# Government of Bangladesh / ADB

## ADB TA 4626-BAN: Corporatization of Bangladesh Power Development Board

Final Report – Supplemental Appendices

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Prepared by: PA Consulting Group in association with HB Consultants

PA Consulting Group
Level 4
369 Queen Street
Auckland 1010
New Zealand
Tel: +64 9 306 8895
Fax: +64 9 306 8896
www.paconsulting.com

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## TABLE OF CONTENTS

### Appendices

## *APPENDIX A: REVIEW OF OTHER BANGLADESH POWER SECTOR REPORTS*

This appendix summarizes reports from three other power sector reform activities currently underway or recently completed:

- Corporatization of DESA, being conducted by British Power International under ADB financing (ADB TA 3978-BAN).
- Power Sector Development Program II-Component A: Support for Power Sector Reform and Restructuring conducted by Nexant under ADB financing (ADB TA 4379-BAN).
- Power Sector Financial Restructuring and Recovery Plan, conducted by Fichtner for Power Cell under World Bank loan-financing.

### A.1 CORPORATIZATION OF DESA – BRITISH POWER INTERNATIONAL

The team has requested copies of reports from this project, but has not yet received them. The following summary is taken from Fichtner's Financial Restructuring report.

> *Under the ADB TA on the corporatization of DESA, the consultant prepared a first assessment of the financial situation of DESA and made a first proposal for the financial restructuring of DESA. The following summarizes its preliminary recommendations:*
>
> - *All liabilities for foreign debt should be consolidated.*
> - *Provisions for bad and doubtful debts should be written off against receivables.*
> - *Appraisal surplus should be written off against fixed assets.*
> - *Grants should be written back to net deficit.*
> - *The amount due to BPDB and PGCB loans should be transferred to GoB loans.*
> - *All GoB related balances should be transferred to GoB loans.*
> - *Pension fund liabilities should be recognized.*
>
> *As a result of these adjustments, the Government has to be prepared to write off about US$528 million of losses incurred by DESA. BPI further proposes to convert the Government's remaining interest in DESA to equity. Following these measures in the process of corporatization, BPI projects that DESA could repay the current balance of foreign debt over 10 years and start to generate distributable profits.*

Some of these recommendations are unclear. For example, writing an appraisal surplus off fixed assets would appear to result in a non-commercial, historic cost based statement of fixed asset value. Government's writing off DESA's accumulated losses has no meaning for a cash-based single entry government accounting system.

We will review the relevant parts of the British Power report when we receive it.

## A.2 SUPPORT FOR POWER SECTOR REFORM - NEXANT

The report summarizes the current status of reforms for BPDB and DESA and makes some cogent points. Amongst them are the following:

> *…the GoB strategy and major components of reform are in place. There is a clear direction. The key issue is putting the details in place. From our perspective, we would agree with the "Road Map" document that in-depth study is required in setting up the new entities in the power sector. However, we would hasten to add that study is not enough and that the major shortfall has been on the implementation side. Successful reform of the sector will not be achieved unless the difficult decisions, which are required to implement the so-called in-depth studies, are taken by the GoB.*

The Nexant report is mainly concerned with the financial restructuring of DESA and of BPDB as an entire company. The proposed restructuring measures comprised the following:[1]

- Accounts receivable:
    - The end-use consumer accounts receivable should be written-off to a level which can be considered in line with prudent accounting practices.
    - Receivables and from government and semi-governmental and autonomous institutions in excess of a six months billing should be off-set against debt service liabilities.
    - The cross-debt between DESA and BGCP for electricity import and between DESA and PGCB for wheeling services should be set-off against debt service liabilities (DSL) in the books of BPDB. Parts of DESA's cash and bank balances should be used to pay back a (although small) portion of the DESA's debt.
    - Differences in the balance of the accounts receivable between DESCO and DESA should be reconciled.
    - Other balances in inter-company accounts should be set-off against DSL.
- Debt Service Liabilities:
    - All outstanding DSL owed by BPDB, DESA and Ashuganj to GOB should be converted to equity.
    - This step is to avoid the necessary increase of the tariffs to enable the utilities to pay-off the outstanding and overdue DSL and to ensure that future debt service obligations of the utilities and their successor companies can be served.
- Long term Loans:
    - The balance of outstanding foreign and local currency loans should be retained by the power sector entities and not be written-off.
    - The resulting future debt should be serviced by the utilities to re-gain the confidence of the lending agencies.
- Unrecorded pension obligations and gratuities:
    - The provisions for unrecorded pension obligations and gratuities should be introduced in the balance sheet.
    - Funding of these obligations has yet to be secured.
- Assets:
    - The assets of those utilities that have been valued in 1991 should undergo a re-valuation before they are transferred to the future successor companies.

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1 This summary is taken from Fichtner's Financial Restructuring report.

- The asset valuation of BPDB should undergo a critical review considering the recoverability of the asset value through future revenues.

In chapter 3.4.5.1 Nexant proposes some financial engineering to spread foreign debt service more evenly over the years: *" … and, consequently, the size of the required tariff adjustments in the immediate future will be minimised …"* In our view, the tariff should be set on the basis of recovering efficient costs and the current value of capital assets and earning a return to capital. Debt capital should be managed to minimize its cost and the level of debt service payments.

## A.3 POWER SECTOR FINANCIAL RESTRUCTURING & RECOVERY PLAN - FICHTNER

This section summarizes the proposed restructuring of balance sheets and illustrates the complexity of the tasks involved.

### Consumer Accounts Receivable

For the financial restructuring Fichtner proposes the following principles and activities:

- accounts receivable from end-use customers should be audited with the objective to identify un-collectable amounts–these amounts need to be written-off from the balance sheets
- the accounts receivable used for the financial/accounting reports and the billing records maintained by the commercial operations department need to be reconciled
- in accordance with prudent accounting practices the accounts receivable in the financial statements of the distribution companies should not reflect more than six months billing at a collection rate of 90% for each group of the end-use customers:
  - with respect to receivables from private customers (households, commercial, industrial) the balance in excess to this amount should be recognized in the provisions for bad and doubtful debts;
  - with respect to government and semi-government customers the excess balance should be set-off against debt service liabilities.

All consumer accounts receivable should be written down to three months' billings. The total to be written off, set off against liabilities, or charged to provisions in the DisCos totals Tk 13,250 million.

The following action is recommended:

- A consultant has to be appointed
  - to reconcile the commercial operation statistics and financial accounting report figures;
  - to identify receivables, which cannot be recovered, for write-off;
  - to undertake relevant corrections in the balance sheets of the companies as follows
    - receivables from private customers deemed to be recoverable to be kept in balance sheet / commercial operation statistics on the reconciled basis;
    - provisions for bad debt to cover all receivables from private customers in excess of three months billing;
    - Government and semi government debt in excess of three months billing to be set-off against debt service liabilities.

### Intercompany Accounts

Amounts owing between sector entities have not been reconciled. Several, such as those between BPDB and DESA for bulk power supplies, are very large. Outstandings should be reduced to six months' billings and reconciled. A total of Tk 29,700 million should be written off.

Other adjustments are needed for BPDB receivables transferred to WZPDC, DESA receivables transferred to DESCO and REB and unsettled asset transfers to REB.

Both BPDB and DESA have large, unreconciled clearing account balances reflecting transfers between field and other offices and HO. They are probably irreconcilable and should be written off.

### Overstatement of DESA's Fixed Assets

DESA has commissioned completed assets from time to time but not simultaneously transferred them from WIP to assets in service, as a result of which depreciation in the amount of Tk 1400 million has not been provided.

*The basis for valuation of DESA's other assets has not been established, but those taken over from BPDB may be at BPDB's 1991 valuation. If this is so, it probably offsets the possible overstatement and may result in a net undervaluation in terms of FY 2005 values.*

### Transmission Assets in BPDB's Balance Sheet

A balance of Tk 7,700 million represents the difference between the 1991 valuation of BPDB's transmission assets and the assumed depreciated historic cost at which the assets were taken over by PGCB.[2]

BPDB's WIP also holds transmission assets under construction together with the corresponding loan drawdowns–all should be transferred to PGCB.

### Other Asset Transfers

The need for extensive adjustments has been identified covering:

- Transfers between DESA and DESCO that have been recorded at widely dissimilar values
- Transfers between DESA and PGCB are incomplete and the values used for those that have been made differ in each entity's books
- Associated loans for transmission, distribution and generation plant have not been transferred at the same values and terms between the original and successor owners.

### Retirement Benefits

Provision needs to be made by BPDB: Tk 5613 million and DESA: Tk 1243 million.

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[2] *The accounting treatment should have been to write this capital loss off to equity.*

### Other Items

Other, minor balance sheet items needing reconciliation or correction include:

- BPDB's loans to APSC
- Exchange rate losses at APSC and DESCO
- Transfer values into WZPDC differ from the values out of BPDB
- BPDB's loan totals in the balance sheet do not agree with the sum of them in the loan register
- WZPDC claims Tk 215 million from BPDB against security deposits; the amount is not recognised in BPDB's books.

### Long Term Debt Capital

Following the balance sheet restructuring the ratios of debt to equity ranged from a low of 2.6 (DESCO) to 7.3 for WZPDC. Those for DESA and APSL were infinite because they had lost their capital.

While a debt:equity of 2.3 is acceptable for power companies in an international context, a reconstructed ratio of 1.5 is considered more appropriate given the large need for sector investment.

To give effect to this, arrears are to be treated as local loans and local loan balances capitalised so that, with foreign loan balances, the objective debt:equity ratio is reached.

It is proposed that the remaining local and foreign loan totals be consolidated into two new loans to replace the many existing loans and credits. The new loans are proposed to bear interest at 5 per cent and to be repaid over 15 years.

Commercial loan terms would require interest rates of 12 per cent or more but are not recommended because of the impact on companies' cost structure.

### Financial Projections

Fichtner produced a comprehensive model of the power sector (excluding REB) that included projections of results for four GenCos, PGBC, SingleBuyerCo and six DisCos and for the consolidated group.[3] The opening balance sheets were adjusted to reflect the large range of corrections and adjustments described above to tidy up the existing financial mess. Fixed asset values remained as in the balance sheets at last balance date.

The projections were made for 10 years to 2015. They provided for the increased capacity and demand projected in the 2006 Power Sector Master Plan, assumed improved management and governance and covered three tariff scenarios:

- Business as usual–tariff increases equal to change in CPI
- Full cost recovery

[3] Nexant listed six proposed generation companies in addition to EGCB. The number is immaterial for present purposes.

- Cost recovery achieved by FY 2010.

Full cost recovery requires increases of 8.6 per cent rising to 16 per cent in 2012 but RoR on NFA remains below target 10 per cent. Exhibit A.1 indicates the price path resulting from each scenario.

**Exhibit A.1: Indicative Revenue Yields to 2015, Tk / kWh**

| Scenario | 2005 | 2006 | 2010 | 2015 |
|---|---|---|---|---|
| Business as usual | 3.43 | 3.69 | 4.48 | 5.43 |
| Cost recovery, full | 3.43 | 4.65 | 5.73 | 5.43 |
| Cost recovery by 2010 | 3.43 | 4.27 | 5373 | 5.43 |

The other main assumptions are:

- Local inflation declining from 7.5 per cent to 4.5 per cent in 2009
- Foreign inflation 2.5 per cent all years
- Taka depreciating to 81.3 per $1 by 2015
- Decreases in the prices of crude oil and derivatives of 11.7 per cent in 2006 and 8.8, 4.4, 3.3 and 1.2 per cent during the next four years, thereafter increasing about 1.4 per cent per year
- No change in locally subsidised price of natural gas
- Reduction of distribution losses from 20 per cent to 11.1 per cent[4]
- New projects are funded 70 per cent by foreign loans and any internally generated funds, the balance by local loans; term 15 years plus grace period equal to construction time; interest at 5 per cent per year.
- Trade receivables equal to 81 days' billing declining to 60 by 2010
- Accounts payable between sector entities settled within 45 day

4 BPDB's distribution losses are 20 per cent; DESA's 30.

## *APPENDIX B: CASE STUDIES OF ELECTRIC UTILITY UNBUNDLING*

Experience in other countries suggests that selection of a corporate structure for the power sector depends greatly on local conditions. However, there is a common trend towards increasing financial transparency in operations. This appendix describes the corporate structure of the power sector in:

- Malaysia (Tenaga Nasional Berhad, TNB)
- Indonesia (PT Perusahaan Listrik Negara (Persero), PLN)
- France (Electricite de France, EDF)
- Andhra Pradesh, India (Successors to Andhra Pradesh State Electricity Board, APSEB)

Exhibit A.1 summarizes the different degrees of unbundling represented by each of these cases. The exhibit indicates the relative placement of each utility along the spectrum of corporate structure ranging from "more centralized / less unbundled" to "more decentralized / more unbundled".

- In the late 1990s, **TNB** began to unbundled along the value chain (i.e. create separate generation, transmission and distribution companies) in preparation for the expected introduction of competition. However, after the decision was made not to introduce competition, those subsidiaries became dormant. Now TNB represents a relatively centralized structure as a operating holding company, in which all core business is performed by the holding company. Subsidiaries represent specialized non-core businesses. However, TNB and the Government of Malaysia are currently looking at unbundling the single buyer function from TNB. Though TNB will likely retain the centralized structure for the remaining operations, it has agreed with the Government to begin to establish separate accounts for different parts of the business. This is part of the Government's push to increase financial transparency of government-linked companies (GLCs).

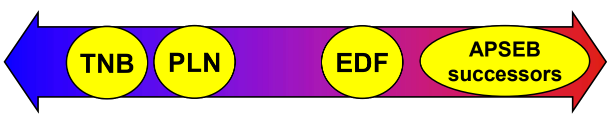
- **PLN** also remains largely centralized, but has unbundled some core operations through the creation of two generation subsidiaries as well as regional power companies. PLN is currently considering further unbundling of core business operations on a regional basis, philosophically moving towards a non-operating holding company structure.

- **EDF** has established separate core business subsidiaries under a non-operating holding company.

- **APSEB** was unbundled entirely a few years ago into 4 discos, a genco and a Transco, each of which is owned by the state. No holding company was established, and APSEB was wound up once the unbundling was complete. Non-core activities were allocated to these new operating companies.

**Exhibit A.1: Examples within the Spectrum of Corporate Structure**

**Greater Centralization / Less Unbundled**




**Greater Decentralization / More Unbundled**

Case studies are provided for:

- TNB (Malaysia)
- PLN (Indonesia)
- Andhra Pradesh State Electricity Board and its successors (India)
- EDF (France)

## B.1 TNB CASE STUDY

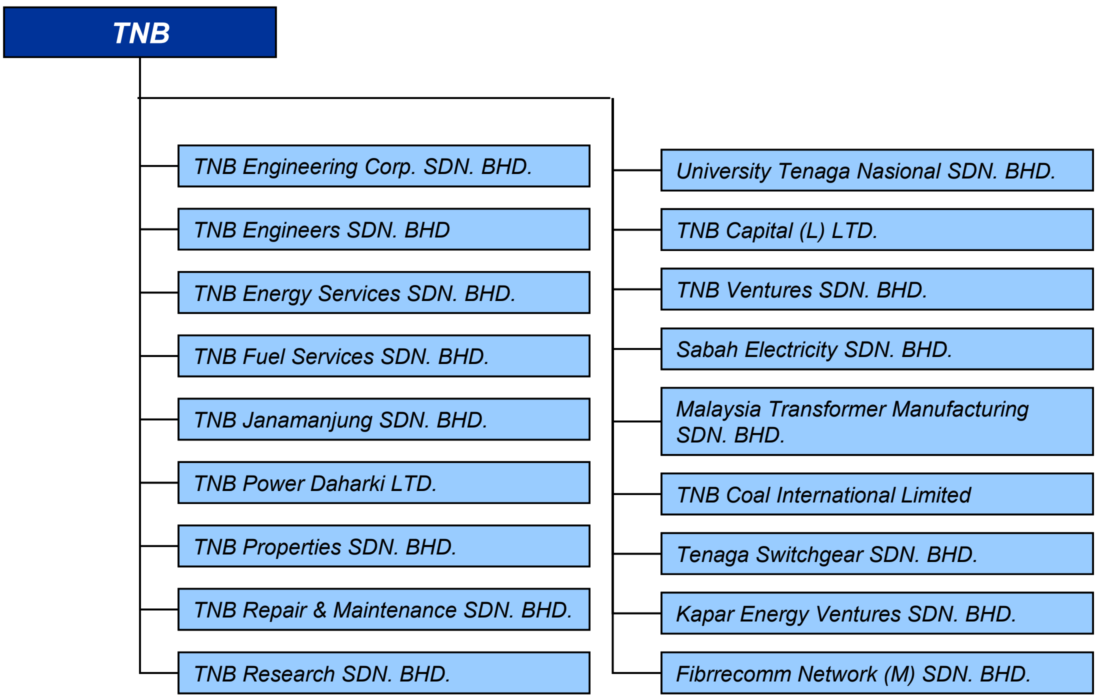
Tenaga Nasional Berhad (TNB) is the Malaysian national utility. Though the Government of Malaysia owns a majority of shares, remaining shares are publicly traded on the Kuala Lumpur Stock Exchange.

In the late 1990's, the Government considered introducing competition into the power sector. TNB was structured at that time as a vertically-integrated monopoly electric utility. Competition would have required the unbundling of TNB along the value chain into separate companies for generation, transmission/system operation, and distribution.

These subsidiaries were set up, but after the California power crisis, the Government of Malaysia decided to delay the introduction of competition. TNB reverted to a vertically-integrated power company, and the new subsidiaries have been left dormant.

TNB is now structured as an operating holding company. All core business (generation, transmission, and distribution) are conducted by TNB itself. In addition, though, TNB has established a number of subsidiaries that conduct specialized non-core or support activities. Exhibit E.1.1 shows the current corporate structure of TNB and its active subsidiaries.

**Exhibit E.1.1: Corporate Structure of TNB**




However, further changes are under consideration or underway for TNB. The two principal initiatives are:

- Creation of separate accounting and financial reporting for each core business area (e.g. generation, transmission and distribution). Even though these will not be broken out as subsidiaries, TNB and the Government have agreed on this as a way of improving financial transparency.

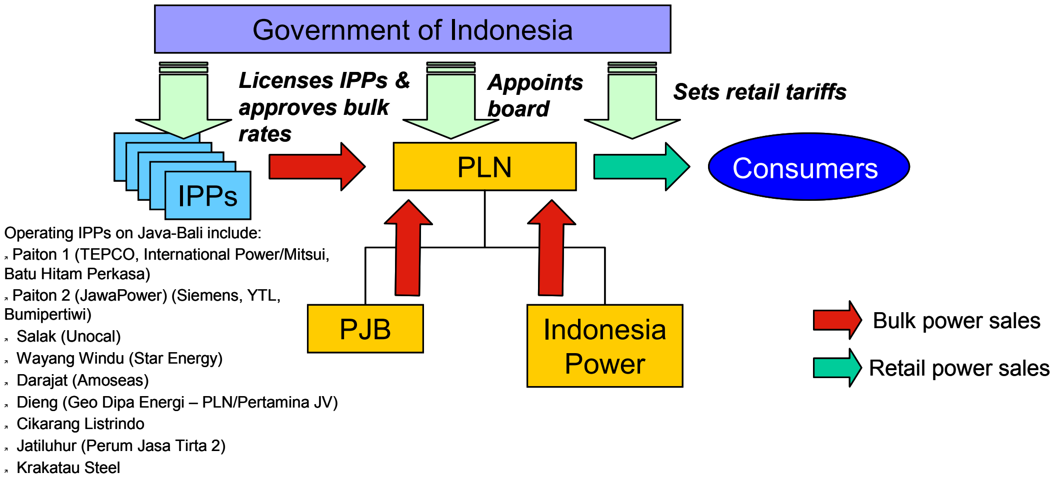
- Spin-off of the Single Buyer. The Government is now considering the break-out of the single buyer function from TNB as a separate Government-owned company. This may be principally driven by the desire for a greater degree of competition in the selection of new generation, as well as a more neutral off-taker for IPPs.

## B.2 PLN CASE STUDY

### B.2.1 Sector Structure

The overall structure of the Indonesian power sector is shown in Exhibit E.2.1. PT PLN (Persero) holds the principal electricity business license for Indonesia. Independent power producers (IPPs) and PLN subsidiaries PJB and Indonesia Power operate under subsidiary electricity business permits, and sell bulk power to PLN, which acts as a single buyer. In addition, PLN has two subsidiaries, PLN Batam and PLN Tarakan, which undertake supply on Batam and Tarakan Islands respectively. Retail sales in these two service territories follow their own tariff schedules.

**Exhibit E.2.1: Structure of the Indonesian Power Sector**




The Government of Indonesia exercises its control of the sector through the Ministry of Energy and Mineral Resources (MEMR) and the Ministry of State-Owned Enterprises (MSOE). MEMR functions as the policy maker and regulator for the sector, and is responsible for code development and enforcement, licensing, approval of bulk tariffs, development of retail tariffs, and preparation of the National Electricity Plan (*Rencana Umum Ketenagalistrikan Nasional*, RUKN). Many of these functions are conducted by the Directorate General of Electricity and Energy Utilization (DGEEU) within MEMR. In certain cases, these functions are devolved to regional governments, as discussed in the following section. MSOE functions as the shareholder of PLN, and appoints the Board of Directors of PLN. The Ministry of Finance also has a role in the sector in terms of establishing arrangements for loan guarantees that may be used by IPPs, and for working with the Parliament to prepare the state budget, which includes electricity subsidies.

### B.2.2 Prevailing Legislation

*a. ELECTRICITY LEGISLATION*

As noted in the previous chapter, governance of the sector has reverted to Law 15/1985, which requires that a single, state-owned enterprise carry out the supply of electricity though other enterprises are granted the opportunity to engage in electricity supply so long as such participation does not harm the interests of the State.

To guide the implementation of Law 15/1985, the Government issued Government Regulation 3/2005 to update Government Regulation 10/1989 and ensure consistency with regional autonomy legislation enacted in 1999 and 2000. Key implications of Law 15/1985 and Government Regulation 3/2005 include:

- The Government plans the sector through the development of the RUKN. This plan must take into account the regional electricity plans (RUKD) that may also be developed by provinces or regencies and municipalities.
- Tariffs for consumers on the national system and those served by the PKUK are stipulated by the President based on the proposal of the Minister of Mines and Energy. Governors set the tariffs for systems operated by IUK holders that cross regencies and/or municipalities, but are not connected to the national system. Regents and mayors set the tariffs for service on systems operated by IUK holders that are not part of the national system and are entirely within their region.
- There are no specific guidelines as to how tariffs shall be determined other than they should take into account healthy industrial and commercial principles, cost of production, operational efficiency, scarcity of primary energy sources used, operational scale and interconnection of the systems, and availability of funds for investment. In addition, for low-income consumers, financial conditions of society shall also be considered. However, as discussed in Section 2.4, Financial Performance & Processes, Ministry of Finance decree 117/PMK.02/2005 provides guidance on calculating cost of service.
- Similarly, the government authorities that set tariffs also have the authority to license electricity supply in their respective regions.
- Private enterprises holding an IUK may supply power for public use, but such power must be procured by public tender, unless it is a renewable source of energy or is in an area of "electricity crisis", as determined by the relevant government authority. This legal framework preserves the Power Purchase Agreement with PLN as the principal mode for private participation in generation.

It is understood that the new electricity law now under preparation remains consistent with the above points. However, there have been indications that the law allows for some form of competition provided that the players have some degree of state ownership. To ensure that consumers are not adversely affected by the introduction of competition, prerequisites for the introduction of competition should be stipulated as they were under Law 20/2002[5].

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[5] Article 15 of the law stipulated eight prerequisites, as follows: (1) retails tariffs had reached economic levels, (2) primary energy markets were competitive, (3) a regulator had been established, (4) regulations governing competition were ready, (5) infrastructure (e.g. hardware and software) required for market operations was in place, (6) system conditions would not impede

In any case, there has not yet been a successful power market implementation in any country where demand is growing by more than 6% annually as in Indonesia. Indonesian conditions would require specific safeguards for introduction of competition.

*b. STATE-OWNED ENTERPRISE LEGISLATION*

As a state-owned enterprise, PLN is also subject to Law 19/2003 on state-owned enterprises. Relevant provisions of the law include the following:

- As a "persero", PLN is a state-owned limited liability company with the main objective of earning profit. State-owned limited liability companies are also subject to Law 1/1995 on limited liability companies in general.
- There is some conflict with Law 15/1985, since PLN's profitability is subject to retail tariff levels set by the Government. Although PLN is a monopoly, there is no explicit stipulation in Law 15/1985 for tariff setting to take into account the profitability or even the financial viability of the PKUK.
- The Government's shareholder representative is a minister, currently designated as the Minister of State-Owned Enterprises. The shareholder has the highest authority with respect to corporate matters.
- State-owned enterprises can be capitalized by the Government through the state budget (APBN), the capitalization of capital reserves (e.g. retained earnings), or other sources as may be determined. The Government issues a government regulation each time it capitalizes a company.
- State-owned enterprises follow the same governance structure as private Indonesian companies. The shareholders appoint a Board of Directors, which is responsible for day-to-day management of the company and legally represents the company. Directors are subject to "fit and proper" testing, and once appointed must sign a management contract.
- "Fit and proper" tests are defined under Kepmen 09A/MBU/2005. Candidates can be either from within or outside of the enterprise. The test entails evaluation of three criteria: formal (e.g. whether the candidate has ever been convicted of causing losses to the State), material (ethical values) and competency (management experience and sector expertise). MSOE stipulates the assessment procedure and evaluates the results, but appoints a professional organization (e.g. an HR consulting firm) to conduct the test.
- Management contracts are defined under Kepmen 59/MBU/2004. These contracts lay out indicators and targets for financial, operational, and administrative performance, as well as the terms and conditions of the appointment. While these contracts provide for bonuses (as decided by the shareholders), they do not explicitly link those bonuses to achievement of the targets. The contracts also require the candidates to report their wealth.
- The shareholder also appoints a Board of Commissioners, which supervises the Board of Directors. The Board of Commissioners is analogous to the Board of

competition (e.g. no transmission constraints), (7) business players were on equal competitive footing, and (8) any other prerequisites stipulated by the regulator.

Directors in English company law. Appointment of Commissioners and Directors should be staggered.

- The law prohibits Commissioners and Directors from conflicts of interest or profiting personally from company activities (other than by virtue of their salary). They may not represent the firm if they face personal legal proceedings.

- The Minister as shareholder must approve:
    - changes in capital
    - amendments to the Articles of Association
    - use of profits
    - merger, consolidation, acquisition, division and dissolution
    - long-term investment and funding
    - cooperation of the company with other partiers, e.g. joint ventures
    - establishment of subsidiaries
    - transfers of assets

- The Board of Directors must prepare the following, which are subject to shareholder approval:
    - A long-term (5 year) strategic plan (*Rencana Jangka Panjang*, RJP). This is defined in Kepmen 102/M-BUMN/2002
    - An annual work and budget plan, consistent with the long term plan (*Recana Kerja dan Anggaran Perusahaan*, RKAP). This is defined in Kepmen 101/MBU/2002.
    - An annual report within 5 months of the close of the book year.

- Kepmen 117/M-MBU/2002 requires that at least 20% of Commissioners should be independent in the sense that: (i) they should not have worked for the company or its affiliates for at least the past 3 years, (ii) they have never worked for the Government, institutions or military, and (iii) they have no financial links to the company, its affiliates or suppliers. Also, a person cannot be both a Commissioner and a Director

- State-owned companies must establish an internal audit division, reporting directly to the President Director. The Directors and Commissioners must also set up an audit committee. External audits are required, and auditors are to be appointed by the shareholders. The State Financial Comptroller (BPK) also has the authority to audit the company.

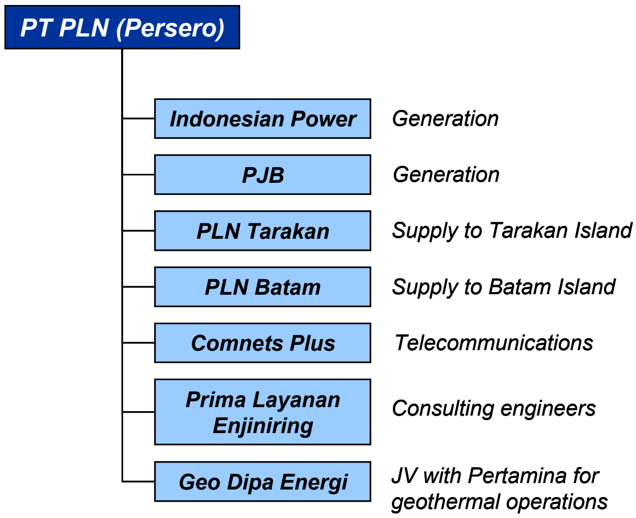
- The appointment of Directors and Commissioners for subsidiary companies is defined by Permen 01/MBU/2004. The same “fit and proper” testing process is used, except that the candidates are shortlisted, evaluated, and selected by the Directors and Commissioners of the parent company, and approved by MSOE.

Other relevant legislation is Presidential Regulation 67/2005 regarding public-private partnership for infrastructure development. This regulation stipulates the processes to be used for new public-private infrastructure projects including IPPs. PerMen 9/MESM/2005 provides specific guidelines for the IPP tender process, and PerMen 1/MESDM/2006 modifies the timing of various milestones in the procurement process.

### B.2.3 PLN's Current Organization

*a. ORGANIZATIONAL STRUCTURE*

**Exhibit E.2.2: PLN's Subsidiaries**




PLN has 7 subsidiaries as shown in Exhibit E.2.2. All of these are wholly owned, with the exception of Geo Dipa Energi, which is a joint venture with Pertamina. Many of these subsidiaries also have subsidiaries of their own (e.g. Cogindo is a subsidiary of Indonesia Power). PLN and its subsidiaries are established as limited liability companies (persero).

Decisions regarding the creation of subsidiaries are ad hoc. Though Law 19/2003 delineates the approval processes for establishment of subsidiaries, PLN has no policies prescribing the criteria for deciding whether subsidiaries should be created in the first place. (The following section discusses some of the financial management issues associated with subsidiary operations).

*b. CORPORATE GOVERNANCE*

Corporate governance consists of the rules that structure the relationship between a company and its owner. In the private sector, the challenge of corporate governance is to align the interests and actions of the management (the agent) with those of the owners (the principals). In the public sector, however, the greater challenge is to align the interests and actions of the government acting as owner, with those of the citizens, who are the true owners. Though the government serves as the agent of the people, interests may diverge between the government and the people when it comes to exercising ownership control of a state-owned company.

The state-owned enterprise legislation discussed in the previous section sets the foundation for PLN's corporate governance. In form, many of these directives should contribute to better corporate governance (i.e. better alignment between the public interest and how the government exercises ownership control):

- The use of "fit and proper" tests to select Directors and Commissioners.
- The appointment of independent Commissioners
- The use of management contracts for Directors
- The requirement for an audit committee and use of independent auditors
- The requirement that Commissioners cannot be executives of the firm

However, the lack of instruments to drive accountability compromises the effectiveness of these mechanisms. Directors serve at the discretion of the Government, and therefore the Government implicitly retains the power to influence Director decisions. That is consistent with healthy corporate governance, assuming that Government interests are fully aligned with public interests. However, because Directors are not held rigorously accountable to the public for their performance, informal Government pressure may be more effective in stimulating Directors to take actions they might not otherwise have taken. The following actions could help mitigate the ability of the Government to stimulate Direction actions contrary to the public interest:

- Although the management contracts for Directors specify targets, they do not directly link bonus to achieving these targets. True performance-based compensation is needed.

- Performance targets are not necessarily tied to the specific areas of responsibility of each Director, and in any case are not used as daily management tools for running the company.

- Parent company Directors should have specific targets related to the performance of the subsidiaries for which they select the management.

- The targets and performance against those targets for each Director should be publicly reported or at least available.

- The management contract requires wealth reporting, but these provisions must be aggressively enforced and wealth reports periodically updated.

In addition, the concurrent role of MEMR as both policy-maker and regulator (especially in the absence of clear guidelines for tariff setting) makes it difficult to implement more rigorous accountability, since a principal driver of financial performance, tariffs, remain opaque and subject to political vagaries. Financial performance is one of the most important sets of targets.

Finally, non-independent commissioners should be appointed at least in part from relevant ministries. For example, a commissioner from the Ministry of Finance could help bring issues related to subsidies and IPP guarantees to that Ministry; a commissioner from the Ministry of Energy and Mineral Resources could help bring primary fuel supply issues to that Ministry. This was previously the practice.

### B.2.4 Summary of Key Challenges for PLN

The span of PLN's organization is vast. Geographically, PLN's operations cover an area nearly 5,000 kms wide, from Aceh to Papua. The company serves more than 33 million customers, and sells more than 100 TWh of energy annually. It is virtually impossible for a single Board of Directors to manage such an enormous undertaking without delegating substantial authority.

Starting in the mid- to late 1990s, there were a number of initiatives to devolve greater authority to business units through creation of profit and investment centers. The objectives were to improve quality and coverage of service while increasing accountability.

However, by the late 1990s, the Government adopted a program of power sector reforms that aimed to eventually introduce competition. PLN re-directed its organizational strengthening efforts from creation of investment centers to preparation for competition. A key component of this was unbundling along the value chain. In order to prepare and guide PLN through the changes required for competition, a considerable amount of decision-making remained centralized (with the notable exception of system planning). However, now that competition will not be introduced, the centralization of authority within PLN is becoming increasingly unwieldy.

Though PLN has made reasonable progress under difficult conditions to extend and improve service, the preceding analysis suggests PLN must address the following issues to sustain operations and further improve performance:

- *Organizational structure*. The span and degree of control of Pusat over PLN operations are impractical, and the organization of functions within Pusat does not adequately align with or reflect the management functions required for a vertically-integrated monopoly provider of electricity.

- *Accountability*. Accountability must be strengthened at all levels of the organization, especially if greater autonomy is devolved to operating units. The degree to which span and degree of control can be rationalized depends in part on improved accountability.

- *Financial viability*. Though tariff setting remains the prerogative of the Government, PLN must do what it can to enhance financial viability. This includes actions that indirectly enable development of tariffs (and/or subsidies) that better reflect cost of supply, financial evaluation and rationalization of business units and subsidiaries at all levels, etc.

- *Risk management*. PLN must pro-actively mitigate major risks to its financial health and operational integrity, especially with respect to fuel and HR management.

To address these challenges, PLN is currently assessing a number of internal initiatives. These initiatives have been organized into two categories:

- ***Operational Initiatives***, which can be considered regardless of the direction of PLN's organizational restructuring. These are initiatives that can be decided and implemented within the current organization to yield "quick wins".

- ***Structural Initiatives***, which will likely require Government concurrence, will likely require additional study or consideration before deciding to adopt them, and if adopted, will necessarily require longer term, phased implementation.

Decisions whether to proceed with any of the Operational Initiatives are independent of whether any of the Structural Initiatives are adopted, although the selection of any particular Structural Initiative may affect the scope or nature of the Operational Initiatives. For example, PLN can decide whether to undertake system and financial planning improvements independent of whether it undertakes any of the Structural Initiatives, though later those Operational Initiatives must reflect or be developed in conjunction with the prevailing organizational structure. Even so, Operational Initiatives can be developed and implemented within the context of the current organizational structure and later modified or updated in the event any of the Structural Initiatives are undertaken.

On the other hand, any Structural Initiatives that are selected must encompass Operational Initiatives in order to be effective. For example, if PLN proceeds with Regionalization, it must necessarily also develop system and financial planning to fit the new structure.

Operational Initiatives have been organized into 5 areas:

- Human resource management
- Fuel management
- System and financial planning

- Tariff transparency
- Tax planning

Structural Initiatives have been organized into 2 areas:

- Organizational restructuring
- Regionalization

These structural initiatives are discussed in further detail below.

### B.2.5 Candidate Structural Initiatives

*a. ORGANIZATIONAL RESTRUCTURING*

The objectives for initiatives within this area include:

- Promoting accountability by streamlining the PLN organization and clarifying organizational responsibilities

- Rationalizing tax planning, especially the use of Indonesian tax id numbers (NPWP), among Business Units.

There are 2 initiatives within this area. Each of these would also include formulation of transition plans to move from the current situation to the future organization:

1. *Headquarters (Pusat) Reorganization*. Reorganize PLN Pusat to better align with or reflect the functions required for a running a vertically-integrated monopoly electricity supplier, e.g. re-establish a planning directorate. Because this would likely entail changes in director positions, shareholder (Government) concurrence would be required.

2. *Business Unit Redefinition*. Redefine the mode of operation for all Business Units (e.g. profit center, investment center) and boundaries of authority and responsibility between these Units and Pusat to achieve meaningful decentralization with accountability. An element of this initiative would be to establish arms-length transfer pricing & subsidy mechanisms between Business Units. This is essentially a return to the program of investment center development started by PLN with World Bank support in the mid- to late-1990s. As part of this redefinition, direct PLN subsidiaries, and subsidiaries of those subsidiaries, should be evaluated, and if not found to be a good fit with PLN, either spun-off or liquidated.

*b. REGIONALIZATION*

Regionalization is an extension of the Organizational Restructuring area, but deserves separate consideration due to its complexity and profound implications for PLN.

The objectives for Regionalization include:

- Establishing a structure that facilitates implementation of regional tariffs

- Rationalizing PLN Pusat's span and depth of control.

- Promoting greater accountability across PLN

Regionalization entails the corporatization of PLN regional units on a system-by-system basis. Clearly, this would have to proceed in a phased manner following a clear transition plan that builds upon progress with other initiatives such as Tariff Transparency, Business Unit Redefinition, and System & Financial Planning. In many ways, this initiative represents an extension of the Business Unit Redefinition option. The vision would be for PLN Pusat to evolve into a truly non-operating holding company, perhaps also providing a limited number of services to the regional operating subsidiaries. Java-Bali operations may be conducted by more entities than a simple regional company due to the size of the system and prior existence of generating subsidiaries. Core PLN Holding Company functions would be to:

- Own subsidiary companies
- Appoint subsidiaries' directors
- Approve subsidiaries corporate strategies & plans
- Monitor subsidiaries' performance
- Provide group treasury & financial planning functions
- Prepare consolidated financial statements
- Ensure competent internal & external audits
- Report group performance to shareholders against agreed objectives

In addition, the PLN Holding Company could provide service functions such as:

- Human resource management, especially development and implementation of policies and processes for the movement of staff between subsidiaries
- IT management

The functions for PLN Holding Company beyond core holding company functions would depend upon further analysis. These would in effect define the boundaries of authority between the subsidiaries and the Holding Company. The future PLN Holding Company might only have a President Director and four Directors for Planning, HR, Finance and IT.

As part of the Regionalization initiative, PLN would need to make a concerted effort to engage the regional governments (*pemerintah daerah*, PEMDA) as follows:

- Proactively prospect for opportunities for regionalization of tariffs through cooperation with PEMDA
- For prospective regions, mobilize dedicated liaison/outreach team
- More generally, make additional efforts to provide inputs to the new Electricity Law currently under development

### *c. THE FUNDAMENTAL RESTRUCTURING DECISION*

The fundamental restructuring options that PLN now faces as a result of annulment of Law 20/2002 may be defined in terms of the following three options. A restructuring program built around any of these options can incorporate initiatives for Rationalization of Proyek Induk and PLN Upstream Entry. PLN is now considering the following options:

**Option 1: Status Quo**

This option represents the "do nothing" option. The core structure of PLN would remain as it is, preserving:

- An impractical span and degree of control by the Board
- A Board and Pusat structure that does not fully align with the principal processes required for efficient operation of a vertically-integrated utility, e.g. no director-level planning role
- A structure and policies that stifle accountability and preclude greater autonomy, creativity and responsiveness to local needs and conditions among operating units.
- An monolithic entity incompatible with development of regional tariffs, except on an ad hoc basis, i.e. regional subsidiaries such as PLN Batam or PLN Tarakan are created on the basis of an opportunistic confluence of factors rather than as a strategic goal.
- An impediment to locally-driven solutions to increase supply. For example, PPAs of longer than one year duration must go to the PLN Board for approval, even for small projects (<10 MW) that can help to extend local coverage.

The structure of PLN would remain as shown in Exhibit A.2.3.

**Option 2: Business Unit Empowerment**

This option represents the combination of the initiatives for business unit redefinition and Pusat reorganization. This option would entail the following actions:

- Evaluation of PLN subsidiaries, as well as the subsidiaries of those subsidiaries, resulting in divestiture or liquidation of companies not found to create value for PLN or serve its strategic objectives.
- Re-activation of the investment center program started by PLN with World Bank support in the mid- to late-1990s. This encompasses a systematic, comprehensive and phased transformation of all operating units to an investment center model. This would entail:
  - Define and operationalize the boundaries of authority and responsibility between these Units and Pusat to achieve meaningful decentralization with accountability
  - Establish arms-length transfer pricing & subsidy mechanisms between Business Units.
- Reorganization of PLN Pusat to better facilitate the operation of the investment center model.

This option aims to acheive:

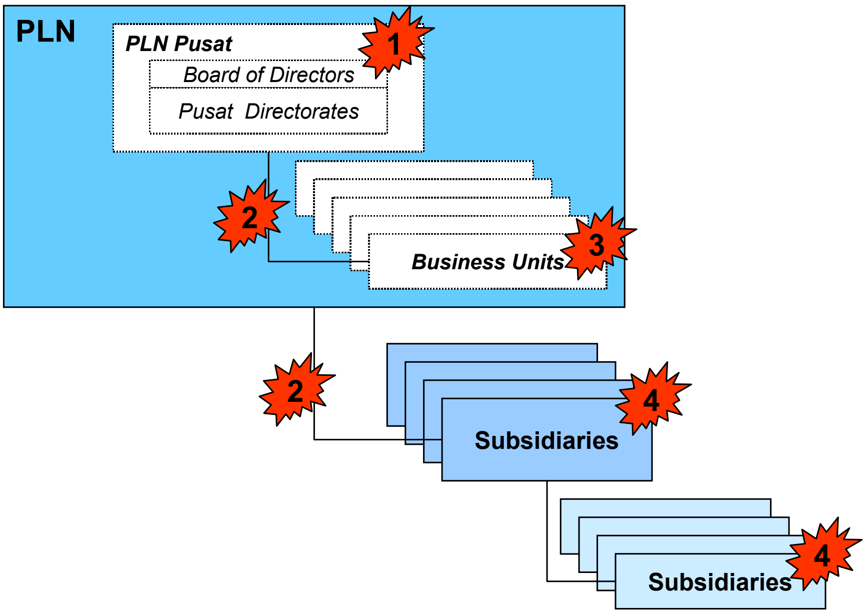
- A manageable and effective span and degree of control by the Board
- A Board and Pusat structure that aligns with the principal processes required for efficient operation of a vertically-integrated utility.
- A structure and policies that promote accountability and preclude greater autonomy, creativity and responsiveness among Business Units.
- Greater autonomy for Business Units to develop and implement locally-driven solutions to increase supply

However, this option does not provide the ring-fencing necessary for regional tariff development (to date, separate companies with separate accounts are expected), and to provide regional governments with PLN counterparts who can constructively, quickly, and effectively engage them. Moreover, this Option leaves autonomy of the Business Units ultimately up to the discretion of the Board, rather than providing a firmer, structural basis for that autonomy.

Exhibit A.2.3 indicates the changes to the existing organizational structure that this option would encompass. These changes would be made in a phased manner over a period of 1 to 3 years. Referring to the numbering in the exhibit:

1. The director positions and organization of Pusat below the directors would be re-evaluated and restructured, particularly with respect to a strengthened planning function.
2. The boundaries of authority and responsibility between Pusat and the Business Units and Subsidiaries would be re-defined to yield greater autonomy and accountability, with management and operational processes reformulated accordingly. This would include mechanisms such as arms-length transfer pricing, etc.
3. Business units, in particular Proyek Induk, would be rationalized, and subjected to more rigorous performance management.
4. Subsidiaries and their subsidiaries would be re-evaluated and disposed of accordingly.

**Exhibit E.2.3: Scope of Changes under Option 2**

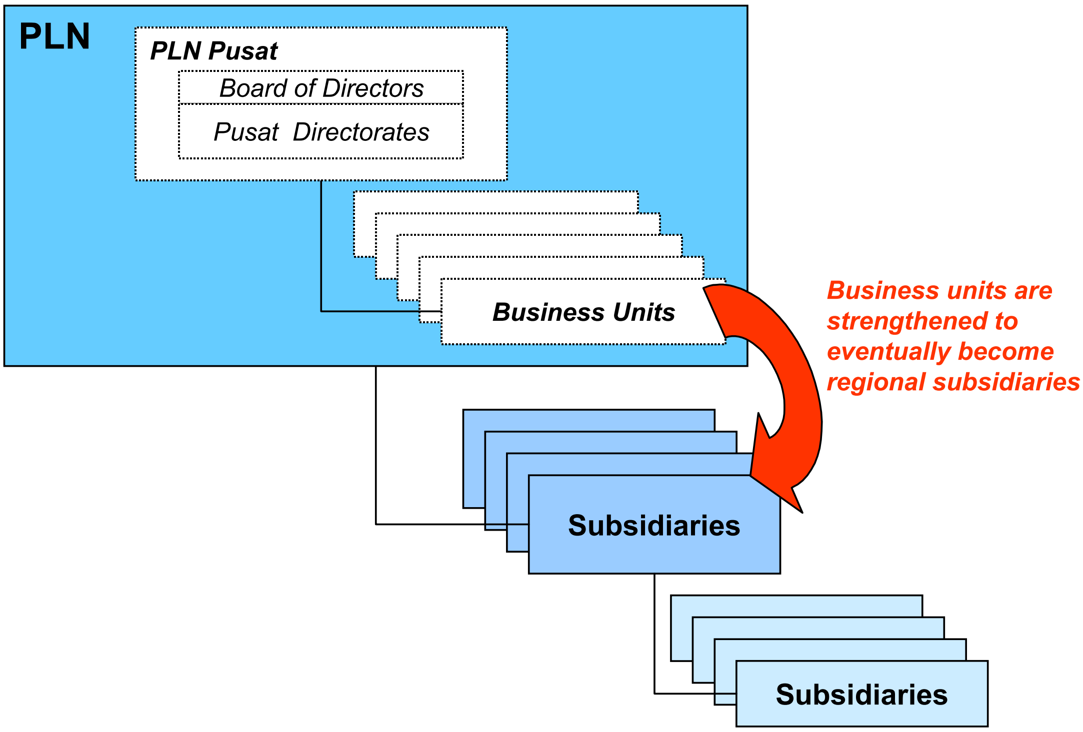


**Option 3: Full Regionalization**

This option represents the creation of regional subsidiaries, but necessarily requires implementation of Option 2 as a transitional measure, i.e. all the actions envisioned under Option 2 are conducted as part of the early stages of Option 3. This option goes a step farther in that Business Units are defined regionally and strengthened to become regional subsidiary companies. This is shown in Exhibit A.2.4.

This option has all of the benefits of Option 2, plus it address the issues of ring-fencing, further rationalization of Pusat span of control, and enhanced local authority to work with regional governments, consistent with the thrust of broader regionalization within Indonesia. These changes would take place over 2 to 5 years (inclusive of Option 2 activities).

**Exhibit E.2.4: Additional Scope of Option 3**




## B.3 ANDHRA PRADESH CASE STUDY

Andhra Pradesh has been rated by the credit rating agencies Crisil and ICRA as the best performing Indian state in the power sector in 2005-2006 out of the 28 states.

### B.3.1 Industry, market and ownership structure

The structure that emerged in India allowed private generators to sell electricity to state electricity boards (SEBs) under a "single buyer" model. Privately owned distribution companies typically depended on SEB's for power supply and transmission.

After several years of deliberations, the Indian Parliament passed the Electricity Act, 2003 (EA03) to support and accelerate the pace of reform and facilitate investment in the power sector. The implementation of EA03 was a major milestone in the reform process that:

- Liberalized new project development by streamlining and de-licensing the process for obtaining technical and financial clearance
- De-licensed generation and liberalized captive generation
- Allowed multiple licenses in generation
- Empowered States to restructure the vertically integrated SEB's
- Created Regulatory Commissions at the federal as well as state levels
- Established "Open Access" in transmission
- Licensed power traders and launched a power trading regime
- Established standards of performance

With a population of about 76 million people, Andhra Pradesh is one of the larger states in India. The former AP State Electricity Board (APSEB) was formed in 1950s to manage all the components of the vertically integrated supply chain. AP, being one of the most progressive of the Indian States, unbundled the SEB into six companies, including:

- AP Genco, responsible for all generation formerly owned by APSEB
- AP Transco, responsible for all transmission facilities, and
- Four separate distribution companies (Discoms) responsible for retail sales

The rationale behind the creation of distribution companies was to enhance accountability, improve the customer service and introduce benchmarking competition. Simultaneously, the GoAP enacted the AP Electricity Reform Act in 1999 to establish the Andhra Pradesh Electricity Regulatory Commission (APERC) as an independent regulator. After the formation of the APERC and the discoms, the Chief Minister of the State backed a drive to reform the sector with a special emphasis on institutional strengthening, operational efficiency improvement measures, improved revenue realization, loss reduction and the implementation of robust information systems.

APSEB was unbundled into the 6 companies. It did not remain as a holding company, nor was any new holding company established. APSEB was wound up as soon as the unbundling was complete. As part of the unbundling, non-core business activities were allocated to each of the new entities. For example, the lineman's training institutes were given to the Discoms.

### B.3.2 Legal and regulatory environment

The Indian constitution has a quasi-federal structure. As such, the power sector comes under the "Concurrent List", namely it is overseen both by the central (federal) as well as state governments. While the central government legislates and makes budgetary allocation for sectoral development, state governments are responsible to implement the acts, frame local policy directives and, if it chooses, to subsidize the sector in order to reduce the burden on the consumers.

Central power utilities (CPU) generate a substantial amount of power, some of which is supplied to the state and for inter-region grid transmission. Barring a few exceptions, most of 28 states in India developed vertically integrated power utilities, known as State Electricity Boards (SEB), engaged in generation, intra-state transmission and local retail distribution. Since electricity supply was considered a natural monopoly, the expansion of the sector was primarily done through the SEBs, with assistance of generation and transmission CPUs such as National Thermal Power Corporation (NTPC), National Hydro Electric Power Corporation (NHPC), and Power Grid Corporation of India Limited (PGCIL), which had been tasked with the creation of regional, and national transmission grids.

Historically, The Indian Electricity Act of 1910 governed the electricity sector and stipulated the basic framework of operations. Subsequently The Electricity (Supply) Act, 1948, was ratified to establish the SEB's as monolithic state-owned monopolies responsible for generation, transmission & distribution of electricity. Private sector participation was permitted in generation and, later, in distribution.

The tariff-setting principles followed in pre-reform era are changing. Prior to reforms, the tariff structure provided substantial cross-subsidies from industrial consumers to agricultural and residential consumers. The Electricity Act 2003 calls for State Regulators to be guided by the following principles in determining tariffs.

- Utilities demonstrating better than expected performance improvements should be rewarded adequately
- Tariffs should be adjusted progressively to reflect underlying cost
- Gradually, cross-subsidies should be phased out. If a State Government chooses to provide a subsidy to any particular consumer segment, it should make a cash payment to the utility.
- Gradually move to a multi-year tariff framework
- Consumer interest should be safeguarded while ensuring the providers of capital are adequately compensated
- Competition should be promoted to expand the reach of electricity and options for consumers

### B.3.3 Description of the Utility

The formerly vertically integrated APSEB is now organized into six companies.

**APGENCO**

APGENCO is a fully corporatised entity with full ownership by the state government. Its core operation is generation businesses. The company has six thermal and 14 hydro power plants with a combined generation capacity of about 6500 MW. It also owns some mini-hydro units and a wind farm. APGenco may sell power to any of the distribution companies in the state or sell surplus power to the regional grid.

During the pre- reform period the company supplied all of its power to/through APSEB for ultimate sale to consumers by the company's distribution department. However post the restructuring the genco started supplying power to the 4 Discom under pre-singed PPAs. There is around 1500 MW of power generation by independent power producers (IPPs) in the state mostly using natural gas as a fuel. In addition there are some captive power generation capacity in the state allocation to the state from the regional grid of the power generated by the CPUs. Current status post the electricity act of 2004 is that the discoms are free to buy from any generator including the AP Genco, IPPs or the regional grid through a pre-signed PPA or based on the availability tariff at that point in time of the purchase of the power. Still the regulator does play a key role in determining the bulk supply tariff.

**APTRANCO**

APTRANCO is fully corporatised and manages the transmission corridor for the evacuation of power from generators and the regional grid. It supplies power to the distribution companies and is paid wheeling charges. APTRANSCO is also a holding company with a degree of control over the discoms for planning and management. The Chairman and Managing Director of TRANCO is also the Chairman of the DISCOMS.

**Four Distribution Companies (DISCOMS)**

The four distribution companies are all fully corporatised. They are NPDCPL, EPDCPL, CPDCPL and SPDCPL. They buy power from the generation companies (IPPs as well as APGENCO) through PPAs as well as under the availability-based tariff (ABT) scheme. The DISCOMS sell power to the end use consumers. The regulator sets the tariff for both the bulk purchase by the DISCOM as well as for retail supply to the consumer. The state government sets the subsidy margin for the consumer after the regulator has established the supply tariffs.

### B.3.4 Financial Performance

APSEB was running a cumulative annual loss of over US $290 Million (Rs 13,000 million) when the reform process was started in 2000. However, as shown in Figure 1, below, performance improved considerably and, for the year 2004-05, five of the companies — including APTransco and all the DISCOMS — finished the year in the black. Similarly, there was a turnaround in the cash flow of the companies. Collectively, the companies generated a surplus of US $13 million (Rs 570 million) for the financial year 2004-05.

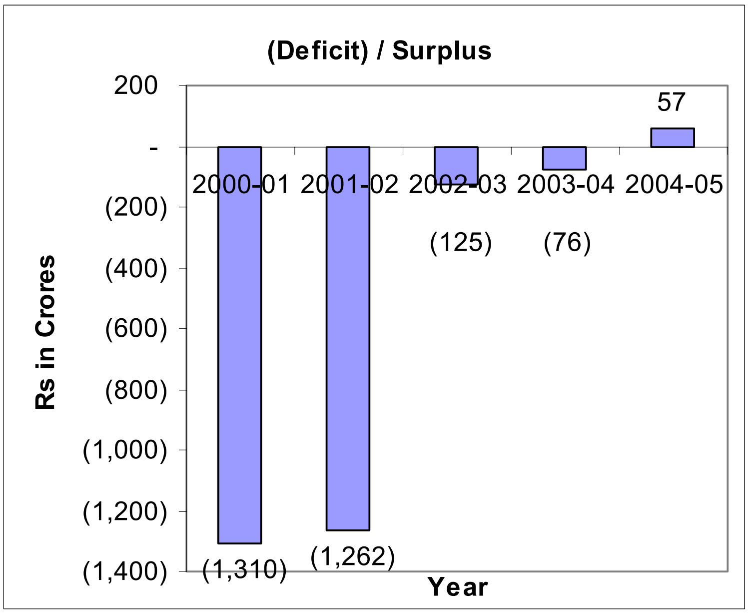



**Figure 1: Sector Turn Around**

Up to 2002-03, the GoAP had provided additional subsidy support to Discoms over and above the subsidy declared under the Tariff Order. This was done to prevent eroding their net worth.

As can be seen in **Figure 2**, below, the financial performance of the five companies led by APTRANSCO and including the four DISCOMS is the result of improvements in the cost of power supply (i.e. reductions) plus improvements in revenue realization as well as improved billing and collection of power supplied.

A sign of the success of the reforms came in 2005, when CRISIL (a leading credit rating agency in India) analyzed every company in India's power sector and ranked Andhra Pradesh State Power No. 1 in its Power Sector Rating report.

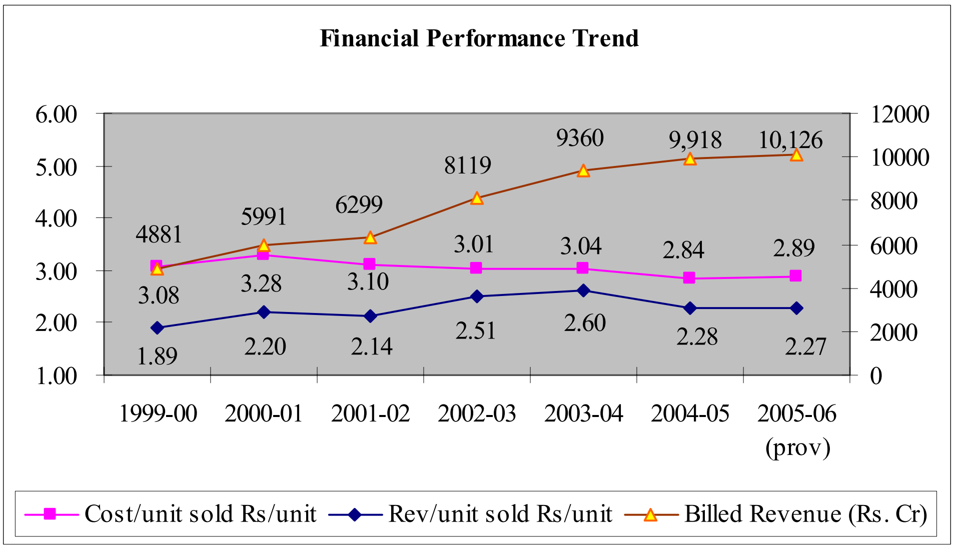



**Figure 2: Financial Performance Trend**

As **Figure 3** shows, the improved performance was helped by a reduction in T&D losses and increased metering of power sale vs. flat rate un-metered supply.

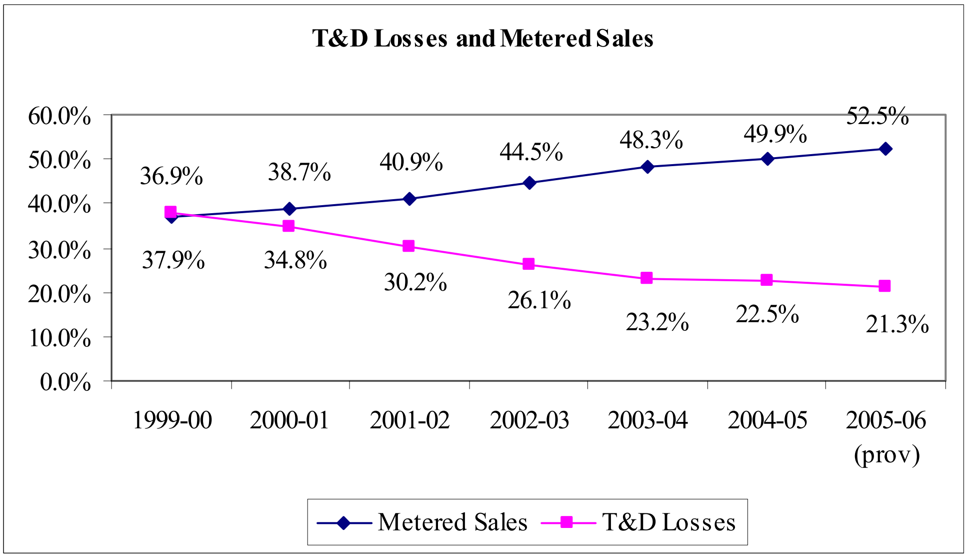



**Figure 3: T&D Losses and Metered Sales Trend**

The generation company APGENCO has an installed capacity of 6550MW and is considered one of the most efficient power producers in India with a Plant Load Factor (PLF) close to 90%. However, it should be noted that APSEB had a higher PLF than the national average even before the start of the reform process, although the company kept the momentum and made further improvements in the PLF.

AP has one of the highest hydropower installed capacity. While recent capacity additions have come in the thermal sector, around 1500 MW — most of which use natural gas a fuel. In terms of generation capacity, APGENCO's current thermal : hydro mix is 55:45. However, in terms of the amount of energy generated, thermal is higher still due to the periodicity of the operation of the hydro plants and, thus, the higher utilization of thermal plants. The total installed capacity for Andhra Pradesh as whole, including the power produced by the private companies and smaller captive units as well as the national supplier is 11,134 MW as of August 2005 vs. 7,504 MW in FY 2000. As illustrated **Figure 4**, below, the last five years have seen a capacity addition of 3,630 MW, or 48%. This has enabled the companies to improve reliability performance, a key determinant of customer satisfaction.

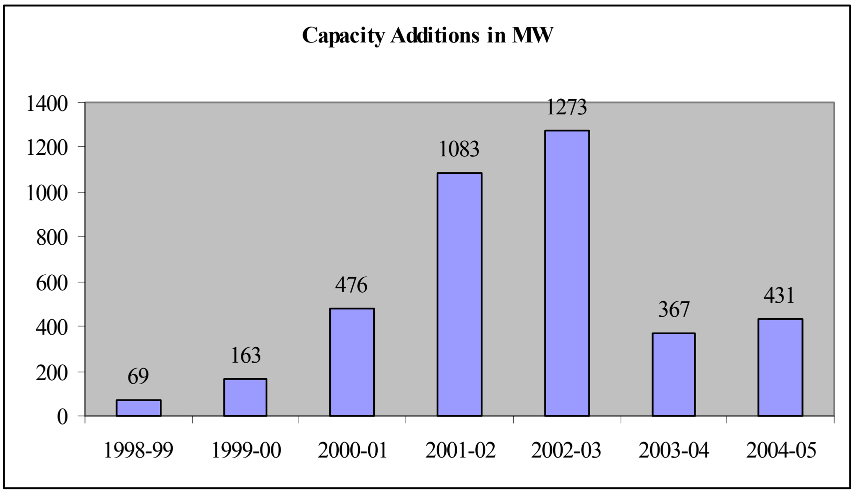



**Figure 4: Capacity Additions (in MW)**

Some other significant achievements have been made in several areas during the last six years.

- T&D loss reduction was achieved through a combination of technical improvements, theft control and effective review and monitoring

- Improved revenues and cost reduction were achieved through internal efficiency measures resulting in no increase in tariff and a reduction of he subsidy burden to the Government

- Improved customer service quality was achieved against a realistic set of publicly announced performance standards

- Power quality improvements were achieved through improved practices in creating infrastructure and good O&M and grid management

- An enhanced Human Resource function provided clear roles and responsibilities, transparent performance reviews and opportunities for learning and growth

Several technical initiatives were undertaken by the companies to improve governance and implement sound management practices. These helped to achieve higher levels of operational efficiency. Additionally, strong support from the government, plus effective tariff & regulatory initiatives and certain customer service programs helped considerably in achieving the improvements.

- US $850 million (Rs 3,730 crores) was invested in T&D infrastructure during FY 05 and FY 06 (current estimates). The average investment per year before reforms was around US $130 million (Rs 575 crores), which jumped to US $295 million (Rs 1296 crores) in the five-year reform period (FY2001 - FY2005).

- Higher investment in T&D infrastructure resulted in improved supply conditions. This was reflected in a record growth of 22% in HT-I (Industrial) sales in FY 05 over FY 04.

The trend of high growth rate in HT-1 category carried over into FY 2006, registering a growth of 22.8% in the first half of the year compared to corresponding period in the prior year.

- There was also a reduction in the distribution transformer (DTR) failure rate, down to 11.19% for 2004-05 compared to 11.27% during previous year. On a year-to-date basis, the DTR failure rate for 2005-06 (up to October 05) was 6.27% vs. 7.39% during the same period in the prior year.

- 324 customer service centers were established during the last three years. This contributed to a 97% compliance rate vs. the performance standards set by the regulator.

This year, APTransco and the distribution companies have not proposed any tariff increase even in the face of stiff increases in external cost factors, including power purchase costs. This dramatic move was made possible by the dedicated efforts to achieve internal efficiency improvement that have yielded successful results.

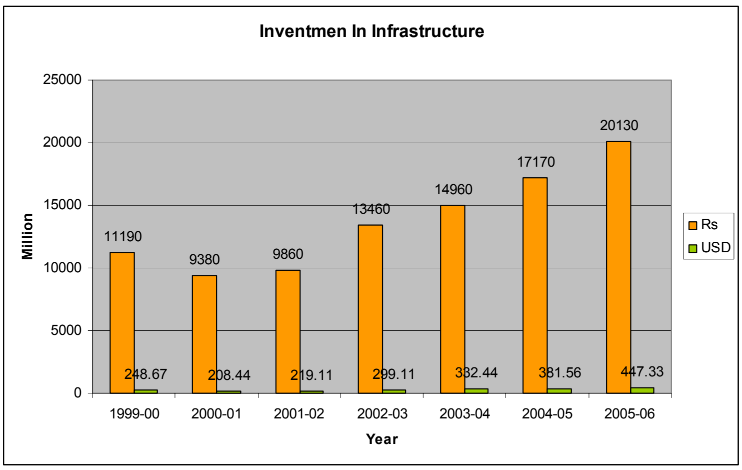
### B.3.5 Infrastructure Development

APTransco and the Discoms invested about US $850 million (Rs 3,730 crores) over the last two years (FY 05 and FY 06) to improve infrastructure. During the next three years (FY 07 to FY 09), the Companies have an aggressive plan to invest an additional US $1.35 billion (Rs 6,000 crores) on infrastructure.

The improved performance was enabled by the substantial investments in technical upgrades undertaken by APTRANSCO and the DISCOMs. As shown in **Figure 5**, below, the level of investment has been increasing steadily over the period since the start of the reforms. Some of these technical initiatives include:

- Significant investment was made to strengthen the T&D network, including the augmentation of substations, lines and transformers to improve the HT: LT ratio and thereby contributing to a significant reduction in T&D losses.

**Figure 5: Capital Investments in T&D Infrastructure**



- 655 Circuit KMs of 220KV and 132 KV lines and 3432 KM of Distribution lines, 2 Nos., 220 kV Substations, 19 Nos., 132 kV Substations, 145 Nos., 33 kV substations and 82,947 DTRs were added during the year 2004-05.

- 632 Circuit KMs of 400 kV, 67 Circuit KMs of 220 kV, 421 Circuit KMs of 132 KV lines and 16913 KM of Distribution lines, 3 No. 400kV, 1 No. 220 kV, 12 Nos., 132 kV Substations, 92 Nos., 33 kV substations and 36,762 DTRs were added during the year 2005-06 up to 31st October 2005.

- Industrial feeders are separated so that high quality service and supply to industries is ensured. This included continuous monitoring of interruptions and voltage on these feeders and designating special officers for these feeders. The segregation of feeders has also enabled continuous energy audit. The measured loss level on these feeders is below 4%.

- The town and the agricultural feeders in rural areas were also segregated. This has helped to regulate agricultural supply as well as to conduct energy audits in the towns to track down losses. The loss level in all the town feeders is now not more than 10% (except for Hyderabad, the capital and largest city in AP) vs. more than 15% previously.

- Load Monitoring Cells have been set up at each Discom to monitor all 11 kV supply feeders' data across cities, town and Mandals for operational performance.

- An important and successful intervention was the regulation of agricultural supply through single phasing of supply to the rural domestic consumers while maintaining three-phase supply to agriculture. This has led to a significant improvement in control over the number of actual vs. planned hours of supply to agriculture.  Since the state government decided to supply free power to certain category of end-users it was important to control the duration of supply to prevent any misuse of the power.

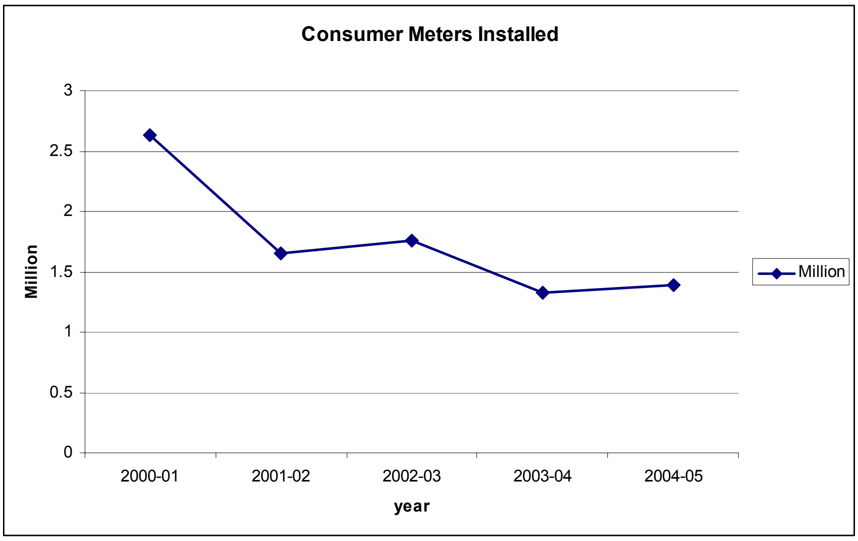



**Figure 6: Meter Installation**

- Sluggish, old electromechanical meters were replaced. This played an important role in reducing commercial losses. For high value consumers, electronic meters have been deployed while for other consumers; new electromechanical meters are being used.

- **Figure 6**, above, shows the number of new meters installed in five years since the reforms began 2000-01 through 2004-05

- As a result of the metering initiatives, metered revenue has increased at a compound average growth rate of 13.4% while the number of metered consumers increased only by about 9.5%.

- Several IT applications have been instrumental in improving internal efficiency and addressing commercial losses. Several notable applications include the Transformer Information Management System (TIMS), the Monitoring and Tracking System (MATS) and the Consumer analysis Tool (CAT).

  - The Consumer Analysis Tool (CAT) tracks billing irregularities and metering errors

  - The Monitoring and Tracking System (MATS) helps tracking from the booking of a case against a consumer to ultimate closure of the file

  - The Transformer Information Management System (TIMS) tracks the maintenance schedule of the distribution transformer

  - The Rural Supply Management tool, RMR helps to monitor the number of hours of supply to agriculture feeders

**Table 2 Consolidated Summary of Comparative Performance of APSEB (TRASNCO and the DISCOMS)**

| Performance Indicator | 1999-2000 | 2004-05 |
|---|---|---|
| *Total Installed Capacity* | 7,504 MW | 11,134 MW |
| *Total Revenue Collected* | Rs. 48,810 ml (USD1085 Million) | Rs.101,260 ml (USD 2250 Million) |
| *Gap- Cost and Revenue Per Unit Sold* | Rs.1.19 | Rs. 0.62 |
| *Subsidy Provided by State Government* | Rs.30,640 ml (USD 680 ml) | Rs.15,130 ml (USD 386 ml) |
| *Annual T&D Losses* | 37.9% | 21.33% (equal to 2940 MW saved) |
| *Metered sale as a % of total power sold.* | 36.9% | 52.5% |

| | | |
|---|---|---|
| *Annual Investment in T&D infrastructure* | Rs.12,960 ml (USD 288 ml) | Rs. 37,300 ml (USD 829 ml) |
| *Customer care center* | 0 | 324 (achieving a 97% compliance in performance standards) |
| *Customer Care (HVDS conversion of Agriculture consumer)* | 0 | 31,270 pumps converted to HVDS in 2004-5 |
| *Segregation of rural feeder for 24X7 power supply* | 0 | 5,320 feeders |
| Rural Electrification | 50% of the household | 67.6% households and 95% habitations. Plan to cover 100% in next 3 years. |

### B.3.6 Training and Development

Human Resource management was one of the key challenges of the reform process. The staff of the APSEB was to be assigned to the six companies formed as a result of the unbundling of the APSEB. The challenge was twofold: (1) allocation of relevant company to the staff and, (2) training the staff to meet the new challenges post the reform process. Of the total 42,000 staff of APSEB 80% were assigned to the four distribution companies and about 10% each went to the Genco and the Transco.

For workmen, the allocation principal was, “As Is / Where Is” and, for officers, it was based on their service background and tenure. A set of criterion was established and after running a model the staff was given an option to give their preference. The process resulted in 93% of the officers getting their first choice option.

The second challenge under the reform program providing training to the staff to meet the upcoming challenges and changed worked situation due to increased accountability. APTransco & Discoms have embarked upon an aggressive program to match the challenges of the required performance standards. Training has been focused on bringing about greater awareness and skill enhancement. Figures 7 and 8 summarize training progress.

The Zonal training centers of the former APSEB have been handed over to the four respective DISCOMS. These training centers are being revamped into Training Institutes to undertake training programs for both management and non-management staff, skill development programs and workshops. Various program on developing interpersonal skills, behavioral skills, motivation and team building are been conducted for middle management, junior management and operations staff.

**Table 3**, following, reflects the current man-days of training achieved as well as the various training program conducted.

**Table 3 Training Calendar in man-days for CTI for 2004 – 2005**

| | APTRANSCO | APCPDCL | APEPDCL | APNPDCL | APSPDCL | Total |
|---|---|---|---|---|---|---|
| Technical | 3327 | 1815 | 463 | 336 | 493 | 6434 |
| HRD | 423 | 278 | 354 | 635 | 436 | 2126 |
| Information Tech. | 1606 | 1193 | 1150 | 436 | 1980 | 6365 |
| Comm. & Accounts | 361 | 732 | 373 | 500 | 1325 | 3291 |
| Regulatory Affairs | 149 | 184 | 112 | 226 | 139 | 810 |
| Consumer related | 4 | 214 | 140 | 44 | 48 | 450 |
| External programs | 780 | | | | | 780 |
| Total | 6650 | 4416 | 2592 | 2177 | 4421 | 20256 |

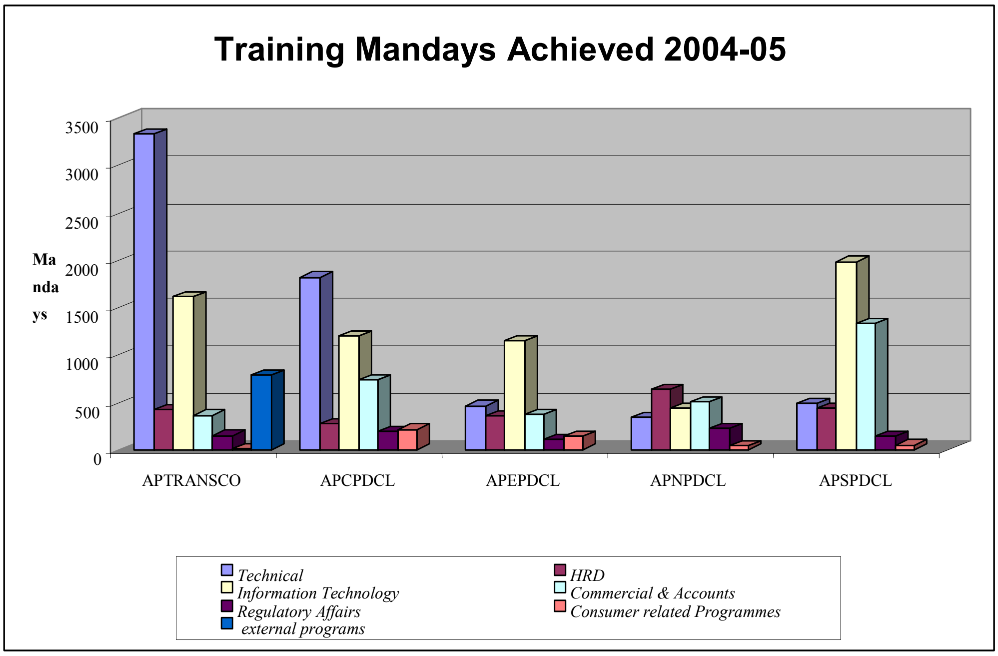



**Figure 7 Training Mandays Achieved 2004-05**

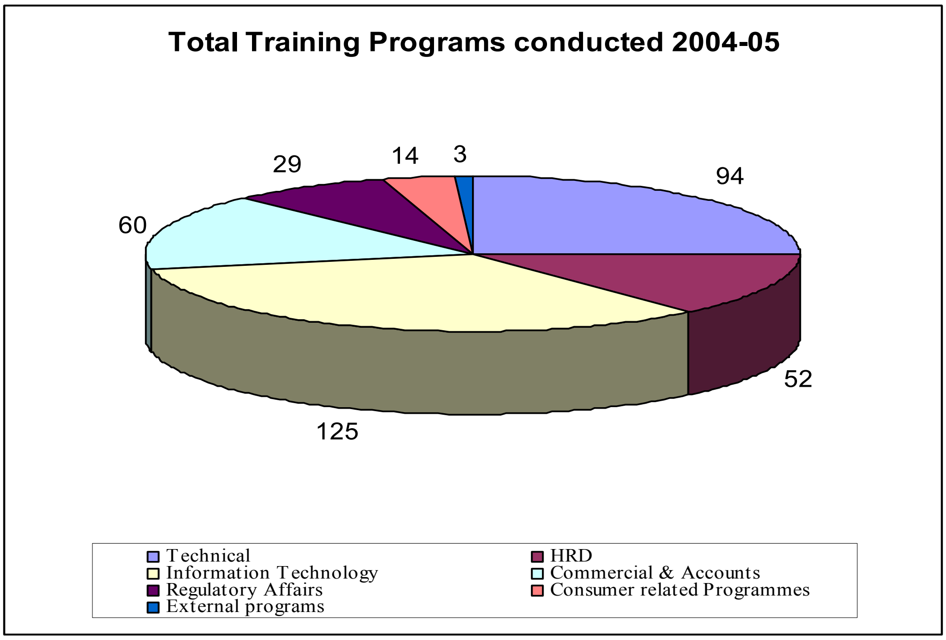



**Figure 8 Training Programs Conducted 2004-05**

### B.3.7 Case Study Conclusions

1. Integrity of supply in fast growing systems requires centralized system planning across the value chain. System planning is done on a separate but coordinated basis. For the past two years, APTransco and the Discoms have developed their own system plans along with the associated capital investment plans. There is interaction between the transmission company and the discoms to ensure there is a good mesh between the various plans. Also, APTransco integrates all of the plans into a statewide system plan, but there is a clear delineation of responsibility with the Discoms responsible for planning at 34kv and below and APTransco for everything above 34kv.

2. Financial resilience in the presence of a large public service obligation and immature regulatory mechanisms requires centralized financial control. APSEB was running at a loss over US$ 290 Million and over the course of 5 years since the reform (and the unbundling), the companies collectively turn black by generating a positive US$ 13 Million. In addition, in 2002 – 2003 the Government of Andra Pradesh has provided additional subsidy support to DISCOMs over and above the subsidy declared under the Tariff Order.

3. Unbundling across the value chain, whether on a corporate or simply internal, functional basis, is essential to drive transparency and accountability, which are prerequisites for improved performance. Table 2 page 11 showed performance improvement after unbundling across the value chain (from vertically integrated APSEB to APTRANSCO and DISCOMs)

4. This case does not support the view that benefits of horizontal and/or vertical unbundling in a non-competitive environment exceed the "transaction costs" (e.g. set up of new companies with duplication of management, creation of intercompany contracts, etc.). APSEB have been unbundled across value chain and the performance of these new companies has been good so the benefit does not exceed the transaction costs.

5. Performance improvement is greatest and most easily sustained where it is driven by an underlying system of accountability that entails target setting, performance measurement against targets, reporting of results, and linkage of employee compensation to performance against targets, i.e. effective HR performance management systems. There is a rigorous performance management system in place. The CMD of APTransco conducts regular reviews against 12 key performance indicators for the MDs of the Discoms. These parameters and reviews are cascaded down throughout the organizations to encompass all management employees.

6. There is no evidence in this case whether monopolies perform best when they outsource through competitive tendering functions that can be fulfilled by existing markets. According to policy, APTransco is not in direct competition with IPPs. The Electricity Act 2003 mandated open access and APTransco can acquire power from either IPPs or APGenco, a sister company. The realities of the situation suggest that APTransco may still favor or act as a proxy for APGenco, but that should diminish as the effects of open access penetrate the sector. As for the Discoms, there is competition in terms of performance measurement, but not direct competition for customers. The Andra Pradesh case does not provide evidence one way or the other. In theory, it makes sense. In practice, it could and “should” work since a key responsibility of management is to provide the ‘system integration’ function for all business processes — whether they are performed in-house or outsourced. The key is the gap between the theory and the practical dimensions of this. How the outsourcing is accomplished will likely be more important than any concept or theory.

7. No evidence whether corporate governance structures that rely on at least some independent members provide the best results. The Government appoints all directors.

8. Utilities facing rapid demand growth reach declining marginal returns to scale relatively quickly. It is better to have several smaller, nimbler utilities, than one lumbering behemoth. In this case study, APTRANSCO and DISCOMs perform better than APSEB, which is the vertically integrated utility

9. For utilities that serve disparate areas (e.g. urban areas as well as remote areas), centralized management of human resources is required to ensure that less desirable areas can be adequately staffed. This statement on the need for centralized management of human resources reflects an employee-centric perspective, and a self-serving one at that. A customer-centric view might produce a very different answer. Rural and especially remote rural areas require an entirely different service delivery mechanism than is feasible with a monolithic, integrated, state-owned monopoly electric company.

## B.4 EDF CASE STUDY

### B.4.1 Sector overview

Until the end of the 1990s, EDF has been the unique player in electricity in France: it controlled generation, transmission, distribution and retail. All EDF activities were integrated in a single monopoly until the end of the 1990s, when an EU-driven progressive liberalisation process started. This has led so far to the unbundling and partial privatisation of EDF activities:

| | |
|---|---|
| 1996 | EU directive imposing part liberalisation, transposed in French law in 2000. It led to vertical unbundling. |
| 2003 | EU directive imposing full liberalisation, transposed in French law in 2004. Competition to be introduced in generation and retail progressively till 2007. |
| 2004 | EDF legal status change: from a state undertaking to a normal private sector company (but still 100% state owned) |
| November 2005 | Part privatisation (IPO of 15% of capital) |

The liberalisation process has been slow and progressive, as France has systematically applied EU liberalising measures to the minimum extent. In practice, **EDF's dominant market position has not been challenged**. Thus, if the industry legal organisation was fundamentally altered in 2000 with the formal unbundling of EDF activities, all of the assets and human resources of the former monopoly still remain under the direct or indirect control of EDF. Hence, the market share of new entrants has remained limited, and EDF is over dominant in the French market. The French electric sector organisation is the following:

- **Generation**: Competitive sector, but EDF owns 90% of production capacity
- **Transmission** is a regulated monopoly, carried out by a formally independent Transmission System operator, as it is a separate legal entity; still it is 100% owned by EDF.
- **Distribution** is a regulated monopoly; it is managed by EDF[6] in cooperation with the former French gas monopoly.
- **Retail** is progressively liberalised: 12% of customers  (69% of the market) are already "eligible" (i.e. authorised) to buy electricity in the competitive market; 100% of customers will be eligible in July 2007. Nevertheless, eligible customers can opt out from the competitive market, and stay under State-regulated prices. In practice, to date only 13% of eligible customers have switched to a competitor. In the end, EDF still controls 91% of the total French electricity market.
- An independent energy sector **regulator** oversees the development of the sector and ensures fair competition. It sets the prices of the regulated activities. But this is still the Industry ministry that is in charge of the energy policy and industry regulation.

An electricity tax levied on all electricity bills (4.5euros/MWh) compensates EDF for its public service obligations: subsidy for green energy, equalisation of electricity prices nationwide (including overseas territories), social tariffs for the poor. Prior to liberalisation, these tasks were integrated into normal EDF operating costs as part of its State-specified service obligations. The gas market follows a very similar industry pattern, but this is the former gas monopoly Gaz de France that is the over dominant player.

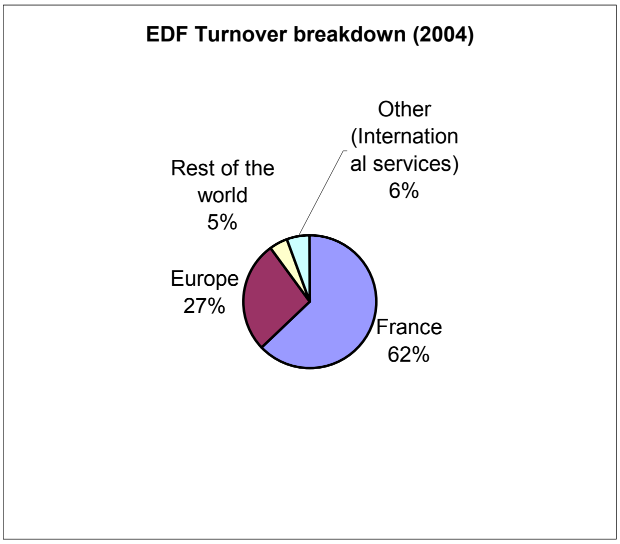
[6] With the exception of some local distributors (Market share: 5%)

### B.4.2 Description of the utility

**EDF Group**

EDF has kept all its activities in France inherited from the integrated monopolistic operations.

In addition, as the liberalisation process became irresistible in the 1990s, EDF expanded abroad in order to counter the ineluctable decrease of its domestic market shares. It invested 15 billion euros in acquisitions, essentially in Europe. Still, its revenues stem mainly from its French activities.




EDF Group

| M euros | 2002 (pro forma) | 2003 | 2004 |
|---|---|---|---|
| Turnover | 41,817 | 44,919 | 41,817 |
| Net income | 231 | 857 | 1,341 |

EDF France (subsidiary)

| M euros | 2002 (pro forma) | 2003 | 2004 |
|---|---|---|---|
| Turnover | 28,239 | 28,397 | 29,457 |
| Net income | 1,246 | 1,480 | 1,818 |

For the purpose of this case study for PLN, it then appears more relevant to focus on EDF French activities, where EDF enjoys a virtual absence of competition.

**EDF France**

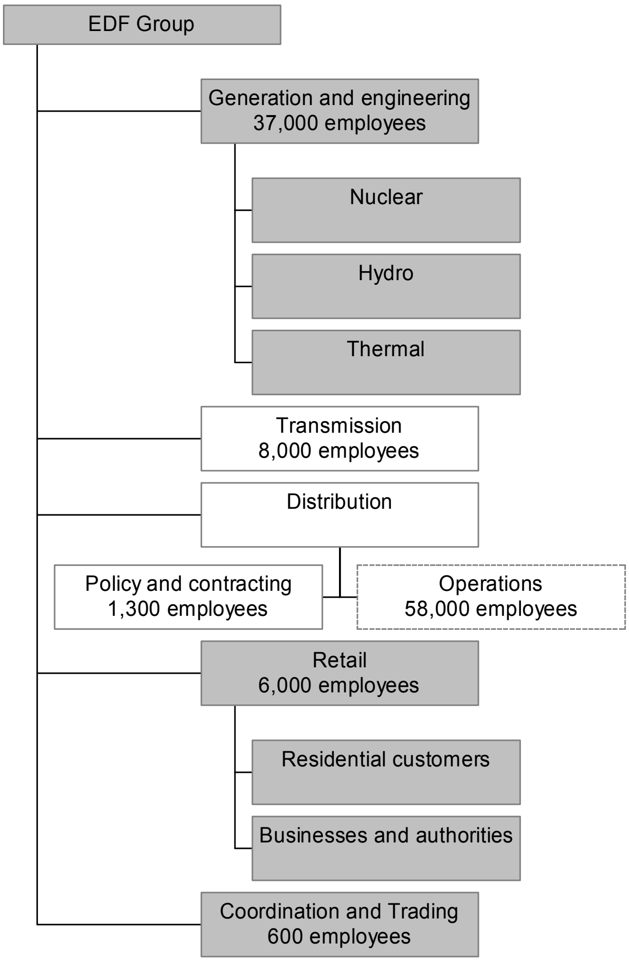
EDF France organisation has moved from the one of an integrated monopoly to the one of an integrated firm complying with new provisions meant to allow competition in generation and retail. EDF is publicly listed but owned by the State at 85%.

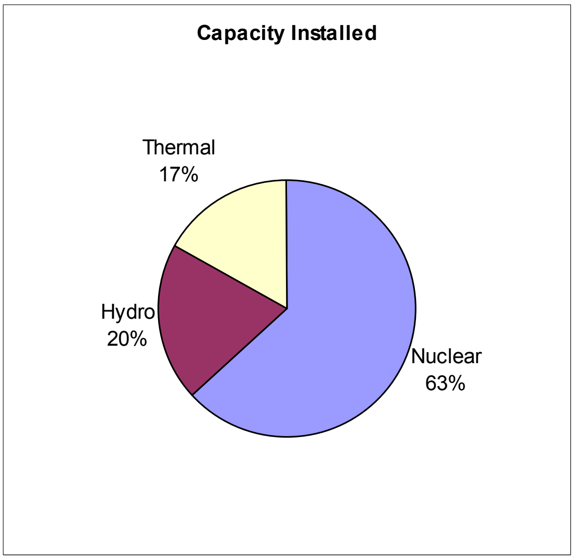
.

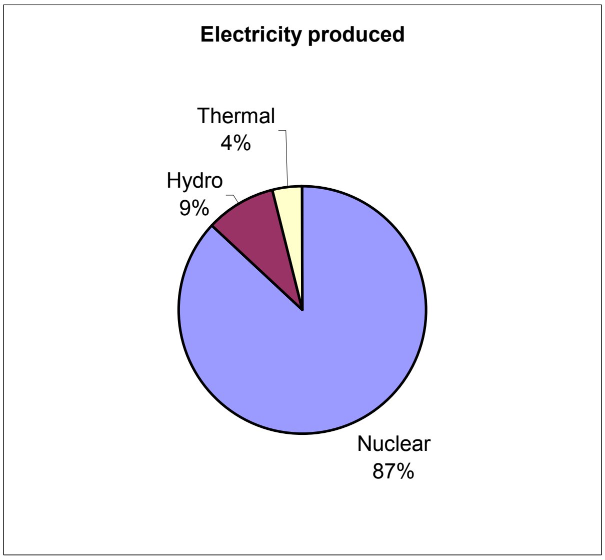
The distribution operational subsidiary deals with both gas and electricity, and is thus owned ¾ by EDF and ¼ by Gaz de France.

*EDF French activities organisation*

*In white boxes: regulated activities under supervision by the energy regulator*



**Generation**

493 TWh produced, with 101 GW installed. Nuclear generation provides the base load. Thermal power is used essentially for peak production.

**Transmission**

99 458km of power lines – Losses: 2.3% (12TWh/year)

**Distribution**

Electric distribution used to be integrated with its gas counterpart, so that synergies can develop in the end-user service.

Distribution is now a regulated monopoly, but the disentanglement of EDF and Gaz de France has led to complex contractual arrangements put in place, in order to preserve gas and electricity integrated operations, while the two parents companies became competitors.

**Pricing**

Under monopoly regime, prices used to reflect the costs with the objective of a systematic annual overall financial equilibrium. Tariffs were built so as to cover the marginal costs of infrastructure developments (power plants and lines), this allowed for more even tariffs over years.

The legacy of these prices is still present through the regulated prices, applied to residential customers and non-household customers that chose not to exercise their eligibility.

**Funding of public service obligations**

The end of EDF monopoly meant that its unprofitable public service practices had to be compensated, in order not to put an uncompetitive burden on EDF in a newly competitive energy market.

EDF had been committed, since its creation to:

- Deliver electricity as a public service, i.e. deliver an equal service at the same price nationwide, with support for the poor.
- Support the government energy policy, i.e. follow the State decisions in terms of energy sources[7].

These two unprofitable commitments became the pillars of the post-monopoly public service obligations. In order to fund these obligations, a flat tax has been introduced on all electric energy sold. The revenues of this tax are to match exactly the costs of public service obligations, as it is a unique purpose tax. And to take account of changes, the tax rate (currently 4.5euros/MWh) is reviewed annually by the State. In 2003, 1,461 million euros were levied to fund support for overseas tariff (28%), and 'greener' power generation (72%).

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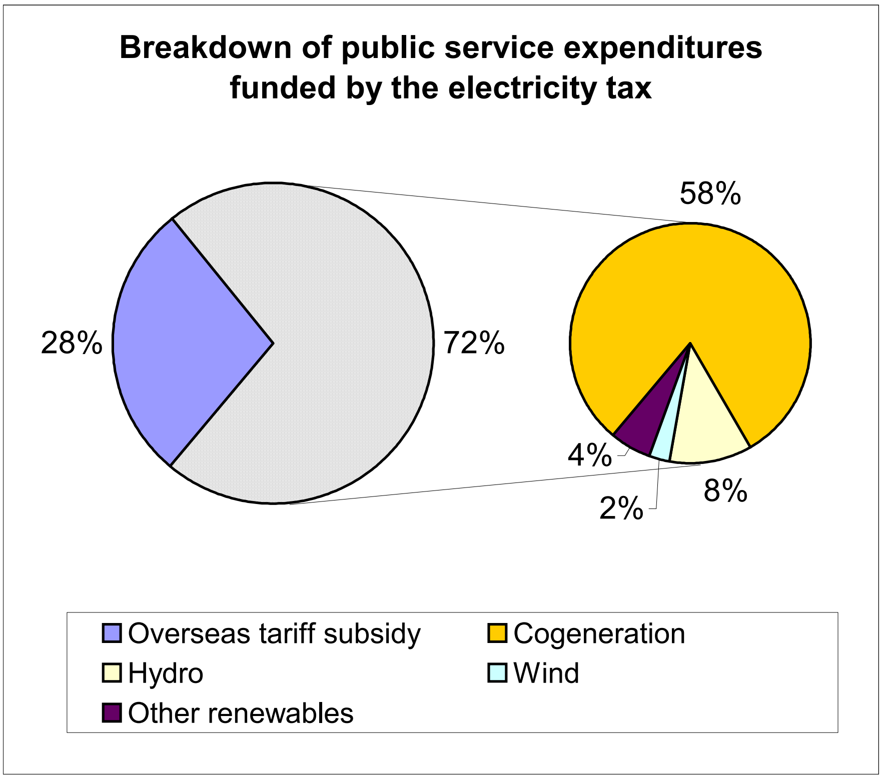
[7] E.g. When the government wanted to reduce France's energy dependence in the 1970s, EDF subsequently launched its greatest nuclear generation building programme.




### B.4.3 Performance improvement initiatives and results

**Performance measures**

Recent improvements

- Average cut of supply of 1 hour per client and per year in 2004, down from 6.66 in 1980 – one of the best averages in Europe.
- Set up of a rapid reaction force to fix nationwide any important distribution cut.
- EDF still provides a relatively cheap electricity compared to the direct neighbouring countries.

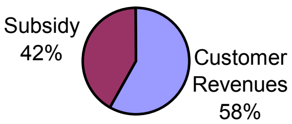
Effects of liberalisation

- Increase in shareholders' payment:
    - Over 2000-2004, the single owner – The State – took on average 331million euros every year as remuneration.
    - Promise of dividend for 2006 is 1,441 million euros
- Programme of 9000 job suppressions from 2005 to 2007

Decision to abstain from liberalising in island territories

- France managed an exemption for its overseas territories (including the Mediterranean island of Corsica) from the EU unbundling obligations. The argument was that these underdeveloped subsidised areas would not benefit from competition.

**Costs coverage of EDF overseas operations**




  - 895,000 electricity customers live in the French island territories, which are the poorest regions of France.
  - 3,350 EDF employees take care of a 2.1GW generation capacity.
  - Tariffs are the same as mainland France, the difference being supported by the flat tax on electricity introduced to fund public service obligations.

    > *See graphic on the left*

- EDF remains there an integrated operator taking care of all the electricity business, as it was the case in mainland France before 2000. The Industry Ministry decides investments in infrastructure. And EDF takes care of demand management operations, as well as all operational activities.
- In the end, French authorities successfully argued for an integrated electricity operator facing EU liberalisation demands. This exemption from liberalisation was granted on the grounds that:
  - Overseas regions have no prospect of being connected to the continent-wide market. Therefore they will never be part of a sufficiently big market for an effective competition to develop.
  - The high level of subsidising argues for the direct management of State-related companies and public authorities.

### *B.4.4* Hypothesis testing

1. *Integrity of supply in fast growing systems requires centralized system planning across the value chain*

EDF has always used a centralised planning system, closely linked with central State planning, especially in the period of high investment of 1950-1980s.

2. *Financial resilience in the presence of a large public service obligation and immature regulatory mechanisms requires centralized financial control*

The integrated pattern of EDF has allowed it to spread investment costs among all its businesses. In particular the strong French nuclear development - decided by the State to ensure security of supply - has been possible only thanks to the large balance sheet of the French energy monopoly.

3. *Unbundling across the value chain, whether on a corporate or simply internal, functional basis, is essential to drive transparency and accountability, which are prerequisites for improved performance.*

Unbundling seems not to have improved EDF financial and operational results.

4. *The benefits of horizontal and/or vertical unbundling in a non-competitive environment exceed the "transaction costs" (e.g. set up of new companies with duplication of management, creation of intercompany contracts, etc.). A major benefit is the check this places on the institutional power of the utility or the abuse of political control over the utility. See also (8) below.*

Discretionary short-term government cash remunerations are no longer possible. EDF management now decides shareholders' dividends. The flat tax imposed on electricity to finance public service obligations has provided accountability over them, and ensures better stability of these State-decided obligations. See Annex 1 for details

5. *Performance improvement is greatest and most easily sustained where it is driven by an underlying system of accountability that entails target setting, performance measurement against targets, reporting of results, and linkage of employee compensation to performance against targets, i.e. effective HR performance management systems.*

EDF labour costs have gone up since liberalisation without improvements of financial/operational results.

6. *Monopolies perform best when they outsource through competitive tendering functions that can be fulfilled by existing markets.*

EDF has made the opposite choice by internalising everything.

7. *Corporate governance structures that rely on at least some independent members provide the best results.*

EDF experience presents the opposite view. Governance at EDF has always relied on a strong company culture, and a powerful *esprit de corps* among its top managers.

8. *Utilities facing rapid demand growth reach declining marginal returns to scale relatively quickly. It is better to have several smaller, nimbler utilities, than one lumbering behemoth.*

EDF has so far been a 'monolithic' integrated company, including in the 1950-1970s when the energy demand was fast increasing.

9. *For utilities that serve disparate areas (e.g. urban areas as well as remote areas), centralized management of human resources is required to ensure that less desirable areas can be adequately staffed.*

The nationwide identical service and price have been core to EDF's commitments as a monopoly, and is now part of its public service obligations. See Annex 1 for details

# APPENDIX C: HUMAN RESOURCES MANUAL

**HoldCo Human Resource Manual**

**Table of Contents**

1. Behaviors needed to support HoldCo's vision

In order for HoldCo to achieve its goal we have identified the styles, behaviors, and ways of working which we need to adopt and encourage in order to accomplish our vision:

- We will do whatever it takes to serve our stakeholders to the highest standards of quality and deliverables
- We are most likely to add value to stakeholders when we work efficiently and effectively together as a team to deliver value as a result of optimum performance
- We will show consideration for one another as colleagues, and value our individual and respective skills and competence

In turn the HoldCo will offer challenging experiences to every member of staff, so that after a number of years at HoldCo, the skills they have developed will have transformed them into a more accomplished person:

- Professionally: both in terms of the skills they possess and the way in which they conduct themselves at work

- Personally: in terms of their self confidence and their own understanding of their own strengths and weaknesses

- Interpersonally: both in the way they interact with colleagues, and more widely in the way they relate to other people both inside and outside their professional life

Individuals can commence their careers at the HoldCo at any one of a number of separate entry points depending on age, experience, educational, and professional qualifications.

Feedback will be given to individuals as to:

- Where they are in their career
- What their strengths and weaknesses are
- What their personal development plan should be in progressing to the "next stage" in their career.

To progress in your career at HoldCo, you need to perform above average in your existing work and show aptitude to undertake more demanding tasks and roles.

To enable you to undertake new responsibilities, you will receive training and mentoring.

As you gradually develop skills, experience, qualifications and ability through the challenges offered to you, you would become eligible to progress in your career.

## 1.1. This Manual

This Human Resource Manual contains the guidelines for people management within HoldCo and shall apply to all employees of the Company from the date of the company's incorporation.

The Manual incorporates those provisions that the Board believes are fundamental to good human resources management in order to achieve the business objectives of HoldCo.

The Board will make changes to the structure, business processes and systems of HoldCo, as business strategies require.

This Manual is a dynamic document and will therefore also be altered and amended by HoldCo from time to time as circumstances and best practice dictate.

This Manual does not in any way supersede or take precedence over the individual letters of appointment to employees upon commencement of their employment with HoldCo, which provides the contractual basis of the relationship between the employee and HoldCo.

In every other respect, the terms and conditions of this manual shall apply.

### 1.1.1. Manual Revision Procedures

All revisions to the manual shall be initiated by the Human Resource & Administration Department. The revisions must be approved by the board.

Every revision shall be marked Rx at the left bottom of the page where x stands for the revision number. E.g. R1 would be the first revision. The date of revision, which is the date on which the board approval has been accorded, shall be printed immediately below the revision number. All revisions shall be printed in Italics.

Page number shall be as per the original numbering. However, in the event a new page is added, the new page number will be the same as the foregoing original number with a-X added to the numbering. E.g. a page number after 1-7 will be 1-7-1.

## 1.2. Interpretations and Definitions

### 1.2.1. Company

"Company" means HoldCo constituted under the Companies Act 1994.

1.2.2. Headquarters

"Headquarters" means such place as the Head of office may prescribe and in the absence of any order to the contrary, means the place where the office or the normal place of duty of an employee is located.

1.2.3. Chairman

“Chairman” means a Director of HoldCo appointed by the Board as Chairman of the Board of Directors and general meetings of shareholders.

1.2.4. Board of Directors or Board

“Board of Directors” or “Board” in relation to HoldCo shall mean directors collectively acting as the Board of directors of the company.

1.2.5. President and CEO

“President and CEO” means the Chief Executive Officer of HoldCo and means a full time manager, appointed by the Board with the approval of the company in general meeting to manage the day to day affairs of the HoldCo or as otherwise determined by the Board, or the Articles or shareholders in general meeting.

1.2.6. Vice President

Vice president means an officer declared officially by the company to be a Vice President and is usually the head of a department of the company.

1.2.7. Management

“Management” means the executive body involved in making management decisions and refers to the President & CEO, Vice Presidents’ and any other Manager designated to be a part of this decision making body.

1.2.8. Regular Employee

“Regular Employee” means a person in the regular services of the Corporation.

1.2.9. Contract Employee

“Contract Employee” means any person with requisite qualifications, experience and particular skills necessary to carry out responsibilities of the job for a fixed tenure or term as contained within certain terms and conditions laid down in his/her contract with the corporation.

1.2.10. Promotion Committee

"Promotion Committee" means a committee of all Vice Presidents and President & CEO of HoldCo constituted to decide on all promotions of employees of the Company. The Promotion committee shall review all proposed promotions and would be responsible for discussing and approving the promotion of all employees below the level of Vice President.

1.2.11. Disciplinary Committee

"Disciplinary Committee" means a committee comprising of all the Vice President and the President & CEO constituted to look into all matters relating to violation of the code of conduct. This disciplinary committee decides necessary and appropriate disciplinary action against the employees of the corporation as and when a situation of violation of code of conduct arises.

1.2.12. Month

"Month" means calendar month in accordance with the Gregorian calendar unless otherwise specifically mentioned.

1.2.13. Day

"Day" means a calendar day beginning and ending at midnight but an absence from office which does not exceed twenty four hours shall be reckoned for all purposes as one day, at whatever hour the absence begins or ends.

1.2.14. Salary

"Salary" means the amount of money drawn by an employee every month including the following:

1.2.14.1. His basic pay as fixed by the corporation
1.2.14.2. All other emoluments claimed or paid to him by the Company

1.2.15. Basic Pay

"Basic Pay" means the amount of money payable to an employee every month without including any allowances and perquisites.

1.2.16. Allowance

"Allowance" means any additional payments being made by the corporation to an employee in addition to the basic pay.

1.2.17. Grade / Level

"Grade/Level" means the position / hierarchy defined for an employee in HoldCo based on which he is defined to work or is defined to benefit from the corporation.

1.2.18. Designation

"Designation" means the title assigned to an employee at a certain grade/level in HoldCo. The designation assigned will be reflective of the function and role, which the employee performs.

1.2.19. Bond

"Bond" means an undertaking signed between an employee and HoldCo (not obligatory) to legally authenticate any agreement.

1.2.20. Proviso for the President & CEO

Unless in case explicitly mentioned, the President & CEO of HoldCo shall be eligible and shall be guided by all the proviso of this service manual as a regular employee in grade A of the corporation.

1.2.21. Gender

Words incorporating the masculine gender shall also include the feminine gender without any prejudice or discrimination to any of the sex.

1.2.22. Singular / Plural

Words incorporating the singular number shall also include the plural number and vice versa.

1.2.23. Family

"Family" means the family of an employee and shall include the parents of the employee, spouse and children of the employee.

1.3. Rights reserved for the Board of Directors of the HoldCo

The following rights are reserved for the Board of Directors of the corporation with the acceptance that terms are considered in generality.

1.3.1. Right to amend the Service Manual from time to time. The Board shall clearly mention the effective date of such changes, if made, and such changes shall be a part and parcel of the Service Manual

1.3.2. Right to recruit, promote, demote, take disciplinary actions, suspend, terminate and any other action that may be required for the efficient functioning of HoldCo, for all employees at Vice Presidents and above positions

1.3.3. Right to determine salary and wages, increments, benefits, allowances, paid holidays, overtime, shift payments and others as deemed necessary.

1.3.4. The Board of Directors reserves the right to interpret any clause(s) of this Service Manual.

1.3.5. Right to determine the organization structure of HoldCo including any additions, deletions of departments, divisions, sections, units or any other structural components of the organization structure at any time.

1.4. Rights reserved for the Management of HoldCo

1.4.1. Right to recruit, promote, demote, take disciplinary actions, suspend, terminate, train and any other action that may be required for the efficient functioning of HoldCo, for all employees below the level of Vice President.

1.4.2. Right to determine working hours, shift cycles, tea and lunch breaks, leave periods, etc.

1.4.3. Right to establish employees' code of conduct, ethics and disciplines.

2. Responsibilities of the Employees

In our endeavor to maximize the value of HoldCo all employees have a role to play in the development and expansion of the company. Together we must:

- serve our stakeholders to the highest standards of quality and delivery
- work together as a team
- show consideration for one another as colleagues

Key responsibilities, which will ensure that the reputation of HoldCo is enhanced by the behavior of its employees, are:

- Recognizing stakeholder needs as the key focus at all times
- Maintaining funds and other property of the HoldCo and its subsidiaries with care, diligence and honesty.
- Treating confidential corporation information with care and ensuring that disclosure to any third party only occurs after proper authorization.
- Refrain from Corruption, dishonesty, fraud, misrepresentation and embezzlement which are not tolerated within the corporation
- No business activities are entered into by employees in their private capacity which is contrary to the interests of HoldCo.
- Advising management promptly of any suspicion or occurrence of misappropriation, fraud or theft
- Treating colleagues and stakeholders with courtesy and respect at all times

The reputation of the HoldCo is enhanced by the behavior of its employees.

3. Staffing the HoldCo and their core competencies

The HoldCo will be a complex organization and will hold critically important relationships within the energy sector of Bangladesh.

The structure of HoldCo will constantly evolve and change as the business demands on it also change.

In order to develop sound recruitment and retention strategies, HoldCo has determined the competencies framework it believes essential for effective performance within HoldCo.

This framework is based on the proposed vision of HoldCo and may change as the vision and strategy changes.

The core competencies outlined below are viewed as key criteria of competence for all staff within HoldCo and are the basis of our recruitment, performance management, and succession planning frameworks.

- **Performance Focus**

  Committed to exceeding targets and improving performance and does this by being creative and innovative. Links business plan goals and key result areas with stakeholder needs in order to achieve goals.

- **Commercial Orientation**

  Develops and implements innovative and robust business strategies which explore opportunities and display a thorough appreciation of the market and industry conditions, risks and anticipated stakeholder needs.

- **Managing Change**

  Displays a positive attitude to change and persists in the face of ongoing obstacles and challenges by maintaining morale and enthusiasm.

- **Teamwork**

  Leads, contributes to, and co-operates willingly with the team and promotes team spirit. Communicates needs clearly and effectively by clarifying responsibilities, goals and outcomes to be achieved.

- **Leadership & Vision**

  Actively promotes HoldCo’s principles and the organization's strategies and goals internally and externally. Represents policies and decisions of HoldCo positively. Inspires others to adopt the principles and goals of the organization. Promotes and adopts the creation and implementation of innovative approaches, new ideas and methods. Is able to consider requests to change plans and goals with an open mind; and to evaluate others' views logically.

4. Recruitment and Assessment of Staff

4.1. Appointments

The HoldCo shall determine its workforce requirements in accordance with its business needs.

The Appointment process has been designed to:

- facilitate the appointment of suitable employees in the most efficient, transparent and effective manner
- provide a systematic induction of qualified people and eliminating ad hoc recruitment
- ensure that the most qualified, competent, and experienced people are hired for the job

4.2. Approval to create a position

The Board must approve all new positions (not already included in the Organization structure) including the organization structure and changes.

A request for the creation of a new position must be lodged by the concerned Vice President who must support the proposal for the creation of a new position with a detailed business case and full job description. This must include details of the business benefit to be gained by creating a new position, as well as total cost of the position to HoldCo, including salary, all benefits, and incentives.

4.3. Appointing Authority

The Appointing Authority in all recruitment shall be as under;

| **Level** | **Appointing Authority** |
|---|---|
| President & CEO | Board of Directors |
| Vice president | Board of Directors |
| General Manager | President & CEO |
| Below General Manager | Vice President |

4.4. Recruitment Process

The process outlined below will apply to all positions within HoldCo, with the exception of the position of President & CEO and Vice president, who shall be appointed in an open and transparent process by the Board of Directors of the HoldCo.

4.4.1. Vacancy Announcement

The vacancy shall be announced to the public through the news media. These announcements shall also be made through the HoldCo website (as and when it gets ready)

All vacancy announcements must contain the following information:

1. Post Code of HoldCo
2. Job Title
3. Level / Grade at entry point
4. Job description summary
5. Salary and benefits available
6. Required minimum qualification
7. Required minimum experience
8. Skills and competencies required to carry out the work
9. Age
10. Application deadline
11. Any special requirements

A full job description will be made available to all applicants upon request.

A written application will be requested from applicants who must respond within the prescribed deadline.

The following documents will be required while appearing for the interview if short-listed.

a. Written application form
b. Curriculum Vitae/Resume
c. Copies of academic transcripts
d. Work Experience certificate
e. Contact details of referees
f. Any other information that may be asked for

#### 4.4.2. Preliminary Screening

The Human Resource Cell shall carry out a preliminary screening of all written applications with a view to determine a short list of the most suitable candidates for the post.

#### 4.4.3. Functional Screening

All preliminary screened candidates' resumes would be handed to the concerned Vice President who may appoint a Manager for further screen the resumes to assess the suitability of each candidate.

The assessment must be based on the candidates' competencies, and experience as defined in his/her curriculum vitae/resume, and the skills, competencies, and experience as defined in the job description.

#### 4.4.4. Shortlist Announcements

Upon completion of both preliminary and functional screening a short list of candidates would be arrived at. The Human Resource Cell will contact applicants by phone or letter to set up initial selection interviews, advising applicants of the date and time for interview, and special requirements for the interview.

The Human Resource Cell will also provide any additional background information that may be required by an applicant prior to the interview.

4.4.5. Final interview and selection

Candidates at the final interview and selection stage shall report to the interview team at the requested date and time. The team must consist of atleast three representatives as detailed below:

- The Vice President of the concerned department or a representative appointed by him/her.
- The Line Manager
- Representative from the Human Resource Cell.

The senior most employee in the Interview team shall Chair the interview session.

In case of recruitment for any position / post in grade A2 the President & CEO will be a chair person.

The interview team must apply competency based interviewing techniques and make notes on the candidates.

A written report must be compiled upon the completion of each interview and retained in notes on the candidates.

The Interview team may also decide to conduct written tests to check the suitability of the candidates. Such tests may be implemented by the Human Resource Cell and the points scored shall be accordingly counted towards final decision making.

The team will provide their recommendation to the Human Resource Cell, who will issue an Appointment letter to the successful applicant which is duly signed by the appropriate Appointing Authority.

4.4.6. Appointment Letter

A letter of Appointment shall be forwarded to the successful applicant, in duplicate, and shall provide details of the appointment date, designation, grade reporting details, probation period, salary structure, date of annual increment, allowances, job specifications, and place of posting, etc.

Upon receipt of the signed duplicate letter from the applicant confirming his/her acceptance of the position, the recruitment team will ensure that the HR team commences completion of all HR formalities including salary and taxation details, pension fund contributions, and life and accident cover.

The HR Team will also ensure that the line manager and Departmental Vice President are advised of the applicant's acceptance, and starting date.

### 4.5. Probation Period

A probation period of one year will apply to all appointments.

The salary level and allowances applicable to the regular position will apply during the term of probation.

The probation period is viewed as a period of trial where the management assesses the competence, character, aptitude, discipline and suitability of the candidate.

During this period the HoldCo will provide induction training and an orientation program to introduce the new employee to the corporation.

The corporation reserves the right to terminate the services of a new employee before the expiry of his probation period. Similarly, the new employee has the right to resign at any time during the probation period.

The corporation reserves the right to extend the probation period for a specified timeframe in case the performance of the new employee is not found to be satisfactory.

The service regularization of the employee shall commence from the next day after completion of his/her probation period. A letter of confirmation shall be delivered to the employee and leave earned during the probation period shall be credited.

In the absence of any communication from the HR on the confirmation of the probation period, the employee is automatically taken as confirmed.

### 4.6. Seniority on Appointment

The seniority of new employees will be fixed on the following criteria;

- The date of start of services in the HoldCo and,
- Past experience and its relevance

The Human Resource shall communicate the seniority of the newly appointed staff once the employee joins the services of the company. However, all promotions and appraisals shall be done based on the Performance Management System established in the HoldCo.

## 5. Transfers

It is the policy of HoldCo to require its employees to accept transfers from time to time.

The reasons for such transfers include:

- Encouraging Employees to widen the scope of their knowledge in various activities.
- Allowing a vacant post to be filled and duties continuously performed.
- Maximizing utilization of available skills and talents.
- Providing the solution to a temporary or long term administrative, management or technical problem.
- As requested by employees. However such requests for transfer will only be undertaken where transfers are in the best interests of employees as well as HoldCo.

Such transfer could be either to other offices of the HoldCo at another location or to another department of the HoldCo within the same office or location.

### 5.1. Transfer Authority

Any Vice President may recommend, upon acceptable grounds, the transfer of an employee within his/her department.

Inter-Departmental transfers must be agreed upon and recommended by the Vice Presidents of the departments concerned.

All the orders regarding inter department and departmental transfer has to be issued by the Human Resource Cell.

Vice Presidents of respective departments shall have the authority to approve transfers of all employees below Grade B1. However, the President & CEO must approve all transfers of employees in Grade B1 and above.

6. Retirement / Superannuation

Retirement age shall be 60 years.

In exceptional circumstances, the extension may be considered. However, all such extensions must have the approval of the Board of HoldCo.

At retirement an Employee is entitled to his/her Superannuation entitlement.

Six months notice shall be given to each employee prior to his or her retirement date.

Upon Retirement an employee shall be entitled to the full retirement benefit as defined in the HoldCo Superannuation scheme.

7. Resignation

Any employee may resign from the HoldCo after giving 60 days advance notice to HoldCo of his/ her intention to resign.

The employee shall be entitled to:

- Cash in lieu for any accrued leave entitlement
- Salary till date of termination of employment
- Any benefits under the HOLDCO Superannuation scheme

Such entitlement of the employee will be subject to any recoverable from the employee that will be adjusted against his/her final payment.

In case the employee is unable to give his due notice he shall pay to the HoldCo notice pay equivalent to 60 days pay at his last pay rate.

## 8. Employee Performance Management System

HoldCo is committed to:

- Producing the highest quality of work in a cost effective way
- Managing the company in the most efficient manner possible
- Ensuring HoldCo employees are developed to the full extent of their capability

The Performance Management System is an integral element in HoldCo meeting these commitments.

It enhances the alignment of team and individual goals with the broader strategic goals of HoldCo.

The Human Resource Cell will be responsible for ensuring proper administration of the Performance Management process and shall provide:

- full communication of what the process is about, why it is being implemented, and how it works, to all staff
- training in the interview and review process to all employees
- briefing material as and when required

The Performance of every staff member of HoldCo will be assessed by his line manager once every year (annually), as set out in Appendix A.

The Performance Management process will entail:

- A face to face meeting between the staff member and line manager to discuss
- Performance since last review
- Goals for next year
- The meeting will be interactive and participative in order to ensure that the staff member has full opportunity to discuss his perspective of the performance period
- The completion of the Performance Management form by both the staff member and line manager containing a report of the meeting, assessment of performance, and details of goals for the next year

The assessment process will cover both quantitative and qualitative elements of the work carried out to date and will be rated at five levels: Unsatisfactory, Satisfactory, Good, Very Good and Outstanding.

Salary increases will be awarded on the basis of each staff member's rating during the annual appraisal.

The level of salary increase will be set as a percentage of salary, dependent on the performance level achieved.

The level will be set at:

| | | |
|---|---|---|
| Outstanding | = | 6% salary increase |
| Very Good | = | 4% salary increase |
| Good | = | 2% salary increase |
| Satisfactory | = | 1% salary increase |
| Unsatisfactory | = | 0% salary increase |

The promotion process is mentioned separately, which gives the movement of staff from one grade to another on performance, number of years in a grade and skill.

At the completion of the review, all staff shall be advised in writing of salary increases, bonus payments, and promotions.

It may also be noted that continued non-performance (Level 0 and 1 performance) over a sustained period of time may lead to termination to employees' services.

If any staff member believes the process has been applied unfairly, he may raise his concern with the Human Resource Cell.

The Human Resource Cell will forward the document to the Vice President who will be the arbiter in the case of any complaint.

The Vice President shall review the assessments of all staff under them within one week of final face to face meeting taking place.

The Human Resource Cell must then review all assessments for consistency within a two-week period.

## 9. Promotion

The Promotion processes in HoldCo rewards performance and ensures that:

- opportunities are provided to every HoldCo employee to develop his capabilities and utilize his potential to the fullest extent
- equal opportunities in grating promotion and career advancement are available to all staff
- employees are rewarded in a just and fair manner for superior performance
- promotion is based on performance, number of years in a grade and skill
- the opportunity for promotion is perceived as highly motivating and rewarding by employees

Promotion shall be based upon the following criteria, however, it is not necessary that all the criteria need to be fulfilled:

- performance ratings in the Performance Management Process
- relevant experience
- relevant qualifications
- core competencies and personal attributes
- number of years in a particular grade
- vacancy at any post/position

Promotions shall be determined under the following procedure:

- The promotion process may be initiated by the employees' Line manager and a recommendation made to the Vice President and the Human Resources Cell based on the above mentioned criteria for promotion, of the incumbent employee during the performance management process.
- The Vice President and Human Resource Cell shall consider the recommendation on the basis of the criteria defined above. In the case of a recommendation being declined, the employee must be advised in writing as to the reasons.
- A promotion Committee shall be formed which shall consist of all Vice Presidents and the President & CEO, which will meet annually at the end of each appraisal cycle to decide upon the recommendations for promotion. This committee shall review all proposed promotions and would be responsible for discussing and approving the promotion of all employees below the level of General Mangers. For positions above the General Manager, the President & CEO in consultation with the Chairman of the board would consider the promotions.
- Promotions within the corporation will be undertaken twice in a year in January and July of each year.

- In cases of non-agreement regarding any promotion among the members of the promotion committee, the President & CEO will have the final authority for the promotion decision.

## 10. Pay and Allowances

### 10.1. Basic Pay

The grading structure and the basic pay scale for all employees of HoldCo is set out in appendix B

The grading structure and basic pay scale may be amended from time to time by the Board of HoldCo.

The salary structure within HoldCo will be based on total cost to the corporation, and on this basis will be communicated to all employees annually.

Records will be maintained by HOLDCO and written advice given at each staff member of their:

- gross annual salary
- cost to HoldCo of Superannuation Scheme contribution for employee
- cost to HoldCo of Accident Insurance Premium for employee
- cost to HoldCo of other additional benefits for employee

In this way HoldCo accounts accurately for its full employment costs, while each individual is made aware of the full employment costs, and the full range of benefits he/she receives from HoldCo and the cost of those benefits.

Salaries will be reviewed on an annual basis at the time of the year end performance assessment. Salary increases will be determined by the performance ratings for the performance appraisals within that appraisal year and the ratio of salary increases as determined by the senior management team.

All staff will be advised at the end of each appraisal year in writing of their Performance Appraisal scores and the corresponding salary increases where applicable.

An employee on promotion to the next higher grade shall draw his increment in the higher grade.

## 11. Leave

The taking of any leave, which does not exceed one month, must be agreed and approved in advance with the line manager.

In order for HoldCo to operate at maximum efficiency and optimum level of performance, employees are encouraged to take leaves that accrue to him/her in any given year. HoldCo believes this endeavor will ensure that employees are refreshed, invigorated, and performing to their optimum.

It is also the responsibility of the line manager to arrange a substitute person to carry out the work of the employee while on leave, and such staffing issues must be seen as part of regular workforce planning and capacity building.

Approval to grant leave may not be arbitrarily withheld by any line manager.

Approval of leave in excess of one month must be obtained from the Vice President.

The categories of leave are available to employees shall be as per leave rules laid in this manual.

Note:

The approval of leaves for all employees at the position of General Manger and above would be done by President & CEO to the corporation.

The Chairman of the Board of HoldCo would do the approval of leaves for President & CEO.

The following categories of leave are available to employees:

### 11.1. Earned leave

- An employee of the Corporation shall be eligible for 2.5 working days earned leave with full pay for each completed month of active service subject to a maximum leave of 30 days per year.
- The maximum earned leave that can accrue to an employee shall not exceed 60 days.
- Corporation holidays and weekly off days (Saturday & Sunday) within the period of earned leave sanctioned to an employee will not be counted towards earned leave.

### 11.2. Casual leave

- In the case of special circumstances such as illness or on account of urgent private matters, an employee can avail of Casual Leave for short periods only. Such short period will be defined as not more than 3 (three) days' leave at a stretch.

- All employees of the corporation will be eligible to a maximum of 7 days casual leave in a year.
- All casual leave must be approved by the employees' line manager
- An employee on casual leave shall be deemed to be on duty and will be paid his normal salary and allowances as may be applicable to him.
- Any unavailed casual leave during the calendar year would be lapsed at the end of the year
- Casual leave may be prefixed or suffixed to corporation holidays and weekly off days (Saturday & Sunday) and such period will not be counted towards casual leave.
- In case of new employees joining the corporation during any month of the calendar year will be entitled to casual leave on a pro rata basis.
- Casual leave cannot be combined with any other form of leave and are non cumulative.

11.3. Sick leave

- The Line Manager may grant sick leave on full pay without production of a medical certificate for a period of no more than one day.
- Where sick leave on full pay for any period in excess of one day is requested, a medical certificate issued by a Registered medical officer must be produced.
- An employee shall be eligible for 13 days medical leave on full pay in every calendar year.
- Where sick leave is in excess of 13 days in any calendar year the employee will only be eligible for half pay for the extra days on sick leave. In situations of sick leave for more than 13 days medical certificate from a Recognized Hospital must be produced.
- Sick leave may be accumulated up to a maximum of 26 days, however, the sick leave is not encashable at any time during the service of the employee

11.4. Maternity leave

Maternity leave on full pay is available to female employees, who have completed a minimum of one year of continuous service with the corporation,:

- To a maximum period of leave of six weeks months for each confinement. This is subject to a maximum of two confinements during the entire period of her employment.
- To a maximum period of leave of four weeks in the case of miscarriage, upon production of a medical certificate from a competent Medical Authority.
- Maternity Leave can be combined with earned leave

11.5. Study leave

- Study leave for a maximum period of two years may be granted, with full pay and beyond two years, subject to a maximum of four years, with half pay.

- In the period beyond initial two years (i.e., the next two years) the employee would be paid at the rate of half pay calculated as Basic + HRA and will not include any other allowances. During such time no increment / promotion would be given to the employee.
- Study leave will be granted to an employee on the basis of the approval of the President and CEO provided the employee:
    - Has worked for the corporation for at least 2 years.
    - Agrees and signs an HRD Bond, such bond would be signed by all employees proceeding on Study leave exceeding a period of six months.
    - After completion of the study such employees would report to the HR Cell, who in consultation with the Vice President and the President and CEO, would place the employee with a new job description for the position he is being considered.
    - Depending on the amount being invested in an employee, the HoldCo would take an undertaking from the employee a surety from two of his relatives for the amount involved in the study on the basis of the investment done.
    - For all employees who avail of study leave for more than six months the minimum period of service on return from such leave would be set at two years or twice the duration of the study leave whichever is more. Such minimum period of service would be built into the HRD Bond as explained above.
    - If the employee wishes to break the contract and leave the organization, he would be required to compensate the corporation to the portion of investment done on him. Such compensation by the employee may include the total cost of study; salary and benefits paid to him during the period and cost of any other benefits that may have accrued to him.
    - Study leave may be combined with any other leave except casual leave
    - No earned leave shall accrue to the employee in case the study leave is for a period of more than 12 months (1 year).
    - The period of study leave shall be considered as part of continuous service and shall count for the purpose of retirement/superannuation benefits.

### 11.6. Extra ordinary leave

The President and CEO may at his/her discretion sanction extraordinary leave without pay and allowances to an employee for a period not exceeding one month during his/her entire service under the Company. The period of extraordinary leave shall not count as continuous service for the purpose of calculating the leave, Provident Fund, Gratuity and Bonus.

### 11.7. Encashment of Leave

- An employee who has more the 30 days earned leave balance in his account, can encash the leave, subject to the availability of minimum 30 days in his credit.
- Accumulated leave can be encashed once a year either in January or in July of any calendar year.
- All other leave must be taken within the year it accrues, otherwise it shall be considered lapsed.

Note:

- The approval of leaves for all employees at the position of General Manager and above would be done by the President and CEO of the HoldCo
- The Chairman of the Board of HoldCo would do the approval of leaves for the President and CEO.

## 12. Medical and other benefits

### 12.1. Medical Benefit

Medical treatment for the employees within Bangladesh shall be carried out at government / recognized private hospitals. HoldCo shall take appropriate Group Medical Insurance for all its employees and their families to cover medical exigencies.

HoldCo will take out international Medical Insurance cover for all employees travelling outside of Bangladesh at a level that will provide sound, safe, and comprehensive treatment for any emergency condition and subsequent evacuation to Bangladesh.

Such Medical Insurance cover will also be taken out for employees studying outside of Bangladesh for the duration of their study.

### 12.2. Telephone connection

Residential telephone service connections shall be provided to those for whom such services are required and shall be recommended on a case by case basis by the Vice President and the Human Resources Cell and approved by the President & CEO. Claims for work phone calls shall be properly verified and reimbursement claimed from the HoldCo.

### 12.3. Internet Service connection

Internet connection shall be provided to those who require the service due to the nature of their work. Such service connections shall be recommended on a case by case basis by the Vice President and approved by the President & CEO.

### 12.4. Bonus

The Board of HoldCo may decide to pay bonuses to the employees at the end of every financial year depending upon the performance of the corporation.

The Bonus will be payable as per conditions laid down in the Performance Management Framework and will be paid to the employees on achievement of company level targets. All bonus payouts shall be based on approval given by the board of the HoldCo.

### 12.5. Honorariums

The management may grant Honorariums, in cash or kind, to an employee for the successful completion of this assignment as a token of appreciation of meritorious and good work rendered. This will be subject to a maximum of one-month basic pay for not more than two occasions in a year. Such payment would be made as a one-time payment and would be given along with a letter form the President & CEO commending the employees' contribution.

For the purpose of granting the honorarium the concerned Vice President would send the recommendations to the Human Resource Cell giving details of the task completed and the reason for which the department would like to recommend the honorariums to the staff.

All such recommendation would be put to a committee formed for the purpose consisting of the President & CEO and all the Vice Presidents. On the merit of each recommendation received the committee would recommend maximum of five such honorariums in any given quarter of any calendar year.

The Board shall be appraised of payments from time to time.

### 12.6. Welfare Loan

An employee who has completed maximum of three year of continuous service is eligible for personal loan of a maximum of 2 months Basic Pay in the entire tenure of employment with the HoldCo.

Repayment period is allowed up to 12 months installment. Such loan will not bear any interest.

The personal loan shall be recommended on a case to case basis by the Vice president and approved by the President & CEO for the purpose mentioned below:

- Illness of family member including self.
- Death of family member.

All the above loans are subject to guarantee from any two confirmed employee of the HoldCo. In the case of resignation, termination or any other forms of cessation of employment entire outstanding loan balance will be recovered either from any dues payable to the employee or from the Guarantors.

The management shall review any sort of misuse or diversification very seriously. Entire loan amount shall be recalled forthwith, and the concerned employee shall be subject to strong disciplines action. Application for such loan should be accompanied with relevant proof of the above.

### 12.7. Salary Advance

Employees who have completed one year (12 months) of continuous service shall be eligible for a salary advance equivalent to their one-month of basic pay. The Vice President may approve the advance on a case to case basis. Such advance shall be recovered from the employee in one installment from his next salary bill. Advance pay may be taken not more than once in a calendar year.

### 12.8. Officiating Allowance

If an employee is required to officiate in a higher post for a continuous period of not less than one month, he will be entitled to draw officiating allowance. The rate for Officiating allowance shall be additional 20% of the employees own Basic Pay.

A competent authority (in most cases the Vice President concerned and in case of Vice President Position then the President & CEO) shall approve all officiating allowance. However, before payment for any officiating allowance is made to an employee there shall be an approval of the President & CEO.

The officiating allowance shall be permitted for a maximum period of six months in any continuous officiating period.

13. Retirement Benefits

13.1. Superannuation (Provident Fund)

HoldCo shall set up a Superannuation scheme for the benefit of all employees.

The Superannuation scheme is a Defined Contribution scheme and the Contribution Rate will be:

- Employee Contribution = 10% Basic salary
- HoldCo Contribution = 10% Basic salary
- HoldCo will bear the Fund administration costs.

Each employee after completion of the probation of one year will contribute toward the Superannuation Scheme as specified by the Provident Fund Rules and Regulations. HoldCo will also make its contributions on behalf of the Employee.

The Superannuation Benefit will be the sum of the total of the Employee Contributions and all interest that has accrued on that amount, and the total of the HoldCo Contribution for the Employee, and all interest that has accrued on that amount. There will be no ceiling placed on the amount of benefit eligible to the employee.

All HoldCo employees, who retire on attainment of age 60, voluntarily resigned from the service or are retired compulsorily by the management, shall be eligible to receive the Superannuation Benefit.

A HoldCo employee terminated from the corporation on non-disciplinary grounds shall be eligible to receive the Superannuation Benefit. If the termination is on disciplinary grounds then the Management Committee of the Corporation shall prepare a report to the Board as to whether the Superannuation benefit should be paid at all, in full, or in part thereof.

13.2. Gratuity

An employee who is superannuated, discharged, resigns or retires form the services of HoldCo, or dies while in service of HoldCo, shall be eligible for gratuity, provided the employee has completed minimum of three (03) years of confirmed and continuous services. The gratuity shall be payable at the rate of two months' basic salary 'based on the employee's last drawn salary for every completed year of service and shall be calculated as;

Gratuity = 2 X Last Basic Pay x Number of years of Service

- In case an employee is dismissed from the services of HoldCo, no gratuity will be payable to him/her.
- There shall be no upper limit for Gratuity payout.

- For the purpose of computation, after computing the number of full year (s) any part thereof in excess of six (6) months shall be treated as full year and any period less than that shall not be considered.

13.3. Nominations

Every employee shall, as soon as possible after appointment in the HoldCo, make a nomination in the prescribed form conferring on one or more persons the right to receive any Gratuity and Provident Fund that may be payable under these Regulations, in the event of this death while in service.

An employee may at any time cancel, or modify a nomination in writing, provided that the employee shall, along with such notice, send a fresh nomination made in accordance with the provisions of this regulation.

In the event, any nominee dies before the employee, the right conferred upon that nominee shall pass to such other persons as may be specified in the nomination.

13.4. Group Life and Disability Insurance

HoldCo regards the long-term financial security of its staff as a paramount factor promoting a performance orientated and efficient workforce. Accordingly HoldCo believes that life and accident insurance not only provides its staff with security and peace of mind, it also provides security for HoldCo in that the dependants of staff are financially supported in the event of the death or disability of an employee.

The HoldCo shall enter into an arrangement with a reputed Life Insurance company of Bangladesh for the provision of life insurance to all permanent employees.

At the commencement of employment every employees shall provide the personal history data required by the Insurance Company for life and disability insurance purposes.

Every employee shall also provide details of a nominated beneficiary in the case of death.

## 14. Human Resource Development

### 14.1. Training and Development

The HoldCo will develop human resources training and development plan, in conjunction with the business plan for the company, in order to support the achievement of the HoldCo's business goals. The plan will be revised each year and the Human Resource Cell will be responsible for implementing the plan and ensuring all employees receive training and development actions on an annual basis.

As part of the performance management process every individual shall review, together with his line manager, his training objectives.

The Human Resource Cell will incorporate these objectives in the overall training and development plan.

Training and development actions may include:

- In-country Training

All training programs in recognized training institutes within the country or within the HoldCo.

- Training outside the country

All training programs conducted outside the country where employees participate with approval of the Management.

Any study undertaken by an employee resulting in the earning of a degree.

- Workshops

All workshops, group seminars, and focus groups, which may be attended by employees in-house, in country or outside Bangladesh.

- Study tours

All study tours taken inside or outside the country by employees after due approval of the Management.

- Selection process

The selection of staff for all training and development must be in accordance with the Corporate Training and Development program and the plans for individuals that have been agreed between the employee and his line manager at assessment time.

- Ad-Hoc HRD Events

Where ad hoc training and development opportunities arise, the Human Resource Cell shall refer to both individual training plans and to the respective Vice Presidents to ascertain those individuals who will benefit to the most significant extent.

- Bonds before departure

All nominees shall sign HRD Bond with HoldCo before undertaking offshore training assignments or local events that last more than six months.

A sample of an HRD Bond is given in Appendix C.

14.2. Rules Applicable to employees on training

The following rules shall be applicable to an employee when he is attending training:

- Leave

Leave shall accrue as if the employee were fulfilling his regular duty.

- Reporting to the Institute

Employees shall report to the Institute on the prescribed time and date.

- Reporting to the Office

Employees shall report to work within 7 days after the event has finished

- Bills and Invoices

Employees shall produce original bills and invoices for all claims except for incidental expenses.

- Know how transfer

On his/her return form a training program an employee will submit to HOLDCO a copy of all reports, binders, and training material obtained by him during the course of his/her training program to the human resources cell which will create a repository of such material.

The employee in case of certain training programs may be asked to prepare a report on the training. He/she may also be asked to conduct similar training programs for other employees in the corporation.

## 15. Travel and Transport Rules

A separate Official Travel and Transport rules will be framed by the Finance & Accounts Division of the HoldCo and will determine the rates for Traveling Allowance, Daily Allowance and eligibility for mode of transport etc. Such rates will be binding on all employees for official travel, while on training etc for both domestic as well as international travel.

ALL employees undertaking tour must get prior sanction for tour from their line manager in the approved form. In case of Vice Presidents the President & CEO shall grant the approval of tours.

On completion of the tour the employee must submit his claim to his line manager within 15 days of return from the tour and the Line Manager shall after approval forward such claims to Accounts department for necessary payments.

All tour claims must be accompanied by a tour report.

## 16. Code of Conduct and Discipline

HoldCo tends to observe progressive disciplinary policies with an objective to treat all its employees in a fair and equitable manner as well as to motivate its employees to the extent possible to improve performance by adhering to the company's policies; procedures; rules and regulations currently in practice and that may be in force from time to time. Disciplinary action (s) should address behavior within the control of the employee and whenever possible towards improved behavior. Disciplinary policies are not intended to alienate the employee from the company unless/until as a last resort but it is mainly to educate its employees to demonstrate desired and consistent behavior to better contribute to the attainment of continuous growth and progress of the company. Whenever disciplinary action is required, it is important that the penalty fits the offense appropriately (after assuring that there was indeed an offense) as per contract.

### 16.1. Conduct and Discipline

Every employee shall:

a) conform to and abide by these rules, procedures & policies;
b) observe, comply with and obey all lawful orders and directions which may from time to time, be given by the Company and any person or persons under whose jurisdiction, superintendence or control he/she may be;
c) service company and discharge his/her assigned duties faithfully Honestly and diligently;
d) use his/her utmost endeavors to promote the interests of the Company;
e) observe proper decorum and show courtesy in all maters to all concerned and the members of the Public; and
f) maintain strict secrecy regarding the affairs of the Company.

No employee shall:

g) associate him/herself with any political organization, form organization of political parties or otherwise take active part in politics or any political demonstration;
h) absent him/herself from duties, or leave his/her station without obtaining permission from his/her controlling officer;
i) make any public statement through "press, radio or television" unless specifically authorized to do so by the Company excepting on Company's day to day routine matters;
j) accept or seek any other employment or office or part-time work, whether on payment, stipendiary or honorary, without previous sanction of the appointing authority;
k) engage in any trade or business without specific approval of the appointing authority;

l) indulge in parochialism, favoritism, victimization, willful abuse of office, seizure (Gherao) of office or any officer or coercion to officer/staff in a group or individually;
m) Notwithstanding anything contained in clause (e) and (f) above, employee may undertake occasional work of a purely literary or artistic nature provided such work does not cause any embarrassment to the Company.

No employee or member of his family shall:

n) accept any gift or concession from any employee or person having or likely to have dealings with the Company;
o) lend money to, or borrow money from, or place himself under any pecuniary obligation to any person or firm having or likely to have dealings with the Company; and
p) no employee shall be a member, office bearer or representative of any association or union other than that of a philanthropic, religious, social or professional organization unless such association or union is organized for the welfare and safeguard the interest of the employees under the terms and conditions of the Company rules and regulations in-force.

16.2. Disciplinary Actions / Penalties

There shall be the following penalties:

a) Written warning/censure
b) Deduction of Pay
c) Withholding, for a specified period, increment or promotion as a measure of punishment for obvious infringement
d) Relegation to a lower post
e) Demotion to a lower grade of pay-scale
f) Recovery from pay of the whole or part of any loss caused to the company by way of negligence or any other misconduct of the employee
g) Discharge from service on extenuating circumstances
h) Termination from service
i) Compulsory retirement from service
j) Dismissal from service (dismissal from service does disqualify the employee from future employment in the company)

16.3. Power to impose Penalty

The power to impose penalty upon an employee shall be vested upon the authority competent to make appointment to the post, which is held by the employee, in the company.

16.4. Infringement / Infractions

On being found culpable of a relatively minor infringement, the employee may be subject to the following actions:

16.5. Verbal or Written Advice

16.5.1. A conference between the employee and his/her immediate supervisor or designate to informally resolve the problem as soon as possible after it occurs.

16.5.2. The supervisor may issue an advice letter as deemed appropriate. The employee must acknowledge receipt by signing. This will be a part of the personnel confidential File (PCF).

16.6. Written Warning

16.6.1. A warning letter may be issued to an employee for an offense/misconduct which is considered serious but doesn't merit dismissal.

16.6.2. On a first major offense or after repeated minor offenses, the employed will be issued a confidential warning letter by the Department head & marked "First Warning Letter". This letter will describe the offense/infringement and prescribe that the offense must not be repeated and/or that performance should improve over a specified period of time. A copy of the same shall be sent to Human Resource Cell.

16.6.3. On a second major offense, the employee will be issued a confidential warning letter marked "Second & Final Warning Letter" with a copy to the Human Resource Cell to put the same in the PCF.

16.6.4. On a third major offense, the department head will immediately forward a note to the Admin Dept. with a recommendation to terminate or process for a show-cause as deemed necessary in consultation with the Human Resource Cell.

16.6.5. Failure to heed a warning letter or issuance of a series of warning letters to the same employee for either related or unrelated offenses may result in disciplinary action. If a series of warning letters are issued to an employee over a period of many years, the time-spread may be a mitigating factor in favor of the employee. If a situation demands the issuance of warning letter to an employee, then the concerned departmental head will consult with the Human Resource Cell before issuance of such letter. Under no circumstances, should the word 'Termination' be incorporated or written in the warning letter.

16.7. Termination

Termination is used when removal of an employee by other means is not appropriate. It is permanently separation from employment rather than a temporary lay-off or retrenchment with re-employment rights.

a) When terminating a contractual employee, the employer must give the following benefits:
    i. 60 days notice or 2 (two) months pay in lieu of notice. (Basic pay only);
    ii. Basic Salary and other allowances applicable through the last working day;
    iii. Remuneration for unused Earned Leave (EL);
    iv. Gratuity amount (if length of service attains/exceeds 3 years of continuous service at the date of termination).
    v. Reimbursement of the employee's provident Fund i contribution and payment of HoldCo's contribution if employed for one Year or more continuous Year.
    vi. Reimbursement of the employee's provident Fund contribution only (i.e. without HoldCo's contribution) if employed less than one Year.
    vii. Accrued bonus amount.

b) The reason for termination must not be given in any termination letter.
c) Every terminated employee shall be entitled to a service certificate i.e. a statement giving the beginning & terminating dates of employment.
d) If an employee refuses to accept a termination letter necessary action may be taken as per section 16.7.5
e) All terminations must be authorized by the MD or his designate.

16.8. Discharge

An employee may be discharged if he/she is so mentally or physically incapacitated that he/she isn't able to continue the work. An employee may be discharged from service for reason of physical or mental incapacity or continued ill health or other reasons not amounting to misconduct. A qualified medical practitioner or a medical board must be formed to examine and make recommendation. The cost will be borne by the company.

On being discharged the employee must be given the following benefits:

a) One month's notice or pay in lieu (Basic amount only).
b) Basic pay and other allowances applicable up to the effective date of discharge.
c) Remuneration for unused Earned Leave (EL)
d) Gratuity amount (if length of service attains/exceeds 3 continuous years at the date of discharge)
e) Reimbursement of the employee's Provident Fund contribution and payment of HoldCo's contribution, if employed for one or more continuous year.
f) Reimbursement of the employee's Provident Fund contribution only (i.e. without HoldCo's contribution) if employed less than one year.
g) Accrued bonus amount in full or pro-rated on the basis of month being accrued.
h) All discharges must be approved by the MD or his designated official.

### 16.9. Dismissal

Dismissal is used when an employee is convicted of an offense or is found guilty of misconduct after observing the disciplinary proceedings.

No order for "Dismissal" of an employee shall be made unless:

a) The allegations against the employee are recorded in writing and communicated with the alleged employee with a copy thereof in the form of a Show Cause letter;
b) The employee has been given not less than 3 days time to respond in writing to the written allegation(s);
c) The employee is given the opportunity for a personal hearing;
d) After receipt of written reply from the accused and subject to unsatisfactory reply a Notice to hold an inquiry has been served upon the employee; and
e) An enquiry committee/board has been formed to adequately consider the explanation given by the employee against whom the charges are brought in the Show-cause Notice.
f) Any employee found guilty of misconduct, in consideration of any extenuating circumstances, may be terminated, discharged or suspended as a measure of punishment without wages as well as subsistence allowance, for a period not exceeding seven days and such period may be within or in addition to any period of suspension of the employee initiated as part of "Show-cause" for enquiry or he/she may be otherwise punished less severely.
g) When an employee is dismissed he/she shall be entitled to the following benefits:
    i. Salary and related benefits up to the last day of work. No additional salary other than the 50% basic salary already paid for suspension;
    ii. Employee's own contribution to the provident fund only, irrespective of length of service;
    iii. Remuneration for unused Earned Leave.
    iv. A dismissal must be authorized by the appointing authority or his designate.

### 16.10. Procedure of Suspension

16.10.1. An employee charged with misconduct may be suspended pending an inquiry into the charges against him/her, but the period of such suspension shall not exceed sixty (60) days unless the matter is pending before any court of law.

16.10.2. The employee under suspension shall be paid a subsistence allowance amounting to 50% of his/her basic salary only.

16.10.3. The employee should be issued a suspension order in writing which shall take effect immediately on delivery.

16.10.4. An employee while on suspension is not to leave his/her station of posting without authorization.

16.10.5. If the employee isn't found guilty, he/she shall be deemed to have been on duty for the period of suspension for inquiry, and shall be entitled to his/her unpaid balance of basic salary and other benefits (if applicable) for the period of suspension.

16.10.6. Suspension as a measure of punishment for grave offense(s) may be invoked for a period not to exceed 7 calendar days during which the employee isn't entitled to any financial benefits whatsoever. This type of suspension is not to be confused with procedures for suspension as depicted in section 16.11.1, 16.11.2, 16.11.3, 16.11.4 & 16.11.5

16.10.7. A suspended employee cannot attend to the office or sign any official document unless authorized to do so.

16.10.8. Reimbursement of the employee's provident fund contribution, only if employed less than one Year and HoldCo's contribution in addition, if employed one or more than one year of continuous service;

16.10.9. Gratuity amount, if served more than 3 continuous year;

16.10.10. Remuneration for unused EL;

16.11. Grievance Procedure

Any employee who has a grievance in respect to any matter pertaining to the employment and wishes to seek redress thereof must observe the following procedures;

- A written complaint should be given to their immediate supervisor.
- If the employee isn't satisfied with the response from his/her supervisor, the employee should write to the next level supervisor.
- If the employee is still not satisfied, he/she should write directly to the President and CEO through the Human Resource Cell.
- An employee must bring the grievance to the notice of the supervisor within 30(thirty) days of the occurrence of the cause of such grievance. The Supervisor shall inquire into the matter and give the concerned employee an opportunity of being heard and communicate the decision in writing to the employee.
- All complaints must be in writing, signed and dated by the employee(s), if they are to receive consideration. No anonymous grievances or allegations will be considered under any circumstances.

**Appendix A**

Employee Performance Management System

i. Introduction

HoldCo is committed to:

- Producing the highest quality of work in a cost effective way
- Managing HoldCo in the most efficient manner possible
- Ensuring our people are developed to the full extent of their capability

The Employee Performance Management System is an integral element in HoldCo meeting these commitments.

ii. Employee Performance Management System – An Overview

It enhances the alignment of team and individual goals with the broader strategic goals of HoldCo. More specifically,

- EPMS will provide a mechanism to break down organizational goals to the individual staff member of HoldCo
- EPMS will define and set measurement parameters for each employees' contribution to the success of HoldCo
- EPMS will define and measure a set of competencies required from each employee to perform his duties
- EPMS will act as a means of communication between the employee and his Manager
- Communication between the Manager and the Employee will lead to goal setting (Short and long including growth plan) for the individual employee and feed back on his performance
- EPMS will provide an objective link to rewards (Bonus & Salary) ultimately leading to motivation enhancement and improved performance benchmarks.

Responsibility – EPMS Implementation

The Human Resource Cell will be responsible for ensuring proper administration and implementation of the Employee Performance Management System under the overall responsibility of the President and CEO.

The Human Resource Cell will be responsible for

- Full communication of what the process is about, why it is being implemented, and how it works, to all staff
- Training in the interview and review process for all line managers
- Providing briefing material as and when required

iii. Frequency

The performance of each employee of HoldCo will be assessed by his line manager annually (every twelve months)

iv. The Process – An Overview

The Performance Management process will entail:

- A face to face meeting between the staff member and line manager to discuss
- Performance since last review
- Goals for next year
- The meeting will be interactive and participative in order to ensure that the staff member has full opportunity to discuss his perspective of the performance period
- The completion of the performance Management form by both the staff member and line manager containing a report of the meeting, assessment of performance, and details of goals for the next year.
- Consolidation of Company wide ratings, Individual and team ratings at the corporate level and fitment on Standard Deviation (Bell Curve) Curve.
- Promotion committee meeting to decide on promotion etc.
- Roll out of promotion letters, Increment letters etc.


v. The Assessment

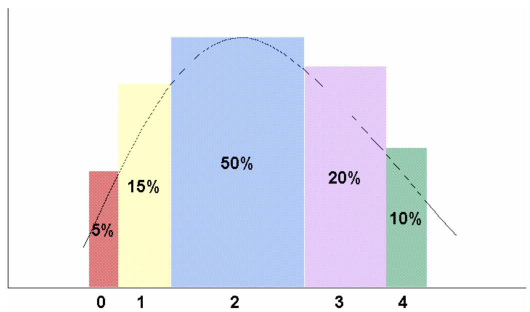
The assessment process will cover both quantitative and qualitative elements of the work carried out to date and will be rated at five levels, as follow:

| Unsatisfactory | Satisfactory | Good | Very Good | Outstanding |
|---|---|---|---|---|
| 0 | 1 | 2 | 3 | 4 |

Salary increases will be awarded on the basis of each staff member's rating in his/her annual appraisal.

vi. Standard Deviation/ Bell Curve Fitment

At the end of each cycle of performance management system the ratings for the entire staff appraised during the period would be fitted against a standard deviation curve (more commonly called the Bell Curve) as per chart below:




The bell curve fitment is done primarily to reduce bias during the appraisal period and to induce higher performance from employees. The fitment will be first done at an organization wide level and then broken down to departmental level. All increments would be based on the ratings arrived during the bell curve fitment process.

E.g.
If there are 30 employees in one department then based on the bell curve fitment,

- 3 employees would be rated outstanding (10%)
- 6 employees would be rated very good (20%)
- 15 employees would be rated good (50%)
- 5 employees would be rated satisfactory (15%)
- 1 employee would be rated unsatisfactory (5%)

The same principle is applied at an organization level.

vii. Increments

The assessment may lead to salary change and the level of salary increase will be set as a ratio of salary, dependent on the performance level achieved.

Such increments will be as under:

| | | |
|---|---|---|
| Outstanding | = | 6% salary increase |
| Very Good | = | 4% salary increase |

| | | |
|---|---|---|
| Good | = | 2% salary increase |
| Satisfactory | = | 1% salary increase |
| Unsatisfactory | = | 0% salary increase |

viii. The Timeframe

Performance Management process would be carried out twice each calendar year. The following schedule should be adhered to,

| Activity | Schedule |
|---|---|
| Roll out of Appraisals | First week of December 20XX |
| Managers conduct one on one sessions | Second/Third week of December 20XX |
| Final Feedback sent to HoldCo Human Resource Cell | End of Third week of December 20XX |
| Consolidation of Appraisals | Last week of December 20XX |
| Discussions on disputes, Increments, Promotions etc. | First / Second week of January 20XX + 1 |
| Final consolidation, letter etc | End of Second week of January 20XX + 1 |

(A similar schedule will be followed during the month of June and the process would end by mid of July.)

Note:

- If any staff member believes the process has been applied unfairly, he may raise their concern with the Manager, Performance Assessment.
- The Manager Performance Assessment will forward the document to the Vice President who will be the arbiter in the case of any complaint.
- The Vice Presidents shall review the assessments of all staff under their jurisdiction within one week of final interviews taking place.
- The Manager Performance Assessment must then review all assessments for consistency and equability within a two-week period.

ix. The Criteria For Promotion

Performance Assessment may lead to promotion and all promotions will be guided by criteria set out in promotion guidelines as enumerated in Chapter 9 of this Human Resource Manual.

x. Rating Calibration Guidelines

Becoming an excellent employee is an ongoing process. In most cases, it is only after several years of practice against the skills of the current level that one can begin to exceed the standards and start demonstrating those expected at the next level. The appraisal process is designed to measure and track progress in that process

A “Good” rating therefore signifies that the individual is doing virtually everything HoldCo would expect of a fully functioning employee. He will have demonstrated proficiency in most of the specific standards designated for his role.

The following provides further explication of the specific rating categories:

- Unsatisfactory

This individual clearly has not functioned at an acceptable level of performance. He is not performing at even the most basic level, and has demonstrated only a few, if any, of the specific standard defined.

- Satisfactory

This individual is progressing against the competency at the most basic level, although there is still room for development. He has demonstrated some of the behaviors in the matrix, but there are still others that have not yet been demonstrated.

- Good

This individual has demonstrated proficiency in virtually all of the behaviors noted for the competency at his current level. He is designated as fully functioning in comparison to the expectations of an individual at the current level.

- Very Good

This individual meets all standards at his current level and has begun to exceed them, exhibiting a few of the behaviors associated with the next higher level.

- Outstanding

This individual is virtually at the entry point for the next level up. This individual is “clearly over the line” and should be considered seriously for promotion to the next level.

xi. Appellate Authority

The appellate authority shall be the board in case of Vice Presidents and above and the President & CEO in case of all others employees.

The decisions of the appellate authority shall be final and binding.

**Appendix B**

Grading and Pay Structure

i. Grading Structure

| **Line** | |
|---|---|
| **Grade** | **Level / Designation** |
| A | CEO |
| A1 | Vice President |
| A2 | General Manager |
| B1 | Senior Manager |
| B2 | Manager |
| B3 | Deputy Manager |
| C1 | Assistant Manager |
| C2 | Senior Supervisor |
| C3 | Supervisor |
| TC A | Senior Technician |
| TC B | Technician |
| | |
| **Support** | |
| GC - A | Senior Assistant / Accountant |
| GC - B | Assistant / Junior Accountant |
| GC - C | Office Assistants |

ii. Entry Qualification

| **Line** | | | |
|---|---|---|---|
| **Grade** | **Level / Designation** | | **Years of Education** |
| A | CEO | | |
| A1 | Vice President | | |
| A2 | General Manager | | |
| B1 | Senior Manager | | |
| B2 | Manager | BE + ME / MBA | Class 12 + 4 + 2 year |
| B3 | Deputy Manager | BE OR BA+MBA | Class 12 + 4 year OR Class 12 + 3 + 2 year |
| C1 | Assistant Manager | BA / B Sc. / B Com. | Class 12 + 3 year |
| C2 | Senior Supervisor | | |
| C3 | Supervisor | Diploma | Class 10 + 3 year |
| TC A | Senior Technician | | |
| TC B | Technician | Apprentice | Class 10 + 1 year |
| | | | |
| **Support** | | | |
| GC – A | Senior Assistant / Accountant | | |
| GC – B | Assistant / Junior Accountant | Diploma | Class 10 + 3 year |
| GC – C | Office Assistants | Apprentice | Class 10 + 1 year |

iii. Salary Structure

| Grade | Level / Designation | Basic | Basic | | HRA | Conveyance | Gratuity | PF (Co Cont) | Total |
|---|---|---|---|---|---|---|---|---|---|
| A | CEO | 110000 | | | 44000 | 20000 | 18333 | 11000 | 203333 |
| A1 | Vice President | 85000 | | | 34000 | 15000 | 14167 | 8500 | 156667 |
| A2 | General Manager | 70000 | | | 28000 | 10000 | 11667 | 7000 | 126667 |
| B1 | Senior Manager | 55000 | | | 22000 | 7500 | 9167 | 5500 | 99167 |
| B2 | Manager | 35000 | | | 14000 | 7500 | 5833 | 3500 | 65833 |
| B3 | Deputy Manager | 20000 | | | 8000 | 5000 | 3333 | 2000 | 38333 |
| C1 | Assistant Manager | 15000 | | | 6000 | 5000 | 2500 | 1500 | 30000 |
| C2 | Senior Supervisor | 10000 | | | 4000 | 2500 | 1667 | 1000 | 19167 |
| C3 | Supervisor | 8500 | | | 3400 | 1500 | 1417 | 850 | 15667 |
| TC A | Senior Technician | 7000 | | | 2800 | 1500 | 1167 | 700 | 13167 |
| TC B | Technician | 6000 | | | 2400 | 1500 | 1000 | 600 | 11500 |
| GC - A | Senior Assitant / Accountant | 8500 | | | 3400 | 1500 | 1417 | 850 | 15667 |
| GC - B | Assistant / Junior Accountant | 7000 | | | 2800 | 1500 | 1167 | 700 | 13167 |
| GC - C | Office Assistants | 6000 | | | 2400 | 1500 | 1000 | 600 | 11500 |

**Appendix C**

HRA BOND

This Human Resource Development Bond, called the HRD Bond is signed on _____________ with the terms and conditions noted thereto in this.

Terms and Conditions

1. I, the Employee of HoldCo named below abide by the following clauses.

2. I agree that I have been nominated by HoldCo to attend the HRD event for a period of more than six months I agree that I shall abide by all the codes of conduct of the Corporation as appropriate while I am attending this HRD event.

3. I agree that I shall return to my Employer, the HoldCo to continue my service in a more efficient and effective manner for a minimum period of two times the duration of the course or two years whichever is more.

4. I agree that I shall pay to HoldCo an amount equal to two times the expenditure incurred on my training including such cost that the corporation may have incurred on me like travel cost, salary etc. in case I resign from the services of the corporation prior to the completion of the specified duration for which I have undertaken to serve the corporation as in point no.#3 above.

5. That I have explained the terms and conditions of this bond to my guarantor and by signing this HRD bond my guarantor agrees to abide by clause as in point no.#4 above and agrees that in case of my failure to pay to the corporation, the guarantor shall pay to HoldCo an amount equal to two times the expenditure incurred on my training including such cost that the corporation may have incurred on me like travel cost, salary etc. in case I resign from the services of the corporation prior to the completion of the specified duration for which I have undertaken to serve the corporation as in point no.#3 above.

Details of Training

Course Title : _______________________________________________________

Course Duration : From:_________________To: ______________________________

Funding Agency : _______________________________________________________

Institute / Country : _______________________________________________________

Full Name
(Employee) put legal stamp

For HoldCo
(Employer)

Full Name and Address
(Guarantor) put legal stamp
(Guarantor) should be the parents / spouse / sibling of the incumbent and there should be an authentic document confirming it)

## *APPENDIX D: BONUS DETERMINATION*

This appendix discusses bonus determination at both the HoldCo and SubCo levels.

### D.1 HOLDCO PERFORMANCE REWARD

HoldCo must adopt a three tier performance measurement for reward towards both bonus and the increment and/or variable pay payouts to its employees

- Tier 1 – Achievements against Performance Contract between HoldCo and Government
- Tier 2 – Achievement against Performance Contract between HoldCo and Subsidiaries
- Tier 3 – Achievement against Performance Contract between HoldCo and it Employees

For all bonus for HoldCo, the payouts may be divided equally (50 % - 50%) between achievement of targets at Tier 1 and Tier 2. The Board of Directors of the HoldCo must set at the start of each performance period, a minimum threshold of achievement against set targets at both Tier 1 and Tier 2. Under achievement should not be compensated in any way, the aim must be to constantly direct efforts towards increased efficiency and superior performance. A minimum threshold of 70% achievement against each target at both Tier 1 and Tier 2 would be an ideal way to start. Any achievement over and above 70% must be pro rated.

The Board of Directors of HoldCo must create a corpus of funds for bonus at the start of the year (say 2 months salary) and use the above criteria for final payouts. For example, if the performance criterion is met at 70% then the payout should be 25% of the allocated corpus / fund. Any achievement above 70% should be pro rated. For example, if the achievement is 80% then the payout towards bonus shall be 50% of the allocated corpus; if it is 82% then the payout should be 55% of the allocated corpus/fund. Exhibit D.1 provides an example bonus calculation.

A similar mechanism must be adopted for payment of differential / variable pay to the employees and which must also determine their annual increments. For an Employee at HoldCo, his/her performance should be determined by performance achievement at Tier 1, Tier 2 and Tier 3, and payouts must equally be divided equally (33.33%) among each of the three Tiers. However, more weight should be given to individual performance here. An ideal weight distribution could be 25% at Tier 1, 25% at Tier 2 and 50% at Tier 3. The rule of a minimum threshold of 70% achievement to become eligible for payouts must be maintained to propel performance down the line.

**Exhibit D.1: Example of a HoldCo Bonus Calculation**

*An example of the above could be as under;*

*Tier 1*

***A.** Performance Contract between Government and HoldCo*
- *Target 1 - 40% achievement*
- *Target 2 - 90% achievement*
- *Target 3 - 90% achievement*

***B.** Performance Contract between HoldCo and Subsidiary1*
- *Target 1 – 90% achievement*
- *Target 2 – 95% achievement*
- *Target 3 – 100% achievement*

***C.** Performance Contract between HoldCo and Subsidiary2*
- *Target 1 – 20% achievement*
- *Target 2 – 10% achievement*
- *Target 3 – 20% achievement*

***D.** Performance Contract between HoldCo and Subsidiary3*
- *Target 1 – 90% achievement*
- *Target 2 – 90% achievement*
- *Target 3 – 90% achievement*

*Effective achievement;*
*A = 73.33%*
*B = 95%*
*C= 16.66%*
*D= 90%*

*Total Achievement for HoldCo = 0.5 X A + 0.5 X (B+C+D)/3*

*In the above mentioned example, the HoldCo has an overall achievement of 70.27% making it just eligible for Bonus using the 70% minimum threshold criteria.*

Using the same example as mentioned above the payment of differential / variable pay to the employee will be as under:

*Payout towards variable pay / increment =*

*0.25 X A + 0.25 X (B+C+D) + 0.5 X Employee Performance.*

The above payout structure recognizes the fact that the performance of the HoldCo is dependent on the performance of the Subsidiaries, which are further dependent on the performance of the Employees under HoldCo, ultimately cascading down to the performance of each and every employee of HoldCo and the subsidiaries. The rationale for such a structure is to create a balance between encouraging performance at the individual and subsidiary level, while at the same time being mindful of the overall well-being of HoldCo. Thus, the range of payouts to different individuals will differ depending on many factors and it is entirely possible that while some employees may receive higher payouts while other may receive much lower payouts and at times may not even receive any payout all together.

## D.2 SUBSIDIARY PERFORMANCE REWARD

The same three Tier performance measurement as laid in HoldCo Performance Reward is used to determine subsidiary payouts towards Bonus of its employees. The only difference being that while at HoldCo the Subsidiary performance is the average of performance achievement across a group of subsidiaries, at the Subsidiary level it will be the subsidiary itself as an individual entity. Tier 2 will basically consist of only one entity / company.

Similarly for employee performance the measure of including all three tiers must be used as laid down for HoldCo.

Using the same mechanism will ensure uniformity across HoldCo and the Subsidiaries, with a view towards making implementation of the system seamless and hassle free.

As can be established in the Rewards section that on implementation of this Performance Framework it is possible that the range of payouts to different individuals or companies / subsidiaries will differ depending on many factors and it is entirely possible that while some may receive higher payouts, other may receive much lower payouts and at times may not even receive any payout all together. This has been done to introduce effective measures of improvement in the system, establish a balance between rewards for performance, and ensure that poor performance is not rewarded. Such measures need to be introduced to help poor performers improve their functioning and gear up to meet the overall goals of the nation, the sector, HoldCo and the subsidiary itself.

Entities or even employees who have established a pattern of performance that fails to meet the minimum standards of performance expectation and have not been awarded any bonus for 2 cycles in a span of four performance evaluation cycle must be put on special watch and put on a special program to improve their performance which may include strategic interventions at the organization level including organizational design, change management, training and retraining and management development. However, continual poor performance may require serious interventions which could also lead to compulsory retirement or redundancy of certain employees from the company and/or management control or taking over of operations or special programs introduced to counter non performance.

One of the other serious challenges while implementing this Performance Framework is the absence or lack of Baseline information to help set up targets. It will be critical that this Performance Framework is also used to capture relevant data to ensure that a certain baseline is created which will then help achievement targets. Such Baseline information can then be used to set benchmarks which HoldCo and the Subsidiaries can use. It will also enable the system to become transparent and bias free.

## *APPENDIX E: SALARY DATA*

**Level 1: Managing Director/CEO**

| | EGCB | PGCB | DESCO | WZPDCKL | APSCL | PDB | DESA | IPP-1 | IPP-2 |
|---|---|---|---|---|---|---|---|---|---|
| **Basic** | 60,000 | 60,000 | 60,000 | 60,000 | 55,000 | 23000 | 23000 | 125,000 | Expatriate |
| **House Rent** | 25,000 | 25,000 | 27,000 | 20,000 | 13750 | 12500 | 12500 | 40% | |
| **Medical** | Free | Free | upto Tk 2 Lakh/yr | Free | Free | 500 | 500 | | |
| **Conveyance** | FTV | FTV | FTV | FTV | FTV | FTV | FTV | FTV | |
| **Bonus** | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | | |
| **GF** | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | | | One Month Base Salary | |
| **Gr Insurance** | 50 months last basic pay coverage | | 50 months last basic pay coverage | | 50 months last basic pay coverage | | | Actual Medicle for family | |
| **Telephone bill** | Actual | | 1500 local calls/month | 1000 local calls/month | Actual | Actual | Actual | | |
| **Electricity bill** | Actual | | Actual | Actual | Actual | Tk520 | Tk520 | | |
| **Water** | 350 | | | | | | | | |
| **Gas** | Actual | | | | Actual | | | | |
| **Servant & sweeper** | 1000 | | | | | | | | |
| **WA** | | | | | | | | | |
| **Annual increment** | Inflation Rate | 4% on last basic | 4% on last basic | 4% on last basic | 3% on lst basic | | 4 % on last basic | Inflation Rate | |

FTV: Full time Vehicle

**Note: -**

IPP-2 doesn't want to disclose their MD(Expatriate) salary & benefit

CEO: Chief Executive Officer

**Level 2: Director/COO/ Member/Head of Department**

| | EGCB | PGCB | DESCO | WZPDCKL | APSCL | PDB | DESA | IPP-1 | IPP-2 |
|---|---|---|---|---|---|---|---|---|---|
| **Basic** | 50,000 | 50,000 | 50,000 | 50,000 | 45,000 | 22100 | 22100 | 50,000 | 1,00,000 |
| **House Rent** | 25,000 | 25,000 | 22,500 | 20,000 | 11250 | 11050 | 11050 | 40%Basic | 40%Basic |
| **Medical** | Free | Free | upto Tk 2 Lakh/yr | Free | Free | 500 | 500 | At actual | At actual |
| **Conveyance** | FTV | FTV | FTV | FTV | FTV | FTV | FTV | FTV | 20,000 |
| **Bonus** | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | | |
| **GF** | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | | | 1 Base | 1Base |
| **Gr Insurance** | 50 months last basic pay coverage | | | | 50 months last basic pay coverage | | | | |
| **Telephone bill** | Actual | | 1200 local calls/month | 1000 local calls/month | Actual | 800 calls/month | 800 calls/month | | |
| **Electricity bill** | Actual | | Actual | Actual | Actual | Tk520 | Tk520 | | |
| **Water** | 300 | | | | | | | | |
| **Gas** | Actual | | | | Actual | | | | |
| **Servant & sweeper** | 800 | | | | | | | | |
| **WA** | | | | | | | | | |
| **Annual increment** | 4% on last basic | 4% on last basic | 4% on last basic | 4% on last basic | 3% on last basic | | | Inflation Rate | Inflation Rate |

COO: Chief Operating Officer

**Level 3: General Manager/Chief Engineer/ ACE**

| | EGCB | PGCB | DESCO | WZPDCKL | APSCL | PDB | DESA | IPP-1 | IPP-2 |
|---|---|---|---|---|---|---|---|---|---|
| **Basic** | 40,000 | 40,000 | 40,000 | 40,000 | 35,000 | 19300 | 19300 | 50,000 | 80,000 |
| **House Rent** | 18,000 | 18,000 | 20,000 | 14,000 | 8750 | 9650 | 9650 | 40%Basic | 40%Basic |
| **Medical** | Free | Free | upto Tk 1 Lakh/yr | 1000 | Free | 500 | 500 | At actual | At actual |
| **Conveyance** | FTV | FTV | FTV | FTV | FTV | FTV | FTV | FTV | 20,000 |
| **Bonus** | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | | |
| **GF** | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | 1 Month Basic | 1 Month Base |
| **Gr Insurance** | 50 months last basic pay coverage | | 50 months last basic pay coverage | | 50 months last basic pay coverage | | | Actula Family Medicle | Actual Family Medicle |
| **Telephone bill** | 600 calls/month | | 1000 local calls/month | 800 local calls/month | 600 local calls/month | 650 local calls/month | 650 local calls/month | | |
| **Electricity bill** | 300 units/monts | | 550 units/month | Actual | 300 units/month | Tk520 | Tk520 | | |
| **Water** | 250 | | | | | | | | |
| **Gas** | Actual | | | | Actual | | | | |
| **Servant & sweeper** | 600 | | | | | | | | |
| **WA** | | | | | | | | | |
| **Annual increment** | 4% on last basic | 4% on last basic | 4% on last basic | 4% on last basic | 3% on last basic | | | Inflation Rate | Inflation Rate |

ACE: Additional Chief Engineer

**Level 4: Dy. General Manager/ Company Secretary/PD/**

| | EGCB | PGCB | DESCO | WZPDCKL | APSCL | PDB | DESA | IPP-1 | IPP-2 |
|---|---|---|---|---|---|---|---|---|---|
| **Basic** | 35,000 | 35,000 | 35,000 | 35,000 | 30,000 | 19400 | 19400 | 50,000 | 60,000 |
| **House Rent** | 15,750 | 15,750 | 17,500 | 12,250 | 7500 | 9700 | 9700 | 40% Basic | 40%Base |
| **Medical** | Free | Free | upto Tk 75000/yr | 1000 | Free | 500 | 500 | At Actual | At Actual |
| **Conveyance** | FTV | FTV | FTV | FTV | FTV | FTV | FTV | FTV | 20,000 |
| **Bonus** | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 Month Base | 2 months base |
| **GF** | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | | | 1 Month Bas | 1 Month Bas |
| **Gr Insurance** | 50 months last basic pay coverage | | 50 months last basic pay coverage | | 50 months last basic pay coverage | | | | |
| **Telephone bill** | 500 calls/month | | 700 local calls/month | 800 local calls/month | 500 local calls/month | 650 local calls/month | 650 local calls/month | | |
| **Electricity bill** | 250 units/monts | | 500 units/month | Actual | 250 units/month | Tk520 | Tk520 | | |
| **Water** | 250 | | | | | | | | |
| **Gas** | Actual | | | | Actual | | | | |
| **Servant & sweeper** | 600 | | | | | | | | |
| **WA** | | | | | | | | | |
| **Annual increment** | 4% on last basic | 4% on last basic | 4% on last basic | 4% on last basic | 3% on last basic | | | Inflation Rate | Inflation Rate |

PD: Project Director

**Level 5: Manager/ Dy. Secretar/EE**

| | EGCB | PGCB | DESCO | WZPDCKL | APSCL | PDB | DESA |
|---|---|---|---|---|---|---|---|
| **Basic** | 28,000 | 28,000 | 28,000 | 28,000 | 26,000 | 19250 | 19250 |
| **House Rent** | 12,600 | 12600 | 14,000 | 9,800 | 6500 | 9625 | 9625 |
| **Medical** | 1000 | 1000 | upto Tk 50000/yr | 1000 | 800 | 500 | 500 |
| **Conveyance** | Lifting | Lifting | Lift | Lifting | Lifting | FTV | FTV |
| **Bonus** | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year |
| **GF** | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service |
| **Gr Insurance** | 50 months last basic pay coverage | | 50 months last basic pay coverage | | 50 months last basic pay coverage | | |
| **Telephone bill** | 300 calls/month | | 400 local calls/month | 500 local calls/month | 300 local calls/month | 550 local calls/month | 550 local calls/month |
| **Electricity bill** | 175 units/monts | | 500 units/month | Actual | 200 units/month | Tk520 | Tk520 |
| **Water** | | | | | | | |
| **Gas** | | | | | Actual | | |
| **Servant & sweeper** | | | | | | | |
| **WA** | | | | | | | |
| **Annual increment** | 4% on last basic | 4% on last basic | 4% on last basic | 4% on last basic | 3% on last basic | | |

EE: Executive Engineer

**Level 6: Dy. Manager Sr. Asst. Secretary/ sub divisional Eng/ DD**

| | EGCB | PGCB | DESCO | WZPDCKL | APSCL | PDB | DESA |
|---|---|---|---|---|---|---|---|
| **Basic** | 22,000 | 22,000 | 22,000 | 22,000 | 22,000 | 16000 | 16000 |
| **House Rent** | 9,900 | 9900 | 11,000 | 7,700 | 5500 | 8000 | 8000 |
| **Medical** | 1000 | 1000 | upto Tk 35000/yr | 1000 | 800 | 500 | 500 |
| **Conveyance** | 1000 | Lifting | Lift | 1000 | Lifting | FTV | FTV |
| **Bonus** | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year |
| **GF** | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | | |
| **Gr Insurance** | 50 months last basic pay coverage | | 50 months last basic pay coverage | | 50 months last basic pay coverage | | |
| **Telephone bill** | | | | | | 550 local calls/month | 550 local calls/month |
| **Electricity bill** | | | 350 units/month | | 200 units/month | Tk520 | Tk520 |
| **Water** | | | | | | | |
| **Gas** | | | | | Actual | | |
| **Servant & sweeper** | | | | | | | |
| **WA** | | | | | | | |
| **Annual increment** | 4% on last basic | 4% on last basic | 4% on last basic | 4% on last basic | 3% on last basic | | |

**Level 7: Asstt. Manager/ Asstt. Secretary (Gr-1) Selection Grade/Sr Ast.AD/ Sr. Ast Eng./ Sr Medical Officer**

| | EGCB | PGCB | DESCO | WZPDCKL | APSCL | PDB | DESA |
|---|---|---|---|---|---|---|---|
| **Basic** | 18,000 | 18,000 | 18,000 | 18,000 | 18,000 | 15000 | |
| **House Rent** | 8,100 | 8100 | 9,000 | 6,300 | 4500 | 7500 | |
| **Medical** | 1000 | 1000 | upto Tk 30000/yr | 1000 | 800 | 500 | 500 |
| **Conveyance** | 1000 | 1000 | Lift | 1000 | Lifting | | |
| **Bonus** | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year |
| **GF** | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | | |
| **Gr Insurance** | 50 months last basic pay coverage | | 50 months last basic pay coverage | | 50 months last basic pay coverage | | |
| **Telephone bill** | | | | | | 550 local calls/month | 550 local calls/month |
| **Electricity bill** | | | 250 units/month | | 200 units/month | Tk520 | Tk520 |
| **Water** | | | | | | | |
| **Gas** | | | | | Actual | | |
| **Servant & sweeper** | | | | | | | |
| **WA** | | | | | | | |
| **Annual increment** | 4% on last basic | 4% on last basic | 4% on last basic | 4% on last basic | 3% on last basic | | |

**Level 8: Asstt. Manager/ Asstt. Secretary/Asst Eng/ Asst Director**

| | EGCB | PGCB | DESCO | WZPDCKL | APSCL | PDB | DESA |
|---|---|---|---|---|---|---|---|
| **Basic** | 16,000 | 16,000 | 13,000 | 16,000 | 14,000 | 10360 | 10360 |
| **House Rent** | 7200 | 7200 | 6,500 | 5,600 | 3500 | 5700 | 5700 |
| **Medical** | 1000 | 1000 | 1000 | 1000 | 800 | 500 | 500 |
| **Conveyance** | 1000 | 1000 | 1300 | 1000 | Lifting | | |
| **Bonus** | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year |
| **GF** | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | | |
| **Gr Insurance** | 50 months last basic pay coverage | | | | 50 months last basic pay coverage | | |
| **Telephone bill** | | | | | | 450 local calls/month | 450 local calls/month |
| **Electricity bill** | | | 200 units/month | | 200 units/month | Tk520 | Tk520 |
| **Water** | | | | | | | |
| **Gas** | | | | | Actual | | |
| **Servant & sweeper** | | | | | | | |
| **WA** | | | | | | | |
| **Annual increment** | 4% on last basic | 4% on last basic | 4% on last basic | 4% on last basic | 3% on last basic | | |

**Level 9: Jr. Asst. Manager (Gr-2) Selection Grade/ Officer/SAE/ Asstt. Teacher/Staff Level-1, Security Officer/Revenue Officer/Estate Officer/Personal Officer/Libran/Admn.Officer/ Officer Legal Affairs/ Sr. Store keeper/ Sr. Inspector**

| | EGCB | PGCB | DESCO | WZPDCKL | APSCL | PDB | DESA |
|---|---|---|---|---|---|---|---|
| Basic | 13,000 | 13,000 | 11,000 | 12,000 | 14,000 | 10360 | 10360 |
| House Rent | 5850 | 5850 | 5,500 | 4,200 | 3500 | 5700 | 5700 |
| Medical | 1000 | 1000 | 1000 | 1000 | 800 | 500 | 500 |
| Conveyance | 1000 | 1000 | 1100 | 1000 | Lifting | | |
| Bonus | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year |
| GF | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | | |
| Gr Insurance | 50 months last basic pay coverage | | 50 months last basic pay coverage | | 50 months last basic pay coverage | | |
| Telephone bill | | | | | | 450 local calls/month | 450 local calls/month |
| Electricity bill | | | 200 units/month | | 200 units/month | Tk520 | Tk520 |
| Water | | | | | | | |
| Gas | | | | | Actual | | |
| Servant & sweeper | | | | | | | |
| WA | | | | | | | |
| Annual increment | 4% on last basic | 4% on last basic | 4% on last basic | 4% on last basic | 3% on last basic | | |

SAE: Sub Assistant Engineer

Level 10: Jr. Asst. Manager (gr-2) & Head Master /Inspector/Supervisor/Meter Tester/Meter Repairer/Foreman/Accounts/Auditor/Store keeper//Staff Level-2

| | **EGCB** | **PGCB** | **DESCO** | **WZPDCKL** | **APSCL** | **PDB** | **DESA** |
|---|---|---|---|---|---|---|---|
| Basic | 11,000 | 11,000 | 9,500 | 10,000 | 10,000 | 8060 | 8060 |
| House Rent | 4950 | 4950 | 4,750 | 3,500 | 2500 | 4433 | 4433 |
| Medical | 1000 | 1000 | 1000 | 1000 | 800 | 500 | 500 |
| Conveyance | 1000 | 1000 | 950 | 8000 | | | |
| Bonus | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year |
| GF | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | | |
| Gr Insurance | 50 months last basic pay coverage | | 50 months last basic pay coverage | | 50 months last basic pay coverage | | |
| Telephone bill | | | | | | | |
| Electricity bill | | | 200 units/month | | 200 units/month | Tk520 | Tk520 |
| Water | | | | | | | |
| Gas | | | | | | | |
| Servant & sweeper | | | | | | | |
| WA | | | | | | | |
| Annual increment | 4% on last basic | 4% on last basic | 4% on last basic | 4% on last basic | 3% on last basic | | |

Level 11: Foreman/ Off. Asst. Personal Sec./Store Asst/Accts. Asst/Drafts Man/Security Inspector/Imam/ Ast teacher-1& Asst. Head Master / Junior Inspector/ Computer Operator/ Personal Assistant/ Assistant Store keeper/ Asst. Foreman/ Security Inspector/ Asst. Libran/ Revenue Coordinator /Staff Level-3

| | EGCB | PGCB | DESCO | WZPDCKL | APSCL | PDB | DESA |
|---|---|---|---|---|---|---|---|
| Basic | 9500 | 9,500 | 8,500 | 9,500 | 9,000 | 7500 | 7500 |
| House Rent | 4275 | 4275 | 4,250 | 3,325 | 2250 | 4125 | 4125 |
| Medical | 1000 | 1000 | 1000 | 1000 | 800 | 500 | 500 |
| Conveyance | 800 | 800 | 850 | 800 | | 100 | 100 |
| Bonus | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year |
| GF | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | | |
| Gr Insurance | 50 months last basic pay coverage | | 50 months last basic pay coverage | | 50 months last basic pay coverage | | |
| Telephone bill | | | | | | | |
| Electricity bill | | | 175 units/month | | 200 units/month | Tk520 | Tk520 |
| Water | | | | | | | |
| Gas | | | | | | | |
| Servant & sweeper | | | | | | | |
| WA | | | | | | | |
| Annual increment | 4% on last basic | 4% on last basic | 4% on last basic | 4% on last basic | 3% on last basic | | |

Level 12: Foreman/ Off. Asst. Personal Sec./Store Asst/Accts. Asst/Drafts Man/Security Inspector/Imam-(All Grade-3&4) & Asst. Teacher-2&3/ Data Entry Operator/ Telephone Operator/ Lineman/Cashier/ Complain Attendant/ Asst. Meter

| | EGCB | PGCB | DESCO | WZPDCKL | APSCL | PDB | DESA |
|---|---|---|---|---|---|---|---|
| Basic | 8500 | 8,500 | 7,000 | 8,500 | 7,000 | 6380 | 6380 |
| House Rent | 3825 | 3825 | 3,500 | 2,975 | 1750 | 3600 | 3600 |
| Medical | 1000 | 1000 | 1000 | 1000 | 800 | 500 | 500 |
| Conveyance | 800 | 800 | 700 | 800 | | 100 | 100 |
| Bonus | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year |
| GF | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | | |
| Gr Insurance | 50 months last basic pay coverage | | 50 months last basic pay coverage | | 50 months last basic pay coverage | | |
| Telephone bill | | | | | | | |
| Electricity bill | | | 175 units/month | | 200 units/month | Tk520 | Tk520 |
| Water | | | | | | | |
| Gas | | | | | | | |
| Servant & sweeper | | | | | | | |
| WA | | | | | | | |
| Annual increment | 4% on last basic | 4% on last basic | 4% on last basic | 4% on last basic | 3% on last basic | | |

**Level 13: Lineman/Electrician/Fitter/Driver/Pump opt/Engine Driver/Lunch Driver/Speed Boat Driver/Sukani/SB Attendant/TD Attendant/Auxiliary Attendant/Jr. Teacher / Electrician/ Asstt. Lineman/ Fork Lift Operator/ Receptionist /Staff Level-5**

| | EGCB | PGCB | DESCO | WZPDCKL | APSCL | PDB | DESA | IPP-1 | IPP-2 |
|---|---|---|---|---|---|---|---|---|---|
| Basic | 7000 | 7,000 | 6,000 | 7,500 | 5,000 | 4590 | 4590 | 5,000 | 20,000 |
| House Rent | 3150 | 3150 | 3,000 | 2,625 | 1250 | 2970 | 2970 | 40%Basic | 40%Basic |
| Medical | 1000 | 1000 | 1000 | 1000 | 800 | 500 | 500 | At actual | At actual |
| Conveyance | 800 | 800 | 600 | 800 | | 100 | 100 | | |
| Bonus | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | | |
| GF | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | | | 1 Base | 1Base |
| Gr Insurance | 50 months last basic pay coverage | | 50 months last basic pay coverage | | 50 months last basic pay coverage | | | | |
| Telephone bill | | | | | | | | | |
| Electricity bill | | | 175 units/month | | 200 units/month | Tk520 | Tk520 | | |
| Water | | | | | | | | | |
| Gas | | | | | | | | | |
| Servant & sweeper | | | | | | | | | |
| WA | | | | | | | | | |
| Annual increment | 4% on last basic | 4% on last basic | 4% on last basic | 4% on last basic | 3% on last basic | | | | |

Level 14: Lineman/Electrician/Fitter/Driver/Pump opt/Engine Driver/Lunch Driver/Speed Boat Driver/Sukani/SB Attendant/TD Attendant/Auxiliary Attendant(All Grade- 3&4) / Driver/ Meter Reader

| | **EGCB** | **PGCB** | **DESCO** | **WZPDCKL** | **APSCL** | PDB | DESA |
|---|---|---|---|---|---|---|---|
| Basic | 6000 | 6,000 | 4,800 | 6,500 | | | |
| House Rent | 2700 | 2700 | 2,400 | 2,275 | | | |
| Medical | 1000 | 1000 | 1000 | 1000 | | | |
| Conveyance | 800 | 800 | 480 | 800 | | | |
| Bonus | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | | | |
| GF | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | | | |
| Gr Insurance | 50 months last basic pay coverage | | 50 months last basic pay coverage | | | | |
| Telephone bill | | | | | | | |
| Electricity bill | | | 175 units/month | | | | |
| Water | | | | | | | |
| Gas | | | | | | | |
| Servant & sweeper | | | | | | | |
| WA | | | | | | | |
| Annual increment | 4% on last basic | 4% on last basic | 4% on last basic | 4% on last basic | | | |

Level 15: Tech attendant/cook/Messenger/Security Guard & Office Attendant / Peon/ Messenger/ Security Guard/ Helper/ Cleaner/ Bill Server/ Cook-cum-Caretaker/ Lift Operator

| | **EGCB** | **PGCB** | **DESCO** | **WZPDCKL** | **APSCL** | PDB | DESA |
|---|---|---|---|---|---|---|---|
| Basic | 5000 | 5,000 | 3,000 | 5,500 | | | |
| House Rent | 2250 | 2250 | 1,000 | 1,925 | | | |
| Medical | 1000 | 1000 | 1000 | 1000 | | | |
| Conveyance | 800 | 800 | 300 | 800 | | | |
| Bonus | 2 months basic /year | 2 months basic /year | 2 months basic /year | 2 months basic /year | | | |
| GF | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | Two months ' last basic pay for every year of service | | | |
| Gr Insurance | 50 months last basic pay coverage | | | | | | |
| Telephone bill | | | | | | | |
| Electricity bill | | | 175 units/month | | | | |
| Water | | | | | | | |
| Gas | | | | | | | |
| Servant & sweeper | | | | | | | |
| WA | | | | | | | |
| Annual increment | 4% on last basic | 4% on last basic | 4% on last basic | 4% on last basic | | | |

## *APPENDIX F: PROPOSED SALARY STRUCTURE*

The table on the following page presents the proposed salary structure. This has been based on the following considerations and assumptions.

- The salaries indicated represent only the direct components of salaries.

- Benefits that run common across the organization are mentioned separately within the Human Resource / Service Manual. These include Group insurance, telephone entitlements, electricity, water and Gas charges.

- Medical expenses are also kept separate from these components. It is proposed HoldCo should take Group Employees Medical Insurance for the individual employees and their dependents to cover the associated risk. Such insurance would greatly reduce the overall cost burden on the HoldCo on account of medical expenses.

- House rent allowance (HRA) is assumed at 40% of Basic Pay as the HoldCo will be located in Dhaka city

- Conveyance has been given as a fixed amount so that HoldCo does not purchase vehicles, as this would mean additional recurring expenditure on maintenance and also would require hiring drivers. Where permitted the HoldCo employees hire vehicles subject to overall limits.

- Provision for Provident Fund has been made at the rate of 20% of Basic (10% employee contribution and 10% company contribution). The figures mentioned above are the company's contribution towards Provident Fund. This Fund can be either set up privately as a trust or can be given to professional fund managers. This will provide long term security post retirement / superannuation. Withdrawal benefits should be based on a return of all employee and HoldCo contributions to the account of the employee, including interest at the rate earned by the fund on all the contributions to the account of the employee.

- Bonus and Increment are not part of the salary component and will be variable based on achievement against performance targets. Currently in most power sector entities that have been corporatized all staff receive a fixed increment (usually 4% of Basic) which does not distinguish between performers and non-performers and is no way linked to cost of living indices. It is recommended that all Bonus and Increments must be guided by the Performance Management Framework and the Employee Performance Management System.

- Adjustments for inflation and increase in cost of living, if required, must be applied across the board in all salary ranges and not to individuals. However, payments to compensate for cost of living should be at a realistic level to properly compensate for inflation and should not be a mean of compensating for non performance.

- Salary ranges are linked to jobs and grades and should be identified and communicated.

- Where performance has been below an average level of competence as determined by the Performance Management process, no salary increase should be awarded. There should not be a reduction in salary level.

**Proposed Salary Structure**

| Grade | Level / Designation | Basic | HRA | Conveyance | Gratuity | PF (Co Cont) | Total |
|---|---|---|---|---|---|---|---|
| A | CEO | 110000 | 44000 | 20000 | 18333 | 11000 | 203333 |
| A1 | Vice President | 85000 | 34000 | 15000 | 14167 | 8500 | 156667 |
| A2 | General Manager | 70000 | 28000 | 10000 | 11667 | 7000 | 126667 |
| B1 | Senior Manager | 55000 | 22000 | 7500 | 9167 | 5500 | 99167 |
| B2 | Manager | 35000 | 14000 | 7500 | 5833 | 3500 | 65833 |
| B3 | Deputy Manager | 20000 | 8000 | 5000 | 3333 | 2000 | 38333 |
| C1 | Assistant Manager | 15000 | 6000 | 5000 | 2500 | 1500 | 30000 |
| C2 | Senior Supervisor | 10000 | 4000 | 2500 | 1667 | 1000 | 19167 |
| C3 | Supervisor | 8500 | 3400 | 1500 | 1417 | 850 | 15667 |
| TC A | Senior Technician | 7000 | 2800 | 1500 | 1167 | 700 | 13167 |
| TC B | Technician | 6000 | 2400 | 1500 | 1000 | 600 | 11500 |
| GC - A | Senior Assitant / Accountant | 8500 | 3400 | 1500 | 1417 | 850 | 15667 |
| GC - B | Assistant / Junior Accountant | 7000 | 2800 | 1500 | 1167 | 700 | 13167 |
| GC - C | Office Assistants | 6000 | 2400 | 1500 | 1000 | 600 | 11500 |

.

## *APPENDIX G:LETTER OF APPOINTMENT*

<<Date>>

To,

<<Name>>

<<Address>>

Subject: Appointment Order

Dear <<Name>>,

This has reference to your application and subsequent interview(s) you had with us, we are pleased to appoint you and formalize your employment with HoldCo, on the following terms and conditions:

1. Date of employment: This employment will commence from the date of your joining i.e. <<Specify Date of Joining>>.

2. Probation: You shall be on probation for a period of one year from the date of your joining. Your service will be confirmed in writing on successful completion of your probation period.

3. Grade: <<Specify Grade>>

4. Designation: <<Specify Designation>>

5. Basic Pay: Your Basic pay in the corporation has been set at Tk. XXXX (Tk. <<Amount in words>> only). However, your compensation may be subject to change as per directives of the Board of HoldCo. Your compensation (and other benefits, if any) shall be subject to deduction at source of all government and other taxes and contributions etc., required to be made under applicable laws of the land.

6. Other Emoluments: In addition to your Basic pay you shall be entitled for the following payments / benefits. Such payments / benefits shall be subject to deduction at source of all government and other taxes and contribution etc., required to be made under applicable laws of the land.
   a. House rent allowance (HRA) :
   b. Conveyance Allowance :
   c. PF (Company's Contribution) :
   d. Gratuity :

7. Increment: Your annual increment in salary shall be based strictly on your performance and shall be as per criteria laid down in HoldCo Human Resources Manual.

8. Place of posting:
   a. At present you shall report to the Human Resource Cell located at our Head office in Dhaka. However, you are liable to and subject to being transferred to any part of the country as decided by the management in the interest of the corporation.
   b. The management may place/assign/transfer you temporarily or permanently in any unit/department/location of the Corporation in Bangladesh, as it may consider necessary at its discretion.

9. Conduct and Discipline:

a. You shall maintain high standards of conduct and discipline and adhere to the rules, regulations, policies, practices etc., of the corporation, which shall govern your employment with the corporation. This will include adherence to office timings, use of appropriate attire and following proper norms of behavior in dealing with (fellow) employees, clients, business associates/partners, vendors and suppliers of the corporation.
b. You shall discharge your duties and responsibilities diligently and faithfully to the best of your abilities.

10. General Rules:
    a. You shall intimate the corporation in writing of any change in your residential address, within a week of the change of the same, failing which any communication sent to you by the corporation at the last address on the corporation's records as furnished by you, shall be treated/deemed to have been served upon you.
    b. You are advised to keep the corporation informed of your current (and changed) marital status and furnish relevant information about your spouse, children, dependent parents, etc., so that they could be covered under any statutory or corporation scheme or benefit (as may exist from time to time) that may be applicable to them. Unless requisite information is communicated to the corporation in writing, they would not be eligible to receive/enjoy the concerned benefit.
    c. You shall also be governed by provisions relating to Provident Fund and Gratuity as laid down in the HoldCo Human Resources Manual.

Please sign a copy of this letter and return the same to us as a token of your acceptance of the terms and conditions of your employment with the corporation.

We wish you a long and rewarding career with HoldCo Limited and hope you will continue to strive for excellence in your work.

Yours faithfully,

For HoldCo Limited

<<Name>>

<<Designation of Appointing Authority>>

# 1. INTRODUCTION

## 1.1 Background

The Government of Bangladesh has initiated the project entitled Corporatization of Bangladesh Power Development Board, with technical assistance from the Asian Development Bank under ADB TA 4626-BAN. PA Consulting Group in association with the HB Consultants Ltd. was engaged in March 2006 as TA Consultant to provide services in the process of corporatization of the Bangladesh Power Development Board (BPDB) as a holding company.

A communication plan was required to encourage the participation of the stakeholders in the project and to ensure that it proceeds as planned and achieves its development objectives. Consequently, as an additional input to the project, a Communication Expert was asked to formulate a strategy for launching the activities of communication program on the implementation of BPDB corporatization process. The present report has tried to present a draft outline of communication strategy (CS) to guide towards designing of an information and communication plan for supporting the establishment of BPDB as holding company.

There is no common prescription to set a communication strategy applicable for the different environments over the whole life of the project. This outline therefore has been presented to serve the project with the provision of changes and refinements to make the CS situation-specific.

## 1.2 Terms of Reference

The Terms of Reference relating to the communication program for BPDB corporatization program stress that :

- The project should establish an effective line of communication with all key stakeholders to facilitate information flow.

- The project should focus on stakeholder views and perceptions on the BPDB coporatization program. Therefore the TOR envisage that the project should take account of applying a participatory approach in its working procedure by involving of the key stakeholders, and thereby to build consensus to achieve project development objectives, and then leading to successful entering into the phase of establishing the BPDB as a corporation.

Thus the scope of works defined in the Terms of reference for the Communication Expert included:

- Review of all available documents relevant to the development of a communication plan for the project.

- Communication with key stakeholders - personnel of BPDB and other GOB agencies, development partners, beneficiaries, with special emphasis on linking with the representatives of BPDB unions and associations.

- Development of participatory approaches to the process of corporatization program, including study of measures for greater involvement of the stakeholders in establishing the planning process.

- Formulation of a communication plan to support the activities of achieving the project development objectives.

### 1.3 Initial Meeting with BPDB Personnel

The assignment started with an initial meeting with Mr. Md. Delwar Hossain, General Manager, Commercial Operation, BPDB(the then Project Director of BPDB Corporatization) and Mr. A.K. Mahmud, Deputy Director (Executive Engineer), Directorate of System Planning, BPDB, where the initial working strategy and project expectations were discussed. The Communication Expert also had the privilege to discuss with the Team Leader Mr. Mike Crosetti, the Human Resources Expert Mr. Ashit Ranjan, as well as Mr. ANM Rizwan of the Asian Development Bank on various communication related aspects.

## 2. COMMUNICATION STRATEGY

### 2.1 Rationale and Objectives

The BPDB is a large organization with around 1600 employees at its Head Office combining officers and staff of different categories. Corporatization of such a large organization may be an unwelcome development intervention in absence of an efficient communication strategy. This situation may even be faced with organized protest and opposition to the project development. Smooth implementation of corporatization tasks largely hinges on understanding, acceptance and participation of relevant stakeholder groups. Thus it is importance that a communication strategy, equipped with information and consultation mechanism, paying greater attention to the application of participatory approach to the active involvement of the stakeholders from the outset, should be considered as of paramount importance.

The rationale for this emphasis on a participatory approach is that it is an important mechanism for:

- creating stakeholders awareness and understanding on the project benefits and impacts, and encourage the active participation of the stakeholders in the project;

- hearing the voice and reactions of the stakeholders in the development process;

- building a fair understanding of the project with considerable consensus on its objectives;

Communication activities however will play a supporting role to strengthen the project in achieving its objectives

### 2.2 Identification of Stakeholders

As noted above, BPDB is a huge organization with a large number of employees. They are key stakeholders of BPDB and are represented by a number of associations including trade unions and CBA. These associations greatly influence the mind and thinking of employees, particularly with regard to restructuring and major changes in the organization structure and approach. As part of designing the communication approach it is necessary to take a serious look at various classes and groups of employees of BPDB. Within the two broad divisions of employees, i.e., officers and staff, there are classes on the basis of nature of work, pay and position. Communication approach therefore should take account of the varying line of interest and concerns, views and perceptions, needs and preferences, as well as problems and suggestions. Information about employee categories/groups should be taken care to design differentiated message and communication format as well as identify the channels and modalities. There have been different categories of employees in BPDB including :

i. Technical

ii. Non-Technical

iii. Graduate Engineers

VI. Diploma Engineers

V. Class 3 and Class 4 employees

It is however proposed that the project, to the extent possible, should put on record the views, perception and current understanding of the following key stakeholders :

i. The Minister, Ministry of Power, Energy and Mineral Resources (MPEMR).

ii. The Secretary, MPEMR.

iii. The Additional/Joint Secretary in charge of the Power Cell of the MPEMR.

iv. The Chairman and Members of BPDB.

v. Other concerned Officers in the MPEMR.

vi. The Chairmen and Directors whose services are placed at the disposal of any of the subsidiaries of BPDB by the BPDB itself or by the Ministry.

vii. The key officers and employees of DESA, DESCO, DPDCL, The Ashuganj Power Station Company Ltd (APSC), IPPs. Power Grid Co. of Bangladesh (PGCB), WZPDC, South Zone PDC and the like.

viii. Office bearers of the Association of Officers of BPDB.

ix. The Representatives of Development Partners like, The World Bank, Asian Development Bank or the Consultants appointed by them.

x. The Representatives of Consumers like Consumers' Association of Bangladesh (CAB), and end-users' association, if any (e.g. industrial associations).

xi. Independent Power Producers (IPPs).

xii. The Trade Unions or CBAs in BPDB or in any of its subsidiaries

### 2.3 Communication with Stakeholders and Techniques

A critical element in planning a communication program is the selection of techniques to meet desired objectives. Given the fact that BPDB is a huge state of employees with varying levels, careful consideration should be given to undertake consultation with the primary stakeholders to share information and to seek inputs. It is recommended that tailoring of communication program should take the following important factors into account :

- The level of stakeholders to be reached.
- Particular issues to be addressed.
- Available time and budget.

Once the stakeholders have been identified, the prime task would then be to communicate with the stakeholders for consultation. Before entering into this consultation process, prior information dissemination among the stakeholders with regard to the project concept should take place from the outset, both directly and via all associations, in order for effective consultation on concerned issues. As a result:

- The stakeholder will be able to share their views and understanding on the program in a better way, and which will be very useful input for the project to address their concerns regarding and hopes for the program. It is however important to emphasize that, along with the approach of reaching the general employees, careful attention should be paid to the planning and implementation of communication program with the leaders of different associations with particular importance to convince the employee leaders that they have a responsible and vital role to play. This will likely :
- help to address the challenge of traditional wrangling and thereby bridge the gaps that exist between the stakeholders interest and the project expectations, and above all, provide a better basis for changing the attitudes and behavior of the stakeholders.

Besides, one further proposed mechanism to establish close relationship with the stakeholders easily and thereby to achieve smooth implementation of the project is the formation of Consultative Committee comprising representatives of BPDB key stakeholders and the Communication Expert. The Committee which would meet regularly, have a number of purposes :

- To ensure that employees are fully informed about the project objectives, purpose and inputs. Major emphasis should always be given on the
- To ensure that employee management, level of transparency, and employee incentives in terms of salary and other facilities are appropriate.

According to the specific situation and purpose, delivery way of communication activities for BPDB corporatization program may be promoted through :

- Stakeholder-based
- Mass Media

- Other Media and Materials

Stakeholder-based communications are proposed to be tailored with a mix of:

- Workshop, Seminar and Consultation Meetings involving a wide range of stakeholders as techniques of information dissemination and information sharing to make them aware about the project and gain support for the project. The facilitators/speakers should establish two-way communication, and the participating stakeholders should be encouraged to voice their views and perceptions, needs and preferences, problems and suggestions. Standing on the line of Stakeholders demand, major emphasis should be attached :
    - to understand the employees concern;
    - to obtain the employees suggestions on the various steps and policies being contemplated by the Government / BPDB; and
    - to apprise the employees of the proposed actions for successful corporatization and fictionalization of BPDB.
- Focus Group Discussion with different levels of stakeholders to discuss on definite concerns, views, needs and priorities. This exercise will create an environment for the individual members of the group to understand where each member stands responding to the discussed issue. This in turn will extend the opportunity for exchanging opinions and promote tolerance and understanding, and thereby reaching a fruitful consensus. Discussion procedure should be informal and flexible.

A clear presentation of the project development objectives backed by distribution of well designed handouts, leaflets, posters etc. in Bengali language should be in place. The handouts should clearly describe about the management of stakeholders' interests under this shift from the existing environment to a holding company. Specifically :

- Description should include what is corporatization including relevance of holding company;
- Why corporatization needs to occur and how long the process will take; and
- What general and what specific improvement will take place to benefit the individual stakeholders as well as the stakeholder groups.

More importantly, participatory approach should be adopted :

- To engender a consensus on project design, and build support for the development aspects of the project. In doing so, careful consideration should be attached to :
    - conduct participatory consultation with the policy-level stakeholders, comprising senior personnel of BPDB and the representatives of BPDB unions and associations;
    - develop close working relationship with BPDB staff and more importantly with representatives of BPDB unions and associations having the opportunity to discuss and exchange of ideas on the project design.

Special emphasis should be given on the above approaches, and it must be kept in mind in this phase of planning communication activities that the employees are the key stakeholder of BPDB and are represented by a number of associations. Such representation varies widely which includes trade unions, CBA and associations and greatly influence the mind and thinking of employees, particularly with regard to restructuring and major changes in the organization structure and approach. The prime need would be to convey the messages in a positive and effective manner to all the employees, both directly and via all associations. For the direct approach aiming to reach out to the general employees, a very structured general communication campaign will mean a major groundbreaking. But communications with leaders of different associations will need to be carefully planned and implemented well in advance of any general communication campaign. Employee leaders must be convinced that they have a responsible and vital role to play.

Mass Media based communication can serve to promote the BPDB corporatization program in general and make its objectives widely known. This component may include one or more of the following medias :

* Television
* Radio
* Newspapers
* Billboards

The above technologies can stand as effective channels in creating stakeholders awareness and attention towards establishing BPDB as a holding company. Message of the advantages of corporatization program can be repeatedly communicated to influence and mobilize the stakeholders.

Other Media and Materials can be used for in in-depth presentation of issues and technical information such as :

* Publications and Loose Leaflets
* Bulletin Boards
* Demonstration of Successful Operation (international and national cases)

These aforementioned media and materials can work effectively as per design of the communication plan, but responding to developments and evolutions during the course of communication works. It is important here to mention that BPDB has a Public Relation Directorate which would be very useful in streamlining an effective employee communication program. Communication program can be effectively launched in coordination with this Directorate.

## 4. Time Schedule

Communication activities should be central to the process of BPDB corporatization program and should continue throughout the project cycle until its development objectives are achieved.

## 5. Manpower and Resources

From initial understanding, the following manpower strength are proposed to carry out communication activities for BPDB corporatization program :

| | |
|---|---|
| * Communication Specialist | 1 |
| * Communication Coordinator | 2 |
| * Assistant-cum-Computer Operator | 1 |