Delegation of Powers to Board of Directors of PSEs to incur capital expenditure.

Reference is invited to the Department of Public Enterprises O.M. of even number dated 6th May, 97 delegating powers to the Boards of the public enterprises to incur capital expenditure without prior approval of the Govt. A copy of the O.M. is enclosed for ready reference.

The guidelines provided inter-alia that the public sector enterprises can exercise the enhanced financial powers subject to the proviso that the required funds are found from the internal resources of the company. References have been received from different quarters seeking clarification on whether the ‘internal resources’ of the company would include borrowings from the markets, like debts, bonds, ECB or through any other instrument without any assistance from Govt. On this point it is now clarified that the enhanced delegation may be applicable in respect of projects for which no budgetary support is envisaged, i.e. projects funded 100% from IEBR. The term IEBR (Internal and Extra Budgetary Resources) for this purpose would include extra budgetary resources such as bonds, ECB and other similar mobilization made on their own internal strength by the PSUs but excluding Govt. guaranteed borrowings.

The administrative Ministries/Departments are requested to suitably advise the public enterprises under their administrative control. This is issued in consultation with the Ministry of Finance.

(DPE O.M. No. DPE/16/22/90-Fin.G-I dated 8th October, 1998)