

NO 3343

# MONTHLY REPORT

**October 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>
<p><b>PROGRESS</b></p> <p>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.</p>	

Herceg Novi	
<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> <p><b>PROGRESS</b> The contract with Mass-Gintas was officialy 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> 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 stipuated 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> <li>• Retention Money Security – valid until 10/12/2018 – <b>this guarantee has been encashed</b></li> </ul> <p><b>PAYMENTS</b> 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 €</p>	

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

#### **ACTIVITIES**

On 7 October 2019 the Employer requested the Employer's Representative to instruct the omission of the grit blowers services, thus taking this off the snagging list. The instruction was issued to the Contractor on 17 October 2019.

- On 25 October 2019 the Contractor submitted the technical specifications for the oil and air temperature sensors. By the end of the reporting period those specifications were under review by the Employer's Representative.
- The Employer's instruction requested by the Employer's Representative on 6 August 2019 to replace the rubber compensators on the pressure side of the pumps by FF pieces is still pending.
- The Employer sought a proposal from the Contractor for actuator repairs without consulting the Employer's Representative. This proposal was given to the Employer on 25 September 2019.
- On 7 October 2019, the Employer requested the Engineer to notify the Contractor that the Employer wants, subject to KfW's NO, to instruct variation to the Contractor after taking over of the works for (i) replacement one damaged/stuck actuator on the wet weather system flow, i.e. knife valve actuator for SBR tank No 4, based on Contractor's bid P19-137-1, dated 25/09/2019, and (ii) replacement of one damaged stuck actuator on the dry weather flow system, i.e. a knife valve actuator for SBR tank No 3, based on Contractor's proposal P19-137-1, of 25/09/2019. The Engineer also requested the Contractor to provide details and an overview of the individual prices in the offer for a.) delivery, b.) assembly, and c.) testing, and to prove by calculation the correct dimensions of the selected Auma Norm devices and to submit technical specifications as supporting documentation. The Contractor is also informed that, as the supervision services for this Green Book Contract expire on 31 October 2019, the Employer also wants an additional proposal to (i) remove one actuator from the wet weather system flow in SBR No 2 and its assembly in place of damaged / stuck actuator in SBR No.4 and (ii) removal of one actuator from dry weather flow system in SBR No.2 and its mounting in place of the damaged / stuck actuator in SBR No.3, plus (iii) defectation, and, if possible, repair of the two removed actuators. There was no response of te Contractor by the end of the reporting period.

#### **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 were extended until 31 October 2019. A further extension up to 30 November 2019 is under discussion.

The KfW agreed to provide additional funds and the amount stated in the Agreement will change by Addendum No1 from EUR 128,620.00 to the new amount of EUR 154,011.00 by adding EUR 25,391.00 for additional cost, caused by unforeseeable repair needs for the blowers and other essential plant and equipment on the WWTP. The addendum for this was prepared by the Employer's Representative.

During a meeting on 4 October 2019 the Employer requested information about the remaining budget. On 8 October 2019 the Employer's Representative provided the figures to the Employer.

Initial agreement amount: € 128,620.00

Increase (draft addendum 1): € 25,391.00

New agreement amount: € 154,011.00

Total amount of work done: € 135,599.50

Remaining budget: € 18,411.50

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

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

##### **BASIC DATA**

Initial Accepted Contract Amount excluding VAT: € 86,484.00

Initial Accepted Contract Amount including VAT: € 104,645.64

Contract Signature Date 14/05/2019

Commencement Date: 26/06/2019

Initial Time for Completion: 85 days

Revised Time for Completion (addendum to be signed): 127 days

Initial Contract Completion Date: 19/09/2019

Revised Contract Completion Date (addendum to be signed): 31/10/2019

##### **ACTIVITIES**

The successful test protocols for the decanter testing with installed clamps in SBR # 1 were submitted to the Employer on 24 October 2019.

Both decanters in SBR # 3 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. The Employer's Representative downloaded the auma drive manual in Serbian language and provided it to the WWTP operator. All actuators were then checked and the results given to the Employer's Representative.

On 11 October 2019 the Employer's Representative provided the Employer with the interpretation of the results.

Quote

"Dear Mrs Djakovic,

Dahlem's staff member Mr. Jovanovic received from the WWTP the attached document. It shows torques recorded at all decanters in all SBR tanks, both for lifting and lowering, having different gear. The torques recorded for the unmodified SBR 2 and SBR 4 decanters show noticeable differences although

having similar gear. In SBR 2 all decanters are without hoses and in SBR 4 all decanters still have the PVC hoses. The lowering torques for the SBR 2 decanters spread from 0 to 12 Nm and the lifting torque from 8 to 18 Nm. Decanter # 2 shows the highest values (lowering 11 to 12 Nm and lifting 16 to 18 Nm) and decanter # 1 the lowest (lowering 0 to 4 Nm and lifting 8 to 12 Nm). One may conclude that the decanters have different mechanical resistance and this is reflected in the torques. In case the Employer wants to use parts from SBR 2 decanters for replacement to other decanters one should consider to harvest those from decanters # 1 and # 3, because these two show the most favorable torques and the lowest mechanical drag. We also have been provided information that albeit the lifting torque limit for SBR 3 decanter # 2 is set to 30 Nm, i.e. the maximum, the AUMA drive stops due to over-torque. If this is confirmed, then this is the information needed to decide that the SBR 3 decanter # 2 drive with spindle should be replaced. Looking into SBR 4 we see potential identical problems with decanter # 3 as with SBR 3 decanter # 2. Here one could either replace drive and spindle as in SBR 3 or choose to change installation of the new hoses from decanters # 2 and # 3 to # 2 and # 4 having the lowest recorded torques. Unfortunately, still company Ening did not submit a proposal for the replacing work although being constantly reminded by Biogest and Dahlem. Our approach towards CMC was to no avail either, because CMC for the time being has got no resources available for this work. If by Monday 14 October 2019 no proposal will be submitted, we have to request Biogest to continue work in SBR 4 and then to complete SBR 1. We still believe replacing the SBR 3 decanter # 2 drive with the attached spindle could be makeable in joint forces even without company Ening in the worst case. We are waiting for your kind response and support to this approach.”

Unquote

The Employer agreed to dismantle one actuator with spindle from SBR # 2 and with this to replace the overheating actuator with spindle in SBR # 3. The Employer's Representative requested the Contractor to submit a proposal for this which was received on 15 October 2019 at a price of EUR 1,500.00. On 16 October 2019 the Employer agreed and the Employer's Representative instructed the Contractor on 17 October 2019 with the varied work. Work in SBR # 3 was completed and wet tested successfully on 30 October 2019 with the additional clamps installed.

In SBR # 4 on 22 October 2019 all actuators were tested before work commenced in order to gather information concerning the existing conditions like torque and overheat. On 24 October 2019 the Employer's Representative addressed the Employer that albeit the system with new hoses and clamps proved to work properly with the existing actuators, the actuators in SBR # 4 show over torque and overheat even before installation. It was at that time understood that decanter # 2 and # 4 appear being most suitable. The Employer's Representative advised that the WWTP electrician should check and if necessary, adjust the thermistor control settings. In order to complete work the Employer was asked to decide to i) install the hoses with clamps to decanters 2 and 4 while at the same time investigating and adjusting the thermistor control settings, or ii) not to install any hose in SBR 4 since two SBRs are fully equipped and to hand over the material to the WWTP operator.

On 25 October 2019 the Employer responded that

Quote

“...the test results of decanter operation in SBR tank no. 4, as the results are quite confusing, please re-examine the work of these decanters in SBR4 tank. The plant operator has done internal testing and the results are different from the official ones, so we ask that they should be tested together again with all parties. At the joint meeting we had at the WWTP, you stated that for the SBR tank, the best option is to operate decanter no. 2 and no. 3, and that the alternative is to work No.1 and No.4. Please explain how you are now proposing that decanter no. 2 and 4? What would be the consequences of operating an SBR tank outside the recommended configuration?”

We continue to consider the possibility of transferring one correct AUMA from SBR2 to decanter no. 3 in SBR 4. The option to switch operations to an SBR1 tank with an SBR 4 tank is unacceptable to us at this time.”

**Unquote**

On 26 October 2019 the Employer's Representative replied to the Employer

**Quote**

"Please allow us to note that for both the Contractor and the Consultant the examination of the decanters is extra contractual work/service under the Green Book 3 Contract and done out of professional courtesy. We are happy to carry out the testing once again together with the WWTP operator to help the Employer to take a decision, but we have to advise you that supervision services will cease on 31.10.2019 and that there may not be sufficient time. You state correctly that we advised in the beginning of this Green Book Contract that the best option for an even surface decanting is to make use of the two decanters in the centre of the SBR, i.e. decanters 2 and 3. In the situation at hand where exactly those decanters 2 and 3 are showing signs of mechanical malfunction and/or actuator problems this option is not available and alternatively decanters 2 and 4 may be used. This will save time and cost. One of the two decanters suggested is located in the corners of the SBR and this is the place where under certain wind conditions scum may accumulate. The relocation of another actuator will cost additional time and money and may not be feasible due to time restrictions, i.e. end of Contract and supervision services. Concerning switching the SBR we respectfully draw your attention to the detailed description provided to you and the WWTP operator.

Please allow us by Monday, 28.10.2019, to to i) install the hoses with clamps to decanters 2 and 4 while at the same time the WWTP operator shall investigate and adjust the thermistor control settings, or ii) agree not to install any hose in SBR 4 since two SBRs are fully equipped and to hand over the material to the WWTP operator."

**PROGRES**

**SBR 1**

Hoses' installation complete.

Dry testing successful.

Clamps installed.

**SBR 3**

Hoses' installation complete.

Dry and wet tests successful.

Clamps installed.

**SBR 4**

Preparatory testing..

**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 Claim against the Contractor due to a malfunctioning of the system. We ask for an emergency meeting to consider this option." [sic].

On 30 September 2019 the Employer without informing the Employer's Representative wrote to the Contractor

**Quote**

"Dear Mr. Heuer,

since we have been dealing with decanter hose problems for a long time now at WWTP in Herceg Novi, please inform us about the facilities or installations where such hoses manufactured by you are installed."

**Unquote**

The Contractor replied on 1 October 2019 with the Employer's Representative in cc as follows:

**Quote**

"Dear Mrs. Dakovic,

With respect to your yesterday's e-mail regarding the stainless steel hoses, which we fabricated for WWTP Herceg Novi, I would like to provide you with my answers as follows:

- Several months ago (spring 2019) we were contacted by the engineering office of Dahlem with the request if we would be ready and able to participate at an European tender for fabrication and installation of new clear water decanters, which shall replace the existing systems in WWTP Herceg Novi. The main problem was caused by permanently damaged hoses, which are connecting the inlet box with the outlet.
- During the discussion about technical conditions and time schedule we came to the result that it is nearly impossible for any participant of a tender to deliver new decanters before end of year 2019 – under consideration of the typical procedure of a European tender according to FIDIC-regulations including financial arrangements.

Consequently, an alternative solution was discussed, resulting in the idea to replace the existing plastic hoses of the installed decanters by another type of hoses and by use of a material, which is stronger and more reliable compared with the plastic construction, which were delivered by the Turkish manufacturer.

- Together with a German specialist for stainless steel hoses we developed a special construction for a hose concept, which should fulfill the described task and which should guarantee a long-term reliable operation.
- As a result of technical evaluations, dry tests in our workshop and consultancy discussions with experts, we designed the stainless steel hoses, which are now to be installed in your wastewater treatment plant.
- During the first wet test in one of the SBR-tanks it was acknowledged, that the buoyancy of the not with water filled hose was stronger than the weight of the steel hose.
- We immediately came to the result that the hoses must be equipped with additional weights preferably as a combination of a double-clamp and weights, which are compensating the upright directed forces.
- We produced these clamps with highest priority and installed three of them at one pair of the installed hoses.
- During a following wet test it could be proved that the measure was successful and that the hoses are now fulfilling their task. Now we are proceeding with highest priority to install the residual clamps at all hoses – in coordination with the management of WWTP.

Please accept our explanations and please understand that the hoses are not a standard equipment of Biogest

International GmbH but a product, which was specifically developed and designed only for WWTP Herceg Novi with the objective to improve the present situation and to help that in future the discharge of treated wastewater by use of the modified existing decanters are performed successfully.

Please feel free to contact Mr. Heuer again if any questions arise and shall be discussed.”

Unquote

It must be noted that the Contract signed is a FIDIC Green Book contract for manufacturing, delivery and installation of replacing hoses providing a guarantee on the material and no functional guarantee for the decanter system like under a FIDIC Yellow Book contract. This was subject to meetings during tender preparation and review by the stakeholders and at that time the material guarantee proposed by the bidder with 6 months was upon request of the ViK increased to 12 months

## **PAYMENTS**

On 25 June 2019 the Contractor received EUR 25,945.20 as advance payment. Upon delivery to Site the Contractor submitted a statement and on 31 August 2019 the Engineer certified EUR 48,087.36. Payment due date was 13 September 2019 which was not respected. Payment took place on 4 October 2019.

## VARIATIONS

Variation Order No 2 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. Although the clamps were delivered and installed and the price reduced by 25% for HOOH, the Employer rejected the Variation.

## 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

The proposal for the PS Zelenika repair was approved by the Employer and on 2 October 2019 instructed to the Contractor. Repair is under progress. The ViK was claiming that a cooling water leakage caused the EDG of PS Zmijice to stop. The Engineer inspected and found no leakage and the cooling water tank filled. Instead it was found that the fuel level was very low and the Engineer advised the Employer to check all its pumping stations.

On 4 October 2019 the Employer addressed a serious problem at PS Kumbor North. The Contractor and the Engineer

reacted prompt and on the same day the Engineer wrote to the Employer

Quote

"Dear Mrs Djakovic,

PS Kumbor and Kumbor North are back online.

It appears, that PS Kumbor North has a defect low low float switch a far as we could investigate until now. The low low

stopped Kumbor North and fill it up to high high and this high high transmitted to the upstream PS Kumbor to stop too.

ViK started PS Kumbor manually as we learned and increased the pressure in the already filled Kumbor

North section.

This then caused the extreme spill out and the asphalt damage.

The defect low low switch will need to be replaced and the Contractor will repair the damaged surface.”

Unquote

A new low low switch was ordered for replacement.

The dry chamber at PS Zmijice was flooded from surface run-off water and this caused an electrical defect to the junction box in this chamber. The chamber was pumped out and the PS put back into operation. One pump had to be taken out of operation due to over current and the Contractor was instructed to search. The Contractor provided a proposal to replace the covers. This was not approved by the Engineer at additional cost to the Employer. A dry chamber flood alarm was suggested to be installed which shall be discussed with the Employer. The ATS contactor was damaged due to over current and the replacement was ordered.

The Engineer carried out a thorough inspection on all pending defects and snagging list items and summarised this in a letter to the Contractor, dated 9 October 2019. The progress fell behind the agreed deadlines and the Contractor was requested to expedite remedy work and informed that the Employer may consider action under Sub-Clause 11.4 [Failure to Remedy Defects].

On 17 October 2019 the Engineer invited for DNP meeting # 2 to take place on 5 November 2019.

On 19 October 2019 the Contractor submitted the Statement at Completion.

On 23 October 2019 the Contractor informed all pumps at riviera are back online.

## PROGRES

The Contractor was working on the Statement at Completion and some items on the snagging list.

## GUARANTEES:

- Payment security- expires on 01/07/2019; for employees it expires on 25/06/2020.
- Advance payment Guarantee – expired on 01/06/2017 – the advance has been repaid.
- Performance Guarantee - valid until 31/12/2019.

## VO

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## PAYMENTS

Payments to date(including advance payment and VAT): €23,367,069.84

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) 4.455.503,39 €

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</li> </ul>

	<p><b>outfall "Sutomore"</b></p> <ul style="list-style-type: none"> <li>- <b>1 reservoir "Susanj 2"</b></li> <li>- <b>Additional measures: "New Project Concept in Bar"</b></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>
<p><b>ACTIVITIES</b></p> <p>The DNP for the main Contract ended on 31.10.2019. All known and notified defects were remedied by the Contractor to the satisfaction of the Employer/Engineer. According to Sub-Clause 14.9 [Payment of Retention Money] of the Contract, the outstanding balance of the Retention Money shall now be certified by the Engineer for payment to the Contractor.</p> <p>Section 1 – Pipe to Sveti Ivan</p> <p>The DNP started on 27 August 2019. Up to the end of the report period no defects were notified.</p> <p>Section 2.1 - PS Volujica</p> <p>The Works commenced with the construction pit. A further meeting took place for the pending power supply design. Pumps and screen were delivered to the Site.</p> <p>Section 2.2 – Zaljevo Water Supply</p> <p>The as-built drawings and the as-built and maintenance design were submitted. The DNP started on 27 August 2019. Up to the end of the report period no defects were notified.</p> <p><b>PROGRESS</b></p> <p>Main Contract:</p> <p>DNP ended on 31 October 2019. All known and reported defects have been removed to the satisfaction of the Employer/Engineer. Use permits not issued for B18, B20, B21, B22, B23, B24, B25, B26, B27, B29, B30 and B34</p> <p>SC 11.1 notices remedied</p> <p>Section 1</p> <p>DNP commenced on 27/08/2019. There were no defects identified by the end of the reporting period.</p> <p>Section 2.1 – Works commenced on the excavation of construction pit; pumps and grids have been delivered to site. Electrical supply design is under development. The revised time schedule has been delivered.</p>	

Section 2.2  
DNP ongoing

**VO**

Variation Order # 20 - Odour treatment design for PS Volujica – proposal reviewed and not approved  
Variation Order # 21 - Update of the design for B12 Distributive Water Supply Network in Susanj – proposal withdrawn by Contractor

**ADDENDA**

Addendum No 10 for improved cash-flow and extension of Time for Completion for Section 2.1 drafted.

**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:**

The Contractor confirmed payment under IPC # 16. On 16 October 2019 EUR 9,468.76 and on 29 October 2019 EUR 148,018.84 were paid to the Contractor's account. Payment due date was 14 October 2019.

Payments executed to date:

Total amount (incl. Advance payment, VAT not included): € 8,719,661.16

KfW loan (Phase III) € 7,953,468.59

KfW Grant € 155,750.00

Municipalities own contribution € 610,442.57

Municipalities own contribution (VAT) € 135,906.82

<b>Bar</b>	
<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 ) 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>	

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.

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.

<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:**

Application for the Final Payment Certificate from WTE was received on 01/10/2019. In addition, on 02/10/2010 WTE sent request for the return of performance and retention money guarantee. On 02/10/2010 the Engineer confirmed the receipt of request for Final Payment Certificate and announced its procession, and after that the official letter on this issue has been sent. On 08/10/2019 the request for return of the performance and retention guarantee was prepared by the Employer, ViK Kotor and ViK Tivat which has been taken over by the Contractor WTE on 15/10/2019. On 17/10/2019 Vodacom was made aware of the Job Vacancy announcement, which was published on 27/09/2019, and open for 8 days. No staff recruitment at the plant was performed during October. On 22/10/2019 the Contractor submitted a draft Final Certificate to the Engineer that will be sent to Vodacom for further processing towards the Employers. Addendum No 4 which need to define the continuation of O&M of the plant by the Contractor, has been amended several times and the final draft was agreed between Vodacom and the Consultant on 24/10/2019 and sent to Employers for suggestions and comments. The aforementioned draft Addendum No 4 defined between Vodacom and the Employer at the meeting in the offices of the Municipality of Tivat held on 30/10/2019. The agreed Addendum No 4 was then forwarded to the Consultant for comments and suggestions, and it was referred to the Contractor for further procedure.



**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>	<p><b>Stage I of the upgrade of water supply and sanitation infrastructure in Ulcinj:</b></p> <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>
<p><b>PROGRESS</b></p> <p><b>1. Inception stage - Implementation Consultant in Ulcinj</b></p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	

The Announcement of tender procedure was posted on GTAI (Germany Trade and Invest) website on 13/08/2019, and the day after on 14/08/2019 it was published in the daily Pobjeda.

In late September, Ms. Verena Pfeiffer the KfW's auditor 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).

In late October, there was an audit of the real estate assessment for complete and incomplete expropriation. The total assets (estimated based on the draft assessment) needed for the fair compensation for the of the privately owned real estate amount to Eur 400,000.

The bid opening procedure was held on 28/10/2019 The tender documentation was purchased by 21 interested bidders. The bids were submitted by 8 bidders, of which three were incomplete or improper.

### **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 107 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 € 400.000,00. 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 November 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 November, 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 November, the Bids opening committee is supposed to carry out opening and evaluation of technical proposal (envelope II) of the companies that have fulfilled all conditions defined in teh PQ (I envelope).

The Municipality of Ulcinj is supposed to determine the possibility of securing funds needed for expropriation (partial and complete) in the current year.

## 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 October 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. On the 9th of October 2019 there was a meeting in the Municipality of Kotor held between the Employer, the Contractor, Vodacom and the Engineer and it was aimed at reaching agreement regarding claims for damages in Phase V1 for the Municipality of Kotor. After discussion it was concluded that the Contractor will waive its claims, that neither party will refer the dispute to DAB, and that the Employer will charge delay damages in the amount of Euro 16,000. After the expiration of the DNP period, the Performance Certificate will be issued and the contract will be completed. On 10/30/2019 a revised Determination was submitted by the Engineer, according to which the Contractor is granted additional days to complete the work. By this determination, date 09/03/2019 was defined as the date for completion of the works.

**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 €

On 09/10/2019 the Contractor submitted an offer for the works in the settlement Gornje Seljanovo, while on 10/10/2019 they submitted an offer for the works in the settlement Gornji Kalimanj. The final amounts in the Contractor's proposal were higher than expected, so the said proposals required a detailed analysis as well as negotiations with the Contractor. After a detailed analysis, it was found that the proposal submitted by the Contractor was significantly higher than the amount foreseen by the Consultant. Due to changes in the unit prices in relation to the main contract, intensive negotiations were carried out with the Contractor in October in order to harmonize the rates and implement these investment measures. On 23/10/2019, there was a meeting with the Employer (ViK and the Municipality of Tivat) to discuss unit prices, while a meeting with the Contractor was held on 25/10/2019. In addition, on 29/10/2019 there was an additional meeting with representatives of the Contractor in order to agree on unit prices and adjust their proposal for works in the settlements of Gornje Seljanovo and Gornji Kalimanj. It is concluded that after adjusting the unit prices, the Contractor will submit a revised proposal by Friday 01/11/2019.

## Kotor, Tivat, Herceg Novi

<b>Description</b>	<b>Construction of Sludge Solar Drying Plants for Kotor, Tivat and Herceg Novi</b>
<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>
<p><b>PROGRESS</b></p> <p>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.</p> <p>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.</p>	

## 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>
<p><b>PROGRESS</b></p> <p><b>Implementation of long-term investment measures for TV, KO, HN</b></p> <p>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.</p> <p>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.</p>	

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, Prcanj 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-Prcanj-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 October, 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 commenting the submitted design volumes, and the final Inception Stage report of Addendum No 4 and Addendum No 6.

With regard to review of detail designs which are the subject matter of Addendum No 4 and Addendum No 6., the responsible reviewer (Sun Invest) has been constantly receiving certain design volumes for the review. The responsible reviewer has submitted the preliminary reviewer's reports for certain design volumes which were delivered by the Designer over the previous month. The consultancy services for the review will be financed from KfW loan within Phase V2.

The tender procedure for the selection of the Consultant for the implementation of Phase V2 is in progress. 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 received NO from KfW. the Tender Evaluation Committee will evaluate the submitted financial bids.

In addition, the Tender Evaluation Committee commenced evaluation of the submitted financial bids. There was an arithmetic check of the submitted financial proposals. The Consultants received request for the submission of additional documentation. The Consultants received request for the submission of additional documentation, and they submitted these documents. In the following period it is expected to complete the Evaluation report in order to receive KfW's NO and commence contract negotiations with the selected Consultant.

Taking into account that for the submission of proposals, suggestions and comments to the draft Spatial Urban Plan of the Municipality of Kotor is still in progress, there was a meeting held between representatives of the company in charge to produce this plan (BusinessArt), Municipality of Kotor, Designer (Fichtner), responsible reviewer (Sun Invest), and Vodacom. At this meeting it was found out that the plan needs to envisage extension of water and wastewater systems, and the required steps for the establishment of legal preconditions for implementation of the subject matter projects, as well as the strategy for the quality implementation thereof.

## 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.

During the previous month, there was a joint meeting with representatives of the Municipality of Kotor and Tivat to address outstanding issues related to the implementation of the recultivation/rehabilitation of dumpsites using sludge from Tivat / Kotor WWTP, as well as the Project for the Construction of SSDP. After detailed consideration of all relevant facts, representatives of the Municipality of Kotor and the Municipality of Tivat agreed that the project measures recultivation/rehabilitation of dumpsites and construction of SSDP should not be considered a solution for disposal of sludge from WWTP Tivat/Kotor at the site of the dumpsite Sinjarevo (Lovanja 1). They consider it necessary to find alternative long-term solutions that would be environmentally friendly and financially viable for both municipalities. Therefore, it is necessary to exclude the implementation of the project measures in question from Phase V2 ToR.

It is planned that representatives of both municipalities will send a letter to the MoSDT to inform them of the final position regarding implementation of this Project, as well as to initiate an urgent meeting with the MoSDT in order to find a long-term solution for the disposal of sludge at the national level.

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	
<b>Description</b>	<b>Capacity development of water and sewage utilities</b>
<b>PROGRESS</b>	
<b>1. Benchmarking</b>	
<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.</p> <p>Monthly report for September 2019 has been produced and submitted to the MoSDT, Municipalities, ViKs, and benchmarking coordinators for the further use.</p>	