

**GOVERNMENT OF INDIA
MINISTRY OF HOUSING AND URBAN AFFAIRS
RAJYA SABHA
STARRED QUESTION NO. 110
ANSWERED ON 10.03.2025**

FUNDS FOR URBAN INFRASTRUCTURE

***110 DR. ASHOK KUMAR MITTAL:**

Will the Minister of HOUSING AND URBAN AFFAIRS be pleased to state:

- (a) the steps being taken to address the gap between the funds required for urban infrastructure and the funds currently available;
- (b) the strategies being implemented to ensure that urban infrastructure projects are adequately funded without over-reliance on limited Government resources;
- (c) the initiatives being undertaken to attract private investment for urban infrastructure development and detailed report on the urban infrastructural readiness to meet the 2030 and 2047 target respectively; and
- (d) the long-term plans in place to improve the financial sustainability of urban infrastructure projects and prevent future funding crisis?

ANSWER

**THE MINISTER OF HOUSING AND URBAN AFFAIRS
(SHRI MANOHAR LAL)**

- (a) to (d): A Statement is laid on the Table of the House.

STATEMENT AS REFERRED TO IN PART (A) TO (D) IN REPLY TO RAJYA SABHA STARRED QUESTION NO.110 DUE FOR ANSWER ON 10TH MARCH, 2025 REGARDING 'FUNDS FOR URBAN INFRASTRUCTURE'.

(a) to (d) As per the provisions of Article 243 W of the Constitution, in conjunction with the Seventh and Twelfth Schedules, matters relating to urban development fall within the purview of States/ Urban Local Bodies. However, Ministry of Housing and Urban Affairs (MoHUA) provides programmatic support to the States/ Union Territories (UTs) in their urban development agenda through its flagship Missions/ Programmes viz. Atal Mission for Rejuvenation and Urban Transformation (AMRUT) & AMRUT 2.0, Swachh Bharat Mission- Urban (SBM-U) & SBM-U 2.0, Smart Cities Mission (SCM), Pradhan Mantri Awas Yojana- Urban (PMAY-U), Urban Transport (UT), etc. These missions/ schemes/ projects are implemented by the States/UTs in accordance with the mission guidelines to improve the ease of living in cities and towns covered under these missions.

The growing urban infrastructure requirement is financed through budgetary support, supplemented by private sources of finance including Public Private Partnerships (PPP). In order to ensure that urban infrastructure projects are adequately funded without over-reliance on limited Government resources, the Public Private Partnerships as a means of financing urban infrastructure has been covered under all the Mission guidelines as indicated below:

- i. AMRUT 2.0 guidelines state that cities having population above 10 lakh are mandated to take up 10% of their projects in Public Private Participation (PPP) Mode.
- ii. Smart Cities Mission promotes PPP projects to be undertaken in the 100 Smart cities. If the Government of India funds and the matching contribution by the States/ Urban Local Bodies (ULBs) meet only a part of the project cost, balance funds are expected to be mobilized from other sources including PPPs.
- iii. Swachh Bharat Mission – Urban 2.0, encourages exploring the option of Public Private Partnership (PPP) mode for development of urban infrastructure, to be decided by the concerned State Govt. or Urban Local Body.
- iv. Pradhan Mantri Awas Yojana – Urban (PMAY-U) 'Housing for All' Mission encourages private investment for construction of houses in Affordable Housing in Partnership (AHP) and in-situ slum development verticals. Affordable Rental Housing Complexes (ARHCs) was launched as a sub scheme under PMAY-U on 31/07/2020 to utilize the vacant Government funded houses constructed under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) and incentivizing Public/Private Entities to leverage investment for creating affordable rental housing stock, if they have available vacant land.

- v. Metro Rail Policy 2017 enables innovative financing through Transit Oriented Development (TOD) and Value Capture Finance (VCF). The policy also encourages Public Private Partnership for implementation of the metro rail projects to leverage both public and private resources, expertise and entrepreneurship. As per the policy, the State Government desirous of availing central financial assistance for upcoming metro rail projects, should mandatorily explore the possibility of having a Public Private Partnership arrangement in some form for implementation, operation and maintenance, fare collection or any other unbundled activities of the proposed metro rail project, to the extent feasible. Further, PM-eBus Sewa Scheme, launched on 16th August, 2023, aims to augment city bus operations in urban areas with Central Assistance (CA) of Rs.20,000 crore for deploying 10,000 electric buses on PPP model.

Moreover, in order to incentivise the Urban Local Bodies (ULBs) to tap the capital markets, under AMRUT, credit rating work for 483 cities have been awarded and completed in 468 cities. Out of 468 cities, 162 cities have received Investible Grade Rating (IGR) i.e. rating B (-) and above. Ministry of Housing & Urban Affairs (MoHUA) has been providing incentive to ULBs for issuance of Municipal Bonds at the rate of ₹ 13 crore per ₹ 100 crore worth of bonds issued with maximum incentive of ₹ 26 crore per ULB. Second time eligibility only for issuance of Green bonds at the rate of ₹10 crore incentive per ₹100 crore of bonds issued, restricted to a maximum incentive of ₹20 cr. So far, ₹ 4,984 crore has been raised through issuance of Municipal Bonds & Green bonds for upgrading urban infrastructure by 13 ULBs. As an incentive, ₹ 315.83 crore has been released under AMRUT/AMRUT 2.0.

Further, to give boost to the urban infrastructure sector, in the Budget 2025-26, Government has announced setting up of an Urban Challenge Fund of ₹1 lakh crore for improving urban infrastructure in the country. This measure is expected to stimulate the ULBs in raising private investment through PPP mode for financing urban infrastructure.
