

NEWSALERT

Viability Gap Funding extended to Health & Education Sector



The Government of India has extended 'Viability Gap Funding' (VGF) to partially subsidize capital investment in Education and Health sectors, making these sectors even more attractive for the investors.

The VGF scheme had been established by the Government of India as a special facility to support the financial viability of those infrastructure projects which are economically justifiable, but not viable commercially in the immediate future, due to cash flow concerns in the initial 2-3 years.

Under the said scheme, the Central Government shall grant assistance of up to 20 % of the project cost for projects undertaken under Public Private Partnership (PPP) model. The concerned State Government, project authority, or the sponsoring Ministry can pitch in with another 20% of the project cost to make the projects even more attractive for the investors. The private sector developer for such subsidized project is selected through competitive bidding.

To set the tempo to the proposed initiative, the Central Government has envisaged to set-up 2500 Model Schools under Public-Private Partnership mode to supplement the efforts of State Governments.

The grant of the said subsidy would undoubtedly allow the government to leverage its resources and start more projects than it would have managed, if they were implemented through private funding, but the question whether such subsidy alone would be sufficient, remains to be answered; as most of the projects in such social infrastructure sector requires recurring support, to keep the fees and charges low for the vital services these social infrastructure offers.