GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5239
ANSWERED ON:24.04.2015
VGF SCHEME
Chavan Shri Ashok Shankarrao;Gupta Shri Sudheer;Kirtikar Shri Gajanan Chandrakant;Singh Shri Kunwar Haribansh

Will the Minister of FINANCE be pleased to state:

(a) the salient features of Viability Gap Funding (VGF) scheme for Public Private Partnership (PPP) projects;

(b) whether the Government has modified/proposes to modify the definition of `Private Sector Company` for providing financial support to Public Private Partnership (PPP) in infrastructure under the VGF scheme;

(c) if so, the details thereof; and;

(d) the other steps taken/being taken by the Government to boost the infrastructure in the country?

Answer

THE MINISTER OF STATE FOR FINANCE (SHRI JAYANT SINHA)

(a): Under the "Scheme and Guidelines for Financial Support to Public Private Partnerships in Infrastructure (VGF Scheme)" financial support in the form of grants, one time or deferred, is provided to infrastructure projects undertaken in the eligible sectors through public private partnerships with a view to make them commercially viable, subject to fulfilling eligibility criteria specified in the scheme. Viability Gap Funding of up to twenty percent of the total project cost is provided. The Government or statutory entity that owns the project may, if it so decides, provide additional grants out of its budget up to further twenty percent of the total project cost. Viability Gap Funding under the Scheme is normally in the form of a capital grant at the stage of project construction.

(b): Yes, Sir.

(c): The definition of 'Private Sector Company" at Para 2, Annex I of the VGF Scheme has been amended to read as follows:

"Private Sector Company means a company which is not a "Government Company", as defined under Section 2 (45) of the Companies Act, 2013".

(d): The appraisal mechanism for the PPP projects has been streamlined to ensure speedy appraisal of projects, eliminate delays, adopt international best practices and have uniformity in appraisal mechanism and guidelines with the setting up of the Public Private Partnership Appraisal Committee (PPPAC) headed by Secretary, (Economic Affairs).

New and innovative instruments have been introduced for infrastructure financing such as Infrastructure Debt Funds (IDFs) to raise low-cost long term resources for refinancing infrastructure projects and trust -based structures i.e. Infrastructure Investment Trust (InVITs) that maximize returns through efficient tax pass-through and improved governance. These will allow original equity investors to exit their investment which is expected to give a fillip to cash strapped infrastructure projects.

With a view to putting in place an institutional mechanism to track stalled investment projects, both in the public and private sectors and to remove implementation bottlenecks in these projects, a Cell in the nature of Project Monitoring Group (PMG) has been set up in the Cabinet Secretariat for all large projects, both public and private.