



# URBANIZATION IN SRI LANKA – AN EMERGING CHALLENGE

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*This is a review article based on the World Bank and UN HABITAT published report in 2012 titled: “Turning Sri Lanka’s Urban Vision into Policy and Action.”*

When discussing the theme “Beyond Growth,” it is essential to note that there is a close association between the structural transformation of an economy and its spatial transformation based on urbanization. Economists have shown that the Middle Income Trap is often characterized by a poor integration of both structural transformation and spatial transformation of an economy. Developing countries often develop an urbanization strategy to facilitate an export-led growth that has helped many of these countries to make the transition from low incomes to middle income countries. The space and quality of urbanization becomes even more important as countries attempt to make the transition from middle income status to an advanced economy. The evolution of a developing country’s structural transformation will depend on how well it manages its urbanization.

After the war ended in mid-2009, the Sri Lankan government initiated an urbanization programme to revitalize cities and create more urban space for its growing middle class population. These initiatives were also aimed at creating a more business-friendly environment in the country, by initially addressing some soft areas. The programme gathered momentum in late 2010, and since then a number of urban modernization initiatives have borne fruit. The World Bank took the initiative to have a first-look at this programme, and its report was published in late 2012. The World Bank examined how this positive drive could be sustained to achieve the urban development goals articulated in the government’s policy vision for 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 reality.

The Report begins by highlighting Sri Lanka’s vision towards becoming 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 (MCFV) (Section 7.4 and 8.3); and (b) “Adequate and Affordable Urban Shelter for All” (MCFV, 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 comprised of 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 environmentally sustainable.

Under (b), the intention is to cover the current backlog of 600,000 housing units and 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 Programme. 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 two programmes mentioned above, the Report has highlighted a number of constraints. Of these, three in particular, are indicated as being noteworthy with respect to the first initiative. These include the following;

The first involves the characteristics of Sri Lanka’s “urban footprints.” These being low density, sprawl, and ribbon development, which characterizes 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 leads to economic inefficiency, and makes service delivery uneconomical.

Secondly, Sri Lanka lacks an integrated policy and institutional framework for the financing of urban infrastructure. 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 areas such as telecom, energy, and ports.

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

The Report identifies these three factors as being 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 partnerships with the private sector is crucial for managing and financing large urban infrastructure, which is at the heart of the Urban Vision.



An integrated policy and an institutional framework, to leverage private capital and expertise, is necessary if the constraints are to be overcome and a system of competitive cities, as envisaged, are to be built. 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. Moreover, it requires a committed long-term vision for urban areas at national, regional, and urban levels.

The second part of the report, which deals with the Urban Vision of providing adequate and affordable shelter for every family by 2020, also identified a number of constraints that could hamper its realization. These primarily involve shortcomings in the transport network, finance, and the land and housing markets.

The Report stresses that issues pertaining to the underserved settlements in urban areas have to be addressed in order to achieve Sri Lanka's Urban Vision. According to the 2011 UDA survey, close to 68,812 households in Colombo are located in 1,499 underserved areas, constituting almost half the city's population. The substandard conditions, particularly in respect of latrines and sewerage, are aggravated during period of floods – which is a pressing problem. Cities and towns outside the Western Province also have their share of substandard conditions. For example, of the housing stock, 18% in Kandy, 20% in Nuwara Eliya, and 17% in Matara, are substandard housing.

With respect to the transport network, the Report states that transport bottlenecks are well known, with long journey times between urban nodes being a fact of life. There are no formal arrangements for the integrated planning and coordination of the transport sector. However, 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, and the building of new bridges in the Eastern, Northern, and Up-Country areas. In this regard, many new undertakings are continuing and are due to be completed soon.

With respect to finance, the Report points out that the key low-income housing finance institutions are ineffective. Private commercial banks are not eager to finance housing developments, 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), and 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 on low income groups, but on middle income groups. The Urban Settlement Development Authority that works on community mobilization has also become less effective. With regard to the Urban Development Authority, the Report points out that it does not receive budget transfers except in the case of 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 as well. 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 the diversification toward non-farm activities in manufacturing and services.

The Report in this respect argues for 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 the Indian state of Gujarat as being examples of success in such efforts.

The overall policy framework advocated in the Report, consists of four ingredients.

- a) Moving towards strategic and integrated national, regional, and urban planning.
- b) Ensuing sustainable financing of regional and urban infrastructure.
- c) Repositioning Urban Local Authorities as an accountable service provider and equipping them with adequate powers and facilities for performance-based city management and finance.
- d) Promoting efficient and sustainable land and housing development for improved city livability.

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