

NO 1192

# MONTHLY REPORT

**April 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>

### **PROGRESS**

In April, Vodacom continued cautioning 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 01/04/2020, the Contractor submitted to the Employer (ViK Tivat) an invoice for financial expenses (interest) for delay in payment of the Contractor's invoices no. 20-IP/19 and 21-IP/19, for the period 01/03/2020 to 31/03/2020 in the amount of €4.546,10. Total interest receivable for the period 05/08/2019 to 31/03/2020 is €30,048.70. On 10/04/2020 the Contractor sent a letter to invite once again the Employer ViK Tivat to commence payment of invoices 20-IP/19 and 21-IP/19, given that the related interest reached €30.048,10 up and including 31/03/2020, while the total amount due to the Contractor is €735.519,17 referring to Articles 14.7 and 14.8 of FIDIC Contract . Since the Employer has not responded to the letter of 10/04/2020, the Contractor submitted a letter of warning for the unsettled amount on 29/04/2020, emphasizing that they have no choice other than to initiate a dispute before ICC. In their letter, the Contractor provided appraisal if arbitration costs before ICC in the amount of €343,000.00, with conviction that the above costs would be fully covered by the Employer in

accordance with the rule of „successfulnes in dispute“. On 30/04/2020 the Contractor provided the Employer - ViK Tivat with an invoice for financial expenses (interests) for the delay in payment of the Contractor’s invoices 20-IP/19 and 21-IP/19, for the period from 01/04/2020 to 30/04/2020 in the amount of €4,426.37. The total claims based on interests for the period from 05/08/2019 to 30/04/2020 amounts to €34,475.07.

## 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>

### **HN-YB-2010 ACTIVITIES**

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### **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 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 in the amount of Euro 26,112.38. On 27 November 2019 the Employer's Representative certified a total of € 100,144.94. 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

<b>Contract No HN-RB-01-2010</b>	<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>Revised Accepted Contract Amount up to and including Addendum No 7</b>	<b>€21,392 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 - € 17,387 million 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

On 26/04/2020 the Engineer and the Contractor inspected progress on outstanding work and defects' remedy. For ease of reference the following is based upon the list provided in the last report and progress is indicated by striking through resolved items.

- o The Employer/Municipality insist the pending 25 CCTV inspections to be performed and submitted by the Contractor and that the problem in front of Hotel Delphin shall be prioritised.
- ~~o The remaining 3 items under keyword # 11 are minor and the Engineer may clear said NCNs.~~
- o The remaining 2 items under keyword # 4 refer to very deep manholes. It was agreed to address this during the technical inspection and if after connecting the secondary network no operational problems occur this with a reasonable price deduction may be acceptable.
- ~~o Under keyword # 6, 30 NCNs are still open. In addition, 6 more were found after taking over, i.e. C 250 installed. These 6 covers are located outside the roads. If the Contractor will proof by calculation that C 250 suffices those can be cleared.~~

o From the DNP mid-term mission report the following is to be resolved as priority by the Contractor.

#### **PS Bijela Shipyard**

- Pumps 1 and 3 to be investigated
- Non-return valve to pump 1 to be repaired (to be confirmed by the Employer)
- Cover screws to be added
- Gate valve to P2 to be replaced (aeration can be improved by means of air-masters)
- Coolant caps spares to be handed over
- Fence corrosion (Contractor to provide primer and coating material)
- ATS door corrosion (Contractor to provide primer and coating material)
  - **PS Bijela West**
  - Inlet penstock spindle is accessible because traverse is removable. The ViK has to maintain the penstock (frequent full close full open and grease to the spindle)
  - Penstock street caps to be installed
  - Cover screws to be added
  - Generator housing plastic plug to be installed
  - Pump 3 to be investigated
  - Leakage at gate valve P2 to be repaired
  - **PS Djenovici**
  - Sealed covers do not allow access (to be cleared since a third party welded the covers together)
  - Inlet penstock to be fixed
  - Manual fuel pump to be installed
  - **PS Kumbor**

- Pumps to be labelled
- Earthing in inlet chamber to be completed
- Cover screws to be added
- Install plastic plug on upper EDG housing
- Pumps 2 and 3 to be investigated

Replace broken cover

- **PS Zelenika**
- Cover screws to be added
- Pumps 2 and 4 to be investigated
- Concerning the priority work the Contractor stated that all SC 11.1 notices stemming from the technical inspection have been remedied. This has to be followed up by site inspection for confirmation

o The Employer/Municipality insist the pending 25 CCTV inspections to be performed and submitted by the Contractor and that the problem in front of Hotel Delphin shall be prioritised.

o The remaining 3 items under keyword # 11 are minor and the Engineer may clear said NCNs.

o The remaining 2 items under keyword # 4 refer to very deep manholes. It was agreed to address this during the technical inspection and if after connecting the secondary network no operational problems occur this with a reasonable price deduction may be acceptable.

o Under keyword # 6, 30 NCNs are still open. In addition, 6 more were found after taking over, i.e. C 250 installed. These 6 covers are located outside the roads. If the Contractor will proof by calculation that C 250 suffices those can be cleared.

o From the DNP mid-term mission report the following is to be resolved as priority by the Contractor.  
PS Bijela Shipyard: Pumps 1 and 3 to be investigated; Non-return valve to pump 1 to be repaired; Cover screws to be added; Gate valve to P2 to be replaced (aeration can be improved by means of air-masters); Coolant caps spares to be handed over; Fence corrosion (Contractor to provide primer and coating material); ATS door corrosion (Contractor to provide primer and coating material)

PS Bijela West

- Inlet penstock spindle is accessible because traverse is removable. The ViK has to maintain the penstock (frequent full close full open and grease to the spindle); Penstock street caps to be installed; Cover screws to be added ; Generator housing plastic plug to be installed; Pump 3 to be investigated; Leakage at gate valve P2 to be repaired

PS Djenovici

- Sealed covers do not allow access (to be cleared since a third party welded the covers together); Inlet penstock to be fixed; Manual fuel pump to be installed

PS Kumbor

- Pumps to be labeled; Earthing in inlet chamber to be completed; Cover screws to be added; Install plastic plug on upper EDG housing; Pumps 2 and 3 to be investigated; EDG start malfunction to be investigated; Repair PMO cabinet damage

PS Kumbor North

- Cover screws to be added; Pump 3 to be investigated

PS Zmijice

- Pumps to be labeled; Install earthing in inlet chamber; Replace broken cover

PS Zelenika

### **PROGRES**

The progress of Sub-Clause 11.1 remedy work and outstanding work from Taking-Over for both the riviera and priority works are still behind schedule. The DNP mid-term mission showed that new

defects will have to be addressed to the Contractor. Completion by the end of the DNP is critical.

**GUARANTEES:**

- Payment security- expires on 11/07/2020; for employees it expires on 25/06/2020.
- Performance Guarantee - valid until 03/09/2020.

**VO**

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**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 15<sup>th</sup> 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, which subject is the aforementioned change was signed on 31/01/2020.

Payment due date was 14 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	
<b>Contract NoBR-RB-01-2010</b>	<p><b>Construction of:</b></p> <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 “New Project Concept in Bar” 02/09/2018 to 26/10/2019</b>
<b>Employer</b>	<b>The Municipality of Bar and ViK Bar</b>
<b>Funding sources</b>	<b>Municipal budget - €0,875 million KfW loan - € 10,177 million KfW grant - €0,155 million</b>
<b>Role of Vodacom</b>	<b>Project Executing Agency (PEA)</b>
<b>Contractor</b>	<b>MPP Jedinstvo, Serbia</b>
<b>Engineer</b>	<b>Dahlem FR Germany</b>

## ACTIVITIES

### Main Contract Works

The draft Final Statement was reviewed by the Engineer and on 03.03.2020 the Engineer submitted to the Contractor in return the reviewed measurement book providing all information to the Contractor as to what extent corrections are considered necessary. On 30.03.2020 the Engineer wrote to the Contractor that (i) there was no response by the Contractor whether this corrected draft Final Statement is accepted or not, (ii) that the Contractor and the Engineer shall invest joint endeavor to agree the draft Final Statement in order to avoid a dispute so that (iii) the Contractor can prepare and submit the Final Statement together with the written discharge, all in accordance with Sub-Clauses 14.11 [Application for Final Payment Certificate] and 14.12 [Discharge] after which (iv) the Engineer shall within 28 days issue the Final Payment Certificate reference to Sub-Clause 14.13 [Issue of Final Payment Certificate]. The Engineer for ease of reference summarized all items reviewed in the draft Final Statement and attached an explanatory and requested the Contractor to respond.

The Susanj 2 reservoir right chamber leakage repair was completed and the leakage test was successful. Because the left chamber of the reservoir is currently in use its repair has been postponed.

The spare gabions from reservoir Susanj 2 are ready to be handed over to the Employer

#### 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.
- The Engineer’s DNP mid-term mission report was submitted on 09.03.2020.

#### Section 2.1 - PS Volujica

- The bracing at level -2.30 m.a.s.L. was removed.
- The Contractor submitted a proposal for replacing the gate valves DN 500.
- The low voltage panels manufacturing progressed.
- The frequency regulators’ distribution cabinets were delivered to the Site.
- The 10kV switchgear block was delivered to the Site.
- The suction and pressure pipe workshop drawings were re-submitted, reviewed and approved with comments.
- The tower crane safety inspection was successfully completed.
- The inlet channel slab was concreted. The concrete delivery did not comply with the mix design, hence

the Engineer did not accept in total three concrete truck deliveries. The Contractor's QA/QS was not on Site. The Contractor requested evidence on 14.04.2020 which the Engineer on 16.04.2020 provided.

- The staircase handrail workshop drawings were submitted, re-submitted and approved.
- The Contractor installed the scaffolding inside the construction pit and placed the outer walls' steel reinforcement bars.

#### **Section 2.2**

- The DNP started on 27 August 2019. Up to the end of the report period defects notice # 75 was issued. Due to Covid 19 work and travel restrictions the remedy work did not start.

#### **PROGRESS**

**Section 2.1** – Because the Contractor completed the construction pit with delay the Engineer on 06.02.2020 instructed a revised Programme under SC 8.6 which the Contractor submitted on 04.03.2020. The Engineer on 10.03.2020 replied with disapproval because the revised programme failed to comply with the Time for Completion. According to this disapproved programme Section 2.1 commissioning is estimated by the Contractor being 19.09.2020, i.e. a delay of 106 days. The Covid 19 restrictions will lead to further delay.

A design error in the reinforcement between head beam and outer wall was identified on 24.04.2020.g. and immediately.

**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 instructed on 25/02/2020.

Variation Order # 21 - fiber optic cable connections from regional water supply to fiber optic cable of reservoir Zaljevo - instruction issued on 11/03/2020.

#### **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 but then revised into an agreement. The agreement was signed on 10.04.2020.

#### **CLAIMS**

On 20.03.2020 the Contractor gave notice of Force Majeure reference to Sub-Clause 19.2 [Notice of Force Majeure] and notice to claim # 10 under Sub-Clause 20.1 [Contractor's Claims]. The Engineer confirmed the notices on 23.03.2020 asking the Contractor to (i) also submit any other notices which are required by the Contract and supporting particulars for the claim, all as relevant to such event or circumstance, (ii) to keep such contemporary records as may be necessary to substantiate any claim and (iii) to submit them to the Engineer on a weekly basis. On 24.03.2020 the Contractor submitted supporting particulars for the notice to claim. On 30.03.2020 the Engineer reminded the Contractor to submit the contemporary records on a weekly basis since not such records had been provided. On 10.04.2020 the Contractor submitted supporting particulars with the cut-off-date 10.04.2020.

#### **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) € 9,221,060.14

Municipalities own contribution € 643,819.13

Municipalities own contribution (VAT) € 135,906.82

Total amount (incl. VAT): €10,156,536.08

## 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>	

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, 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.

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.

## 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 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>
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**PROGRESS:**

In April, the recommendations of the National Coordination Body for Communicable Diseases (NKT) regarding the COVID-19 epidemics were in force, and therefore there were no major activities at the plant. Winter "testing on completion" was suspended in March and it is uncertain when it will resume. Staff training has also been suspended, but is expected to continue once the situation with the COVID - 19 gets stabilized. The employees of the plant as well as the workers of the Contractor were present on site every day, so that the functioning of the plant was under control during April. On 14/04/2020 the consultant submitted the monthly invoice No 138 relating to the management and maintenance of the plant from 01/03/2020 to 31/03/2020 in accordance with Addendum No 4.



**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>

Role of Vodacom	Project Management and Partner to the Consultant
<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 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>On 2 March 2020, the Municipality filed the following applications to the Ministry of Finance with no prior consultation with Vodacom:</p> <ul style="list-style-type: none"> <li>- to determine the public interest on the plots located within the Project for the construction of water supply and sewerage infrastructure,</li> <li>- for the transfer of the right of disposal of the real estate owned by Montenegro for the needs of the Project.</li> </ul> <p>In mid-April, the Secretariat for Spatial Planning and Sustainable Development submitted to Vodacom a draft letter of opinion in terms of spatial planning documentation for the real estate that is the subject of the request. Vodacom reviewed the stated opinion and found minor errors. Vodacom was not informed by the Secretariat for Property Protection about the status of drafting the revised Applications by the end of the reporting period.</p> <p>At the end of the reporting period, the responsible reviewer submitted a draft Report for project measures prepared in accordance with the Decisions on the construction of local facilities of general interest as requested and commented by Vodacom. A review of the submitted Reports is in progress.</p> <p>The evaluation of the post-qualification (Envelope 1) for the Tender was completed on 12 March 2020. Unfortunately, due to measures published by the NKT (since 15 March 2020) to prevent the importation, control and prevention of COVID -19, the opening and evaluation of the technical part of the bids was postponed until further notice.</p> <p><b>PROBLEMS</b></p> <p>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.”</p> <p>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 aheve 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.</p> <p>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:</p>	

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.

The applications to determine the public interest in the plots within the Project for construction of water supply and sewerage infrastructure, and to transfer of the right of disposal of real estate owned by Montenegro for the purposes of the Project, sent by the Municipality to the Ministry of Finance, have been returned by the Ministry to be adjusted. 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. According to the current situation, it will be necessary to prepare an updated EIA Study in accordance with the current Law, for which the Municipality will have to allocate additional funds, and which preparation and final approval will take several months.

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

Due to the situation and the problems caused by the COVID-19 in Montenegro and at a global level, it is difficult to plan a larger scope of activities for the next month. The following are the activities that can realistically be implemented in May 2020:

In May, the municipality should submit amended and adjusted Applications:

- for determining the public interest on the plots located within the Project for construction of water supply and sewerage infrastructure,
- for the transfer of the right to dispose of real estate owned by Montenegro for the needs of the Project.

The responsible reviewer should submit draft Reports for project measures that have been prepared in accordance with the UT requirements.

The designer should submit printed versions of the revised detailed designs for project measures prepared according to the Decisions on construction of local facilities of general interest, as well as printed versions of the detailed designs for project adaptation measures.

The responsible reviewer should submit printed versions of the Report for project measures made according to the Decisions on construction of local facilities of general interest.

## 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 €271,621.43</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. After the expiration of the DNP (17 April 2020), on 29 April 2020 the Consultant issued a certificate of a job well done. After submitting the Performance Certificate, the Contractor is expected to issue a draft Final Payment Certificate, as well as the statement of termination of obligations, in order to complete the contract phase V-1 Lot 2 Kotor.

**GUARANTEES LOT 1 - Tivat :**

- Payment Guarantee - for works that are in the RPN period, the insurance policy is valid, for works contracted by Addendum No 2, the policy is valid until 1 July 2020.
- Advance payment Guarantee – valid until 27/06/2020
- Performance Guarantee - valid until 27/06/2020

**PAYMENTS LOT 1- Tivat:**

Payments made until the IPC No 6:

KfW's loan (Phase IV) €174,171.33

KfW's loan (Phase V2) €1,527,783.66

Total paid amount (including advance payment): €1,701,581.13:

Municipal contribution (VAT) 0 €

In April, the NKT recommendations were in force due to the situation with the Covid-19, and the works for both settlements in the Municipality of Tivat were suspended. On 13/04/2020 the Contractor issued by IPC VI in the amount of EUR 100,373.86, for works that were performed until the suspension of works due to force majeure. On 08/04/2020, a report on a positive inspection for the settlements of Gornji Kalimanj and Gornje Seljanovo was obtained from the MoSDT.



## 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>

### **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

<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. 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><b>PROGRESS</b></p> <p><b>1. Benchmarking</b></p> <p>In April 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 March 2020 has been produced and submitted to the MoSDT, Municipalities, ViKs, and benchmarking coordinators for the further use.</p>	