

Monthly Report July 2021

No: 1574



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 submitted the requested proposal on 03 May 2021. Employer is in the course of</p>	

reviewing proposal.

The Employer is still independently operating the plant. Based on the information 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 €

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 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 o Performance certificate.

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.

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
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"> • 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 –

On 01 July 2021 Employer requested by e-mail from Engineer to take over section 2.1, at 15.00 h on that day. Take over was carried out according to request and Engineer informed Employer by letter 2395-LO-1896-E-1, dated 05 July 2021 that PS Volujica had been commissioned despite the fact that:

- (i) Final testing results, subject to Article 9.4, were not successful,
- (ii) One of the main parts of equipment was rejected subject to Article 7.5 and
- (iii) Subject to Contract Article 10.1 Engineer did not accept Contractor's request for taking over of section 2.1.

Employer was also informed that such decision on the part of Employer, now relieves the Contractor from responsibility for the Works, responsibility for the Works is now Employer's.

Engineer informed Employer that the DNP has commenced, regardless whether the Take over Certificate is issued or not. Employer was informed i) the services during the DNP are covered by the Consulting contract between Vodacom and Dahlem and that Employer must adequately inform Engineer about all circumstances which Employer might find indicative of a defect subject to Works contract, and ii) Engineer must inform Contractor of any defect subject to exact article of the FIDIC Contract. Otherwise, Employer risks losing his right of repair or compensation in case of defect by Contractor. On 16 July 2021 Employer confirmed to Engineer to issue the Take over Certificate. On 17 July 2021 in addition to the snag list, the Take over Certificate was also issued in which the date 01 July 2021 is defined as the Take over date.

Regarding the repair of the fine screen, a technician from Germany arrived on site on 26 July 2021 and worked on 27 and 28 July 2021. The old border switch was removed and a new one was installed. The new switch is connected to PLC. Additional damage to the screen were ascertained and the screen could not be tested without replacement of additional parts. Engineer prepared an ad-hoc report and submitted it on the same day, 29 July 2021.

Section 3 – Water supply Zaljevo

Contractor started working on the items from the snag list.

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. A deadline of 15 days 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.

GUARANTEES:

- Payment Guarantee - valid until 31/07/2021.
- Advance payment Guarantee – valid until 30/07/2021.
- 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)
<p>Since the Municipality of Bar had previously decided to postpone all activities related to the construction of WWTP on Volujica (68,600 PE, about Euro 12.4 million) due to land ownership problems and some conceptual dilemmas, a new project stage 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.</p> <p>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:</p> <ol style="list-style-type: none"> 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 <p>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.</p> <p>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 Municipality assembly adopted the resolution to withdraw from Vodacom.</p>	

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)

	Stage III - 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 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 fecal and storm water sewers in downtown Ulcinj.

At meeting held on 06 July 2021 at the Municipality, the subject of discussion were the 15 measures for which the property issues still have not been resolved, and about which Vodacom, ViK and Municipality agreed that they should be regarded as priority compared to the rest of the measures in terms of expropriation procedure. According to information from representative of the Committee for solving property issues, out of the 15 measures, 5 owners of the plots envisaged for construction have given their consent to continue with the expropriation procedure. Regarding the remaining 10 project measures, it was agreed that ViK Ulcinj with the Mayor will talk to the owners of the plots about the need and significance of realizing this Project and carrying out the expropriation procedure for their property.

Until the end of reporting period Vodacom did not get information for which plots the expropriation procedure was finalized.

In July 2021 Municipality Ulcinj received a Governmental conclusion from the assembly held on 15 April 2021 at which the Government gave their approval for granting right of servitude for 11 cadaster plots (in KO Ulcinj and KO Donji Štoj), based on request sent by the Municipality to the Ministry of finances in June 2020. This creates conditions for the next contract negotiation meeting with the first ranked bidder to include 7 more project measures since the solving of property issues for these measures is in its final stage.

The first ranked bidder extended once more their bid validity until 01 November 2021.

At assembly held on 22 July 2021 the Government of Montenegro approved extension of availability of loan funds for phases V and V2. After the contract signing, (Ministry of finances and social welfare and the KfW bank) based on mentioned conclusions, the necessary conditions for continuing negotiations with first ranked bidder will be met.

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 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 2 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. Municipality will send urgent request to the Ministry of finances and social welfare. 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.

The dynamics of the expropriation procedure is still not such as to satisfy the basic Project needs. Municipality Ulcinj planned to have the second contract negotiation meeting with the first ranked bidder in July 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 with currently available funds it will not be possible to realize the whole project. 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.

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 July 2021:

- 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.

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
<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>After a series of meetings held in April and May 2021 at which options were considered regarding the</p>	

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 cadster 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 Vodacom discussed with KfW the option of preparing a Location study which would speed up and facilitate the process of final decision taking for the WWTP location in Ulcinj.

PLANNED FOR UPCOMING PERIOD:

For August 2021 it is planned to reach agreement regarding the preparation of a Location study for the WWTP in Ulcinj, and to start activities for said preparation.

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. It is expected that the grant agreement between the ministry of ecology spatial planning and urbanism and KfW bank will be signed in August.

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 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.

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. 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

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 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.

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.

In July, 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.

Based on previous discussions and agreements, Consultant prepared answers for the comments to the Inception report and submitted the final version of the Inception report.

Basic activities were in connection to ascertaining the details of the project measures and to harmonizing the project measures for which Consultant is preparing detailed designs. Preparation of detailed designs can progress only when all parties agree to the dimensions of the different elements of the system and the routes based on amounts of required water and produced waste water.

The envisaged progress in planning and designing could not be achieved due to divergence between requests by ViKs and the Consultant's conceptual design. There are still open issues regarding the difference in water consumption/rate of generated waste water compared to envisaged amounts of water by Consultant and according to data from the DUP.

WBIF Project - Water supply and sanitation on the Montenegrin coast - Bay of Boka Kotorska

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 enable phased financing and implementation of the Project.

In July, Consultant is in final stage of preparation of the conservation design for the above-mentioned project.

Representatives of the line municipal secretariats are in final stage of correcting Land Certificates for the purpose of solving legal-property issues, to the aim of verifying the Parcellation study (complete and incomplete) 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 need to intensify their efforts in solving property-legal issues, in order for the Project to be implemented successfully.

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.

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 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
PROGRESS 1. Benchmarking In July Vodacom was collecting data to produce the monthly Benchmarking Report for June 2021, which was produced and submitted to the Ministry of ecology, spatial planning and urbanism, Municipalities, ViKs, and benchmarking coordinators for further use.	