

**Monthly Report  
June 2021**

**No: 1391**



### 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.

<b>Tivat</b>	
<b>Contract No TV-RB-02 -2010</b>	<b>Construction of:</b> <ul style="list-style-type: none"><li>- 17,6 km of sewage network</li><li>- 14,6 km of water supply network</li><li>- 6 large and 6 small pumping stations</li></ul>
<b>Expected result</b>	<b>Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions in the Bay of Tivat</b>
<b>Contract value</b>	<b>€9,491 million</b>
<b>Contract start date and end date</b>	<b>14 December 2011 - 31 December 2014</b>
<b>Employer</b>	<b>The Municipality of Tivat and PE "Water and Sewerage" Tivat</b>
<b>Funding sources</b>	<b>Municipal budget - €3,955 million KfW loan - € 5,379 million KfW grant - €155.750</b>
<b>Role of Vodacom</b>	<b>Project Executing Agency (PEA)</b>
<b>Contractor</b>	<b>Ludwig Pfeiffer, FR Germany</b>
<b>Engineer</b>	<b>Dahlem FR Germany</b>

#### **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.

<b>Herceg Novi</b>	
<b>Contract No HN -YB-2010</b>	<b>Construction of the WWTP for 65.300 PE</b>
<b>Expected result</b>	<b>Systematic upgrade of the sanitation system and improvement of environmental conditions in the Bay of Kotor</b>
<b>Contract value</b>	<b>€9,020 million</b>
<b>Contract start date and end date</b>	<b>24 June 2012 - 12 June 2017</b>
<b>Employer</b>	<b>The Municipality of Herceg Novi and the company "Društvo za izgradnju vodovodne i kanalizacione infrastrukture u opštini Herceg Novi"</b>
<b>Funding sources</b>	<b>Municipal budget - €1,366million GoM contribution - € 1,349 million KfW loan - € 6,304 million</b>
<b>Role of Vodacom</b>	<b>Project Executing Agency (PEA)</b>
<b>Contractor</b>	<b>JV MASS/Gintas (contract terminated on 21/11/2018)</b>
<b>Engineer</b>	<b>Dahlem FR Germany</b>
<p><b>HN-YB-2010</b></p> <p><b>ACTIVITIES</b></p> <p><b>PROGRESS – Status at WWTP</b></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"> <li>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.</li> <li>2. Preparation of tender documents and supervision services for completion of all works on the WWTP, worth 1.500.000,00 Euro.</li> </ol> <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.

Solving of the issue of purchase of spare parts for the WWTP is under way, in order to remedy certain functionality problems at the plant.

#### **GUARANTEES:**

- Advance payment Guarantee – repaid advance payment, no 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

<b>Herceg Novi</b>	
<b>Contract No HN-RB-01-2010</b>	<b>Construction of:</b> – 35,3 km of water and sewage network – 11 pumping stations and a sea outfall
<b>Expected result</b>	<b>Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions in the Bay of Kotor</b>
<b>Contract value</b>	<b>€18,522 million</b>
<b>Revised Accepted Contract Amount up to and including Addendum No 8</b>	<b>€21,392 million</b>
<b>Contract start date and end date</b>	<b>25 August 2012 – 17 February 2015</b>
<b>Employer</b>	<b>The Municipality of Herceg Novi and the company “Društvo za izgradnju vodovodne i kanalizacione infrastrukture u opštini Herceg Novi”</b>
<b>Funding sources</b>	<b>Municipal budget - €0,399 million GoM contribution - € 2,923 million KfW loan - € 17, 914 million KfW grant - €0,155 million</b>
<b>Role of Vodacom</b>	<b>Project Executing Agency (PEA)</b>
<b>Contractor</b>	<b>Celtikcioglu, Turkey</b>
<b>Engineer</b>	<b>Dahlem FR Germany</b>

#### **ACTIVITIES**

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. 07 April 2021 Engineer replied to Contractor’s letter regarding the alleged completion of repair 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 the validity of the guarantee.

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.

#### **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€

<b>Bar</b>	
<b>Contract No</b> BR-RB-01-2010	<b>Construction of:</b> <ul style="list-style-type: none"> <li>- 5,8 km of water supply network, and</li> <li>- 19.2 km of faecal sewage network</li> <li>- 1km of storm water sewage network</li> <li>- 1 pumping stations with the construction of new sea outfall "Sutomore"</li> <li>- 1 reservoir "Susanj 2"</li> <li>- <b>Additional measures: "New Project Concept in Bar"</b></li> <li>- Construction of the water supply system for settlements Polje, Zaljevo, St. Ivan and Mala Volujica, and construction of the sewage PS Volujuca with pressure pipeline.</li> </ul>
<b>Expected result</b>	<b>Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions</b>
<b>Contract value</b>	€11.191.128
<b>Contract start date and end date</b>	26 February 2016 – 26 February 2018 "New Project Concept in Bar" 02/09/2018 to 02/10/2019
<b>Employer</b>	The Municipality of Bar and ViK Bar
<b>Funding sources</b>	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
<b>Role of Vodacom</b>	Project Executing Agency (PEA)
<b>Contractor</b>	MPP Jedinstvo, Serbia
<b>Engineer</b>	Dahlem FR Germany
<p><b>ACTIVITIES</b></p> <p><b>Main Contract Works</b></p> <ul style="list-style-type: none"> <li>• Nothing to record during the report period.</li> </ul> <p><b>Section 1:</b></p> <ul style="list-style-type: none"> <li>• Nothing to record during the report period.</li> </ul> <p><b>Section 2.1:</b></p> <ul style="list-style-type: none"> <li>• Reinstatement works;</li> <li>• Revie of Construction book for the Fina certificate</li> <li>• Testing of plant; inal testing.</li> </ul> <p><b>Section 2.2:</b></p> <ul style="list-style-type: none"> <li>• Works are carried out according to Variation No 21;</li> </ul> <p><b>Section 3 – Water supply Zaljevo</b></p> <ul style="list-style-type: none"> <li>• Take over of works.</li> </ul>	



## **PROGRESS**

### **Section 2.1 –**

Final testing begun and ended unsuccessfully due to a mechanical malfunction of the screen. Engineer sent the appropriate notice to Contractor according to Article 7.5 of Contract conditions, informing that the Request for Take over of Work is denied.

Contractor ordered the necessary parts from the manufacturer and delivery is expected in July, the repair and repeated testing will take place the same month. Final testing will then be over and Section 2.1 will afterwards be taken over. Reinstatement works are completed, as well as the fence.

### **Section 3 – Water supply Zaljevo**

As built drawings were submitted and approved on 17.06.2021. Works have been taken over.

## **VO**

Variation Order # 27 – 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.

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

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.

### 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.

## **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

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

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 Municipality 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.

<b>Kotor and Tivat</b>	
<b>Description</b>	<b>Construction of a Joint WWTP for Kotor &amp; Tivat for 72.000 PE</b>
<b>Expected result</b>	<b>Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions</b>
<b>Contract value</b>	<b>€10,266 million</b>
<b>Contract start date and end date</b>	<b>23 January 2015 – 20 June 2016</b>
<b>Employer</b>	<b>PE "Water and Sewerage" Tivat and Kotor</b>
<b>Funding sources</b>	<b>KfW loan Euro 10,198.00 million Municipality's contribution Euro 0,254 mil</b>
<b>Role of Vodacom</b>	<b>Project Executing Agency (PEA) (Project Management)</b>
<b>Engineer</b>	<b>Tractebel GWK GmbH Germany</b>
<b>Employer</b>	<b>WTE, FR Germany</b>
<b>PROGRESS</b>	
<p>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:</p> <ol style="list-style-type: none"> <li>1) Conducting of the remaining SCADA training by the Contractor;</li> <li>2) Handover of two vehicles procured for the needs of the WWTP.</li> </ol> <p>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.</p>	



**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.

<b>Ulcinj- Investment project</b>	
<b>Description</b>	<p><b>Stage I of the upgrade of water supply and sanitation infrastructure in Ulcinj:</b></p> <ul style="list-style-type: none"> <li>- Procurement of repair materials</li> </ul> <p><b>Stage II</b></p> <ul style="list-style-type: none"> <li>- Works by consultant for project implementation (preparatory phase, preparation of design and tender documents)</li> </ul> <p><b>Stage III</b></p> <ul style="list-style-type: none"> <li>- Implementation of works and supervision</li> </ul>
<b>Expected result</b>	<b>Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions</b>
<b>Contract Value</b>	<b>approx. € 20 million</b>
<b>Duration</b>	<b>2012</b>
<b>Funding Sources</b>	<b>KfW loan from Phase V, municipal budget of Ulcinj</b>
<b>Role of Vodacom</b>	<b>Project Management and Partner to the Consultant</b>
<b>PROGRESS</b>	
<p><b>1. Inception stage - Implementation in Ulcinj</b></p> <p>Upon the completion of the tender procedure, a contract with the Consultant Hydrophil from Vienna was signed on 3 August 2016 in Ulcinj. The contract start date is 1<sup>st</sup> of September 2016. The project is envisaged to be implemented in 3 stages. The first and second stage of about 18</p>	

months each imply preparation of the detail design for reconstruction and extension of water supply and sewerage infrastructure and implementation of the tender procedure for the engagement of the Contractor. The 2 year long third stage refers to the supervision of the construction works.

For the water supply system the detail design will include rehabilitation of karst springs and pumping stations, reservoirs and break pressure chambers, construction of reservoirs Đerane, Brajša, installation of measuring points and SCADA system, construction of new pipelines with a focus on the main and distribution network of Donji Štoj. Smaller amount of funds will be committed to the wastewater system, for the rehabilitation of sea outfall Đerane, and fecal and storm water sewers in downtown Ulcinj.

Further to information submitted to Vodacom by the municipal committee for solving property issues on 27.05.2021, requested by Vodacom, a meeting was held at the Municipality Ulcinj on 04.06.2021 with two topics: Improvement of the dynamics of solving privately owned property issues (expropriation) for the Project needs, and risks affecting the Project.

Until the end of reporting period no new information was submitted to Vodacom regarding the expropriation procedure.

According to the opinion of the urban-construction inspector regarding the application for the adaptation of PS Gač and PS Pristan, submitted at the beginning of June 2021, Vodacom expressed worry since it may happen that, for all the measures in the design characterized as “adaptation” (13 measures), changes will be required, renaming to “reconstruction”. This could result in additional costs in the Project (change of design documents, new review reports) and extension of deadline for preparation of the mentioned measures for realization.

## **PROBLEMS**

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

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

From the Programme perspective, the number of employees remains the only project milestone which has not been reached in terms of acquiring necessary conditions for the continuation of the investment programme in Ulcinj. In addition, ViK Ulcinj has been faced with an additional problem: the lack of qualified employees, especially in the technical sector, which brings into question the ability of ViK to monitor and implement future investments in a high quality manner.

In June 2020, the Municipality sent updated requests to the Ministry of Finance related to the transfer of the right of disposal and servitudes over the property owned by the State, on which the construction of water supply and sewerage infrastructure is planned. By the end of the Reporting Period, there are still 10 cadastral parcels owned by the State, for which the Municipality of Ulcinj has not yet received the right of disposal, i.e. the right of servitude.

Even though the Government approved the right of disposal and servitude for the majority of cadster plots owned by the state, at the assembly held several months ago, an official document has still not been submitted for the Municipality and Reviewer to complete their part of the procedure (preparation of building permits and reports).

The dynamics of the expropriation procedure is still not such as to satisfy the basic Project needs.



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

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

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

**PLANS FOR UPCOMING PERIOD:**

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

- The Municipality and the Property management should carry out expropriation for a part of the privately owned properties for which the owners agree to expropriation;
- The Ministry of finances and welfare should resolve property issues for the remaining 10 state owned cadastral parcels
- The Ministry of finances and welfare should resolve property issues according to Municipality's Request for defining right of disposal and servitude
- Pursuant to the above, for one part of the project measures, the Employer, i.e. the Secretariat for Communal Services and Environmental Protection, could submit applications for the preparation of construction permits for a certain number of project measures
- The responsible reviewer should complete documentation (opinions and consents of the authorities in charge of technical specifications) for preparation of final reports for a small number of design measures designed in accordance with UT specifications.

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

<b>Ulcinj – Consulting project</b>	
<b>Description</b>	<p><b>Preparation of phase II of improvement of waste water infrastructure.</b></p> <p><b>Phase I:</b></p> <ul style="list-style-type: none"> <li>- <b>Updating of Feasibility study for water supply and waste water infrastructure;</b></li> </ul> <p><b>Phase II:</b></p> <ul style="list-style-type: none"> <li>- <b>Selection of consultant for project implementation (preparation of elaborates, studies, design and tender documents)</b></li> </ul> <p><b>Phase III</b></p> <ul style="list-style-type: none"> <li>- <b>Implementation of tender procedure for selection of Contractor</b></li> </ul>
<b>Expected result</b>	<b>Systematic upgrade of waste water network and improvement of environmental conditions</b>
<b>Value</b>	<b>Approximately 0,97 million €</b>
<b>Commencement date</b>	<b>March 2021</b>
<b>Funding Sources</b>	<b>WBIF grant funds</b>
<b>Role of Vodacom</b>	<b>Project Management and partner to Consultants</b>
<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 26<sup>th</sup> of March 2021.</p> <p>After a series of meetings held in April and May 2021 at which options were considered regarding for 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 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.</p> <p>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</p>	

numerous habitats of animal and plant species in Solana.

**PLANNED FOR UPCOMING PERIOD:**

For July 2021 it is planned to hold meetings with the ministry of ecology, spatial planning and urbanism regarding the defining of location for the WWTP.

**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 July.

**Kotor, Tivat, Herceg Novi**

<b>Description</b>	<b>Implementation of urgent investment measures for Tivat, Kotor and Herceg Novi</b>
<b>Expected result</b>	<b>Implementation of urgent investment measures in water supply and sanitation system and improvement of environmental conditions</b>
<b>Value</b>	<b>Tivat - Contract with Jedinstvo - €2,320 million; Kotor - Contract with Jedinstvo €0,872 million;</b>
<b>Commencement date and end date</b>	<b>Tivat - 15/01/2018, 456 calendar days, including interruption during the tourist season from 01/06 to 01/09 Kotor - 5/02/2018, 243 calendar days, including interruption during the tourist season from 15/06 to 01/09</b>
<b>Employer</b>	<b>ViK Tivat and ViK Kotor</b>
<b>Funding Sources</b>	<b>Tivat - KfW loan Phase IV in the amount of € 174,171 and Phase V2 in the amount of €2,146,076.97 Kotor - KfW loan Phase IV in the amount of € 615,900 and the own contribution of the Municipality of Kotor in the amount of €256,870.01</b>
<b>Role of Vodacom</b>	<b>Project Executing Agency (Project Management)</b>
<b>Consultant</b>	<b>Fichtner (Germany)</b>
<b>Contractor</b>	<b>MPP Jedinstvo (Serbia)</b>

**GUARANTEES LOT 2-Kotor:**

- Payment Guarantee – 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 17<sup>th</sup> April 2020, the Consultant issued the Performance Certificate on 29<sup>th</sup> 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.

<b>Kotor, Tivat, Herceg Novi</b>	
<b>Description</b>	<b>Construction of Sludge Solar Drying Plants for Kotor, Tivat and Herceg Novi</b>
<b>Funding sources</b>	<b>KfW grant for project preparation KfW loan for investments</b>
<b>Consultant</b>	<b>Consultant for project preparation - Dahlem</b>
<p><b>PROGRESS</b> The implementation of the SSDF has been postponed for the time being due to lack of cost-effectiveness caused by smaller quantities of sludge produced at the WWTP as compared to the anticipated ones.</p>	

## PHASE V (Component 2)

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.

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

In June, 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.

There are a certain number of critical changes and issues which will require approval from the Municipalities and ViKs for the purpose of preparation of detailed design, especially regarding the calculated amounts of required water and produced waste water according to the DUP.

The analysis and replies to the comments to the Inception report (IR) resulted in extensive technical discussions due to the requested changes in conceptual designs for some of the measures (requests by ViK) and problems in terms of differences between the planning documents (DUP) and IR, especially regarding the population projections. This requires considerable additional time and coordinated activities and it delays the progress of the detailed design, and the replies to the comments to the IR.

In line with the above mentioned, detailed design cannot progress according to plan due to various reasons such as lack of urban technical conditions, agreement regarding the routes (deviations from the DUP) and the dimensions of various elements of project measures.

#### **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 June, Consultant commenced preparation of the conservation design for the above mentioned project. Conservation architect is still in the process of reviewing the designs for the purpose of acquiring approval from the Cultural heritage protection management.

Representatives of the line municipal secretariats started 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.

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

#### **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. It is necessary to finish the conservation design for the purpose of acquiring approval from the Cultural heritage protection management.

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

<b>Description of the project</b>	<b>Accompanying Measures: “Sustainable Operation of WWTPs”</b>
<b>Project aim</b>	<b>The long-run proper management of the WWTPs</b>
<b>Value</b>	<b>2 mill. €</b>
<b>Start date</b>	<b>August 2015</b>
<b>Funding sources</b>	<b>KW’s grant</b>
<b>Role of Vodacom</b>	<b>PEA</b>

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

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