whereas €582,000 was actually

invested.³⁷ The budget plan for 2013 projected the amount of €320,000 for reconstruction of Community Center, while only €50,000 was invested.³⁸ Finally, the budget plan for 2014 projected the sum of €1.5 million for the completion of the works.³⁹

³² Execution of the Budget of the Municipality of Pljevlja for 2007 (Official Gazette of Montenegro, No.22/08)

³³ Budget of Municipality of Pljevlja for 2008 (Official Gazette of Montenegro, No. 1/08)

³⁴ Execution of the budget of the Municipality of Pljevlja for 2009 (Official Gazette of Montenegro, No. 5/11)

³⁵ Execution the budget of the Municipality of Pljevlja for 2010 (Official Gazette of Montenegro, No. 22/11)

³⁶ Execution the budget of the Municipality of Pljevlja for 2011 (Official Gazette of Montenegro, No. 22/12)

³⁷ Execution the budget of the Municipality of Pljevlja for 2012 (Official Gazette of Montenegro, No. 21/13)

³⁸ Execution the budget of the Municipality of Pljevlja for 2013 (Official Gazette of Montenegro, No. 16/14)

³⁹ Decision the budget of the Municipality of Pljevlja for 2014 (Official Gazette of Montenegro, No. 22/11)

ANNEX I: Ten tenders invited by Municipality of Pljevlja from 2007 to 2012

This Annex shows ten tenders invited by the Municipality of Pljevlja from 2007-2012 for various furnishing, repairing and renovation works concerning reconstruction of the Community Centre in Pljevlja.

No.	Public tender	Selected contractor	Estimated value	Agreed or increased value
1.	Chair purchasing	GRD Metal Podgorica	27,000	27,060
2.	Pouring concrete slab/Laying concrete base	“Ving“ Pljevlja	32,000	36,610
3.	Gallery renovation	“Ving“ Pljevlja	40,000	52,456
4.	Library ceiling replacement	“Ving“ Pljevlja	28,000	29,029
5.	Staircase renovation	“Ving“ Pljevlja	24,000	18,781
6.	Music school renovation	“Network commucation“ Tivat	50,000	48,725
7.	Main renovation project	“Biro Vukčević“ Podgorica	60,000	78,030
8.	Low voltage work	PTT Inžinjering Podgorica	30,000	28,373
9.	Power cable	“PTT Inženjering“Podgorica	20,000	25,995
10.	Linked facilities	„Biro Vukčević“ Podgorica	45,000	60,000
			356,000	405,059

ANNEX II: Eleven shopping methods of Municipality of Pljevlja between 2008 and 2012:

This Annex sets out 11 shopping methods which were implemented by the Municipality of Pljevlja between 2008 and 2012, on the grounds of various minor building works aimed at reconstructions of the Community Centre in Pljevlja.

No.	Shopping method	Selected contractor	Estimated value	Agreed or increased value
1.	Site clearance	“Ving“ Pljevlja	15,000	14,553
2.	Basement concrete works	“Ving“ Pljevlja	20,000	27,340
3.	Pavement	“Ving“ Pljevlja“	22,000	22,951
4.	Repairing wall around facility	“Ving“ Pljevlja	20,000	27,777
5.	Staircase	“Ving“ Pljevlja	20,000	28,087
6.	Ceiling replacement	“Ving“ Pljevlja	24,000	18,610
7.	Switchboard works	“Ving“ Pljevlja	20,000	18,895
8.	Main interior design project	“Arhiart“ Beograd	7,500	7,950
9.	Cable hookup	“Herc inžinjering“ Pljevlja	5,000	4,914
10.	Review of major project renovation	“Tehno gradnja“ Pljevlja	6,000	7,200
11.	Review of the Community Centre major project	“Graling“ Nikšić	6,000	3,970
			165,500	182,247