

**URBAN INFRASTRUCTURE  
DEVELOPMENT FUND - MODEL  
GUIDELINES**

## ABBREVIATIONS

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UIDF: Urban Infrastructure Development Fund	PSC: Project Sanctioning Committee
NHB: National Housing Bank	GoI: Government of India
RIDF: Rural Infrastructure Development Fund	DFS: Department of Financial Services
NABARD: National Bank for Agriculture and Rural Development	EDCPC: Executive Director's Credit and Pricing Committee
MoHUA: Ministry of Housing & Urban Affairs	AA: Administrative Approval
MoF: Ministry of Finance	TS: Technical Sanction
ULBs: Urban Local Bodies	PERT: Program Evaluation and Review Technique
RBI: Reserve Bank of India	PCC: Project Completion Certificate
FIs: Financial Institutions	PCR: Project Completion Report
DPR: Detailed Project Report	
TPN: Time Promissory Note	
SoR: Schedule of Rates	
O&M: Operations & Maintenance	
VGf: Viability Gap Funding	
SLMC: State Level Sanctioning and Monitoring committee	
CLMC: City Level Monitoring committee	
TAC: Technical Appraisal Committee	
ED: Executive Director	
DMD: Deputy Managing Director	
PFD: Project Finance Department	
GSD: Government Schemes Department	
CPWD: Central Public Works Department	
CPHEEO: Central Public Health and Environmental Engineering Organisation	

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## 1. Introduction

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### 1.1. Urban Infrastructure

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Urban infrastructure in India refers to the basic physical structures, facilities and services needed for the functioning of cities and towns. It includes roads, bridges, water supply and sewage systems and area development projects. The state of urban infrastructure in India is a major challenge, with many cities facing issues such as traffic congestion, air and water pollution, and inadequate housing and public services. The Indian government has launched various initiatives and programs aimed at improving urban infrastructure and ensuring sustainable development.

### 1.2. Genesis of UIDF

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In the budget speech 2023-24, Union Finance Minister made the following statement for establishment of UIDF:

“Like the RIDF, an Urban Infrastructure Development Fund (UIDF) will be established through use of priority sector lending shortfall. This will be managed by the National Housing Bank, and will be used by public agencies to create urban infrastructure in Tier 2 and Tier 3 cities. States will be encouraged to leverage resources from the grants of the 15th Finance Commission, as well as existing schemes, to adopt appropriate user charges while accessing the UIDF. We expect to make available Rs 10,000 crore per annum for this purpose.”

### 1.3. Objective

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UIDF aims to supplement efforts of the State Governments for urban infrastructure development works implemented through Public/State Agencies, Municipal Corporations, Urban Local Bodies in Tier 2 and Tier 3 cities by providing a stable and predictable source of financing. It allows for pooling of resources and expertise, enabling creation of comprehensive infrastructure solutions that address the unique needs of each urban area.

### 1.4. Implementing Agency

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National Housing Bank ( <https://nhb.org.in/> )

## 2. Key Definitions

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### 2.1. Target Cities for UIDF

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To address the problem of skewed regional development, UIDF will focus on cities/ULBs in the population group 50,000 to 9,99,999 as per the latest census data (currently 2011 census), covering about 40% of the urban population. Thus, UIDF would focus on mid-sized cities with the potential to develop into regional economic hubs, while keeping the metropolitan and mega cities outside its scope.

- a) Cities with a population between 50,000 to 99,999 are categorized as Tier 3 cities.
- b) Tier 2 cities will comprise those with a population size between 1 lakh to 9,99,999.

\* Urban areas with population up to 50,000 are covered under RIDF.

### 2.2. Normative Allocation

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NHB will make normative allocation of funds to the respective states/UTs, based on the population of the eligible cities of each states/UTs, under UIDF, the list of which will be provided by MoHUA to NHB.

State wise allocation of corpus shall be on the basis of urban population in the cities as per latest census data (currently 2011 census) as :-

$$\text{Ratio of State wise corpus} = \frac{\text{Urban population in state in eligible towns or cities}}{\text{Total population in eligible town or cities in the country}}$$

On finalization of the state wise Normative Allocation of a tranche (rounded off to nearest Lakh of Rupees) subject to the overall borrowing limit of State, NHB will communicate the same to the State Governments. The State Governments are expected to prioritise projects under the tranche and submit suitable proposals with DPRs/ tender documents/detailed work order including Bills of Quantity (BoQ) and other relevant details on eligible activities to NHB for sanction. However, submission of DPR shall be mandatory for UIDF loan above ₹ 50 Crore for State Sponsored Projects and above ₹ 20 Crore for Urban Local Body (ULB) sponsored projects.

A mid-term review of utilization of Normative Allocation by each State will be conducted in the month of February every year and thereafter the excess demand of any State/UT over and above its normative allocation would be considered by NHB on first-come-first-served basis. Such reallocation may be done subject to a minimum of Rs.5 crore per state; Rs. 1 crore

for North East (including Sikkim) & Hilly States (Uttarakhand, Himachal Pradesh and UTs of J&K and Ladakh).

### 23. Eligible Activities

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Eligible Activities for UIDF shall be aligned to the Missions and programmes of the Ministry of Housing and Urban Affairs. These may focus on basic services like sewerage and Solid Waste Management, water supply and sanitation, construction and improvement of drains/storm water drains, etc. Impact-oriented projects may be prioritised. The list of eligible activities would be as below:

- Water supply network (new/augmentation/rehabilitation)
- Construction and improvement of drains/storm water drains
- Sewerage network (new/augmentation/rehabilitation)
- Sewage treatment plants – secondary/tertiary treatment
- Comprehensive projects of pay and use toilets, operated, and managed by private sector
- Solid Waste Processing Plants (new/augmentation)
- Comprehensive development of land reclaimed from legacy dumpsite remediation
- Roads (excluding maintenance works), within area development projects with provision for all utilities to be taken through an underground conduit
  - Over bridges, grade separators, underpasses
- Electric/gas crematorium
- Comprehensive Area Development Projects
  - o Local Area Plan for de-congestion
  - o Heritage conservation
  - o Transit Oriented Development for creating dense, mixed-use developments near public transportation
  - o Town Planning Schemes for greenfield development
  - o Parks with open Gym not involving major construction work
  - o Health & Education Institutions

### 24. Negative List of Activities

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The fund shall not be utilised for any type of maintenance works or for administrative/establishment expenses. Further, Housing, Power & Telecom, Rolling Stock like buses and trams, and Urban Transport shall remain out of the purview of UIDF.

## 3. Terms & Conditions

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### 3.1. Nodal Department in States & access of funds

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Borrowings under UIDF shall be governed by Article 293 (3) of the Constitution of India, i.e., within borrowing powers of the State from the market and financial institutions during a

financial year. Hence, Finance Department of respective States shall be the Nodal Agency for all activities under UIDF.

Funds under UIDF shall be available for both new projects and for ongoing projects. State Governments / State Government sponsored organisations shall ensure that the funds disbursed under UIDF are used against fresh capital investment and not for repayment of the existing loans. An undertaking to this effect shall be given by the respective State Governments.

### 3.2. Eligible Amount

The eligible loan amount for financing under UIDF will be based on the size of project and geographical location of the project. Percentage of project cost that can be considered for various projects under UIDF will be as below:

Size of Project	Other than NE and Hilly States	NE and Hilly States
5 - 10 crores*	90%	95%
>10 - 50 crores	85%	90%
>50 - 500 crores#	75%	85%
*Rs. 1-10 crores for North-East & Hilly States		

# Maximum loan amount/exposure limit under UIDF for any new or ongoing Project shall be restricted to ₹ 100 crore.

Pre-appraisal expenses such as expenses incurred on project preparation, cost of technical surveys, etc, are allowed upto 0.5 % of the UIDF loan eventually sanctioned, provided the same are outsourced.

Centage charges (as per rates fixed by State Government) are permitted, provided the works are executed by State-owned corporations and State-owned agencies.

“Contingencies” are permitted upto a maximum limit of 3% of civil works under the project.

### 3.3. Cost Escalation

The state governments will be expected to meet cost escalation, if any, out of their own resources. Any change in scope or project parameters shall be subject to prior approval from sanctioning authority.

### 3.4. Prioritization of Projects involving user charges

States shall endeavour to utilise minimum 5% of the allocated corpus for projects wherein appropriate user charges are adopted or projects which are able to generate sufficient revenue to at least meet their O&M expenditure. NHB shall prioritise sanction of such projects.

### 3.5. Phasing

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The implementation phase for projects sanctioned is spread over 2-5 years, varying with the type of the project and also the location of the State. As against maximum phasing period upto 3 years for normal projects, a phasing period upto 5 years is permitted for projects from Northeast (including Sikkim) & Hilly States (Jammu & Kashmir, Ladakah, Uttarakhand & Himachal Pradesh).

### 3.6. Clubbing of Projects

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The state Government may club small-sized projects in a single DPR/tender documents/detailed work order including Bills of Quantity (BoQ) and other relevant details. The minimum size and maximum size of the / tender documents / detailed work order including Bills of Quantity (BoQ) and other relevant details shall be Rs. 5 crores (Rs. 1 crore for North-East & Hilly States) and Rs. 500 Crore respectively. However, submission of DPR shall be mandatory for UIDF loan above ₹ 50 Crore for State Sponsored Projects and above ₹ 20 Crore for Urban Local Body (ULB) sponsored projects.

### 3.7. Rate of Interest on UIDF

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The interest rates on deposits placed by the banks and loans under UIDF shall be decided by the Reserve Bank from time to time. The lending rate on UIDF loan as of now is linked to the Bank Rate prevailing at the time of deposit of funds by banks i.e Bank Rate minus 1.5 percentage (as on the date of deposit of funds by banks).

### 3.8. Penal Interest

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If State Government fails to pay the interest on the due date(s), it shall be liable to pay interest on the overdue interest at the same rate as applicable to the principal amount. Sanctioning Authority may be authorized to waive such additional interest depending upon the merit of the case/s.

### 3.9. Documentation/Security

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All sanctioned loans under UIDF shall be secured by the irrevocable letter of authority/mandate executed by the State Govt. and registered with the Reserve Bank of India / Scheduled Commercial Bank, which is the principal Banker to the State Government for repayment of the principal and/ or payment of interest to NHB.

- i. Time Promissory Note (TPN) in the prescribed format for every disbursement will be submitted by state governments.
- ii. Applicable terms and conditions of the sanction for documentation purposes will be accepted by state governments.

### 3.10. Repayment

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UIDF loans shall be repaid by the State Government in accordance with the repayment schedule prescribed by NHB.

The loan will be repaid in five equal annual instalments within seven years from the date of drawal, including a moratorium period of two years.

The instalments falling due on any date during a month will be payable on the first day of the next month. Interest is payable during the moratorium period also. The State Government shall pay the interest on the first day of the month succeeding the quarter. If the due date for principal/interest happens to be a Saturday/Sunday/Holiday, the amount due would be payable on the preceding business working day.

### 3.11. Non-Starter Projects (NSP)

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A project will be categorized as non-starter if it is not grounded within 12 months from the date of sanction. A project will be treated as "grounded" only where the work order has been issued and the physical work has commenced.

The entire mobilisation advance released in respect of the project will be adjusted / recalled as soon as the project becomes a NSP. The sanction will lapse, if the project is not grounded within 18 months from the date of sanction letter.

## 4. Project Appraisals and Sanctions

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### 4.1. Project Approach

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UIDF funding is based on project-based lending which entails the submission of Detailed project Reports (DPRs)/ tender documents/ detailed work order including Bills of Quantity (BoQ) and other relevant details containing technical and financial parameters, drawings, maps, etc. submitted by the State government. However, submission of DPR shall be mandatory for UIDF loan above ₹ 50 Crore for State Sponsored Projects and above ₹ 20 Crore for Urban Local Body (ULB) sponsored projects.

Disbursements under UIDF may be aligned to/complement various urban infrastructure missions of MoHUA for faster uptake and utilization of the Fund by States. Existing mechanism under MoHUA will be utilized for selection of eligible projects in various States requiring last-mile funding for completion, techno-financial viability assessment, monitoring as well as for faster completion of the projects on ground.

### 4.2. Appraisal and Sanction of Proposals

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The State governments can refer the checklists for preparation / formulation of UIDF projects as per prescribed format (Checklists & formats will be advised separately along with General terms & conditions).

Identifiable items of capital nature are only eligible for funding under UIDF. While firming up the cost estimates, care may be taken to ensure that the estimates are as per the latest Schedule of Rates (SoR) indexed to the current year/ market rates.

### 43. Technical Appraisal Committee

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Based on prioritization of projects under UIDF, the State Government will submit DPRs / tender documents/detailed work order including Bills of Quantity (BoQ) and other relevant details for the project proposals along with detailed implementation plans to NHB Regional Offices. However, submission of DPR shall be mandatory for UIDF loan above ₹ 50 Crore for State Sponsored Projects and above ₹ 20 Crore for Urban Local Body (ULB) sponsored projects. The timeline for completion of projects shall be 3-5 years. The projects will be appraised for technical feasibility and economic viability by a Technical Appraisal Committee (TAC) comprising of -

- Concerned ED/DMD (Chairperson)
- Head of Project Finance Department, NHB
- Head of Govt Schemes Department, NHB (Nodal Dept for UIDF)
- External technical experts (at least 2)

The technical experts will be nominated by the Board of NHB from representatives of CPWD, CPHEEO etc. After technical appraisal of the projects, the eligible project proposals will be presented to the respective sanctioning committee for final approval.

### 44. Sanctioning Committee

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Eligible project proposals involving loan amount greater than Rs. 50 crore recommended by TAC will be considered for sanction by the Project Sanctioning Committee (PSC), a Sub-Committee of Board, comprising the following members:

- Director representing RBI on NHB Board
- Director representing GOI (DFS) on NHB Board
- Director representing GOI(MoHUA) on NHB Board
- Managing Director, NHB
- One Independent Director on the Board

Quorum for the meeting of PSC shall be 3 members.

UIDF loan amounting to ₹ 50 crore or below, which have been recommended by TAC, shall be sanctioned by the internal committees of the Bank based on the quantum of the loan. The sanctioning power, composition, and quorum of the internal committees will be approved by the Board of NHB.

### 45. Time Frame for Grounding of Projects

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Time Frame for Grounding of Projects is as given below:

- Administrative Approval (AA) - Prior AA or AA within 1 month from the date of sanction.
- Technical Sanction (TS) - Prior TS or TS within 3 months from the date of sanction.
- Tendering- Within 6 months from the date of sanction.
- Issuance of work order - within 9 months from date of sanction.
- Grounding of project - within 12 months from the date of sanction.

## 4.6. Deletion/Withdrawal of projects

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If the sanctioned projects are not grounded within a period of 18 months from the date of the sanction, Regional Office may treat the projects as deleted/withdrawn after obtaining approval from the Head of Govt Schemes Department, NHB (Nodal Dept for UIDF).

Any outstanding including the mobilization advance disbursed under the projects proposed for deletion/withdrawal, will be recovered/adjusted.

## 5. Disbursements

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The State governments shall share the application for disbursement in the prescribed format to NHB after satisfactory completion of the prescribed formalities.

Mobilisation advance amounting to initial 20% of the project loan is disbursed within 1 year from the date of sanction, on acceptance of the terms & conditions of sanction letter. North-Eastern and Hilly States shall be eligible for 30 % of loan as mobilisation advance. NHB will provide funds on 'reimbursement basis', except for the initial 20 per cent (30% in case of North-Eastern and Hilly States) of the project loan given as 'mobilisation advance'.

Borrowings of State Government under UIDF are governed by Article 293(3) of the Constitution of India under which Government of India grants consent of borrowing by a State Government during a year and Article 293(1) under which limits are fixed by the State legislature for borrowing. Disbursements are made under UIDF projects after receipt of approval of Borrowing Power under Article 293 (3) of Constitution of India by the State Government concerned as also a certificate that no limits have been fixed/ the borrowings are within the limits fixed by the State legislature under Article 293(1).

## 6. Monitoring of Projects

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The State Governments shall have their own mechanism for monitoring of projects sanctioned under UIDF including periodic submission of the Project Implementation Progress Report (PIPR) to NHB.

NHB will monitor the implementation of UIDF projects through both Offsite Monitoring, as also Onsite Inspection to be conducted by Regional Offices of NHB.

Progress of the projects under UIDF will also be closely monitored by NHB through periodic uploading of the Geo-Tagged pictures of projects sanctioned under UIDF.

## 7. Completion of Projects

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### 7.1. Project Completion Certificate (PCC)

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The State government shall submit a Project Completion Certificate (PCC) to NHB immediately on completion of the physical works in respect of the project, on receipt of which the project shall be treated as completed.

### 7.2. Project Completion Report (PCR)

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The State governments shall submit a detailed Project Completion Report (PCR) to NHB within 6 months from the date of the PCC in the prescribed format.

In case of type design projects or projects involving multiple units of similar nature in a proposal, a single PCR may be submitted, for multiple projects in a block/taluka/district, depending on the implementing division. The relevant physical, financial details as well as benefits envisaged from the projects may be captured in the form of an annexure.

Project implementation as per UIDF guidelines, timely utilisation of funds and compliances thereof shall be the responsibility of respective State Governments. Further allocation of funds under UIDF to respective States shall be decided based on the compliances on PCC and PCR, as mentioned above.

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