

NO 3047

# MONTHLY REPORT

**September 2019**

## WATER SUPPLY AND SANITATION ADRIATIC COAST III

Water Supply and Sanitation Adriatic Coast III commenced by signing loan agreement with KfW on 07 December 2007. In this stage the Project was predominantly focused on wastewater sector and aimed at upgrade and extension of sewage systems in Herceg Novi, Tivat, Kotor and Bar. This stage envisaged construction of the WWTPs in Herceg Novi and Bar with sea outfalls, rehabilitation and replacement of the current sewerage systems, as well as construction of new parts of the system. A smaller part of the Project was related to the water supply upgrade through rehabilitation of current, and construction of new parts of the water supply systems.

Implementation of Phase III commenced in March 2008 and the estimated project value is Euro 89 million. Implementation of Phase III commenced with project preparation, and drawing up design and tender documentation by the consultancy JV DAHLEM/Pecher from FR Germany.

<b>Tivat</b>	
<b>Contract No TV-RB-02 -2010</b>	<b>Construction of:</b> <ul style="list-style-type: none"> <li>- 17,6 km of sewage network</li> <li>- 14,6 km of water supply network</li> <li>- 6 large and 6 small pumping stations</li> </ul>
<b>Expected result</b>	<b>Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions in the Bay of Tivat</b>
<b>Contract value</b>	<b>€9,491 million</b>
<b>Contract start date and end date</b>	<b>14 December 2011 - 31 December 2014</b>
<b>Employer</b>	<b>The Municipality of Tivat and PE "Water and Sewerage" Tivat</b>
<b>Funding sources</b>	<b>Municipal budget - €3,954 million KfW loan - € 5,381 million KfW grant - €155.750</b>
<b>Role of Vodacom</b>	<b>Project Executing Agency (PEA)</b>
<b>Contractor</b>	<b>Ludwig Pfeiffer, FR Germany</b>
<b>Engineer</b>	<b>Dahlem FR Germany</b>

### **PROGRESS**

On 15/08/2019 the Contractor completed submission of the agreed parts of the draft Final Statement. The Engineer issued the IPC No 20 on 20/08/2019, which was then processed by Vodacom and delivered to the Employer for taking further steps. Given that there were certain questions regarding the IPC No 20 by the Employer, the Employer asked for a meeting with Vodacom on this matter. This meeting was held on 27/09/2019 in the Municipality of Tivat, and the grounds for the IPC No 20 were elaborated. In September, Vodacom repeatedly warned the Employer of the need to make decision regarding liabilities based on the decision of DAB, and the IPS No 20 so that the contract with Pfeiffer could be completed.

<b>Herceg Novi</b>	
<b>Contract No HN -YB-2010</b>	<b>Construction of the WWTP for 65.300 PE</b>
<b>Expected result</b>	<b>Systematic upgrade of the sanitation system and improvement of environmental conditions in the Bay of Kotor</b>
<b>Contract value</b>	<b>€9,020 million</b>
<b>Contract start date and end date</b>	<b>24 June 2012 - 12 June 2017</b>
<b>Employer</b>	<b>The Municipality of Herceg Novi and the company "Drustvo za izgradnju vodovodne i kanalizacione infrastrukture u opštini Herceg Novi"</b>
<b>Funding sources</b>	<b>Municipal budget - €1,366 million GoM contribution - € 1,351 million KfW loan - € 6,304 million</b>
<b>Role of Vodacom</b>	<b>Project Executing Agency (PEA)</b>
<b>Contractor</b>	<b>JV MASS/Gintas (contract terminated on 21/11/2018)</b>
<b>Engineer</b>	<b>Dahlem FR Germany</b>
<p><b>HN-YB-2010</b>  <b>ACTIVITIES</b></p> <ul style="list-style-type: none"> <li>• The Contractor is waiting the instruction when to service the grit blowers (snagging list item). The Consultant addressed this to the Employer on 16 August 2019 but received no reply.</li> <li>• The technical specifications for the oil and air temperature sensors (snagging list item) are not yet submitted by the Contractor. The Consultant on several occasions reminded the Contractor.</li> <li>• The Employer's instruction requested by the Consultant on 6 August 2019 to replace the rubber compensators on the pressure side of the pumps by FF pieces is pending.</li> </ul> <p><b>PROGRESS</b></p> <p>The KSB pumps' spare parts arrived to Herceg Novi and will be handed over to the Employer. The contract with Mass-Gintas was officially terminated on 21/11/2018. A total of Eur 1.767.569,97 was charged based on performance and retention guarantees. The Employer intends to use the funds from encashed guarantees to have the remaining works completed by different contractors. There are two contracts concluded for the time being by direct award, under the conditions of FIDIC Green Book. One of the contracts is concluded with CMC group, and the other one with Biogest International. Tender for the remaining works to be executed under the conditions of Pink FIDIC book with elements of Yellow FIDIC book is being prepared as well as one more tender under the conditions of FIDIC Green Book for SCADA system. The Employer is still independently managing the plant.</p> <p><b>CLAIMS</b></p> <p>In its letter of 28/01/2019 the Engineer has rejected a claim filed by the Contractor. The reason for this, as stated by the Engineer are missing "Notices of Claim" filed within 28 days as stipulated by Article 20.1 of the Contract. This letter was delivered to the Contractor via courier service on 08/02/2019. Mass-Gintas has confirmed the receipt of the letter from the Engineer and expressed its position that it is not "acceptable", and asked the Engineer to nominate DAB member in accordance with Article 20.2 of the Contract. The Engineer noted in its report that DAB is to be nominated by FIDIC President if there is no agreement reached between the contracting parties regarding this matter.</p> <p><b>GUARANTEES:</b></p> <ul style="list-style-type: none"> <li>• Advance payment Guarantee – repaid advance payment, no guarantee</li> <li>• Performance Guarantee - valid until 10/12/2018 – <b>this guarantee has been encashed</b></li> </ul>	

- Retention Money Security – valid until 10/12/2018 – **this guarantee has been encashed**

#### **PAYMENTS**

There were no payments during this reporting period.

The total amount paid (including advance payment with VAT): 9,955,055.22€

KfW's loan (Phase III) 2,863,000.00 €

KfW's loan (Phase IV) 3,441,000.00 €

Municipal contribution 711,664.36€

Municipal contribution (VAT) 1,589,462.59€

GoM's grant: 1,349,928.28 €

#### **GB1-HN-2019**

##### **Herceg Novi Contract No 1 under FIDIC GB with CMC Group DOO Herceg Novi**

#### **BASIC DATA**

Initial accepted contract price (VAT exclusive): Euro 128.620.00

Initial accepted contract price (VAT inclusive): Euro 155.630.20

Contract signing date: 09/04/2019

Commencement date: 16/04/2019

Time for Completion:

- For positions C1.21A, C1.22, C1.23, C1.24, C1.25A, C1.25B, and C1.26 – 09 July 2019
- For positions C1.21B 08 August 2019

Taking-over Date: 09/08/2019

DNP: 365 days

#### **CLAIMS**

None

#### **PAYMENTS**

On 19 August 2019 the Contractor submitted a statement. The total amount of work done before deductions was EUR 135,599.50 and the Engineer on 22 August 2019 certified EUR 109,604.83. Payment due date was 16 September 2019 which was not respected.

#### **VARIATIONS**

None.

#### **OTHER**

The Consultant's supervision services expire on 31 August 2019. Vodacom has filed a request for extension of the services for a month, with a possibility of one additional optional month.

The Consultant's supervision services were extended until 31 October 2019. KfW has agreed to provide additional funds and the amount specified in the Contract will be changed by Addendum no. 1 from €128,620.00 to €154,011.00 by including an additional €25,391.00 for additional costs due to unforeseen repairs required for compressors and other key parts of the WWTP plant and equipment.

#### **GB3-HN-2019**

##### **Herceg Novi GB Contract No 2 with Biogest International GmbH**

#### **BASIC DATA**

Initial accepted contract price without VAT: 86.484,00€

Initial accepted contract price with VAT: 104.645,64€

Contract signing date: 14/05/2019.

Commencement date: 26/06/2019

Time for Completion: 19/09/2019

### **ACTIVITIES**

All material arrived to the Site on 31 July 2019. The same day the Consultant held a meeting with the Contractor and the WWTP operator agreeing the sequence of installation in the three SBR tanks and to what extent the water levels must be lowered. The Contractor mobilised and installation in SBR 1 started on 12 August 2019 and it was completed on 15 August 2019. Since SBR 1 is not in use the Employer/WWTP operator omitted wet testing. The WWTP operator then blocked progress and did not want to lower the water level in the next SBR tank without a written instruction issued by the supervision Consultant. This was discussed and it was made clear that the supervision Consultant cannot instruct how to operate the WWTP.

It was only on 9 September 2019 that the next SBR tank was prepared as agreed and the Contractor could continue work in SBR 3. The installation in SBR 3 was ready on 12 September 2019 and dry testing was done successfully on the same day. On 14 September 2019 SBR 3 was then filled and wet testing commenced. The hoses due to pronounced buoyancy deflected and testing was stopped. The Engineer and the Contractor worked on the troubleshooting and calculated to add approx. 60 kg per decanter hoses by means of hose clamps preventing both, buoyancy and deflection. The material was ordered as express delivery from Serbia and the 6 clamps needed for SBR 3 arrived to Site on 28 September 2019. Both decanters were completed on 30 September 2019 and dry tested. During dry testing one actuator overheated and switched off. The reason for the overheating is unknown.

### **PROGRES**

SBR 1

Hoses' installation complete. Dry testing successful.

Clamps missing.

SBR 3

Hoses' installation complete. Dry test successful for one decanter. One actuator overheats.

Clamps installed.

SBR 4

Not yet commenced.

### **CLAIMS**

On 30 September 2019 the Employer wrote "Due to problems with the implementation and delay of work on GBT 3, we are considering initiating a Caim against the Contractor due to a malfunctioning of the system. We ask for an emergency meeting to consider this option."

### **PAYMENTS**

On 30 September 2019 the Employer wrote "Due to problems with the implementation and delay of work on GBT 3, we are considering initiating a Caim against the Contractor due to a malfunctioning of the system. We ask for an emergency meeting to consider this option."

### **VARIATIONS**

Variation Order No2 for the 24 clamps was prepared with the amount of EUR 10,153.42 and submitted to Vodacom. Together with Variation order # 1 the Agreement Amount will now be EUR 98,348.54

## Herceg Novi

<b>Contract No</b> HN-RB-01-2010	<b>Construction of:</b> <ul style="list-style-type: none"> <li>- 35,3 km of water and sewage network</li> <li>- 11 pumping stations and a sea outfall</li> </ul>
<b>Expected result</b>	<b>Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions in the Bay of Kotor</b>
<b>Contract value</b>	<b>€18,522 million</b>
<b>Contract start date and end date</b>	<b>25 August 2012 - 17 February 2015</b>
<b>Employer</b>	<b>The Municipality of Herceg Novi and the company "Društvo za izgradnju vodovodne i kanalizacione infrastrukture u opštini Herceg Novi"</b>
<b>Funding sources</b>	<b>Municipal budget - €0,926 million GoM contribution - € 2,923 million KfW loan - € 14,517 million KfW grant - €0,156 million</b>
<b>Role of Vodacom</b>	<b>Project Executing Agency (PEA)</b>
<b>Contractor</b>	<b>Celtikcioglu, Turkey</b>
<b>Engineer</b>	<b>Dahlem FR Germany</b>

### ACTIVITIES

A DNP meeting took place on 20 September 2019 in Vodacom's premises. The Contractor informed that several remedy works were already carried out but he failed to submit the repair method statement and to inform the Engineer before starting work. The Engineer will conduct a thorough site investigation and then summarise the results and provide a status overview of the progress on the snagging list items. A car crashed into the electrical cabinets of PS Zelenika and caused substantial damage to the Works. The Contractor with the Engineer and Društvo immediately secured the Site and repaired the fence and brought the pumping station back online. The permanent repair will request Employer's funding since the damage is not attributable to the Contractor. The Contractor submitted a proposal as requested by the Engineer.

On 30 September 2019 ViK addressed to the Municipality a defect at PS Zmijica. Vodacom forwarded this to Dahlem. Dahlem on the same day kindly requested the Employer to coordinate the communication because without proper information Dahlem's DNP services will suffer.

### PROGRES

The Contractor was working on the Statement at Completion and some items on the snagging list. The Engineer started checking of the construction books for the Final Statement.

### GUARANTEES:

- Payment security- expires on 01/07/2019
- Advance payment Guarantee – expired on 01/06/2017 – the advance has been repaid
- Performance Guarantee - valid until 31/12/2019
- Retention Guarantee - valid until 31/07/2019

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### PAYMENTS

Interim Payment Certificate No 25 for Retention Money EUR 160,584.72, issued on 8 July 2019, was paid on 13 September in the amount of EUR 160,374.44 upon revising the amount by KfW.

Payments to date (including advance payment and VAT): €23,206,695.40

GoM: 2.923.000,00 €

KfW's grant 155,750.00 €

KfW's loan (Phase III) 5.876.981,23 €

KfW's loan (Phase IV) 6.083.105,39 €

KfW's loan (Phase V2) 4.295.128,95 €

Municipal contribution 399.590,34€ for asphalt works

Municipal contribution (VAT) 3.473.139,51€

Bar	
<b>Contract NoBR-RB-01-2010</b>	<b>Construction of:</b> <ul style="list-style-type: none"> <li>- 5,8 km of water supply network, and</li> <li>- 19.2 km of faecal sewage network</li> <li>- 1km of stormwater sewage network</li> <li>- 1 pumping stations with the construction of new sea outfall "Sutomore"</li> <li>- 1 reservoir "Susanj 2"</li> <li>- Additional measures: "New Project Concept in Bar"</li> <li>- Construction of the water supply system for settlements Polje, Zaljevo, St. Ivan and Mala Volujica, and construction of the sewage PS Volujica with pressure pipeline.</li> </ul>
<b>Expected result</b>	<b>Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions</b>
<b>Contract value</b>	<b>€11,191.128 million</b>
<b>Contract start date and end date</b>	<b>26 February 2016 - 26 February 2018</b> <b>"New Project Concept in Bar"</b> <b>02/09/2018 to 26/10/2019</b>
<b>Employer</b>	<b>The Municipality of Bar and PE "Water and Sewerage" Bar</b>
<b>Funding sources</b>	<b>Municipal budget - €0,705 million</b> <b>KfW loan - € 7,652 million</b> <b>KfW grant - €0,156 million</b>
<b>Role of Vodacom</b>	<b>Project Executing Agency (PEA)</b>
<b>Contractor</b>	<b>MPP Jedinstvo, Sevojno</b>
<b>Engineer</b>	<b>Dahlem FR Germany</b>
<b>ACTIVITIES</b>	
Main Contract Works	

The DNP for the main Contract will cease on 31/10/2019. The Contractor is working on remedying all defects notified and a diver inspected the sea outfall in Sutomore. The status of the remedy work will be subject to the site meetings.

#### Section 1 – Pipe to Sveti Ivan

The as-built design was submitted and Section 1 is in use.

The Taking Over Certificate was issued dated 27 August 2019.

#### Section 2.1 - PS Volujica

The Employer received a positive technical review report, and on 10/09 filed notification for building work. Following the expiry of statutory term of 15 days,) on 25 September 2019 the Municipality provided the decision to commence work. The Engineer on the same day informed the Contractor and scheduled a meeting for 1 October 2019 to talk details.

#### Section 2.2 – Zaljevo Water Supply

The final testing has been successfully completed. The as-built and maintenance design is still missing. The Taking Over Certificate was issued dated 27 August 2019 and the Employer started to use the Section No 2.2.

### PROGRESS

**Main Contract** – DNP end-mission completed. Use permits not issued for B18, B20, B21, B22, B23, B24, B25, B26, B27, B29, B30 and B34. SC 11.1 notices under remedy. DNP will cease on 31/10/2019.

**Section 1** – Completed, tested and taken-over.

**Section 2.1** - PS design review positive, notification for building work filed. Following the expiry of statutory term of 15 days, on 25 September 2019 the Municipality provided the decision to commence work, Power supply conditions agreed. Pumps from Germany redirected to KSB warehouse in Herceg Novi for proper storage. Screen, wash press and penstocks' shipment from Italy. Acceleration proposal under preparation

**Section 2.2** – Reservoir Zaljevo MRB (Measurement and regulation block) manhole for connection to the RWS, pipeline from the RWS connection manhole to the reservoir, pipeline from the reservoir towards Polje, completed, tested, taken-over.

### VO

Variation Order No 19.1 – Design to extend the water supply pipe coming from Zaljevo Reservoir along the Magistrala – signed and instructed

Variation Order No 19.2 – Sutomore B1 Sea Outfall underwater video inspection - signed and instructed

Variation Order No 19.3 – MID for Zaljevo water invoices between RWS and the ViK – signed and instructed

Variation Order No 20 - Odour treatment design for PS Volujica – proposal submitted

Variation Order No 21 - Update of the design for B12 Distributive Water Supply Network in Susanj – proposal submitted

### ADDENDA

Addendum No 9 to extend the DNP for the main Contract until 31 October 2019 was signed.

### CLAIMS

Employer's Claims:

On 15.08.2019 the Engineer submitted on behalf of the Employer the Employer's Claim # 2 concerning main Contract delay damages, claiming EUR 49,915.95 from the Contractor. Claim # 2



was interim due to the fact delay damages shall be calculated based on the Final Contract Price which for the time being and until the issuing of the Final Payment Certificate is unknown to the Parties.

On 15.08.2019 the Engineer submitted on behalf of the Employer the Employer's Interim Claim # 3 concerning Section 1 delay damages, claiming EUR 791.10 from the Contractor. On 18.09.2019 the Employer submitted the first claim # 3 update with the cut-off-date being 15.09.2019. The update was still interim due to the fact delay damages shall be calculated based on the Final Contract Price which for the time being and until the issuing of the Final Payment Certificate is unknown to the Parties. The update amount claimed from the Contractor is EUR 1,409.52 On 15.08.2019 the Engineer submitted on behalf of the Employer the Employer's Interim Claim # 4 concerning Section 2.2 delay damages, claiming EUR 36,109.53 from the Contractor. On 18.09.2019 the Employer submitted its final claim # 4 with EUR 56,170.38.

**Contractor's Claims:**

Following the completion of the Contractor's claim there might be negotiation with the Employer regarding both the Contractor's and Employer's claims.

**GUARANTEES:**

- Payment Guarantee - valid until 16/12/2019.
- Advance payment Guarantee – valid until 22/01/2020.
- Performance Guarantee - valid until 24/01/2022.

**PAYMENTS:**

No change to previous report.

Payments made to date:

Total Paid Amount (including advance payment): 8,855,567.97 €

KfW loan (Phase III) 7,953,468.59 €

KfW grant 155,750.00 €

Municipal share (excluding VAT) 610,422.575€

Municipal share (VAT) 135,906.82€

Bar	
<b>Contract NoBR-RB- 1-2010</b>	<b>Construction of the WWTP for PE 30,000 in Sutomore, construction of the sewage network in Sutomore, and water supply network in Susanj, rehabilitation of the existing sea outfall Volujica, and construction of the water supply network in the settlements on the south of Bar:</b>
<b>Expected result</b>	<b>Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions</b>
<b>Contract value</b>	<b>€12,4 million</b>
<b>Employer</b>	<b>The Municipality of Bar and PE "Water and Sewerage" Bar</b>
<b>Funding sources</b>	<b>Municipal budget - €0,453 million (preliminary data) KfW loan - € 10,0 million (of which € 1,0 million is a grant channeled by MF )</b>

	<b>MF grant within Phase V2 - €2,0 million</b>
<b>Role of Vodacom</b>	<b>Project Executing Agency (PEA) (Project Management)</b>
<b>Implementation Consultant, Phase III</b>	<b>Dahlem FR Germany</b>
<p>Since the Municipality of Bar had previously decided to postpone all activities related to the construction of WWTP on Volujica (68,600 PE, about Euro 12.4 million) due to land ownership problems and some conceptual dilemmas, a new project stage commenced in April that involves the creation of "the location study for the construction of the WWTP in the Municipality of Bar". KfW has secured a grant provided by the German Government for the development of this document, and we expect this Study to assist the Municipality in making the final decision on the continuation of investment activities regarding the WWTP.</p> <p>Upon finalization of the tender document, because of the lack of time it was envisaged to implement a direct award procurement procedure, by inviting currently engaged consultants (Dahlem, Fichtner, GWK) to provide their bids. There were two bids submitted on this tender (from Dahlem and Fichtner ). Upon Completion of bid evaluation procedure, the contract was signed with Fichtner as successful bidder.</p> <p>Presentation of the Draft Final Report of the Location Study for WWTP Bar was held in the Municipality of Bar on 09/05/2019. Decentralized system, that has proved to be the most profitable option, envisages the construction of five WWTPs:</p> <ol style="list-style-type: none"> <li>1. Bar WWTP (52.000 PE),</li> <li>2. Sutomore WWTP (21,000 PE),</li> <li>3. Veliki Pijesak WWTP (7,000 PE),</li> <li>4. Canj WWTP (3,500 PE),</li> <li>5. Busat WWTP (3.000 PE).</li> </ol> <p>After this presentation there was a brief meeting with Mayor of Bar and KfW representatives, and the possible investment priorities were marked, which implementation is envisaged under Phase V:</p> <ol style="list-style-type: none"> <li>1. WWTP in Sutomore (for which location is given in the Study).</li> <li>2. Water and sewerage network in the settlement Dobra Voda.</li> </ol> <p>With regard to the aforementioned, on 14/06/2019 Vodacom sent a request for a meeting which was supposed to define the next steps and priorities regarding further investment measures for water supply and sanitation in the Municipality of Bar.</p> <p>On 25/07/2019 there was a meeting in the Municipality of Bar where certain problems with spatial and planning documentation, the current loan indebtedness of the Municipality of Bar, and the position of the Municipality regarding further steps for Phase V have been postponed to the meeting to be held in the MoSDT.</p> <p><b>ACTIVITIES</b></p> <p>On 2/08/2019 there was a meeting in the MoSDT at which it was agreed that the Municipality of Bar needs time for stating their position by the end of August.</p>	

<b>Kotor</b>	
<b>Description</b>	<b>Construction of :</b> <ul style="list-style-type: none"> <li>- 34,2 km of water and sewage network and</li> <li>- 5 pumping stations in Kotor</li> </ul>

<b>Expected result</b>	<b>Upgrade of water supply and sanitation system and environmental conditions in the Bay of Kotor</b>
<b>Contract value</b>	<b>Euro 6,771 million excluding VAT</b>
<b>Contract start date and end date</b>	<b>20 July 2011 - 15 June 2013</b>
<b>Employer</b>	<b>The Municipality of Kotor and PE "Water and Sewerage" Kotor</b>
<b>Funding sources</b>	<b>Municipal budget - €0, 545 million GoM contribution - € 1,341 million KfW loan - € 4,821 million KfW grant - €155.750</b>
<b>Role of Vodacom</b>	<b>Project Executing Agency (PEA)</b>
<b>Contractor</b>	<b>MPP Jedinstvo, Užice</b>
<b>Engineer</b>	<b>Dahlem, FR Germany</b>
	<b>ALL WORKS ENVISAGED BY THIS CONTRACT ARE COMPLETED AND DEFECTS LIABILITY PERIOD HAS EXPIRED.</b>

## PHASE IV

Water Supply and Sanitation Adriatic Coast IV encompasses construction of a joint WWTP for Kotor and Tivat for 72 000 PE.

<b>Kotor &amp; Tivat</b>	
<b>Description</b>	<b>Construction of a Joint WWTP for Kotor &amp; Tivat for 72.000 PE</b>
<b>Expected result</b>	<b>Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions</b>
<b>Contract value</b>	<b>€10,266 million</b>
<b>Contract start date and end date</b>	<b>23 January 2015 - 20 June 2016</b>
<b>Employer</b>	<b>PE "Water and Sewerage" Tivat and Kotor</b>
<b>Funding sources</b>	<b>KfW loan Euro 10,193.00 million Municipality's contribution Euro 73,751.00</b>
<b>Funding sources</b>	<b>KfW loan</b>

<b>Role of Vodacom</b>	<b>Project Executing Agency (PEA) (Project Management)</b>
<b>Engineer</b>	<b>GKW, FR Germany</b>
<b>Employer</b>	<b>WTE, FR Germany</b>

**PROGRESS:**

Following the Addendum 4 a signing on 30/08/2019 further activities on the contract continued. As the period of O&M of the WWTP by WTE expired, warranties for machinery and equipment were requested to be transferred to Employers.

The Engineer’s determination for the Snagging list was submitted on 04/09/2019 specifying both the removed and still remaining defects. Regarding the not remedied defects, it is specified that these are not relevant to the operation of the plant, and that this matter does not pose any debarring to the Employer. The estimated total amount to be paid by the Employer to procure and install or repair the assets in order to remove any defects that the Contractor has not removed, based on the snagging list is EUR 12,665.00. This amount is deducted from the final payment for the Contractor. On 23/08/2019 the Engineer had an on-site visit of the plant with the Contractor. The estimated total cost of the Employer to purchase the missing spare parts, when settled with the value of the additional spare parts is € 3,150.00. This amount shall be deducted from the final payment to the Contractor.

The report on the fourth “test on completion” was submitted on 12 September 2019 and the testing was evaluated as successful. Vodacom asked if the Contractor needed to be paid the full amount for the staff training and winter testing, and the Engineers responded in the letter of 16/09/2019. The letter states that both the training and winter testing issues are not the Contractor's fault and both amounts will be certified to the Contractor through the Final Certificate. The Performance Certificate was issued by the Engineer on 18/09/2019. The revised draft Addendum 4, which will be subject of extension of WTE after 01/12/2019 was submitted to Vodacom for review on 20/09/2019. After processing the draft Addendum by Vodacom, a meeting with representatives of the Employer will be organized in order to prepare the final version of the Addendum and submit it to the Contractor for consideration.



**WWTP for KO &TV**

**PHASE V (Component 1)**

Water Supply and Sanitation Adriatic Coast V (Component 1) is aimed at improving water supply and sanitation system in Ulcinj, implementation of immediate investment measures in Kotor, Tivat, and Herceg Novi, and construction of the sludge solar drying plants for Kotor, Tivat, and Herceg Novi.

<b>Ulcinj- Investment project</b>	
<b>Description</b>	<b>Stage I of the upgrade of water supply and sanitation infrastructure in Ulcinj:</b> <ul style="list-style-type: none"> <li>– Selection of the Implementation Consultant</li> <li>– Supply of installation material</li> </ul>
<b>Expected result</b>	<b>Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions</b>
<b>Contract Value</b>	<b>cca. € 20 million</b>
<b>Duration</b>	<b>2012</b>
<b>Funding Sources</b>	<b>KfW loan from Phase V, municipal budget of Ulcinj</b>
<b>Role of Vodacom</b>	<b>Project Management and Partner to the Consultant</b>

## **PROGRESS**

### **1. Inception stage - Implementation Consultant in Ulcinj**

Upon the completion of the tender procedure, a contract with the Consultant Hydrophil from Vienna was signed on 3<sup>rd</sup> of August 2016 in Ulcinj. The contract start date is 1<sup>st</sup> of September 2016.

The project is envisaged to be implemented in 3 stages. The first and second stage of about 18 months imply preparation of the detail design for reconstruction and extension of water supply and sewerage infrastructure and implementation of the tender procedure for the engagement of the Contractor. The 2 year long third stage refers to the supervision of the construction works.

As for the water supply system the detail design will include rehabilitation of karst springs and pumping stations, reservoirs and break pressure chambers, construction of reservoirs Djerane, Brajsa, installation of measuring points and SCADA system, construction of new pipelines with a focus on the main and distribution network of Donji Stoj. Smaller amount of funds will be committed to the wastewater system, for the rehabilitation of sea outfall Djerane, and faecal and storm water sewers downtown Ulcinj.

The Secretariat for the Protection of the Property of the Municipality of Ulcinj, in cooperation with the company in charge of the preparation of the study and Vodacom, prepared and submitted on 22 July 2019 the completed Real Estate Appraisal Request (included in the Land Parcellation Study) to the Real Estate Administration.

On 25 July 2019 KfW submitted its "no objection" to the tender documentation.

Vodacom, in cooperation with the Consultant, is preparing the text of the Announcement which will be posted on GTAI (Germany Trade and Invest) and in the daily newspapers in Montenegro.

In August, the Employer submitted amended Terms of Reference for 5 adaptation measures and

amended Decisions on the construction of local facilities of general interest with Terms of Reference of Reference for 9 project measures for the reconstruction and construction of new facilities. In August 2019, the designer immediately submitted the repackaged and adjusted documentation in digital form, for the design measures that were made in accordance with the Decisions on the construction of local facilities of general interest and the adaptation measure. Due to the perceived deficiencies in a number of project measures, Vodacom requested the Consultant to complete the same.

The Invitation to bids for the project in Ulcinj was published on the GTAI (Germany Trade And Invest) on 13 August, while the day after 14 August 2019 it was published in the daily newspaper *Pobjeda*.

Vodacom, in cooperation with the Consultant and ViK Ulcinj, organized a site-visit on 04 and 05 September 2019, during which a number of companies expressed interest in the implementation of the Project. The majority of participants expressed the need to extend the deadline for submission of bids, and this has been accepted, so that the new deadline was postponed by four weeks, i.e. by 28 October 2019.

On 13 September 2019, Vodacom was provided with a property valuation (incomplete expropriation). Following a thorough review of the said valuation prepared by the Commission formed by the Montenegrin Real Estate Administration, Vodacom identified certain deficiencies. After Vodacom's reaction, the Secretariat for Property Protection also reacted, and the Mayor sent a letter to the Valuation Committee, requesting the adjustment and completion of the said valuation, as well as completing the real estate valuation for full expropriation.

At the end of the reporting period, the KfW's auditor (Ms. Verena Pfeiffer) visited ViK Ulcinj, and the Municipality to learn about the degree of fulfillment of the three agreed milestones for the Project. After a detailed review of the information prepared by the ViK, the auditor indicated that the number of employees was above the defined limit, while at a meeting in the Municipality of Ulcinj she informed the Mayor that the debt to Vodacom had to be settled in the next several months (by the signing of the works contract). Ms. Pfeiffer also noted that the project milestone "Operating Cost Coverage" has been fulfilled.

In September, the Secretariat for public utility services and environmental protection, in cooperation with Vodacom and the Designer, resolved the problem regarding the lack of harmonization of the UT conditions, design documentation and the Land Parcelation Study for 16 project measures.

## **PROBLEMS**

The number of employees in ViK is still exceeding 120 (122 employees). Although the Management Board of ViK Ulcinj has adopted the systematization of the workplaces for 100 employees (which means that the conditions for reduction of the number of employees have been acquired), it is certain that without the significant assistance of the Municipality, a milestone for reduction of the number of employees to 120 will not be fulfilled, which is a prerequisite for tendering, i.e. for continuing implementation of investment project.

In view of the Project, the number of employees in ViK Ulcinj i.e. 120 employees up to August 2017 (requirement for the selection of the Contractor), and 100 employees (before the contract signing). remained the only milestone that has not been achieved for continuing the investment project in Ulcinj.

In addition, ViK Ulcinj has been faced with an additional problem: the lack of qualified employees, especially in the technical sector, which brings into question the ability of ViK to monitor and implement future investments in a high quality manner.

Assessment of the Real Estate for the purpose of providing funds for the needed expropriation has still not been completed. According to the unofficial rough estimate the expropriation process will require approximately € 900.000,00. In the event that the funds are not provided in a timely manner,

it is certain that the selection of the Contractor will be further prolonged.

**PLANS FOR UPCOMING PERIOD:**

In October 2019, the Consultant and the responsible Reviewer shall submit to the Municipality certified, repackaged and adjusted digital and hard copies of the project measures, which have been prepared in accordance with the Decisions on construction of local facilities of general interest, with the accompanying Reports.

In October, the designer needs to deliver electronic versions of repackaged and supplemented design measures (16) prepared in accordance with UT conditions. Real Estate Administration should submit the property valuation (complete and incomplete expropriation) carried out in accordance with UT conditions.

In October, the Real Estate Administration needs to deliver valuation of property (complete and incomplete expropriation), prepared in accordance with the requirements of the Secretariate for protection of property.

The bid opening procedure, with post-qualification eligibility requirements is scheduled for 28-29 October 2019.

## Kotor, Tivat, Herceg Novi

<b>Description</b>	<b>Implementation of urgent investment measures for Tivat, Kotor and Herceg Novi</b>
<b>Expected result</b>	<b>Implementation of urgent investment measures in water supply and sanitation system and improvement of environmental conditions</b>
<b>Value</b>	<b>Tivat - Contract with Jedinstvo for mandatory works - €1,912,970.21; Optional works - €845,079.3 Kotor - Contract with Jedinstvo for mandatory works € 734,704.07; Optional works €152,817.43</b>
<b>Commencement date and end date</b>	<b>Tivat - 15/01/2018, 456 calendar days, including interruption during the tourist season from 01/06 to 01/09 Kotor - 5/02/2018, 243 calendar days, including interruption during the tourist season from 01/06 to 01/09</b>
<b>Employer</b>	<b>ViK Tivat and ViK Kotor</b>
<b>Funding Sources</b>	<b>Tivat - KfW loan Phase IV in the amount of € 174,171 and Phase V2 in the amount of €2,583,879.00 Kotor - KfW loan Phase IV in the amount of € 615,900 and the own contribution of the Municipality of Kotor in the amount of €271,621.00</b>
<b>Role of Vodacom</b>	<b>Project Executing Agency (Project Management)</b>
<b>Consultant</b>	<b>Fichtner</b>
<b>Contractor</b>	<b>MPP Jedinstvo</b>

**PROGRESS**

In September there were regular progress meetings to monitor the work of the Contractor on the sites in Kotor and Tivat.

**GUARANTEES LOT 2-Kotor:**

- Payment Guarantee - valid until 28/07/2018, extended by 31/03/2019 DNP is in progress, and the insurance policy covers this period
- Advance payment Guarantee – repaid.
- Performance Guarantee - valid until 14/05/2020

**PAYMENTS LOT 2-Kotor:**

Payments made to date:

Total paid amount including VAT (including also advance payment): €887.832,78;

KfW's loan (Phase IV) €615.900.00;

Municipal contribution (excluding VAT) €228,913.00.;

Municipal contribution (including VAT) €43,019.72.

The works in Kotor came to a close and the taking over certificate has been issued. Upon removing certain number of defects and issuing of the Final Payment Certificate it is expected to complete the contract.

The works in the Municipality of Kotor have been completed and Taking Over Certificate has been delivered on 07/06/2019. The certificate stated that the works were taken over and put into operation on 17/04/2019. The defects have been eliminated, and a semi-annual report of the Consultant for the executed works in Kotor is expected. There were open issues regarding the claim by the Employer and the Contractor.

**GUARANTEES LOT 1 - Tivat :**

- Payment Guarantee - valid until 26/02/2019, extended until 30/05/2019. DNP is in progress, and the insurance policy covers this period
- Advance payment Guarantee – valid until 27/03/2020
- Performance Guarantee - valid until 27/06/2020

**PAYMENTS LOT 1- Tivat:**

Payments made to date:

Total paid amount (including advance payment): €1,601,581.13:

KfW's loan (Phase IV) €174,171.33

KfW's loan (Phase V2) €1,427,409.80

Municipal contribution (VAT) 0 €

KfW has provided its No-objection for Addendum 8 and it was signed with the Consultant. In September the Consultant delivered completed detailed design for Gornje Seljanovo, which production was the subject of Addendum No 8. Detailed designs for both settlements, Gornji Kalimanj and Gornje Seljanovo have been delivered to the Contractor and he is expected to deliver its proposal in order to enable continuation of the works on these measures. Two Addenda have been prepared, i.e. Addendum No 2 for the Contractor for continuation of the works for new measures and Addendum No 10 for the Consultant's services during works execution.

## Kotor, Tivat, Herceg Novi

<b>Description</b>	<b>Construction of Sludge Solar Drying Plants for Kotor, Tivat and Herceg Novi</b>
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<b>Funding sources</b>	<b>KfW grant for project preparation KfW loan for investments</b>
<b>Consultant</b>	<b>Consultant for project preparation - Dahlem</b>

#### **PROGRESS**

The implementation of the SSDF has been postponed for the time being due to lack of cost-effectiveness caused by smaller quantities of sludge produced at the WWTP as compared to the anticipated ones.

Over the following period the Municipality of Kotor and the Municipality of Tivat should harmonize and adopt a common attitude regarding solving the sludge disposal problem.

## **PHASE V (Component 2)**

Water Supply and Sanitation Adriatic Coast V (Component 2) is aimed at systematic upgrade of the water supply and sanitation system and improvement of environmental protection conditions in Kotor, Tivat, and Herceg Novi.

<b>Kotor, Tivat, Herceg Novi</b>	
<b>Description</b>	<b>Water Supply and Sanitation Adriatic Coast</b>
<b>Expected result</b>	<b>Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions</b>
<b>Project Description</b>	<b>Implementation of long-term investment measures for TV, KO, HN Development of Feasibility Study</b>
<b>Role of Vodacom</b>	<b>PEA-Project Management</b>
<b>Consultant</b>	<b>Consultant for Feasibility Study, Fichtner (Germany)</b>
<b>Start date</b>	<b>July 2014</b>

#### **PROGRESS**

##### **Implementation of long-term investment measures for TV, KO, HN**

All 3 Municipalities have adopted Municipal Assembly's decisions to take the loan. The Municipality of Tivat decided to take Euro 11 million loan, the Municipality of Kotor Euro 5.8 million, while the Municipality of Herceg Novi made decision to take Euro 10 million from Phase V2 loan. The on-lending agreement with the MF for the funds of Phase V2 have been signed by the municipalities.

The international PQ procedure for the selection of the Implementation Consultant for Phase V-2 – Tivat, Kotor and Herceg Novi is finalized. The Implementation Consultant will be in charge for development of detailed designs, the tender documents and implementation of the international tender procedure for the selection of contractors (under FIDIC Pink Book) and supervision over the construction.

The investment measure for the construction of the sewerage network for Risan and Perast settlements (including transmission sewage pipeline leading towards the settlement Muo) was nominated by the Municipality of Kotor in cooperation with MoSDT for a grant support under the 3<sup>rd</sup> Call for Proposals by the Western Balkans Investment Framework (WBIF). In early December 2018 there was a meeting of the Steering Committee of WBIF when it was evaluated that yisan/Perast project will have a significant impact to the quality of environmental protection in the Boka Bay and

contribute to its economic development. The project received a positive opinion in the screening process carried out by the European Commission, and a grant in the amount of Euro 4.5 million was awarded for financing the construction of the sewerage network in Risan and Perast whereby the priority issue of collection of wastewater in these coastal settlements will be solved.

Addendum No 4 between Vodacom and consulting company Fichtner has been signed. This Addendum is related to the preparation of Detailed designs for rehabilitation, improvement and extension of the water supply and sewerage network for Risan/Perast (settlements Stoliv, Prčanj and Muo are included as optional item).

Addendum No 6 was signed by Vodacom and the Consultant. The contents of Addendum No 6 refers to the preparation of the detailed design for improvement of the water supply system on the Muo-Prčanj-Stoliv Section, as well as the preparation of the EIA Study, which includes selected measures for the preparation of detailed designs within the services of Addendum No 4 and Addendum No 6.

At the very beginning of the implementation of the projects covered by Addendum no. 4 and Addendum No 6, the Employer (Municipality; ViK Kotor) has decided to split the project documentation into 8 project packages (detailed designs), in order to enable phased financing and implementation of the Project in the following period.

In September, the Consultant (Fichtner) continued its submission of design volumes (detailed designs), which are the subject of Addendum No. 4 and Addendum No 6.

In addition, representatives of ViK Kotor and Vodacom continued submission of comments on the submitted design books and well as on the final Inception Stage report of Addendum No 4 and Addendum No 6.

The tender procedure for the selection of the Consultant for the implementation of Phase V2 commenced in early September. The Tender Evaluation Committee (composed of representatives of all three Municipalities, Vodacom and KfW's tender agent) evaluated all the submitted technical bids. The Tender Evaluation Report has been prepared and submitted to KfW for NO. Upon receiving KfW's NO, the Tender Evaluation Committee will evaluate the submitted financial bids.

Regarding the review of the detailed designs, which are the subject of Addendum No 4 and Addendum No 6, Vodacom has signed an Agreement with Sun Invest d.o.o. Budva. There is an ongoing process of submission of detail design volumes to the responsible reviewer. On the other hand, responsible reviewer submitted its preliminary reviewer's report for certain design volumes delivered by the Designer in the past month. The audit consulting services will be financed from the KfW loan under the Phase V2.

Considering that the submission of proposals, suggestions and comments on the Draft Spatial Urban Plan of the Municipality of Kotor is still in progress, representatives of Vodacom informed the company in charge of production of this Plan that the preparation of the detailed designs for the rehabilitation, improvement and extension of the water supply and sewerage network in the settlements of Risan and Perast (including the sewage transit system towards Muo settlement) and the detailed design for improvement of the water supply system on the Stoliv-Prčanj-Muo section is in the final phase and that the Plan is necessary to anticipate the aforementioned extensions of the water supply and sewerage network. In addition, the lines of the planned water and sewer pipeline have been provided to this company.

Furthermore, in September, there was a meeting with representatives of the Directorate for Transport, the Municipality and ViK Kotor. The aim of the meeting was to resolve outstanding issues related to the implementation of the design measure exclusion of drainage water from the gravity sewer pipeline in tunnel Vrmac tunnel, as well as implementation of the Risan / Perast Project.

## Kotor, Tivat, Herceg Novi

<b>Description of the project</b>	<b>Accompanying Measures: "Sustainable Operation of WWTPs"</b>
<b>Project aim</b>	<b>The long-run proper management of the WWTPs</b>
<b>Value</b>	<b>2 mil. €</b>
<b>Start date</b>	<b>August 2015</b>
<b>Funding sources</b>	<b>KW's grant</b>
<b>Role of Vodacom</b>	<b>PEA</b>

Upon the initiative of Vodacom, KfW has engaged an expert to make an appraisal of the specific needs and basic information for Accompanying measures for the sustainable operation of WWTPs in the coastal region of Montenegro, being financed under the German Financial Cooperation with Montenegro, through KfW.

Accompanying measures financed from KfW grant consist of three components:

1. Implementation of the training program for the staff for the O&M of the WWTP and sewerage systems.
2. Support by international experts provided to Municipalities, ViKs, Ministry and Vodacom in connection with urgent aspects related to the sustainable operation of the WWTP, of which the most recognized problem is disposal of the sludge, and defining the operation model for WWTP Tivat/Kotor.
3. Supporting the establishment of the Service for regulated communal activities as a new sector within the Regulatory Agency for electrical energy, and establishment of the proper tariff methodology.

With regard to solving sludge disposal issue from WWTP Tivat/Kotor, the best and the most cost-effective option for WWTP Tivat / Kotor proposed by the Consultant is the construction of SSDF with recultivation of old landfills, dumpsite Lovanja (at the territory of Kotor and Tivat) and closed sanitary landfill Lovanja (territory of Kotor) with the use of sludge and soil.

As a possible manner of implementing the recultivation/rehabilitation Project, it has been established that the Local Waste Management Plan should provide the basis for the implementation of the given project, and it is necessary to envisage the use of the treated sludge for the rehabilitation of landfills and dumpsites, after which the Consultant for Phase V2 Implementation will prepare recultivation/rehabilitation Project, and an appropriate environmental impact assessment study.

In accordance with information received from the Secretariat for protection of natural and cultural heritage of the Municipality of Kotor, it is expected that the Local Waste Management Plan will be adopted upon solving disputable issue of identifying site for temporary storage of non-hazardous construction waste. Namely, the Plan cannot be adopted until the Municipal Assembly adopts the Decision on determining the location for the temporary storage of construction waste.

The report on the testing of land samples from the Lovanja - Sinjarevo landfill has been completed.

Upon series of meetings between KfW representatives, Vodacom and Employers (Municipalities of Herceg Novi, Kotor and Tivat) conducted with the aim of defining the future activities regarding the strategy for sludge disposal, the project measure related to recultivation/rehabilitation of

dumpsites by using sludge from WWTP Tivat/Kotor is included as optional item within the ToR for Phase V2 – Long term measures.

During the reporting period, a working group meeting (composed of representatives of two Municipalities and Vodacom) was held in order to elaborate on the relevant facts regarding the Project for Waste Landfill Recultivation/Rehabilitation using sewage sludge from Tivat/Kotor WWTP and further communication between the Municipalities and the competent Ministry.

At the working group meeting, Vodacom provided all relevant facts regarding the Project for Waste Landfill Recultivation/Rehabilitation using sewage sludge from Tivat/Kotor WWTP, for the purpose of technical support and detailed informing of the representatives of both municipalities on the subject matter Project, so that the Municipalities would send a joint letter to the MoSDT and take the final position on the implementation of the Project in question.

The Consultant provides support in the establishment of the Service for regulated communal activities, as new services within the Energy Regulatory Agency.

## Vodacom's activities on capacity development of water utilities

Bar, Herceg Novi, Kotor, Tivat, Ulcinj	
Description	Capacity development of water and sewage utilities
<p><b>PROGRESS</b></p> <p><b>1. Benchmarking</b></p> <p>In September Vodacom was collecting financial statements and gross balance sheets of ViK's for 2018 to start reviewing data used to calculate the key performance indicators of the ViK's business to produce the Annual Benchmarking Report for 2018. Monthly report for August 2019 has been produced and submitted to the MoSDT, Municipalities, ViKs, and benchmarking coordinators for the further use.</p>	