

According to the existing procedure, proposals for appointments to the posts of Chief Executives/Functional Directors in public sector enterprises, on the basis of the recommendations of the Public Enterprises Selection Board, are submitted to the Appointments Committee of the Cabinet, for its consideration, as per the provisions contained in the Government of India (Transactions of Business) Rules, 1961, as amended, from time to time. Similarly, proposals, emanating from the Ministries/Departments for further extension of the tenure, based on a performance appraisal during the tenure approved by the Appointments Committee of the Cabinet, are also submitted to the Committee. So far, cases wherein the Ministries decide not to seek further extension of the term of appointment of a Chief Executive/Functional Director beyond the term of appointment approved by the Committee were not referred to the Committee for a decision.

2. It has come to the notice of the Prime Minister, in a recent case, that the term of a competent Chief Executive of a Public Sector Enterprise was not extended by the Administrative Ministry. The matter also did not come up before the Appointments Committee of the Cabinet, as only extension of the term of appointment is presently being submitted to the Committee.

3. In order to ensure that the cases of competent executives are not disposed off by the Administrative Ministries at the end of their term without further consultation either with the PESB or ACC, it has been decided that in future, in cases where the term of Chief Executive/Director is not proposed to be extended beyond the term already approved by the ACC (except on superannuation of the officer), the Administrative Ministries/Departments should carry out, in consultation with the PESB, an appraisal of the past performance of the Chief Executive/Director four months in advance of the end of his term. After such appraisal, these cases would fall broadly into the following three categories:

(i) Cases in which on the basis of the positive appraisal, the Administrative Ministry and PESB decide to seek extension of his term and send a proposal to E.O. for approval of ACC;

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(ii) Cases in which a change in the incumbency of Chief Executive/Director is considered necessary on account of:

(a) the dismal performance of the Chief Executive/Director as well as of the Company necessitating a change in the leadership. In such cases, the Administrative Ministry after consulting PESB will come to ACC through E.O. for appointment of the new Chief Executive/Director.

(b) Cases in which the performance of the Chief Executive/Director is considered satisfactory/positive, but due to certain other reasons, the Administrative Ministry and/or PESB desires to have a change. In all such cases, the Administrative Ministry would first consult the ACC invariably before terminating the appointment.

Such cases, which were not being referred to ACC hitherto by the Administrative Ministries, will now require the approval of the ACC before termination of appointment as per directions of the Prime Minister.

Yours sincerely,


(E.C. Deshmukh)

Secretary to the Government of India