ECONOMYNEXT – Sri Lanka’s government is keen to get the private sector involved in financing critical urban infrastructure, as its own equity contribution would be limited, Minister of Megapolis and Western Development Patali Champika Ranawaka said.

Countries like Sri Lanka will have many challenges and opportunities associated with ongoing mass urbanisation, he said at a forum in Colombo on financing urbanization in the Asia-Pacific region.

Unplanned, unsustainable, unhygienic, uncontrolled, ad hoc urbanisation had created many problems for the region’s government’s, he told the ADB–Asian Think Tank Development Forum 2017 in Colombo.

Sri Lanka’s urbanisation has unique characteristics as just six percent of the total land mass holds 25 percent of the population, Ranawaka said. The official urbanisation level is considered 18 percent, based on local authority classification.

But the reality was that the population that uses urban utilities is now around 50 percent, Ranawaka told the forum organised by the Asian Development Bank in partnership with the Institute of Policy Studies.

Ranawaka said the government believes its Western Region Megapolis project covering the Western Province is a driver of economic growth.

“The economic contribution of the Megapolis region will be higher than the country’s average GDP,” Ranawaka said.

For example, Mumbai produces 16 percent of India’s GDP, with only 1.7 percent of its population, a characteristic applicable to Sri Lanka too.

In 2012, the Western Province’s population was 5.8 million or 28 percent of the total population, but its GDP contribution was around 42 percent, Ranawaka said.

The cost of the Megapolis project is around $40 billion over the next 15 years, and the question was how to finance these numbers, Ranawaka said. The government contribution to equity in such high capital-intensive projects would be minimal, he said.

The projects also faced long payback periods owing to lower returns, and there was limited space for construction and increasing difficulty in acquisition.

“In this context , it is imperative for the government to integrate the private sector to ensure stable financing,” Ranawaka said. Projects would be mainly in the form of public-private partnerships, he said. “We have unleashed at least 100 privately funded projects worth around $10 billion.”

“The PPP model would be applicable to these projects. The government does not invest in...
infrastructure projects needed to propel growth.”
(COLombo, Sept 20 2017)