

**GOVERNMENT OF INDIA
MINISTRY OF HOUSING AND URBAN AFFAIRS
RAJYA SABHA
UNSTARRED QUESTION NO. 1658
ANSWERED ON 03/08/2026**

STATUS AND IMPLEMENTATION FRAMEWORK OF THE URBAN CHALLENGE FUND

1658. SHRI MILIND MURLI DEORA:

Will the Minister of *Housing and Urban Affairs* be pleased to state:

- (a) the status of the 1 lakh crore Urban Challenge Fund;
- (b) the criteria for city selection and project approval;
- (c) the funding mix including central funds, bonds, loans and PPPs;
- (d) the measures to include Tier-2 and Tier-3 cities; and
- (e) the monitoring and evaluation framework for effective implementation?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF HOUSING AND URBAN AFFAIRS

(SHRI TOKHAN SAHU)

(a): The Urban Challenge Fund (UCF) scheme has been operationalized with the launch of Operational Guidelines for UCF on 15th April, 2026. At present, 33 projects have been approved/accorded in-principle approval.

(b) & (d): All Cities including Tier-2 and Tier-3 cities are eligible to participate under UCF. Chapter 7 of the operational guidelines includes details regarding the Project Appraisal and Challenge Framework including mandatory eligibility requirements, overall project flow/ implementation framework, and project evaluation process for appraisal and selection of projects. The UCF scheme guidelines are in public domain and may be accessed at:

<https://www.mohua.gov.in/static/uploads/2026/04/7950afb9b2d5cb773ba3d6c64bde9726.pdf>

Under UCF, Credit Repayment Guarantee Sub-Scheme (CRGSS) has also been launched for all ULBs in Northeastern and Hilly States/UTs, & smaller Urban Local Bodies (ULBs) with population below 1,00,000 in other States/UTs to access market-based finance. CRGSS is designed as a risk-sharing and credit enhancement mechanism to assist ULBs with limited credit history or relatively weaker financial profiles, enabling their gradual transition towards sustainable and independent market financing. The CRGSS guidelines are in public domain and may be accessed at:

<https://www.mohua.gov.in/static/uploads/2026/04/0520cfda855ed39c45e33632581ed228.pdf>

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(c): The UCF provides a total Central Assistance of ₹1 lakh crore over the Mission period. Under UCF, Central Assistance is limited to 25 per cent of the cost of bankable projects, with the stipulation that at least 50 per cent of the project cost shall be financed through market-based sources, including municipal bonds, bank loans and Public-Private Partnerships (PPPs). The remaining project cost is to be met by the concerned State/UT/ Urban Local Body (ULB)/Implementing Agency (IA).

(e): The Urban Challenge Fund has a multi-level monitoring system for effective implementation of the Mission. Further, Chapter 7.2, Chapter 10 and Chapter 14 of the Operational Guidelines includes details regarding the monitoring and evaluation framework under UCF.
