



PAKISTAN ELECTRIC POWER COMPANY (PVT.) LIMITED

723-WAPDA House, Shahrah-e-Quaid-e-Azam, Lahore-54000  
Tel: (92)-42-99202140 Ext: (92)-42-99202211/2723 Fax: (92)-42-99202402



Managing Director

No MD/PEPCO/Advisor/1956-59

Date: 21-12-09

1. The Chairman  
Public Procurement Regulatory Authority (PPRA)  
Government of Pakistan  
Islamabad

2. The Chairman  
Transparency International Pakistan  
Karachi

**SUBJECT: ALLEGATION OF PROCUREMENT OF ENERGY SAVER BULBS AT 100% HIGHER MARKET RATES**

Reference: PPRA Memo No.F.1(14)/DD-II/PPRA/2009 dated 4.12.2009 and Transparency International letter dated 3.12.2009 on the above subject.

With reference to the above, it is to submit that both the news item published in the Daily Dawn of 2<sup>nd</sup> December 2009 titled "Govt. buying energy saver bulbs at high rates" and the TV Show of Kamran Khan (on the same subject), which triggered a debate and hype in the media, were based on a false surmise. Unfortunately and without an insight or being privy to facts, the news item & the TV Show have called into question the very 'Design' of the scheme and the transparency of procurement process of the National CFL Project undertaken by PEPCO on behalf of the GoP. It is clarified that the contents of both the news item and the TV show are speculative and we wish that before publishing the news item and airing the TV show, fact finding & some research could have been done. The issue deserved first-hand fact finding and appraisal before taking this to the media.

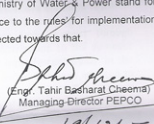
The factual situation is explained in our clarification (attached as Annex-I) which was sent to the Daily Dawn and which was also published by the esteemed paper, however, under a different title.

Explaining the issue, we see that the National CFLs Program aims at procurement of 30 million high quality CFLs/Energy Saver Lamps through international competitive (ICB) bidding. In the Project, a very transparent process of bidding, evaluation and award has been built-in to ensure transparency & competitiveness under the procurement guidelines of PPRA and the Asian Development Bank (ADB), which is

financing this Project under its Energy Efficiency Investment Program. Similarly, a very comprehensive and transparent process has been built-in for distribution through PEPCO Distribution Companies (DISCOs) and KESC to the domestic customers all over Pakistan free of cost in exchange of 40-100 watt incandescent bulbs. The whole process of distribution has inbuilt monitoring and tracking system approved by ADB and which is to be supervised by ADB Implementation Consultants. It is also envisaged that the prices likely to emerge out of the competitive process would be much less than the ones for the sub-standard products but seemingly similar being sold in the market. The ICB tenders, for procurement of 1<sup>st</sup> round of 10 million CFLs, are scheduled to be opened on 30<sup>th</sup> Dec 2009. In view of the above facts, it is seen that a hype has been created in the media without any cogent & visible reason.

Let me assure you that PEPCO and Ministry of Water & Power stand for transparency, fairness and accountability and 'adherence to the rules' for implementation of the Power Sector Projects and all the policies are directed towards that.

With best regards.

  
(Engr. Tahir Basharat Cheema)  
Managing Director PEPCO

c.c.

- i) Advisor PEPCO.
- ii) GM (Operation) PEPCO

19/12/09

## Ministry of Water and Power

'Govt Not Buying Energy Saver Bulbs At High Rates'Spokesman

Islamabad, 03 December 2009: This is with reference to a news item appearing in Dawn of 2<sup>nd</sup> December, 2009, titled "Govt. buying Energy Saver Bulbs at High Rates". The news item tends to call in question the very 'Design' of the Scheme and the 'transparency' of the procurement process of 'National CFL Project' undertaken by PEPCO. It is clarified that the contents of said news item are speculative and before publishing the issue did merit extensive technical research. The factual position is that 'the National CFL Project' aims to procure 30 million high-quality Compact Fluorescent Lamps (CFLs) (Energy Saver Lamps) through International Competitive Bidding (ICB), followed by distribution to the domestic consumers Free of cost in exchange of 40-100 Watt incandescent bulbs. In the Project, a very transparent process of evaluation and award has been adopted to ensure transparency under the procurement guidelines of the Asian Development Bank (ADB). The contract will be placed after the approval of ADB who are financing this Project.

The reported cost per lamp of US \$1.97, speculated as Rs.85-100 more than the market price is incorrect. The PC-I Document of the project contains only an estimated indicative cost of lamps delivered at Distribution Companies designated stores. It includes lamp cost of only \$1.37, whereas the rest includes duties & taxes, cost of containers, transportation, warranty requirements and other miscellaneous charges. It is not the actual cost per lamp per lamp which will emerge and will be determined after the ICB (International Competitive Bidding) process is complete. Moreover, all other costing components included before distribution are to be considered additionality which is built-in in the estimates for accountal purposes. Whereas, in instant case, these additionalities may not be incurred because of the availability of permanent institutional arrangements that already are paid for by PEPCO and DISCOs. It is a normal practice in foreign funded Projects that international price of equipment & material is taken in the PC-Is for estimation purposes. Subsequently, this cost is placed as (inbuilt) in the program which is designed by ADB in this case. Relevantly mentioned, the Energy Saver Lamps, already purchased by PEPCO last year, cost only Rs.90/- per lamps whereas the then price in the market ranged from Rs.140/- to Rs.165/-.

Factually put, a standard quality CFL lasts up to 6,000 hours or up to 3 years without replacement. Most of the CFLs available in the market are of spurious quality and

