

KARACHI WATER AND SEWERAGE BOARD



**RESPONSES TO PROSPECTIVE APPLICANTS' QUERIES
IN RELATION TO THE PREQUALIFICATION DOCUMENT ISSUED FOR
KARACHI HUB WATER CANAL PROJECT**

ISSUED ON: 02ND NOVEMBER 2021

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This **RESPONSE TO PROSPECTIVE APPLICANTS' QUERIES DOCUMENT** (this "**Response Document**") is in furtherance to the requests for queries / clarifications received from the prospective Applicants in respect of the prequalification process for the "*KARACHI HUB WATER CANAL PROJECT*" (the "**Project**") being conducted pursuant to the 'PREQUALIFICATION DOCUMENT' issued on September 15, 2021 ("**PQD**").

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

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RESPONSES TO PROSPECTIVE APPLICANTS' QUERIES

SERIAL No.	QUERY	RESPONSE
1.	<p>What's the status of an AFFILIATE in a consortium? Will it have to meet the technical criterion?</p>	<p>Please refer to the definition and usage of the term “<i>Affiliate</i>” in the PQD. It has been referred to in context of an “<i>Affiliate</i>” of the Applicant or where the Applicant is a Consortium, a Consortium Member.</p> <p>The Technical Criterion specified in the PQD is required to be met:</p> <p>(a) in case of a single entity, by the Applicant; or</p> <p>(b) in case of a Consortium, by the entity named as the Lead Developer in the letter of intent to enter into a consortium agreement, based on the requirements specified in Form - E (<i>Requirements For Consortium</i>) of the PQD.</p>
2.	<p>As per Annex B – Technical Criteria, the Lead Developer (in case of a consortium) has to complete 1 project in the infrastructure sector with at least 25% shareholding at financial close. Only a few companies have managed to achieve financial close for such projects.</p> <p>Can we manage to change the criteria to “ANY MEMBER” in the consortium shall meet the criteria” rather than the Lead Developer fulfilling it.</p>	<p>Not Agreed.</p> <p>As per PQD requirements, the Lead Developer is required to meet the Technical Criterion.</p>

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3.	<p>As per Annex B – Financial Criteria, OTHER consortium members shall INDIVIDUALLY have a Net Worth of USD 10M (or PKR 1.6Bn).</p> <p>Can we manage to change the above criteria to “ALL Members of the consortium should COLLECTIVELY meet the Financial Criteria in proportion to their shareholding’</p>	<p>Not Agreed.</p> <p>Each Consortium Member (other than the Lead Investor) must individually have a Net Worth of at least USD 10,000,000/- (United States Dollars Ten Million only).</p>
4.	Is the duration of the concession period 15 yrs. or 20?	Final decision regarding the duration of the concession period for the Project shall be determined by the PPP Policy Board and will be specified in the bidding documents.
5.	What is the Variable Energy Charge (VEC) component?	The variable energy charge will cover the variable costs of electricity for the Project. It will be paid in PKR and will depend on the quantity of water delivered.
6.	USD: PKR devaluation: Only a certain portion of tariff is expected to be indexed for PKR devaluation. Will this affect the annuity payments due to the concessionaire considering only a certain portion of devaluation is indexed.	Yes, the actual annuity payments may increase or decrease depending on variation in exchange rate. Note that final decision regarding the portion of tariff to be indexed for PKR devaluation shall be determined by the PPP Policy Board and will be specified in the bidding documents.

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7.	Why is the Bidding process Single Stage-Two Envelope considering if you've already pre-qualified for the project?	<p>Prequalification process is separate from bidding process.</p> <p>For the bidding stage, single stage two envelope bidding process will be adopted as per the provisions of SPPRA Rules (read with the Sindh PPP Act). Under the single stage two envelope bidding process, firstly the technical proposals will be opened and evaluated. After technical evaluation, the financial proposals of technically qualified bidders shall be opened and evaluated.</p>
8.	<p>Proposed changes to Technical Criteria:</p> <p>(a) For the projects to be recognized as evidence of meeting a technical criterion</p> <p>(b) The minimum project construction cost must be PKR 2,000,000,000/- (Two Billion) instead of 3,200,000,000/-</p>	<p>Not Agreed.</p> <p>For a project to be recognized as evidence of meeting a Technical Criterion, the minimum project construction cost must be USD 20,000,000/-. Project construction cost means the cost incurred during construction period.</p> <p>For further details regarding the calculation of cost in USD for projects completed in currencies other than USD, please refer to the response to the query at serial no. 53.</p>
9.	<p>Since there are very few projects in the water sector that are on BOT basis and financial close for water sector projects have not been achieved so far in the 10 years in Pakistan, we would request you to replace the stated criteria with the following one;</p> <p>At least one project in the water sector worth 3,200,000,000/- (Three Billion Two Hundred Million Only).</p>	<p>Not Agreed.</p> <p>No change will be made to the Evaluation and Qualification Criteria specified in the PQD.</p> <p>Note that any project (fulfilling the requirements set out in Annexure B (<i>Evaluation and Qualification Criteria</i>) of the PQD) in any of the infrastructure sectors may be eligible. It is not restricted to water. Investors that do not qualify under this criteria may partner with entities who may</p>

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		qualify under the specified criteria.
10.	<p><i>"Applicants, once shortlisted through this prequalification process, shall not be allowed to change their composition (including any change in the composition of a Consortium) on the basis of which they have been prequalified. Any change in the composition of the Applicant shall be in accordance with Sub-section 2.1.1 of this Prequalification Document."</i></p> <p>Please confirm that Applicants are allowed to change the composition even after shortlisted, if we formally follow the procedure in accordance with Sub-section 2.1.1 of the RFQ. We believe that we can firm up our most competitive composition after our deep review on the RFP which will be more specific on the eligibility of the bidder. We understand that any change after shortlisted shall be subject to your pre-approval and in accordance with Sub-section 2.1.1 of the RFQ.</p>	Any change in the composition of an Applicant shall be subject to the requirements set out in Sub-section 2.1.1 of the PQD.
11.	<p>RFQ requires that international applicants shall arrange the Power of Attorney, Format of Affidavit, Constitutive Documents and other documents (if applicable) to be duly notarized by Notary Public and attested by Pakistan Embassy / Consulate and Ministry of Foreign Affairs.</p> <p>Due to the surge in COVID cases in Tokyo, the attestation process</p>	<p>Not Agreed.</p> <p>Applicants are required to comply with all the requirements set out in the PQD.</p> <p>The Submission Deadline has been extended till November 22, 2021. Applicants are required to submit all relevant documents duly notarized by</p>

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	<p>by Pakistan Embassy in Tokyo shall take longer than usual and we would like you to confirm that notarization by Notary public and attestation by the Ministry of Foreign Affairs of Japan is sufficient.</p>	<p>Notary Public and attested by Pakistan Embassy / Consulate and Ministry of Foreign Affairs by the extended Submission Deadline.</p>
12.	<p>Applicants are required to submit the Prequalification application and all related documents in one (1) original, three (3) copies, and one (1) electronic copy in CD/DVD/USB.</p> <p>As an international applicant, we need to courier all set of documents to your office, but we have a concern about the courier services making it delivered on time. Therefore, we kindly ask for your kind consideration that we are only to submit our Prequalification application by e-mail.</p>	<p>Submission of Prequalification Applications via email are not acceptable.</p> <p>As per the requirements of the PQD, Prequalification Applications shall be submitted by the Applicants: (i) through courier / express mail; or (ii) by hand at the address indicated in the Data Sheet.</p> <p>Applicants shall ensure that Prequalification Applications are delivered not later than the Submission Deadline (which has been extended till November 22, 2021).</p>
13.	<p>In relation to our clarification No.12 above, if not acceptable, we would like to request that you kindly accept the soft copies to be submitted by e-mail before submission date, and hard copies will be couriered separately thereafter regardless of the deadline.</p> <p>Also, we kindly ask for your kind acceptance that we only submit one (1) original and one (1) electronic copy as an eco-friendly alternative.</p>	<p>Not Agreed.</p>

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14.	We would like you to extend the submission due date by four weeks, i.e. 19th November 2021.	Submission Deadline has been extended to November 22, 2021.
15.	The current criteria will not allow developers with project development experience under traditional procurement to bid for this project and will result in lesser bids getting submitted. It is, therefore, strongly recommended that the restriction of PPP / BOT mode project with 25% equity investment in the shareholding of the project should be eliminated and replaced with execution of infrastructure / water sector project under traditional procurement with government agency as a counterparty.	Not Agreed. No change will be made to the Evaluation and Qualification Criteria specified in the PQD.
16.	It is recommended that the criteria be revised and execution of projects under traditional procurement be recognized as evidence of meeting Technical Criterion.	Not Agreed. No change will be made to the Evaluation and Qualification Criteria specified in the PQD.
17.	In case, amendment in technical qualification criteria as recommended at Serial 15 is not concurred, then at least the project construction cost of infrastructure project in BOT / PPP mode be revised downwards to PKR 2 billion from PKR 3.2 billion to encourage competition.	Not Agreed. For a project to be recognized as evidence of meeting a Technical Criterion, the minimum project construction cost must be USD 20,000,000/-. Project construction cost means the cost incurred during construction period. For further details regarding the calculation of cost in USD for projects completed in currencies other than USD, please refer to the response to the

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		query at serial no. 53.
18.	<p>Following clarifications are required:</p> <p>The Net Worth of the consortium should be judged collectively and not on individual basis. Kindly confirm the consortium to have a collective Net worth of USD 20 million.</p>	<p>Not Agreed.</p> <p>No change will be made to the Evaluation and Qualification Criteria specified in the PQD.</p>
	<p>As per the Technical Criteria, the Lead Developer shall have experience in at least one infrastructure project with direct or indirect shareholding of at least 25% at financial close.</p>	<p>Not Agreed.</p> <p>No change will be made to the Evaluation and Qualification Criteria specified in the PQD.</p>
19.	<p>For the Consortium Authorized Representative, we note that the applicants should choose between the Lead Developer or Lead Investor only.</p> <p>Please clarify whether the Lead Developer or Lead Investor, as Consortium Authorized Representative, may designate any person as its authorized representative, even a person belonging or employed by a Consortium Member who may or may not be the Lead Developer or Lead Investor (e.g. Consortium Member A, as Lead Developer and Consortium Authorized Representative,</p>	<p>An officer or employee of Consortium Authorized Representative is to be appointed as the authorized representative.</p>

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	<p>appoints an officer or employee of Consortium Member B as its authorized representative).</p>	
20.	<p>We understand that documents executed and notarized overseas will require authentication/consularization by the Foreign Ministry and Pakistan Embassy in the country of origin.</p> <p>Due to time constraints and limitations brought about by the closure or limited operations of some government offices due to the COVID 19 pandemic, we request that the Karachi Water & Sewerage Board accept non-authenticated/non-consularized documents, subject to the submission at a later date of completely authenticated and consularized documents.</p>	<p>Please refer to the response to the query at serial no. 11 above.</p>
21.	<p>Please confirm that unincorporated Consortium applicants with 2 or more members, are NOT required to submit a "Shareholder Certificate" as the same does not appear to be applicable.</p> <p>Please clarify if unincorporated Consortium applicants need to submit any other requirement in lieu of the Shareholder Certificate.</p>	<p>As per the requirements set out in Annexure A (<i>Basic Information Requirements</i>) of the PQD, if an Applicant (including a Consortium Member) is an unincorporated legal entity, then the proof of that legal entity's existence (such as the relevant entity's incorporation documents, as applicable) must be provided. For example, where an Applicant (including a Consortium Member) is a partnership, then the registered partnership deed should be provided.</p>
22.	<p>Please clarify the scope of the Litigation History, as this requirement appears to be too broad and general covering a wide range of causes of action (e.g. intellectual property, labor, taxation, environmental, constitutional, etc.). Based on the proposed table in</p>	<p>Requirement is with respect to all pending litigation matters (including contracts and project implementation matters) which in total should not represent more than fifty percent (50%) of the net worth of the Applicant (and in case of Consortium, each Consortium Member). Moreover, there shall be no litigation that prevents or materially impedes the Applicant (including</p>

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	<p>Form F, the Litigation History requirement seems to include only those cases that involve contracts and project implementation.</p> <p>Please confirm whether the Litigation History required in Form F covers only those involving or related to contracts and project implementation and excludes other causes of action.</p> <p>We likewise request that a materiality threshold for Litigation History be set so that small or minor cases involving less than the threshold need not be disclosed.</p> <p>Please also clarify heading of the second and third columns as they appear to be the same - "Outcome as Percent of Total Assets".</p>	<p>each Consortium Member) from its obligations in respect of the Project.</p> <p>Note that headings are for reference purposes and Applicants (including Consortium Members) should provide details of all pending litigation as per the requirements set out in Annexure A (<i>Basic Information Requirements</i>).</p> <p>In the second column "Outcome as Percent of Total Assets" of the relevant Applicant (or Consortium Member) is to be specified pertaining to the relevant matter / dispute, whereas in the third column, information with respect to such matter / dispute is to be provided.</p>
23.	<p>Please clarify the definition of "close of business UK time" since the indicated webpage (https://www.reuters.com/markets/currencies) does not specify the closing time and timezone in its published exchange rates.</p>	<p>In case the closing time and timezone is not mentioned, exchange rate to be based on the rate published on the date of issuance of Prequalification Document.</p>
24.	<p>Amend and relax the criteria as already in practice with PPP Unit Sindh, which was set out in Malir Expressway, Link Road, Muaripur Expressway and Korangi Link Road wherein requirements of shareholding / financing in project, financial close and operation of the project were not required mandatory but based in scoring criteria system and it had given opportunity to national bidders for such mega projects on PPP mode.</p>	<p>Not Agreed.</p> <p>No change will be made to the Evaluation and Qualification Criteria specified in the PQD.</p>

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25.	There should only be requirement of similar experience of construction of canal or other water related works of such magnitude.	Not Agreed. No change will be made to the Evaluation and Qualification Criteria specified in the PQD.
26.	Exclude the condition of financing / shareholding in project, financial close and operation of the project	Not Agreed. No change will be made to the Evaluation and Qualification Criteria specified in the PQD.
27.	Extend PQ submission deadline for at least 20 days from the current submission deadline	Please refer to the response to the query at serial no. 14 above.
28.	Requirement of having experience of direct or indirect shareholding in project and its operations should be removed.	Not Agreed. No change will be made to the Evaluation and Qualification Criteria specified in the PQD.
29.	Procuring agency to review the technical criteria particularly with respect to the requirement of shareholding during the construction and operations of the project.	Not Agreed. No change will be made to the Evaluation and Qualification Criteria specified in the PQD.

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30.	As this is the first competitively procured water supply project in Pakistan, we would like to request waiving / relaxing the conditions related to similar construction and operational experiences of water or infrastructure project	Not Agreed. No change will be made to the Evaluation and Qualification Criteria specified in the PQD.
31.	PQ application submission date may also be extended for further 15 days	Please refer to the response to the query at serial no. 14 above.
32.	The condition of the current water source, such as location, distribution, water quantity and quality. What is the type of water source, surface water, groundwater or other self-provided water sources?	Details with respect to such matters will be specified in the bidding documents.
33.	Name of source water body, location of water intake (capacity), dry water level with assurance rate of more than 90%, normal water level and flow, riverbed section, etc.	Details with respect to such matters will be specified in the bidding documents.
34.	Water transmission, water transmission pipe network, layout of water transmission pipe network or canal, culvert, pipe length (canal length), pipe diameter (canal depth and height), pipe material, laying time, crossing main obstacles (roads, railways, rivers, etc.), intermediate pump station and other relevant information, and actual operation condition.	Details with respect to such matters will be specified in the bidding documents.

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35.	Treatment plant conditions, inlet and outlet water quality indicators; Process flow and the capacity of the treatment plant.	Details with respect to such matters will be specified in the bidding documents.
36.	Water distribution, water supply zoning, quality and pressure demand; Large water consumer; Requirements for pump station, regulation and storage facilities. Does the pipe network need to be repaired or new-built?	Details with respect to such matters will be specified in the bidding documents.
37.	Power supply conditions of the existing plant, source and number of external lines, voltage level, power factor compensation, relay protection, distance, capacity increase fee, basic electricity price, electricity price, etc. Is a stable power supply available?	Details with respect to such matters specified in the bidding documents.
38.	What is the kind of various agents are provided in the plant (coagulant, chlorine, etc.) and cost?	Details with respect to such matters will be specified in the bidding documents.
39.	The detail information of the existing staff in the plant and local labor salary.	Details with respect to such matters will be specified in the bidding documents.
40.	Equipment list (including pump station) and operation condition of existing plant.	Details with respect to such matters will be specified in the bidding documents.

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41.	Who is the project owner and who is the representatives of the government in the future?	The project owner is KWSB. Representatives of the government involved in this project include officials from Local Government Sindh, PPP Unit Sindh and Project Support Facility.
42.	What is the price of tap water for local residents and how does the charging system works?	Please note that distribution of water to residents is out of the scope of the project therefore this detail is not relevant.
43.	The condition of the road to the plant.	Details with respect to such matters will be specified in the bidding documents.
44.	Contract relations: Government relations? Relations between water-use customers and suppliers? Water supplier and contractor relationship? The above relationships are designed to our business architecture, risk points	Details with respect to such matters will be specified in the bidding documents.
45.	Water supply status of Karachi:. What is the total residential water demand and how much can be available at present? What is the gap? Who are the main users /consumer of this project? If the water board buys the water, can he have a guaranteed amount? How can the government ensure that all the water we produce can be purchased, thus ensuring our input and output. The proportion of our project to the total demand. If the water is stopped cutted, whether our project is necessary.	Details with respect to such matters will be specified in the bidding documents.

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46.	In addition to the project water source, but also to understand the distribution of water sources around Karachi. the distance between each water source , where does the water come from? Some water sources are periodic and affected by what factors. Like African projects ,when there is no water in the off-season, it can be supplied from the surrounding water sources.	Details with respect to such matters will be specified in the bidding documents.
47.	What about Karachi water supply plant and capacity, it is to understand our competitiveness in the future. We should clearly understand the competitive environment around us.	Details with respect to such matters will be specified in the bidding documents.
48.	What water supply model of Karachi currently and the current price of water?	Details with respect to such matters will be specified in the bidding documents.
49.	To Understand the approximate cost of three different construction schemes: concrete pipe, steel pipe lined concrete, canal. The cost of these three cases. According to the geological situation of the basic road section, this route should be inspected. Some sections cannot use the concrete pipe, some sections cannot use the canal, in the survey, to confirm the line situation.	Details with respect to such matters will be specified in the bidding documents.
50.	Pakistan tax rates, VAT, income tax. It is to establish Financial Model	Details with respect to such matters will be specified in the bidding documents.

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51.	In order to submit a fully compliant prequalification, we kindly request an extension of two (2) weeks from the date of the original submission date which is currently dated on 22nd October 2021.	Please refer to the response to the query at serial no. 14 above.
52.	<p>The need to have certain documents translated and legalized will take some time as the translations will need to be performed by an Embassy appointed translator to enable the subsequent notarization of the documents. As such it would take around 1 month to translate the documents and a further 25 days complete the legalization process with the Chinese and Pakistan embassies.</p> <p>A further requirement of the prequalification documents is submission of an Affidavit on PKR-100 stamped paper. Given current COVID 19 travel restrictions it would be a challenge for us to have to travel to Pakistan presently to procure and execute an Affidavit on such paper.</p> <p>Given the above if we are to complete the legalization of such documents for the prequalification stage then we would only be in a position to do so around 9th December. Alternatively, we would be in a position to provide the prequalification documents unlegalized in the first week of November and would then be able to provide the legalized versions at a later stage in the bidding process.</p>	<p>Please refer to the responses to the queries at serial nos. 11 and 14 above.</p> <p>Where a document required to be stamped is executed outside Pakistan, such document should be adhesive stamped when brought into Pakistan.</p> <p>All Applicants are required to ensure that the requirements set out in the PQD are complied with, including the requirements with respect to stamping / payment of stamp duty on documents.</p>

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53.	We request the authority, the Rupee depreciation and indexation mechanism while valuing the project done in the past by the prospective bidders should be allowed.	<p>For projects completed in currencies other than USD, the project cost in USD, for the purposes of completing Form G, will be calculated using the January month-end exchange rates as specified in the ‘Month-End Ex. Rates in US \$’ tab in the file uploaded by State Bank of Pakistan which can be accessed using the following link https://www.sbp.org.pk/ecodata/IBF_Arch.xls. For currencies not mentioned in the file, Applicants are advised to contact GoS/KW&SB and relevant conversion rates shall be provided.</p> <p><u>Illustration</u> Project Completion Year = 2021 Project Completion Currency = PKR Project Completion Cost = PKR 3,500,000,000/- Applicable PKR/USD Exchange Rate at month end January 2021 = 0.0062 Equivalent USD Amount of Project = 3,500,000,000/- * 0.0062 = 21,700,000/- USD Amount required for a project to be recognized as evidence of meeting a Technical Criterion = 20,000,000/-</p>