

FAQ'S

Funding Options

Viability Gap Funding

1. What is the document checklist for proposal for grant of 'in principle' approval?

a. EI memo with Annexures b. Feasibility Report/Detailed Project Report c. RFP Bidding Document Vol. I Instruction of Bidders Vol. II Draft Concession Agreement Vol. III Schedules d. Statement on Deviation from MCA, if any e. Other project agreements as applicable The above documents and soft copy thereof are to be provided in 6 sets for consideration by member of Empowered Institution The detailed VGF guidelines may be accessed at:

https://www.pppinindia.gov.in/documents/20181/21751/VGF_GuideLines_2013.pdf/

2. What is the document checklist for proposal for grant of 'in principle' approval?

a) EI memo with Annexures. b) Feasibility Report/Detailed Project Report. c) RFP Bidding Document: i) Vol. I Instruction of Bidders. ii) Vol. II Draft Concession Agreement. iii) Vol. III Schedules. d) Statement on Deviation from MCA, if any. e) Other project agreements as applicable. The above documents and soft copy thereof are to be provided in 6 sets for consideration by member of Empowered Institution The detailed VGF guidelines may be accessed at the link.

3. Is there any time lag involved between grant of in-principle approval and disbursement of grant?

The approvals to projects are given prior to invitation of bids and actual disbursement takes place once the private entity has expanded its portion of equity. Thus, there is necessarily a time lag involved between grant of in-principle approval and disbursement of grant. The intervening stage involves finalisation of document, prequalification of bidders, financial bids being called, selection of bidder, financial closure and commencement of construction. In a PPP project, this process involves a minimum of 12 to 18 months. The detailed VGF guidelines may be accessed at the link.

4. Can the funds from VGF be used for building medical colleges?

VGF would be admissible only if: The proposed medical college is located in one of the backward districts identified under various schemes of GoI, and There is no medical college in that district as on the date of in-principle approval of VGF by the competent authority For more information, click [here](#).

5. What is the Viability Gap Funding scheme?

The scheme aims at supporting infrastructure projects that are economically justified but fall marginally short of financial viability. Support under this scheme is available only for infrastructure projects where private sector sponsors are selected through a process of competitive bidding. The total Viability Gap Funding under this scheme will not exceed twenty percent of the Total Project Cost; provided that the Government or statutory entity that owns the project may, if it so decides, provide additional grants out of its budget, upto a limit of a further twenty percent of the Total Project Cost. VGF under this Scheme is normally in the form of a capital grant at the stage of project construction. The detailed VGF guidelines may be accessed at [link](#).

6. What are the responsibilities of the Empowered Committee?

Following are the responsibilities of the committee: a) Sanctioning Viability Gap Funding up to \$ 3 million for each project subject to the budgetary ceilings indicated by the Finance Ministry. Amounts exceeding \$ 30 lakhs may be sanctioned by the Empowered Committee with the approval of Finance Minister. b) Determining the appropriate formula that balances needs across sectors in a manner that broad bases the sectoral coverage and avoids pre-empting, of funds by a few large projects. c) Determining the inter-allocation between any on-going plan scheme providing viability gap funding and this Scheme. d) Providing clarifications or instructions relating to eligibility of a project for such support as and when requested by Empowered Institution. The detailed VGF guidelines may be accessed at [the link](#).

7. Up to what level can projects be sanctioned by Empowered Institution?

Viability Gap Funding up to \$ 1.5 million for each project may be sanctioned by the empowered Institution, subject to the budgetary ceilings indicated by the Finance Ministry. Empowered Institution will also consider other proposals and place them before the Empowered Committee. The detailed VGF guidelines may be accessed at [the link](#).

8. What is the procedure for getting Viability Gap Funding?

Project proposals may be posed by a Government or statutory entity which owns the underlying assets. The proposals shall include the requisite information necessary for satisfying the eligibility criteria specified above and be submitted in formats with annexure as specified in the guidelines. Please see the following link.

9. What is the eligibility criteria for VGF funding?

a) The PPP projects may be posed by the Central Ministries, State Government or Statutory Authorities (like Municipal Authorities and Councils), which own the underlying assets;. b) To be eligible for financing under the scheme, the PPP projects should be implemented, i.e. developed, financed, constructed, maintained and operated for the Projects term by a Private Sector Company to be selected by the Government or a statutory entity through a transparent and open competitive bidding process. c) The criterion for bidding should be the amount of Viability Gap Funding required by the Private Sector Company for implementing the project where all other parameters are comparable. d) The project should provide a service against payment of pre-determined tariff or user charge. e) This Scheme will apply only if the contract/concession is awarded in favour of a private sector company. f) The approval to projects is given prior to invitation of bids and actual disbursement takes place once the private entity has expended his portion of the equity. g) The final VGF is determined through the bidding. The detailed VGF guidelines may be accessed at the following link.

10. Which are the sectors eligible under VGF scheme?

The PPP Project should be from one of the following sectors: Roads and bridges, railways, seaports, airports, inland waterways; Power; Urban transport, water supply, sewerage, solid waste management and other physical infrastructure in urban areas; Infrastructure projects in Special Economic Zones and internal infrastructure in National Investment and Manufacturing Zones; International convention centres and other tourism infrastructure projects; Capital investment in the creation of modern storage capacity including cold chains and post-harvest storage; Education, health and skill development, without annuity provision;* Oil/Gas/Liquefied Natural Gas (LNG) storage facility (includes city gas distribution network); Oil and Gas pipelines (includes city gas distribution network); Irrigation (dams, channels, embankments, etc.); Telecommunication (Fixed Network) (includes optic fibre/wire/cable networks which provide broadband/internet); Telecommunication towers; Terminal markets; Common infrastructure in agriculture markets; and Soil testing laboratories The detailed VGF guidelines may be accessed at link.

11. What is the Viability Gap Funding scheme?

The scheme aims at supporting infrastructure projects that are economically justified but fall marginally short of financial viability. Support under this scheme is available only for infrastructure projects where private sector sponsors are selected through a process of competitive bidding. The total Viability Gap Funding under this scheme will not exceed twenty percent of the total project cost, provided that the Government or statutory entity that owns the project may, if it so decides, provide additional grants out of its budget, upto a limit of a further twenty percent of the total project cost. VGF under this Scheme is normally in the form of a capital grant at the stage of project construction. The detailed VGF guidelines may be accessed at link.

12. Which are the sectors eligible under VGF scheme?

The PPP Project should be from one of the following sectors: a) Roads and bridges, railways, seaports, airports, inland waterways. b) Power. c) Urban transport, water supply, sewerage, solid waste management and other physical infrastructure in urban areas. d) Infrastructure projects in Special Economic Zones and internal infrastructure in National Investment and Manufacturing Zones. e) International convention centres and other tourism infrastructure projects. f) Capital investment in the creation of modern storage capacity including cold chains and post-harvest storage. g) Education, health and skill development, without annuity provision. h) Oil/Gas/Liquefied Natural Gas (LNG) storage facility (includes city gas distribution network) i) Oil and Gas pipelines (includes city gas distribution network) j) Irrigation (dams, channels, embankments, etc.) k) Telecommunication (Fixed Network) (includes optic fibre/wire/cable networks which provide broadband/internet) l) Telecommunication towers m) Terminal markets n) Common infrastructure in agriculture markets. o) Soil testing laboratories. The detailed VGF guidelines may be accessed at the link.

13. What is the document checklist for proposal for grant of final approval?

The documents are: a) EI memo for final approval b) Appraisal Report of the project by Lead Financial Institution c) Executed project agreement d) Certificate from the Sponsoring Authority that all conditions specified in the scheme have been complied with The above documents and soft copy thereof are to be provided in 6 sets for consideration by member of Empowered Institution The detailed VGF guidelines may be accessed at the link.

14. What is Viability Gap Funding (VGF)?

Viability Gap Funding (VGF) refers to a grant (one-time or deferred) provided to support infrastructure projects that are economically justified but fall short of financial viability. Government has notified a scheme for Viability Gap Funding to infrastructure projects that are to be undertaken through Public Private Partnerships. For more information, [click here](#).

