



FINANCE (P.U.A.) DEPARTMENT

No. 49/96/Fin., Thiruvananthapuram

12th September 1996

CIRCULAR

Sub.- Proposals for Government guarantee and execution of Government guarantee deed-Furnishing of Format of Deed to be executed-Instructions issued.

While forwarding proposals for providing Government guarantee to Public Sector Undertakings, Autonomous Bodies, by Administrative Departments, the format of the guarantee deed to be executed is not seen furnished at present along with the proposals. Such proposals are processed in Government with reference to the general conditions stipulated by the financing institutions and Government commit themselves to provide with guarantee accordingly. But it has come to notice that the formats of Government guarantees subsequently sent by the institutions contain special clauses like non-levy of Government guarantee, irrevocability of guarantee, undertaking mandate to authorise in Reserve Bank of India to debit dues to the State Government's account in case of default by the beneficiary etc., which are detrimental to the State's financial interest and a situation arises wherein Government cannot go back on their commitment and the conditions become a fait-accompli with far reaching consequences on the finances of the State Government.

All Heads of Departments, Chief Executives of Public Sector Undertakings/Autonomous Bodies and Administrative Departments are therefore requested that hereafter, whenever proposals for Government guarantee are forwarded for consideration by Finance Department, the format of the guarantee deed to be executed required by the Financing Institutions, should invariably be furnished so that the full impact of the guarantee is made known and Government can have a full picture of the impact/risk in providing with the guarantee. It would not be possible for Finance Department to process the request for guarantee without a copy of the format of the guarantee deed.

M.S. DHARAN

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