

NO 532

MONTHLY REPORT

February 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.

Tivat	
Contract No TV-RB-02 -2010	Construction of: <ul style="list-style-type: none"> – 17,6 km of sewage network – 14,6 km of water supply network – 6 large and 6 small pumping stations
Expected result	Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions in the Bay of Tivat
Contract value	€9,491 million
Contract start date and end date	14 December 2011 – 31 December 2014
Employer	The Municipality of Tivat and PE "Water and Sewerage" Tivat
Funding sources	Municipal budget - €3,955 million KfW loan - € 5,379 million KfW grant - €155.750
Role of Vodacom	Project Executing Agency (PEA)
Contractor	Ludwig Pfeiffer, FR Germany
Engineer	Dahlem FR Germany

PROGRESS

In February, 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. On 02/18/2020 Vodacom received the IPC No 21-IP/19 by decision of DAB for further processing, while there is no information regarding the IPC No 20-IP / 20 so far. Vodacom sent a letter to the Employer requesting the Employer to inform Vodacom how the payment of the certified situation will be made and when it will start taking into account that the Contractor regularly issues invoices for the payment of interest for delay in payment of the Contractor's invoices No 20-IP / 20 and No IP-21 / 19. Given that the Employer has not yet started settling liabilities under the above invoices, the Contractor has continued issuing invoices for the payment of interest for delay in payment. On 03/02/2020, the Contractor submitted to the Employer (ViK Tivat) an invoice for financial expenses (interest) for the delay in payment of the Contractor's invoices no. 20-IP / 19 and 21-IP / 19, for the period 01/01/2020 to 31/01/2020 in the amount of € 4,491.88. Total interest receivable for the period 05/08/2019 to 31/01/2020 is €21,275.33. Due to the missing decision on the beginning of settlement

of liabilities by the Employer, it is expected that the next Contractor's invoice for the settlement of interest will be issued early next month.

Herceg Novi

Contract No HN -YB-2010	Construction of the WWTP for 65.300 PE
Expected result	Systematic upgrade of the sanitation system and improvement of environmental conditions in the Bay of Kotor
Contract value	€9,020 million
Contract start date and end date	24 June 2012 – 12 June 2017
Employer	The Municipality of Herceg Novi and the company "Društvo za izgradnju vodovodne i kanalizacione infrastrukture u opštini Herceg Novi"
Funding sources	Municipal budget - €1,366million GoM contribution - € 1,349 million KfW loan - € 6,304 million
Role of Vodacom	Project Executing Agency (PEA)
Contractor	JV MASS/Gintas (contract terminated on 21/11/2018)
Engineer	Dahlem FR Germany

HN-YB-2010

ACTIVITIES

/

PROGRESS

The contract with Mass-Gintas was officially terminated on 21/11/2018. A total of Eur 1,767,569.97 was charged based on encashment of 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 operating the plant.

CLAIMS

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.

GUARANTEES:

- Advance payment Guarantee – repaid advance payment, no guarantee
- Performance Guarantee - valid until 10/12/2018 – **this guarantee has been encashed**
- Retention Money Security – valid until 10/12/2018 – **this guarantee has been encashed**

PAYMENTS

There were no payments during this reporting period.

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

KfW's loan (Phase III) 2,863,000.00 €

KfW's loan (Phase IV) 3,441,000.00 €

Municipal contribution 711,664.36€

Municipal contribution (VAT) 1,589,462.59€

GoM's grant: 1,349,928.28 €

GB1-HN-2019

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

BASIC DATA

Initial Accepted Contract 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

The Contractor has provided the Employer with the bank guarantee for the remaining 5% of the retention.

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 the final payment certificate. On 27 November 2019 the Employer's Representative certified 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 during the current reporting period.

VARIATIONS

Nothing to record.

OTHER

The Consultant's supervision services ceased on 30 November 2019

Herceg Novi

Contract No HN-RB-01-2010	Construction of: <ul style="list-style-type: none"> - 35,3 km of water and sewage network - 11 pumping stations and a sea outfall
Expected result	Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions in the Bay of Kotor
Contract value	€18,522 million
Contract start date and end date	25 August 2012 - 17 February 2015
Employer	The Municipality of Herceg Novi and the company "Društvo za izgradnju vodovodne i kanalizacione infrastrukture u opštini Herceg Novi"
Funding sources	Municipal budget - €0,926 million GoM contribution - € 2,923 million

	KfW loan - € 17,387 million KfW grant - €0,155 million
Role of Vodacom	Project Executing Agency (PEA)
Contractor	Celtikcioglu, Turkey
Engineer	Dahlem FR Germany

ACTIVITIES

DNP Mid-Term Mission

This mission took place and the report is under preparation.

Snagging List Items

The update of the list shows that 30 items of manhole cover keyword # 6, 4 items of manhole deformation keyword

4, 3 items of incoming pipe connections keyword # 11, 25 CCTV inspections and several items concerning the pumping stations remain pending. Concerning the priority work snagging list, no progress was recorded.

Defect Notices

There was no progress to record.

PROGRES

The progress of Sub-Clause 11.1 remedy work and outstanding work from Taking-Over for both the riviera and priority work

2 are still behind schedule. The DNP mid-term mission showed that new defects will have to be addressed to the Contractor.

GUARANTEES:

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

VO

-

CLAIMS

On 12 February 2020 the Engineer on behalf of the Employer by letter 2395-LO-956 notified the Contractor under Sub-Clause 2.5 pursuant to Sub-Clause 11.4 for failure to complete snagging list items by the date agreed and for failure to remedy defects by the date notified. On 24 February 2020 the Contractor responded stating that the Employer's notice is improper and without contractual or legal effect.

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.

KfW confirmed that the payment was done on 18/02/2020.

Payments Executed to Date including Advance Payment (up to and including IPC No 26):

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) 5.028.301,88€
Municipal contribution 399.590,34€
Municipal contribution (VAT) 3.593.427,19€
Total amount including VAT: 24.060.156,01€

Bar	
Contract NoBR-RB-01-2010	Construction of: <ul style="list-style-type: none"> - 5,8 km of water supply network, and - 19.2 km of faecal sewage network - 1km of stormwater sewage network - 1 pumping stations with the construction of new sea outfall "Sutomore" - 1 reservoir "Susanj 2" - Additional measures: "New Project Concept in Bar" - 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.
Expected result	Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions
Contract value	€11,191.128 million
Contract start date and end date	26 February 2016 - 26 February 2018 "New Project Concept in Bar" 02/09/2018 to 26/10/2019
Employer	The Municipality of Bar and PE "Water and Sewerage" Bar
Funding sources	Municipal budget - €0,875 million KfW loan - € 10,177 million KfW grant - €0,155 million
Role of Vodacom	Project Executing Agency (PEA)
Contractor	MPP Jedinstvo, Sevojno
Engineer	Dahlem FR Germany
ACTIVITIES Main Contract Works Draft Final Statement reviewed by Engineer New leakages repair at Susanj 2 reservoir completed. The needle valve closing time at Susanj 2 was changed to 5 minutes. 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. DNP mid-term mission.	

Section 2.1 - PS Volujica

Construction pit excavation complete.

The Contractor submitted the detailed pipe design.

The pressure rating of the DN 500 valves is pending since the water hammer calculation is not submitted.

The none-return valves technical specifications were not approved.

Health & Safety Method Statement approved.

Safety measures in and around the construction pit implemented.

Steel reinforcement bars for the bottom slab ordered.

The power supply design was still under Employer's technical review

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.

DNP mid-term mission.

The variation for the fibre optic cable connections was submitted.

PROGRESS

Section 2.1 - The Contractor completed the construction pit. The Engineer instructed a revised Programme under SC 8.6. During site meeting # 50 the Contractor informed that still some adjustments have to be done but the delay will be until mid-September 2020 and that this can only be achieved with working on Sundays and sometimes with overtime work. The Contractor furthered that currently the use of additives is investigated to claw back time. The Engineer commented that additives can be dangerous during work implementation if not handled correctly and the Municipality added this to be very likely during hot summer months. The Engineer informed that in case a Programme with Sunday work and overtime will be approved the supervision will have to be reinforced and additional cost will arise.

Section 2.2 - DNP in progress.

VO

Variation Order # 18.3 - Design Stari Bar/Polje - still under Employer's 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.

Variation Order # 21 - fibre optic cable connection from the regional water supply system to the fibre optic cable of the reservoir Zaljevo - not yet signed.

ADDENDA

Addendum # 11, the Parties' agreement concerning Employer's claims # 2, 3 and 4 and Contractor's quantum claim # 5 was drafted and provided to Vodacom.

CLAIMS

After the consultation meeting held on 21.01.2020 in accordance with Sub-Clause 3.5 [Determinations] of the Contract, the Parties reached agreement concerning the Employer's claims # 2, # 3 and # 4 and Contractor's claim # 5.

The Parties' agreement is as follows:

The Employer irrevocably withdraws its claim # 2 on the Contractor, submitted on 15.08.2019 concerning main Contract delay damages in the amount of € 49,915.95.

The Employer irrevocably withdraws its claim # 3 on the Contractor, submitted on 15.08.2019 concerning Section 1 delay damages in the amount of € 791.10 and the update of the claim with the cut-off-date being 15.09.2019 thereto submitted on 18.09.2019 in the amount of € 1,409.52.

The Employer irrevocably withdraws its claim # 4 on the Contractor, submitted on 15.08.2019

concerning Section 2.2 delay damages in the amount of € 36,109.53 and the final claim thereto submitted on 18.09.2019 in the amount of € 56,170.38. The Contractor irrevocably withdraws its quantum claim # 5 on the Employer, submitted on 6 December 2019 concerning Employer's Delays in Section 2.1 in the amount of € 108,697.25.

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 30 December 2019 in the amount of € 133,674.51. Payment due date is 12 February 2020.

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

Payments executed to date up to and including IPC No 18 (incl. Advance payment):

KfW Grant € 155,750.00

KfW loan (Phase III) € 8,858,941.13

Municipalities own contribution € 640,462.97

Municipalities own contribution (VAT) € 135,906.82

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

Bar

Project description	Construction of the WWTP:
Expected result	Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions
Contract value	cca. €12,00 million
Employer	The Municipality of Bar and PE "Water and Sewerage" Bar
Funding sources	KfW loan - € 10,0 million (of which € 1,0 million is a grant channeled by MF) MF grant within Phase V2 - €2,0 million
Role of Vodacom	Project Executing Agency (PEA) (Project Management)
Implementation Consultant, Phase III	

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.

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,

GKW) 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.

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:

1. Bar WWTP (52,000 PE),
2. Sutomore WWTP (21,000 PE),
3. Veliki Pijesak WWTP (7,000 PE),
4. Canj WWTP (3,500 PE),
5. Busat WWTP (3,000 PE).

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:

1. WWTP in Sutomore (for which location is given in the Study).
2. Water and sewerage network in the settlement Dobra Voda.

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.

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. 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 20/11/2019 Vodacom organized a meeting in the MoSDT 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.

Kotor	
Description	Construction of : <ul style="list-style-type: none"> - 34,2 km of water and sewage network and - 5 pumping stations in Kotor
Expected result	Upgrade of water supply and sanitation system and environmental conditions in the Bay of Kotor
Contract value	Euro 6,771 million excluding VAT
Contract start date and end date	20 July 2011 - 15 June 2013
Employer	The Municipality of Kotor and PE "Water and Sewerage" Kotor

Funding sources	Municipal budget - €0, 545 million GoM contribution - € 1,341 million KfW loan - € 4,731 million KfW grant - €155.750
Role of Vodacom	Project Executing Agency (PEA)
Contractor	MPP Jedinstvo, Užice
Engineer	Dahlem, FR Germany
	ALL WORKS ENVISAGED BY THIS CONTRACT ARE COMPLETED AND DEFECTS LIABILITY PERIOD HAS EXPIRED.

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	
Description	Construction of a Joint WWTP for Kotor & Tivat for 72.000 PE
Expected result	Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions
Contract value	€10,266 million
Contract start date and end date	23 January 2015 - 20 June 2016
Employer	PE "Water and Sewerage" Tivat and Kotor
Funding sources	KfW loan Euro 10,193.00 million Municipality's contribution Euro 0,162 mil
Role of Vodacom	Project Executing Agency (PEA) (Project Management)
Engineer	GKW, FR Germany
Employer	WTE, FR Germany

PROGRESS:

In February, the training of the WWTP staff continued and reports on the completed training were provided on a weekly basis. Last report was received on 25/02/2020 for the eighth week of training, for the period from 17/02/2020 to 21/02/2020. On 02/20/2020 the Employer (ViK Kotor) submitted a letter requesting that the start of winter testing be postponed due to the sewage network works, and for this reason the start of winter testing was delayed. The Consultant announced his mission on 09/03/2020 at the WWTP, when the 42-day winter testing of the plant will begin. On 18/02/2020. The Consultant provided a response to the comments Vodacom made to the final report

and these are currently under consideration. Addendum 7 with the Consultant has been prepared and was KfW provided its NO for it on 20/02/2020. Addendum 7 will be signed on 09/03/2020 at the time of the Consultant's presence at the WWTP. Addendum 7 covers the Consultant's services for the period from 01/09/2019 to 31/05/2020 when the completion of obligations by the Contractor was defined.



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.

Ulcinj- Investment project	
Description	Stage I of the upgrade of water supply and sanitation infrastructure in Ulcinj: <ul style="list-style-type: none"> – Selection of the Implementation Consultant – Supply of installation material
Expected result	Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions
Contract Value	cca. € 20 million
Duration	2012
Funding Sources	KfW loan from Phase V, municipal budget of Ulcinj
Role of Vodacom	Project Management and Partner to the Consultant
PROGRESS	
1. Inception stage - Implementation Consultant in Ulcinj	
Upon the completion of the tender procedure, a contract with the Consultant Hydrophil from Vienna was signed on 3 August 2016 in Ulcinj. The contract start date is 1 st of September 2016.	
The project is envisaged to be implemented in 3 stages. The first and second stage of about 18 months	

imply preparation of the detail design for reconstruction and extension of water supply and sewerage infrastructure and implementation of the tender procedure for the engagement of the Contractor. The 2 year long third stage refers to the supervision of the construction works.

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

At the request of Vodacom there was a meeting in Ulcinj Municipality on 22 January 2020 to discuss the following main topics:

1. Provision of funds for the commencement of the process of expropriation of privately owned real estate (Euro 373,628.50);

2. Status of Drafting the Request:

- 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 has achieved no results, so that Vodacom initiated a new meeting on the same topics on 12 February 2020. However, there were no results by the end of the reporting period.

On 3 February 2020, the tender evaluation committee for Ulcinj Project held a meeting which was attended by the tender agent, Mr. Roberts, at which there was a re-evaluation conducted for the part of the bids related to ESHS (Environmental, Social, Health and Safety). The evaluation report was submitted to KfW, which, on 19 February 2020, submitted its conditional NO. The condition implied adjustments in the re-evaluation part. Acting in accordance with the aforementioned, the Commission made the requested corrections at the meeting held on 26 February 2020.

On 18 February 2020, the designer submitted the completed adjusted design documentation, so that on 21 February, 2020 Vodacom forwarded the documentation to the responsible reviewer for final review.

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.

Although the Municipality commenced (in late 2019) the preparation of Requests:

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.
that are supposed to be sent to the GoM, i.e. the Ministry of Finance, these have still not been prepared and submitted. It is likely that the above-mentioned will result in further delay in the process of preparation of construction permits and notification of building works.

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) owned by natural persons. These funds have still not been provided by the Municipality.

To remind, 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 March 2020, the Tender Evaluation Committee would have to:

- Carry out opening and begin evaluation of technical proposal (Envelope II). The Municipality of Ulcinj is supposed to assess the possibility of securing funds needed for expropriation (partial and complete) in agreement with the GoM, i.e. MoF.

In early March the Municipality is supposed to file a request, and 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.

Kotor, Tivat, Herceg Novi

Description	Implementation of urgent investment measures for Tivat, Kotor and Herceg Novi
Expected result	Implementation of urgent investment measures in water supply and sanitation system and improvement of environmental conditions
Value	Tivat - Contract with Jedinstvo - €2,320 million; Kotor - Contract with Jedinstvo €0,887 million;
Commencement date and end date	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
Employer	ViK Tivat and ViK Kotor
Funding Sources	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 €271,621.43
Role of Vodacom	Project Executing Agency (Project Management)
Consultant	Fichtner (Germany)

Contractor	MPP Jedinstvo (Serbia)
<p>GUARANTEES LOT 2-Kotor:</p> <ul style="list-style-type: none">• Payment Guarantee - valid through RPN period• Advance payment Guarantee – repaid.• Performance Guarantee - valid until 14/05/2020 <p>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.</p> <p>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.</p> <p>GUARANTEES LOT 1 - Tivat :</p> <ul style="list-style-type: none">• Payment Guarantee - valid through RPN period• Advance payment Guarantee – valid until 27/03/2020• Performance Guarantee - valid until 27/06/2020 <p>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 €</p> <p>During February, the Contractor continued with the good progress of works in the settlements of Gornji Kalimanj and Gornje Seljanovo. The conditions for applying for notification of a building works have not yet been fulfilled for the settlement of Gornje Seljanovo, and we expect that this issue will be resolved quickly. In February, there were two progress meetings. The progress of works is in line with the time schedule provided by the Contractor, and are expected to be completed within the stipulated time. On 02/03/2020 and 21/02/2020 the Employer, ViK Tivat submitted requests for the extension of the K 2 channel by an additional 20m and the K 2.2 channel by an additional 40m, as well as the installation of two new revision manholes. In February, in Gornji Kalimanj a total of 624.32m of sewer pipes has been installed, 44 revision manholes, as well as 10 household connections constructed, while in Gornje Seljanovo a total of 348.3m of sewage pipes, 17 revision manholes, as well as 11 household connections were constructed. Testing of the newly completed network has not yet been completed, and will be carried out when the works on the main lines are completed and connected to the sewer main.</p>	

Kotor, Tivat, Herceg Novi

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

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

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

PROGRESS

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

All 3 Municipalities have adopted Municipal Assembly's decisions to take the loan. The Municipality of Tivat decided to take Euro 11 million loan, the Municipality of Kotor Euro 5.8 million, while the Municipality of Herceg Novi made decision to take Euro 10 million from Phase V2 loan. The on-lending agreement with the MF for the funds of Phase V2 have been signed by the municipalities. The international PQ procedure for the selection of the Implementation Consultant for Phase V-2 – Tivat, Kotor and Herceg Novi is finalized. The Implementation Consultant will be in charge for development of detailed designs, the tender documents and implementation of the international tender procedure for the selection of contractors (under FIDIC Pink Book) and supervision over the

construction.

The investment measure for the construction of the sewerage network for Risan and Perast settlements (including transmission sewage pipeline 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 & 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.

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 Project in the following period.

The Consultant (Fichtner) submitted drafts of all design volumes. 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 reviewer's reports for all design volumes.

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. The contract negotiations with the first ranked bidder, the company Dorch(Germany) was held in mid January. After harmonizing the draft Agreement, Vodacom and the Implementation Consultant will sign the Consulting contract. By the signing of this Contract, conditions will be created for the beginning of implementation of Phase V2.

Kotor, Tivat, Herceg Novi

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

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. Having held a detailed consideration of all relevant facts, representatives of Tivat and Kotor agreed that project measures for 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 initiated in this letter the necessity of having an urgent meeting with representatives of the MoSDT in order to find a long term solution for WWTP Tivat / Kotor sludge disposal as soon as possible.

Vodacom's activities on capacity development of water utilities

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