



Technical Assistance Report

PUBLIC

Project Number: 59405-001
December 2025

India: Urban Challenge Fund—Catalyzing Transformation in Indian Cities

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Asian Development Bank

CURRENCY EQUIVALENTS

(as of 12 November 2025)

Currency unit	–	Indian rupee/s (₹)
₹1.00	=	\$0.0011
\$1.00	=	₹88.49

ABBREVIATIONS

ADB	–	Asian Development Bank
MOHUA	–	Ministry of Housing and Urban Affairs
PPP	–	public–private partnership
SWM	–	solid waste management
TA	–	technical assistance
UCF	–	Urban Challenge Fund
WSS	–	water supply and sanitation

NOTES

- (i) The fiscal year (FY) of the Government of India and its agencies ends on 31 March. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2025 ends on 31 March 2025.
- (ii) In this report, “\$” refers to United States dollars.

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TECHNICAL ASSISTANCE AT A GLANCE

Project Data			
Project number	59405-001	Project name	Urban Challenge Fund—Catalyzing Transformation in Indian Cities
Nature of Activity	✓ Project Preparation Capacity Development Policy Advice Research and Development	Modality	Stand-alone
Country	India	Executing or implementing agency	Ministry of Housing and Urban Affairs
Department/Office	SD2/SD2-WUD	Geographical location	Country
Sector(s)	✓ Water and other urban infrastructure and services Public sector management	Subsector(s)	Other urban services Renovation and protection of cultural heritage Urban housing Urban policy, institutional and capacity development Urban sanitation Urban sewerage Urban solid waste management Urban water supply Public expenditure and fiscal management
Strategic Focus Area	✓ Private sector development	Sustainable Development Goals	SDG 6.2, 6.3, 6.a SDG 11.1, 11.3, 11.4, 11.6, 11.7, 11.a SDG 17.1
Financing			
ADB Financing		Amount (\$ million)	
Technical Assistance Special Fund		2.00	
Cofinancing		Amount (\$ million)	
None		0.00	
Counterpart		Amount (\$ million)	
None		0.00	
Total		2.00	
ADB Climate Financing			
ADB			
Adaptation		1.04	
Mitigation		0.96	
Cofinancing (ADB-administered)			
Adaptation		0.00	
Mitigation		0.00	
Total		2.00	
Currency of ADB Financing: US Dollar			
Climate Action			
Disaster Risk Management, Environment and Nature		Circular Economy, Nature-based Solutions (including green infrastructure)	
Safeguards			
Category	Environment: <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input checked="" type="checkbox"/> Not Applicable Involuntary resettlement: <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input checked="" type="checkbox"/> Not Applicable Indigenous peoples: <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> FI <input checked="" type="checkbox"/> Not Applicable		
Gender Equality			
Category	<input type="checkbox"/> Gender equality objective (GEN) <input checked="" type="checkbox"/> Effective gender mainstreaming (EGM) <input type="checkbox"/> Some gender elements (SGE) <input type="checkbox"/> Indirect gender benefits (IGB)		
Poverty Reduction and Inclusion			

Category	<input type="checkbox"/> Poverty reduction and inclusion focus (PIF) <input type="checkbox"/> Poverty reduction and inclusion elements (PIE) <input checked="" type="checkbox"/> Indirect poverty reduction and inclusion (IPI)
Regional Cooperation and Public Goods	
Category	<input type="checkbox"/> Pillar 1 <input type="checkbox"/> Pillar 2 <input type="checkbox"/> Pillar 3 <input checked="" type="checkbox"/> Not applicable

I. INTRODUCTION

1. This technical assistance (TA) is proposed to support India in operationalizing and implementing the Urban Challenge Fund (UCF)¹ to contribute to the catalytic urban transformation and development of livable cities by designing bankable projects and strengthening the capacity of states and urban local bodies.² The main objective of the TA is to support the Ministry of Housing and Urban Affairs (MOHUA) in developing and operationalizing the UCF through the following:

- (i) providing policy advice, capacity building, and knowledge support with international best practice and technical support at the national level;
- (ii) supporting cities in preparing strategies, sector assessments, master plans or action plans, or legal and regulatory frameworks for urban sector reform, market assessments, and creditworthiness;
- (iii) developing a pipeline of state and city level investments by applying innovative and integrated solutions with a focus on the key subsectors of (a) creative redevelopment of cities, (b) cities as growth hubs, and (c) 100 cities for water supply and sanitation (WSS), sewerage management and solid waste management (SWM) that could be funded through the UCF; and
- (iv) establishing urban management partnerships for peer-to-peer learning with a view to improving capacity of institutions.

2. The TA will enable enhanced climate action and financing, disaster risk management, and increased private sector participation and investment across the subsectors.

3. The TA aims to advance sustainable urban development in India through three key aspects: First, developing integrated urban and regional planning solutions that enhance economic, environmental, cultural, and social benefits. These efforts will support the creative redevelopment of cities and position them as dynamic growth hubs, fostering planned and sustainable urbanization. Second, identifying and implementing financial innovations and mechanisms to improve operational efficiency and ensure long-term financial sustainability. This includes preparing market-based financing in urban infrastructure through bankable transactions and building a robust pipeline of investments for the UCF and Asian Development Bank (ADB) financing. Targeted areas will include congested urban zones such as central business districts and old commercial areas, with a focus on a transit-oriented development-based growth strategy, mobility solutions, affordable housing, and tourism development that promotes low-carbon and nature-based solutions. Third, strengthening institutional capacities across urban planning and design, mobility, socially inclusive and affordable housing, tourism, municipal finance, financial management, and infrastructure—including WSS, SWM, urban roads, and public spaces. The TA will facilitate knowledge sharing and twinning arrangements to adopt regional best practices. Additionally, climate resilience and low-carbon development will be integrated as crosscutting priorities. The TA will support the identification and design of urban infrastructure projects that contribute to climate adaptation and mitigation, including nature-based solutions, resilient infrastructure, and low-emission urban mobility systems.³

¹ Government of India. 2025. [Budget 2025–26: Speech of N. Sitharaman, Minister of Finance](#). 1 February. “The Government will set up an Urban Challenge Fund of \$12 billion to implement the proposals for ‘Cities as Growth Hubs’, ‘Creative Redevelopment of Cities’ and ‘Water and Sanitation’...” This fund will finance 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 commercial financing. Paras. 58 and 59.

² Government of India, Ministry of Finance. 2025. [Union Budget Documents 2025–26](#).

³ The TA first appeared in the business opportunities section of ADB’s website on 4 November 2025.

4. **Lessons Learned.** The TA will draw on lessons from earlier TAs which were part of a continuum of ADB's support to India to mainstream PPPs.⁴ These previous TAs also provided support for project structuring of bankable projects in the urban sector and were implemented in partnership with the MOHUA and Department of Economic Affairs (DEA). The TA will also draw on ADB's extensive experience in water and urban development sector in the last 25 years. Few lessons are (i) quick mobilization of experts is critical to timely delivery of the TA, (ii) important to engage states during the implementation of the TA as the federal government system, states and ULBs are responsible to prepare and implement urban development projects, and (iii) previous TAs for PPP frameworks were before their time and did not receive traction, hence timing for bringing in non-sovereign aspects upstream is important to ensure project structuring.

II. ISSUES

5. India's cities are at the core of the nation's economic growth, innovation, and employment generation. Recognizing the cities' role as engines of economic development, the Government of India proposed the UCF of \$12.0 billion to support transformative urban initiatives under three key themes: cities as growth hubs, creative redevelopment of cities, and water and sanitation. Announced in the Union Budget 2025–26 (footnote 1), this initiative builds on earlier urban sector reforms and seeks to enhance urban governance and integrated planning, and foster a resilient, inclusive, and investment-ready urban ecosystem to engage the private sector. India is urbanizing rapidly. By 2036, its towns and cities will be home to 600 million people—40% of the population, up from 31% in 2011—with urban areas contributing almost 70% to GDP,⁵ intensifying the demand for housing, water and sanitation, and solid waste management. It is crucial to develop comprehensive urban planning programs to prevent unorganized and unplanned urban sprawl. A 2022 World Bank report estimated that India's urban infrastructure investment needs will exceed \$840.0 billion by 2037.⁶ Meeting this demand will require de-risking investments, improving the creditworthiness of the cities, and creating conditions for effective leveraging of the private sector.

6. Cities across India face an urgent need to retrofit legacy infrastructure and revitalize central business districts and historic urban cores. Optimizing the use of existing assets and land is essential to improve service standards and quality of life for urban residents. The creative redevelopment of cities initiative would pave the way for socioeconomic regeneration, aligning with the national vision of *Viksit Bharat* (developed nation) by 2047. Issues like traffic congestion, shrinking blue-green spaces, inadequate pedestrian infrastructure, and underutilized government assets and public land can be addressed through creative urban planning interventions. However, the success of these efforts hinges on robust financial planning by the city authorities, supported by integrated urban design and planning; urban renewal adaptive reuse strategies, such as catalytic anchor projects; and critical policy and institutional reforms.

7. In August 2024, at the request of the Government of India's Department of Economic Affairs, Ministry of Finance, and MOHUA, ADB and the World Bank collaborated to prepare three knowledge frameworks on cities as growth hubs, creative redevelopment of cities, and 100 cities for WSS and SWM. Following the government's acceptance of two knowledge frameworks—cities as growth hubs and creative redevelopment of cities—in February 2025, and subsequent

⁴ ADB Technical Assistance Completion Reports: (i) [TA 8799 IND: Supporting Public–Private Partnerships for Infrastructure Development](#); (ii) [TA 7221-IND: Preparing Nonsovereign Urban Infrastructure Projects](#); (iii) [TA 7152-IND: Preparing the Public–Private Partnerships Pilot Projects Initiative \(Mainstreaming Public–Private Partnerships\)](#).

⁵ A. Banerji et al. 2022. [India - Toolkit for Enabling Gender Responsive Urban Mobility and Public Spaces: Volume 1 - The 'What-To-Do' Note for Policymakers](#). World Bank.

⁶ S. Athar, R. White, and H. Goyal. 2022. [Financing India's Urban Infrastructure Needs: Constraints to Commercial Financing and Prospects for Policy Action](#). World Bank.

approval of the WSS and SWM initiative in May 2025, MOHUA requested ADB and the World Bank to translate the knowledge frameworks into a national urban agenda, with the aim of implementing them through the UCF. ADB and India, under the country partnership strategy, 2023–2027,⁷ will support programs that promote social inclusiveness and ensure that the benefits of urbanization reach vulnerable groups and are aligned with the CPS objective.

8. The UCF will strengthen infrastructure in the cities through financially self-sustaining projects that have either revenue streams sufficient to attract both debt and equity financing (e.g., public–private partnership [PPP] projects) or by financing urban local bodies that are borrowing for a pool of projects and moving toward financial sustainability. The UCF represents a paradigm shift in India’s approach to urban development financing. Moving away from conventional grant-driven schemes, the UCF introduces a reform-linked, leverage-based framework that mandates cities and states to mobilize at least 50% of project funding from market-based sources (e.g., municipal bonds, loans, and PPPs), with the government providing up to 25% support. This financing arrangement design is anchored in bankability, creditworthiness, and reform compliance, requiring strong institutional and technical capacity at MOHUA and across states and cities. The UCF will prioritize the development of economic infrastructure and the creation of new economic opportunities. It will also provide targeted handholding support and capacity building initiatives for city authorities, ensuring that states, cities, and implementing agencies are equipped with the necessary skills and expertise to plan, execute, and sustain urban transformation efforts.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

9. The TA is aligned with the following impact: livability in cities in India improved.⁸ The TA will have the following outcome: inclusive economic growth, urban revitalization, and urban transformation for cities in India enabled.⁹ The TA aims to advance outcomes for the three strategic priority areas: (i) cities as growth hubs, (ii) creative redevelopment of cities, and (iii) water supply and sanitation in 100 cities. It will bridge the gap between the UCF’s broad policy framework and its operational rollout, which will enable states and cities to be equipped to prepare and implement high-quality, financially sustainable, and reform-linked urban projects through four interlinked outputs.

B. Outputs, Methods, and Activities

10. **Output 1: Institutional structure and operational guidelines for the UCF adopted.** The TA will support MOHUA in conceptualizing the UCF, including (i) developing the institutional architecture of its national management and operations; (ii) supporting regulatory frameworks and standardizing templates for reform undertakings to create an enabling environment at all three tiers of government (national, state, and local) to support the identification of cities and develop UCF-eligible project proposals that can mobilize private sector financing at scale; (iii) establishing a structuring process (financial toolkits covering the escrow design, debt service reserve

⁷ Asian Development Bank. 2023. [Country Partnership Strategy. India, 2023–2027—Catalyze Robust, Climate-Resilient, and Inclusive Growth.](#)

⁸ ADB and World Bank. 2025. [Creative Redevelopment of Cities in India: A Catalyst for Inclusive, Resilient, and Sustainable Growth.](#) ADB and World Bank. 2025. [Cities as Growth Hubs: Knowledge Framework.](#) ADB and World Bank. 2025. [Water Supply and Sanitation in Indian Cities: Knowledge Framework for Promoting Sustainable and Bankable Water Supply, Sanitation, and Solid Waste Management.](#)

⁹ The design and monitoring framework is in the Appendix.

arrangements, PPP structuring, and pooled finance mechanism) for project development and implementation, including key due diligence requirements; and (iv) addressing the most critical local and state policy, regulatory, and capacity constraints in attracting private capital and enhancing urban infrastructure and service delivery. The TA will support the incorporation of climate finance, climate risk and vulnerability assessments, and greenhouse gas estimation frameworks in the UCF guidelines and project screening criteria to help cities prepare climate-aligned, bankable projects that contribute to India's nationally determined contribution targets and enhance the cities access to green and climate finance.¹⁰ The TA will provide consultants and technical support to MOHUA and support states and cities in preparing projects for UCF financing.

11. Output 2: Policy studies and strategic plans for project identification and readiness prepared. The TA will help city governments

- (i) prepare strategies; sector assessments; master plans, action plans, or technical studies covering legal and regulatory frameworks in eight reform areas (operational, governance, tariff, land value capture, urban planning, property tax, transit, and project financing); market assessments; pre-feasibility studies; urban regeneration; affordable housing; tourism development; mobility solutions; environmental and climate-resilient infrastructure planning, including WSS and SWM, flood management, and other municipal services; nature-based solutions; green building standards and codes; inclusive design (universal accessibility standards) for older persons, women, children, and persons with disabilities; and financial and borrowing capacity assessment of cities, including recommendations of tools to improve cities' creditworthiness (including support for credit ratings);
- (ii) facilitate engagement with lenders, credit rating agencies, and private developers through structured platforms;
- (iii) use high-level digital technologies for innovative solutions; and
- (iv) identify innovative financing mechanisms to enable pathways for private sector participation and engagement.

12. The TA will also support selected "lighthouse" cities in accessing the UCF.¹¹ This output will support project preparation; conceptual design; due diligence (legal, technical, financial, and safeguards); feasibility studies; and transaction support. Consultants will be recruited to (i) support upstream efforts to identify and develop project pipelines by conducting initial scoping and preparing project concept notes for cities that meet sufficient degrees of creditworthiness;¹² (ii) prepare multisector assessments and investment roadmaps, laying the groundwork for targeted and strategic project development and carving out subprojects that would be eligible for the UCF and other subprojects that would need standard public financing; and (iii) support cities in updating financial reporting and identifying cost and revenue centers for planning how to improve their

¹⁰ Government of India. 2022. [India's Updated First Nationally Determined Contribution Under Paris Agreement](#). Under the TA, climate change adaptation is estimated to cost \$1,050,000, and climate change mitigation is estimated to cost \$750,000. The preliminary estimate for greenhouse gas emissions is 70,000–135,000 tons of carbon dioxide equivalent per year.

¹¹ Lighthouse cities are identified by MOHUA in priority states to prepare initial projects. ADB will work with two lighthouse cities: Bhubaneswar and Nagpur.

¹² Under [Regional: Creating Investable Cities in a Post-COVID-19 Asia and the Pacific—Enhancing Competitiveness and Resilience Through Quality Infrastructure](#) (TA 6588-REG), ADB agreed with MOHUA that five cities—Nagpur, Surat, Indore, Visakhapatnam, and Coimbatore—will be candidates for extending support in three areas: (i) City Resource and Finance Tool (CRAFT): assessment of municipal finances and own-source revenue, measures to improve creditworthiness, own-source revenues, and credit risk assessment report; (ii) capital investment plan: project pipeline and prioritization, funding/financing options, and project concept; and (iii) development and tax-based transit-oriented development plan and policy.

revenue sources and reducing costs to generate a predictable cash flow for investing in projects that align with their chosen growth hub strategy. The ensuing projects to be developed under the TA would include the creation of gender-responsive infrastructure and services.

13. **Output 3: Knowledge sharing and institutional capacity strengthened.** The TA will foster knowledge exchange and institutional development by (i) establishing urban management partnerships for peer-to-peer learning with a view to improving the capacity of institutions, agencies, and stakeholders on urban and regional planning, economic growth hubs, housing, sustainable tourism, subnational finance, and financial management; (ii) providing knowledge sharing, dissemination, and capacity building workshops across the country; and (iii) organizing study visits for Government of India, state, and city officials to learn from mentor cities or agencies.

C. Cost and Financing

14. The TA financing amount is \$2,000,000 which will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources). The key expenditure items are listed in Annex 1. The government will provide counterpart support in the form of counterpart staff, office space, office supplies, secretarial assistance, domestic transportation, organization of national and state workshops and trainings, logistical support and venues, and other in-kind contributions.

15. The total TA amount is broken down per output in Table 1.

Table 1: Cost Breakdown per Output

Output	Indicative Cost (\$)	Percentage of TA Amount (%)
Output 1: Institutional structure and operational guidelines for UCF adopted	1,227,600	61
Output 2: Policy studies, strategic master plans, or action plans prepared for project identification and readiness	374,200	19
Output 3: Knowledge sharing and institutional capacity strengthened	398,200	20
Total	2,000,000	100

TA = technical assistance.

Source: Asian Development Bank.

D. Implementation Arrangements

16. ADB will administer the TA through the Water and Urban Development Sector Office, Sectors Department 2. Implementation arrangements are summarized in Table 2.

Table 2: Implementation Arrangements

Aspects	Arrangements		
Indicative implementation period	November 2025–December 2030		
Executing agency	MOHUA		
Implementing agency	Asian Development Bank		
Consultants	To be selected and engaged by ADB		
	Individual: Individual selection, resource persons, framework agreements	International expertise (8 person-months)	\$0.14 million
		National expertise (348 person-months)	\$1.47 million
Disbursement	Disbursement of TA resources will follow ADB's <i>Technical Assistance Disbursement Handbook</i> (2020, as amended from time to time).		

ADB = Asian Development Bank, MOHUA = Ministry of Housing and Urban Affairs, TA = technical assistance.
Source: Asian Development Bank.

17. **Consulting services.** ADB will engage consultants following the ADB Procurement Policy (2017, as amended from time to time). The engagement of both international and national consultants under consulting packages will include individual consultants and resource persons. Framework contracts and agreements will be considered and used if suitable. Direct contracting will be considered and used when it is justified as the most suitable procurement method.¹³

IV. THE PRESIDENT'S DECISION

18. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$2,000,000 on a grant basis to India for the Urban Challenge Fund—Catalyzing Transformation in Indian Cities, and hereby reports this action to the Board.

¹³ Terms of Reference for Consultants (Annex 2).

DESIGN AND MONITORING FRAMEWORK

Impact the TA is Aligned with Livability in cities in India improved ^a			
Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
Outcome Inclusive economic growth, urban revitalization, and urban transformation for cities in India enabled	a. Approval of at least 3 projects by MOHUA under the UCF demonstrating improved urban planning and design of climate-resilient infrastructure, low-carbon growth hubs, financial and economic services, and disaster risk-informed planning (2025 baseline: 0) (DR11)	a. UCF reports	A: Private sector is interested in urban sector investments
Outputs 1. Institutional structure and operational guidelines for the UCF adopted 2. Policy studies, strategic master plans, or action plans prepared for project identification and readiness 3. Knowledge sharing and institutional	1a. Management and operations guidelines of the UCF developed (2025 baseline: NA) 1b. Reforms identified to create an enabling environment for preparing climate-aligned bankable projects developed (2025 baseline: NA) 2a. At least two strategic studies prepared for cities as growth hubs and/or creative redevelopment action plan (2025 baseline: 0) 2b. At least one financial assessment of borrowing capacity of cities or urban local bodies conducted (2025 baseline: 0) 2c. At least two projects with project structuring support for UCF financing identified and due diligence supported (2025 baseline: 0) 3a. At least two UMPs identified and operationalized for peer-to-peer learning, with	1a. UCF guidelines and project screening criteria launched by MOHUA 1b. UCF monitoring reports and approval of identified projects by MOHUA 2a. Monitoring data from MOHUA on project concepts submitted and screened for UCF financing 2b. Consultant reports 2c. PPRs submitted to DEA 3a. Consultant reports for twinning partnerships	

Results Chain	Performance Indicators	Data Sources and Reporting Mechanisms	Risks and Critical Assumptions
capacity strengthened	participants demonstrating increased knowledge and skills on urban management (2025 baseline: 0)	and participant post-activity survey	
Key Activities with Milestones 1. Institutional Structure and Operational Guidelines for the UCF adopted 1.1 Establish UCF Support Unit in MOHUA (January 2026) 1.2 Finalize UCF national guidelines and UCF selection criteria (June 2026) 1.3 Model regulatory frameworks and reforms at national/state/city level to create an enabling environment (December 2027) 2. Policy studies, strategic master plans or action plans for project identification and readiness 2.1 Develop city-level creative redevelopment action plans, embedding nature-based solutions and disaster risk management and green and blue infrastructure, sustainable mobility, and renewable energy measures (December 2027) 2.2 Conduct financial assessment of borrowing capacity of cities (November 2027) 2.3 Prepare financial modelling, and provide project structuring support for UCF financing projects, state capital initiatives (October 2028) 3. Knowledge sharing and institutional capacity strengthened 3.1 Identify cities in need of capacity building (December 2026) 3.2 Identify mentors and mentees to enable UMPs (July 2027) 3.3 Structure and deliver the UMPs (December 2028) TA Management Activities Consultant recruitment, reporting, monitoring and evaluation (including primary data collection activities, stakeholder consultations, and surveys), knowledge sharing workshops, and peer-to-peer twinning activities			
Inputs ADB: \$2,000,000 The government will provide counterpart support in the form of counterpart staff; office space; office supplies; secretarial assistance; domestic transportation; organization of national and state workshops and trainings; logistical support and venues; and other in-kind contributions.			

A = assumption, ADB = Asian Development Bank, DEA = Department of Economic Affairs, DR = development result, MOHUA = Ministry of Housing and Urban Affairs, NA = not applicable, PPR = project proposal report, SDG = Sustainable Development Goal, TA = technical assistance, UCF = Urban Challenge Fund, UMP = urban management partnership.

^a ADB and World Bank. 2025. [Creative Redevelopment of Cities in India: A Catalyst for Inclusive, Resilient, and Sustainable Growth](#). ADB; ADB and World Bank. 2025. [Cities as Growth Hubs: Knowledge Framework](#). World Bank; and ADB and World Bank. 2025. [100 Cities: Water Supply & Sanitation and Solid Waste Management](#). ADB.

Contributions to ADB's Development Results and Alignment with SDGs

A summary of the TA contributions to ADB's development results and alignment with the SDGs are presented in the Contributions to Strategy 2030 Development Results page in eOperations. This information is available from the TA team upon request.

Source: ADB.