

NO 984

MONTHLY REPORT

March 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	
<p>In March, 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. Given that the Employer (ViK Tivat) has not yet started settling liabilities under the above invoices, the Contractor issued invoices for the payment of interest for delays in payment on 03/03/2020. On 03/02/2020, 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 01/02/2020 to 29/02/2020 in the amount of €4.227,37. Total interest receivable for the period 05/08/2019 to 29/02/2020 is €25.502,60. 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.</p>	

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 "Drustvo za izgradnju vodovodne i kanalizacione infrastukture 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
<p>HN-YB-2010 ACTIVITIES / PROGRESS</p> <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 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.</p> <p>The Employer is still independently operating the plant.</p> <p>CLAIMS</p> <p>In its letter of 28/01/2019 the Engineer has rejected a claim filed by the Contractor. The reason for this , as stated by the Engineer are missing "Notices of Claim" filed within 28 days as stipuated by Article 20.1 of the Contract. This letter was delivered to the Contractor via courier service on 08/02/2019. Mass-Gintas has confirmed the receipt of the letter from the Engineer and expressed its position that it is not "acceptable" , and asked the Engineer to nominate DAB member in accordance with Article 20.2 of the Contract. The Engineer noted in its report that DAB is to be nominated by FIDIC President if there is no agreement reached between the contracting parties regarding this matter.</p> <p>GUARANTEES:</p> <ul style="list-style-type: none"> • 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 <p>PAYMENTS</p> <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> <p>KfW's loan (Phase IV) 3,441,000.00 €</p>	

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

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
Revised Accepted Contract Amount up to and including Addendum No 7	€21,392 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

The DNP Mid-Term Mission report was submitted on 05.03.2020 and as agreed previously between the Parties, Vodacom and the Engineer after this a further DNP meeting was organised in Herceg Novi. This meeting took place on 06.03.2020. The Engineer on 07.03.2020 summarised the meeting and distributed the following to all participants.

- 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
 - 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. The electrical part of the as-built and maintenance design was approved on 02.03.2020.
- The Employer invited to a meeting on 06.03.2020 concerning a sinkhole in the Savina promenade. This meeting was

attended by representatives of the Municipality of Herceg Novi, the ViK, Drustvo, the Contractor, Vodacom and Dahlem. The meeting started with an exchange of information and opinions concerning the collapse of the promenade near PS Savina. Before the meeting in the morning several photographs and a video were taken. One can see that the coastal protection wall is suffering damages from the elements and that large stones at the bottom level have been washed out resulting into a subsurface erosion which in the end caused the collapse. In the location one can hear the sound of the seawater waves flushing through the coastal protection wall into the sink hole. The promenade once served as a railway track and was filled with boulders. In the 1980s the predecessor collector was built inside the promenade and this old collector had now been replaced with a new parallel one. The new collector was constructed according to the approved design after positive technical review by the competent authorities and specialists, in compliance with the Contract and according to best practice. The GRP pipe is embedded in fine granular material in accordance with the Contract and design. The Contractor and Engineer had the opportunity to explain in detail the construction and embedding necessities in a GRP pipe trench during the meeting. It was said in the meeting that Morsko Dobro is the company being responsible for the coastal protection and that the budget for this per year is very limited. The Contractor informed that representatives of Morsko Dobro were inspecting the Works several times during implementation along the promenade. Entering into the promenade as shown in one of the photos attached by vehicles is forbidden, but this is not respected. The meeting concluded that sink holes may occur at other locations at any time and in order to prevent accidents the promenade must be physically blocked so that no vehicle can enter. The meeting also concluded that the promenade has to be investigated concerning possible other subsurface erosions. The fastest approach is the use of a georadar and the Municipality immediately made contact with the University in Podgorica and such georadar has recently been received. All such actions will be repairing the effects and do not deal with the cause, i.e. the damaged coastal protection wall! The coastal protection wall has to be repaired the meeting concluded. The meeting agreed this to be the course of action and as an alternative penetration tests could be carried out. The pipe in the sink hole got damaged at the soffit and has to be repaired. The ViK and Drustvo will investigate why surface storm water drains now run dry because this could also be a second reason for the subsurface erosion if these waters have been connected into the old and leaking collector in the promenade. All the above falls under the Employer's responsibility and the Engineer recommended to keep records of cost.

- On 19.03.2020 the Engineer addressed Vodacom that since the technical meeting held on 06.03.2020 in Herceg Novi progress on the remaining pending items under the obligation of the Contractor is at a low rate. Set aside a notice to claim which was challenged by the Contractor, the Employer did not authorise further actions to protect its interest. The Engineer advised to consult the Employer in this regard one more time and suggest for this a skype conference at the earliest convenience. Vodacom has been informed by the Employer that it will not order further steps to protect its interests, until it receives an informative proposal (lump sum) from the Engineer for the preparation of a claim and similar activities as agreed at a joint meeting with Drustvo in the premises of Vodacom on 28 February, 2020). No informative proposal was received by the end of this reporting period.

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 01/07/2019; for employees it expires on 25/06/2020.
- Performance Guarantee - valid until 30/02/2020.

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 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, 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	
Contract NoBR-RB-01-2010	<p>Construction of:</p> <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 Volujuca 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 ViK 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, Serbia
Engineer	Dahlem FR Germany
<p>ACTIVITIES</p> <p>Main Contract Works</p> <p>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.</p> <p>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.</p> <p>Section 1 – Pipe to Sveti Ivan</p> <p>The DNP started on 27 August 2019. The Engineer’s DNP mid-term mission report was submitted on 09.03.2020.</p> <p>DNP mid-term mission.</p> <p>Section 2.1 - PS Volujica</p> <p>Construction pit excavation completed.</p> <p>The Contractor submitted the detailed pipe design which was reviewed by the Engineer and not approved.</p> <p>The water hammer calculation for the existing pressure main to the existing sea outfall was submitted and found not to fit for purpose. After consultation and written confirmation received from the manufacturer the pressure rating of the DN 500 valves was determined and the Contractor submitted the technical specifications which were approved with comments.</p> <ul style="list-style-type: none"> • The water hammer calculation for the existing pressure main to the existing sea outfall was submitted and found not to fit for purpose. After consultation and written confirmation received from the manufacturer the pressure rating of the none return valves was determined and the Contractor submitted the technical specifications which were approved. • Proposals for alternative fittings were not approved. 	

- Steel reinforcement bars for the bottom slab and walls were delivered to the Site.
- Approx. 50m of GRP pipes DN 1000 were delivered to the Site.
- The bottom slab was concreted on 12.03.2020.
- Wall Z5 was concreted on 19.03.2020.
- Wall Z6 was concreted on 21.03.2020.
- Wall Z4 was concreted on 26.03.2020.
- Wall Z1 was concreted on 26.03.2020.
- Wall Z2 was concreted on 31.03.2020.

Concerning variation order # 20 – the detailed design for new pressure main to the existing sea outfall – the Contractor sought the geotechnical investigation report. The Engineer responded on 02.03.2020 to use the geotechnical information provided in the pumping station design documents. The Contractor also requested to be provided the urban certificate. This request was forwarded to the Employer on 02.03.2020. Until the end of the report period the urban certificate was not provided. On 21.03.2020 the Contractor sought clarification about the routing of the new pressure main. The Engineer on 23.03.2020 asked the Employer to confirm the routing as per conceptual design which was submitted to the Employer in May 2018. On 26.03.2020 the Employer informed that the routing of the detailed design must be aligned with the Spatial Plan for Coastal Area which was adopted after the conceptual design was submitted.

• On 02.03.2020 the Engineer was informed that the power supply design was submitted by the Employer to technical review. The revised design was submitted by the Contractor to the Engineer on 18.03.2020 and approved on 20.03.2020 asking the Contractor to submit the hard copies to the Employer for further action.

• Due to the Covid 19 outbreak Site Meeting # 51 scheduled for 18.03.202 was cancelled.

Section 2.2 – Zaljevo Water Supply

The DNP in progress.

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 LV panels are under manufacturing.

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 - fibre optic cable connections instructed 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.

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.

Employer's Delays in Section 2.1 in the amount of € 108,697.25.

The draft agreement was issued by the Engineer on 11.03.2020. Vodacom suggest to delete the preamble and the Engineer on 13.03.2020 advised not to do so. Vodacom then sought clarification as to the EoT part of the claims to be settled in the agreement. The Engineer on 13.03.2020 explained that the EoT part was subject to the already signed Addendum # 10. Up to the end of the report period the agreement was not signed.

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.

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	
<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, 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.</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"> 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). <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"> 1. WWTP in Sutomore (for which location is given in the Study). 2. Water and sewerage network in the settlement Dobra Voda. <p>With regard to the aforementioned, on 14/06/2019 Vodacom sent a request for a meeting which was supposed to define the next steps and priorities regarding further investment measures for water supply and sanitation in the Municipality of Bar.</p> <p>On 25/07/2019 there was a meeting in the Municipality of Bar where certain problems with spatial and planning documentation, the current loan indebtedness of the Municipality of Bar, and the position of the Municipality regarding further steps for Phase V have been postponed to the meeting to be held in the MoSDT.</p> <p>On 2/08/2019 there was a meeting in the MoSDT at which it was agreed that the Municipality of Bar</p>	

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 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.

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 March, the training of the WWTP staff continued and reports on the completed training were provided on a weekly basis. The Executive Director of the PPOV KO/TV, Radoje Vucevic, sent a letter to the Consultant on 5 March 2020, informing the Consultant of PPOV KO/TV dissatisfaction with the training process at the WWTP and urging that the training be improved. During the site visit conducted from 9 to 11 March 2020, the Consultant had a discussion with the trainees, Executive Director of the PPOV KO/TV as well as the Contractor that performs the training process for WWTP employees. After the site visit, the Consultant sent a letter to the Employer on 12/03/2020 which confirms the allegations of the director of the WWTP from 05/03/2020. In addition, on 12/03/2020. The Consultant sent a letter to the Contractor, informing him that the training conducted at the WWTP is not in accordance with the training program submitted on 04/12/2019 and requires the Contractor to improve the training, in order for the entire project to be successfully completed. In March, the 42-day winter "testing upon completion" began. On 12/03/2020 the Consultant informed

all project stakeholders about the test results, and that the results of mechanical testing within the winter testing cannot be considered representative, due to the operation of the plant not in line with the designed parameters. The test was not successful for the sludge dewatering, while it was successful for specific polymer consumption. The test was successful for the specific lime addition capacity, as well as for the pH increase after lime addition. The contractor sent a letter of 18/03/2020 informed that most of the training plan is scheduled for the end of March and during April, and that the Contractor's staff will be present on the plant by late June, to assist the Employer in taking over and independently managing the WWTP. On 16/03/2020 Vodacom sent a letter to KfW in order to provide additional training to staff at the WWTP to ensure sustainable O&M of the plant. In mid-March, due to outbreak of COVID-19 pandemic also affecting Montenegro and significantly affecting the ongoing activities at the WWTP the winter "testing upon completion" was suspended, and the training of staff was interrupted. Due to the situation caused by the pandemic, it is not possible to predict the continuation of these activities at the WWTP.



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
<p>PROGRESS</p> <p>1. Inception stage - Implementation Consultant in Ulcinj</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 1st 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"> - to determine the public interest on the plots located within the Project for the construction of water supply and sewerage infrastructure, - for the transfer of the right of disposal of the real estate owned by Montenegro for the needs of the Project. <p>On 18 March 2020, the Ministry requested all the above applications to be supplemented, while Vodacom submitted a letter indicating additional amendments that need to be included in the revised applications.</p> <p>By the end of the reporting period, Vodacom had not received any notification of the status of the revised applications.</p> <p>On 12 March 2020, the responsible reviewer submitted a draft Reports for project measures prepared in accordance with the Decisions on the construction of local facilities of general interest. Vodacom filed comments on the submitted reports and the responsible reviewer will submit new adjusted reports.</p> <p>Evaluation of the post-qualification (Envelope 1) for the Tender was completed on 12 March 2020. Unfortunately, due to the measures issued by the the National Coordination Body for Communicable Diseases of Montenegro (NKT) (from 15 March 2020) in order to prevent the importation into the country, combat, and prevent transmission to other countries, and to protect the population from the COVID-19 virus, the opening and evaluation of the technical part of the bids was postponed until further notice.</p> <p>PROBLEMS</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>	

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.

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. 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:

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 April 2020:

- The Municipality should submit amended applications, and the Government should establish public interest in real estate, on which works will be performed within the Project, what should be followed by the procedure of transferring the right to dispose of real estate owned by Montenegro.
- The responsible reviewer should submit the final Reports for design measures, which were made according to the Decisions on the construction of local facilities of general interest.

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)

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 €

During March, 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.

Notification of building works was filed for the settlement of Gornje Seljanovo on 30 March 2020. and an inspection report is pending. In March, there was one progress meeting. The works were carried out in accordance with the time schedule, until the middle of the month. WHO declared the COVID-19 pandemic on 11 March 2020. Due to the impossibility of carrying out the works, the Contractor conserved the construction sites and suspended the works in both settlements. On 24/03/2020 the Contractor submitted a letter stating that in accordance with the FIDIC conditions of contract Sub-clause 19.2 “force majeure” the Contractor informs the Employers about the impossibility of continuing the works, as well as that the subject matter letter is to be considered a announcement of a claim by the Contractor, pursuant to the sub-clause 20.1, and that the Contractor is entitled to additional payment and extension of the time for completion.

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
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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
PROGRESS 1. Benchmarking In March 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 February 2020 has been produced and submitted to the MoSDT, Municipalities, ViKs, and benchmarking coordinators for the further use.	