

**GOVERNMENT OF INDIA  
MINISTRY OF HOUSING AND URBAN AFFAIRS  
LOK SABHA  
STARRED QUESTION NO. 557  
TO BE ANSWERED ON APRIL 02, 2026  
EXPANSION OF URBAN CHALLENGE FUND**

**NO. 557. SMT. BHARTI PARDHI:  
SHRI NARESH GANPAT MHASKE:**

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

- (a) whether the Government has considered establishing or expanding an Urban Challenge Fund to address rising indebtedness and financing constraints faced by cities particularly in Madhya Pradesh, Maharashtra and Uttar Pradesh, if so, the details thereof;**
- (b) the objectives of such a fund in mobilising risk capital, leveraging private investment and enhancing municipal project financing;**
- (c) whether any assessments have been made on the debt burdens of urban local bodies and related creditworthiness issues, if so, the details thereof and if not, the reasons therefor;**
- (d) the details of the monitoring and risk-management frameworks envisaged for such financing instruments; and**
- (e) the measures planned to ensure fiscally sustainable, citizen-centric urban development and infrastructure growth amidst mounting financial pressures?**

**ANSWER**

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

**(a) to (e): A Statement is laid in the Table of the House.**

**STATEMENT REFERRED TO IN REPLY TO PART (a) TO (e) OF STARRED QUESTION NO. 557 DUE FOR ANSWER IN THE LOK SABHA ON APRIL 02, 2026 REGARDING “EXPANSION OF URBAN CHALLENGE FUND”**

**(a) & (b): The Government of India has approved the Urban Challenge Fund (UCF) on 13th February, 2026 for Urban Local Bodies (ULBs) in the country including for the ULBs of Madhya Pradesh, Maharashtra and Uttar Pradesh. This fund supports the development and strengthening of urban infrastructure through implementation of transformative and impactful projects under three verticals namely ‘Cities as Growth Hubs’, ‘Creative Redevelopment of Cities’ and ‘Water and Sanitation’. UCF finances up to 25 percent of the cost of bankable projects with a stipulation that at least 50 percent of the cost is funded from bonds, bank loans, and Public-Private Partnership (PPP). Detailed guidelines for the UCF are under preparation.**

**(c) to (e): Under UCF, in order to improve the creditworthiness of smaller ULBs and to facilitate access to market finance, a Credit Repayment Guarantee Scheme with a corpus of ₹5,000 crore has been approved for all ULBs of North-Eastern & Hilly States/UTs and smaller ULBs (<1,00,000 population) in other States/ UTs. Under this scheme, in addition to the Central Assistance for the UCF projects, Central government will provide the guarantee of up to ₹7 crore or 70 per cent of the loan amount (whichever is lower) for first-time loans and, ₹7 crore or 50 per cent of the loan amount (whichever is lower) for subsequent loans availed by the ULBs.**

**UCF adopts a financing approach wherein a significant share of project cost is mobilised through market-based instruments such as municipal bonds, bank loans and PPPs. These provisions promote accountability and efficient project structuring, thereby embedding financial discipline, oversight and risk assessment in project selection and implementation. The focus on sectors such as water and sanitation,**

**redevelopment of city areas and growth-oriented infrastructure aligns investments with improved service delivery and urban productivity.**

**Earlier, under Atal Mission for Rejuvenation and Urban Transformation (AMRUT), credit ratings exercise was conducted in 468 cities during the period 2015 to 2018. Of these, 162 cities achieved an investment-grade rating, including 34 cities that secured a rating of A- and above.**

**Further, since the year 2017, ₹6,540.44 crore has been raised through municipal bonds by 23 ULBs namely Agra, Ahmedabad, Amravati, Bhopal, Bhavnagar, Chennai, Coimbatore, Gandhinagar, Ghaziabad, Hyderabad, Indore, Lucknow, Nashik, Prayagraj, Pimpri - Chinchwad, Pune, Rajkot, Surat, Tiruchirappalli, Tiruppur, Vadodara, Varanasi and Visakhapatnam. Total ₹377.33 crore have been released under AMRUT as incentive to these ULBs for bond issuance.**

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