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Sri Lanka's vision of urban development

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The recent modernisation to the city of Colombo and other cities have drawn the attention of the World Bank to examine how this positive initiative could be sustained to achieve the urban development vision articulated in the Government's policy Vision of Urban Development. The report argues that by filling in the institutional and policy gaps in the overall urban renewal framework, the Urban Vision could be achieved by 2020. The report provides an assessment of Sri Lanka's urban characteristics, outlining the changes and broad policy direction for turning the Urban Vision into action.

Core city areas are short of buildable land and private developers face difficulties in assembling large parcels of land for residential, commercial and industrial development – *Pic by Lasantha Kumara*

The Report begins by highlighting Sri Lanka's vision to become a hub between the East and the West and an upper-middle income country by 2016. In this context, in addition to creating a conducive economic policy environment to achieve close to 8% economic growth rates and five regional hubs, there is a defined policy framework for urban renewal and development.
Two major components comprise this policy framework. They are contained in the following documents: (a) 'System of Competitive Cities Vision' as enunciated in the National Physical Planning Policy and Plan 2011-2030 and the 'Mahinda Chinthana Vision for the Future' (MCVF) (Section 7.4 and 8.3); and (b) 'Adequate and Affordable Urban Shelter for All' (MCVF, Section 7.3) – the vision to provide every family with adequate and affordable shelter by 2020.

Under (a) the objective is the development of a system of cities in five metro regions comprising Colombo, North-Central, Southern, Eastern and Northern Regions as well as the development of nine metro cities – Anuradhapura, Ampara, Batticaloa, Colombo, Dambulla, Hambantota, Jaffna, Polonnaruwa and Trincomalee. These are to be competitive, well-linked and be environmentally sustainable.

Under (b) the intention is to cover the current backlog of 600,000 housing units and in addition to construct one million new houses by 2020. In this exercise, the Government has already initiated the construction of low-income houses in Colombo under its Sustainable Township Programms. The overall objective is to construct 100,000 housing units per annum nationwide until 2020. In the achievement of these objectives as enunciated in the above mentioned two programs, the Report has highlighted a number of constraints. Of these, the Report has indicated three as being noteworthy in respect of the first initiative. These include the following.

FT Quotes

> "The report is a useful document to initiate on urban renewal and housing expansion. Although it does not go into the political constraints of policy reforms it provides a useful platform with other country experience for Sri Lanka to overcome such constraints and initiate policy and institutional changes. What is important to note is that Sri Lanka's urbanisation is slow compared to other heavily populated South Asian countries. Thus by acting now, Sri Lanka can take full advantage of economic benefits of urban transition, while mitigating the problems associated with fast urbanisation"

The first involves the characteristics of Sri Lanka's 'urban footprints,' these being low density, sprawl and ribbon development which characterise the main roads and the coastal belt. Urban sprawl is transport-intensive, difficult to plan and manage, and stems largely from regulatory failures and enforcement of land use controls. Low density sprawl and ribbon development lead to economic inefficiency and makes service delivery uneconomical.

Secondly, Sri Lanka lacks an integrated policy and institutional framework for urban infrastructure finance. Urban infrastructure is financed almost exclusively through traditional methods and within the framework of public procurement procedures. Most projects are financed and managed through the line ministries and central agencies in such areas as telecom, energy, and port sectors.

The third main deficiency is that provincial, municipal and local authorities have neither sufficient finance and technical personnel nor resources to provide for efficient urban service delivery. Urban local authorities account for less than 2% of total annual government revenue and whatever expenditure is incurred is largely for recurrent maintenance rather than capital expenditure.

The Report identifies these three factors as the main constraints that impede the achievement of the first objective envisaged in Sri Lanka's vision of urban development. In this context, the Report argues that building long-term partnership with the private sector is crucial for managing and financing large urban infrastructure which is the centre of the Urban Vision.

An integrated policy and an institutional framework to leverage private capital and expertise would be a necessary ingredient if the constraints are to be overcome and a system of competitive cities built as envisaged. The sustainability of the Government's recent initiatives such as the urban renewal in the Colombo Metropolitan Area and urban centres outside the Western Province will depend on the Government's commitment to address these key institutional and policy constraints. It moreover requires a committed long-term vision for urban areas at national, regional and urban levels. The Report in analysing the second part of the Urban Vision i.e., providing every family with adequate and affordable shelter by 2020 has also identified a number of constraints. These involve constraints primarily in the transport network, finance, land and housing markets. The Report stresses that in achieving Sri Lanka's Urban Vision the underserved settlements in urban areas have to be addressed. According to the 2011 UDA survey, close to 68,812 households in Colombo live in 1,499 underserved areas, i.e., almost half the city's population. The substandard conditions in which they live particularly in respect of latrines and sewerage aggravated during period of floods constitute a pressing problem. Cities and towns outside the Western Province have also their share of substandard conditions comprising about 10-15%. For example, of the housing stock, 18% in Kandy, 20% in Nuwara Eliya and 17% in Matara are in substandard housing.

In respect of the transport network, the Report states that transport bottlenecks are well known with long journey times between urban nodes. There are no formal arrangements for integrated planning and coordination of the transport section. In this respect it can be pointed out that in spite of many developments still due, a substantial improvement in the road network has taken place with the construction of highways and express ways, improvement of roads, building of new bridges in the Eastern, Northern and Up-Country areas and many new undertakings continuing and due to be completed soon.

In respect of finance, the Report points out that the key low-income housing finance institutions are ineffective. Private commercial banks are not eager to finance housing development due to various complications. These include inadequate collateral, obtaining a clear title to land, absence of credit guarantees, eviction laws such as the Protection of Leaseholder Act (1959), the Rent Act (1972) and Ceilings on Housing Property Law (1973) and so on.

The National Housing Development Authority focuses most of its funds not to low income groups but to middle income groups. The Urban Settlement Development Authority that works on community mobilisation has also become less effective. In regard to the Urban Development

Authority the Report points out that it does not receive budget transfer expect for Special Projects. Thus as highlighted in this Report and also confirmed in the World Bank's 2008 report on 'Housing Finance in Sri Lanka: Opportunities and Challenges,' the housing–finance system for both bankable and non-bankable households is under-developed.

With regard to the land market, the Report points out a number of factors that act as constraints. Sri Lanka has strict land market restrictions with the State holding close to 82% of the land. Core city areas are short of buildable land and private developers face difficulties in assembling large parcels of land for residential, commercial and industrial development. Most private contractors concentrate on high-end condominiums or land sub-division and sale with basic services. These are primarily for upper or upper middle income groups and the middle or low income groups are left in the lurch. Land market restrictions have far-reaching effects on rural urban transformation. Land distributed to landless farmers by the Land Development Authority cannot be leased, mortgaged or sold thus slowing down the rural-urban transformation. While it has not restricted temporary migration, it has discouraged diversification toward non-farm activities in manufacturing and services.

The Report in this respect argues for a market-based land disposal and conversion as alternative options, pooling/re-adjustment and land banks. There are however a number of conditions necessary for the operation of such alternative schemes. These include adequate knowledge of land market demand in various locations, land-use plans for infrastructure requirements, realistic financing plans and institutions capable of and mandated for negotiating, auctioning and pooling land. The report indicates countries such as Brazil, Korea and Gujarat State in India as being successful in such efforts.

The overall policy framework advocated is in the Report consist of four ingredients:

nMoving towards strategic and integrated national, regional and urban planning.

nEnsuing sustainable financing of regional and urban infrastructure.

nRepositioning Urban Local Authorities as an accountable service provider and equipping them with adequate powers and facilities for performance-based city management and finance.

nPromoting efficient and sustainable land and housing development for improved city liveability.

The report is a useful document to initiate on urban renewal and housing expansion. Although it does not go into the political constraints of policy reforms it provides a useful platform with other country experience for Sri Lanka to overcome such constraints and initiate policy and institutional changes. What is important to note is that Sri Lanka's urbanisation is slow compared to other heavily populated South Asian countries. Thus by acting now, Sri Lanka can take full advantage of economic benefits of urban transition, while mitigating the problems associated with fast urbanisation.

(The reviewer is the Executive Director of the Institute of Policy Studies of Sri Lanka.)