

NO 383

# MONTHLY REPORT

**January 2020**

## 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 - €3,955 million KfW loan - € 5,379 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>In January, Vodacom continued warning 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. As the Employer has not made a decision regarding payment, on 10/01/2020 the Contractor provided the Employer (ViK Tivat) with an invoice for financial expenses (interest) for late payment of the Contractor's invoice no. 20-IP19, and 21-IP19, covering the period from 01/12/2019 to 31/12/2019. Due to the Employer 's failure to make a decision, Pfeiffer is expected to issue their next invoice for interest early next month.</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 infrastukture u opštini Herceg Novi"</b>
<b>Funding sources</b>	<b>Municipal budget - €1,366million GoM contribution - € 1,349 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>
<b>HN-YB-2010 ACTIVITIES</b>	
<b>PROGRESS</b>	
<p>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.</p> <p>The Employer is still independently operating the plant.</p>	
<b>CLAIMS</b>	
<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 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>	
<b>GUARANTEES:</b>	
<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>	
<b>PAYMENTS</b>	
<p>There were no payments during this reporting period.</p> <p>The total amount paid (including advance payment with VAT): 9,955,055.22€</p> <p>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 Amount (VAT exclusive): Euro 128.620.00  
Initial Accepted Contract Amount (VAT inclusive): Euro 155.630.20  
Amended Accepted Contract Amount with Addenda excluding VAT: € 154,011.00  
Amended Accepted Contract Amount with Addenda including VAT: € 186,353.31  
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 09 August 2019

Taking-over Date: 09/08/2019  
DNP: 365 days

##### **ACTIVITIES**

Nothing to record.

##### **PROGRESS**

Nothing to record.

##### **CLAIMS**

Nothing to record.

##### **PAYMENTS**

On 25th November 2019 the Contractor submitted a statement. The Engineer on 26th November 2019 certified € 5,617.02 plus € 1,318.80 for VAT. Request for disbursement was sent to KfW on 22/01/2020. So far executed and certified works amount to Euro 141,879.50.

##### **VARIATIONS**

Nothing to record.

### **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  
Amended Accepted Contract Amount with Addenda excluding VAT: To be defined by Addendum 2 which has been prepared but not yet signed.

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

Nothing to record.

#### PROGRES

Nothing to record .

#### CLAIMS

Nothing to record.

#### PAYMENTS

On 26th November 2019 the Contractor submitted a statement. The Employer's Representative certified on 27th November 2019 a total of € 100,144.98.

On 26th November 2019 the Contractor submitted its final payment application in the amount of € 26,112.42. The Employer's Representative certified on 27th November 2019 a total of € 100,144.98. The certified amount for payment includes the total retention amount, because the Contractor has submitted the Retention Guarantee. Amended accepted contract amount, following the certification of the final payment is subject of Addendum No 2 which has not been signed. The payment has not been made.

#### VARIATIONS

Nothing to record.

#### OTHER

The Consultant's supervision services ceased on 30 November 2019

## 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</b> <b>GoM contribution - € 2,923 million</b> <b>KfW loan - € 17,387 million</b> <b>KfW grant - €0,155 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**

### DNP Meeting # 3

The meeting took place on 30.01.2020.

### DNP Mid-Term Mission

The mission was scheduled for February 2020.

### PS Zmijice

The Employer instructed to replace the junction boxes and to relocate the power cables. The Engineer instructed the Contractor and all was executed successfully relocated. Now there are no more junction boxes in the dry chamber exposed to flooding from surface water.

### Snagging List Items

Since several obligations are still not completed like as-built and maintenance design, water pipe disinfection, pumping station etc., the Engineer advised the Employer during DNP meeting # 3 again referring to its letter 2395-LO-873, dated 5 December 2019, to consider action under Sub-Clause 2.5 [Employer's Claims] pursuant to Sub-Clause 11.4 [Failure to Remedy Defects].

### Defect Notices

Since only two defects have been remedied, the Engineer advised the Employer during DNP meeting # 3 again referring to its letter 2395-LO-873, dated 5 December 2019, to consider action under Sub-Clause 2.5 [Employer's Claims] pursuant to Sub-Clause 11.4 [Failure to Remedy Defects].

### Conductivity in the Inlet to the WWTP

The Engineer requested from the Contractor to submit a proposal for a measurement campaign on salinity. The Contractor responded stating that he cannot provide such proposal. This was again discussed during DNP meeting # 3 and the Employer may consider conducting the search itself and in case the Employer can prove a defect the associated search cost can be claimed from the Contractor.

## **PROGRES**

The progress of Sub-Clause 11.1 remedy work and outstanding work from Taking-Over are still behind schedule. The Employer was advised by the Engineer on 05/12/2019 to consider action under Sub-Clause 11.4 [Failure to Remedy Defects]. The Employer did not respond.

## **GUARANTEES:**

- Payment security- expires on 01/07/2019; for employees it expires on 25/06/2020.
- Performance Guarantee - valid until 31/12/2019.

## **VO**

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## **PAYMENTS**

On 15th November 2019 the Engineer issued IPC # 26 for the Statement at Completion in the amount of € 572,798.49 plus VAT € 120,287.68. This increases the Contract Price to € 21,392,835.87 (VAT excluded) in excess to the Accepted Contract Amount of € 18,522,140.36 (VAT excluded). Addendum No 8 regarding this change was signed on 31/01/2020.

Payment due date was 14th December 2019. By signing Addendum No 8 conditions have been met for signing the IPC No 26 so that on 31/01/2020 Vodacom filed a request for payment to KfW.

Payments Executed to Date including Advance Payment (up to and including IPC No 25):

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€

Municipal contribution (VAT) 3.473.139,51€

Total amount including VAT: 23.367.069,84€

<b>Bar</b>	
<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 Volujuca 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 - €0,875 million</b> <b>KfW loan - € 10,177 million</b> <b>KfW grant - €0,155 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**

Draft Final Statement under review by Engineer

New leakages repair at Susanj 2 reservoir commenced.

The needle valve closing time at Susanj 2 was measured being 100 seconds. In order to reduce water hammer to the RWS pipe system RWS requested this to be changed to 5 minutes. This requires a programming change.

RWS has been added to the SMS communication.

Claim consultation meeting took place on 21/01/2020

### **Section 1 – Pipe to Sveti Ivan**

The DNP started on 27 August 2019. Up to the end of the report period no defects were notified.

IPC # 20 issued (Statement at Completion)

Claim consultation meeting took place on 21/01/2020

### **Section 2.1 - PS Volujica**

IPC advance payment # 3 issued.

The construction pit work is in progress.

Jet grouting columns completed.

Electrical supply design delivered, verified and given to the Employer for an official review.

The Contractor was requested to submit the detailed pipe support system design.

Delivery of GRP pipes on site has been checked and prepared.

The technical specification for the MV switchgear block was approved.

The technical specification for the transformers block was approved.

Emergency diesel generator delivery to Site was inspected and approved.

### **Section 2.2 – Zaljevo Water Supply**

The DNP started on 27 August 2019. Up to the end of the report period no defects were notified.

Backfill and gabions completed.

RWS added to the SMS communication.

## **PROGRESS**

**Section 2.1** – Construction pit work under progress but behind schedule. Currently the delay is 65 days. A revised programme was requested from the Contractor.

**Section 2.2** – DNP in progress.

## **VO**

Variation Order # 18.3 – Design Stari Bar/Polje – still under technical discussion.

Variation Order # 19.1 – Design to extend the water supply pipe coming from Zaljevo Reservoir along the Magistrala –

submitted, reviewed and provided to the Employer for technical review.

Variation Order # 20 – PS Volujica pressure main and water hammer design – not yet signed.

A new proposal for connecting the fibre optic cable from RWS into the fibre optic cable communication of Zaljevo reservoir is under review

## **ADDENDA**

Nothing to record.

## **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:

The quantum part of claim # 5 was submitted on 6 December 2019 in the amount of € 108,697.25. On 28 December

2019 the Engineer responded on the principle of the claim.

On 21.01.2020 the Engineer met the Parties in accordance with Sub-Clause 3.5 [Determinations] to consult the Parties in an endeavour to reach agreement and a possible agreement was drafted thereafter and sent to the Parties on 22.01.2020.

The Engineer summarised Contractor's claim # 5 and a possible determination if no new supporting documents would be provided. The Engineer then ask the parties if either wishes to propose an agreement. The participants from the Employer's side were not authorised to give a proposal nor to make a binding statement. The Contractor suggested to consider an agreement in which both parties withdraw their claims and that in such case the Contractor would not pursue to challenge Employer's claim # 4 which may entitle the Contractor to  $EUR 107,495.85 - 68,587.89 = 38,907.96$ .

The Engineer sought a written binding confirmation from the Employer and the Contractor that the Parties would agree to settle Employer's claims # 2, # 3 and # 4 and Contractor's claim # 5 in such way to withdraw each claim and that the parties agree to formalise this under an addendum to the Contract. With the written confirmation of the parties the Engineer would then prepare said addendum to the Contract

**GUARANTEES:**

- Payment Guarantee - valid until 16/12/2019.
- Advance payment Guarantee - valid until 14/08/2020.
- Performance Guarantee - valid until 24/01/2022.

**PAYMENTS:**

The Engineer certified IPC # 19 on 30th December 2019 in the amount of € 133,674.51. Payment due date is 12th February 2020.

The Engineer certified IPC # 20 on 30th December 2019 in the amount of € 3,356.16. Payment due date is 12th February 2020.

Payments executed to date(incl. Advance payment)::

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

KfW loan (Phase III) € 8,858,941.13

KfW Grant € 155,750.00

Municipalities own contribution € 640,462.97

Municipalities own contribution (VAT) € 135,906.82

Total amount (incl. VAT): €9,791,060.94

Bar	
<b>Project description</b>	<b>Construction of the WWTP:</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>cca. €12,00 million</b>
<b>Employer</b>	<b>The Municipality of Bar and PE "Water and Sewerage" Bar</b>
<b>Funding sources</b>	<b>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>	
<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>	

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. Given that the Municipality has still not stated its position it was indicated at the meeting between KfW and the GoM that the funds allocated for Bar should be reallocated to other Municipalities.

Given that the final decision on this matter has still not been made on 20/11/2029 Vodacom organized a meeting in MORIT on which it was concluded that a meeting should be organized with the Municipality of Bar (and other Municipalities) regarding the structure, amount of funds and method of distribution.

<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 - € 4,731 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.

## Kotor & Tivat

<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 0,162 mil</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:**

On 01/15/2020 a preparatory meeting was held between representatives of municipalities of Kotor and Tivat, ViK Kotor and Tivat, WWTP, Vodacom and the Consultant. The possibility of extending the contract with the Contractor for the period after 31/01/2020 was discussed at the meeting in order to carry out winter testing and training of staff employed by PPOV doo in December. It was agreed to sign Addendum No 4 with the Contractor in order to extend their plant operation and maintenance services and to train staff as well as to perform one winter test for 6 weeks in February/March 2020. Winter testing is necessary in order to examine functioning of WWTPs in winter, as no winter testing has been performed during the first three years of management. The meeting with the Contractor was held on 16/01/2020 when Addendum 4 was approved and signed by the Contractor. The Contractor agreed to continue operation of the WWTP, to carry out training of staff as well as one winter testing under the conditions of Addendum 4a and the price of € 9,143.42 excluding VAT. The staff training is in progress and there are regular weekly progress reports on the course of the training prepared and submitted. Winter testing is expected to begin over the next month. After training of personnel, the testing itself will be carried out to determine the level of knowledge as well as the quality of the completed training, and after that the O&M of WWTP will be taken over by PPOV doo.



**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>
<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>At the request of Vodacom there was a meeting in Ulcinj Municipality on 22 January 2020 to discuss the following main topics:</p> <ol style="list-style-type: none"> <li>1. Provision of funds for the commencement of the process of expropriation of privately owned real estate;</li> <li>2. Status of Drafting the Request:</li> </ol>	

- to determine the public interest in the plots within the Project for construction of water supply and sewerage infrastructure,

- transfer of the right of disposal of real estate owned by Montenegro for the purposes of the Project.

On these issues, the Municipality did not have any results until the end of the reporting period.

On 23 January 2020, the Municipality submitted its consent to the responsible reviewer's proposal (dated 17 January 2020) for the final review of the adjusted design documentation, which will form an integral part of Addendum 8 of the Agreement.

The tender evaluation committee for the Ulcinj Project held a meeting on 24 January 2020, and concluded that Mr. Roberts' Tender Agent would be needed to attend re-evaluation of bids (required by KfW) regarding the part related to ESHS (Environmental, Social, Health and Safety). Mr. Roberts was invited and the Committee scheduled a new meeting to re-evaluate the bids for 3 February 2020.

From 14 to 21 January 2020 Vodacom sent comments on the design documentation to the Designer. During January most of the documentation was adjusted in accordance with comments.

### **PROBLEMS**

The independent auditor, Ms. Pfeiffer, engaged by KfW in order to determine fulfillment of project milestones has provided her final report on 3 December 2019 with the following conclusion: "The Milestone 3 is fulfilled regarding operation cost coverage of at least 80% and expenditure for maintenance of 5 EUR/connection. Staff cost have been reduced significantly, but number of staff still above 100. Municipal payments to Vodacom are outstanding."

The number of employees in ViK Ulcinj is still more than 120 (122 employees), although the Management Board of ViK Ulcinj adopted their systematization of job positions for 107 employees (whereby the conditions for reduction of No of employees have been achieved) it is certain that without a significant support from the Municipality the condition for reduction of No of employees will not be fulfilled.

From the Programme perspective, the number of employees remains the only project milestone which has not been reached in terms of acquiring necessary conditions for the continuation of the investment programme 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. A total amount of € 373,628.50 (based on the calculation done by Vodacom) would be needed for expropriation of real estate (complete and partial) own by natural persons. 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.

Please be reminded that the EIA Study for this project is valid until 17/07/2020. Until that time it is necessary to provide construction permits and to file notification of building works for all project measures. This is an additional reason for acceleration of expropriation, because, on the contrary, it would be needed to prepare a new EIA Study for which the Municipality would need to provide additional funds, and for which preparation and final consent would take several months. This would stop the procedure for issuance of construction permits and notification of building works for all measures for which this was not carried out by 17/07/2020!

### **PLANS FOR UPCOMING PERIOD:**

In February 2020, the Tender Evaluation Committee would have to:

- Complete tender evaluation, i.e. the part related to Envelope No 1 – postqualification.
- Carry out opening and begin evaluation of technical proposal (Envelope II) of companies fulfilling all conditions defined in postqualification (Envelope I)

The Municipality of Ulcinj is supposed to determine the possibility of securing funds needed for

expropriation (partial and complete) in the first quarter of 2020 with the GoM.  
At the request of the Municipality the GoM is supposed to determine public interest for the plots included in the works contract, which should be followed by the transfer of disposal on the real estate owned by Montenegro.  
Beginning of the review of technical documentation upon adjusted comments delivered to the responsible reviewer by the Designer.

## 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 - €2,320 million; Kotor - Contract with Jedinstvo €0,887 million;</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 15/06 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 €2,146,076.97 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 (Germany)</b>
<b>Contractor</b>	<b>MPP Jedinstvo (Serbia)</b>

### **GUARANTEES LOT 2-Kotor:**

- Payment Guarantee - valid through RPN 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(07/06/2019). It is indicated in the certificate that the works have been taken over and put into operation on 17/04/2019. Defects have been removed and it is expected to receive semi-annual report of the

Consultant for the executed works on Kotor. The payment to the Contractor is outstanding, the second half of the retention money has been reduced for an amount in accordance with determination of the Engineer to the benefit of the Employer.

**GUARANTEES LOT 1 - Tivat :**

- Payment Guarantee - valid through RPN period
- Advance payment Guarantee – valid until 27/03/2020
- Performance Guarantee - valid until 27/06/2020

**PAYMENTS LOT 1- Tivat:**

Payments made to date:

KfW's loan (Phase IV) €174,171.33

KfW's loan (Phase V2) €1,427,409.80

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

Municipal contribution (VAT) 0 €

Following signing of Addendum 2 with Jedinstvo (18/12/2019) as well as Addendum 10 with Fichtner (16/12/2019), the Contractor was introduced with the works and the works commenced. Notification of building works for Gornji Kalimanj was completed on 25/12/2019 and filed at MORiT on 30.12.2019. under no. 107/4-8369/1st. Notification of building works for Gornje Seljanovo will be completed upon fulfillment of the conditions for doing that. During January there were two progress meetings. The works are carried out in accordance with the time schedule submitted by the Contractor and are expected to be completed within the stipulated time. On 31/01/2020, the Employer, ViK Tivat submitted a request for the extension of channel 22 by an additional 35m as well as the installation of two new inspection manholes. In January, 259m of sewer pipes and 24 inspection manholes were constructed in Gornji Kalimanj, while 202m of sewer pipes and 9 inspection manholes were constructed in Gornje Seljanovo. Testing of the newly completed network has not yet been completed and will be carried out when the main lines are completed and connected to the sewer main.

## 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>

**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.



## 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.

Kotor, Tivat, Herceg Novi	
<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 towards the settlement Muo) was extracted from the ToR for the Consultant for Phase V2 - Long Term Measures. Several Addenda to the Consulting Agreement have been concluded with the Fichtner Water &amp; Transportation GmbH Consultant, for the ToR for the subject matter investment measure. Addendum No 4 envisages the preparation of detailed design for the rehabilitation, improvement and extension of the water and sewerage network in Risan and Perast (also Stoliv, Prčanj and Muo settlements included as an optional item), and the elaboration of a ToR for restructuring and improvement of the water supply system at Muo-Prčanj-Stoliv section. Addendum No. 6 envisages preparation of the detailed design for improvement of the water supply system on Muo-Prčanj-Stoliv section, as well as 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.</p> <p>At the very beginning of the implementation of the projects covered by Addendum No 4 and No 6, The Employer (Municipality and ViK Kotor) decided to separate the project documentation into 8 design packages (detailed designs), in order to enable phased financing and implementation of the</p>	

Project in the following period.  
The Consultant (Fichtner) submitted drafts of all project books at the beginning of December. Regarding the review of the detailed designs, which are the subject of Addendum No 4 and Addendum no. 6, the responsible reviewer (Sun Invest) provided preliminary audit reports for all design books.

The tender procedure for the selection of the Consultant for the implementation of Phase V2 commenced in third quarter of 2019. The Tender Evaluation Committee (composed of representatives of all three Municipalities, Vodacom and KfW's tender agent) evaluated all the submitted technical and financial bids in the fourth quarter of 2019. Over the past month, contractual negotiations with the first ranked bidder was held, and draft consulting contract for the implementation of V2 has been prepared.

## 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.

In order to define following activities regarding the strategy for disposal of sludge, design measure recultivation/rehabilitation of dumpsites by using sludge from WWTP Tivat/Kotor is included as Optional item within the ToR for the Implementation Consultant for Phase V2-Long-term measures.

Upon considering in detail all relevant facts, representatives of Tivat and Kotor agreed that project measures recultivation/rehabilitation of dumpsites and construction of the SSDF should not be considered solution for sludge disposal from WWTP Tivat/Kotor at the location of dumpsite Sinjarevo (Lovanja 1). They believe that alternative long-term solutions need to be found which would be environmentally acceptable and cost-effective for both Municipalities. Therefore, implementation of subject design measures should be excluded from the ToR for V2.

Municipalities have sent a joint letter to the MoSDT with their final position on recultivation/rehabilitation of dumpsites. In addition, they indicated in this letter necessity of having an urgent meeting with representatives of the implementation of the Project in question. During the previous month, there was a joint meeting with representatives of MoSDT, in order to find a long term solution for WWTP Tivat / Kotor sludge disposal as soon as possible.

After representatives of KfW held a meeting with representatives of Kotor and Tivat Municipalities during the reporting period, it was decided to hold a joint meeting between the representatives of the two Municipalities in order to find alternative solutions and thus successfully overcome the problem of sludge disposal in the mid-term period.

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