Appendix D

The format of MOU at the Central Level Public Undertakings in India

The format of MOU adopted at the Central Level Public Sector Undertakings in India consists of four sections. Section I contains the missions and objectives of the public enterprise in quantitative and qualitative terms agreed between both the parties i.e. ministry and the public enterprise. Section II lists the obligations of public enterprise in terms of targets grouped in two categories: (a) "Static Operational Efficiency Factor's such as financial, physical and others and (b) "Dynamic Factors' such as Research and Development, customers service, marketing efforts, corporate planning, etc. In Section III, the assistance expected by the public sector undertakings from the government is mentioned in the form of additional powers and finances to be delegated. In Section IV, the performance evaluation criteria along with the weights to each activity is presented. Further, instead of one criterion values, various criterion values or ranges that distinguish various levels of performance is mentioned. Finally, it contains productivity linked incentive scheme. In order to formulate, implement and review the MOU system, an institutional structure has been created. At the top, there
is a high powered committee which is assisted by the inter ministry standing committee, adhoc-task force and MOU monitoring cell.

The High Powered Committee (HPC), at present consists of Cabinet Secretary as Chairman, Finance Secretary. Secretary Expenditure, Secretary Planning Commission, Secretary Programme Implementation, Chairman, Bureau of Industrial Costs and Prices, Sh. Rama Swamy R. Iyer member Public Enterprises Selection Board as member. Additional Secretary, Burean of Public Enterprispe acts as secretary of this committee. The HPC has been created to evaluate the performance of Central Level Public Enterprises in fair, objective and unbiased manner. The Inter ministry Standing Committee is headed by Secretary, Department of Public Enterprises. The other members of this committee are from planning Commission, Department of Economic Affairs, Department of Programme Implementation and Department of Public Enterprise. It monitors and evaluatec the MOUs at the first stage for consideration of the HPC and maintains a continuous link between these ministries. Adhoc task force brings a high level expertise and credibility to the design and evaluation of MOU. It consists of eminent management experts, ex-civil servants, charted accountants, legal experts and economists. The MOU monitoring cell has been constituted in the Bureau of Public Enterprises to Coordinate the activities relating to the design, draft, finalisation,
monitor and evaluate the MOUs. It also acts as a Secretariat to the HPC and serve the inter ministrial Standing Committee and Adhoc Task Force.