

**RESPONSE DOCUMENT No. II**

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**Karachi Water and Sewerage Corporation  
Local Government & Housing Town Planning Department  
Government of Sindh**

**West Karachi Recycled Water Project 1**

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**Dated  
June 5, 2024**

## **IMPORTANT NOTICE/DISCLAIMER**

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*This Response to Queries Document No. 2 (the **Response Document**) is issued further to various queries received from the Prequalified Bidder(s) in respect of the Request for Proposal (including the Concession Agreement (the **CA**) attached therewith) (the **RFP**) dated March 15, 2024 issued by the Karachi Water and Sewerage Corporation (the **Agency**) for the Bidding Process of the West Karachi Recycled Water Project 1 (the **Project**).*

*This Response Document is being circulated by the Agency, solely for use by the Prequalified Bidders in preparing and submitting their Bids in response to the RFP.*

*Unless expressly specified otherwise, all capitalized terms used herein shall bear the meaning ascribed thereto in the RFP.*

*This Response Document is not an agreement; its sole purpose is to provide interested parties with information that may be useful to them in preparing their Bids in respect to the RFP. The RFP and this Response Document include statements which reflect various assumptions and assessments arrived at by the Agency in relation to the Project. Such assumptions, assessments and statements do not purport to contain all the information that each Prequalified Bidder may require. This Response Document may not be appropriate for all persons, and it is not possible for the Agency (including its employees, personnel, agents, consultants, advisors and/ or contractors etc.) to consider the investment objectives, financial situation and particular needs of each party, that relies on, reads or uses this Response Document.*

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*The Agency or any of its advisors has no liability for any statements, opinions or information provided in the RFP. Each Prequalified Bidder should, therefore, conduct its own investigations and analysis and should check the accuracy, adequacy, correctness, reliability and completeness of the assumptions, assessments, statements and information contained in the RFP. The Prequalified Bidders are required to undertake their independent assessment and to seek independent professional advice on any or all aspects of the RFP. No decision should be based solely on the basis of the information provided in the RFP and this Response Document.*

*The Agency expressly disavows any obligation or duty (whether in contract, tort or otherwise) to any Prequalified Bidder. No Prequalified Bidder is entitled to rely on the Agency's involvement in the preparation of this Response Document or in the Bidding Process as a basis for preparing the Bid.*

## RESPONSES TO PREQUALIFIED BIDDERS' QUERIES

SR.	SECTION / REFERENCE	PROSPECTIVE BIDDER'S QUERY	AGENCY'S RESPONSE
1.	<b>Currency Indexation</b>	<p>The FX adjustment is necessary to mitigate PKR volatility in payments to foreign debt interest and principal recovery charges. Indexation must be allowed at least covering the entire offshore component of the EPC and foreign costs for the Project. We would therefore propose an FX adjustment of up to the amount of the foreign component to ensure financial sustainability. The amount will be agreed in due course.</p>	<p>The RFP provides for a fixed tariff regime where the base year water tariff will be agreed on the Bid Water Tariff and, thereafter, adjusted based on an annual fixed escalation rate of eight percent (8%) to address, <i>inter alia</i>, inflation and exchange rate associated risks during the Concession Period.</p> <p>Moreover, fifty percent (50%) of the estimated offshore component is being provided by the GoS as Viability Gap Funding. As a result, all risks associated with the remaining balance of the offshore component should be factored in the Bid Water Tariff.</p>
2.	<b>EPC Indexations</b>	<p>In order to achieve a competitive price, the expectation is that there is an indexation on steel price, diesel, and cement. To the extent this option or mechanism is not available our financial proposal would necessarily have to assume an inflation factor resulting in an higher price while the inclusion of an indexation mechanism would ostensibly facilitate a lower price.</p>	<p>The Company should include reasonable price contingency and/or a provisional sum in the price of the EPC Contract(s) to account for any inflation impact of the materials during the construction period.</p>
3.	<b>Section 1.3, read with 5.1 and 5.2 of the Instructions to Bidders</b>	<p>Submission deadline is requested to be extended in a manner that allows the Prequalified Bidders to have forty-five (45) days (following the resolution of outstanding matters) to prepare Bids and engage all relevant stakeholders.</p>	<p>The request for an extension in the Bid Submission Date is under consideration and subject to the approval of the TFEC. Such extension, if approved, shall be notified/ circulated among the Prequalified Bidders in accordance with the Applicable Evaluation Documents.</p>