



Urban Challenge Fund

Why in news: In Budget 2025–26, FM announced a ₹1 lakh crore Urban Challenge Fund to promote ‘Cities as Growth Hubs’, ‘Creative Redevelopment’, and ‘Water & Sanitation’.

- **Urbanisation** refers to the shift from rural to urban society, involving physical, social, economic, and cultural transformation of cities.
- **The fund focuses on:** Making cities productive and efficient economic hubs, Encouraging creative urban redevelopment, Improving urban water and sanitation infrastructure.
- ₹10,000 crore has been earmarked for FY 2025–26 to address pressing urban challenges. The Centre will finance up to 25% of bankable projects; 50% funding must come via bonds, bank loans, and PPPs.
- Cities are expected to mobilise the remaining ₹40,000 crore through municipal bonds, loans, and private partnerships.
- Under creative redevelopment, congested cities will be eligible for refurbishment using market financing, unlike the ₹10,000 crore UIDF announced in Budget 2023–24.

Do you know?

The Indian Census classifies urban areas into two categories:

- **Statutory Towns** – Areas with urban local bodies like municipal corporations, municipalities, or municipal committees.
- **Census Towns** – Areas fulfilling all three criteria:
 - Population ≥ 5,000
 - Population density ≥ 400 persons/sq. Km
 - ≥ 75% of male workforce engaged in non-agricultural activities.
- **Urban agglomerations** include a core city and its suburbs and nearby towns that share economic, social, and functional linkages.
- **Megacities** are urban centres with populations exceeding 10 million, facing issues like traffic, housing shortages, and infrastructure strain.
- **Gentrification** is the influx of investment and affluent classes into an area, leading to displacement of lower-income residents.
- **Urban sprawl** is the unplanned expansion of cities into rural or undeveloped areas, often causing environmental and infrastructural challenges.
- **Municipal Bonds (Muni Bonds)** are debt instruments issued by local governments or municipal corporations (MCs) to raise funds for urban development. Investors lend money to the MCs through these bonds and receive interest over a specified time. They help fulfil financial obligations of municipalities by providing an alternative financing source. The creation of the Urban Challenge Fund acknowledges the significant role that municipal bonds can play in urban infrastructure financing.

[Current Affairs Course is now Live](#). Course will start in October 2025 1st week.

Modules will include class notes, monthly compilation, quarter compilation and annual compilation. This will help in regular revision r/t in the fag-end of preparation.

I will provide my annual compilation, like last year, on Telegram in May 1st week.

[Last year I had promised 20 questions in Prelims from my notes & 28+ Questions could be answered from the same.](#)

30 questions is my aim for 2026 prelims. To meet that, I have analyzed why I missed 5-6 C.A. questions in 2025 and I have increased my coverage accordingly.

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