



Monthly Report April 2021

No: 1213



Water Supply and Sanitation Adriatic Coast Project phase 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 of 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. After Contractor's submission of notice to initiate dispute resolution, Employer hired a law office to handle this matter on behalf of Municipality Tivat. The Employer provided its response on 11/01/2021. ICC is in the course of reviewing the documents submitted by Employer and Contractor, after which Employer and Contractor will be informed of the next steps in the procedure.

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
<p>HN-YB-2010</p> <p>ACTIVITIES</p> <p>PROGRESS – Status at WWTP</p> <p>The contract with Mass-Gintas was terminated on 17/11/2017, and upon termination of negotiations for the contract reactivation a total of Euro 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.</p> <p>After years of negotiations regarding continuation of contract, on 26.02.2021 Employer sent a letter to company Mass (without Gintas) informing them of termination of negotiation for continuation of works contract. The reason for negotiation termination is noncompliance with legal basis for contract continuation. Employer has been informed of all the potential consequences of terminating said negotiation.</p> <p>The Employer sent request to consultant for submitting their proposal for:</p> <ol style="list-style-type: none"> 1. Revision of existing tender documents for Green and Pink FIDIC Book for implementation of tender procedure as well as for supervision of the Works, in the amount of 400.000,00 Euro. 2. Preparation of tender documents and supervision services for completion of all works on the WWTP, worth 1.500.000,00 Euro. <p>Consultant did not submit requested proposal in the reporting period.</p>	

The Employer is still independently operating the plant. Based on the information received from the WWTP operator, the WWTP continuously receives salty water. Solving of the issue of purchase of spare parts for the WWTP is under way, in order to remedy certain functionality problems at the plant.

GUARANTEES:

- Advance payment Guarantee – repaid advance payment, no guarantee
- Performance Guarantee – **this guarantee has been activated and encashed**
- Retention Money Security – **this guarantee has been activated and encashed**

PAYMENTS

There were no payments during this reporting period.

The total amount paid (including advance payment with VAT):

9,955,055.22€

KfW's loan (Phase III) 2,863,000.00 €

KfW's loan (Phase IV) 3,441,000.00 €

Municipal contribution 711,664.36€

Municipal contribution (VAT) 1,589,462.59€

GoM's grant: 1,349,928.28 €

GB1-HN-2019

Herceg Novi Contract No 1 under FIDIC GB with CMC Group DOO Herceg Novi

BASIC DATA

Initial Accepted Contract Amount (VAT exclusive): Euro 128.620.00

Initial Accepted Contract Amount (VAT inclusive): Euro 155.630.20

Amended Accepted Contract Amount with Addenda excluding VAT: € 158.525,50

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

Contract signature date: 09/04/2019

Commencement date: 16/04/2019

Time for Completion:

- For positions C1.21A, C1.22, C1.23, C1.24, C1.25A, C1.25B, and C1.26 – 09 July 2019
- For positions C1.21B 09 August 2019
- Taking-over Date: 09 August 2019

DNP: 365 days

ACTIVITIES

Nothing to record.

PROGRESS

Nothing to record.

CLAIMS

Nothing to record.

PAYMENTS

Nothing to record.

VARIATIONS

Nothing to record.

OTHER

The Consultant's supervision services ceased on 30 November 2019

GB3-HN-2019

Herceg Novi GB Contract No 3 with Biogest International GmbH

GENERAL DETAILS

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

Nothing to record.

VARIATIONS

Nothing to record.

OTHER

The Consultant's supervision services ceased on 30 November 2019

Herceg Novi

Contract No HN-RB-01-2010	Construction of: – 35,3 km of water and sewage network – 11 pumping stations and a sea outfall
Expected result	Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions in the Bay of Kotor
Contract value	€18,522 million
Revised Accepted Contract Amount up to and including Addendum No 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

On 01 April 2021, Contractor sent an e-mail in which they stated that they had repaired the damaged pipes in Bijela, and that they are requesting full payment of the retention amount; they also submitted CCTV recordings for review via a download link. In another letter dated 31 March 2021, Contractor replied to Engineer’s letter dated 20 February 2021 regarding the Performance guarantee and refused to extend said certificate, requesting payment of the full retention amount and issuance of the Performance Certificate.

PROGRES

Nothing to report besides the above stated.

OTHER

Nothing to report.

The Consultants’ Addendum # 42 services for DNP ended. An extension by means of an amendment was signed between Vodacom and the Consultant.

GUARANTEES:

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

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

GoM: 2.923.000,00€

KfW’s grant 155,750.00€

KfW’ s loan (Phase III) 5.876.981,23€

KfW' s loan (Phase IV) 6.083.105,39€
KfW' s loan (Phase V2) 5.028.301,88€
Municipal contribution 399.590,34€
Municipal contribution (VAT) 3.593.427,19€
Total amount including VAT: 24.060.156,01€

Bar	
Contract No BR-RB-01-2010	Construction of: <ul style="list-style-type: none"> - 5,8 km of water supply network, and - 19.2 km of faecal sewage network - 1km of storm water sewage network - 1 pumping stations with the construction of new sea outfall "Sutomore" - 1 reservoir "Susanj 2" - Additional measures: "New Project Concept in Bar" - Construction of the water supply system for settlements Polje, Zaljevo, St. Ivan and Mala Volujica, and construction of the sewage PS Volujica with pressure pipeline.
Expected result	Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions
Contract value	€11,191.128 million
Contract start date and end date	26 February 2016 – 26 February 2018 "New Project Concept in Bar" 02/09/2018 to 02/10/2019
Employer	The Municipality of Bar and ViK Bar
Funding sources	Municipal budget - €0,857 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"> • Nothing to record during the report period. <p>Section 1:</p> <ul style="list-style-type: none"> • Nothing to record during the report period. <p>Section 2.1:</p> <ul style="list-style-type: none"> • Mechanical works have been completed; • Electrical works have been completed and checked; • Reinstatement works have commenced; • Installation of fence commenced; • Testing for watertightness, infiltration and straightness for gravity pipelines was performed 	

successfully;

- Pressure testing for pumps, pressure pipelines and collection lines was performed successfully;
- Preparation for final testing;
- Programming of PLC devices.

Section 2.2:

- Works are carried out according to Variation No 21;

Section 3 – Water supply Zaljevo

- Pressure testing;
- Flushing and disinfection;
- As built drawings.

PROGRESS

Section 2.1 – Mechanical installations have been completed and the ordered spare parts for the fine screen have been installed. All equipment is ready for commissioning. Electrical power has been provided. Training for mechanical equipment for Employer's staff has been carried out by manufacturer's technical staff. All gravity pipelines have been successfully tested and the water supply pipe has been flushed and disinfected. Pressure testing for pipelines, pumps and collection line was successful. Testing still has not been carried out for PLC and automation. It is expected that the final testing will begin in the second half of May 2021, and the estimated date for Take over of Works is 31 May 2021.

Section 3 – Water supply Zaljevo

Until the end of reporting period, all pipes were laid. Expected time for Take over of Works is second half of May 2021.

VO

Variation Order # 27 – Connection to pressure pipeline; Variation order was prepared and submitted to KfW for their NO.

ADDENDA

Nothing to record.

CLAIMS

Contracting parties reached an agreement and decided to solve all pending claims through Contract Addendum No 11, according to which Time for completion for section 2.1 is extended until 15 April 2021 and the implementation of extension of water supply pipeline in Zaljevo, section 3 of the Contract, until 30 April 2021.

Contractor's claims

On 22 March 2021 Contractor gave notice of claim No 13 due to alleged fault of Employer which prevented Contractor from completing connection of PS Volujica to the power network.

March 2021 Contractor gave notice of claim No 14 due to alleged fault of Employer regarding the solving of issue of connecting PS Volujica to the existing pressure pipeline.

Employer's claims

23 April 2021 Employer gave notice of claim due to delay, since Contractor did not complete section 2.1 in accordance with revised deadline for completion of works.

Insurance

The Employer issued the notice of damage to the insurer in a letter the wording of which was agreed between Vodacom and the Engineer.

GUARANTEES:

- Payment Guarantee - valid until 31/05/2021.
- Advance payment Guarantee – valid until 01/06/2021.
- Performance Guarantee - valid until 24/01/2022.

PAYMENTS

The Contractor confirmed that final payment for section 2.2 in the amount of € 41.275,94 was made on 09 February 2021, as well as the payment according to IPC 26 in the amount of € 167.366,04 made on 10 February 2021.

Payments executed to date up to final payment for the basic contract:

KfW grant 155,750.00€
 KfW loan (Phase III) 9,608.80.08€
 Municipal contribution: 647,175.29 €
 VAT (to be paid by the Municipality): 135,906.82€
 Total with VAT: 10,547,635.19 €

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	approx. €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)

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 it was expected that this Study would help 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, construction of five WWTPs was envisaged:

1. Bar WWTP (52.000 PE), approx. 10.8 mil Euro

2. Sutomore WWTP (21,000 PE), approx. 6.55 mil Euro
3. Veliki Pijesak WWTP (7,000 PE), approx. 3.5 mil Euro
4. Čanj WWTP (3,500 PE), approx. 2.3 mil Euro
5. Bušat WWTP (3.000 PE), approx. 2 mil Euro

Even after the preparation of the location study, the Municipality of Bar has not made the decision on the priorities regarding investment measures envisaged to be implemented within Phase V, nor did the Mayor sign the on-lending agreement with the MoF.

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 10,198.00 million Municipality's contribution Euro 0,162 mil
Role of Vodacom	Project Executing Agency (PEA) (Project Management)
Engineer	Tractebel GWK GmbH Germany
Employer	WTE, FR Germany

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:

- 1) Conducting of the remaining SCADA training by the Contractor;
- 2) 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 municipalities Kotor and 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	<p>Stage I of the upgrade of water supply and sanitation infrastructure in Ulcinj:</p> <ul style="list-style-type: none"> - Procurement of repair materials <p>Stage II</p> <ul style="list-style-type: none"> - Works by consultant for project implementation (preparatory phase, preparation of design and tender documents) <p>Stage III</p> <ul style="list-style-type: none"> - Implementation of works and supervision
Expected result	Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions
Contract Value	approx. € 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	
<p>1. Inception stage - Implementation in Ulcinj</p> <p>Upon the completion of the tender procedure, a contract with the Consultant Hydrophil from Vienna was signed on 3 August 2016 in Ulcinj. The contract start date is 1st of September 2016. The project is envisaged to be implemented in 3 stages. The first and second stage of about 18</p>	

months each 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.

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 Đerane, Brajša, installation of measuring points and SCADA system, construction of new pipelines with a focus on the main and distribution network of Donji Štoj. Smaller amount of funds will be committed to the wastewater system, for the rehabilitation of sea outfall Đerane, and faecal and storm water sewers in downtown Ulcinj.

In the reporting period, Vodacom has urged the Municipality to speed up the expropriation procedure (solving of property issues, land owned by private entities). To that end there was a meeting on 22 April 2021 the main topic of which was expropriation status. The members of the expropriation committee provided the following information at the meeting: out of 167 plots requiring expropriation, protocols were made for 104 of them. Out of the mentioned protocols, 89 of them are with a positive outcome (owners agree to expropriation) and 15 are with negative outcome (owners do not agree to expropriation). For 102 cadaster plots Decisions have been prepared. The committee has prepared invitations for the owners of the remaining 65 cadaster plots, out of which 34 plot owners were supposed to have been interviewed by the end of the reporting period.

Representatives of the Ministry of finances and welfare informed Vodacom that the procedure of solving property issues for land owned by the state, upon request from Municipality Ulcinj for defining right of disposal and servitudes sent at the beginning of June 2020, will be finished soon. The Municipality received only a couple of negative opinions in response to their request for transfer of right of disposal and servitudes, also sent in June 2020. Namely, the Municipality received from the Ministry of finances and welfare negative opinion regarding request for transfer of right of disposal and servitude for property around PS Gač (cad.plot No 137 KO Pistula, adaptation project measure No 2.1.7), which is based on the negative opinion from the ministry of agriculture, forestry and water management i.e. the forestry management department. A similar opinion was sent regarding cad.plot No 3561 for project measure 3.4 "adaptation works PS Pristan-outfall."

Before the expiration date for the bid, the first ranked bidder extended the validity of their bid by three months, so that the first (out of 2) contract negotiation meetings with the first ranked bidder is scheduled for mid-May.

PROBLEMS

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

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

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

problem: the lack of qualified employees, especially in the technical sector, which brings into question the ability of ViK to monitor and implement future investments in a high quality manner. 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 are still 10 cadastral parcels owned by the State, for which the Municipality of Ulcinj has not yet received the right of disposal, i.e. the right of servitude.

Due to COVID-19, the capacities of the Property management have been significantly reduced, Secretariat for Property Protection, Secretariat for spatial planning and sustainable development, Secretariat for communal affairs and environmental protection, and thus the commenced activities have been reduced, slowed down or even have completely stopped: expropriation, revision of design documents (according to UT conditions) and issuance of building permits for some of the project measures.

Municipality Ulcinj planned to start negotiations with the first ranked bidder mid-March 2021, however, final negotiation for defining deadlines, works dynamics and other obligations of Employer and Contractor at the beginning of the project, is still not possible because prior to that it is necessary:

- That the Ministry of finances and welfare signs the Contract with KfW bank regarding the extension of availability of phase V loan funds;
- To solve property issues (for land owned by private entities and by the state) for a considerable number of project measures.
- That the ministry of finances and welfare provides the Decision on relocation of loan funds from the project in Bar to the project in Ulcinj (2.6 mill. Euro). Even if the ministry does not approve the relocation of mentioned funds, this opinion of theirs would be a meaningful factor in selection of measures to be implemented, which is done by the Municipality and ViK.

Please note that in order to realize the whole project (mandatory and optional measures) it is necessary to secure an additional amount of 2.6 million Euro from loan funds.

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 April 2021:

- The Municipality and the Property management should carry out expropriation for a part of the privately owned properties for which the owners agree to expropriation;
- The Ministry of finances and welfare should resolve property issues for the remaining 10 state owned cadastral parcels
- The Ministry of finances and welfare should resolve property issues according to Municipality's Request for defining right of disposal and servitude
- 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 preparation of final reports for a small number of design measures designed in accordance with UT specifications.
- The first contract negotiations meeting with the first ranked bidder (for implementation of Works);

WBIF – Consulting services for preparation of project – waste water treatment in the municipality of Ulcinj – “Construction of waste water treatment plant and connected infrastructure”

Ulcinj – Consulting project	
Description	<p>Preparation of phase II of improvement of waste water infrastructure.</p> <p>Phase I:</p> <ul style="list-style-type: none"> - Updating of Feasibility study for water supply and waste water infrastructure; <p>Phase II:</p> <ul style="list-style-type: none"> - Selection of consultant for project implementation (preparation of elaborates, studies, design and tender documents) <p>Phase III</p> <ul style="list-style-type: none"> - Implementation of tender procedure for selection of Contractor
Expected result	Sistematic upgrade of waste water network and improvement of environmental conditions
Value	Approximately 0,97 million €
Commencement date	March 2021
Funding Sources	WBIF grant funds
Role of Vodacom	Project Management and partner to Consultants
<p>Municipality of Ulcinj is the recipient of WBIF grant funds in the amount of 974,780.00 Euro for consulting services for preparation of project – “Waste water treatment in the municipality of Ulcinj – construction of waste water treatment plant and connected infrastructure”, November 2020. The key part for commencement of mentioned consulting services (preparation of design and tender documents etc.) is preparation of updated Feasibility study. The Feasibility study for water supply and sewage infrastructure for municipality Ulcinj was prepared by German consulting company Dahlem from Essen in 2013.</p> <p>The kick-off meeting between consulting company Dahlem who are to do the updated Feasibility study and representatives of Municipality and ViK Ulcinj and Vodacom took place on 26th of March 2021.</p> <p>In the reporting period Consultant requested from the Municipality and ViK a great deal of information in order to prepare an updated study of good quality. Until May, the Consultant received great part of the requested documents; however, the decision by the Mayor regarding the location for the waste water treatment plant (WWTP) is still pending. There was a meeting on 22 April 2021, at which different locations were discussed but with no results.</p> <p>PLANNED FOR UPCOMING PERIOD:</p> <p>For May 2021 it is planned that Mayor decides on the location for construction of WWTP and that Consultant receives the remaining documents requested from the Municipality and ViK, afterwards it will be possible to commence preparation of updated study.</p> <p>PROBLEMS</p> <p>Location for the WWTP as the key issue for preparation of the study must be defined as soon as possible. In case that the Municipality does not define the location for the WWTP, the WBIF grant (1 mill Euro) will be lost as well as the possibility to apply for grant funds for investment package</p>	

(currently estimated at 20 mill Euro). The goal of the study is to investigate in detail the location for the plant so that the Employer and bank (WBIF, KfW) get a sense of security for the investment. At the beginning of March 2021 Vodacom sent to the state secretary the comments to the draft grant agreement for the Project, prepared by the KfW bank. It is expected that the grant agreement between the ministry of ecology spatial planning and urbanism and KfW bank will be signed in May.

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 €0,872 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 – expired 31 March 2019
- 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 end of DNP 17th April 2020, the Consultant issued the Performance Certificate on 29th 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.
- Advance payment Guarantee – the advance repaid in full
- Performance Guarantee – Performance Certificate issued.

PAYMENTS LOT 1-Tivat:

Payments made to date after payment of Final Statement and retention:

KfW's loan (Phase IV) €174,171.33

KfW's loan (Phase V2) €1,930,227.18

Total paid amount (including advance payment): €2.104.398,51:

Municipal contribution (VAT) 0 €

The works in the municipality Tivat are completed and Take over Certificate has been issued (4/2/2021). The Certificate states that works were taken over and commissioned 15/12/2020. In January Contractor sent two payment applications – for Retention and Final Statement. The works defined in Addendum 2 are in the DNP which lasts until 15/12/2021. After the DNP the final payment statement will be issued as well as the written discharge, after which the contract will be deemed completed.

Kotor, Tivat, Herceg Novi

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

PROGRESS

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

PHASE V (Component 2)

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

Kotor, Tivat, Herceg Novi	
Description	Water Supply and Sanitation Adriatic Coast
Expected result	Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions
Project Description	Implementation of long-term investment measures for TV, KO, HN Development of Feasibility Study
Role of Vodacom	PEA-Project Management
Consultant	Consultant for Feasibility Study, Fichtner (Germany)
Start date	July 2014
<p>PROGRESS</p> <p>Implementation of long-term investment measures for TV, KO, HN</p> <p>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.</p> <p>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.</p> <p>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 commenced the Inception Stage of Phase V2.</p> <p>In April, the Consultant (Dorsch/Pro Ing) carried out additional site visits of certain project measures locations and organized several meetings with representatives of ViK Kotor and ViK Tivat with the aim of gathering additional information on certain project measures. Mid-April the Consultant submitted draft inception report for review.</p> <p>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 a 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.</p> <p>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</p>	

V2 - Long-term measures. At the very beginning of preparation of the project the Employer decided to separate design documentation into 8 design packages (detailed designs) so as to enable phased financing and implementation of the Project.

In April, the Consultant harmonized final versions of all detailed designs according to comments by Employer (ViK Kototr) and Reviewer.

In addition, verification of the Parcellation study (complete and incomplete) by the Cadaster and state property management is underway. Underway is also the process of acquiring approval from the Cultural heritage protection management.

The pandemic (COVID-19) considerably slowed down project activities implementation.

PROBLEMS

Potential problems that may arise during the implementation of the project "Water supply and Sanitation Adriatic Coast - Bay of Kotor" (Risan/ Perast project), relate to obtaining all necessary consents (approval from the Cultural heritage protection management, providing urban technical conditions, etc.) and resolving property issues.

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

The Cultural property protection management has submitted the conservation conditions for the Project. After that, it is expected that urban technical conditions will be issued for all design volumes of the Risan/ Perast project. After the complete design documentation is submitted to the representatives of the Cultural heritage protection management, it is expected that approval will be granted for the project Risan/ Perast.

In addition, resolving of property-legal issues (land expropriation) needs to be commenced, right upon verification 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 mill. €
Start date	August 2015
Funding sources	KW's grant
Role of Vodacom	PEA

Investment value: 2 mill Euro.

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 rehabilitation/recultivation of old landfills:

Unregulated dumpsite Sinjajevo (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 considered in detail all relevant facts, representatives of Tivat and Kotor agreed that project measures for recultivation/rehabilitation of dumpsites (unregulated dumpsite Sinjajevo and closed sanitary landfill Lovanja) and construction of the SSDF should not be considered a solution for sludge disposal from WWTP Tivat/Kotor. 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 project measures should be excluded from the project phase V2.

Vodacom's activities on capacity development of water utilities

Bar, Herceg Novi, Kotor, Tivat, Ulcinj	
Description	Capacity development of water and sewage utilities
<p>PROGRESS</p> <p>1. Benchmarking</p> <p>In April Vodacom was collecting data to produce the monthly Benchmarking Report for March 2021, which was produced and submitted to the Ministry of ecology, spatial planning and urbanism, Municipalities, ViKs, and benchmarking coordinators for further use.</p>	