

NO 1977

# MONTHLY REPORT

**September 2020**

## WATER SUPPLY AND SANITATION ADRIATIC COAST III

Water Supply and Sanitation Adriatic Coast III commenced by signing loan agreement with KfW on 07 December 2007. In this stage the Project was predominantly focused on wastewater sector and aimed at upgrade and extension of sewage systems in Herceg Novi, Tivat, Kotor and Bar. This stage envisaged construction of the WWTPs in Herceg Novi and Bar with sea outfalls, rehabilitation and replacement of the current sewerage systems, as well as construction of new parts of the system. A smaller part of the Project was related to the water supply upgrade through rehabilitation of current, and construction of new parts of the water supply systems.

Implementation of Phase III commenced in March 2008 and the estimated project value is Euro 89 million. Implementation of Phase III commenced with project preparation, and drawing up design and tender documentation by the consultancy JV DAHLEM/Pecher from FR Germany.

<b>Tivat</b>	
<b>Contract No TV-RB-02 -2010</b>	<b>Construction of:</b> <ul style="list-style-type: none"> <li>- 17,6 km of sewage network</li> <li>- 14,6 km of water supply network</li> <li>- 6 large and 6 small pumping stations</li> </ul>
<b>Expected result</b>	<b>Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions in the Bay of Tivat</b>
<b>Contract value</b>	<b>€9,491 million</b>
<b>Contract start date and end date</b>	<b>14 December 2011 - 31 December 2014</b>
<b>Employer</b>	<b>The Municipality of Tivat and PE "Water and Sewerage" Tivat</b>
<b>Funding sources</b>	<b>Municipal budget - €3,955 million KfW loan - € 5,379 million KfW grant - €155.750</b>
<b>Role of Vodacom</b>	<b>Project Executing Agency (PEA)</b>
<b>Contractor</b>	<b>Ludwig Pfeiffer, FR Germany</b>
<b>Engineer</b>	<b>Dahlem FR Germany</b>
<b>PROGRESS</b>	
<p>Following the Employer's settlement of the IPC No 20, an agreement was signed between the Employer and the Contractor on the method of payment under DAB decision. As stated in this agreement, the amount claimed will be paid in four installments up and including 31/08/2020. The Employer settled the entire amount of their liabilities under DAB decision. After settling all claims, the Contractor was asked to submit the Final Statement and the discharge. The Contractor sent an e-mail (03/09/2020) confirming that the Employer s has settled all obligations required by the Contractor, However, the Contractor stated that they intended to seek further for their rights, by initiating the Arbitration procedure under the Contract as per § 20.6 of the GCC, hence not issuing his Final Statement at this stage.</p>	

<b>Herceg Novi</b>	
<b>Contract No HN -YB-2010</b>	<b>Construction of the WWTP for 65.300 PE</b>
<b>Expected result</b>	<b>Systematic upgrade of the sanitation system and improvement of environmental conditions in the Bay of Kotor</b>
<b>Contract value</b>	<b>€9,020 million</b>
<b>Contract start date and end date</b>	<b>24 June 2012 - 12 June 2017</b>
<b>Employer</b>	<b>The Municipality of Herceg Novi and the company "Drustvo za izgradnju vodovodne i kanalizacione infrastrukture u opštini Herceg Novi"</b>
<b>Funding sources</b>	<b>Municipal budget - €1,366million GoM contribution - € 1,349 million KfW loan - € 6,304 million</b>
<b>Role of Vodacom</b>	<b>Project Executing Agency (PEA)</b>
<b>Contractor</b>	<b>JV MASS/Gintas (contract terminated on 21/11/2018)</b>
<b>Engineer</b>	<b>Dahlem FR Germany</b>
<p><b>HN-YB-2010</b>  <b>ACTIVITIES</b>                      Nothing to record.  <b>PROGRESS</b>                      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, but the Municipality of HN has not accepted to annouce procurement procedure in accordance with the prepared documentation.                      Negotiations with the company Mass (without Gintas) on continuation of the works are underway. The Employer is still independently operating the plant.</p> <p><b>CLAIMS</b>                      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 Sub-clause 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 Sub-clause 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><b>GUARANTEES:</b></p> <ul style="list-style-type: none"> <li>• Advance payment Guarantee – repaid advance payment, no guarantee</li> <li>• Performance Guarantee – <b>this guarantee has been encashed</b></li> <li>• Retention Money Security – <b>this guarantee has been encashed</b></li> </ul> <p><b>PAYMENTS</b></p>	

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 and payment of the IPC No 3, the total net amount paid will be € 158,525.50.

#### **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 initiated its implementation following KfW's NO.

In this regard the drive mechanism of the decanter system (consisting of Auma actuator and telescopic mechanism) in both active SBR tanks has been replaced.

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.

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, payment to CMC has been carried out for the executed works and the retention money has been released.

### **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: € 100,144.94

Contract Signature Date 14/05/2019

Commencement Date: 26/06/2019

Initial Time for Completion: 85 days

##### **ACTIVITIES**

Nothing to record.

##### **PROGRES**

Nothing to record.

##### **CLAIMS**

Nothing to record.

##### **PAYMENTS**

On 26<sup>th</sup> 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 the final payment certificate. The total amount certified for the payment is € 100,144.94.

Upon received consent for payment from Drustvo and the Municipality, the Final Payment Certificate in the amount of Euro 26,112.38 was paid on 24/08/2020.

##### **VARIATIONS**

Nothing to record.

##### **OTHER**

The Consultant's supervision services ceased on 30 November 2019

## Herceg Novi

<b>Contract No</b> HN-RB-01-2010	<b>Construction of:</b> <ul style="list-style-type: none"> <li>- 35,3 km of water and sewage network</li> <li>- 11 pumping stations and a sea outfall</li> </ul>
<b>Expected result</b>	<b>Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions in the Bay of Kotor</b>
<b>Contract value</b>	<b>€18,522 million</b>
<b>Revised Accepted Contract Amount up to and including Addendum No 7</b>	<b>€21,392 million</b>
<b>Contract start date and end date</b>	<b>25 August 2012 - 17 February 2015</b>
<b>Employer</b>	<b>The Municipality of Herceg Novi and the company "Društvo za izgradnju vodovodne i kanalizacione infrastrukture u opštini Herceg Novi"</b>
<b>Funding sources</b>	<b>Municipal budget - €0,926 million GoM contribution - € 2,923 million KfW loan - € 17,387 million KfW grant - €0,155 million</b>
<b>Role of Vodacom</b>	<b>Project Executing Agency (PEA)</b>
<b>Contractor</b>	<b>Celtikcioglu, Turkey</b>
<b>Engineer</b>	<b>Dahlem FR Germany</b>

### ACTIVITIES

The Contractor continued repair of section HN 3320 to HN 3300. In August the section was CCTV inspected and infiltration found. By the end of the report period the repair had not been completed.

### PROGRES

The defect repair at HN 3320 is expected to be completed during October 2020.

### 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.

Two damages were reported by the Employer after the end of the DNP. The Engineer requested the Contractor to submit a proposal. The proposal was reviewed, negotiated by the Engineer and revised and cost reduced from €44,767.80 to €25,000.00. The Employer did not respond to the revised

proposal.

**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**

The Contractor requested release of the retention money in the amount of EUR 925,896.74. On 28/09/2020 the Engineer certified for payment EUR 887,261.04 after he deducted EUR 38,845.98 due to uncompleted obligations, while the deadline for payment is 26/10/2020.

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

GoM: 2.923.000,00€

KfW's grant 155,750.00€

KfW' s loan (Phase III) 5.876.981,23€

KfW' s loan (Phase IV) 6.083.105,39€

KfW' s loan (Phase V2) 5.028.301,88€

Municipal contribution 399.590,34€

Municipal contribution (VAT) 3.593.427,19€

Total amount including VAT: 24.060.156,01€

Bar	
<b>Contract NoBR-RB-01-2010</b>	<b>Construction of:</b> <ul style="list-style-type: none"> <li>- 5,8 km of water supply network, and</li> <li>- 19.2 km of faecal sewage network</li> <li>- 1km of stormwater sewage network</li> <li>- 1 pumping stations with the construction of new sea outfall "Sutomore"</li> <li>- 1 reservoir "Susanj 2"</li> <li>- Additional measures: "New Project Concept in Bar"</li> <li>- Construction of the water supply system for settlements Polje, Zaljevo, St. Ivan and Mala Volujica, and construction of the sewage PS Volujuca with pressure pipeline.</li> </ul>
<b>Expected result</b>	<b>Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions</b>
<b>Contract value</b>	<b>€11,191.128 million</b>
<b>Contract start date and end date</b>	<b>26 February 2016 – 26 February 2018 "New Project Concept in Bar" 02/09/2018 to 26/10/2019</b>
<b>Employer</b>	<b>The Municipality of Bar and ViK Bar</b>
<b>Funding sources</b>	<b>Municipal budget - €0,875 million KfW loan - € 10,177 million KfW grant - €0,155 million</b>



<b>Role of Vodacom</b>	<b>Project Executing Agency (PEA)</b>
<b>Contractor</b>	<b>MPP Jedinstvo, Serbia</b>
<b>Engineer</b>	<b>Dahlem FR Germany</b>
<p><b>ACTIVITIES</b></p> <p><b>Main Contract Works</b></p> <ul style="list-style-type: none"> <li>• 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.</li> </ul> <p><b>Section 1:</b></p> <ul style="list-style-type: none"> <li>•The Engineer issued the Performance Certificate.</li> <li>• The Contractor’s final statement draft is awaited.</li> </ul> <p>Section 2.1</p> <ul style="list-style-type: none"> <li>• 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); Wall Z4 (Level I – 26.03.2020; Level II – 11.06.2020; Level III – 19.06.2020); Wall 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; Suspended slab Pos 101/1 – 19.08.2020.</li> <li>• Steel reinforcement inspections.</li> <li>• Concreting quality inspection and supervision.</li> <li>• Preparation and submission of Employer’s interim claim # 5 on delay damages.</li> <li>• Preparation and submission of update on Contractor’s personnel for August 2020.</li> <li>• Clarification meeting with designer concerning the missing water hammer calculation for the existing pressure main Volujica.</li> </ul> <p><b>Section 2.2</b></p> <ul style="list-style-type: none"> <li>• The DNP end term mission took place on 20 August 2020 and a defect to search concerning the communication between the CMU and the reservoir was found and remedied in September 2020.</li> <li>• The Engineer issued the Performance Certificate.</li> <li>• The Contractor’s final statement draft is awaited</li> </ul> <p><b>PROGRESS</b></p> <p><b>Section 2.1 –</b></p> <p>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 217 days.</p> <p><b>VO</b></p> <p>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. Minutes of site meeting # 52 records that the Employer informed that the design review is still ongoing.</p> <p>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.</p>	



Minutes of site meeting # 52 records that the Employer asked the Municipality to issue the urban certificate and received the response that the certificate cannot be issued because the master plan does not include said new pressure pipe. In addition the Port of Bar is currently using part of the route. The Municipality stated that the master plan shows the existing pipe to be rehabilitated / replaced. It was concluded to prepare a meeting with the stakeholders and the Port of Bar and that Vodacom with the Municipality will draft the invitation letter and agenda.

Variation Order # 21 - fibre optic cable connections instructed on 11.03.2020. The location of the manhole was defined. The Contractor is expected to mobilize the civil work team.

Variation Order # 22 - Implementation of the Stari Bar connection into the B 24 collector was prepared and submitted to the stakeholders. During the report period the Engineer did not receive authorization to instruct.

Variation Order # 23 - Fire protection study for PS Volujica was prepared and submitted to the stakeholders. During the report period the Engineer did not receive authorization to instruct

#### **ADDENDA**

Nothing to report.

#### **CLAIMS**

##### **Insurance**

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.

##### **Contractor**

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.

On 28 August 2020 the Contractor submitted notice to claim # 11 for the late issuing of the construction permit for the transformer station inside PS Volujica.

On 21.09.2020 the Contractor submitted interim claim # 6 with the cut-off-date 18.09.2020 claiming 187 days as an extension of the Time for Completion and announcing a further claim to Cost.

##### **Employer**

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.

On 20.07.2020 the Engineer submitted Employer's interim claim # 5 for delay damages in Section 2.1 PS Volujica in the interim amount of € 48,146.04 with the cut-off-date 11.07.2020.

On 17.08.2020 the Engineer submitted Employer's interim claim # 5 for delay damages in Section 2.1 PS Volujica in the interim amount of € 89,605.13 with the cut-off-date 11.08.2020..

#### **GUARANTEES:**

- Payment Guarantee - valid until 16/12/2019.
- Advance payment Guarantee - valid until 01/03/2021.
- Performance Guarantee - valid until 24/01/2022.

**PAYMENTS:**

The Contractor submitted IPA # 23 which is currently under review by the Engineer.

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

## Bar

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

Since the Municipality of Bar had previously decided to postpone all activities related to the construction of WWTP on Volujica (68,600 PE, about Euro 12.4 million) due to land ownership problems and some conceptual dilemmas, a new project stage commenced in April that involves the creation of "the location study for the construction of the WWTP in the Municipality of Bar". KfW has secured a grant provided by the German Government for the development of this document, and we expect this Study to assist the Municipality in making the final decision on the continuation of investment activities regarding the WWTP.

Upon finalization of the tender document, because of the lack of time it was envisaged to implement a direct award procurement procedure, by inviting currently engaged consultants (Dahlem, Fichtner, GWK) to provide their bids. There were two bids submitted on this tender (from Dahlem and Fichtner ). Upon Completion of bid evaluation procedure, the contract was signed with Fichtner as successful bidder.

Presentation of the Draft Final Report of the Location Study for WWTP Bar was held in the Municipality of Bar on 09/05/2019. Decentralized system, that has proved to be the most profitable option, envisages the construction of five WWTPs:

1. Bar WWTP (52.000 PE),
2. Sutomore WWTP (21,000 PE),
3. Veliki Pijesak WWTP (7,000 PE),
4. Canj WWTP (3,500 PE),
5. Busat WWTP (3.000 PE).

After this presentation there was a brief meeting with Mayor of Bar and KfW representatives, and the possible investment priorities were marked, which implementation is envisaged under Phase V:

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

With regard to the aforementioned, on 14/06/2019 Vodacom sent a request for a meeting which was supposed to define the next steps and priorities regarding further investment measures for water supply and sanitation in the Municipality of Bar.

On 25/07/2019 there was a meeting in the Municipality of Bar where certain problems with spatial and planning documentation, the current loan indebtedness of the Municipality of Bar, and the position of the Municipality regarding further steps for Phase V have been postponed to the meeting to be held in the MoSDT.

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

Given that the final decision on this matter has still not been made on 20/11/2019 Vodacom organized a meeting in the MoSDT on which it was concluded that a meeting should be organized with the Municipality of Bar (and other Municipalities) regarding the structure, amount of funds and method of distribution.

## PHASE IV

Water Supply and Sanitation Adriatic Coast IV encompasses construction of a joint WWTP for Kotor and Tivat for 72 000 PE.

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

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 two outstanding items:

- 1) Conducting of the remaining SCADA training by the Contractor;
- 2) 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 21/09/2020 the Consultant submitted the report on the fourth year of the joint WWTP management and maintenance by the Contractor covering the period from 01/09/2019 to 30/06/2020. The company in charge of technical acceptance of the WWTP is reviewing documentation what will be followed by technical acceptance of the WWTP.



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.

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

## **PROGRESS**

### **1. Inception stage - Implementation Consultant in Ulcinj**

Upon the completion of the tender procedure, a contract with the Consultant Hydrophil from Vienna was signed on 3 August 2016 in Ulcinj. The contract start date is 1<sup>st</sup> 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 September 2020 the Ministry of Finance provided its response allowing the Municipality to initiate the proceedings towards the Real Estate Administration for a larger number of cadastral plots indicated in the Applications (given that in the submitted Title Deeds the Municipality has a right of disposal).

In September 2020, the Tender Evaluation Committee completed evaluation of financial bids and ranked the Tenderers. KfW provided its NO on the final Evaluation Report. As the issue of construction permits, or notification of building works for almost all design measures has not been resolved by the end of the reporting period, nor is it possible to obtain precise information when these issues could be resolved, the the Tender Evaluation Committee is not able to start negotiations with the first-ranked bidder.

On 7/09/2020 there was a meeting in the Municipality of Ulcinj at which the following conclusions were reached:

- the Municipality shall send another letter to the immediate attention (urgency) to the Prime Minister, Government and Ministry of Finance regarding resolving the issue of missing funds for expropriation (EUR 373,628.50), as well as a letter requesting urgency for holding a meeting with representatives of the Government of Montenegro and the Ministry of Finance, in order to resolve the issue of property (private and owned by the State) for the purposes of further implementation of the Project.

- the Secretariat for the Protection of Property shall initiate and intensively conduct negotiations with the owners of real estate whose property is located on the route of the designed facilities, this all with the aim of speeding up the expropriation procedure.

At the end of the month, the municipality intensified talks with real estate owners and at a meeting held on 29/09/2020, Vodacom's assistance was agreed in the part related to informing the owners of plots in KO Mide and KO Štoj (Donji and Gornji) about the designed pipeline routes.

At the end of the reporting period, the Secretariat for Communal Services commenced the procedure, in accordance with the Law, which refers to the preparation of an updated EIA Study.

## **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 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.

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).

In June 2020, the Municipality sent the updated requests to the Ministry of Finance, which refer to the transfer of the right of disposal and servitudes over the property owned by the State, on which the construction of water supply and sewerage infrastructure is planned. By the end of the reporting period, the Municipality had not received any responses.

It is certain that due to the above, there will be an additional prolongation in the process of drafting building permits and notification of building work.

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

Taking into consideratin 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 October 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 (provided that the property issues on the parcels planned for the construction of pipelines and facilities are resolved);

**Kotor, Tivat, Herceg Novi**

<b>Description</b>	<b>Implementation of urgent investment measures for Tivat, Kotor and Herceg Novi</b>
<b>Expected result</b>	<b>Implementation of urgent investment measures in water supply and sanitation system and improvement of environmental conditions</b>
<b>Value</b>	<b>Tivat - Contract with Jedinstvo - €2,320 million; Kotor - Contract with Jedinstvo €0,887 million;</b>
<b>Commencement date and end date</b>	<b>Tivat - 15/01/2018, 456 calendar days, including interruption during the tourist season from 01/06 to 01/09 Kotor - 5/02/2018, 243 calendar days, including interruption during the tourist season from 15/06 to 01/09</b>
<b>Employer</b>	<b>ViK Tivat and ViK Kotor</b>
<b>Funding Sources</b>	<b>Tivat - KfW loan Phase IV in the amount of € 174,171 and Phase V2 in the amount of €2,146,076.97 Kotor - KfW loan Phase IV in the amount of € 615,900 and the own contribution of the Municipality of Kotor in the amount of €256,870.01</b>
<b>Role of Vodacom</b>	<b>Project Executing Agency (Project Management)</b>
<b>Consultant</b>	<b>Fichtner (Germany)</b>
<b>Contractor</b>	<b>MPP Jedinstvo (Serbia)</b>

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

- Payment Guarantee - valid through DNP period
- Advance payment Guarantee – repaid.
- Performance Guarantee – Performance Certificate issued.

#### **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 on 29 April 2020. 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 September, the works in the settlements of Gornji Kalimanj and Gornje Seljanovo are progressing at satisfactory pace, in accordance with the time schedule. In the settlement of Gornji Kalimanj, 100m ø250 were constructed, as well as 4 manholes and 3 house connections, while in the settlement of Gornje Seljanovo, 145m ø315.7 manholes were constructed. KfW's NO on Addendum 12 with the Consultant is expected, as well as the preparation of Addendum 3 with the Contractor. Testing of the newly constructed network has not been performed yet and will be performed when the works on the main lines are performed and their connection to the main collector is performed..

## Kotor, Tivat, Herceg Novi

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

**PROGRESS**

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

## PHASE V (Component 2)

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

## Kotor, Tivat, Herceg Novi

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

## **PROGRESS**

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

All 3 Municipalities have adopted Municipal Assembly's decisions to take the loan. The Municipality of Tivat decided to take Euro 11 million loan, the Municipality of Kotor Euro 5.8 million, while the Municipality of Herceg Novi made decision to take Euro 10 million from Phase V2 loan. The on-lending agreement with the MF for the funds of Phase V2 have been signed by the municipalities.

The 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, for the priority long term investment measures in all three municipalities. The procurement procedure for the selection of the Implementation Consultant for Phase V2 commenced in the third quarter of 2019. Upon a detail evaluation of all proposals submitted the first-ranked tenderer was the German consultancy Dorsch International Consultants GmbH.

A contract for the provision of consulting services for the project "Water Supply and Sanitation Adriatic Coast V, Component 2 - Municipalities of Tivat, Kotor and Herceg Novi" was signed between Vodacom and the consulting company Dorsch International Consultants GmbH from Germany, with its partner in a Joint Venture, the consulting company PRO-ING doo from Serbia.

In September, several video conference calls were held between Vodacom and Consultant (Dorsch / Pro-Ing), in order to begin the consulting services in accordance with the possible conditions for project implementation.

Despite the unfavorable situation caused by the COVID-19 virus pandemic, it was agreed to start consulting services in accordance with the possible conditions for project implementation. Therefore, the Consultant (Pro-Ing expert staff) visited Montenegro during the fourth week of September, in order to gather the necessary project documentation and have a site visit.

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 detailed 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 September Fichtner completed submission of all final design volumes. All design volumes are submitted to the responsible reviewer and the Employer (ViK Kotor ) so as to start commenting the final versions of detailed designs as soon as possible. The responsible reviewer and the Employer (ViK Kotor ) provided their comments on certain volumes.

#### **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. To this end, the National Commission for UNESCO of Montenegro has been provided with design documentation related to the "Water supply and Sanitation Adriatic Coast - Bay of Kotor" in order to provide its consent to the given design solutions.

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**

<b>Description of the project</b>	<b>Accompanying Measures: "Sustainable Operation of WWTPs"</b>
<b>Project aim</b>	<b>The long-run proper management of the WWTPs</b>

<b>Value</b>	<b>2 mil. €</b>
<b>Start date</b>	<b>August 2015</b>
<b>Funding sources</b>	<b>KW's grant</b>
<b>Role of Vodacom</b>	<b>PEA</b>

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

Accompanying measures financed from KfW grant consist of three components:

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

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

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

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

## Vodacom's activities on capacity development of water utilities

<b>Bar, Herceg Novi, Kotor, Tivat, Ulcinj</b>	
<b>Description</b>	<b>Capacity development of water and sewage utilities</b>

## **PROGRESS**

### **1. Benchmarking**

In August Vodacom was collecting data to produce the monthly Benchmarking Report for August 2020, that was produced and submitted to the MoSDT, Municipalities, ViKs, and benchmarking coordinators for the further use.