

**BANGLADESH RURAL ELECTRIFICATION BOARD
DHAKA, BANGLADESH**

**BREB INSTRUCTION 600-26
PBS INSTRUCTION 200-31**

SUBJECT: DETERMINATION OF PBSs' LONG TERM LOAN- MORATORIUM PERIOD

I. PURPOSE

This instruction establishes and sets forth BREB policy in determining the effective date for commencement of PBS loan period, the basis for calculation of various loan amounts and the procedure for charging loan amounts to PBS long term loan accounts.

II. GENERAL

BREB will provide financial assistance to the PBSs under terms and conditions of Loan Agreements executed between BREB and PBSs. BREB will charge PBS loan accounts for transactions made both in cash and in kind. PBS loan accounts will normally include, but will not necessarily be limited to the following items:

- A. Cash loans for PBS initial operating fund, working capital and construction purpose.
- B. Values of materials, supplies and equipment transferred to the PBS for its own consumption either for construction or operation/maintenance purpose.
- C. Costs incurred in construction of plant, or other facilities, handed over to the PBS distribution entity including other renovated plants.

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- D. BREB expenditures and foreign Consultancy costs (if not grant) which can realistically be allocated to PBS functions during the various stages of construction, development and expansion of the Rural Electrification Program.
- E. Interest on Long Term Loan.

III. POLICY

A. Loan Effective Date:

1. The effective date of the loan agreement between BREB and the PBS will commence from the date of registration of the PBS.
2. Electric line construction work will begin after the PBS is registered and the loan agreement is signed.

B. Charges To PBS Loan Accounts:

BREB will charge PBS loan accounts for expenditures made by BREB on behalf of the PBS. All loans will bear interest in accordance with loan agreements. Charges will be made to loan account as practicable, after expenditure has been made or interest accrued by BREB.

Interest on loans will accrue from the date of disbursement by BREB or the date of commercial energization whichever is later.

C. Recovery of Initial Interest Costs By BREB:

Interest costs incurred by BREB between the time of disbursement by the donor, and the subsequent charge to the PBS will be recovered from the PBS by adding three percent (3%) to the value of imported materials.

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IV. CALCULATION OF LOAN QUANTUM - PRE-REGISTRATION PERIOD

Direct costs of plant, materials, supplies and services, expended by BREB will be accumulated in BREB accounts. These will be charged to the PBS loan account as of the date of registration. Director, PBS Monitoring and Management Operation will notify Director, Accounts when PBSs are registered and Loan Agreements are signed.

1. Charges to the PBS will be by Debit Note from BREB, which will provide sufficient detail of charges to enable the PBS to establish asset records.

2. Accounting for charges will be as follows:

- a. PBS Dr. Appropriate Asset Account
Cr. BREB long Term Debt- Principal
- b. BREB Dr. PBS Long Term loan
Cr. Appropriate Asset Account
Cr. Deferred Debit

V. CALCULATION OF LOAN QUANTUM - POST-REGISTRATION PERIOD

A. Direct Classified Costs of plant, equipment, materials, supplies and services will be accumulated and will periodically be charged to the PBS as transfers take place.

1. Cash loans and values of materials, supplies, equipment and services sold to the PBS, will be charged to the PBS loan accounts at the time of the transaction.

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2. Costs of land, building, substations, and distribution plant will be accumulated by BREB. These costs will be charged to PBS loan accounts when the facilities are transferred to the PBS for their use. Costs will include values of materials and labor/contractor payments for construction and/or development.
3. Expenditure for civil consultancy services will be accumulated by BREB and will be transferred to the PBS semiannually-on 31 May and 30 Nov. These costs will include architecture fees and construction supervision. The PBS will capitalize these costs as they are charged by BREB and will reallocate costs to individual structures when all civil works are completed.

Accounting for these charges will be as follows:

- a. PBS Dr. Appropriate Asset Account
Cr. BREB Long Term Loan - Principal
- b. BREB Dr. PBS long Term Loan- Principal
Cr. Appropriate Asset Account.

- B. Unclassified expenditures local electrical Consultancy and for BREB supervision (SE, XEN Project Office Staff) will be accumulated by BREB. Costs will be charged to PBS the semi-annually (on 31 May and 30 November).
 1. BREB will charge the PBSs for amounts paid to local electrical consultants engaged at the individual PBS.
 2. BREB will charge the PBSs for costs of supervision (SE, XEN & Project Office) by allocating these cost to the PBSs which received services.

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Payments to construction contractors will be the basis for allocation of the costs. The allocation formula will be as follows:

PBS be charged: $\frac{A}{B} \times$ Costs incurred by BREB for SE, XEN & Project Office Staff within the Zone

A = Payments made to contractors of individual PBS for line and substation construction.

B = Total payments to contractors for line and substation construction within the Zone of the SE.

3. Semiannually (on 31 May and 30 November) BREB will prepare Debit Notes to the PBS for the accumulated costs.

4. Accounting for these charges will be as follows:

a. PBS Dr. 184 Clearing Account
Cr. 224 BREB Long Term Debt Principal.

b. BREB Dr. PBS Long Term Loan- Principal
Cr. Allocated expenses to PBS.

C. Indirect costs, for expenditures incurred if applicable) by Training Directorate, will be accumulated by BREB. These costs will be charged to the PBS semiannually- on 31 May and 30 November. Allocation of these costs will be based on the number of employees at the PBSs.

The number of employees will be determined from Form 550. Costs will be allocated by the following formula

$$\text{PBS Charge} = \frac{A}{B} \times \text{Costs incurred by BREB for Training Directorate}$$

A = Number of employees of individual PBS.

B = Total number of employees at all PBSs.

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1. On 31 May and 30 November BREB will prorate the accumulated costs to the PBS's. BREB will prepare Debit Notes to the PBS for their prorate costs.
 2. Accounting for these charges will be as follows:
 - a. PBS Dr. 184 Clearing Account
Cr. 224 BREB Long Term Debt - Principal
 - b. BREB Dr. PBS Long Term loan- principal
Cr. Allocated expenses to PBS.
- D. Indirect costs, for expenditures incurred by BREB on Foreign consultancy will be accumulated by BREB (if applicable) These costs will be charged to the PBS semiannually on 31 May and 30 Nov. Half (1/2) of these costs will be considered as project Division construction related and half (1/2) will be considered as Institutional Development related.
1. Project Division Construction related costs 50% of the total will be allocated as per Section B of this Instruction without regard to Zone divisions.
 2. Institutional Development related costs will be allocated by prorating 25% of the total costs equally to all registered PBSs and 25% of the total costs will be prorated on basis of operating revenue.

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