

Urban Challenge Fund

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Urban Challenge Fund Latest News

The government has so far approved or accorded in-principle approval to 33 projects under the Urban Challenge Fund (UCF), Union minister informed the Lok Sabha recently.

About Urban Challenge Fund

- It is a new **centrally sponsored** scheme of the **Ministry of Housing and Urban Affairs**.
- It **supports transformative and bankable urban projects** through **competitive “challenge-mode”**.
- **Financial Outlay:** Total Central assistance of **₹1 lakh crore**.
- **Tenure:** It will be operational from **FY 2025-26 to FY 2030-31**, with an **extendable** implementation period **up to FY 2033-34**.
- Under UCF, cities will be supported to do **projects under three verticals**,
 - **Creative development of cities**
 - **Cities as growth hubs**
 - **Water and sanitation**

- Cities will be **expected to take reforms** in **urban governance**, **urban finance**, and **urban planning**.
- **Features:**
 - **Centre's assistance** under the scheme is capped at **25 percent** of the **cost of bankable projects**.
 - This will lead to a total investment of ₹4 lakh crore in the urban sector in the next five years.
 - At least **50 percent** of the project cost has to be **mobilised through market-based sources** such as municipal bonds, bank loans, and public-private partnerships (PPPs).
 - The **remaining** share may be contributed **by States, Union Territories (UTs), Urban Local Bodies (ULBs)**, or other sources.
 - **Projects** will be **selected** through a transparent and **competitive challenge mode**, ensuring support to high-impact and reform-oriented proposals.
 - **Private sector participation** will be encouraged through structured risk-sharing frameworks and benchmarking of service delivery standards.
 - **Credit Repayment Guarantee for Smaller Cities:**
 - In order to facilitate **first-time access to market finance** for all **Cities/ULBs in Northeastern & Hilly States** and smaller **ULBs (<1,00,000 population)** in other States/UTs, a **Credit Repayment Guarantee Scheme of ₹5,000 crore** has been approved.
 - The scheme will provide a Central guarantee of up to ₹7 crore or 70 percent of the loan amount (whichever is lower) for first-time loans.
- **The Fund will cover:**
 - **All cities** with a **population of 10 lakh or more** (2025 estimates);
 - **All State and Union Territory capitals not covered above;** and
 - **Major industrial cities** with a **population of 1 lakh or more**
 - **Additionally, all ULBs in hilly states, Northeastern States, and smaller ULBs** with a population **below 1 lakh** will be eligible for **support under the Credit Repayment Guarantee Scheme**.
 - **In principle all cities will be covered** under UCF.

News: TP

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