

NO: 308

MONTHLY REPORT

December 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 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 written discharge. The Contractor sent an e-mail (07/09/2020) 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 and the written discharge at this stage. On 11/12/2020 the Contractor

submitted documentation for this dispute to ICC and informed the Employer of its intention to initiate dispute resolution before ICC. The Employer shall provide its response by 11/01/2021, and following to that ICC shall decide on this dispute.

Herceg Novi

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

HN-YB-2010

ACTIVITIES

Nothing to record.

PROGRESS

The contract with Mass-Gintas was terminated on 17/11/2017, and upon termination of negotiations for the contract reactivation 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 completed for the time being, with CMC group, and Biogest International, which have been awarded by a direct award, under the conditions of FIDIC Green Book. Proposal of tender for the remaining works to be executed under the conditions of Pink FIDIC book with elements of Yellow FIDIC book has been 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 announce 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.

Based on the information received from the WWTP operator, it can be noted that in December 2020, the WWTP continuously received salty water, however with reduced quantities and salinity (EC is still high, with values ranging around 5mS/cm);

During the reporting period, the following WWTP devices failed:

- decanter no. 1 of SBR4 reservoir frequently out of operation
- decanter no. 2 of SBR3 reservoir displays signs of soon break down
- regulating air compressor is out of operation

- sand trap bridge is out of operation
- overflow valve in alarm mode

The operator is not able to solve other problems without external support due to lack of spare parts and materials. The quantity of salty water discharged into the WWTP was significantly reduced in December.

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 stipulated by Sub-clause of the Contract. This letter was delivered to the Contractor 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 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 payment 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

<p>Nothing to record.</p> <p>CLAIMS</p> <p>Nothing to record.</p> <p>PAYMENTS</p> <p>Nothing to record.</p> <p>VARIATIONS</p> <p>Nothing to record.</p> <p>OTHER</p> <p>The Consultant's supervision services ceased on 30 November 2019</p> <p>GB3-HN-2019</p> <p>Herceg Novi GB Contract No 3 with Biogest International GmbH</p> <p>GENERAL DETAILS</p> <p>Initial Accepted Contract Amount excluding VAT: € 86,484.00</p> <p>Amended Accepted Contract Amount with Addenda excluding VAT: € 100,144.94</p> <p>Contract Signature Date 14/05/2019</p> <p>Commencement Date: 26/06/2019</p> <p>Initial Time for Completion: 85 days</p> <p>ACTIVITIES</p> <p>Nothing to record.</p> <p>PROGRES</p> <p>Nothing to record.</p> <p>CLAIMS</p> <p>Nothing to record.</p> <p>PAYMENTS</p> <p>Nothing to record.</p> <p>VARIATIONS</p> <p>Nothing to record.</p> <p>OTHER</p> <p>The Consultant's supervision services ceased on 30 November 2019</p>
--

Herceg Novi	
Contract No HN-RB-01-2010	Construction of: <ul style="list-style-type: none"> - 35,3 km of water and sewage network - 11 pumping stations and a sea outfall
Expected result	Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions in the Bay of Kotor
Contract value	€18,522 million
Revised Accepted Contract Amount up to and including Addendum No 8	€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 - €0,399 million GoM contribution - € 2,923 million KfW loan - € 17, 914 million KfW grant - €0,155 million
Role of Vodacom	Project Executing Agency (PEA)
Contractor	Celtikcioglu, Turkey
Engineer	Dahlem FR Germany

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 repairs have not been completed.

The repair of section HN 3320 to HN 3300 came to a halt because of the shortage of personnel and materials. The two companies available in the Country to complete the CCTV and the in-liner placing were not able to carry out work. The downstream damage in the collector prevents the Employer from emptying the collector, thus hampering and disrupting the Contractor's repair progress. The Employer met with Vodacom, the Contractor and the Engineer on Site on 24th December 2020.

By opening the manholes evidence was visible that the downstream section is clogged and requires repair. In the past the Contractor submitted a proposal to repair for a lump sum of €18,000 and the Engineer recommended this to the Employer to accept as a variation to the Contract. So far the Employer was not in favour of this variation unless the Contractor would show success in the repair of section HN 3320 to HN 3300 first.

PROGRES

The defect repair at HN 3320 came to a halt.

OTHER

Nothing to report.

The Consultants' Addendum # 42 services for DNP ended. An extension by means of an amendment was prepared between Vodacom and the Consultant. On 28/12/2020 Vodacom provided KfW with documentation to receive its no-objection, following the approval received from the Municipality of Herceg Novi.

GUARANTEES:

- Payment security- expired on 11/07/2020; for employees it expired on 25/06/2020.

Performance Guarantee - valid until 03/09/2020.

VARIATIONS

Nothing to record.

CLAIMS

Nothing to record.

PAYMENTS

The Contractor requested payment 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.

<p>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€</p>

Bar	
Contract NoBR-RB-01-2010	<p>Construction of:</p> <ul style="list-style-type: none"> - 5,8 km of water supply network, and - 19.2 km of faecal sewage network - 1km of stormwater sewage network - 1 pumping stations with the construction of new sea outfall "Sutomore" - 1 reservoir "Susanj 2" - Additional measures: "New Project Concept in Bar" - Construction of the water supply system for settlements Polje, Zaljevo, St. Ivan and Mala Volujica, and construction of the sewage PS Volujuca with pressure pipeline.
Expected result	Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions
Contract value	€11,191.128 million
Contract start date and end date	26 February 2016 - 26 February 2018 "New Project Concept in Bar" 02/09/2018 to 26/10/2019
Employer	The Municipality of Bar and ViK Bar
Funding sources	Municipal budget - €0,875 million KfW loan for Phase III - € 9,949 million KfW loan for Phase V - € 0,228 million KfW grant - €0,155 million
Role of Vodacom	Project Executing Agency (PEA)
Contractor	MPP Jedinstvo, Serbia
Engineer	Dahlem FR Germany
<p>ACTIVITIES</p> <p>Main Contract Works</p> <ul style="list-style-type: none"> • The Susanj 2 reservoir left chamber leakage repair because of Covid 19 restrictions is still postponed. <p>Section 1:</p> <ul style="list-style-type: none"> • Nothing to record during the report period. <p>Section 2.1:</p>	

- Mechanical works continued.
- Electrical works continued.
- Influent collector pipe works continued.
- Concrete work for water supply manhole.
- EDG slab concreting.
- Roof insulation.
- Doors & windows installation.
- Facade work and painting
- Steel works.
- Preparation and submission of Employer's interim claim # 5 on delay damages.
- Preparation and submission of update on Contractor's personnel for November 2020.
- Review of Contractor's progress reports.
- Review of Contractor's application for issuing an interim payment certificate.
- Review of variation proposal.
- Review of pipe support design.
- Steel reinforcement inspections.
- Inspection of replacement transformer delivery.

Section 2.2.

- The Contractor's Final Statement submitted and Final Payment Certificate issued.
- Implementation of variation order # 21 works.

PROGRESS

Section 2.1 - Progress is behind schedule. By the end of the report period the time overrun reached 209 days comparing the Time for Completion ending on 5th June 2020. The Contractor continued with mechanical and electrical works and also the construction of the inflow collector. The Contractor did not yet complete the pipe support system detailed design. Progress on the inflow collector was slow due to the expected high ground water table and because the Contractor did not use watertight sheet piles but a box shoring system instead. With the present progress the tests on completion will not start before February 2021 and the Engineer's estimate is that substantial completion for the purposes of taking over may be achieved by the end of February 2021. For the purposes of delay estimate the Engineer predicts as taking over date 1st March 2021

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. Minutes of site meeting # 52 records that the Employer informed that the design review is still ongoing. 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 authorisation to instruct. Variation Order # 25 – Feeding Power Cables & Transformer Room Ventilation issued to the PEA. Variation Order # 26 – Water Metre proposal submitted by the Contractor.

ADDENDA

Nothing to record.

CLAIMS

The Parties entered into consultations as regulated under SC 3.5 of the Contract in the endeavour to reach agreement on Contractor's claims # 6 & 7 and the Employer's claim for delay damages. The

first meeting took place on 1st December 2020 and the Employer offered to extend the Time for Completion until 15th March 2021 if the Contractor takes over the cost for the implementation of the water pipe extension Zaljevo and the repair in Sutomore, a total of €232,000. A week later the Contractor responded to the offer in writing stating its rights as claimed and offering to contribute some €20,000 to the works. The Parties agreed to meet again in January 2021.

Insurance

The Employer issued the notice to the insurer with the wording agreed between Vodacom and the Engineer.

Contractor

Claim # 6 The Contractor gave notice to claim # 10 under Sub-Clause 20.1 [Contractor's Claims] pursuant to Sub-Clause 19.2 [Notice of Force Majeure]. Stemming from this notice the Contractor on 21st September 2020 submitted interim claim # 6 with the cut-off-date 18th September 2020 claiming 187 days as an extension of the Time for Completion and announcing a further claim to Cost. On 7th October 2020 the Engineer requested the Contractor to agree to extend the period for responding to 84 days. The Contractor agreed to this on 8th October 2020.

On 30th November 2020 the Contractor submitted the quantum claim in the amount of €171,745.47. Due to the ongoing consultations under SC 3.5 to reach agreement the Parties confirmed for the time of the consultations to the Engineer not to respond to the claim

Claim # 7

On 28th August 2020 the Contractor submitted notice to claim # 11 for the late issuing of the construction permit for the transformer station inside PS Volujica. Stemming from this notice on 13th October 2020 the Contractor submitted claim # 7 for an extension of the Time for Completion of 145 days announcing a further claim to Cost. On 30th November 2020 the Contractor submitted the quantum claim in the amount of €82,566,19. Due to the ongoing consultations under SC 3.5 to reach agreement the Parties confirmed for the time of the consultations to the Engineer not to respond to the claim. Notice to claim # 12 was submitted by the Contractor on 21st October 2020 for the alleged delay caused by neighbouring construction activities and resulting safety concerns. During the report period the Contractor did not submit further documents.

Employer

On 11th June 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 20th July 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 11th July 2020. On 17th August 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 11th August 2020.

On 14th September 2020 the Engineer submitted Employer's interim claim # 5 for delay damages in Section 2.1 PS Volujica in the interim amount of € 131,064.22 with the cut-off-date 11th September 2020.

On 14th October 2020 the Engineer submitted Employer's interim claim # 5 for delay damages in Section 2.1 PS Volujica in the interim amount of € 171,185.92 with the cut-off-date 11th October 2020.

On 19th November 2020 the Engineer submitted Employer's interim claim # 5 for delay damages in Section 2.1 PS Volujica in the interim amount of € 212,645,01 with the cut-off-date 11th November 2020.

On 17th December 2020 the Engineer submitted Employer's interim claim # 5 for delay damages in Section 2.1 PS Volujica in the interim amount of € 252,766.71 with the cut-off-date 11th December 2020 also announcing to claim additional damages in connection with the Contract.

GUARANTEES:

- Payment Guarantee - valid until 16/12/2020.
- Advance payment Guarantee – valid until 01/03/2021.
- Performance Guarantee - valid until 24/01/2022.

PAYMENTS

The Contractor confirmed payment date 2nd December 2020 for the amount €127,499.61 certified under IPC # 23 and 24th December 2020 for the amount €3,356.16 certified as Final Payment for Section 1.

Payments executed to date

KfW grant 155,750.00€

KfW loan (Phase III) 9,400.161.10€

Municipal contribution: 647,175.29 €

VAT (to be paid by the Municipality): 135,906.82€

Total with VAT: 10,338,993.18 €

Bar

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

Since the Municipality of Bar had previously decided to postpone all activities related to the construction of WWTP on Volujica (68,600 PE, about Euro 12.4 million) due to land ownership problems and some conceptual dilemmas, a new project stage has commenced involving 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.

In accordance with the Report of the Location Study for WWTP Bar a decentralized system has proved to be the most profitable option, envisaging 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.

The Municipality of Bar has not made decision on the priorities regarding investment measures envisaged to be implemented within Phase V, nor the Mayor signed the on-lending agreement with the MoF. Due to the above-mentioned, the preparations have started for the shifting the funds (Eur 10 million from Phase V and Eur 2 million from Phase V2) earmarked for Bar.

PHASE IV

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

Kotor and 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
Description	Construction of a Joint WWTP for Kotor & Tivat for 72.000 PE

PROGRESS

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:

Conducting of the remaining SCADA training by the Contractor;

- 1) 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.



PPOV za opštine Kotor i Tivat

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.

In December 2020, the Traffic Administration submitted positive opinions, i.e. Traffic approvals for the project measures for installation of pipelines on the route of the boulevard in D. Stoj, all based on the request of the responsible reviewer and the Secretariat for Spatial Planning and Sustainable Development.

Recognizing the problems and reduced capacity of the Secretariat for the Protection of Property Caused by COVID, at a meeting held on 7 December 2020, the Mayor issued a decision allocating two persons to the person in charge of resolving property issues to assist him in the preparation of offers for the property owners.

Vodacom commenced negotiations with the Consultant in order to activate the optional item (Stage 3) of the Contract, which refers to the performance of engineering supervision over the execution of works.

In December 2020, Vodacom resubmitted the urgency letters to the Ministry of Finance to resolve the issue of state-owned property, on which the construction, i.e. reconstruction of water supply and sewerage infrastructure within the Project is planned. There are still 10 cadastral parcels left, for the resolution of which the Ministry of Finance should get the consent from the competent institutions and bodies. Intensive talks were held with representatives of the Ministry of Finance, but there were no results by the end of the reporting period.

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.

In June 2020, the Municipality sent updated requests to the Ministry of Finance related 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, there were 10 cadastral parcels owned by the State, for which the Municipality of Ulcinj has not yet received the right of disposal, ie the right of servitude.

Due to COVID-19, the capacities of the Secretariat for Property Protection have been significantly reduced, and thus the frequency of organizing meetings with private owners in order to resolve the issue of property in the expropriation process has been reduced.

It is certain that due to the above, there will be an additional prolongation in the process of drafting construction permits and construction applications for a number of project measures. Negotiations with the first-ranked bidder still cannot be commenced because it is necessary to resolve the property issue for at least 80% of the project measures.

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 January 2020:

- The Municipality and the Real Estate Administration should carry out expropriation for a part of properties being privately owned;
- The MoF is supposed to resolve property issues for the remaining state owned 10 cadastral parcels
- Pursuant to the above, for one part of the project measures, the Employer, i.e. the Secretariat for Communal Services and Environmental Protection, could submit applications for the preparation of construction permits for a certain number of project measures
- The responsible reviewer should complete documentation (opinions and consents of the authorities in charge of technical specifications) for a major part of design measures designed in accordance with UT specifications.
- The Tender Evaluation Committee is to complete questions for contract negotiations with the first ranked bidder;

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 – 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 7:

KfW's loan (Phase IV) €174,171.33

KfW's loan (Phase V2) €1,664,644.60

Total paid amount (including advance payment): €1.838.815,93:

Municipal contribution (VAT) 0 €

In December the works in the settlements of Gornji Kalimanj and Gornje Seljanovo are progressing at satisfactory pace, in accordance with the time schedule. Works were completed by 15/12/2020 as provided by Addendum No 3 entered into between the Contractor and the Employer. Testing of the newly constructed network has not been performed yet and will be performed after the after the New Year holiday. The Contractor is expected to send their Final Statement in January as well as the written discharge. A 12 month DNP period has commenced for the works performed within this phase, which will be completed by 15/12/2021..

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
<p>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.</p>	

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
<p>PROGRESS Implementation of long-term investment measures for TV, KO, HN Following completion of the procurement procedure for the selection of the Implementation Consultant for Phase V2, the contract for the project "Water Supply and Sanitation Adriatic Coast V, Component 2 - Municipalities of Tivat, Kotor and Herceg Novi" was entered into by and 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. The Phase V2 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. Despite the unfavorable situation caused by the COVID-19 virus pandemic, it was agreed to start</p>	

consulting services in accordance with the possible conditions for project implementation. Therefore, the Consultant commenced the Inception Stage of Phase V2.

In December, the Consultant (Pro Ing) carried out additional site visits for all design measures planned to be implemented in Kotor in order to receive additional information about certain design measures. In addition, there were several video conference calls between Vodacom and the Consultant (Dorsch/Pro-Ing), in order to continue consulting services in accordance with possible conditions for project implementation.

The Municipality of Kotor, in cooperation with Vodacom, the Ministry of Sustainable Development and Tourism and the German Development Bank KfW, nominated design measure for the construction of the sewage network for settlements Risan and Perast (including also sewerage transmission main towards settlement Muo) for the financial contribution provided from the Western Balkans Investment Framework (WBIF). At the meetings held in 2018 and 2019 by the WBIF Steering Committee it was assessed that the project "Water Supply and Sewerage on the Adriatic Coast - Bay of Kotor" will have a significant impact on the quality of environmental protection in the Bay of Kotor and contribute to its economic development. This project received positive opinion in the screening procedure performed by the European Commission and it was decided to allocate Euro **8.96 million** to finance the construction of sewage network for settlements Risan and Perast (including also sewerage transmission main towards settlement Muo) and connection of these settlements to the central sewage system of Kotor whereby the priority issue of collection of wastewaters in these coastal settlements will be resolved.

Preparation of design documentation for the Water Supply and Sewerage on the Adriatic Coast - Bay of Kotor has been extracted from the ToR for the Consultant for the implementation of Phase V2 - Long-term measures. At the very beginning of preparation of the subject matter project the Employer decided to separate design documentation into 8 design packages (detailed designs) so as to enable phased financing and implementation of the subject matter Project.

In December, the Consultant submitted final version of the detailed designs. Harmonization of the final versions of the remaining design books by the Consultant - Fichtner Water & Transportation GmbH was in progress. Furthermore, the Consultant submitted the final Occupational Safety and Fire Protection Study. The responsible reviewer submitted comments on the final version of the Land Parcellation Study. The harmonization of the Land Parcellation Study for all project books by the Consultant is in progress.

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 consents (approval by UNESCO; providing conservation conditions, etc.)

The National Commission for UNESCO of Montenegro has provided positive opinion for the "Water supply and Sanitation Adriatic Coast - Bay of Kotor".

In addition, resolving of property-legal issues (land expropriation) needs to be commenced, right upon certification of the Land Parcellation Study by the land registry office.

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
<p>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.</p> <p>Accompanying measures financed from KfW grant consist of three components:</p> <ol style="list-style-type: none"> 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. <p>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.</p> <p>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.</p> <p>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.</p>	

Vodacom's activities on capacity development of water utilities

Bar, Herceg Novi, Kotor, Tivat, Ulcinj	
Description	Capacity development of water and sewage utilities

PROGRESS 1. Benchmarking In December Vodacom was collecting data to produce the monthly Benchmarking Report for November 2020, that was produced and submitted to the MoSDT, Municipalities, ViKs, and benchmarking coordinators for the further use.	