

NO 1788

MONTHLY REPORT

July 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	
Following the settlement of the Invoice No 20 by the Employer, the Employer (ViK Tivat and the Municipality of Tivat) and the Contractor (Ludwig Pfeiffer) signed a payment agreement in accordance with the decision of the DAB.	
As stated in the agreement, the amount claimed will be paid in four installments. So far, payments have been made in three installments (30/05/2020, 30/06/2020 and 31/07/2020). After the Employer settles all the Contractor's receivables, it is expected that the Performance Certificate will be issued.	
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

HN-YB-2010

ACTIVITIES

Nothing to record.

PROGRESS

The contract with Mass-Gintas was officialy terminated on 21/11/2018. A total of Eur 1.759.594,93 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 – **this guarantee has been encashed**
- Retention Money Security – **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: € 158.525,50

Amended Accepted Contract Amount with Addenda including VAT: € 191.815,86

Contract signature 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

Following the return of the retention in the amount of € 7,093.98 in August 2020 the total net amount paid will be € 141,879.50.

VARIATIONS

Variation no. 2 - After the WWTP operator's complaints that the decanter mechanism does not work satisfactorily, the Employer initiated a variation for the replacement of the decanter drive mechanism and CMC submitted an offer following defectation.

Vodacom processed the documentation for this Variation and sent it on 22 June 2020 to KfW for its NO objection.

The most urgent replacements and reconstructions are related to electromechanical problems on the decanter system-mechanism, which came to the fore especially after the installation of new hoses and couplings. In that sense, it is planned to replace the drive mechanism of the decanter system (consisting of Auma actuator and telescopic mechanism) in both active SBR tanks.

Namely, the existing Auma actuator of SA07.2 type (with output torque 30Nm, and power of electrical engine 100W) is changed by the first stronger one of SA07.6 type (with doubled output torque 60Nm and electrical engine power of 200W).

Telescopic lifting mechanism for decanters is changed – the new mechanism would have circular instead of square tubes, smaller gap between inner and outer pipe, and in order to avoid having the working assembly of the drive threaded spindle and the trapezoidal thread nut almost continuously in the wastewater, they are placed in the actuator with the replacement of relative movement - the inner tube

of the telescopic mechanism is now moved by the threaded spindle instead of the nut.

Cijena zamjene Auma aktuatora bez PDV-a je 2.950,00 eura

The price of replacement of Auma actuator without VAT is €2,950.00.

The price of replacement and reconstruction of the telescopic lifting mechanism (which is connected to the Auma actuator) without VAT is €5,373.00.

Therefore, the price of replacement-reconstruction for both mechanisms (AUMA actuator and telescopic mechanism) is €8,323.00, and two decanter mechanisms would be replaced, which is a total of €16,646.00. At the same time, due to the additional costs, which arose from the unforeseen needs for the replacement of the drive mechanism for decanter at the WWTP, the value of the Contract with the CMC was increased and Addendum No 2 is prepared. The contracted amount is changed to € 158,525.50, instead of the originally contracted amount of € 154,011.00, by adding the amount of € 4,514.50.

In the reporting period, CMC performed the replacement-reconstruction of the decanter mechanism for discharge in SBR3 tank (decanter no.3) and SBR4 tank (decanter no.4). The start of testing indicates successful operation.

GB3-HN-2019

Herceg Novi GB Contract No 2 with Biogest International GmbH

BASIC DATA

Initial Accepted Contract Amount excluding VAT: € 86,484.00

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.

After the letter from the law office of the company Biogest dated 15/07/2020, and in connection with the disputed claim, representatives of the Company and the Municipality expressed their readiness to pay.

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: – 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 Contractor handed over the two valves, cover screws and primer with coating, valve hand wheels and completed the as-built and maintenance design.

The Contractor completed manhole cleaning, repair of surface damages, repair of damaged manhole covers, completed water supply network disinfection and continued repair of section HN 3320 to HN 3300.

PROGRES

The Contractor did not complete the Works and the remedying of defects until the end of the DNP.

OTHER

The public power supply company cut-off the electricity supply for several pumping stations in the Riviera Works The Employer is operating these parts by using the emergency power generators. The

pumping station affected by the power cut-off are PS Bijela Shipyard, PS Bijela West, PS Djenovici. The emergency power generator of PS Bijela West was repaired and tested.

The emergency power generators of PS Kumbor North and PS Zmijice are out of function because the batteries were stolen and not replaced.

During the DNP overflows have been installed to the Riviera Works. These overflow connection works have not been addressed prior to the Contractor nor the Engineer and caused damage with resulting salt water flooding into the collector.

GUARANTEES:

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

VO

Nothing to record.

CLAIMS

Nothing to record.

PAYMENTS

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

GoM: 2.923.000,00€

KfW's grant 155,750.00€

KfW' s loan (Phase III) 5.876.981,23€

KfW' s loan (Phase IV) 6.083.105,39€

KfW' s loan (Phase V2) 5.028.301,88€

Municipal contribution 399.590,34€

Municipal contribution (VAT) 3.593.427,19€

Total amount including VAT: 24.060.156,01€

Bar	
Contract NoBR-RB-01-2010	Construction of: <ul style="list-style-type: none"> - 5,8 km of water supply network, and - 19.2 km of faecal sewage network - 1km of stormwater sewage network - 1 pumping stations with the construction of new sea outfall "Sutomore" - 1 reservoir "Susanj 2" - Additional measures: "New Project Concept in Bar" - Construction of the water supply system for settlements Polje, Zaljevo, St. Ivan and Mala Volujica, and construction of the sewage PS Volujica with pressure pipeline.
Expected result	Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions
Contract value	€11,191.128 million
Contract start date and end date	26 February 2016 – 26 February 2018 "New Project Concept in Bar" 02/09/2018 to 26/10/2019
Employer	The Municipality of Bar and 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

ACTIVITIES

Main Contract Works

Main Contract Works

- The Final Statement (with Discharge) was submitted to Vodacom on 19.06.2020.
- The Final Payment Certificate was submitted to Vodacom on 25.06.2020.
- The Susanj 2 reservoir right chamber leakage repair was completed and the leakage test was successful. The test report was submitted on 07.05.2020. Because of Covid 19 restrictions the left chamber repair is still 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 DNP end term mission will be due in August 2020.

Section 2.1

- Concrete work continued and by the end of the reporting period the following was achieved: Foundation slab – 12.03.2020; Level I Z1 (Level I – 26.03.2020; Level II – 11.06.2020; Level III – 19.07.2020); Wall Z2 (Level – 31.03.2020; Level II – 22.07.2020); Zid Z3 (Level I – 19.07.2020; Level II – 29.07.2020);

Zid Z4 (Level I – 26.03.2020; Level II – 11.06.2020; Level III – 19.06.2020); Zid Z5 (Level I – 19.03.2020; Level II – 30.06.2020; Level III – 03.07.2020); Wall Z6 (Level I – 21.03.2020; Level II – 04.06.2020; Level III – 03.07.2020); Screen Channel Slab 13.04.2020; Staircase - Flight I with landing – 19.07.2020; Flight II with landing – 19.07.2020

- Steel reinforcement inspections.
- Concreting quality inspection and supervision.
- Factory test protocols for LV cabinets.
- Extension of Advance Payment Guarantee
- Clarification of design error suction pipe.
- Clarification of design error staircase
- Review of technical specifications MV cables – not approved.
- Review of technical specifications air release valve – not approved.
- Clarification maintenance opening for rake screen.

Section 2.2

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

- The DNP end term mission will be due in August 2020

PROGRESS

Section 2.1 – PS Volujica

Progress is behind schedule. By the end of the report period the estimate completion date is 01.12.2020. Hence, the estimate delay now is 179 days.

Section 2.2- DNP in progress.

VO

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. No further information received recorded during the report period.

Variation Order # 20 – PS Volujica pressure main and water hammer design was instructed on 25.02.2020. The Employer did not issue the urban certificate yet and the port authorities did not agree on the alternative pressure main routes presented on 09.07.2018 and insist on using the existing pipe route as per the urban master plan. Information was received that the Volujica hill stabilisation shall be completed in 2022 which is considered a precondition for replacing the old

pressure pipe.

Variation Order # 21 - for connection of fiber optic cable from Regional water supply to fiber optic cable of reservoir Zaljevo - fibre optic cable connections instructed on 11.03.2020 – is pending due to Covid 19 related work and travel restrictions.

Variation Order # 22 – Implementation of the Stari Bar connection into the B 24 in Polje collector was prepared and submitted to the Employer for approval.

ADDENDA

Nothing to report.

CLAIMS

On 18.04.2020 the Engineer gave notice of Force Majeure to the Contractor requesting the latter to notify this event to the insurer. The same date the Contractor responded with disagreement to the Force Majeure notice in a rather confusing way.

On 29.04.2020 the Engineer provided to the Contractor the contractual background and correctness of the Force Majeure notice in detail requesting the Contractor again to notify the insurer. On 02.05.2020 the Contractor stated that the Employer may directly give notice to the insurer since the insurance is in the joint names of the Parties. On 08.05.2020 the Engineer wrote to the Employer advising to notify the insurer. This issue was followed up during the meeting between Vodacom and the Engineer on 11.05.2020 and on 20.05.2020 Vodacom issued to the Engineer the draft letter to the insurer. The Engineer reviewed, revised and submitted the revision to Vodacom on 20.05.2020. This matter was subject to a meeting at the Municipality on 03.06.2020 and thereafter on 05.06.2020 the Employer issued the notice to the insurer with the wording agreed between Vodacom and the Engineer.

The Contractor's 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] are still standing and no further submission from the Contractor took place.

On 11.06.2020 the Engineer submitted Employer's claim # 5 for delay damages in Section 2.1 PS Volujica in the interim amount of € 8,024.34.

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 submitted the Contractor's discharge letter on 19th June 2020, and delivered the Final Payment Certificate for the Main Contract to Vodacom on 25th June 2020 in the amount of € 51,601.33. Payment due date is 14th August 2020.

Payments executed to date:

KfW Grant € 155,750.00

KfW loan (Phase III) € 9,221,060.16

Municipality's contribution: €643,819.13

PDV (to be paid by the Municipality): €135.906,82

Total amount (VAT included): € 10,156,536.08

MISCELLANEOUS

On 03/06/2020 there as a meeting in the Municipality of Bar on the status of the current project, defining priority project measures regarding the new distribution of funds of Phases V and V 2 and

providing the missing funds for the implementation of the current project. The meeting ended with the following conclusions:

1. Due to the Contractor's delay and the situation regarding the COVID 19, additional costs of the Employer should be taken into account; at the moment, the missing funds are estimated at approximately EUR 305,000.00.
 2. It is stated that the Municipality of Bar has not received official information from the competent ministries on the status of financial resources, originally allocated as a grant, provided by the Government of Montenegro, through Phase V and V2 (given the position of the Municipality of Bar of its lack of creditworthiness, as originally agreed).
 3. It is stated that the priority measures for putting PS Volujica into operation are the construction of a new pressure pipeline from PS Volujica to the connection to the submarine outlet and the construction of the submarine outlet Volujica, whose estimated construction costs are approximately 1,800,000 euros.
 4. It is stated that the Municipality of Bar is currently not in a financial position to take loan in relation to the costs referred to in items 1 and 3 of this Conclusion.
 5. It is stated that the Engineer, Mr. Ralf Kraska from Dahlem submitted a letter of opinion confirming that for the time being (until reaching full capacity) for the connection of PS Volujica it is not necessary to build a new pressure pipeline from PS Volujica to the submarine outlet and the sea outlet Volujica, while the designer's opinion is that it is necessary to start the construction of a new pressure pipeline and submarine outlet, as a prerequisite for the connection of PS Volijica. (Mr. Kraska provided a written summary containing his opinion regarding the discharge pipeline, in his e-mail of 08/06/2020).
 6. It is stated that AD Luka Bar expressed disagreement with any change in the route of the new pressure pipeline in the area, in relation to the route provided by the planning document, and in this regard it is necessary that representatives of this company with representatives of Employer carry out a further review these views and opinions.
 7. DOO Vodacom is instructed to review the status of the grant from item 2 of this Conclusion with the competent ministries, stating that it will be committed to the measures from items 1 and 3 of this Conclusion, provided that the positions are harmonized with AD Luka Bar and appropriate consent is obtained for the construction or reconstruction of the discharge pipeline.
 8. It is necessary to intensify activities in order to resolve doubts and problems that may arise in the implementation of these project measures.
 9. A letter to the Engineer should be prepared urgently and a claim for damages announced *
 10. The Consultant will submit a statement that the new PS Volujica can be connected to the existing discharge pipeline and outlet.
 11. A letter should be sent urgently to the insurance company (Dunav osiguranje) *
- (*) - this has already been completed at the moment of the final harmonization of the MoM, and the Notice submitted by the Construction Manager.

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, GWK) to provide their bids. There were two bids submitted on this tender (from Dahlem and Fichtner). Upon Completion of bid evaluation procedure, the contract was signed with Fichtner as successful bidder.</p> <p>Presentation of the Draft Final Report of the Location Study for WWTP Bar was held in the Municipality of Bar on 09/05/2019. Decentralized system, that has proved to be the most profitable option, envisages the construction of five WWTPs:</p> <ol style="list-style-type: none"> 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>	

On 2/08/2019 there was a meeting in the MoSDT at which it was agreed that the Municipality of Bar needs time for stating their position. Given that the Municipality has still not stated its position it was indicated at the meeting between KfW and the GoM that the funds allocated for Bar should be reallocated to other Municipalities.

Given that the final decision on this matter has still not been made on 20/11/2029 Vodacom organized a meeting in 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:

Given that due to objective reasons, Addendum No 5 (Covering extension of the Contractor's services for June) has not been signed, on 09/07/2020 the Employers provided their assent to the Contractor's bid from 03/06/2020. On 01/07/2020 the contract with the Contractor and the Consultant expired and the management of the Kotor-Tivat WWTP was taken over by PPOV KOTOR-TIVAT. Regarding the Contractor's obligations, there are three outstanding items:

- 1) Rehabilitation of the water retaining manhole;
- 2) Conducting of the remaining SCADA training by the Contractor;
- 3) Registration and handover of two vehicles procured for the needs of the WWTP.

A hand-back certificate for the completion of the Contractor's obligations will be issued by the Consultant upon the completion of the above activities by the Contractor. On 10/07/2020 the Consultant submitted its monthly invoice no. 145, which refers to the joint WWTP management and

maintenance from 01/06/2020 to 30/06/2020 in accordance with Addendum No 4.



WWTP for KO &TV

PHASE V

Water Supply and Sanitation Adriatic Coast V is aimed at improving water supply and sanitation system in Ulcinj, implementation of immediate investment measures in Kotor, Tivat, and Herceg Novi, and construction of the sludge solar drying plants for Kotor, Tivat, and Herceg Novi.

Ulcinj- Investment project	
Description	Stage I of the upgrade of water supply and sanitation infrastructure in Ulcinj: <ul style="list-style-type: none"> – Selection of the Implementation Consultant – Supply of installation material
Expected result	Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions
Contract Value	cca. € 20 million
Duration	2012
Funding Sources	KfW loan from Phase V, municipal budget of Ulcinj
Role of Vodacom	Project Management and Partner to the Consultant

PROGRESS

1. Inception stage - Implementation Consultant in Ulcinj

Upon the completion of the tender procedure, a contract with the Consultant Hydrophil from Vienna was signed on 3 August 2016 in Ulcinj. The contract start date is 1st of September 2016.

The project is envisaged to be implemented in 3 stages. The first and second stage of about 18 months imply preparation of the detail design for reconstruction and extension of water supply and sewerage infrastructure and implementation of the tender procedure for the engagement of the Contractor. The 2 year long third stage refers to the supervision of the construction works.

As for the water supply system the detail design will include rehabilitation of karst springs and pumping stations, reservoirs and break pressure chambers, construction of reservoirs Djerane, Brajsa, installation of measuring points and SCADA system, construction of new pipelines with a focus

on the main and distribution network of Donji Stoj. Smaller amount of funds will be committed to the wastewater system, for the rehabilitation of sea outfall Djerane, and faecal and storm water sewers downtown Ulcinj.

On 5 June, 2020, pursuant to the request of the Ministry of Finance, the Secretariat for the Protection of Property submitted the updated Requests for the transfer of the right of disposal and establishment of servitudes on the State Property (on which construction is envisaged). By the end of the reporting period, there was no response from the Ministry of Finance.

At the beginning of June 2020, Vodacom reacted to the draft planning documentation that is in the draft phase (DSL Rt Đerane-Port Milena and DUP Pinješ-Borova šuma) and sent a request to the MoSDT to draw the omitted water supply infrastructure in the mentioned documentation (approximately Euro 4 million investments), which makes an integral part of the mandatory project measures.

At the beginning of June, at the request of Vodacom, the Institute of Public Health approved the entry and stay of Mr. Vukobratovic (subject to the prescribed measures), the tender agent for evaluation of the technical part of bids and evaluation of the technical part of bids was conducted from 13 to 26 June 2020. At the end of June, KfW banka submitted its consent to the submitted Evaluation Report of the technical part of the bids, which created the conditions for opening the remaining, financial part of the bids.

During June 2020, the review of project measures prepared under the Decisions on the construction of facilities of general interest (17 measures) was completed. The responsible reviewer's reports were submitted to Vodacom's offices on 25 June 2020.

At the end of July 2020, the review of the remaining part of designed documentation done according to the urban technical conditions (29 measures) was completed, and received the positive opinion from the responsible reviewer. In order for the responsible reviewer to be able to complete the review procedure of the mentioned documentation and submit their final Report in accordance with the Law, it is necessary to resolve the issue of the property on which the construction of water supply and sewerage infrastructure is planned.

The technical evaluation of the bids (Envelope 2) – under the procurement procedure for the award of works contract was completed in early July 2020. The Evaluation Committee continued the selection procedure, and at the end of July opened the last financial bid (Envelope 3). The opening was performed in the premises of Vodacom in the presence of all members of the Evaluation Committee, while the representatives of the bidders (who qualified for the final evaluation stage) and the Consultant followed the procedure and participated through a video conference call, this all in accordance with the previously established protocol.

PROBLEMS

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

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

From the Programme perspective, the number of employees remains the only project milestone which has not been reached in terms of acquiring necessary conditions for the continuation of the investment programme in Ulcinj. In addition, ViK Ulcinj has been faced with an additional problem:

the lack of qualified employees, especially in the technical sector, which brings into question the ability of ViK to monitor and implement future investments in a high quality manner.

On June 10, 2020, the Ministry of Finance informed the Municipality of Ulcinj about the obligation to resolve the issue of privately owned property through which the construction of infrastructure for water supply and wastewater is planned. In this regard, the Request for determining the public interest on the plots located within the Project that the Municipality sent to this Ministry in March 2020 was rejected.

By the end of the reporting period, the Municipality did not provide financial resources for expropriation and could not start the process of expropriation of privately owned property.

It is certain that due to the above, there will be an additional prolongation in the process of drafting building permits and construction reports. In this regard, it is necessary for the Municipality to urgently resolve the issue of missing funds for the needs of expropriation.

The procedure of expropriation of real estate (complete and incomplete) in private ownership will require EUR 373,628.50 (based on the calculation performed by Vodacom and based on the Assessment of the UzN CG Commission).

PLANS FOR UPCOMING PERIOD:

Taking into consideration the current situation and the problems caused by the COVID-19 in Montenegro and at a global level, below is a list of activities being realistically possible to be implemented in August 2020:

- The municipality should provide financial resources and start the process of expropriation of privately owned real estate;
- The designer should submit printed versions of the revised detailed designs for project measures prepared according to the Decisions on the construction of local facilities of general interest as well as printed versions of the detailed designs for project adaptation measures;
- The consultant should start with the development of an updated Environmental Impact Assessment Study;
- The Ministry of Finance should transfer the right of disposal and establish the right of easement for real estate owned by the State, all in accordance with the updated Requirements of the Municipality.

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 €256,870.01
Role of Vodacom	Project Executing Agency (Project Management)
Consultant	Fichtner (Germany)
Contractor	MPP Jedinstvo (Serbia)

GUARANTEES LOT 2-Kotor:

- Payment Guarantee - valid through DNP 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): €915,789.72;

KfW's loan (Phase IV) €615.900.00;

Municipal contribution (excluding VAT) €256.870,00;

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 the Performance Certificate. The Final Payment Certificate as well as the retention money invoice were issued on 01/07/2020. Upon the Final Payment Certificate, the amount claimed is Euro 0, and the Certificate is accompanied by a statement of termination of obligations by the Contractor MPP Jedinstvo. The retained money amounted to EUR 44,376.07 and this amount was reduced by EUR 16,419.12, which is the amount determined by the Engineer due to project delays. The amount paid to the Contractor based on the retention is EUR 27,956.95. Given that all obligations of the contracting parties have been fulfilled by issuing a statement on termination of obligations and payment of the retention, the contract for phase V-1 Lot 1 Kotor is considered completed.

GUARANTEES LOT 1 - Tivat :

- Payment Guarantee - for works that are in the DNP period, the insurance policy is valid, for works contracted by Addendum No 2, the policy is valid until 31/12/2020.
- Advance payment Guarantee – the advance repaid in full
- Performance Guarantee – Performance Certificate issued.

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 July the NKT recommendations were still in force due to the situation with the Covid-19, and the works for both settlements in the Municipality of Tivat (Gornji Kalimanj and Gornje Seljanovo) were suspended. Due to the complaints of citizens who suffer damage to their vehicles due to the poor

condition of roads on sections K2, K2.2, K3 and K4, the Employer issued a request for asphaltting the mentioned sections. Based on this request, the Consultant issued an instruction to the Contractor to perform the works and after coordination between the Contractor, the Employer, Vodacom and KfW, Variation No 8 was issued defining these works. Consent to Variation no. 8 was delivered on 30/07/2020 and it is expected that the mentioned sections will be asphalted at the beginning of August. After the opening of the borders between Montenegro and Serbia, the Contractor is expected to bring his workers and to continue the works in both settlements. The contract with the Contractor for the execution of works in the settlements of Gornji Kalimanj and Gornje Seljanovo expired on 30 June 2020 and it is expected to sign the Addendum for the extension of the time frame for the completion of works in these two settlements.

Kotor, Tivat, Herceg Novi

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

PROGRESS

The implementation of the SSDF has been postponed for the time being due to lack of cost-effectiveness caused by smaller quantities of sludge produced at the WWTP as compared to the anticipated ones.

PHASE V (Component 2)

Water Supply and Sanitation Adriatic Coast V (Component 2) is aimed at systematic upgrade of the water supply and sanitation system and improvement of environmental protection conditions in Kotor, Tivat, and Herceg Novi.

Kotor, Tivat, Herceg Novi

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

Consultant	Consultant for Feasibility Study, Fichtner (Germany)
Start date	July 2014

PROGRESS

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

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

The Municipality of Kotor, in cooperation with Vodacom, the Ministry of Sustainable Development and Tourism and the German Development Bank KfW, nominated the project "Water Supply and Sewerage on the Adriatic Coast - Bay of Kotor" for grant funds under the third and fourth calls for proposals of the Western Balkans Investment Framework (WBIF). The total investment value of the project is Euro **9.8 million**. Under the third and fourth calls for investment grants of the Western Balkans Investment Framework, the WBIF Steering Committee approved a total grant value of € **8.96 million**. The Municipality of Kotor is obliged to provide its own contribution in the amount of 10% of the total value of this investment project measure.

The project for improvement and extension of the water supply and sewerage network in Risan and Perast (including the transmission system to the settlement Muo) has been extracted from the ToR for the Consultant for the implementation of Phase V2 - Long-term measures. Several Addenda to the Contract on the provision of consulting services, ie on the preparation of ToR for the subject matter investment measures, have been concluded with the Consultant Fichtner Water & Transportation GmbH.

Addendum No 4 envisages the development of the detailed design for rehabilitation, improvement and extension of the water supply and sewerage network in Risan and Perast (also, the settlements of Stoliv, Prcanj and Muo are included as an optional item), and as an optional measure of the given Addenda the development task and improvement of the water supply system on the section Muo-Prcanj-Stoliv.

Addendum No 6 envisages the development of the detailed design for the improvement of the water supply system on the section Muo-Prcanj-Stoliv, as well as the preparation of the Environmental Impact Assessment Study, which includes selected measures for the development of major projects within the services from Addendum No 4 and Addendum No 6.

At the very beginning of the preparation of project documentation which are the subject of Addendum No 4 and No 6, The Employer (Municipality and ViK Kotor) decided to divide the project documentation into 8 project packages (detailed designs), in order to enable phased financing and execution of the Project in the following period.

The Consultant (Fichtner) submitted drafts of all design volumes. Regarding the review of the etailed designs, which are the subject of Addendum No 4 and Addendum No 6, the reviewer (Sun Invest) submitted preliminary responsible reviewer's reports for all design volumes.

In July 2020 Fichtner commenced submission of the final versions of all design volumes. Certain design volumes have been delivered to the responsible reviewer and the Employer (ViK Kotor), in order to commence delivery of comments to the final versions of detail designs as soon as possible.

PROBLEMS

Potential problems that may arise during the implementation of the project "Water supply and Sanitation Adriatic Coast - Bay of Kotor", relate to obtaining all necessary approvals (approval by UNESCO; providing conservation conditions, etc.) as well as preparation of the final versions of detailed designs subject of Addenda 4 and 6.

By signing the Contract for the implementation of Phase V2, conditions were created for the start of activities for the implementation of all project measures envisaged by the ToR for Phase V2. However, taking into account the current situation and the problems caused by the COVID-19 virus, the Consultant cannot start mobilizing professional staff. Therefore, the actual start date for the mobilization of expert staff will be agreed between the Consultant and Vodacom after the end of the current situation related to the crisis caused by the spread of the COVID-19 virus and the removal of related traffic restrictions and project implementation.

It is necessary for the Municipality of Kotor to provide additional financial resources for the implementation (execution) of certain project measures that are envisaged for implementation within the ToR for Phase V2. During the visit of the representatives of KfW (at the end of January 2020), it was pointed out that there is a certain possibility of reallocation of loan funds in a certain amount from the Municipality of Bar, in order to achieve full impact by implementing all project measures in terms of improving the sewerage and water supply network in the Bay of Kotor. Accordingly, it was agreed that the representatives of the Municipality of Kotor will hold a meeting with representatives of the Government and the Ministry of Finance, in order to define the possibility of additional borrowing, in order to reallocate additional loan funds as soon as possible.

Kotor, Tivat, Herceg Novi

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

Upon the initiative of Vodacom, KfW has engaged an expert to make an appraisal of the specific needs and basic information for Accompanying measures for the sustainable operation of WWTPs in the coastal region of Montenegro, being financed under the German Financial Cooperation with Montenegro, through KfW.

Accompanying measures financed from KfW grant consist of three components:

1. Implementation of the training program for the staff for the O&M of the WWTP and sewerage systems.
2. Support by international experts provided to Municipalities, ViKs, Ministry and Vodacom in connection with urgent aspects related to the sustainable operation of the WWTP, of which the most recognized problem is disposal of the sludge, and defining the operation model for WWTP Tivat/Kotor.
3. Supporting the establishment of the Service for regulated communal activities as a

new sector within the Regulatory Agency for electrical energy, and establishment of the proper tariff methodology.

With regard to solving sludge disposal issue from WWTP Tivat/Kotor, the best and the most cost-effective option for WWTP Tivat / Kotor proposed by the Consultant is the construction of SSDF with recultivation of old landfills, dumpsite Lovanja (at the territory of Kotor and Tivat) and closed sanitary landfill Lovanja (territory of Kotor) with the use of sludge and soil.

In order to define following activities regarding the strategy for disposal of sludge, design measure recultivation/rehabilitation of dumpsites by using sludge from WWTP Tivat/Kotor is included as Optional item within the ToR for the Implementation Consultant for Phase V2-Long-term measures. Having held a detailed consideration of all relevant facts, representatives of Tivat and Kotor agreed that project measures for recultivation/rehabilitation of dumpsites and construction of the SSDF should not be considered solution for sludge disposal from WWTP Tivat/Kotor at the location of dumpsite Sinjarevo (Lovanja 1). They believe that alternative long-term solutions need to be found which would be environmentally acceptable and cost-effective for both Municipalities. Therefore, implementation of subject design measures should be excluded from the ToR for V2.

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

Vodacom's activities on capacity development of water utilities

Bar, Herceg Novi, Kotor, Tivat, Ulcinj

Description	Capacity development of water and sewage utilities
<p>PROGRESS</p> <p>1. Benchmarking</p> <p>In July 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.</p> <p>Monthly report for June 2020 has been produced and submitted to the MoSDT, Municipalities, ViKs, and benchmarking coordinators for the further use.</p>	