



India Union Budget 2025-26

Point of view

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Urban Development

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Key announcements for the sector

Urban Development emerges as a key pillar among the six core themes of the Budget.

- Urban transformation reforms
 - Building on the proposals outlined in the July 2024 budget, incentives will be provided to drive urban sector reforms related to governance, municipal services, urban land, and planning
 - Establishment of an Urban Challenge Fund of INR 1 lakh crore to support the implementation of proposals aimed at transforming cities into growth hubs, promoting creative redevelopment, and improving water and sanitation. This fund will cover up-to 25 per cent of the cost of bankable projects, with the requirement that at least 50 per cent of the funding comes from bonds, bank loans, and PPPs. An allocation of INR 10,000 crore is earmarked for the year 2025-26.
- Urban infrastructure drive
 - Allocations of INR 1.5 lakh crore to support states in their infrastructure development efforts. This funding will be provided as a 50-year interest-free loan to states, aimed at bolstering capital expenditure. In addition, states will be rewarded for implementing reforms that enhance efficiency and governance
 - Asset Monetization Plan 2025-30 seeks to enhance government revenue, optimize public assets, and infuse a capital of INR 10 lakh crore in new projects. To ensure its success, the associated regulatory and fiscal measures will be refined
 - Formulation of a national framework as guidance to states for promoting Global Capability Centres (GCCs) in emerging Tier 2 cities
 - The budget has emphasized a renewed focus on urban infrastructure projects through private sector participation, with funding also being available from India Infrastructure Project Development Fund (IIPDF) scheme. To this end, each infrastructure-related ministry is tasked with developing a three-year pipeline of projects that can be implemented through the PPP mode
 - Access to relevant data and maps from the PM Gati Shakti portal will be provided for assisting the private sector in project planning.
- Advancing transit
 - With the focus on enhancing regional connectivity under the UDAN scheme, 120 new destinations will be further connected. The scheme will also extend support to the development of helipads and smaller airports in hilly, aspirational, and northeastern region districts
 - Proposal of greenfield airports in Bihar in addition to the expansion of the capacity of Patna airport and a brownfield airport at Bihta.

- Urban housing reforms
 - Allocation of INR 15,000 crore under SWAMIH Fund 2 to be set up as a blended finance facility, with contributions from the government, banks, and private investors for completion of 1 lakh dwelling units under affordable and mid-income housing segment.
- Focus on UrbanTech
 - A National Geospatial Mission will be launched to develop foundational geospatial infrastructure and data, leveraging the PM Gati Shakti platform. This mission will facilitate modernization of land records, urban planning, and design of infrastructure projects.

Implications for the sector

- The 2025-26 budget outlines a strategic roadmap for transformative reforms designed to accelerate India's growth trajectory. Among its key priorities, the budget emphasises six critical sectors, with urban development being a major focus. This highlights the government's commitment to enhancing infrastructure and investing in urban transformation to create more livable and economically vibrant cities, especially for Tier 2 and Tier 3 segments
- With states formulating or refining the urban development policies, incentives for urban sector reforms will spark healthy competition amongst the states, accelerating projects through TPS, TDR or TOD - leveraging land pooling to minimise acquisition costs and providing the required urban infrastructure services
- The Urban Challenge Fund seeks to bridge financing gaps and foster public-private partnerships while encouraging the adoption of innovative solutions for infrastructure challenges, thereby, unlocking urban potential to improve city livability and resilience
- The allocation of INR 1.5 lakh crore as a 50-year interest-free loan has the potential to significantly improve the financial viability of large-scale infrastructure projects for the states. By strategically utilizing these funds, states can expedite infrastructure development, particularly in Tier 2 and Tier 3 cities, driving growth and improving connectivity in these regions
- The Asset Monetisation Plan, aimed at generating INR 10 lakh crore for new projects, is set to be a transformative initiative. This plan will focus on unlocking the value of under-utilised existing public assets to generate revenue, which will then be reinvested into new infrastructure projects. The Impact will be infusion of capital into new projects, fostering innovation, modernisation, and efficient utilisation of public assets
- Promotion of Global Capability Centres (GCCs) in emerging Tier 2 cities will further suggest measures for enhancing availability of infrastructure, building bye-laws reforms, and mechanisms for collaboration with industry. By promoting these centres, the government aims to boost economic activity, create job opportunities, and attract investments in Tier 2 cities
- Announcement of a three-year pipeline for PPP implementable projects will provide a roadmap for the timely execution of these projects, attracting investments and fostering long-term infrastructure development across the country. This approach is set to leverage private sector efficiency and innovation, while also reducing the financial burden on the government
- By investing in helipads and smaller airports, the government aims to improve accessibility for remote areas, Tier 2 and Tier 3 cities which would further boost the economic growth in these regions and bring investments in urban social infrastructure specially in hospitality and commercial segments
- The announcement of funds for affordable and mid-income housing segment is expected to build interest from private developers, contributing to addressing the country's overall housing shortage. By pooling resources from multiple stakeholders, the SWAMIH Fund 2 will enable the timely delivery of housing units for underserved segments

- The National Geospatial Mission shall drive technology-led urban transformation through improved mapping and digitisation of land records, smarter urban planning, and improved infrastructure project design. The initiative shall assist in efficient data management and analysis, enable predictive planning and improved coordination between departments with a unified geospatial framework.

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