

F. No. 10/3/2018-PPP
Government of India
Ministry of Finance
Department of Economic Affairs
PPP Cell

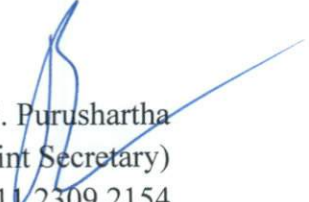
NOTIFICATION

07th December, 2020

Subject: Scheme and Guidelines for forwarding proposals for financial support to Public Private Partnerships in Infrastructure under the Viability Gap Funding Scheme

Please find enclosed the detailed VGF Scheme (Annexure – I) and its Guidelines (Annexure – II) to be followed for submitting proposal seeking financial support for Public Private Partnerships in Infrastructure under the Viability Gap Funding Scheme.

Encl: As Above


B. Purushartha
(Joint Secretary)
011 2309 2154

To,

1. Cabinet Secretary
2. Principal Secretary to PM
3. CEO, NITI Aayog
4. Finance Secretary
5. Secretary, Department of Expenditure, Ministry of Finance
6. Secretaries of Infrastructure Line Ministries (As per list attached)
7. Chief Secretaries of States (As per list attached)

Secretaries of Infrastructure Line Ministries.

1. Shri Parameswaran Iyer, Secretary, D/o Drinking Water & Sanitation, CGO Complex
2. Shri Sanjay Agarwal, Secretary D/o Agriculture, Co-operation & Farmers Welfare, M/o Agriculture, Krishi Bhawan, New Delhi
3. Shri Durga S. Mishra, Secretary, M/o Housing and Urban Affairs, Nirman Bhawan
4. Dr Sanjeev Ranjan, Secretary, M/o Shipping Transport Bhawan, New Delhi
5. Shri Amit Khare, Secretary, D/o Higher Education, Shastri Bhawan, New Delhi
6. Shri Upendra P Singh, Secretary, D/o Water Resources River Development & Ganga Rejuvenation, Shram Shakti Bhawan New Delhi
7. Shri Pradeep S Kharola, Secretary, M/o Civil Aviation, Rajiv Gandhi Bhawan, New Delhi
8. Ms.Pushpa Subrahmanyam, Secretary, M/o Food Processing Industries, Panchsheel Bhawan
9. Shri Yogendra Tripathi, Secretary, M/o Tourism, Transport Bhawan, New Delhi
10. Shri Sanjiv Nandan Sahai, Secretary, M/o Power, Shram Shakti Bhawan, New Delhi
11. Shri Anshu Prakash, Secretary, D/o Telecommunications, Sanchar Bhawan, New Delhi
12. Shri Ravi Mittal, Secretary, D/o Sports, Shastri Bhawan, New Delhi
13. Dr.Guruprasad Mohapatra, Secretary, D/o Promotion of Industry & Internal Trade, Udyog Bhawan New Delhi
14. Shri N Sinha, Secretary, D/o Rural Development, KrishiBhawan, New Delhi
15. Shri Pradeep Kumar Tripathi , Secretary, M/o Steel, Udyog Bhawan, New Delhi
16. Shri Rajesh Bhushan, Secretary, D/o Health & Family Welfare, Nirman Bhawan, New Delhi
17. Shri Tarun Kapoor, Secretary, M/o Petroleum and Natural Gas, Shastri Bhawan
18. Shri InduShekhar Chaturvedi, Secretary, M/o New & Renewable Energy, CGO Complex
19. Shri Sudhanshu Pandey, Secretary, D/o Food and Public Distribution, Krishi Bhawan
20. Shri Aramane Giridhar, Secretary, M/o Road Transport & Highways, Transport Bhawan
21. Ms. Anita Karwal, Secretary, D/o School Education & Literacy, Shastri Bhawan
22. Chairman Railway Board, Rail Bhawan, New Delhi
23. Shri K.N. Vyas, Secretary, D/o Atomic Energy, Anushakti Bhavan, Mumbai

Chief Secretaries of various State Govts. as per list attached.

1. Ms.Nilam Sawhney, Chief Secretary, Government of Andhra Pradesh
2. Shri Naresh Kumar, Chief Secretary, Government of Arunachal Pradesh
3. Shri Kumar Sanjay Krishna, Chief Secretary, Government of Assam
4. Shri Deepak Kumar, Chief Secretary, Government of Bihar
5. Shri R.P. Mandal, Chief Secretary, Government of Chhattisgarh

6. Shri Parimal Rai, Chief Secretary, Government of Goa
7. Shri Anil Gopishankar Mukim , Chief Secretary, Government of Gujarat
8. Ms. Keshni Anand Arora, Chief Secretary, Government of Haryana
9. Shri. Anil Kachi, Chief Secretary, Government of Himachal Pradesh
10. Shri. Sukhdeo Singh, Chief Secretary, Government of Jharkhand
11. Shri TM Vijay Bhaskar, Chief Secretary, Government of Karanataka
12. Dr.Vishwas Mehta, Chief Secretary, Government of Kerala
13. Shri Iqbal Singh Bains , Chief Secretary, Govt of Madhya Pradesh
14. ShriAjoy Mehta, Chief Secretary, Government of Maharashtra
15. Shri J Suresh Babu, Chief Secretary, Government of Manipur
16. Shri M.S Rao, Chief Secretary, Government of Meghalaya
17. Shri Lalnunmawia Chuaungo, Chief Secretary, Government of Mizoram
18. Shri Talitemjen Toy, Chief Secretary, Government of Nagaland
19. Dr.Asit Kumar Tripathy, Chief Secretary, Government of Odisha
20. Smt. Vini Mahajan, Chief Secretary, Government of Punjab
21. Shri Devendra Bhushan Gupta, Chief Secretary, Government of Rajasthan
22. Sh. S.C. Gupta, Chief Secretary, Government of Sikkim
23. Shri K. Shanmugam, Chief Secretary, Government of Tamil Nadu
24. Shri Somesh Kumar, Chief Secretary, Government of Telangana
25. Dr. Manoj Kumar, Chief Secretary, Government of Tripura
26. Sh. Rajendra Kumar Tiwari, Chief Secretary, Government of Uttar Pradesh
27. Shri Utpal Kumar Singh, Chief Secretary, Government of Uttaranchal
28. Shri Rajiva Sinha, Chief Secretary, Government of West Bengal
29. Shri Chetan B. Sanghi, Chief Secretary, Government of Andaman & Nicobar Island
30. Shri Manojkumar Parida, Adviser to Administrator, Government of Chandigarh
31. Shri Praful Patel, Administrator, Government of Daman & Diu
32. Shri Vijay Kumar Dev, Chief Secretary, Government of Delhi
33. Sh Dineshwar Sharma, Administrator, Government of Lakshadweep
34. Shri Ashwani Kumar, Chief Secretary, Government of Pondicherry
35. Shri Praful Patel, Administrator, Government of Dadra & Nagar Haveli
36. Shri B.V.R Subrahmanyam, Chief Secretary, Government of Jammu & Kashmir
37. Shri Umang Narula, Adviser to Administrator, Government of Ladkah

Annexure-I

Scheme for Financial Support to Public Private Partnerships in Infrastructure

- A. Whereas the Government of India recognises that there is significant deficit in the availability of physical infrastructure across different sectors and that this is hindering economic development;
- B. Whereas the development of infrastructure requires large investments that cannot be undertaken out of public financing alone, and that in order to attract private capital as well as the techno-managerial efficiencies associated with it, the Government is committed to promoting Public Private Partnerships (PPPs) in infrastructure development; and
- C. Whereas the Government of India recognises that infrastructure projects may not always be financially viable because of long gestation periods and limited financial returns, and that financial viability of such projects can be improved through Government support;
- D. Now, therefore, the Government of India has decided to put into effect the following Scheme for providing financial support to bridge the viability gap of infrastructure projects undertaken through Public Private Partnerships.
- E. It is also imperative to promote Public Private Partnerships in the social sector to bring in private sector investments and efficiencies. Typically, social sector projects need high capital investments with low financial returns. Therefore, Government of India (GoI) has decided to enhance the VGF support for social sectors as defined in Rule 4.1(i).

1. Short Title and Extent

- 1. This Scheme will be called the Scheme for Financial Support to Public Private Partnerships (PPPs) in Infrastructure. It will be a Central Sector Scheme to be administered by the Ministry of Finance. Suitable budgetary provisions will be made in the Annual Plans on a year to year basis.
- 2. The Scheme shall come into force with immediate effect.

2. Definitions

In this Scheme, unless the context otherwise requires:

Empowered Committee means a Committee under the Chairmanship of Secretary (Economic Affairs), with CEO (NITI Aayog), Secretary (Expenditure), Secretary of the line ministry dealing with the subject as members and Joint Secretary, DEA as the Member Secretary as given in Annexure II.

Lead Financial Institution means the financial institution (FI) that is funding the PPP project, and in case there is a consortium of FIs, the FI designated as such by the consortium.

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

Project Term or Concession Period means the duration of the contract or concession agreement for the PPP project.

Public Private Partnership (PPP) Project means a project based on a contract or concession agreement between a Government or statutory entity on the one side and a private sector company on the other side for delivering an infrastructure service on payment of user charges.

Operation and Maintenance Cost means the lower of the annual Operation and Maintenance cost of the PPP project: a) as quoted by the preferred bidder; and (b) as actually incurred during operations by the Concessionaire certified by the Statutory Auditor. Operation and Maintenance cost of the PPP project generally includes salary and consumables. However, EC may exclude/include any components of Operation and Maintenance cost as deemed fit depending on the project structuring.

Total Project Cost means the lower of the total capital cost of the PPP Project: (a) as estimated by the government/statutory entity that owns the project; (b) as sanctioned by the Lead Financial Institution; and (c) as actually expended; but does not in any case include the cost of land incurred by the government/statutory entity.

Viability Gap Funding or Grant means a grant one-time or deferred, provided under this Scheme with the objective of making a project commercially viable.

3. Eligibility

1. In order to be eligible for funding under this Scheme, a PPP project shall meet the following criteria:

- i. The project shall be implemented i.e. developed, financed, constructed, maintained and operated for the Project Term by a Private Sector Company to be selected by the Government or a statutory entity through a process of open competitive bidding; provided that in case of railway projects that are not amenable to operation by a Private Sector Company, the Empowered Committee may relax this eligibility criterion.
- ii. The PPP Project should be from one of the sectors as given in Annexure III.

Provided that the Empowered Committee may, with approval of the Finance Minister, add or delete sectors/sub-sectors from the aforesaid list.

- iii. Projects availing of VGF under this scheme shall provide a service against payment of a pre-determined tariff or user charge.
- iv. The concerned Government/statutory entity should certify, with reasons:
 - a. That the tariff/user charge cannot be increased to eliminate or reduce the viability gap of the PPP;
 - b. That the project term cannot be increased for reducing the viability gap; and
 - c. That the capital costs are reasonable and based on the standards and specifications normally applicable to such projects and that the capital costs cannot be further restricted for reducing the viability gap.

4. Government Support

1. The total Viability Gap Funding under this Scheme shall be as follows:

i For Social Sector Projects:

- a. **Sub-scheme 1:** This includes Water Supply, Solid Waste Management, Waste Water Treatment, Health and Education etc. The amount of VGF under this scheme shall be equivalent to the lowest bid for capital grant, subject to maximum of 30% (Thirty percent) of the Total Project Cost. In case the sponsoring Central Ministry/State Government/Statutory Entity

proposes to provide any assistance over and above the said VGF out of its budget, it shall be restricted to a further 30 percent of the total project cost. The projects eligible under this category should have at least 100% Operational Cost recovery.

- b. **Sub-scheme 2:** This includes only demonstration/pilot projects in Health and Education sectors. The amount of VGF under this scheme shall be equivalent to the lowest bid which will be considered as summation of capital grant and NPV of O&M cost for first five years after COD, but subject to a maximum of 40% of the Total Project Cost as capital grant and 25% of NPV of O&M Cost for the first 5 years after COD as operational grant. In case the Sponsoring Central Ministry/State Government/Statutory Entity proposes to provide any assistance over and above the said VGF out of its budget, it shall be restricted to a further up to 40% of the Total Project Cost as capital grant and up to 25% of NPV of O&M Cost for the first 5 years after COD as operational grant. The projects eligible under this category should have at least 50% Operational Cost recovery.

- ii **For all other eligible sector projects:** The amount of VGF shall be equivalent to the lowest bid for capital grant, subject to maximum of 20% of the Total Project Cost. In case the sponsoring Central Ministry/State Government/Statutory Entity proposes to provide any assistance over and above the said VGF out of its budget, it shall be restricted to a further 20% of the total project cost.

- 2. Viability Gap Funding under this Scheme except Sub-scheme 2 will normally be in the form of a capital grant at the stage of project construction. Proposals for any other form of assistance may be considered by the Empowered Committee and sanctioned with the approval of the Finance Minister on a case-by-case basis.

3. Viability Gap Funding up to Rs. 200 crores (Rupees two hundred crore) for each project may be sanctioned by the Empowered Committee, subject to the budgetary ceilings indicated by the Finance Ministry. Proposals of VGF exceeding Rs. 200 crores (Rupees two hundred crore) may be sanctioned by the Empowered Committee with the approval of the Finance Minister.
4. Unless otherwise directed by the Ministry of Finance, the Empowered Committee may approve project proposals with a cumulative capital outlay equivalent to ten times the budget provisions.
5. If need arises, the funding may be provided based on an appropriate formula, to be determined by the Empowered Committee, that balances need across sectors and locations in a manner that would make broad base the sectoral and locational coverage and avoid pre-empting of funds by a few large projects.

5. Approval of Project Proposals

1. Project proposals may be proposed 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 in paragraph 3 above.
2. Projects based on standardised/model documents duly approved by the respective Government would be preferred. Standalone documents may be subjected to detailed scrutiny by the Empowered Committee.
3. The Empowered Committee will consider the project proposals for Viability Gap Funding and may seek the required details for satisfying the eligibility criteria.
4. Within 30 days of receipt of a project proposal, duly completed as aforesaid, the Empowered Committee shall inform the sponsoring Government/statutory entity whether the project is eligible for financial assistance under this Scheme. In case the project is based on standalone documents (not being duly approved model/standard documents), the approval process may require an additional 60 (sixty) days.
5. Notwithstanding the approvals granted under this Scheme, projects promoted by the Central Government or its statutory entities shall be approved and implemented in accordance with the procedures specified from time to time.

6. In cases where Viability Gap Funding is budgeted under any on-going Scheme of the Central Government, the inter-se allocation between such on-going Scheme and this Scheme shall be determined by the Empowered Committee.

6. Procurement Process for PPP Projects

1. The Private Sector Company shall be selected through a transparent and open competitive bidding process. The criterion for bidding shall be the amount of Viability Gap Funding required by a Private Sector Company for implementing the project where all other parameters are comparable.
2. The Government or statutory entity proposing the project shall certify that the bidding process conforms to the provisions of this Scheme and convey the same to the Empowered Committee prior to disbursement of the Grant.
3. In case, the Government or statutory entity proceeds with bidding process with substantial alterations to the bidding documents and provisions approved by the Empowered Committee without taking prior approval of the Empowered Committee, the Empowered Committee may decline the final approval to the project.

7. Appraisal and Monitoring by Lead Financial Institution ¹

1. Within four months from the date on which eligibility of the project is conveyed by the Empowered Committee to the concerned Government/statutory entity, the PPP project shall be awarded in accordance with paragraph 6 above; provided that upon application made to it by the concerned Government/statutory entity, the Empowered Committee may extend this period by not more than two months at a time.
2. The Lead Financial Institution shall, within three months from the date of bid award, present its appraisal of the project for the consideration and approval of the Empowered Committee; provided that upon application made to it by the concerned

¹ In case of Sub Scheme 1 and 2 where projects are entirely funded by Equity, the role and responsibilities of LFI shall be undertaken by the Project Authority.

Government/statutory entity, the Empowered Committee may extend this period by not more than one month at a time.

3. The Lead Financial Institution shall be responsible for regular monitoring and periodic evaluation of project compliance with agreed milestones and performance levels, particularly for the purpose of disbursement of Viability Gap Funding. It shall send quarterly progress reports to the Empowered Committee.

8. Disbursement of Grant

1. A Capital Grant under this Scheme shall be disbursed only after the Private Sector Company has subscribed and expended all the equity contribution required for the project and will be released in proportion to debt disbursements by Lead Financial Institution. However, in case of sub-scheme 2, Operational grant shall be disbursed annually for the first five years post achieving COD based on audited annual accounts and shall be subject to the lower of the annual O&M cost quoted by the concessionaire at the time of the bid and actual O&M cost incurred.

In case, a project under Sub-scheme 1 & 2 is funded completely by equity, Capital Grant VGF shall be disbursed after the equity contribution is expended by the concessionaire and in accordance with the project milestones achieved (lower of physical or financial progress).

2. The Empowered Committee will release the Grant to the escrow account only after the recommendations of the Sponsoring Authority.
3. The Empowered Committee, the Lead Financial Institution and the Private Sector Company shall enter into a Tripartite Agreement (as prescribed by the Empowered Committee from time to time) for the purposes of this Scheme as given at Annexure-V².

9. Recovery of VGF in case of terminated projects

If the project is terminated at any point of time during the concession period, the VGF may not be recovered from the Authority if it is re-bid and continued as PPP. However, if

² In case of Sub Scheme 1 and 2, if the project is entirely funded through equity, then the Tripartite Agreement shall be entered into by the Empowered Committee, the Project Sponsoring Authority (Owner of the asset) and the Private Sector Company.

the project is terminated at any point of time during the concession period and not continued as PPP project, then 90% of Capital Grant disbursed under this scheme may be payable by the Authority to the Ministry of Finance.

10. Guidelines

The Department of Economic Affairs, Ministry of Finance will issue appropriate guidelines for implementation of the Scheme from time to time.

Annexure II

Guidelines for the Scheme for Financial Support to Public Private Partnerships in Infrastructure (Viability Gap Funding Scheme Guidelines)

1. Introduction

1.1 The Central Government has notified a Scheme for financial support to infrastructure projects that are to be undertaken through Public Private Partnerships (PPPs). A copy of the Scheme is at Annexure-I.

1.2 The procedure to be followed for submission, appraisal and approval of financial support under this Scheme is specified below. The VGF Scheme submission, appraisal and approval process flowchart is placed at Annexure-XI.

2. Institutional Structure

The institutional structure for appraisal and approval of financial support to PPPs is specified at Annexure-II.

3. Applicability

3.1 These guidelines will apply to PPP projects proposed by the Central Ministries, State Governments and Statutory Authorities, as the case may be, which own the underlying assets (see Rule 5.1).

3.2 Proposals to be made under this Scheme shall be considered for providing Viability Gap Funding (VGF), one time or deferred, with the objective of making a PPP project commercially viable (see definition).

3.3 The proposal shall relate to a Public Private Partnership project which is based on a contract or concession agreement between a Government/statutory entity on the one side and a private sector company on the other side, for delivering an infrastructure service on payment of user charges (see definition).

3.4 This Scheme will apply only if the contract/concession is awarded in favour of a private sector company (see definition).

3.5 A private sector company or Concessionaire shall be eligible for VGF only, if it is selected on the basis of open competitive bidding and is responsible for financing, construction, maintenance and operation of the project during the Concession Period (see Rule 3.1).

3.6 The project should provide a service against payment of a pre-determined tariff or usercharges (see Rule 3.1.iii)

4. Appraisal and 'In Principle' Approval by Empowered Committee

4.1 The proposal for seeking clearance of the Empowered Committee shall be sent (in six copies, both in hard and soft form) to the PPP Cell of the Department of Economic Affairs in the format specified at Annexure-IV. The proposal should include copies of all project agreements (such as concession agreement, state support agreement, substitution agreement, escrow agreement, O&M agreement and shareholders' agreement, as applicable) and the Detailed project report/ Feasibility Report with financial model.

4.2 The proposal will be circulated by the PPP Cell to all members of the Empowered Committee for their comments. All comments received within three weeks shall be forwarded by the PPP Cell to the concerned Administrative Ministry, State Government or Statutory Authority, as the case may be, for submitting a written response to each of the comments. In case the project is based on a model concession agreement, the comments will be furnished within two weeks (see Rules 5.2 and 5.4).

4.3 The proposal, along with the detailed project report, concession agreement and supporting agreements/documents, together with the comments of the respective Ministries and the response thereto, will be submitted by the PPP Cell to the Empowered Committee for consideration and 'in principle' approval.

4.4 While submitting the proposal to the Empowered Committee, the PPP Cell will indicate whether the proposal conforms to the mandatory requirements of the Scheme. Deficiencies, if any, will be indicated in the note of PPP Cell. Member Departments/NITI Aayog will examine the proposal with a view to ensure that it conforms to the conditions specified in the Scheme.

4.5 The Empowered Committee will either approve the proposal in principle (with or without modifications) or advise the concerned Ministry, State Government or statutory authority, as the case may be, to provide additional documents/clarifications/information or to make necessary changes for further consideration of the Empowered Committee (see Rule 5.3). Empowered Committee will recommend the projects with VGF sought greater than Rs. 200 Crore to the Finance Minister for in principle approval.

4.6 Approval under this Scheme will be for the purposes of this Scheme only. All other statutory, financial or administrative approvals shall be obtained as applicable (see Rule 5.5) from competent authority. For projects owned by the Central Government or its statutory entities,

approval of PPPAC shall also be obtained in accordance with the guidelines issued by the Ministry of Finance. However, these approvals may be obtained simultaneously in order to save on time.

4.7 In cases where financial support is available from any other Ministry of the Central Government under an on-going Scheme for assistance to PPPs, the proposal would be sent to such Ministry for consideration. In case the Ministry recommends that the proposal be considered for additional assistance under this Scheme, the same shall be submitted to the Empowered Committee for consideration (see Rule 5.6).

4.8 Empowered Committee will recommend the projects with VGF sought greater than Rs. 200 Crore to the Finance Minister for final approval.

4.9 Once cleared by the Empowered Committee / Finance Minister (as the case may be), the project would be eligible for financial support under this Scheme.

4.10 It may be noted that prior to making a formal request to the Empowered Committee under the Viability Gap Funding (VGF) Scheme of GoI, the Sponsoring Authority of a Public Private Partnership (PPP) project may if it so desires submit the project concept to the Department of Economic Affairs to ascertain the admissibility of a project under the VGF Scheme based on the mandatory conditions of the Scheme. The proposal in this regard may be submitted to the Department of Economic Affairs in the attached proforma (Annexure-X). Within 7 (seven) working days of receipt of the duly filled proforma the Department of Economic Affairs would indicate to the Project Authority whether the project proposal could be proposed for the consideration of the Empowered Committee. Such a proposal could be made in case a doubt exists regarding the admissibility of the project under the VGF Scheme.

5. Viability Gap Funding (VGF)

5.1 The quantum of financial support (VGF) to be provided under this Scheme shall be in the form of capital grant and operational grant at the stage of project construction and first 5 years after the CoD, as the case may be as given in Rule 4.1 of the Scheme (Annexure-I)

6. Invitation to Bid

6.1 Financial bids shall be invited by the concerned Ministry, State Government or statutory entity, as the case may be, for award of the project within four months of the approval of the Empowered Committee. This period may be extended by the Department of Economic Affairs, as necessary (see Rule 7.1).

6.2 The private sector company shall be selected through a transparent and open competitive bidding process. The criterion for bidding shall be the amount of VGF required by a private sector company where all other parameters are comparable (see Rule 6).

7. Final Approval by Empowered Committee

7.1 Within three months from the date of award, or such extended period as may be permitted, the Lead Financial Institution shall present its appraisal of the project (in six copies, both in hard and soft form) for consideration and approval of the Empowered Committee. The appraisal shall be accompanied by an updated application in the format specified at Annexure-IV along with the project report and project agreements. The Lead Financial Institution shall verify the contents of the application and convey its recommendation to the Empowered Committee (see Rule 7.2).

7.2 Prior to final approval by the Empowered Committee, the Ministry, State Government or statutory authority, as the case may be, proposing the project, shall certify that the bidding process conforms to the provisions of this Scheme and that all the conditions specified in the Scheme/in principle approval of the EC have been complied with (see Rule 6.2).

7.3 The procedure specified in para 4 above shall be followed mutatis mutandis for examination and approval of the appraisal report of the Lead Financial Institution.

7.4 In case, the Government or statutory entity proceeds with bidding process with substantial alterations to the bidding documents and provisions approved by the Empowered Committee without taking prior approval of the Empowered Committee, the Empowered Committee may decline the final approval to the project.

8. Disbursement of VGF

8.1 Prior to disbursement, the Empowered Committee, the Lead Financial Institution and the private sector company (sponsoring authority would be the confirming party) shall enter into a Tripartite Agreement in such format as may be prescribed by the Empowered Committee from time to time (see Rule 8.3).

8.2 For the purposes of this Scheme, a Lead Financial Institution shall be the Financial Institution (FI) that is funding the project, and in case of a consortium of FIs, the FI designated as such by the consortium shall be the Lead Financial Institution (see definition).

8.3 Capital Grant VGF shall be disbursed only after the private sector company has subscribed and expended the equity contribution required for the project and will be released in proportion to debt disbursements by Lead Financial Institution.

However, in case of sub-scheme 2, Operational grant shall be disbursed annually for the first five years post achieving COD based on audited annual accounts and shall be subject to the lower of the annual O&M cost quoted by the concessionaire at the time of the bid and actual O&M cost incurred. (see definition of O&M cost). (see Rule 8.1).

8.4 In case, a project under sub-scheme 1 & 2 is funded completely by equity, Capital Grant VGF shall be disbursed after the equity contribution is expended by the concessionaire in accordance with the project milestones achieved (lower of physical or financial progress).

8.5 VGF shall be released to the escrow account only after the recommendations of the Sponsoring Authority (see Rule 8.2).

9. Monitoring

The Lead Financial Institution shall be responsible for regular monitoring and periodic evaluation of project compliance with agreed milestones and performance levels, particularly for the purposes of disbursing the VGF. It shall also send a quarterly progress report to the Empowered Committee (see Rule 7.3).

10. Recovery of VGF in case of terminated projects

If the project is terminated at any point of time during the concession period, the VGF may not be recovered from the Authority if it is re-bid and continued as PPP. However, if the project is terminated at any point of time during the concession period and not continued as PPP project, then 90% of Capital Grant disbursed under this scheme may be payable by the Authority to the Ministry of Finance. The timeline for re-bidding and continuing such projects as PPP by the Project Authority would be 1 (one) year from date of termination of the project, after which the proceedings for recovery of VGF will be initiated. However, EC may extend this timeline further on a case to case basis.

11. Amendment to the Scheme

Any amendment to the Scheme which does not result in any material alteration to the Scheme may be done on the recommendations of EC with the approval of the Finance Minister.