

Government of Rajasthan
Finance Department
(Economic Affairs Division - PPP Cell)

No.: F 14(12) FD/EAD/PPP/2026

Jaipur, dated: 14.09.2026

CIRCULAR

Subject: Availing Viability Gap Funding (VGF) support in PPP Projects under the 'Scheme for Financial Support to Public Private Partnerships in Infrastructure'

The Government of India provides financial support under the Scheme for Financial Support to Public Private Partnerships in Infrastructure (Viability Gap Funding Guidelines, 2020) to enhance the financial viability of the public infrastructure projects on PPP mode.

The VGF Scheme offers grant assistance for eligible PPP projects in sectors such as urban infrastructure, water supply and sanitation, solid waste management, transport and logistics, social infrastructure, tourism, health, education, and other notified sectors. A brief of the VGF support available for PPP project under the scheme is given below:

S. N.	Category of PPP Project	Gol VGF Support
1	Social Sector Projects (water supply, solid waste management, wastewater treatment, health & education) with minimum 100% operational cost recovery	Upto 30% of total project cost
2	Social Sector Pilot/ Demonstration Projects in health & education sectors with minimum 50% operational cost recovery	Upto 40% of total project cost + 25% of NPV of O&M Cost for first 5 years of O&M Period
3	Other Eligible sectors projects	Upto 20% of total project cost

In the context of Rajasthan's growing infrastructure needs and the State Government's commitment towards the quality infrastructure in the State, availing such assistance would facilitate creation of high-quality public assets and improve service delivery mechanisms. This would also augment fiscal resources of the State.

A brief of the Scheme Guidelines is enclosed for ready reference. Detailed Guidelines may be downloaded from pppinindia.gov.in/report/vgf-guideline_1691500048.pdf.

In view of the above, it is directed that infrastructure projects suitable for implementation through the PPP mode that may require VGF support may be identified, and proposals for availing VGF assistance may be formulated and submitted to the PPP Cell in Finance Department for review and approval, prior to their onward submission to the Government of India for consideration under the VGF Scheme.

Encl: As above


(V. Srinivas)
Chief Secretary

Copy forwarded for information and necessary action to the following:-

1. All Additional Chief Secretaries/ Principal Secretaries/ Secretaries/ Special Secretaries to the Government
2. All Heads of Departments
3. All Sections of the Secretariat
4. Computer Cell, Finance Department
5. Guard File



(Shivangi Swarnkar)
Special Secretary to Government,
Finance (Budget) Department

Brief Note on the Scheme for Financial Support to Public Private Partnerships (PPPs) in Infrastructure

(Viability Gap Funding Scheme Guidelines, 2020)

1. Background

The Government of India introduced the Scheme for Financial Support to Public Private Partnerships (PPPs) in Infrastructure, commonly known as the **Viability Gap Funding (VGF)** Scheme, to encourage private sector participation in infrastructure development. The scheme recognizes that while infrastructure projects are critical for economic growth, many projects are not financially viable due to high capital costs, long gestation periods, and limited returns. The scheme therefore provides financial support to bridge the viability gap and make projects commercially attractive to private investors.

Scheme also places significant emphasis on **social infrastructure sectors** such as health, education, water supply, sanitation, and solid waste management, with enhanced support to attract private investment and managerial efficiencies.

2. Nodal Department

The VGF Scheme is a Central Sector Scheme administered by the **Department of Economic Affairs (DEA), Ministry of Finance, Government of India (GoI)**. PPP Projects sponsored by central ministries, state Governments and statutory authorities are eligible to obtain the viability gap funding for the project under the Scheme.

3. Eligible Sectors for VGF under the Scheme

PPP Projects from the following sectors are eligible for obtaining viability gap funding under the Scheme:

S. N.	Sector	Sub-Sector
1	Transport	Roads, Bridges, Railways, Seaports, Airports, Inland Waterways, Urban Transport
2	Energy	Power, Oil/Gas/LNG Storage, Oil & Gas Pipelines (including city gas distribution network)
3	Urban Infrastructure	Water Supply, Sewerage, Solid Waste Management and other Physical Infrastructure in Urban Areas

S. N.	Sector	Sub-Sector
4	Industrial Infrastructure	Industrial infrastructure projects in SEZ, internal infrastructure in National Investment and Manufacturing Zones
5	Tourism Infrastructure	International Convention Centres and other Tourism Infrastructure Projects
6	Logistics & Storage	Modern Storage Facilities including Cold Chains and Post Harvest Storages
7	Social Infrastructure	Education, Health & Skill Development, without annuity provision Medical Colleges set-up on PPP mode by being attached to an existing Hospital
8	Irrigation & Water Resources	Dams, Channels, Embankments
9	Telecommunications	Fixed Networks including Optic Fibre/ Wire/ Cable Networks which provide Broadband/ Internet, Telecommunication Towers
10	Agricultural Infrastructure	Terminal Markets, Soil Testing Laboratories, Common Infrastructure in Agriculture Market

4. Eligibility Conditions for VGF

To be eligible for VGF support, a project must satisfy the following conditions:

- It should be developed, financed, constructed, operated and maintained by a private sector company selected through an open and competitive bidding process.
- It must belong to one of the above notified eligible sectors.
- Services should be provided against predetermined tariffs or user charges.
- Project Sponsoring Authority must certify that:
 - User charges cannot be increased further to eliminate the viability gap.
 - The concession period cannot be extended to reduce the viability gap.
 - Capital costs are reasonable and cannot be further reduced.

5. Structure of VGF Support under the Scheme

S. N.	Category of PPP Project	GoI VGF Support
1	Social Sector Projects (water supply, solid waste management, wastewater treatment, health & education) with minimum 100% operational cost recovery	Upto 30% of total project cost
2	Social Sector Pilot/ Demonstration Projects in health & education sectors with minimum 50% operational cost recovery	Upto 40% of total project cost + 25% of NPV of O&M Cost for first 5 years of O&M Period
3	Other Eligible Sectors projects	Upto 20% of total project cost

6. Process of Approval of the Project for VGF Under the Scheme

Step	Task
Step-1	Preparation of Proposal by Project Sponsoring Authority (central ministry, state Government/ statutory authority, as the case may be). Proposal should include the draft bid document, project agreements, detailed project reports, feasibility report with financial proposal
Step-2	Approval of the Proposal within the Project Sponsoring Authority before submission to Department of Economic Affairs (DEA), GoI. <i># In case of Rajasthan, all PPP proposals to be submitted to the DEA shall be approved by Empowered Committee on Infrastructure Development (ECID) chaired by Chief Secretary / Committee on Infrastructure Development (CID) chaired by Hon'ble Chief Minister, as the case may be.</i>
Step-3	Submission of Proposal to PPP Cell of the Department of Economic Affairs (DEA), GoI.
Step-4	Review of Proposal by PPP Cell and submission to the Empowered Committee for in-principle approval Empowered Committee is consisting of: 1. Secretary (Economic Affairs) – Chairperson

Step	Task
	2. CEO, NITI Aayog 3. Secretary (Expenditure) 4. Secretary of the concerned Line Ministry 5. Joint Secretary, DEA – Member Secretary
Step-5	Empowered Committee to either in-principle approve the Proposal OR seek additional details/ documents. <i># VGF proposal upto Rs. 200 Cr. will be approved in-principle by Empowered Committee and VGF Proposal above Rs. 200 Cr. will be recommended to Hon'ble Finance Minister, GoI for in-principle approval.</i>
Step-6	After in-principle approval of VGF, the Project Sponsoring Authority will invite bids for the Project. Bid parameter for bidding will be lowest VGF sought for implementation of the Project.
Step-7	Within 3 months of award of the Project to the selected Bidder, Lead Financial Institution to the Project will submit its appraisal of the Project for consideration and approval of Empowered Committee
Step-8	Empowered Committee to convey its Final Approval on VGF. Empowered Committee may decline to final approval of VGF in case the Project Sponsoring Authority proceeded with bidding process with substantial alterations to the bidding documents provisions approved by the Empowered Committee without taking prior approval of the Empowered Committee.
Step-9	Disbursement of VGF – Prior to disbursement, the Empowered Committee, Lead Financial Institution and private sector company (Project Sponsoring Authority would be the confirming party) will enter into a Tripartite Agreement. VGF will be disbursed only after Selected Bidder (Private Sector Company) has subscribed and expended the equity contribution required for the Project and will be released in proportion to the debt disbursement by Lead Financial Institutions VGF will be released to the Escrow Account only.

-----End-----