

Infrastructure Viability Gap Funding Scheme

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In news

Recently, Cabinet approved Continuation and Revamping of the Scheme for Financial Support to Public-Private Partnerships in Infrastructure Viability Gap Funding VGF Scheme till 2024-25

Scheme for Financial Support to Public-Private Partnerships in Infrastructure Viability Gap Funding VGF Scheme

Sub-schemes

The revamped Scheme is mainly related to introduction of following two sub-schemes for mainstreaming private participation in social infrastructure:

Sub scheme -1

- It would cater to Social Sectors such as Waste Water Treatment, Water Supply, Solid Waste Management, Health and Education sectors etc.
- These projects face bankability issues and poor revenue streams to cater fully to capital costs.
- The projects eligible under this category should have at least 100% Operational Cost recovery.
- Under this sub-scheme Central Government will provide a maximum of 30% of Total Project Cost (TPC) of the project as VGF and State Government/Sponsoring Central Ministry/Statutory Entity may provide additional support up to 30% of TPC.

Sub scheme -2

- It will support demonstration/pilot social sectors projects. The projects may be from Health and Education

sectors where there is at least 50% Operational Cost recovery.

- In such projects, the **Central Government and the State Governments together will provide up to 80% of capital expenditure** and upto 50% of Operation & Maintenance (O&M) costs for the first five years.
- The Central Government will provide a maximum of 40% of the TPC of the Project.
- In addition, it may provide a maximum of 25% of Operational Costs of the project in first five years of commercial operations.

Benefits

The aim of the scheme is to promote PPPs in social and Economic Infrastructure leading to efficient creation of assets and ensuring their proper Operation and Maintenance and make the economically/socially essential projects commercially viable. The scheme would be beneficial to the public at large as it would help in creation of the Infrastructure for the country.

Impact

Revamping of the proposed VGF Scheme will attract more PPP projects and facilitate private investment in the social sectors (Health, Education, Waste Water, Solid Waste Management, Water Supply etc.). Creation of new hospitals, schools will create many opportunities to boost employment generation.