Azadi Ka Amrit Mahotsav

Union Minister Shri Manohar Lal Launches Operational Guidelines for Urban Challenge Fund

₹1 Lakh Crore UCF to Catalyse ₹4 Lakh Crore Urban Investments; Focus on Tier-II & Tier-III Cities

Credit Repayment Guarantee Sub-Scheme to Enable Smaller Cities Access Market-Based Financing

Fund will support transformative projects across key sectors such as redevelopment of old city areas and markets, urban mobility and last-mile connectivity, non-motorised transport, water and sanitation: Shri Manohar Lal

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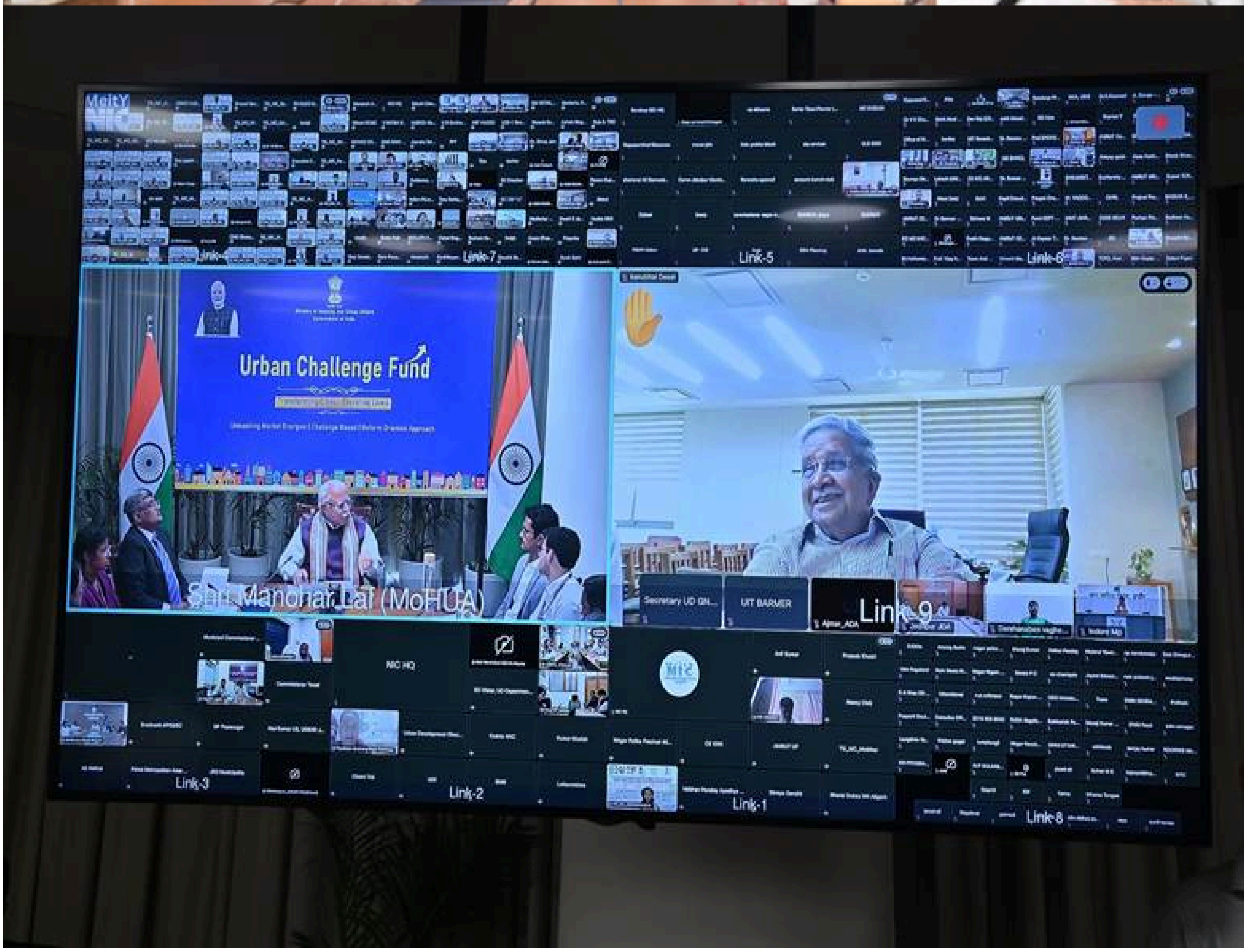
Union Minister for Housing and Urban Affairs Shri Manohar Lal today launched the Operational Guidelines for the Urban Challenge Fund (UCF) along with the Credit Repayment Guarantee Sub-Scheme (CRGSS) in New Delhi, marking a significant step towards transforming urban infrastructure financing in the country.

Representatives from various States including Madhya Pradesh, Gujarat and Odisha participated in the event. The Chief Minister of Madhya Pradesh, Shri Mohan Yadav, and the Chief Minister of Odisha, Shri Mohan Charan Majhi, addressed the gathering through video messages.

Addressing the gathering, Shri Manohar Lal stated that the Urban Challenge Fund represents a paradigm shift in India's approach to urban development. He emphasized that the Fund is not merely about providing grants but about leveraging public funds to catalyse significantly larger investments and making cities financially robust and investment-ready.

The Minister highlighted that India's cities are emerging as engines of economic growth, innovation and employment generation. Achieving the vision of Viksit Bharat @2047 will depend on how effectively cities are planned, financed and governed. He noted that while initiatives such as AMRUT, Swachh Bharat Mission and Smart Cities Mission have strengthened urban infrastructure, the next phase requires cities to become investment-ready and financially sustainable.



The Minister underlined that the Urban Challenge Fund, with a total Central Assistance of ₹1 lakh crore, is designed as a catalytic instrument to mobilise nearly four times the investment through market-based financing. He stated that Central Assistance will be limited to 25% of project cost, while at least 50% of funding will be mobilised through municipal bonds, bank loans and public-private partnerships, thereby ensuring financial discipline and encouraging private participation.

The Minister further informed that out of the total outlay, ₹90,000 crore has been earmarked for projects, ₹5,000 crore for project preparation and capacity building, and ₹5,000 crore for the Credit Repayment Guarantee Sub-Scheme. The CRGSS will particularly benefit smaller cities, including Tier-II and Tier-III cities and cities in hilly and North-Eastern regions, by enabling them to access market-based financing through credit guarantees.

Shri Manohar Lal emphasised that the Fund will support transformative projects across key sectors such as redevelopment of old city areas and markets, urban mobility and last-mile connectivity, non-motorised transport, water and sanitation infrastructure, and climate-resilient urban development. The focus, he noted, will be on scalable, impactful and bankable projects that can deliver long-term economic and social benefits.

Highlighting the role of Urban Local Bodies (ULBs), the Minister said that cities will be encouraged to strengthen their financial capacity, adopt reforms and actively participate in market-based financing mechanisms. He urged States and ULBs to view the Urban Challenge Fund not just as a scheme but as an opportunity to build globally competitive, resilient and investment-ready cities.

Secretary, Ministry of Housing and Urban Affairs, Shri Srinivas Katikithala, in his remarks, stated that India's urbanisation is entering a decisive phase. Urban Challenge Fund introduces a market-linked, reform-driven and outcome-oriented framework for urban infrastructure development.

He highlighted that the Fund aligns infrastructure creation with financial sustainability and institutional strengthening, while placing strong emphasis on project bankability and fiscal discipline.

He further noted that the success of the Urban Challenge Fund will depend on sustained collaboration between the Centre, States and Urban Local Bodies, along with effective implementation of reforms and capacity building initiatives.

An e-directory linking cities with financial institutions, banks and credit rating agencies was also launched on the occasion to facilitate effective implementation of UCF.

The event also witnessed the digital signing of a Memorandum of Understanding (MoU) between the Ministry of Housing and Urban Affairs and all States, reaffirming a collaborative commitment towards the effective implementation of the Urban Challenge Fund.

In addition, Letters of Intent (LoIs) were digitally signed with key stakeholders, including knowledge partners such as academic and research institutions and capacity building centres, financial institutions comprising banks, NBFCs, international financial institutions, credit rating agencies and merchant bankers, as well as private sector entities, marking a significant step towards fostering a comprehensive ecosystem for financing, capacity building and execution of urban transformation projects.

The Urban Challenge Fund will be implemented from FY 2025–26 to FY 2030–31, aiming to transform the cities into new growth hubs and drivers of India's urban future.

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