

**GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF EXPENDITURE**

**RAJYA SABHA  
UNSTARRED QUESTION NO. 1994**

Answered on Tuesday, March 10, 2026/ Phalgun 19, 1947 (Saka)

Development of new cities under Fifteenth Finance Commission

1994. Smt. Renuka Chowdhury:

Will the Minister of FINANCE be pleased to state:

- (a) whether the ₹8,000 crore allocated by the Fifteenth Finance Commission for development of eight new cities has remained largely unutilised for nearly five years;
- (b) the State/UT-wise details of proposals received and the status of their appraisal;
- (c) the reasons for not sanctioning or initiating any new city project despite fund availability;
- (d) whether gaps in design, guidelines, Inter-Ministerial coordination or Centre–State engagement have caused the delay; and
- (e) the timeline for project approvals or reallocation of funds to prevent lapse without tangible outcomes?

**ANSWER**

**MINISTER OF STATE FOR FINANCE  
(SHRI PANKAJ CHAUDHARY)**

(a) to (e) The 15<sup>th</sup> Finance Commission (15<sup>th</sup> FC) has recommended a performance-based challenge fund of Rs. 8,000 crore to States for the incubation of new cities. 23 States had submitted 28 proposals to the Ministry of Housing and Urban Affairs (M/o H&UA) for seeking funding for this purpose. All the proposals were scrutinized and evaluated through site visits/field assessments by domain experts and presentations made by the States before the Expert Committee of M/o H&UA. During the process of detailed scrutiny and evaluation of the proposals, it appeared that the institutional and governance framework required to plan, execute and sustain new greenfield cities were underdeveloped in many of these proposals, thus raising concerns about the efficient utilization of the grant recommended by the 15th FC. New cities require massive, long-term public investment with robust revenue models. These aspects were not convincingly addressed in the proposals.

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