

FN-15/14/2024-IFD Section-MOWR
Government of India
Ministry of Jal Shakti
Department of Water Resources, RD & GR
IFD Section

Shram Shakti Bhawan, Rafi Marg,
New Delhi, dated 7th Aug. 2025

OFFICE MEMORANDUM

Sub:- High operating margins charging by Project Management Consultancy (PMC) reg.

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During the examination of various proposals for the engagement of external agencies - whether Public Sector Undertakings (PSUs), Autonomous Bodies or Private Entities, it has been observed that the proposed operating margins or service charges are often on a relatively higher side, without adequate scrutiny of the reasonableness of such charges and justification thereof.

2. In this regard, the JS&FA, DoWR has emphasized the necessity for all SMDs to ensure that the **reasonableness and fairness of service charges or operating margins is critically examined in each case**, regardless of the mode of engagement - be it through nomination under Rule 194 of the General Financial Rules (GFRs), limited tendering, or open bidding.

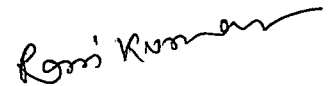
3. Accordingly, the following general principles and guidelines have been chalked out which maybe taken into consideration, while moving a proposal for engagement of Project Management Consultancy(PMC) for implementation of a Project/Scheme.

- **Engagement of agencies on a nomination basis is an exception** under Rule 194 of the GFRs and must not be treated as a routine measure. Such proposals must be **routed through the IFD**, before any decision is taken by the Competent Financial Authority (CFA).
- The **public sector or government-affiliated status** of an agency **does not exempt** SMDs from assessing the **reasonableness of operating margins**. Fair pricing must be ensured in all such engagements.
- **Past approvals or internal pricing guidelines** of the service providers **cannot be treated as a conclusive basis** for accepting service charges. Each proposal

must include a **case-specific financial assessment**, duly supported with justification and remarks by the concerned SMD.

4. In light of the above, all SMDs are advised to ensure that all future proposals involving engagement of external agencies must reflect **due financial diligence** and **proper scrutiny of service charges or margins**, along with justification for the same. Wherever required, **consultation with IFD must be undertaken**, prior to seeking approval of the Competent Authority.

5. This issues with the approval of JS&FA, DoWR, RD & GR.



(Ravi Kumar)

Under Secretary (Fin. II)

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1. All Organizations under DoWR, RD&GR
2. All Wing Heads, Division Heads, Branch Heads.

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2. PPS to Secretary, DoE, MoF.
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4. PPS to Additional Secretary (Pers), DoE, MoF.
5. PPS to JS&FA, DoWR, RD & GR.