



**Operational & Management Procedures  
For  
Remote Area Power Supply Systems Fund  
(RAPSS Fund)**

Power Division  
Ministry of Power, Energy and Mineral Resources  
Government of the People's Republic of Bangladesh

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**OPERATIONAL & MANAGEMENT PROCEDURES**  
**For**  
**RAPSS Fund**

**1.0 Introduction**

The Government of the People’s Republic of Bangladesh has set top priority for Power Sector Development and has set a target of providing access to electricity to all by 2020. Since power system development is highly capital-intensive, it is imperative that a massive investment would be necessary to achieve the vision of the Government. It would be very difficult for the Government alone to provide the required fund for the development of the sector. Recognizing this, the Government has formulated the Energy Policy, which provides scope for private investment in power generation and distribution supplementing the public sector.

Presently public entities namely, Bangladesh Power Development Board (BPDB), Rural Electrification Board (REB) (through Palli Bidyut Samities (PBSs), Dhaka Power Distribution Company Ltd (DPDC), Dhaka Electricity Supply Company Ltd (DESCO) and West Zone Power Distribution Company Ltd (WZPDCL) are responsible for distribution and supply of electricity in the urban and rural areas of Bangladesh. The power supply situation in the remote and rural areas including isolated islands is far from satisfactory as evident from very low coverage. Therefore, it is deemed necessary that the private sector be invited for supplementing the efforts of the Government to accelerate the coverage of electricity in these remote and isolated areas. In this respect, the Government has formulated the Guidelines under the Title of “Remote Area Power Supply Systems (RAPSS)”. Under the RAPSS concept, private investor will be given an area (the “RAPSS Area”) for the development and operation of the electricity distribution and retail supply system including generation (in case of necessity as determined by the Government) as a utility operator for a period up to 20 years.

**2.0 Retail Tariff Levels**

The initial Retail Electricity Supply Tariff (REST) will be set through competitive tendering process for RAPSS Areas. The RAPSS Operator will supply electricity at REST to all consumers within the RAPSS Area, as approved by Bangladesh Energy Regulatory Commission from time to time. Should the REST be higher than the retail electricity tariff determined by BERC in accordance with government policy & tariff methodologies, the government may provide subsidies from RAPSS Fund to bring down the significantly higher REST closer or equal to the determined tariff as much as possible.

**3.0 RAPSS Fund**

Remote area electrification is an important priority for the government, as part of the poverty alleviation initiative. The Guidelines for RAPSS identify RAPSS projects as deserving special incentives for rapid implementation on a fast-track basis. Indeed, many countries provide incentives and subsidies for rural electricity supplies. As per provision of article 13 of the RAPSS Guidelines, the government will establish a Remote Area Power Supply Systems Fund (RAPSS Fund) to provide required subsidies, so that, the remote poor people can enjoys electricity facilities at a reasonable & affordable price.

### **3.1 Objectives of the RAPSS Fund**

- The objective of the Remote Area Power Supply Systems Fund (RAPSS Fund) would be to support access to rural power supplies, to make tariff more affordable, and to help “buy down” the capital investment so that higher cost schemes become more reasonable.
- The fund would only address the capital investment part of costs of electricity in remote areas. Subsidies toward operating and other revenue costs, being non-sustainable, are generally not advised.
- The capital support toward new connections would be non-repayable grants, and capital support towards major capital expenditures would take the form of interest-free long-term loans.
- The RAPSS Fund would be used to enable electricity to be provided in remote areas at an affordable price, to reduce the cost of access to electricity in remote areas, and to provide positive incentive so that the owner of the RAPSS system has a strong drive to connect households and other small customers.
- With the assistance of the RAPSS Fund it should be possible for private power system investors to seek maximum penetration in remote area power supply systems.

### **3.2 Application of RAPSS Fund**

The RAPSS Fund shall provide following subsidies for a period not exceeding 10 years. The time limit will be decided by the Government depending on the merit of an individual RAPSS project.

- (a) Connection fees subsidy support to increase the Penetration Rate of domestic consumers having connected load less than 300 Watt;
- (b) Subsidy for procurement of capital machinery of power plants in order to bring down the electricity generation cost in the RAPSS Areas;
- (c) Subsidy to offset Tax, Duty and VAT associated with the procurement of liquid fuel from the authorized distributors of Bangladesh Petroleum Corporation;
- (d) Subsidized loan for a term of five (5) years to ten (10) years, for generation plant or for connecting RAPSS to the national grid network for receiving bulk supply of electricity or expansion of distribution network, installation of PFI or Capacitor Bank or construction of new 33 kV feeder line from source substation for bulk electricity procurement.

In case of capital cost subsidy, the amount should not be more than 60% of the cost of installing generation plant in RAPSS Areas. This amount should not be found to be adequate to maintain the comparable tariff level of the nearest PBS or distribution company, additional support may be provided in form of subsidized loan.

### **3.3 Source of RAPSS Fund**

The RAPSS Fund will receive contributions from (i) the Government, (ii) the development partners, (iii) repayment of loans made from the RAPSS Fund, or (iv) any other sources inter

alias donation from individuals, enterprises, institutions, agencies, sharing development funds available in other sectors, etc. as agreed by the Government.

### **3.4 Office of the RAPSS Fund**

There shall be a permanent office of the RAPSS Fund under Power Division of the Ministry of Power, Energy and Mineral Resources, and the permanent office will be named as Remote Area Power Supply System Fund Management Office.

### **3.5 Appointment of Fund Manager, officers and staff, etc. of the RAPSS Fund**

- (1) The RAPSS Fund for the purpose of carrying out its functions effectively, can appoint required number of officers and employees including its Fund Manager who will be the Chief Executive Officer of the RAPSS Fund Management Office & will hold the status which is equivalent to Deputy Secretary of the Government.
- (2) The procedure of appointment and terms of service of officials and employees including the Fund Manager of the RAPSS Fund Management Office shall be determined by RAPSS Fund Management Committee.
- (3) Until the procedure of appointment is made, the Government may appoint a Fund Manager and required number of officers & staff on deputation for the RAPSS Fund Management Office.

## **4.0 RAPSS Fund Management**

As per provision of article 13.3 of the RAPSS Guidelines, the Power Division will constitute a RAPSS Fund Management Committee (RFMC), hereinafter called “the Committee” to operate and manage the RAPSS Fund.

### **4.1 RAPSS Fund Management Committee (RFMC)**

There shall be a 10-member RAPSS Fund Management Committee (RFMC) which will consist of the following members:

1. Representative/Ex-officio from Power Division- Chairperson
2. Representative /Ex-officio from Finance Division- Member
3. Representative /Ex-officio from Economic Relations Division-Member
4. Representative /Ex-officio from Planning Commission- Member
5. Representative /Ex-officio from Bangladesh Bank-Member
6. Representative /Ex-officio from Bangladesh Energy Regulatory Commission-Member
7. Representative /Ex-officio from Private Infrastructure Committee (PICOM)-Member
8. Representative /Ex-officio from Infrastructure Investment Facilitation Centre (IIFC)-Member
9. Representative /Ex-officio from Comptroller General of Accounts-Member
10. Fund Manager, RAPSS Fund Management Office-Member-Secretary

## **4.2 The Executive Committee**

There shall be a 5-member Executive Committee which will consist of the following member:

1. Representative /Ex-officio from Power Division –Chairperson  
[Same person who is member of RFMC]
2. Representative /Ex-officio from Finance Division-Member  
[Same person who is member of RFMC]
3. Representative /Ex-officio from Bangladesh Energy Regulatory Commission-Member  
[Same person who is member of RFMC]
4. Representative /Ex-officio from Comptroller General of Accounts–Member  
[Same person who is member of RFMC]
5. Fund Manager, RAPSS Fund  
Management Office-Member Secretary

The affairs of the RAPSS Fund will be managed by the Executive Committee subject to the supervision and control of the RFMC. The Executive Committee shall exercise such powers and functions including management and financial control of the RAPSS Fund as delegated by the RFMC, and as per directions, if any, as the Government may, from time to time issue.

## **4.3 Objectives of RFMC**

The objectives of the Committee are to make available to the RAPSS Operators the proceeds of the RAPSS Fund specifically for the following purposes:

- (a) To “buy-down” the capital cost of the investor in the form of grants/loans/interest free loans for generation, expansion of grid lines, expansion of distribution lines, setting up of substations, control equipment and other investments for the greater interest of the expansion of electricity service to the people of the RAPSS area.
- (b) As a grant for the prospective poor consumers for their house wiring and installation works, connection fee subsidy.
- (c) As an additional fund (soft loan) to the RAPSS operator to meet the emergencies and in courses of natural calamities.
- (d) As a “buy-down” cost against Bulk Electric Supply Tariff (BEST) to bring the Retail Electric Supply Tariff (REST) to an affordable level.
- (e) As subsidy to reduce the fuel cost that is used for power generation, for bringing down REST to an affordable level.
- (f) To promote the RAPSS concept and provide support in the implementation of the RAPSS Guidelines.

The proceeds of the Fund may be used to engage technical assistance that is used solely for the purpose of implementing the RAPSS program and in the achievement of the above objectives.

#### **4.4 Functions of RFMC**

In furtherance of the above objects, but not otherwise, the Committee shall have the following functions:

- (a) To employ and pay any person or persons, not being a member of the Committee, to supervise, organize, and carry out the functions of the Committee and make all reasonable and necessary provisions for appointment of its officers & employees to supervise or conduct specified jobs or functions in such manner as the Committee prescribes.
- (b) To raise funds and invite and receive contributions from any Development Partner, Organization or person(s) whatsoever by way of subscription, donation, grant, loan or otherwise;
- (c) To carry on the implementation of the RAPSS Guidelines and fulfill the objects of this Committee insofar as either the implementation is exercised in the course of the actual carrying out of a primary object of the Committee or the implementation is ancillary to the carrying out of the objects.
- (d) To co-operate and collaborate with voluntary bodies and statutory authorities operating in similar fields and to exchange information and advice;
- (e) To establish and operate both current accounts and deposit accounts in the name of the RAPSS Fund, PROVIDED THAT, cheques draw on such accounts shall not be signed by less than two authorized signatories;
- (f) To purchase or take on lease or in exchange, hire or otherwise acquire any property and any rights and privileges necessary for the attainment of the said objects, and to construct, maintain and alter any buildings or erections so necessary as aforesaid, as and when possible and permitted;
- (g) To make regulations for the management and/or administration of this Fund or any property under possession of the Committee;
- (h) Subject to such concurrences as may be required by law, to sell, lease or otherwise dispose of all or any of the property or assets of the Committee including to be at liberty to sell such portions of movable or immovable properties or mortgaged properties acquired by the Committee, either by public auction or by private contract at such a price or prices, and on such terms and conditions as they may, in their absolute discretion, think fit and rescind or vary any contract for sale and necessary resale of the same with due care and skill without being answerable for any loss occasioned thereby and to execute all conveyances or other assurances and to pass valid and effectual receipts and discharges for all moneys received by them.
- (i) To arrange and provide for or join in arranging and providing for the holding of exhibitions, meetings, lectures, promotions, workshops, seminars and training course etc.;
- (j) To borrow or raise money (subject to such consents as may be required by law) for the said objects and accept gifts on such terms and on such security as shall be deemed to be

necessary, PROVIDED THAT, when the Committee borrows money, it may borrow money only from the government for the purpose of on-lending only to the RAPSS Operator;

- (k) To promote and carry out or assist in the promotion and carrying out of research, surveys and investigations and publish the useful results thereof for the benefit of the public;
- (l) To arrange for and/or authorize the signing or execution of any agreement, contract, instrument, document or any other paper or writing required be signing or executing on behalf of the Committee members.
- (m) To appoint or make provision for the engagement of technical support to carry out the RAPSS program;
- (n) To institute, peruse, compromise or compound all actions, suits, and other proceedings and settle differences and disputes touching the Fund or properties or Committee programs and projects and to refer to any such difference or dispute to arbitration and to adjust and settle all accounts related to the Fund;
- (o) To frame schemes, devise projects and regulations to carry out the objectives and manage the Fund;
- (p) To process, sanction and approve loans, grants, subsidies to the RAPSS operator;
- (q) To do all such other lawful things as are necessary for the attainment of the said objects;

#### **4.5 Modalities for the Operations of the RAPSS Fund**

**4.5.1** The Executive Committee of RAPSS Fund shall be responsible for management, recording and accounting, and reporting of the RAPSS Fund. Accordingly, Fund Manager will develop the procedure of recording transactions and Books of Accountings of the RAPSS Fund which will be required to be approved by the RFMC. The RFMC shall hold the authority of making changes in the procedure of the accounting for transparent record and statistical statements to be prepared and published by the Executive Committee upon approval of the RFMC. Obligatory records include:

- (i) Statement of Operation
- (ii) Balance Sheet
- (iii) Statement of Investment
- (iv) Statement of Loan/grant/subsidy status
- (v) And other necessary statements as may be requested by RFMC

**4.5.2** In performing its duties, RFMC may cause the Executive Committee abide by the following guiding principles:

(A) For RAPSS Fund accounting and reporting:

- (1) The Books of Accounting shall be kept open at all times for inspection by the Member(s) of the Committee or other agencies authorized by the Committee.
- (2) The funds shall be kept at one or more selected scheduled banks in Dhaka, as approved by the resolution of the RFMC.



- (3) The Members of the Executive Committee jointly or severally, as determined by RFMC shall have full access to all bank accounts.
  - (4) Cheque signing authority will be decided through a resolution of the RFMC.
  - (5) To administer the fund activities and strengthen the internal control system for good governance of the RAPSS Fund, the Fund Manager will maintain necessary records/documents and registers for audit and verification by the external auditors employed by RFMC.
  - (6) Audited financial reports/annual report may be forwarded to the fund contributing institutions/agency annually. Moreover, statements and Books of Accounts will be kept open at all times for the inspection by the appropriate person/agency/institutions, as the RFMC may allow.
  - (7) The financial year for the RAPSS Fund shall be beginning of July till the end of June of the next year.
  - (8) The bank accounts may be in Bangladesh currency and/or in foreign currency if deemed necessary and convenient by the RFMC with approval of the relevant government authorities.
- (B) For loan operation and processing:
- (1) The prospective RAPSS Operator will submit its application for RAPSS Fund to the Fund Manager, RAPSS Fund Management Office will place it to the Executive Committee for further course of actions.
  - (2) The Executive Committee will devise forms, criteria, procedures and regulations regarding application and fund disbursement for the RFMC approval.
  - (3) The Executive Committee will evaluate the proposals received for grants/loans/subsidies for a particular RAPSS area and provide the recommendation on the merit of the proposal to the RFMC for its consideration.
  - (4) Any fund disbursed to the activities directly related to the RAPSS program shall be monitored and supervise by the Executive Committee. The Executive Committee shall also evaluate the performance of such disbursed fund and report to the RFMC. RFMC will make investment decisions and monitor the performance of the investments through the Executive Committee for which the loan was sanctioned.
  - (5) No RAPSS Operator receiving fund from the RAPSS Fund for any purpose shall, without the prior approval of the RFMC, be allowed to sell or dispose of its property, rights or franchises, acquired under the provisions of the appointment as RAPSS Operator until the terms and conditions of the contract for receiving such fund are fully satisfied or exempted.
  - (6) Any application or grants/loans/subsidies forwarded by any person for any RAPSS program shall not be treated equally for allocating funds unless such applications are consistent with the policy of the RAPSS Fund developed by the RFMC, the policy of the government or the policy of any fund contributing institutions or agencies. The Executive Committee while developing the operating manuals shall ensure that the RAPSS Operators are aware of the fact that the RAPSS Fund does not have a policy of equal

treatment (until the applicants are of equal footing) of allocation of funds under this Fund at the time of application by any Operator since each application and each case shall be determined in its own merit keeping in mind the priorities of the RAPSS Policy or Guidelines or any decision of the government or the RFMC for accomplishing the object of the Fund.

## **5.0 Meetings**

### **5.1 Meeting of RFMC**

- 5.1.1 The meetings of the RFMC will be held on such time and at such place determined by the Chairperson of the RFMC. However, a meeting of the RMFC will be held at least once in every four months.
- 5.1.2 The Chairperson shall preside over all the meetings.
- 5.1.3 The presence of at least six Members shall form the quorum of the meeting.
- 5.1.4 The decision of the meeting of the RFMC shall be taken by a majority of votes of the Members present and in case of equality, the Chairperson shall have the second or casting vote.
- 5.1.5 The Chairperson voluntarily will convene a meeting as and when required basis. However any four members of the RFMC may request the Chairperson in writing to arrange a meeting to discuss or for making a decision on any specific issue, and the Chairperson shall convene a meeting within seven days upon receipt of such a request.
- 5.1.6 Notice of every meeting shall be given in writing under the signature of the Fund Manager, RAPSS Fund Management Office to every member of the RFMC at his official address available in RAPSS Fund Office.

### **5.2 Meeting of the Executive Committee**

- 5.2.1 The meeting of the Executive Committee will be held on such time and at such place determined by the Chairperson of the Executive Committee. However, a meeting of the Executive Committee will be held at least once in every two months.
- 5.2.2 The Chairperson shall preside over all the meetings.
- 5.2.3 The presence of at least three Members shall form the quorum of the meeting.
- 5.2.4 The decision of the meeting of the Executive Committee shall be taken by a majority of votes of the Members present and in case of equality, the Chairperson shall have the second or casting vote.
- 5.2.5 The Chairperson voluntarily will convene meeting as and when required basis. However, any two members of the Executive Committee may request the Chairperson in writing to arrange a meeting to discuss or for making a decision on any specific issue and the Chairperson shall convene a meeting within seven days upon receipt of such a request.

5.2.6 Notice of every meeting shall be given in writing under the signature of the Fund Manager, RAPSS Fund Management Office to every member of the Executive Committee at this official address available in RAPSS Fund Management Office.