

**GOVERNMENT OF INDIA  
MINISTRY OF HOUSING AND URBAN AFFAIRS  
LOK SABHA  
UNSTARRED QUESTION NO. 3311  
TO BE ANSWERED ON MARCH 12, 2026**

**NEW URBAN CHALLENGE FUND FOR INFRASTRUCTURE DEVELOPMENT  
IN METRO CITIES**

**NO. 3311.           SHRI SURESH KUMAR SHETKAR:  
                          SHRI VIJAYAKUMAR ALIAS VIJAY VASANTH:**

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

- (a) whether a New Urban Challenge Fund (UCF) has been proposed to mobilise market-based financing for infrastructure development in metropolitan cities across the country and if so, the details thereof;**
- (b) whether the objectives of UCF include strengthening urban transport, water supply, sanitation and sustainable infrastructure in metropolitan regions and if so, the details thereof;**
- (c) the total financial outlay proposed under UCF and the expected contribution from private and institutional investors;**
- (d) whether eligibility criteria have been framed for selection of metro cities and urban local bodies under the scheme and if so, the details thereof along with the selection methodology adopted for the purpose;**
- (e) whether smaller Tier-2 and Tier-3 cities would also be eligible under UCF and if so, the details thereof along with the allocation framework; and**
- (f) whether the UCF aims to encourage public-private partnerships for urban infrastructure creation and if so, the details thereof along with the incentives proposed for private participation?**

**ANSWER  
THE MINISTER OF STATE IN THE  
MINISTRY OF HOUSING AND URBAN AFFAIRS  
(SHRI TOKHAN SAHU)**

**(a) to (f): Government, in the Budget 2025-26, has announced setting up of an Urban Challenge Fund (UCF) of ₹1 lakh crore. This fund supports and strengthens urban infrastructure through implementation of projects under three verticals namely 'Cities as Growth Hubs', 'Creative Redevelopment of Cities' and 'Water and Sanitation'. UCF finances up to 25 per cent of the cost of bankable projects with a stipulation that at least 50 per cent of the cost is funded from bonds, bank loans, and Public-Private Partnership (PPP). Cabinet has granted approval for UCF on 13 February, 2026.**

**Following cities are covered under UCF:**

- i. All cities with a current population of 10 lakh or more and all State/ UT capitals;**
- ii. Major industrial cities (Manufacturing & Services) with a current population of 1 lakh or more; and**
- iii. All Urban Local Bodies (ULBs) in Hilly and Northeastern States/ UTs and, smaller ULBs, including Tier-2 & Tier-3 cities, with population below 1,00,000 in other States/ UTs.**

**Further, in order to facilitate access to market finance for smaller ULBs including Tier-2 & Tier-3 cities, 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 sub scheme, in addition to the Central Assistance for UCF projects, Central guarantee for the loans availed by the ULBs for projects will be provided. The guarantee will be 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.**

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