Urban Challenge Fund (UCF)

Prelims: *Current events of national and international importance | Government Policies and Interventions*

Why in News?

Recently, the Union Cabinet has approved the ₹1 lakh crore Urban Challenge Fund.

- UCF is a ***new Centrally Sponsored Scheme.***
- **Aim –** To support urban infrastructure projects and boost market-driven urban development.
- **Nodal Ministry –** ***Ministry of Housing and Urban Affairs.***
- **Objectives –** Leverage market finance and private participation.
- Promote citizen-centric urban reforms.
- Build resilient, productive, inclusive and climate-responsive cities.
- Position cities as drivers of the next phase of economic growth.

Urbanisation is the process by which a society shifts from rural to urban, marked by a growing proportion of the population in cities and towns, along with physical, social, economic, and cultural transformations.

- **Pillars –** It consists of 3 focus areas.
- **Cities as Growth Hubs –** Focus on urban mobility, economic infrastructure, and productivity enhancement.
- **Creative Redevelopment of Cities –** Retrofitting legacy infrastructure and urban renewal/regeneration.
- **Water & Sanitation Infrastructure –** Upgrading water supply networks, sewerage, and waste management.
- **Key Features –** Provides Rs. 1 lakh crore Central assistance for projects/total investments worth Rs. 4 lakh crores.
- **Funding (The 25-50-25 Model) –** The Centre will cover 25% of the project cost.
- Cities must raise at least 50% cost via municipal bonds, bank loans, and public-private partnerships (PPP).
- Remaining 25% funds to come from the Urban local bodies/state governments' own sources.
- **Duration –** Operational from 2025–26 to 2030–31, extendable to 2033–34.
- **Project selection –** Through a challenge-based framework.
- **Exclusion Clause –** Projects already funded under AMRUT 2.0 or Swachh Bharat Mission (SBM) 2.0 are not eligible for assistance under the UCF.
- **Special Provisions –** Credit guarantee support ***for the North-Eastern & hilly***

states and cities with population <1 lakh.

- It is a Rs. 5,000 crore repayment guarantee scheme.

- **Central guarantee –** Up to Rs. 7 crore or 70% of the loan (whichever is lower).

References

1. IE | Urban Challenge Fund (UCF)
2. IE | Urban Challenge Fund

