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### Govt guarantees for urban investment mooted at Sri Lanka forum

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ECONOMYNEXT – Governments can help local bodies grappling with the problems of rapid urbanisation by giving guarantees to raise funds required to make their cities more liveable, a forum in Sri Lanka on financing urbanization was told.

Financing really is the main challenge for most developing countries like Sri Lanka where governments have limited fiscal space to do major infrastructure projects, said Dushni Weerakoon, acting Executive Director of the Institute of Policy Studies.

Countries in the region need sustainable financing for infrastructure and urbanisation, she told the ADB–Asian Think Tank Development Forum 2017 in Colombo.

“The private sector has a role to play in investing in energy efficiency and ensuring transport systems are less polluting and in areas like waste management,” Weerakoon told the forum on financing for sustainable urbanization in Asia and the Pacific.

“Governments can also step in and raise access to capital markets for urban bodies by providing guarantees,” she said.

Local bodies can also capture the increase in land values generated through infrastructure development, Weerakoon told the forum organised by the Asian Development Bank in partnership with the IPS. There were opportunities to address issues of congestion and income disparities within and across cities through good urban planning, Weerakoon said.

“Today, good planning for urban development means creating sustainable cities that are environmentally-friendly and less resources consuming than in the past.” Even Colombo is undergoing a rapid urbanisation process with high-rise apartments, mixed development projects and reclamation of land, Weerakoon said.

Many of these are under the government’s flagship economic project, Western Region Megapolis project, covering the Colombo, Gampaha and Kalutara districts. But all of it comes at a financial cost, Weerakoon said, noting that the Megapolis project is estimated to cost around \$40 billion over the next 15 years.

Emerging economies like India, Brazil and South Africa have floated municipal bonds to raise funds for investment, but mainly in larger cities. Most municipalities don’t have the local tax base in their cities, the tax base being too narrow, and do not have internationally recognised credit ratings to access capital markets.

“So we have to find different ways to mobilise resources,” Weerakoon said. (COLOMBO, Sept 20 2017)



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