

Monthly Report August 2021

No: 1641



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 Consulting contract. The reason for termination is noncompliance with legal basis for contract continuation and Employer has been informed of all the potential consequences. In parallel, Employer commenced negotiation with new Consultant, company Dorsch-Gmbh. 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 submitted the requested proposal on 03 May 2021. Employer is in the course of reviewing proposal. Operator is still independently operating the plant. Based on the information</p>	

received from the WWTP operator, the WWTP continuously receives salty water.

GUARANTEES:

- Advance payment Guarantee – repaid advance payment, no need for 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 €

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 an e-mail dated 01 April 2021 Contractor replied to Engineer's letter dated 20 February 2021 regarding the Performance guarantee and refused to extend the validity of said guarantee, also requesting payment of the full amount of the retention and issuance of Performance certificate.

On 07 April 2021 Engineer replied to Contractor's letter regarding the alleged completion of repairs in Bijela with detailed information about the extent to which the repair has not been successfully completed. A reminder regarding this was sent to Contractor on 16 April 2021. In addition, on 07 April 2021 Engineer refuted Contractor's statement regarding the Performance guarantee and insisted that Contractor must extend its validity.

On 16 April 2021 Engineer sent a reminder to Contractor to submit the missing documents for the Maintenance design and the As built design, which Engineer has already requested from Contractor on 29 March 2021.

On 27 April 2021 Engineer issued revised IPC No 26 to contracting parties in which the retained amount was increased from 38.845,98 to 155.766,80

On 27 May 2021 Engineer submitted to Employer a comprehensive answer and supporting documents regarding Employer's letter No 05-54/21.

On 27 May 2021 Employer sent to Contractor and Engineer the final report by the Technical acceptance committee with a negative conclusion. Employer also added the following statement:

"Since the report is negative and it is not recommended to use the collector, mainly due to missing documentation and remaining works, please take all necessary measures to resolve all issues for the collector to be operated without obstacles and to avoid all eventual fines and sanctions by the Montenegrin inspections management. , ,

On 31.05.2021 the Secretariat for finances and local revenue sent back the invoice No 18/21 dated 04.05.2021 with the letter No 02-2-292/21 in which they express their dissatisfaction with services provided by Vodacom and remind that the Municipality Herceg Novi at their session on 26.04.2021 adopted the Resolution which initiates the procedure for the Municipality Herceg Novi to exit Vodacom.

On 05 July 2021 by letter CEL-1524-672-DCE Contractor submitted the Contract status report after Take over and end of DNP, requesting payment in the total net amount of 928.101,91 EUR with interest due to delayed payment of 59.760,89 EUR, and Contractor also requested issuance of Performance certificate.

On 05 August 2021 in their reply to letter CEL-1524-672-DCE Engineer confirmed that they understand that the Contractor is willing to solve the open issues regarding unfinished repairs based on Article 11.4 (b), and also requested the Contractor to submit justification and calculation for the financing costs due to delayed payment. Further on, on 06 August 2021 Contractor submitted the request for payment based on IPC (27.) for financing costs in the amount of 91.448,66 EUR. This document was revised by Contractor on 19 August 2021, the interest rate was corrected. On 19 August 2021 Engineer issued the IPC 27 in the interim amount of 45.471,07 EUR and set a deadline for payment – 16 September 2021. Since it was necessary that the Contractor submits the missing fiscal invoices, this IPC had to be issued again, which was done together with the mentioned invoices on 26 August 2021 and the amended deadline for payment was set for 27 September 2021. The IPC 27 was submitted to Vodacom on 26 August 2021.

PROGRES

Nothing to report besides the above stated.

OTHER

Nothing to report.

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. Up to the end of reporting period the status of IPC 26 has not been clarified.

IPC 27 in the amount of 45.471,07 EUR for financing costs was issued on 26 August 2021, and payment deadline is 27 September 2021.

Payments executed to date including Advance Payment (up to and including executed payment of Final payment certificate):

GoM: 2.923.000,00€

KfW's grant 155,750.00€

KfW' s loan (Phase III) 5.876.981,23€

KfW' s loan (Phase IV) 6.083.105,39€

KfW' s loan (Phase V2) 5.028.301,88€

Municipal contribution 399.590,34€

Municipal contribution (VAT) 3.593.427,19€

Total amount including VAT: 24.060.156,01€

Bar	
Contract NoBR-RB-01-2010	Construction of: <ul style="list-style-type: none"> - 5,8 km of water supply network, and - 19.2 km of faecal sewage network - 1km of 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 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

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

ACTIVITIES

Main Contract Works

- Nothing to record during the report period.

Section 1:

- Nothing to record during the report period.

Section 2.1:

- Repeated testing of the plant;
- Compactness testing protocols for the reinstatement works;
- Supervision of fine screen repair works;
- Review of Construction book for the Final certificate;
- Extension of insurance;
- Review of progress reports;
- Issuance of Take over Certificate with snag list;
- Request for final certificate;
- Follow up on snag list repairs.

Section 2.2:

- Follow up on Contractor's unfulfilled obligations.

Section 3 – Water supply Zaljevo

- Review of amounts for final certificate;
- Follow up on the snag list.

PROGRESS

Section 2.1 – Contractor sent by e-mail the Final certificate.

Section 3 – Water supply Zaljevo

Contractor sent e-mail with the Final certificate, informed that item 2 from the snag list was repaired and invited to a joint site visit.

VO

Instruction according to Variation No 27 issued.

ADDENDA

Nothing to record.

CLAIMS

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.

On 22 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

On 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.

On 10 May 2021 Employer gave notice of claim due to delay because Contractor did not finish section 3 within deadline for completion of works.

Engineer informed the Employer that, given the Contractor's estimates, it is likely that Taking-Over would happen at the end of July 2021. The Engineer furthered that (i) this would represent a delay of 107 days that the Employer would be entitled to claim from the Contractor as delay damages, (ii) for this Contractor's Risk Event the Engineer gave notice to claim to the Contractor on 23 April 2021 by letter 2395-LO-1734-E-3, (iii) the current estimate is that the Employer could claim the amount of €143,100.21 from the Contractor and (iv) delay damages are earmarked to compensate the Employer from suffering additional cost and damage stemming from the failure of the Contractor to complete the Works within the Time for Completion, for example additional cost for extending necessary services and financial arrangements.

On 1 July 2021 at 08:59 am the Employer instructed the Engineer to prepare and to submit the delay damage claim to the Contractor and thereafter at 10:24 am the same day withdrew said instruction until further notice. On 1 July 2021 at 03.00 pm the pumping station was taken over and there were 77 days elapsed between the relevant Time for Completion and the date stated in the Taking-Over Certificate. According to Contract Addendum 6 the daily delay damage rate results to be €1,337.39, hence a total of €102,978.66.

On 01 July 2021 at 13.11 hrs. Employer withdrew the instruction to Engineer to prepare and submit to Contractor the claim for delay on section 3 until after further consultations with representatives of Municipality Bar.

Insurance

The Employer issued the notice of damage claim to the insurer.

On 17.05.2021 the insurance company informed that the request has been approved and filed under the No 0025-756/21.

On 14.06.2021 the Insurance company Dunav sent the reply to the request for compensation of damage due to force majeure (resolution on damage liquidation) in which they dispute the basis for the compensation, because the insurer is under no obligation subject to insurance conditions and a deadline was made available for objecting to the resolution. The objection was sent by regular post by Employer and by e-mail by Vodacom on 28.06.2021.

On 08 July 2021 the insurance company requested additional documents.

On 27 July 2021 the requested qualifying documents were sent.

On 28 July 2021 insurance company Dunav submitted their Resolution according to which the Insurer's Objection to the original resolution on liquidation is rejected as unfounded.

The possibility remains to submit an objection to the National bank of Serbia.

OTHER:

Vodacom informed the Consultant that Municipality Bar does not approve of the proposal

Addendum 46, but that negotiations with Consultant may continue under the following conditions/limitations:

- The unused loan funds are the only funds which can be counted on
- Reallocation of most part of the funds earmarked for the DNP can be counted on (here it is referred specifically to funds for a short site visit to Bar in the middle of and at the end of DNP)
- Municipality Bar does not want to be deprived of a single service until the issuance of Performance certificate and issuance of final certificate.
- Addendum 46 should clearly indicate that the financial amount for the services is final; optional month is not to be envisaged.

After the consultation and the meeting held on 15 July 2021, on 22 July 2021 the harmonized, revised proposal was submitted to Vodacom.

On 23 July 2021 Vodacom sent the revised proposal Addendum 46 to Municipality Bar requesting approval for proposal to hold a meeting on 27 July 2021 in case there were any need for additional clarification.

On 29 July 2021 Consultant sent a letter to Vodacom to inform of their intention to suspend supervision services during DNP starting from the 01 August 2021 in case the latest version of the submitted and mutually agreed proposal for Addendum 46 is not accepted by the end of work day 31 July 2021.

On 30 July 2021 the Municipality Bar and the KfW were informed of this new development.

Up to 31 July Vodacom did not receive any reply from Municipality Bar.

On 16 August 2021 Municipality Bar informed Vodacom in letter 01-2117-2 that they consider the information sent by Engineer to Vodacom a blackmail. They also partially accepted the items from the financial proposal.

Vodacom informed Engineer of the Bar Municipality's opinion.

On 18 August 2021 Vodacom sent a letter to Engineer in which the Engineer is requested to exempt from the suspension the activities relating to obtaining the Usage permit.

GUARANTEES:

- Payment Guarantee - valid until 31/07/2021 plus 12 months maintenance period
- Advance payment Guarantee – valid until 30/07/2021 (the advance amount will be annulled through the Final certificate)
- Performance Guarantee - valid until 24/01/2022.

PAYMENTS

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

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, hence the Municipality Bar, at their session dated 29 October 2020 adopted the decision to make the Decision on loan by Municipality Bar No 030-294 dated 19.07.2016 invalid.

Further to above stated, relocation of funds earmarked for Bar from phase V (10 million Euros) is underway as well as from phase V2 (2 million Euros), which led to the Municipality Bar announcing their withdrawal from Vodacom. On 10.06.2021 the Municipal assembly adopted the resolution to withdraw from Vodacom.

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 0,254 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

1. Inception stage - Implementation 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 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 brake 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 fecal and storm water sewers in downtown Ulcinj.

Up to the end of reporting period Vodacom did not receive information from committee in charge of solving property issues: for which plots and whether the expropriation procedure is finished for privately owned properties planned for construction/ reconstruction of water supply infrastructure.

In August 2021 several meetings took place with the aim of preparing the Municipality, ViK, Consultant and Vodacom for the second contract negotiation with the first ranked bidder. Vodacom prepared the documentation which was discussed: drafts of Invitation letter and Contract agreement, draft Contract data with detailed information regarding Project status and status of expropriation procedure for privately owned properties planned for construction/reconstruction of water supply network. Since the privately owned property issues have not been solved and since the condition of the network (water supply and sewage) is poor, Employer decided to conclude the Contract with the first ranked bidder as soon as possible (until

end of September 2021) in a way that: it allows commencement of realization of project measures (mandatory) which will be realized on property owned by the Municipality and the Government of Montenegro, and the remaining measures (optional) will be realized after solving the property issues.

Vodacom insisted on the urgent signing of Contract (between Municipality and Ministry of finance and social welfare) and preparation of Resolution connected to the Contract which refers to change of ownership in the cadaster subject to Governmental conclusion from April 2021 (which referred to right of disposal and servitude for cadaster plots owned by the Government of Montenegro) considering their importance for the preparation of final Revision reports for 10 project measures. The mentioned measures are planned to be part of mandatory measures, hence further delay of the signing of contract could create certain problems to Employer, i.e., the Municipality.

In Ulcinj, on 24 August 2021, a meeting took place at which the Municipality acknowledged the amendment and supplement to phase 3 of the contract with Consultant which refers to supervision services. It is planned to establish a supervision committee made up of a team of local and foreign experts.

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 the number of staff members is 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 the 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 the previous period the Ministry of agriculture, forestry and water management rejected the Municipality's request for transfer of disposal and servitude for two cadaster plots and the Ministry of finances requested that the Municipality renews their request for defining right of disposal and servitude for two plots.

The dynamics of the expropriation procedure is still not such as to satisfy the basic Project needs. Until the end of reporting period Vodacom does not have the information whether the expropriation procedure is finished for any of the 167 privately owned cadaster plots. For a minor number of plots, it is necessary to solve the property issues urgently in order to create conditions for realization of works which will solve certain functional units within the Project (reservoir Đerane 4.500 m³ with connection pipelines, pipeline in Štoj – Donji and Gornji).

It is of necessary to sign the Contract (between Municipality and Ministry of finance and social welfare) and to prepare the Resolution connected to the Contract which refers to change of ownership in the cadaster subject to Governmental conclusion from April 2021 (which referred to right of disposal and servitude for cadaster plots owned by the Government of Montenegro) considering their importance for the preparation of final Revision reports for 10 project measures which are planned to be part of mandatory measures in the Works contract.

Based on opinion from urban-construction inspector regarding the notifying of adaptation of PS Gač and PS Pristan which was submitted at the beginning of June 2021, Vodacom fears that most of the measures defined as “adaptation measures” (13 measures) will have to be changed, redefined into “reconstruction measures”. This could result in additional costs for the Project (changes to design documents, hiring a review company) and extension of deadline for preparing the realization of said measures.

PLANS FOR UPCOMING PERIOD:

Taking into consideration the current situation and the Project problems, below is a list of activities being realistically possible to be implemented in September 2021:

- The second (and final) contract negotiation meeting with first ranked bidder
- The Municipality and the Property management should complete expropriation for a part of the privately owned properties for which the owners agree to expropriation;
- 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 municipality, with the assistance from Vodacom and the Consultant, should prepare a proposal for establishing the supervision committee for the Project, according to which the Ministry of ecology, spatial planning and urbanism could adopt the final Resolution.

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	Systematic 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

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.

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.

After a series of meetings held in April and May 2021 at which options were considered regarding the WWTP location, another meeting was organized at the Ministry of ecology, spatial planning and urbanism on the 01.06.2021. At this meeting, the Municipality informed the ministry of the intention to relocate the WWTP from the location defined in the PUP to the cadaster plot No 1281 KO Zoganja (owned by the state). This was justified with significant savings in costs and time which would be spent on expropriation in case the PUP defined location is not chosen.

Further to the above-mentioned meeting, the Municipality organized a public consultation on 09.06.2021 with non-governmental organizations regarding possible solutions for the locations of: waste water treatment plant (WWTP), inlet pumping station (PS) and connecting pipelines from and to the WWTP. In addition to representatives of the Municipality, Dahlem and Vodacom, 6 NGOs took part at this public consultation. All the NGOs agreed that construction of a WWTP is a significant project for the municipality and that it should not be given up on, but they emphasized that an appropriate solution must be found for the location of the WWTP which would, in their opinion, have to be far from the borders of the Solana. They believe that additional funds should be secured for such a location, in order to solve the property issues, and all to the aim of protecting the numerous habitats of animal and plant species in Solana.

In the reporting period Consultant submitted to Vodacom a cumulative proposal for the preparation of study for selection of the Location for WWTP and connected infrastructure in Ulcinj.

PLANNED FOR UPCOMING PERIOD:

For September 2021 it is planned:

- Signing of contract between the Ministry of ecology, spatial planning and urbanism and the KfW bank
- Start realization of Study for selection of location of WWTP and connected infrastructure.

PROBLEMS

Locations 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 construction of WWTP, the WBIF grant (1 mill Euro) will be lost as well as the possibility to apply for grant funds for investment package (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. Until end of reporting period the grant agreement between the ministry of ecology spatial planning and urbanism and KfW bank has not been signed.

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)
<p>GUARANTEES LOT 2-Kotor:</p> <ul style="list-style-type: none"> • Payment Guarantee – expired 31 March 2019 • Advance payment Guarantee – repaid. • Performance Guarantee – Performance Certificate issued. <p>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.</p> <p>The works in municipality 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 written Discharge 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 written Discharge and payment of the retention, the contract for phase V-1 Lot 1 Kotor is considered completed.</p> <p>GUARANTEES LOT 1-Tivat:</p>	

- Payment Guarantee – was valid until 01.07.2020 with extended coverage for the DNP
- 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. On 04.06.2021 there was a site visit after which the Consultant submitted on 10.06.2021 the midterm defects notification period report. During the site visit, small deficiencies were found and Contractor assured that they will soon be remedied. All newly defined deficiencies will be inspected during the final inspection before the end of DNP.

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 (Germany)

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)

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

Kotor, Tivat, Herceg Novi	
Description	Water Supply and Sanitation Adriatic Coast
Expected result	Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions
Project Description	Implementation of long-term investment measures for TV, KO, HN Development of Feasibility Study
Role of Vodacom	PEA-Project Management
Consultant	Consultant for Feasibility Study, Fichtner (Germany)
Start date	July 2014
PROGRESS	
Implementation of long-term investment measures for TV, KO, HN	
<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 is 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 at the beginning of the fourth quarter of 2020.</p> <p>In August, the Consultant (Dorsch/Pro Ing) carried out additional site visits of certain project measure's locations. In addition, Consultant organized several meetings with representatives of Consultant, ViKs and Vodacom with the aim of gathering additional information on certain project measures.</p> <p>Basic activities in August were in connection to following up on the process of decision taking regarding the implementation of phase V2 project measures between Consultant, ViKs and Municipalities and signing of terms of reference, as basic preconditions for preparation of final design for all project measures and the starting point for detailed designing phase.</p> <p>The process of decision taking and harmonizing in terms of scope of certain measures required intense coordination and significant additional time and could not be completed by end of August. There are still various concepts, options and solutions/next steps for implementation of certain measures, and this requires further review, analysis and intense discussions regarding the manner of implementation. Due to frequent changes and lack of final decisions, preparation of detailed designs can progress only when all parties agree to the dimensions of the different elements of the system and the addition, routes based on amounts of required water and produced waste water.</p>	
<u>WBIF Project - Water supply and sanitation on the Montenegrin coast - Bay of Boka Kotorska</u>	
<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 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</p>	

enable phased financing and implementation of the Project.

In August, Consultant is in final stage of preparation of the conservation design for the above-mentioned project. Consultant, together with representatives of the Cultural heritage protection management are preparing in detail the design documents for the conservation design.

Representatives of the line municipal secretariats have finished correcting the Land Certificates. Representatives of the Cadaster and state property management are working on the servitude study for the laying of pipeline. It is expected that the mentioned study will be verified by the cadaster and state property management.

PROBLEMS

Potential problems that may slow down implementation of the project "Water supply and Sanitation Adriatic Coast - Bay of Kotor" (Risan/ Perast project), relate to obtaining all necessary approvals (approval from the State property management, Cadaster, 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. Preparation of conservation design is in final stage. However, it is necessary that the representatives of the cultural heritage protection management take a more active role in the process of preparation of design documents, for the purpose of acquiring approvals for the design.

It is expected that urban technical conditions will be issued for all design volumes of the Risan/ Perast project. The Municipality representatives together with Cadaster and state property management representatives need to intensify their efforts in solving property-legal issues, in order to continue the successful implementation of the Project.

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 mills. €
Start date	August 2015
Funding sources	KW's grant
Role of Vodacom	PEA

Investment value: 2 mill Euro.

The program of 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 currently the most recognized problem is disposal of the sewage 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 sewage 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 Sinjarevo (at the territory of Kotor and Tivat) and closed sanitary landfill Lovanja (territory of Kotor) with the use of sewage 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 Sinjarevo 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 will 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 August Vodacom was collecting data to produce the monthly Benchmarking Report for July 2021, which was produced and submitted to the Ministry of ecology, spatial planning and urbanism, Municipalities, ViKs, and benchmarking coordinators for further use.</p>	