

Urban Challenge Fund: ₹1 Lakh Crore Boost for India's Urban Infrastructure

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URBAN CHALLENGE FUND

Urban Challenge Fund Latest News

- The Union Cabinet has approved the launch of the **Urban Challenge Fund (UCF)**. The fund will provide ₹1 lakh crore in **central assistance** to drive urban development initiatives.
- According to the government, the UCF is expected to catalyse a total investment of ₹4 lakh crore over the next five years in the urban sector, significantly boosting city infrastructure and development.
- The approval comes alongside the Centre's clearance of projects worth about **₹1.6 trillion (\$18 billion)** focused on infrastructure, urban development, and startup ecosystems.

Urban Challenge Fund: Budget Announcement and Allocations

- The Urban Challenge Fund (UCF) was first announced in the **Union Budget 2025-26** by Finance Minister Nirmala Sitharaman.

- The fund, with a proposed corpus of ₹1 lakh crore, aims to support projects focused on cities as growth hubs, creative urban redevelopment, and improvements in water and sanitation infrastructure.
- An initial allocation of ₹10,000 crore was proposed for 2025–26, though operational rules were still pending at the time.
- In the Union Budget 2026–27, another ₹10,000 crore was allocated to continue the rollout of the fund.

Objectives and Vision of the Urban Challenge Fund

- The UCF aims to mobilise market financing, encourage private sector participation, and promote citizen-centric reforms to build high-quality urban infrastructure.
- It seeks to create resilient, productive, inclusive, and climate-responsive cities, positioning urban centres as engines of India's next phase of economic growth.
- The initiative represents a shift from traditional grant-based funding to a market-linked, reform-driven, and outcome-oriented model of urban development.
- The UCF will operate from FY 2025–26 to FY 2030–31, with a possible extension of implementation up to FY 2033–34.

Coverage and Target Cities Under the Urban Challenge Fund

- The UCF will cover all cities with a population above 10 lakh, all State capitals, and major industrial cities with populations exceeding 1 lakh.
- In addition, the Centre will place special emphasis on Tier-II and Tier-III cities, as well as cities in the North Eastern and hilly regions, ensuring balanced and inclusive urban development across the country.

Project Focus Areas Under the Urban Challenge Fund

- The Urban Challenge Fund (UCF) will support projects across three key verticals aimed at strengthening urban infrastructure and sustainability.
- **Cities as Growth Hubs** – This vertical focuses on greenfield and semi-greenfield development, along with trunk infrastructure creation. It includes projects along transit and economic corridors, as well as the development of counter-magnets to improve urban mobility and reduce congestion.
- **Creative Redevelopment of Cities** – This component emphasises retrofitting and upgrading legacy infrastructure, promoting pedestrian-friendly mobility, and rejuvenating Central Business Districts and heritage cores. It also supports regeneration of brownfield areas and removal of negative externalities.
- **Water and Sanitation** – Under this segment, projects will upgrade water supply, sewerage, and stormwater systems, and establish water grids. The focus includes Swachhata initiatives, solid waste management, legacy waste remediation, and integrated water processing systems.

Funding Structure of the Urban Challenge Fund

- Under the UCF, the Centre will provide 25% of a project's cost as central assistance, provided that at least 50% of the funding is raised through market sources.

- The remaining 25% will be contributed by States, Union Territories, urban local bodies, or other external stakeholders, ensuring shared financial responsibility and market participation.

Source: IE | IE | PMI

Source: <https://vajiramandravi.com/current-affairs/urban-challenge-fund-%e2%82%b91-lakh-crore-boost-for-indias-urban-infrastructure/>

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