



**PUBLIC WORKS DEPARTMENT
OFFICE OF THE ENGINEER-IN-CHIEF &
CHIEF ENGINEER (GENERAL), PWD, CHEPAUK, CHENNAI-5**

CIRCULAR MEMO No. HDO (A) /016751/2025, dated: 28.01.2026.

Sub: Public Works Department – Price Escalation component in civil works
– Guidelines issued for certain modification in diversion of funds -
instructions issued – Regarding.

Ref: 1. G.O.Ms.No.60 Public Works (G2) Dept., Dated: 14.03.2008.
2. This office Circular Memorandum No. AEE/ T10/ 24475/ 2018,
dated: 09.07.2018.
3. The Chief Engineer, PWD, Chennai Region Letter No.HDO/ CR/
F.692 / 2025, Dated: 20.01.2025.

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The Government in the reference 1st cited have issued orders, among others, a detailed guidelines for adopting the Price Escalation clause in works contracts, wherein clause 1(f) states that in order to avoid Revised Administrative Sanction, provision for price escalation can be included in the original estimates itself at the rate of 5% of cost of works for every one year of duration of the contract.

After ten years of trial, the undersigned had issued a circular memorandum vide reference 2nd cited that the amount allotted to the Price escalation component in the civil works not to be diverted to any other component, since the amount allotted should be utilized exclusively for the price variations in works contract.

The Chief Engineer, PWD, Chennai Region in his letter 3rd cited has reported that in one particular civil work, some additional works have to be carried out based on the directions of the Chief Electrical Inspector to Government (CEIG) and the Director of Medical Education, where there is no provision was made in the Technically sanctioned estimate. Besides, the Director Medical Education and the Managing Director, NHM & Special Project Manager have requested to carry out the works by utilizing the funds available in the price escalation component, which is found to be surplus. Hence, the

Chief Engineer has requested for diversion of funds from the Price Escalation component to complete the works.

Under the circumstances, a partial modification to the earlier circular memorandum is hereby issued for the diversion of funds from the price escalation component to other components, subject to the compliance of the following criteria.

1. The payment for price variations be made to the contractor periodically without any lapse.
2. Diversion of surplus funds from price escalation component should be made, only after all the payments made to the contractor towards price variations and Bonus if any.
3. The Executive Engineer should certify that no dues to be paid to the contractor in respect of Price variations in the works contract.
4. The delegation of powers to divert the funds from the price escalation component to other component lies with the authority to whom the estimate was technically sanctioned.
5. No Revised Administrative Sanction proposals in respect of the price escalation component will be entertained, once the diversion of funds from the price escalation component is made.

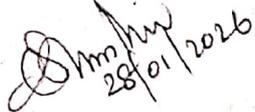
The receipt of the circular memorandum should be acknowledged.

Sd/ 28.01.2026.
Engineer-in-Chief &
Chief Engineer (General), PWD,
Chennai – 5.

To

All the Chief Engineers, Superintending Engineers and Executive Engineers of Public Works Department for information and further necessary action.

/ Forwarded By Order /


28/01/2026
For Engineer-in-Chief &
Chief Engineer (General), PWD,
Chennai – 5.


28/01/26