

BANGLADESH RURAL ELECTRIFICATION BOARD
DHAKA, BANGLADESH
PBS INSTRUCTION 200-17

SUBJECT : LONG TERM LOANS FROM BREB TO PBSs.

I. PURPOSE

This Instruction sets forth policy and procedures concerning long term loans from BREB to PBSs. Under the provisions of the Bangladesh Rural Electrification Board Act-2013, BREB is authorized and empowered to make loans for rural electrification to Palli Bidyut Samities (PBSs), for the purpose of financing the construction and operation of electric distribution lines or systems for furnishing electric energy to the people living in rural areas.

II. POLICY

In order to meet the working capital requirements of the PBSs, costs of construction, operation and maintenance of electric distribution system by the PBSs including taken over lines from other utility organizations, BREB will provide funds as long term loans both in cash and kind in the manner as stated herein.

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III. TYPE OF LOANS

BREB loans to PBSs in cash and kind will normally include the following items:

- A. Cash loans for PBS's initial operating fund, working capital requirements, purchase of common plants, etc.

Authorization, allocation and payment of such cash loans will be governed and operated as per PBS Instruction 200- 08 (Operational Loan to PBSs).

B. **Loans in kind in respect of:**

- value of materials, supplies and equipment transferred to the PBS for its own consumption-either for construction or operation/maintenance purpose.
- all construction costs for work done by BREB for the PBSs.
- costs incurred in taking over and renovating different distribution entities' lines by BREB.

- c. Other loans except cash and kind as mentioned above such as foreign consultancy costs (if not grant) and expenditures incurred by BREB which can be allocated to PBS functions during the various stages of construction, development and expansion of the Bangladesh Rural Electrification Program.

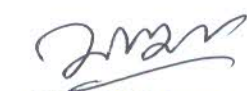
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IV. LOAN TERMS AND CONDITIONS:

The terms and conditions such as, purpose for which the loan is provided, schedule of principal and interest repayment, rate of interest, loan security and other terms and conditions pertaining to the loan from BREB shall be governed and administered as per contract of loan, the format of which is attached to this Instruction (**Annexure-01**).

The terms and conditions of loans to PBSs by BREB are summarized as follows:

Loan effective date: The effective date of the loan agreement between BREB and the PBS will commence from the date of registration of the PBS.

Utilization: The amounts of loan will be used in construction and operation of an electric system within the defined areas in which the PBS is located.

Repayment of Principal: Principal payments will be due in accordance with the terms of the loan contract. Generally as provided in loan contract, principal payments will begin after five (5) years of grace period. In case of first loan, grace period starts from the date of commercial energization and for subsequent loans, grace period starts from the date of first disbursement.

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Date of commercial energization means the date on which PBS first bills its consumers through energization of its own sub-station.

The Principal shall be repaid in twenty five (25) years after the grace period, in semi-annual installments.

Interest: Simple interest at a rate of 0.75% per annum will be charged on the net amount of the loan during the grace period of five (5) years starting from the date of disbursement by BREB or the date of commercial energization, whichever is later. Interest so calculated will be added to the Principal amount of the loan at the beginning of the 6th year.

Interest @ 3% per annum will be charged semi-annually on 31 March and 30 September after the grace (moratorium) period.

Loan Security: A first lien of the PBS total system will normally be regarded as security. It shall be in the form of a mortgage by the PBS to BREB as specified and attached to this Instruction (**Annexure-02, Mortgage Note**).

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Arranging additional loan: For arranging loan in addition to that mentioned in the loan contract in order to finance the expansion/intensification program, an addendum to the contract of loan is required to be executed between BREB and the concerned PBS in the form **(Annexure-03)** as attached to this Instruction.

Other terms and conditions: The loan contract and mortgage will include such other terms and conditions that are appropriately related to the loan.

V. ACCOUNTING AND CALCULATION OF LOAN AND INTEREST:

The PBS shall maintain records for loan from BREB and accounted for the same as per PBS Instruction 200-31. Interest during the moratorium period moratorium period and after the moratorium period shall be calculated in the manner as prescribed in PBS Instruction 200-31 (Determination of PBS Long Term Loan-Moratorium Period).

- Enclosed:**
1. Annexure-01 (15 pages)
 2. Annexure-02 (Mortgage Note, 3 pages)
 3. Annexure-03 (2 pages)

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