

Monthly Report September 2021

No: 1759



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. Two contracts are completed, with CMC group, and Biogest International, 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 launch the tender based on the prepared documentation.</p> <p>After years of negotiations regarding continuation of contract, on 26.02.2021 Employer sent a letter to company Mass (without Gintas) informing them of termination of Consulting contract. The reason for termination is noncompliance with legal basis for contract continuation and Employer has been informed of all the potential consequences. In parallel, Employer commenced negotiation with new Consultant, company Dorsch-Gmbh. The Employer sent request to Consultant for submitting their proposal for:</p> <ol style="list-style-type: none"> 1. Revision of existing tender documents for Green and Pink FIDIC Book for implementation of tender procedure as well as for supervision of the Works, in the amount of 400.000,00 Euro. 2. Preparation of tender documents and supervision services for completion of all works on the WWTP, worth 1.500.000,00 Euro. <p>Consultant submitted the requested proposal on 03 May 2021. Employer is in the course of</p>	

reviewing proposal. Operator is still independently operating the plant. Based on the information received from the WWTP operator, the WWTP continuously receives salty water. On 23 September 2021 Employer submitted to Vodacom their Resolution on withdrawing from Vodacom, after which all activities on this Contract ceased.

GUARANTEES:

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

PAYMENTS

There were no payments during this reporting period.

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

9,955,055.22€

KfW's loan (Phase III) 2,863,000.00 €

KfW's loan (Phase IV) 3,441,000.00 €

Municipal contribution 711,664.36€

Municipal contribution (VAT) 1,589,462.59€

GoM's grant: 1,349,928.28 €

Herceg Novi

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

ACTIVITIES

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

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

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

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

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

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

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

On 31.05.2021 the Secretariat for finances and local revenue of Municipality Herceg Novi sent back Vodacom's 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 withdraw from Vodacom.

On 05 August 2021 in their reply to letter CEL-1524-672-DCE Engineer confirmed that they understand that the Contractor is willing to solve the open issues regarding unfinished repairs based on Article 11.4 (b), and also requested the Contractor to submit justification and calculation for the financing costs due to delayed payment. Further on, on 06 August 2021 Contractor submitted the request for payment of IPC 27 for financing costs in the amount of 91.448,66 EUR. This document was revised by Contractor on 19 August 2021, the interest rate was corrected. On 19 August 2021 Engineer issued the IPC 27 in the interim amount of 45.471,07 EUR and set a deadline for payment – 16 September 2021. Since it was necessary that the Contractor submits the missing fiscal invoices, this IPC had to be issued again, which was done together with the mentioned invoices on 26 August 2021 and the amended deadline for payment was set for 27 September 2021. The IPC 27 was submitted to Vodacom on 26 August 2021. Vodacom submitted the IPC 27 to Employer on 9 September 2021.

On 9 September 2021 Contractor sent request to Engineer directly asking for change of earlier taken decisions by Engineer's assistant regarding issuance of retention amount payable to Contractor and regarding the not issued Performance certificate. To be exact, Contractor requested from Engineer to reverse IPC 26 dated 17 August 2020, to confirm IPC 26 Rev 1 dated 28 September 2020, to reverse IPC 26 Rev2 dated 23 April 2021, to change IPC 27 in line with IPC 26 Rev 1 and to issue the Performance certificate. On 15 September 2021 Consultant forwarded to Vodacom by e-mail all the Contractor's requests as well as the draft Engineer's reply, with a request that Vodacom as the project implementing

agency analyses and considers the requests. Vodacom was asked to send to Consultant any comments or questions regarding the forwarded request.

On 17 September 2021 Vodacom replied agreeing that it is necessary to expediate the activities for completion of project in Herceg Novi, however sending of reply to Contractor should be postponed until a meeting is held concerning this issue between Vodacom and Dahlem and afterwards a joint meeting with Employer representatives.

Regarding the issuance of Performance certificate, Vodacom is of the opinion that circumstances have not significantly changed compared to a year ago, when the Assistant Engineer refused to issue the performance certificate and concluded that the Certificate should not be issued until all deficiencies are remedied.

Regarding the manholes HN7190 and HN5292, Vodacom is of the opinion that the problem with mentioned manholes is not only of "visual nature" as the Contractor stated, on the contrary, these manholes have not been constructed according to design, i.e., they are not according to Contract. In addition, Vodacom reminded that the technical acceptance committee did not mention these manholes anywhere in their report, nor are they accepted (they were not the object of this report). Vodacom concluded that a reduction of 20.000,00 Eur for manholes HN7190 and HN5292 should remain unchanged, and regarding the reduction of 55.000,00 Eur for the costs of repeated preparation of as built and maintenance designs, Vodacom is of the opinion that regardless of all the approvals, Article 4.35 must be applicable, and concluded that the deficiencies in the documentation should be remedied at Contractor's expense, so that the evaluation and determination by Assistant Engineer should remain unchanged.

On 23 September 2021 Consultant replied to Vodacom that they appreciate the support in terms of time being of the essence and that the necessary tasks should not be further postponed. Regarding the meeting with Employer, Consultant was not optimistic considering the fact that for 12 months now Employer has refused to verify Consultant's invoices which were submitted to Vodacom for payment. Since Consultant had no realistic hope that the meeting will take place, Vodacom was informed that the Engineer is the party which has the obligation to take the next steps, and that unjustified delay will result in contractual and legal claims against the Employer and Dahlem, and that such claims will be passed on to Vodacom by the Employer. Consultant concluded that they will reply to the Contractor regarding manholes HN7190 and HN5292, which are fit for use, and regarding incomplete as built and maintenance designs, informing them that a reduction of earlier defined amounts will be approved. Contractor will be informed about a new Determination by Engineer and about the ramifications of such determination in terms of future IPCs, as well as about the Performance certificate. On 24 September 2021 Vodacom suggested to hold a meeting between Consultant and Vodacom nonetheless, since certain issues remain unclear and unanswered.

On 27 September 2021 Vodacom and Consultant had a video conference at which unclear issues were clarified (Contractor's obligatory remedy works will be regulated subject to Article 11.4; the manholes are really fit for use; there are no unfulfilled obligations by Contractor regarding the maintenance and as built designs for the priority section, but there are for the Riviera section, obligations not already regulated by Article 11.4). Vodacom accepted that the remaining task is for Engineer to define amounts which will reduce the Contract price.

PROGRES

Nothing to report besides the above stated.

OTHER

Nothing to report.

GUARANTEES:

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

- Performance Guarantee - expired 03/09/2020.

VARIATIONS

Nothing to record.

CLAIMS

Nothing to record.

PAYMENTS

The Contractor requested payment of the Retention Money in the amount of EUR 925,896.74. On 28/09/2020 the Engineer certified for payment EUR 887,261.04 after he deducted EUR 38,845.98 due to uncompleted obligations, while the deadline for payment is 26/10/2020. Up to the end of reporting period the status of IPC 26 has not been clarified.

IPC 27 in the amount of 45.471,07 EUR for financing costs was issued on 26 August 2021, and payment deadline is 27 September 2021. Vodacom sent an urgent reminder to Employer regarding the payment deadline.

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

GoM: 2.923.000,00€

KfW's grant 155,750.00€

KfW' s loan (Phase III) 5.876.981,23€

KfW' s loan (Phase IV) 6.083.105,39€

KfW' s loan (Phase V2) 5.028.301,88€

Municipal contribution 399.590,34€

Municipal contribution (VAT) 3.593.427,19€

Total amount including VAT: 24.060.156,01€

Bar	
Contract NoBR-RB-01-2010	Construction of: <ul style="list-style-type: none"> - 5,8 km of water supply network, and - 19.2 km of faecal sewage network - 1km of storm water sewage network - 1 pumping stations with the construction of new sea outfall "Sutomore" - 1 reservoir "Susanj 2" - Additional measures: "New Project Concept in Bar" - Construction of the water supply system for settlements Polje, Zaljevo, St. Ivan and Mala Volujica, and construction of the sewage PS 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"> • Fine screen repair works; • Overhaul and cleaning of centrifugal pumps; • Maintenance and cleaning of pumping station. <p>Section 2.2:</p> <ul style="list-style-type: none"> • Nothing to record during the report period. <p>Section 3 – Water supply Zaljevo</p> <ul style="list-style-type: none"> • Nothing to record during the report period. <p>PROGRESS</p> <p>Section 2.1 – Review of the Final certificate is underway.</p> <p>On 20 September 2021 a meeting was held at the Municipality for the purpose of clarifying the situation with the fine screen and the question why ViK had to turn of the PS Volujica. Municipality expressed their dissatisfaction with the situation at the PS Volujica and the problematic functioning of the pumps to the extent that ViK had to turn off the whole PS and the waste water was discharged into the port. Contractor informed that they had ordered the spare parts for the repair of the fine screen and that the expected time of delivery to site is during week 43/2021.</p> <p>After the meeting Contractor invited CMC from Herceg Novi to inspect the pumps and it was established that pieces of paper had congested the work circuits of all the pumps and so reduced the hydraulic capacity of the pumps. After all the circuits had been cleaned from paper (which is a standard maintenance procedure), all the pumps worked properly and the emergency discharge into the port stopped. ViK was advised to increase maintenance and to have more frequent inspections/ cleaning of the pumps.</p> <p>Section 3 – Water supply Zaljevo</p> <ul style="list-style-type: none"> • Review of Final certificate is underway • Item 2 from the snag list was remedied. 	

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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.

On 21 September 2021 Employer once again sent a request to Engineer to proceed with the claim for delay in sections 2.1 and 3.

Insurance

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

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

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

On 08 July 2021 the insurance company requested additional documents.

On 27 July 2021 the requested qualifying documents were sent.

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

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

OTHER:

Vodacom informed the Consultant that Municipality Bar does not approve of the proposal Addendum 46, but that negotiations with Consultant may continue under the following conditions/limitations:

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

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

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

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

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

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

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

Vodacom informed Engineer of the Bar Municipality's opinion.

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

On 08 September 2021 Municipality bar accepted the financial proposal for continuation of consulting services defined in letter by Dahlem DH RK Vodacom 2395 20210826, i.e., Municipality accepted for the following items to be payable: item 4.1 (32.352,52 Eur) and item 4.2 (31.470,24 Eur) supervision services after take over (lump sum) – free of charge.

After that Vodacom suggested to Consultant to stop their suspension of services and to continue providing their services, which followed.

GUARANTEES:

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

PAYMENTS

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

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

Bar

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

Since the Municipality of Bar had previously decided to postpone all activities related to the construction of WWTP on Volujica (68,600 PE, about Euro 12.4 million) due to land ownership problems and some conceptual dilemmas, a new project stage has commenced involving the creation of "the location study for the construction of the WWTP in the Municipality of Bar". KfW has secured a grant provided by the German Government for the development of this document, and it was expected that this Study would help the Municipality in making the final decision on the continuation of investment activities regarding the WWTP.

In accordance with the Report of the Location Study for WWTP Bar a decentralized system has proved to be the most profitable option, construction of five WWTPs was envisaged:

1. Bar WWTP (52.000 PE), approx. 10.8 mil Euro
2. Sutomore WWTP (21,000 PE), approx. 6.55 mil Euro
3. Veliki Pijesak WWTP (7,000 PE), approx. 3.5 mil Euro
4. Čanj WWTP (3,500 PE), approx. 2.3 mil Euro
5. Bušat WWTP (3.000 PE), approx. 2 mil Euro

Even after the preparation of the location study, the Municipality of Bar has not made the decision on the priorities regarding investment measures envisaged to be implemented within Phase V, hence the Municipality Bar, at their session dated 29 October 2020 adopted the decision to make the Decision on loan by Municipality Bar No 030-294 dated 19.07.2016 invalid.

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

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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	
<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"> 1) Conducting of the remaining SCADA training by the Contractor; 2) Handover of two vehicles procured for the needs of the WWTP. <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. Technical inspection of the Works was carried out and recommendation was given to responsible authority to grant the Usage permit.</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.

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

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

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

On 24 September 2021 the Invitation letter to the second (out of two) contract negotiation meeting was sent to the first ranked bidder, however, on 30 September 2021 the bidder sent a request for postponement of the mentioned meeting.

Even though the signing of Contract between Municipality and Ministry of finance and social welfare which referred to right of disposal and servitude for 11 cadaster plots owned by the Government of Montenegro was scheduled for 27 September 2021, it was not signed due to discovered omissions in the document.

At the end of month Municipality sent an urgent request for solving property issues (right of servitude) for the remaining 3 plots owned by the state which were not in the original request by Municipality (from June 2020).

PROBLEMS

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

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

From the Programme perspective, the number of employees remains the only project milestone which has not been reached in terms of acquiring necessary conditions for the continuation of the investment programme in Ulcinj. In addition, ViK Ulcinj has been faced with an additional problem: the lack of qualified employees, especially in the technical sector, which brings into question the ability of ViK to monitor and implement future investments in a high-quality manner. In the previous period the Ministry of agriculture, forestry and water management rejected the Municipality's request for transfer of disposal and servitude for two cadaster plots and the Ministry of finances requested that the Municipality renews their request for defining right of disposal and servitude for two plots.

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

The Contract between Municipality and Ministry of finance and social welfare for regarding the right of servitude for the 11 cadaster plots owned by the state has not yet been signed. It is necessary to urgently sign the contract and the related Resolution which refers to change of ownership in the cadaster subject to Governmental conclusion from April 2021 considering their importance for the preparation of final Revision reports for 10 project measures which are planned to be part of mandatory measures in the Works contract.

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

A request for proposal for mentioned redefinition of project measures was sent to Consultant.

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 October 2021:

- The second (and final) contract negotiation meeting with first ranked bidder
- The Municipality and the Property management should complete expropriation for a part of the privately owned properties for which the owners agree to expropriation;
- Pursuant to the above, for one part of the project measures, the Employer, i.e., the Secretariat for Communal Services and Environmental Protection, could submit applications for the preparation of construction permits for a certain number of project measures
- The responsible reviewer should complete documentation (opinions and consents of the authorities in charge of technical specifications) for preparation of final reports for a small number of design measures designed in accordance with UT specifications.
- The municipality, with the assistance from Vodacom and the Consultant, should prepare a proposal for establishing the supervision committee for the Project, according to which the Ministry of ecology, spatial planning and urbanism could adopt the final Resolution.

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

Ulcinj – Consulting project	
Description	<p>Preparation of phase II of improvement of waste water infrastructure.</p> <p>Phase I:</p> <ul style="list-style-type: none"> - Updating of Feasibility study for water supply and waste water infrastructure; <p>Phase II:</p> <ul style="list-style-type: none"> - Selection of consultant for project implementation (Preparation of elaborates, studies, design and tender documents) <p>Phase III</p> <ul style="list-style-type: none"> - Implementation of tender procedure for selection of Contractor
Expected result	Systematic upgrade of waste water network and improvement of environmental conditions

Value	Approximately 0,97 million €
Commencement date	March 2021
Funding Sources	WBIF grant funds
Role of Vodacom	Project Management and partner to Consultants

Municipality of Ulcinj is the recipient of WBIF grant funds in the amount of 974,780.00 Euro for consulting services for preparation of project – “Waste water treatment in the municipality of Ulcinj – construction of waste water treatment plant and connected infrastructure”, November 2020.

The key part for commencement of mentioned consulting services (preparation of design and tender documents etc.) is preparation of updated Feasibility study. The Feasibility study for water supply and sewage infrastructure for municipality Ulcinj was prepared by German consulting company Dahlem from Essen in 2013.

The kick-off meeting between consulting company Dahlem who are to do the updated Feasibility study and representatives of Municipality and ViK Ulcinj and Vodacom took place on 26th of March 2021.

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

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

In the reporting period Vodacom prepared comments to Consultant’s cumulative proposal which includes the preparation of study for selection of the Location for WWTP and connected infrastructure in Ulcinj.

PLANNED FOR UPCOMING PERIOD:

For October 2021 it is planned:

- Signing of contract between the Ministry of ecology, spatial planning and urbanism and the KfW bank for the grant funds by WBIF;
- Start realization of Study for selection of location of WWTP and connected infrastructure which will be the basis for further work on the updated version of the Feasibility study (from 2013).

PROBLEMS

Locations for the WWTP as the key issue for preparation of the study must be defined as soon as possible. In case that the Municipality does not define the location for the construction of WWTP, the WBIF grant (1 mill Euro) will be lost as well as the possibility to apply for grant funds for investment package (currently estimated at 20 mill Euro). The goal of the study is to investigate in detail the location for the plant so that the Employer and bank (WBIF, KfW) get a sense of security

for the investment.

At the beginning of March 2021 Vodacom sent to the state secretary the comments to the draft grant agreement for the Project, prepared by the KfW bank. Until end of reporting period the grant agreement between the ministry of ecology spatial planning and urbanism and KfW bank has not been signed.

Kotor, Tivat, Herceg Novi

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

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 – was valid until 01.07.2020 with extended coverage for the DNP
- Advance payment Guarantee – the advance repaid in full
- Performance Guarantee – Performance Certificate issued.

PAYMENTS LOT 1-Tivat:

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

KfW's loan (Phase IV) €174,171.33

KfW's loan (Phase V2) €1,930,227.18

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

Municipal contribution (VAT) 0 €

The works in the municipality Tivat are completed and Take over Certificate has been issued (4/2/2021). The Certificate states that works were taken over and commissioned 15/12/2020. In January Contractor sent two payment applications – for Retention and Final Statement. The works defined in Addendum 2 are in the DNP which lasts until 15/12/2021. After the DNP the final payment statement will be issued as well as the written discharge, after which the contract will be deemed completed. On 04.06.2021 there was a site visit after which the Consultant submitted on 10.06.2021 the midterm defects notification period report. During the site visit, small deficiencies were found and Contractor assured that they will soon be remedied. All newly defined deficiencies will be inspected during the final inspection before the end of DNP.

Kotor, Tivat, Herceg Novi

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

PROGRESS

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

PHASE V (Component 2)

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

Kotor, Tivat, Herceg Novi	
Description	Water Supply and Sanitation Adriatic Coast
Expected result	Systematic upgrade of the water supply and sanitation system and improvement of environmental conditions
Project Description	Implementation of long-term investment measures for TV, KO, HN Development of Feasibility Study
Role of Vodacom	PEA-Project Management
Consultant	Consultant for Feasibility Study, Fichtner (Germany)
Start date	July 2014
<p>PROGRESS</p> <p>Implementation of long-term investment measures for TV, KO, HN</p> <p>Following completion of the procurement procedure for the selection of the Implementation Consultant for Phase V2, the contract for the project "Water Supply and Sanitation Adriatic Coast V, Component 2 - Municipalities of Tivat, Kotor and Herceg Novi" was entered into by and between Vodacom and the consulting company Dorsch International Consultants GmbH from Germany, with its partner in a Joint Venture, the consulting company PRO-ING doo from Serbia.</p> <p>The Phase V2 Implementation Consultant is in charge for development of detailed designs, the tender documents and implementation of the international tender procedure for the selection of contractors (under FIDIC Pink Book) and supervision over the construction.</p> <p>Despite the unfavorable situation caused by the COVID-19 virus pandemic, it was agreed to start consulting services in accordance with the possible conditions for project implementation.</p> <p>In September, the Consultant (Dorsch/Pro Ing) carried out additional site visits of certain project measure's locations.</p> <p>Coordination of the process of decision taking regarding the implementation of phase V2 project measures continued between Consultant, ViKs and Municipalities for the purpose of acquiring signed terms of reference, as basic preconditions for preparation of final design for all project measures and the starting point for detailed designing phase. Preparation of terms of reference for all phase V2 project measures by Consultant (Dorsch/ Proing) is in its final stage.</p> <p>Preparation of detailed designs can progress only when all parties agree to the dimensions of the different elements of the system and the addition, routes based on amounts of required water and produced waste water.</p> <p><u>WBIF Project – Water supply and sanitation on the Montenegrin coast – Bay of Boka Kotorska</u></p> <p>The Municipality of Kotor, in cooperation with Vodacom, the Ministry of Sustainable Development and Tourism and the German Development Bank KfW, nominated design measure for the construction of the sewage network for settlements Risan and Perast (including also sewerage transmission main towards settlement Muo) for the financial contribution provided from the Western Balkans Investment Framework (WBIF). At the meetings held in 2018 and 2019 by the WBIF Steering Committee it was assessed that the project "Water Supply and Sewerage on the Adriatic Coast - Bay of Kotor" will have a significant impact on the quality of environmental</p>	

protection in the Bay of Kotor and contribute to its economic development. This project received a positive opinion in the screening procedure performed by the European Commission and it was decided to allocate Euro 8.96 million to finance the construction of sewage network for settlements Risan and Perast (including also sewerage transmission main towards settlement Muo) and connection of these settlements to the central sewage system of Kotor whereby the priority issue of collection of wastewaters in these coastal settlements will be resolved.

Preparation of design documentation for the Water Supply and Sewerage on the Adriatic Coast - Bay of Kotor (project measures KO2-phase II; KO3; KO4; KO5 in the Terms of reference for Phase V2) has been extracted from the ToR for the Consultant for the implementation of Phase V2 - Long-term measures. The reason for this was so that tender procedure and selection of contractor for this project could begin before it was defined in the Terms of reference for Phase V2. 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 September, Consultant is in final stage of preparation of the preliminary conservation design for the above-mentioned project. After the mentioned design is submitted to the Cultural heritage protection management it is expected that the management will grant their approval for the said design.

Representatives of the Cadaster and state property management are working on verifying the servitude study for the laying of pipeline.

The Municipality Kotor has issued the draft UT conditions for all design volumes for project Risan/ Perast. Vodacom is in the process of checking and correcting the UT conditions.

Underway is also preparation of tender document for the fast-track tender by Consultant. Consultant is expected to submit tender document shortly.

After acquiring all the necessary approvals for the Project (from Cultural heritage protection management and Cadaster and state property management) and after the official issuance of UT conditions Consultant can finalize the tender documentation and commence the tender procedure.

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, Acquiring the Addendum to Conservation conditions; 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".

It is expected that the Cultural property protection management will submit additional conservation conditions for the Project. After that it is expected that the official UT conditions will be issued for all design volumes for project Risan/ Perast.

It is necessary to commence the solving of property-legal issues (land expropriation process) immediately after the State property management and cadaster verifies the Servitude study for the laying of pipelines.

Kotor, Tivat, Herceg Novi

Description of the project

Accompanying Measures: "Sustainable Operation of WWTPs"

Project aim	The long-run proper management of the WWTPs
Value	2 mills. €
Start date	August 2015
Funding sources	KW's grant
Role of Vodacom	PEA

Investment value: 2 mill Euro.

The program of accompanying measures financed from KfW grant consist of three components:

1. Implementation of the training program for the staff for the O&M of the WWTP and sewerage systems.
2. Support by international experts provided to Municipalities, ViKs, Ministry and Vodacom in connection with urgent aspects related to the sustainable operation of the WWTP, of which currently the most recognized problem is disposal of the sewage sludge, and defining the operation model for WWTP Tivat/Kotor.
3. Supporting the establishment of the Service for regulated communal activities as a new sector within the Regulatory Agency for electrical energy, and establishment of the proper tariff methodology.

With regard to solving sewage sludge disposal issue from WWTP Tivat/Kotor, the best and the most cost- effective option for WWTP Tivat / Kotor proposed by the Consultant is rehabilitation/recultivation of old landfills:

Unregulated dumpsite Sinjarevo (at the territory of Kotor and Tivat) and closed sanitary landfill Lovanja (territory of Kotor) with the use of sewage sludge and soil.

In order to define following activities regarding the strategy for disposal of sludge, design measure recultivation/rehabilitation of dumpsites by using sludge from WWTP Tivat/Kotor is included as Optional item within the ToR for the Implementation Consultant for Phase V2-Long-term measures. Having considered in detail all relevant facts, representatives of Tivat and Kotor agreed that project measures for recultivation/rehabilitation of dumpsites (unregulated dumpsite Sinjarevo and closed sanitary landfill Lovanja) and construction of the SSDF should not be considered a solution for sludge disposal from WWTP Tivat/Kotor. They believe that alternative long-term solutions need to be found which would be environmentally acceptable and cost-effective for both Municipalities. Therefore, implementation of subject project measures will be excluded from the project phase V2.

Vodacom's activities on capacity development of water utilities

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