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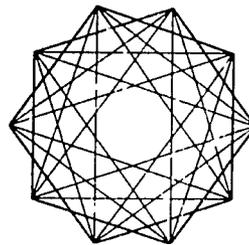
PLANNING AND
DEVELOPMENT
COLLABORATIVE
INTERNATIONAL

URBAN SECTOR STUDY

SRI LANKA

for
Mission Housing Advisor
U.S. A.I.D./Sri Lanka
and
RHUDO/Asia

March 1990



P A D C O

AN INTERNATIONAL COLLABORATIVE FORMED TO
PROVIDE GOVERNMENTS AND PRIVATE CLIENTS IN
AFRICA, ASIA, LATIN AMERICA AND THE NEAR EAST
WITH INTEGRATED RESEARCH, PLANNING AND MANAGEMENT
SERVICES FOR URBAN AND RURAL DEVELOPMENT

FINAL REPORT

URBAN SECTOR STUDY

SRI LANKA

**Prepared for
Mission Housing Advisor
U.S. Agency for International Development
Colombo, Sri Lanka**

**and
RHUDO/Asia
Bangkok, Thailand**

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PREFACE

This document presents the results of an Urban Sector Study for Sri Lanka, whose objective is to provide USAID/Sri Lanka and RHUDO/Asia with an information base for possible future activity in urban development. This assignment was carried out as RFS #138, under contract No. OTR-1002-C-00-5189-00, with the Office of Housing and Urban Programs of the U.S. Agency for International Development.

The authors wish to thank all those persons who gave of their time in the elaboration of the present study. Their names appear on the listing that follows. A special thanks is due Ms. Dianne Tsitsos, Mission Housing Advisor, USAID/Sri Lanka, for the guidance and insights provided over the course of the assignment.

The field portion of the study was carried out by Robert Merrill, Team Leader, and Lee Baker, both of PADCO's permanent staff, during December 1989 and January 1990.

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EXECUTIVE SUMMARY

I. REVIEW OF CURRENT SITUATION-PRINCIPAL FINDINGS

A. POPULATION GROWTH AND DISTRIBUTION

- 1971-81 population growth at 1.2 percent is less than total population growth of 1.6 percent; urban growth usually twice total population growth at 2.5 percent to 3.0 percent in other developing countries.
- percent urban remained roughly constant: 1963-19.1 percent; 1971-22.4 percent; 1981-21.5 percent; projected at 20.5 percent in 1991.
- primacy of Colombo and Colombo Metropolitan Region (CMR):
 - 4 out of 5 largest cities in CMR
 - Colombo 3.4 times larger than second largest city (Dehiwala-Mt. Lavinia)
 - Colombo 6 times larger than Jaffna

B. THE URBAN ECONOMY

- Approximately 73 percent of total GDP from non-agricultural production.
- Urban employed approximately 1 million, or 19 percent of total employment in 1985-86.
- Over half of urban employment is in services sector.
- Western Province accounted for over half employment in:
 - finance, insurance, real estate--56 percent
 - transport--51 percent
 - manufacturing--50 percent

C. URBAN INSTITUTIONAL FRAMEWORK

- Plethora of institutions: see USAID/Sri Lanka MHA chart (Annex 1)
- Inefficiency of UDA
- Relationship of UDA to TPCD
- Role of GCEC

D. URBAN FINANCE

- Three principal sources of Provincial Council revenues: Central Government, own source revenues, and loans from commercial banks.
- Budget funds to be channeled through Provincial Councils to Urban Local Authorities (ULAs) in 1990.
- Percentage of expenditures covered by Urban Local Authority (ULA) revenues is significant: 77 percent in 1986, 69 percent in 1987, and 76 percent in 1988.
- ULAs to lose electricity and water revenue.

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- Rates (property tax) accounted for only 12 percent of ULA revenue in 1988.
- Local Loans and Development Fund (LLDF) under-funded and non-active.

E. URBAN LAND

- Land titling and registration based on antiquated deed and notary system.
- Five types of legal and tenure forms of inheritance complicate government land assembly and private transactions.
- Land values in Colombo Municipal Council (CMC) area increased by 15.5 percent per year in real terms from 1976 to 1989 and 13 percent per year in 13 surrounding ULAs, restricting middle- and low-income families to land on Colombo's urban fringe.
- Growth pressure in Greater Colombo has forced local authorities to approve land subdivision without full provision of services.
- Lack of coordination among government land development agencies in subdivision approval process, i.e., UDA, NWSDB, Land Reclamation, ULAs.

F. URBAN INFRASTRUCTURE CHARACTERISTICS

- Less than 24 hour, untreated water supply in many ULAs.
- Electricity still being bought in bulk and sold by local councils.
- Many ULAs have flooding problems, but lack funds to correct them.
- Seepage of sewage into open drains and reservoirs (tanks).
- Circulation space in Colombo less than half that of most cities.
- Great need for solid waste disposal system, septic tank emptiers and fire trucks in many ULAs.

G. URBAN SHELTER ACTIVITIES

- Housing production increased vis-a-vis household formation between 1971 and 1981; persons per room declined from 2.8 to 2.2.
- Housing quality improved during 1971-1981 period; "permanent" dwellings increased by more than 33 percent.
- Water and electricity coverage in urban areas increased from 35 and 45 percent, respectively, in 1971, to 46 and 49 percent in 1981.
- 125,000 individuals, or 21.5 percent of Colombo's population, lived in "shanties" in 1981.
- 80 percent of Sri Lanka's housing investment originates with household resources.
- More than 800,000 families benefited by Million Houses Program (MHP) through September 1988.
- Cost recovery under MHP suffered major setback with forgiveness by new Government of repayment for foodstamp holders.

H. ENVIRONMENTAL CHARACTERISTICS OF URBAN AREAS

- Principal environmental problems of urban development include: increased wastewater generation, increased flooding, uncontrolled land reclamation, and increased air pollution.
- Environmental policy and control characterized by fragmented and generally weak institutional framework: Central Environmental Authority (CEA), Urban Development Authority (UDA) and National Building Research Organization (NBRO), and the Greater Colombo Economic Commission (GCEC).

I. MISSION ACTIVITIES RELATED TO URBAN

- USAID/Sri Lanka 1992-1996 CDSS strategy focuses primarily on employment and income generation.
- Agriculture/rural development and private sector development are principal sectors addressed in Mission strategy.
- Housing Guaranty (HG) program contributes significantly to both Mission sectoral initiatives.

II. SECTOR DEFINITION/IDENTIFICATION OF KEY ISSUES

The previous section outlined the characteristics of Sri Lanka's urban sector. In attempting to define the urban sector according to its size, growth trends, linkages to the rural sector and capacity to plan and manage urban growth, this section highlights what are felt to be the sector's key issues. Subsequently, the final section will outline the steps USAID/Sri Lanka might take to address them.

A. URBAN POPULATION GROWTH TRENDS

The lack of definition of and the rapid increase in the number of urban areas from 1953 to 1971, i.e. 43 to 135, complicates the analysis of urban growth. Due to the relative stability in the number of towns between 1971 and 1981, projections by town size have therefore been carried out based on this period rather than going back to prior censuses. In the absence of qualitative socio-economic data on various categories of towns, the projections contained in Table 2.4 of the text have been done on a straight line basis. Thus, the trends from 1971 to 1981 have necessarily been intensified in that the growth of towns in the 20-25,000 range and over 100,000 has increased, accounting for some 73 percent of the urban population in 1991, while population in the lower ranges and the 50-100,000 range has fallen. Further, total urban population increased at roughly 1.7 percent per annum for a total of 3.7 million. According to Department of Census and Statistics population projections, this would be 20.9 percent of total population in 1991, which is roughly the same as the urban population in previous censuses.

B. SPATIAL DISTRIBUTION OF POVERTY

The spatial distribution of poverty in Sri Lanka can be approximated from data pertaining to the distribution of food stamps, or poor relief, nationwide. Families with

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incomes less than Rs.700 per month are entitled to such relief. Table 2.5 of the text shows the percentage of those receiving food stamps as a percentage of total population for each district. The spatial variation of the population receiving food stamps is readily apparent from the table. While Colombo and the surrounding districts have the lowest percentage on food stamps, i.e. an average of 28 percent, the districts in what is now the North Eastern province have by far the highest, an average of 67 percent. This might be expected since this province has been the location of most of the hostilities since 1983. More than 50 percent of the population in the North West (Kurunegala) and Sabaragamuwa (Ratnapura) provinces also receive food stamps. Since the figures are not broken down by urban and rural areas, it is unknown whether the distribution of poverty as indicated by the distribution of foodstamps is highly associated with urban areas. The fact that the urban mean and median per capita incomes increased by over twice as much as that in the rural sector from 1981 to 1985 (see Table 1.5), however, indicates that poverty, as measured by income, is still predominant in the rural areas. Further, the provinces with the highest percentage of foodstamps contain districts with some of the lowest population densities (see Map 4, Population Density by District).

C. IMPACT OF DEVOLUTION ON PROVINCIAL COUNCILS AND LOCAL AUTHORITIES

Given the importance of Government's new administrative structure on urban development in Sri Lanka, several issues arise with respect to the impact of devolution on the provincial councils' and local authorities' capacity to plan and manage urban growth. These issues can be grouped into administrative, planning and financial aspects.

1. **Administrative:** The major linkages addressed to date in the implementation of the Government's devolution program are between the Provincial Councils and the Local Authorities. While the fact that 257 Pradeshiya Sabhas are reporting to only eight Provincial Councils is an issue in itself from an administrative capacity perspective, a more crucial issue for urban development is the relationship of the ULAs to the Provincial Councils. This relationship is critical since urban growth and urban development will henceforth be viewed in the provincial context. Although the relationship between the Provincial Councils and the ULAs has become more cooperative, the principal danger is that, in the interests of 'provincial development', the administrative capacity of the Provincial Councils will be concentrated on the Pradeshiya Sabhas to the detriment of the ULAs. Thus, without a spokesman at the center such as the former Commissioner of Local Government, many ULAs could be left on their own to deal with growing urban problems. While Phase IV of the UPU will address this issue, it remains to be seen whether the Ministry of State for Provincial Councils will also become an advocate for ULA staffing and funding.

2. **Planning:** Another issue basic to the capacity of Provincial Councils and Local Authorities to plan and manage urban growth is the approach to planning as well as the planning capacity that exists at both levels. It was seen that, at the provincial level, the approach is primarily economic development planning, and this capacity is generally quite limited. On the other hand, at the level of the ULA, development planning exists only

in the selection of projects for the capital budget, which is a small minority of total expenditure, while physical planning is concentrated on static land use control plans. Thus, while there is an opportunity to effectively plan and manage urban growth since central development administration is being devolved to the field, this opportunity will be lost if planners of the provincial level are not made aware of the spatial consequences of their investments and planners in the ULAs continue to take a map oriented vs. a program oriented approach. Although the UDA has had contacts with several Provincial Councils and would assign planners to Provincial administrations if requested, the UDA has yet to determine if their planning powers conflict with those of the Provincial Councils. The UDA, therefore, feels that the Provincial Councils have the prerogative to request physical/structural planning assistance as needed. Thus, it seems that up to now the UDA has not seized the opportunity to integrate physical development planning with economic development planning such that urbanization and urban growth can be guided at the Provincial level.

3. **Finance:** Financing urban development is the third crucial leg in gauging the impact decentralization will have on the capacity to manage urban growth. Even if administrative and planning capacities were adequate, without sufficient funds, urban problems would overwhelm provincial councils and local authorities. In view of the fact that property taxes, the main source of local revenue, accounted for only some 15 percent of ULA revenue in 1988, and revenue grants at 31 percent of total revenue are mainly used for recurrent costs, the major issue in the financing of urban development is the mobilization of funds to implement and maintain urban infrastructure and services. Since government has requested ULAs to limit capital expenditure, an increase in revenue grants through the Provincial Councils is highly unlikely. Thus, if the ULAs are to maintain expenditure commensurate with managing and controlling urban growth, local funding will have to be mobilized on a hitherto unprecedented scale. This will entail not only an increased effectiveness in the assessment of properties and the administration of the property tax, but also the initiation of various means by which to increase collections of the Business Turnover Tax, especially on small businesses, without stifling small enterprise. Both of these are sophisticated exercises which will entail assistance from the World Bank Urban Program Unit (UPU). Another source of funds is a resuscitated Local Loans and Development Fund (LLDF) (see Section III.C.3). However, in order to receive loans, ULA cash flows will have to be positive in the long run. In summary, under the new administrative structure, ULAs will have to take definitive steps to build their own resource and revenue base if they are to finance local urban development as well as become centers of economic growth in the Provinces.

D. IMPACT OF URBANIZATION ON COLOMBO

The primacy of Colombo and the magnitude of its urban problems serve to highlight an essential characteristic of the urban sector in Sri Lanka, i.e. its duality. While the difference in urbanization and urban problems between Greater Colombo and outlying ULAs is primarily one of scale, any assessment of the country's urban sector should take into account this basic duality. Although time and a lack of disaggregated socio-economic data has not permitted an indepth analysis of the duality, the major issues of urbanization

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in Colombo can be set out along the same lines as those in the previous section. In this manner; an idea of the duality can be obtained by comparing urban issues between Colombo and outlying ULAs along administrative, planning and financial lines.

1. Administrative:

In the creation of the provincial administration, it was apparently decided not to create a separate governmental unit for the Greater Colombo area. Thus, Greater Colombo is still comprised of two municipal councils, five urban councils and nine town councils, an obvious fragmentation of urban government to which another layer of administration has been added, the Western Provincial Council. The lack of a Colombo metropolitan government has a significant impact on the coordination and implementation of urban development. Although most of the primary infrastructure investment is undertaken by line agencies, each local authority is responsible for development and maintenance of secondary and tertiary networks as well as local sanitation and health services. These services can only deteriorate as the growth of Greater Colombo outstrips a fragmented administrative capacity.

In addition, although the Western Province is the most highly urbanized province, it will still have to serve the needs of its respective Pradeshiya Sabhas. Thus, as brought out in the previous section, the issue of lack of a central administrative body or advocate in the central government also applies to the ULAs in the Greater Colombo area. A related aspect of this same issue is the relationship between the Colombo Municipal Council and the Western Provincial Council. Time did not permit the determination of their respective responsibilities and to what extent the CMC will have autonomy in the formulation and implementation of urban programs and in what respects it will have to report to the Provincial Council. However, as indicated earlier, if the Western Provincial Council can play a planning coordination role among the various local authorities, this could be a step towards the ultimate realization of a Greater Colombo administrative unit.

2. **Planning:** The establishment of a definitive boundary for the Greater Colombo area as well as an area-wide planning commission could substantially ameliorate administrative and planning coordination problems in the metropolitan area. However, the same planning problems plague the local authorities in the Greater Colombo area as those in outlying areas, i.e., the approach to planning as a land use control mechanism rather than a dynamic, programmatic vehicle with which to guide urban development. The need for a structural development plan is particularly evident in the Western Province. It is here where the lack of attention to the spatial aspects of planning are manifest. Thus, the issue of integrating economic and physical planning, which has more time to be resolved in rural provinces, becomes an imperative in the Western Province where urban growth is rapidly becoming uncontrollable. The major issue, therefore, is whether a 'dynamic' planning capacity exists either at the Municipal or Provincial level to develop and implement such a plan.

3. **Financial:** Given the increasing demand for urban services in the Colombo area, the financial requirements of the Metropolitan Colombo ULAs are even

greater than those for outlying ULAs. Thus, local resources should have been proportionately more developed to meet these needs. This, however, has not been the case since local authorities in and around Colombo continue to rely on central government revenue grants and, more significantly, investment by line agencies. It will be seen in Section I.J. Other Donor Activities, that this investment has been heavily financed by external donors thereby creating a debt for the country as a whole. It is uncertain, however, if the central government will be willing to undertake additional debt in order to continue to finance urban infrastructure in Colombo. This along with the limitation on future revenue grants, leads to the same financial issue affecting outlying ULAs, i.e. the requirement to mobilize local resources. While assessment and taxing capabilities might be more sophisticated in Colombo, the financial need is also greater. Thus, not only will the property tax, the B.T.T. and other local revenue sources have to be administered more effectively, but also the line agencies will have to become more efficient in charging the full costs of public services.

E. URBAN-RURAL LINKAGES

This section attempts to set out the relationships between the urban and rural sectors with a view to describing how the urban sector interacts with larger social and economic trends; and, perhaps more importantly for any urban development strategy, how urban centers relate to rural areas.

1. Urban Linkages to the National Economy: The Primacy of Colombo

Based on available data, Section I.B, Urban Sector in Economic Development, summarizes the urban sector's role in the economy, viz:

- Some 73 percent of GDP is from non-agricultural production.
- Urban employment was approximately 1 million or 19 percent of total employment in 1985/86.
- Over half of urban employment is in the services sector.
- The Western Province accounted for over half the employment in:
 - finance, insurance, real estate--56 percent
 - transport--51 percent
 - manufacturing--50 percent

With respect to the economic primacy of Colombo, it was seen in the previous section that:

- 36 percent of industrial employment and 65 percent of industrial output was associated with the Western Province, in particular with the districts of Colombo and Gampaha.
- Between 1971 and 1981, 57 percent of the increase in manufacturing employment occurred in the Colombo district.
- The Colombo district accounted for 42 percent of total manufacturing employment in 1981.

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2. Urban Linkages to the Rural Sector

USAID/Sri Lanka's strategy to increase income and employment emphasizes the development of urban linkages to the rural sector as a primary means of relating its programs in agriculture and the private sector. To increase its knowledge in this area, USAID has carried out several small studies in regional development in Sri Lanka (Berry, 1988) and urban-rural linkages as instruments of rural development (Berry, 1989).

The latter Berry study calls for a full investigation to be undertaken on the structure of connections between rural and urban areas. The Study Team questions, however, whether a full-scale urban-rural linkage study is necessary to formulate an urban investment program, which would assist in the development of local authorities from market, trading and agricultural service centers to centers of exchange, employment and production. Given that both foreign and domestic investment funds are limited, a practical approach would be to locate investments in selected market towns that have growth potential and that serve a large population.

Several approaches have been developed to identify market towns with growth potential. The Study Team selected one specific methodology that has been successfully applied in several developing countries. Since the approach emphasizes the importance of analyzing market towns in a regional context, it seems to be well suited not only to Sri Lanka's newly decentralized administrative structure but also to the Mission's regional development objectives. It also provides a practical framework within which to identify the key issues surrounding the discussion of urban-rural linkages in Sri Lanka and to identify the next steps in carrying out the exercise. It is, therefore, summarized in Section II.E.2 of the text.

III. NEXT STEPS; POSSIBILITIES OF USAID INTERVENTION

Based on the review of the urban sector in Chapter I and preliminary findings in identifying key issues in Chapter II, a checklist of possible areas for USAID intervention was left with the Mission at the end of Phase I of the Urban Assessment Study. In view of the fact that many of the issues have been brought into clearer focus in Phase II of the Study, it is worthwhile to review the list at this time as to its continued applicability.

A. LAND

- Examine the feasibility of extending the agricultural land titling project to urban areas.
- Provide TA to review legislative framework for constraints re title transfer, land registration, and public sector land acquisition.

B. INFRASTRUCTURE

- Consider use of present and/or future HG to finance on-site infrastructure in slum and shanty upgrading areas.
- Consider designing an HG sectoral loan to finance urban infrastructure, i.e., roads, drainage, footpaths, markets, etc., mainly in Urban and former Town Councils.

C. FINANCE

- Participate in restructured and reorganized LLDF both for revenue generating and social infrastructure loans.
- Support resuscitated LLDF with TAQ for restructuring, loan review, feasibility studies, loan monitoring, etc.
- Ascertain role for private sector in providing housing and home improvement credits to low-income urban families.

D. DEVELOPMENT PLANNING

- In Provincial Councils, ULAs and Pradeshiya Sabhas:
 - Provide TA to UDA, UPU and/or Provincial Councils on integration of economic development planning with physical plans at Provincial ULA and Pradeshiya Sabha levels.
 - Plans should focus on linking urban poor and small-scale informal enterprises with larger urban economy.
- In Greater Colombo, assist Government to:
 - Define Greater Colombo area of influence for purposes of planning and programming.
 - Establish data management and mapping as statistical base for area of influence.
 - Examine feasibility of establishing area-wide planning commission to coordinate and integrate growth of CMC and surrounding local authorities.
 - Promote participation of private developers in the provision of services to low-income families.
- Nationally, monitor the formulation of an Urban Development Policy by the Urban Development Cell in the Ministry of Policy, Planning, and Implementation and provide support where necessary.

It can be seen from the foregoing that possible areas of intervention are numerous. However, many of the areas are either too different from the urban sector, e.g., the agricultural land titling project, or are presently being covered by other donor agencies, e.g., IDA technical assistance to the UPU and follow up financing through the LLDF, and World Bank and ADB funding of much of the primary urban infrastructure.

One area, however, in which a small AID investment could have major influence on the direction and operations of the urban sector is through assistance to the Urban Development Cell (UDC) in the MPPI. According to a draft work program for the UDC (see attached), which was established in July 1989, its two major objectives are:

1. Formulation and implementation of an Urban Development Policy which will be broadly consistent with the country's medium term economic growth and long-term development objectives.
2. Coordinate and spearhead the implementation of urban development projects and programs including World Bank and Asian Development Bank assisted urban sector projects.

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The work program goes on to list the five basic responsibilities assigned to the UDC:

1. Study and review the country's on-going urban development activities with the ultimate objective of evolving a comprehensive urban development policy.
2. Formulate medium- and long-term urban sector strategies and identify projects and programs to be implemented by the relevant agencies.
3. Coordinate urban-related development activities of all agencies and monitor their performance.
4. Coordinate implementation of donor funded projects, including projects to be funded by the World Bank and the Asian Development Bank.
5. Appraise all capital expenditure projects and programs implemented by UDA with the objective of satisfying the financial viability of projects and generating a net return on investment to UDA.

As can be seen, the foregoing are formidable tasks. The UDC realizes this in that it has set one year for completion of the first task--the formulation of an urban development policy. However, the UDC essentially does not have a staff in that it is composed of senior government officials with full-time responsibilities elsewhere, viz:

- The Chairman of the UDA, who is also the Chairman of the HDFC and Air Lanka;
- The Director of the Division of Industry and Construction in the National Planning Department of the MPPI, who also acts as the Economic Advisor to the UDA;
- The Director General of the UDA;
- The Additional Director General/Director of Planning of the UDA;
- An Economist assigned to the UDA who acts as the Secretary to the UDC.

It is evident that the officials composing the UDC will not have the time to fulfill the responsibilities set out in the work program. This fact is recognized, in part, in that the UDC has assigned the responsibility for formulating an urban development policy to the UDA. In discussions with the Additional Director of the UDA, however, there seems to have been no work carried out along these lines as yet.

In spite of the lack of staff, the UDC seems to be well positioned to have an overall coordinating and guiding influence on activities in the urban sector as a whole. Based jointly in the MPPI/Ministry of Finance, it is not only composed of high government officials but also has a Steering Committee of Secretaries of urban related Ministries.

Further, the UDC seems to have a substantive appreciation of the problems of the urban sector. The work program recognizes that there is a vacuum in the formulation and implementation of a definitive urban development policy and goes on to cite many of the issues raised in this study, e.g., the lack of an urban information base, the lack of coordination of urban development agencies, the lack of capacity in local authorities to plan and coordinate urban services, the need for a skills upgrading program in the UDA, the need for proper feasibility studies of urban development projects, and the require-

ments for investment plans for "...selected regional towns which may eventually be developed into Secondary Cities of industrial development."

By capitalizing on this initiative by Government, USAID/Sri Lanka has an opportunity to intervene in the sector at the highest level. Through the provision of assistance in the formulation of an urban development policy, the Mission would be involved in the joint development of the framework for an urban sector HG loan with its concomitant policy agenda. Among other policy items, the latter could define private sector initiatives in the provision of urban services, including privatization of relevant agencies, as well as feasible linkages with the rural sector.

Since the present work program of the UDC is extremely ambitious and the staff practically non-existent, it is recommended--given Mission approval--that a short-term consultancy be contracted to work with the relevant officials of the UDC in scoping out a realistic work program, as well as the terms of reference for longer-term technical assistance. Even if long-term assistance were not possible, the short-term initiative would show the interest of the Mission in assisting Government to come to grips with a sector which, until recently, has been largely ignored in Sri Lanka.

SRI LANKA URBAN SECTOR STUDY

I. REVIEW OF CURRENT SITUATION

A. URBAN POPULATION GROWTH AND DISTRIBUTION

1. Urban Population Growth

Compared to other countries in its income group, Sri Lanka's general population growth rate of 1.6 percent per annum is low.¹ Not only are Sri Lanka's crude birth rate and death rate the lowest in the region, but, at 70, its life expectancy is the highest. These indicators plus the fact that its population growth rate has been declining since independence, indicate that Sri Lanka is well on the way to completing the demographic transition attained by developed countries.

Looking at the urban population growth rate since 1953, one is struck by the intercensal decline from 4.4 percent between 1963 and 1971 (5.0 percent from 1953 to 1963) to 1.2 percent from 1971 to 1981 (Table 1.1). This resulted in an urban population growth rate for the period 1963 to 1981 of 2.6 percent which was only slightly higher than the total population growth rate of 1.9 percent. For the period 1971-81, urban growth was actually slower than total population growth. This can be compared to most countries at Sri Lanka's level of income which have urban growth rates that are usually 1.5 to 2 times total population growth rates.²

TABLE 1.1							
SRI LANKA: POPULATION GROWTH AND URBAN POPULATION GROWTH ANNUAL GROWTH RATES							
Annual Growth Rates							
	1953	1963	1971	1981	1963-71	1971-81	1963-81
Population ('000)	8,098	10,582	12,690	14,848	2.3	1.6	1.9
Urban Population ('000)	1,239	2,016	2,848	3,192	4.4	1.2	2.6
Percent Urban	15.3	19.1	22.4	21.5			

Source: 1981 Population Census, Department of Census and Statistics

¹1981 Population Census, Department of Census & Statistics. The median population growth rate for Asian countries is 2.1 percent per annum.

²Urban population growth trends are discussed in detail in section II.

A number of factors seem to be associated with these low growth rates (for more detail see ADB, Urban Sector Profile, pp.4-9). Since independence, Government has placed a continuing emphasis on the rural sector with welfare, education, health and development expenditure spread widely over the country. Further, most likely due to the success of national family planning campaigns, fertility rates have fallen since independence. The urban fertility rate as a percent of rural has declined from 83.4 percent in 1963 to 76.2 percent in 1981 (see Annex Table 1 for rural and urban fertility differentials).

With respect to the role of the urban sector in the economy, perhaps the most significant reason for the decline in urban population growth is the fact that most urban areas outside of Colombo are primarily market, trading and administrative centers. They therefore perform more of a passive or reactive role in the economy of Sri Lanka. Up to now little industrial development on any scale has been associated with the urban sector outside of Colombo. Thus, with no large-scale urban commercial and industrial activity, which is traditionally associated with rural-urban migration, occurring outside of Colombo, urban population growth has been closely associated with growth of the rural sector.³ (See Annex Table 2 for population growth and density by districts.)

Moreover, according to various reports, it seems the form of urban growth has changed in recent years. Suburbanization in the late 1970s and 1980s, particularly around Colombo, has been an important phenomenon. Given the definition of 'urban' used in Sri Lanka,⁴ suburban growth during these years was not classified as urban growth. The urban sector comprising an urban core, periphery and suburban areas, therefore, probably represents a higher proportion of the national population than is apparent from official statistics.⁵

However, several factors may ensure that Sri Lanka's urban population grows at only a moderate rate in the future. Firstly, the continuing decentralization efforts of the Government which have focused on rural areas and rural settlement programs. Secondly, cheap and abundant road transport allows commuting from farms and villages to urban areas. Thirdly, if the functional role that the urban sector plays in the economic development of Sri Lanka remains unchanged, one major factor causing urban population growth, industrialization, will be found only in a small number of towns.

³Based on rural and urban fertility differentials and rural population growth rates, the World Bank Urban Sector Report implies that significant urban to rural migration occurred. World Bank, Sri Lanka Urban Sector Report, p.3.

⁴The urban population in Sri Lanka is defined as the population residing in Municipal, Urban and Town Council areas. (Department of Census and Statistics.) The criteria for creation of urban council areas is discussed at greater length in Chapter II.

⁵It is estimated that some 200,000 people lived in built-up areas adjacent to Colombo and Kandy, which were defined as rural in the 1981 Census. Once local council boundaries are fixed, they remain the same whether the council is upgraded to urban or municipal status. Thus, annexation of surrounding built-up areas does not occur and is not a factor in urban population growth.

2. Urban Population Distribution

The urban population of Sri Lanka is concentrated in the south western 'wet zone' and in a small number of large towns. Map 1 geographically illustrates the importance of the wet zone to urban growth. While the wet zone comprised approximately 25 percent of total land area, in 1981 it accounted for nearly 75 percent of the total urban population. Map 2 shows that most of the large towns are also located in the wet zone. Colombo is the largest with nearly 589,000 people in 1981 followed by the adjacent urban areas of Dehiwela/Mount Lavinia, nearly 175,000 and Moratuwa 135,610. Table 1.2 shows the 1981 population of principal towns along with Department of Census and Statistics projections to 1986. It can be seen from the Table that four of the five towns with population over 100,000 in 1987 were Colombo and adjacent urban areas. If the population projections of the Department of Census and Statistics are accurate, by 1986 there were seven towns over 100,000 of which six were in the wet zone.

According to Table 1.3, the fastest growing towns between 1953 and 1981 were the medium-sized towns (20-50,000 population) which increased their size by over 500 percent and the smaller towns in the 5-10,000 range with greater than a 600 percent increase. The population of towns in the 50-100,000 range decreased as four towns graduated to over 100,000 but only two towns joined the 50-100,000 range. However, the large increase in the number of towns over the period complicates the analysis of urban growth. Section II.A discusses population growth trends by size of urban center in greater depth.

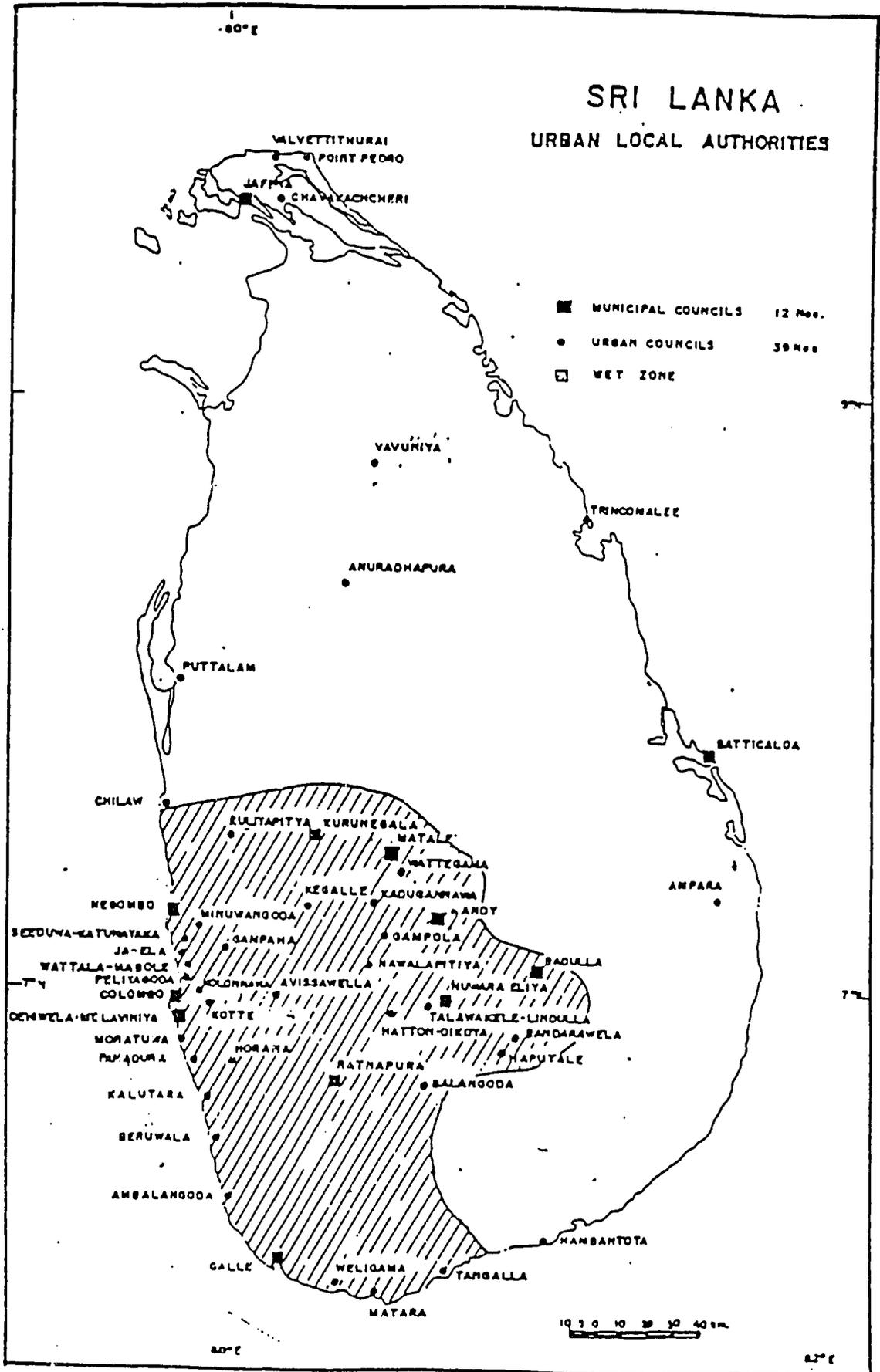
B. URBAN SECTOR IN ECONOMIC DEVELOPMENT

Although Sri Lanka is predominantly a rural country in terms of population, non-agricultural production currently contributes some 73 percent of total GDP. This production is heavily concentrated in the urban sector, predominantly around Colombo. Typically urban-based activities include manufacturing, heavily concentrated in Colombo (16.9 percent of GDP),⁶ construction (7.3 percent), commercial services (21.7 percent), financial services (5.0 percent), and utilities, transport and other services (13.0 percent). (See Annex Table 3 for industrial origin of GDP from 1984 to 1987.)

In 1985-86, Sri Lanka's urban economy provided employment for nearly one million people or about 19 percent of the total number of persons employed as well as an estimated 27 percent of those with unpaid jobs or unrecorded work (Table 1-4). However, activity rates were higher overall in both the rural and estate sectors. Unemployment in the urban sector in 1985-86 was about 12 percent vs. 9 percent in the rural sector and 4 percent in the estate sector.

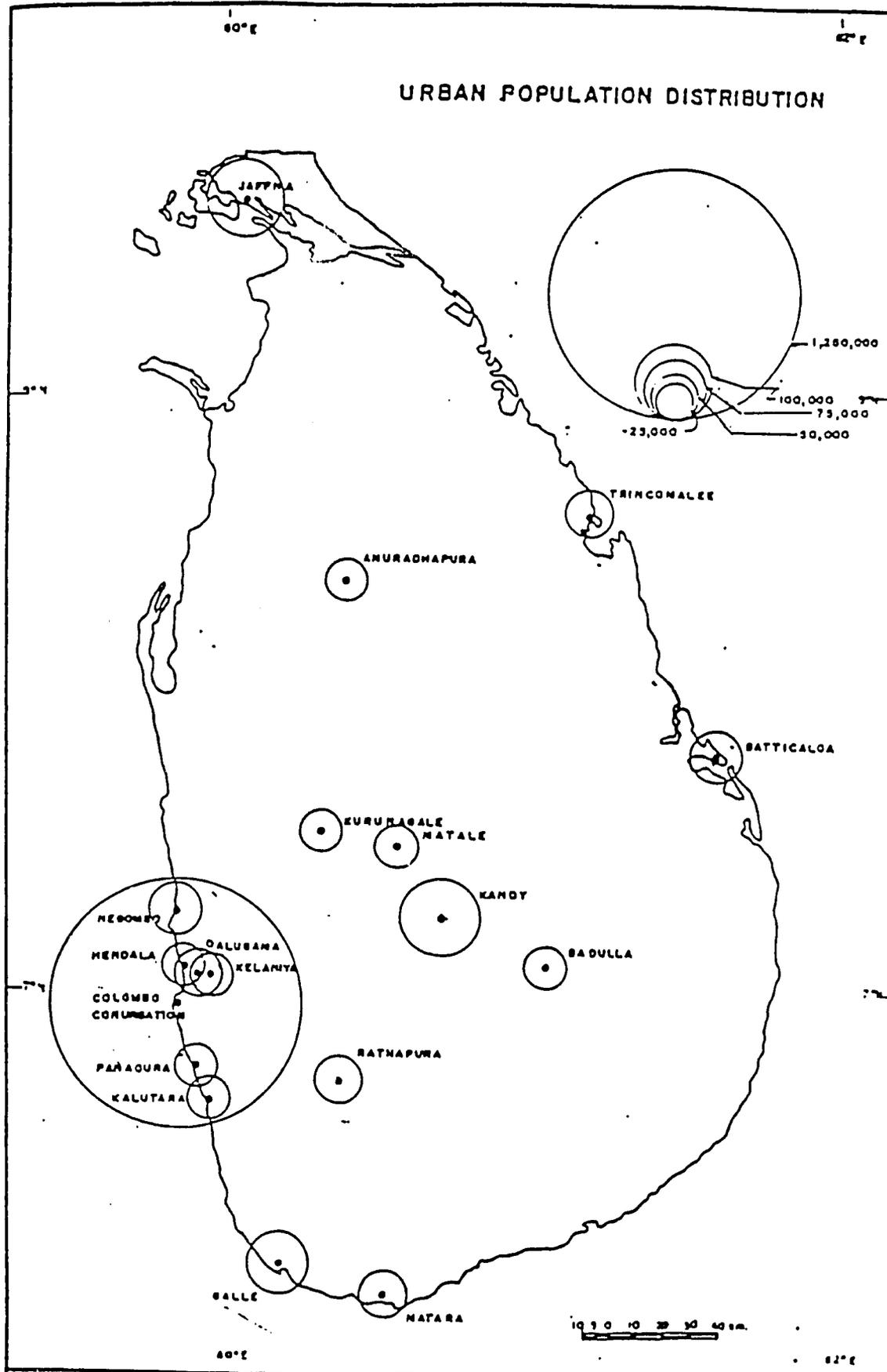
⁶Central Bank of Sri Lanka, Annual Report, 1988, p.32.

MAP 1.



SOURCE: Urban Sector Profile for Sri Lanka by Gilmore Hankey Kirke, Ltd., Asian Development Bank, Infrastructure Department, December '88, p. 45.

MAP 2



SOURCE: Urban Sector Profile for Sri Lanka by Gilmore Hankey Kirke, Ltd., Asian Development Bank, Infrastructure Department, December '88, p. 46.

TABLE 1.2
POPULATION OF PRINCIPAL TOWNS
(Thousands)

PRINCIPAL TOWN	1981	1983(1)	1984(1)	1985(1)	1986(1)
Colombo	589	623	643	664	681
Dehiwala-Mt.Lavinia	175	181	184	188	191
Jaffna	119	128	133	138	143
Moratuwa	136	137	138	138	138
Kotte	101	102	102	102	104
Kandy	99	114	120	125	130
Galle	78	88	95	102	104
Negombo	62	68	72	76	79
Trincomalee	45	48	50	51	52
Matara	39	47	52	57	62
Anuradhapura	36	41	44	46	48
Badulla	33	39	42	44	47
Kalutara	32	39	43	47	51
Batticaloa	43	45	46	47	49
Matale	31	36	39	41	45
Ratnapura	37	44	47	51	54
Kurunegala	27	36	40	44	49
Nuwara Eliya	22	22	23	24	25
Chilaw	21	24	24	26	29
Puttalam	22	23	24	25	27
Kegalle	16	17	17	21	24
Mannar	15	16	17	18	18
Vavuniya	19	20	21	22	22
Hambantota	09	11	12	13	14
TOTAL	1,806	1,949	2,035	2,110	2,186

Source: Registrar-General's Department
Department of Census and Statistics

Note: (1) Provisional

TABLE 1.3
SRI LANKA URBAN POPULATION CLASSIFIED BY TOWN SIZE

Town Size	No. of Towns	1953 Urban Population	Percent of Total	Number of Towns	1981 Urban Population	Percent of Total	% Change Urban Population 1953-81
100,000+	1	426,127	28.9	5	1,115,265	37.8	+ 161.7
50-100,000	6	383,038	26.9	4	292,132	6.1	- 23.8
20-50,000	6	154,727	10.5	31	991,837	30.4	+ 534.6
10-20,000	15	213,150	14.5	34	498,002	16.5	+ 133.6
5-10,000	4	29,691	13.8	30	214,521	6.2	+ 622.5
5,000	11	37,400	6.3	30	90,832	3.0	+ 180.4
TOTAL	43	1,239,133	100	134	3,192,489	100	+ 117.9

Source: Statistical Abstracts 1985, Department of Census and Statistics ADB, Urban Sector Profile, p.11.

TABLE 1.4
LABOUR FORCE PARTICIPATION RATES
1985-86

	TOTAL POPULATION	WORKING AGE POPULATION (15-60)	EMPLOYED	EMPLOYED	UNPAID/ UNRECORDED WORK	ACTIVITY RATE
Urban Male	1,588,658	968,545	708,729	132,800	127,016	73.2%
Female	1,689,591	1,036,970	267,929	103,550	665,491	25.8%
Rural Male	5,601,645	3,124,012	2,650,501	278,506	195,005	84.8%
Female	5,548,092	3,245,907	1,066,342	288,557	1,891,008	32.9%
Estate Male	431,882	253,208	222,110	21,942	9,156	87.7%
Female	475,961	275,097	216,134	14,906	44,057	78.6%

NOTE: The Activity Rate is the numbers employed as a percentage of the Working Age Population.
Source: The Labour Force and Socio-Economic Survey, 1985-86, ADB Urban Sector Profile, p.92.

Urban-rural income disparities, however, have increased since 1981. From 1981 to 1985, real mean urban per capita incomes increased by more than twice as much as rural mean per capita incomes, 88 percent vs. 38 percent. Table 1.5 also shows that income disparities have increased within both the urban and rural sectors. According to the Labor Force and Socio-Economic Survey of 1985-86, Gini co-efficients, which reflect income inequality, rose by 41 percent to .62 in the urban sector, and 34 percent to .56 in the rural sector since 1981.

It can be seen in Table 1-6 that the urban economy is heavily oriented towards the service sector, with an estimated 27 percent employed in community, social and personal services, and 20 percent in the wholesale, retail, restaurant and hotel trade. Given Greater Colombo's high percentage of the total urban population, it is not surprising that this service-oriented growth was concentrated in and around Colombo. Table 1-7 reveals that the Western Province accounts for the majority of employment in all the non-agricultural and mining sectors. As a percent of national employment, the Western Province accounted for more than half the employment in finance, insurance and real estate (56 percent), transport (51 percent), and manufacturing (50 percent). Thus, it seems that the economic liberalization of the late 1970s and the export-oriented nature of Sri Lanka's economic policy have contributed further to Colombo's already dominant role in the economy. The capital's economic dominance has also been reinforced by the fact that the Export Promotion Zones (EPZs) established after 1977 are located near the city.

Furthermore, it seems that the functions of the urban sector did not change in response to the changing economic conditions of the 1980s. The form of export-oriented economic growth during the decade did not require large-scale decentralized urban development. In addition, the existing plantation economy continued to function with traditional production, distribution and marketing patterns, which did not require extensive urban development.

C. URBAN INSTITUTIONAL FRAMEWORK

The urban institutional framework is currently undergoing a major structural change from one which has been highly centralized to one that will be more decentralized in that many functions will be devolved. The process of devolution, which can be defined as an irrevocable transfer of power along with functions, was codified in the Thirteenth Amendment to the Constitution passed in November 1987. This Amendment effectively dissolved the former system of local government through 24 districts run by Government Agents (GAs) and District Development Councils⁷ and replaced it with nine Provincial Councils, now eight since the Northern and Eastern provinces have merged, and 308 local governments comprised of 12 municipal councils, 39 urban councils and 257 Pradeshiya Sabhas or village councils. The 51 municipal and urban councils are known as urban local authorities or ULAs.

⁷According to interviews with various Government officials, it seems that the GAs will continue to coordinate all 'non-devolved' functions in the Provinces.

TABLE 1.5
MEAN AND MEDIAN PER CAPITA INCOME
1981, 1985 (Rs. per month)

	1981		1985 (1981 prices)		Percent Change	
	Urban	Rural	Urban	Rural	Urban	Rural
Mean per capita income	251	169	474	233	+ 88%	+ 38%
Median per capita income	181	143	266	171	+ 47%	+ 20%
Mean as a proportion of median*	1.4	1.2	1.8	1.4		

Note: *The larger the figures, the greater the inequality.

Source: The Labour Force and Socio-Economic Survey, 1985-86; ADB Urban Sector Profile, p.96.

TABLE 1.6
URBAN AND RURAL EMPLOYMENT STRUCTURE
1985-86

SECTOR	Urban	Percent	Rural	Percent
Agriculture	109,716	11.2	2,017,299	54.4
Mining and quarry	6,636	0.7	57,401	1.5
Manufacture	193,554	19.8	447,826	12.0
Electricity, gas, and water	8,788	0.9	12,345	0.3
Construction	63,101	6.5	161,191	4.4
Wholesale, retail, restaurants and hotels	199,547	20.4	309,886	8.3
Transport, storage and communications	76,032	7.8	141,741	3.8
Finance, insurance, real estate and business services	32,336	3.3	32,759	0.9
Community, social, and personal services	259,385	26.6	361,024	9.7
Others	27,561	2.8	175,375	4.7
TOTAL	976,656	100.0	3,716,847	100.0

Source: The Labour Force and Socio-Economic Survey, 1985-86; ADB Urban Sector Profile, p.93.

TABLE 1.7
EMPLOYMENT BY PROVINCE AS PERCENT OF NATIONAL EMPLOYMENT BY SECTOR

Province	Agriculture	Mining	Manufacturing	Electricity/Utilities	Construction	Wholesale & Retail Trade	Transport	Finance, Ins., Real Estate	Social & Other Services	Other	All Sectors
Western	7.5	17.5	50.3	46.5	34.8	42.1	50.8	56.0	40.1	29.0	25.8
Central	20.1	3.6	7.1	15.9	12.5	10.6	9.5	8.5	12.4	13.1	15.2
Southern	11.2	5.4	10.0	7.2	13.6	10.3	9.3	7.7	10.7	9.6	10.7
Northern	7.0	3.4	5.7	8.1	7.2	6.2	5.3	5.1	6.9	6.0	6.6
Eastern	7.1	1.0	5.8	4.4	4.8	5.1	3.9	4.4	4.9	5.7	6.0
Northwestern	13.9	5.9	11.4	5.2	7.3	9.9	8.4	6.2	9.1	13.6	11.8
North Central	9.5	4.2	2.2	3.8	7.2	3.8	3.1	3.5	4.2	5.7	6.5
Uva	11.5	2.3	1.8	4.0	4.8	3.9	3.3	4.4	4.5	4.1	7.2
Sabaragamuwa	12.2	56.8	5.7	5.0	7.8	8.0	6.4	4.2	7.1	13.2	10.3
Total (1,000)	1,875.8	33.8	408.7	16.0	134.0	427.3	199.6	56.9	587.8	369.3	4,109.2
Percent of Total	45.6	0.8	9.9	0.4	3.3	10.4	4.9	1.4	14.3	9.0	100.0

Source: Ernst, U. and Samaranyake, D. Socio-Economic Characteristics of Sri Lanka's Provinces, USAID, unpublished. 1988.

Although the Constitutional Amendment was passed in November 1987, actual establishment and staffing of the Provincial Councils has only commenced since the elections of December 1988. An impetus to the establishment of Provincial Councils' authority will be the 1990 Government Budget which will allocate total operational and development funds to the Provincial Councils for distribution to ULAs and Pradeshiya Sabhas. The funds will be under the budget of the Department of Provincial Councils of the Ministry of Public Administration, Provincial Councils and Home Affairs. This Ministry has the responsibility for the coordination of the Provincial Council system and to act as liaison between the line Ministries and the Provincial Councils.

Although specific responsibilities of the Provincial Councils vis-a-vis the Central Government are still being worked out, the main responsibilities of ULAs remain essentially unchanged, i.e., regulation and administration of all matters related to public health, public utility services, public thoroughfares, and general welfare and amenities including solid waste collection and disposal, drainage, sanitation, and community and recreational facilities. Responsibility for water and electric power lies with local authorities in some cases, while in others they are dealt with by the line agencies and utility departments. (See Annex Table 4 for services provided by ULAs in 1986 and 1987.)

In the Central Government, the urban institutional framework remains complex with a large number of ministries, departments, parastatal and utility companies involved in the planning, operation, construction and maintenance of urban services. The office of the Mission Housing Adviser in USAID has prepared a chart of urban related institutions at the national, regional and local levels. The chart vividly illustrates not only the large number of institutions involved in urban development but also, up to the present time, the predominant centralization of the institutions (see Annex 1). Urban planning is primarily the responsibility of the Urban Development Authority (UDA) and the Town and Country Planning Department (TCPD), both of which are located in the Ministry of Policy Planning and Implementation (MPPI).

1. Urban Development Authority:

The UDA was created by the Urban Development Authority Act of 1978 which specifies the UDA's organization and functions. Passage of the Act was the result of the UNDP financed Colombo Master Plan Project which, from 1974 to 1978, developed a comprehensive land use plan for Colombo along with the respective development controls.

The Act also declared all municipal and urban councils as Urban Local Authorities and gave the UDA power to prepare development plans in ULAs "...with a view to promoting and regulating the integrated planning and physical development of land and buildings of a development area or part thereof." The UDA is, therefore, responsible for the preparation of development plans in all the ULAs with the exception of those falling under the authority of the Greater Colombo Economic Commission (GCEC).

While some 50 plans are in the process of preparation, only one, the Colombo Master Plan, has thus far been gazetted. The key planning official in any ULA is the local planning officer. Out of some 700 total employees in the UDA, about 50 have been attached to ULAs over the past four years. Although the local planning officer plays a major role on the ULA planning committee, which also approves building permits, buys and sells land, etc., the local development plan itself is prepared at UDA headquarters. Further, under its Act, the UDA has the authority to approve the location of all ULA investments.

The UDA's Development Control Division also polices land uses specified by the various master plans. Although the UDA maintains that land use is adequately policed,⁸ massive conversion of residential to commercial uses and various other mixed land uses would seem to indicate otherwise.

At the present time, it is still an open issue as to what extent the UDA will be devolved and what its relationship to the TCPD will be. Consideration is being given to placing more staff in the Provincial Councils where plans and development regulations will be prepared for ULAs within the province. However, no final decision has yet been taken.

2. Town and Country Planning Department (TCPD):

The TCPD operates under the Town and Country Planning Ordinance of 1946. It was created primarily as a planning consultancy service to assist local authorities. However, since the implementation capacity of the local authorities was weak, the UDA Act was passed in 1978 to assist them to plan and implement. Thus, the major functions of the TCPD became assisting the Village Councils or Pradeshiya Sabhas in plan preparation and implementation; planning of sacred areas, which requires close coordination with the UDA when the areas are in a ULA since the UDA retains responsibility for planning the non-sacred areas; and the Gam Udawa or Village Reawakening Program. Up to now, TCPD has done eleven⁹ villages, which are essentially integrated rural development projects.

According to TCPD's Director, who as Director is the Government Town Planner, TCPD is also becoming involved in assisting Provincial Councils with various physical development plans, provincial structural plans and the supply of development information. Furthermore, according to the 1946 Ordinance, TCPD has the responsibility to do a National Physical Plan which has never been done for Sri Lanka. Organizationally, a committee has also been established to determine whether TCPD remains a Department of MPPI, becomes a division within the Ministry, or is merged with the UDA to create one planning and development authority.

⁸In Colombo, the Act allows a maximum of three years to revert to the original use with a penalty of Rs.40 per square foot after three years.

⁹Interview with Mr. S.W.P. Bulankulame, Director, Town and Country Planning Department.

3. Greater Colombo Economic Commission (GCEC)

The Greater Colombo Economic Commission (GCEC) was established by Act No.4 of 1978 as an autonomous body directly responsible to the President. The Act gave the Commission jurisdiction over a 415 square kilometer area just to the north of the City of Colombo that extends from the Kelani River to the Maha Oya Canal north of Negombo. Act No.43 of 1980 amended the law to empower the President to declare other areas to be part of the GCEC jurisdiction. The Commission's objectives are to broaden the economic base of the country, generate economic development, promote foreign investment and foster the establishment of commercial enterprises in the country.

While sections 21 and 22 of the original Act authorized GCEC to assume all the administrative responsibilities of the 21 local authorities that comprise its area of authority, a subsequent 1982 amendment returned all of these functions, with the exception of planning and zoning approval, to the local authorities. The Commission did retain all prior administrative responsibilities in the Biyagama local authority where one of its zones is located. To carry out the review of all development projects in its area of authority, the GCEC prepared, with assistance from the Urban Development Authority, two manuals dealing with planning, building and zoning regulations. The Commission leaves individual dwelling unit approval to the local authorities.

Section 20 of the Act allows the GCEC to compulsorily acquire agriculture land under the Land Acquisition Act to meet its economic development objectives. For an initial period of five years following adoption of the law, GCEC was able to acquire land at 1978 market values. This privilege expired in 1983.

Since its inception in 1978, the GCEC has undertaken the development of two export processing zones (EPZ). The GCEC's first EPZ is located near the international airport at Katunayake, and it has commenced the development of a second EPZ at Biyagama, 25 kilometers northeast of Colombo's Fort.

Historically, the GCEC has financed its operation from Central Government grants, as well as its own resources. Central Government subventions financed infrastructural development at the two EPZs, while its recurrent costs are financed from 99-year leases on industrial sites. It charges an up-front fee of US\$20,000 per acre of industrial site and an annual ground rent of approximately US\$2,800. The GCEC offers a package of tax and financial incentives to attract foreign investment. Incentives include no restrictions on equity ownership, 100 percent tax exemption for 15 years, and duty-free import of construction materials, plants, equipment and raw materials and export of the final product or semi-finished goods.

Since its establishment in 1978, the GCEC has created direct employment for over 57,000 persons. From the latest available information for the second quarter of 1989, new projects were approved for a total investment of approximately Rs.840 million, a net foreign exchange earnings potential of Rs.615 million and an employment capacity of 2,500.

D. URBAN FINANCE

Provincial Councils have three sources of revenue for financing their operations and development plans: (a) Central Government allocations, made on the recommendation of the Finance Commission; (b) own source revenue, e.g., turnover tax, motor vehicle tax, licenses and stamp duties; and (c) loans from commercial banks, with the approval of the Ministry of Finance. As mentioned previously, beginning in 1990, the major source of revenue for the Provincial Councils will be Central Government allocations.

ULAs also have independent taxing and charging authority. They levy various types of property, business and trade taxes, and fees and service charges. Urban development works are funded both by the central and local governments with national funds being provided through direct expenditures by line ministries and expenditures by agencies such as the National Water Supply & Drainage Board, the Central Electricity Board and others. In addition, up to now, members of Parliament and District Development Councils have received Rs.2.5 million each year, part of which may be invested in urban areas. ULAs can also borrow from the Local Loans and Development Fund (LLDF), which is allocated about Rs.5.0 million annually for their capital needs.

Although the local revenue of ULAs rarely covers total expenditure, the percentage of expenditure covered is significant. On average, total revenue of 37 urban authorities covered 76 percent of total expenditure in 1988 vs. 69 percent in 1987, and 77 percent in 1986.¹⁰ Local authority deficits are, in general, covered by Government revenue grants, which amounted to about 31 percent of total revenue in 1988. This amount, however, does not include the subsidies required to pay overdue NWSDB and CEB accounts. At the end of 1986, 34 ULAs collectively owed the CEB some Rs.115 million, but in turn had payment arrears from local consumers of Rs.148 million. From January to June 1988, the amount owed by private consumers to ULAs for electricity was Rs.264 million, but the amount collected was only Rs.116 million. With respect to water, amounts owed ULAs increased from Rs.17 million in 1985 to more than Rs.21 million at the end of 1988. In spite of these figures, the trend in arrears as a percent of collectibles owed to ULAs from 1985 to 1988 was generally downward.

Table 1.8 summarizes the revenue and expenditures for all ULAs and the 24 District Development Councils for the years 1986 and 1987. It can be seen that, while revenue increased by some 58 percent between the two years, roughly 20 percent of the revenue for both years was from electricity charges. However, although total expenditure remained roughly the same, expenditure on electricity increased from 22 to 32 percent of total expenditure. Thus, although many ULAs are resisting LECO taking over electricity distribution and billing due primarily to the loss in revenue, ULAs should be better off without responsibility for electricity, if electricity expenditures continue to increase faster than revenue.

¹⁰ULA revenue and expenditure figures quoted in this section are from the Urban Program Unit financial tables for the year 1988.

TABLE 1.8
LOCAL GOVERNMENT STATISTICS
REVENUE AND EXPENDITURE FOR 1986 AND 1987

REVENUE (Rs.000s)								
Type of Council	Number of Councils		General		Electricity		Total	
	1986	1987	1986	1987 (1)	1986	1987 (1)	1986	1987 (1)
Municipal	12	12	748,418.5	1,310,139.5	173,812.2	213,556.5	922,230.7	1,523,696.0
Urban	39	39	397,963.4	376,855.9	84,377.4	171,760.9	482,340.8	548,616.8
District Development Council	24	24	481,976.6	1,010,650.8	230,251.5	258,126.9	712,228.1	1,268,777.7
TOTAL	75	75	1,628,358.5	2,697,646.2	488,441.1	643,444.3	2,116,799.6	3,341,090.5
EXPENDITURES (Rs.000s)								
Municipal	12	12	487,276.9	633,178.4	141,728.8	194,876.1	629,005.7	828,054.5
Urban	39	39	305,989.7	344,789.3	55,695.8	183,000.0	361,685.5	527,789.3
District Development Council	24	24	600,332.5	412,704.0	194,506.6	264,318.2	794,839.1	677,022.2
TOTAL	75	75	1,393,599.1	1,390,671.7	391,931.2	642,194.3	1,785,530.3	2,032,866.0

Source: Local Government Department

Note: (1) Provisional (Budget Revenue and Expenditure of Councils 1987)

The other major revenue head that dominates local authority finances is property taxes. Since electricity revenues are, in principle, used to repay the CEB for bulk purchases of electricity, property taxes are the main source of local revenue. While collections from 1985 to 1988 increased by 57 percent, the property tax accounted for only 15 percent of total revenue collected by 38 urban authorities in 1988 vs. 11 percent in 1985. (See Annex Table 5 for details.)

Property taxes are based on an assessment of the Annual Rental Value (ARV) of a property. The assessment is conducted by the local authority and the tax, which is a percentage of the ARV, is paid by the owner. Different percentages may be applied in different parts of a town depending upon the level of services available. At present an increase in the percentage levy requires Ministerial approval. While evaluation is supposed to be conducted every five years, according to the Urban Program Unit, the first round is only now being completed. In the future, it is expected that land valuation will become a responsibility of the Provincial Councils. Other revenue sources such as taxes and charges on entertainments, businesses and trades and various licenses and fees yield only small amounts. Since Government is seeking to curb expenditure and limit local subsidies, it is unlikely to substantially increase revenue grants to local authorities. Thus, in the future if local authorities are to balance their budgets, they will have to more efficiently administer the property tax.

In order to improve ULA financial and management capabilities, the World Bank, through an IDA credit, has been assisting the Urban Program Unit, which was established by Government in 1985 as a result of the World Bank Urban Sector Report. This assistance has resulted in significant improvements in the managerial, financial and service delivery performance of ULAs.

The final technical assistance report of the UPU lists the major accomplishments to September 30, 1989. Although Section II.C discusses the operation of ULAs in greater detail, some of the major achievements can be highlighted here. As mentioned above, collection of arrears in property taxes by ULAs increased from Rs.48 million in 1985 to Rs.77 million in 1988. Efforts to limit recurrent expenditure increases while ensuring an adequate level of service operation and maintenance have resulted in an increase in expenditure of 36% from 1985 and 1987 or a real increase of only 8 percent per year. These and other results have been achieved largely through extensive training of ULA staff. The UPU's training capability has been built up to the point where the Unit is now providing training and technical assistance to 44 ULAs.

One of the main accomplishments of the project is the introduction of the "points system" to assess the performance of local authorities. At present, the disbursement of Government funds to local authorities is based on the number of points earned by each local authority as follows:

Criteria	Maximum Points
1. Revenue Collection	19
2. Locally generated revenue	5
3. Payments to Creditors	11
4. Provision of Financial Information, etc.	6
5. General Financial Position	3
6. Accuracy of 1986 budget	4
7. Other factors	6
8. Standards of maintenance	<u>16</u>
Total	70

Source: Urban Program Unit, Ministry of Public Administration,
Provincial Councils and Home Affairs.

The points system has been refined and modified each year since its inception. In 1989 the system is stressing the elimination of budget deficits, a halt to the further deterioration of infrastructure and the need to generate increased revenue. It remains to be seen, however, to what extent the points system will be used by the Provincial Councils in the allocation of funds to ULAs from 1990 onwards. At the present time, a Phase IV to the IDA technical assistance is being prepared. It is envisioned that this phase will provide for financial and managerial assistance to both Provincial Councils and Pradeshiya Sabhas.

E. URBAN LAND

This section examines Sri Lanka's urban land sector from the perspective of its relationship to overall shelter program design and implementation. A well functioning urban land sector is essential for successful shelter program implementation. It is important that land can be acquired on a timely basis and at affordable prices, that land can be transferred and registered effortlessly and at minimal cost, and that the approval process and institutional arrangements for carrying out land development schemes are not onerous, overly time-consuming, nor poorly coordinated.

This section presents an overview of the principal components in the land development process in Sri Lanka and attempts to identify the key constraints and bottlenecks that tend to obstruct successful implementation.

1. Legal Framework for Current Pattern of Land Ownership

There are two major categories of land ownership in Sri Lanka -- private land (about 9,050 square kilometers, or 14 percent) and the remaining 86 percent in Crown (State) land. State land can be subdivided into three distinct classes:

- land vested in Government agencies;
- alienated land (land assigned to large development projects such as the GCEC economic development and the Mahaweli areas);

- unalienated land (8,000 square kilometers).

This national predominance of State-owned land has resulted from various legislative acts adopted over the previous 150 years. The principal ones include:

- The Crown Lands Encroachment Ordinance of 1840 declared that all forest and unused or unoccupied land will be vested with the Crown where title could not be established;
- The Land Acquisition Act of 1950 established the procedure for the acquisition of land for public purposes;
- The Land Reform Act of 1973 placed an upper limit on private ownership of land at 50 acres for highland plantation land and 25 acres for paddy lands.

While the State owns the great majority of land islandwide, the reverse is true for the Greater Colombo area. Indications are that private ownership is much more prevalent in the Greater Colombo area. While statistics are not available for this entire area, the land ownership patterns for the city of Colombo (Colombo Municipal Council, see following map) are as follows:

Private Land	72.7 percent
State Land	21.8 percent
Municipal Land	5.5 percent

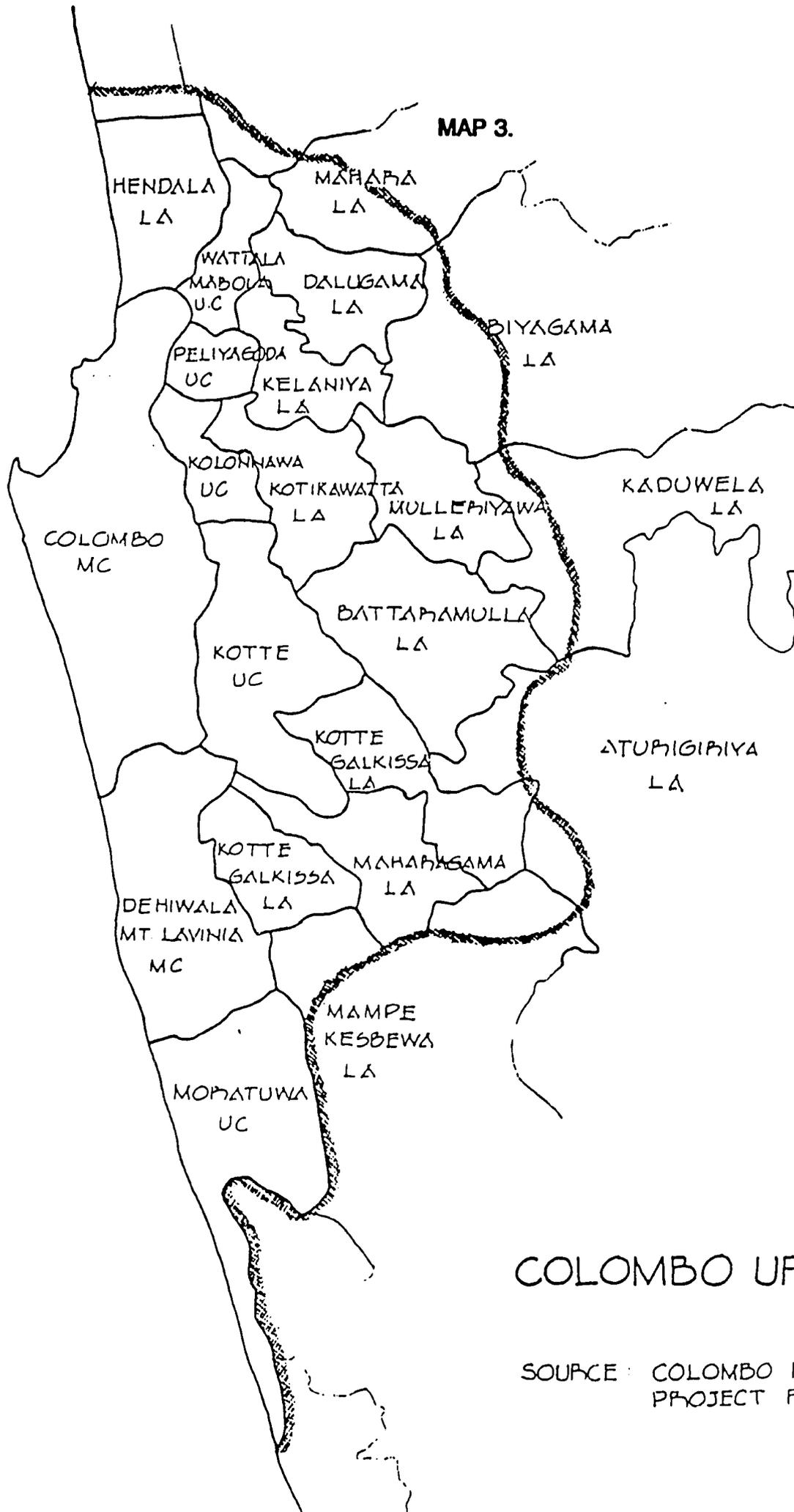
The fact that State-owned land is in the minority in Greater Colombo complicates urban land management and the land development process.

Government often has to rely on the acquisition of private land for many of its development projects in Colombo. The next section touches briefly on the point that Sri Lanka does not have a system of land titling and registration. Rather, private land transactions are based on an antiquated deed and notary attestation process. Private ownership and, therefore, private land transactions are further complicated by the complexity of the five distinct legal and tenorial forms of inheritance prevailing in the island. While current land ownership patterns in Colombo apparently do not greatly deter private developers nor Government from acquiring land, it was impossible to determine its impact on land transactions between two private parties, particularly the cost implications for poorer families.

2. Mapping, Titling and Registration

The Land Development Ordinance Act of 1935 required the mapping of all State land. Since 1935, the Survey Department has surveyed and tied into the national grid approximately 80 percent of the island's land area. Unfortunately, the Colombo area has been excluded from this ongoing mapping exercise. Perhaps this is due to the predominance of private ownership.

MAP 3.



COLOMBO URBAN AREA

SOURCE: COLOMBO MASTER PLAN
PROJECT REPORT - APR. 1978

While no overall land titling and registration system exists for the country, the Land Commission in 1985 introduced an experimental mapping and title registration program for the Wellawatta and Kirillapone districts of Colombo. Apparently this trial program was never finalized nor extended to include other areas of the city. The consultants were unable to determine the results of this program. In the meantime, land sales continue to be formalized through a cumbersome and time-consuming system of deed registration within Government's Land Registry.

In a first step to improve the entire process of land titling, and to facilitate rate collections through a modernization of property assessment and taxing procedures, the Ministry of Lands is planning to undertake an islandwide cadastral survey and to introduce a system of property titling and registration.

3. Land Value

Land values increased dramatically in Colombo and its suburban local authorities between 1976 and 1989. In certain zones of the City of Colombo, nominal land values increased by 30 to 40 times over the 13-year period (see Table 1.9). In terms of annual real growth, land values within the City's 15 postal zones (see Tables 1.10 and 1.11) increased at an average rate of 15.5 percent between 1976 and 1989. This overall increment in land values, which is significant in comparison to international experience in other Third World cities, masks geographic and temporal differences throughout the City over this 13-year period.

A substantial part of the overall increase in land values was realized between 1976 and 1980. During this four-year period, land values within the CMC grew at a phenomenal real annual rate of approximately 45 percent. This extraordinary growth in land value was unleashed by Government's introduction of open market economic policies in 1977 and the resultant boom in land speculation in anticipation of Government and private sector projects.

Land prices in the City of Colombo continued to increase in real terms between 1980 and 1984/85, but at reduced rates. Increments in land prices decreased to approximately 10 percent per year as Government tried to check spiralling land prices by increasing the supply of land through reclamation programs and sale of State-owned land.

With the advent of social unrest in the country in 1983, overall land prices have tended to stabilize in real terms in the City of Colombo. However, within the City, certain zones have continued to experience appreciable increases in land values up to the present. Commercial land in the central business district of zones 1 and 2 and along Galle Road in zones 3 and 4, and the prime residential areas of Cinnamon Gardens, Havelock Town, and Borella in zones 7 and 8 have grown at real annual rates of 10 to 20 percent.

TABLE 1.9
LAND PRICES IN THE CITY OF COLOMBO BY POSTAL ZONE
1976-89 (Current Rs.per perch)

Postal Zone	1976	1980	1984/85	1989
1	25,000 - 30,000	> 150,000	> 150,000	450,000 - 750,000
2	4,000 - 6,000	40,000 - 50,000	> 150,000	150,000 - 350,000
3	6,000 - 15,000	75,000 - 100,000	125,000 - 150,000	150,000 - 300,000
4	N/A	N/A	N/A	125,000 - 300,000
5	3,000 - 5,000	30,000 - 40,000	80,000 - 100,000	125,000 - 175,000
6	20,000 - 30,000	40,000 - 50,000	75,000 - 100,000	150,000 - 250,000
7	6,000 - 8,000	60,000 - 75,000	75,000 - 100,000	200,000 - 275,000
8	4,000 - 10,000	40,000 - 60,000	75,000 - 100,000	100,000 - 275,000
9	2,000 - 5,000	20,000 - 25,000	50,000 - 75,000	50,000 - 75,000
10	3,000 - 8,000	20,000 - 50,000	80,000 - 100,000	80,000 - 250,000
11	35,000 - 40,000	> 150,000	> 150,000	350,000 - 700,000
12	5,000 - 8,000	40,000 - 50,000	75,000 - 100,000	75,000 - 100,000
13	2,000 - 3,000	12,000 - 15,000	75,000 - 100,000	75,000 - 100,000
14	20,000 - 50,000	15,000 - 20,000	50,000 - 100,000	50,000 - 125,000
15	1,000 - 2,000	10,000 - 12,000	25,000 - 30,000	30,000 - 45,000

Source: PADCO update of Table 4.4.1: Land Prices in Colombo, Urban Sector Profile for Sri Lanka, Asian Development Bank, December 1988, using GSL Land Valuation figures for 1989.

TABLE 1.10
LAND PRICES IN THE CITY OF COLOMBO BY POSTAL ZONE
1976-89 (Constant 1952= 100 Rs.per perch)

Postal Zone	1976	1980	1984/85	1989
1	25,000 - 30,000	N/A	N/A	133,195 - 229,345
2	4,000 - 6,000	30,089 - 37,090	N/A	47,631 - 115,808
3	6,000 - 15,000	57,323 - 72,886	50,026 - 62,488	45,869 - 89,720
4	N/A	N/A	N/A	N/A
5	3,000 - 5,000	22,567 - 29,582	36,698 - 44,666	40,110 - 55,215
6	20,000 - 30,000	25,923 - 31,716	28,010 - 36,825	40,531 - 68,312
7	6,000 - 8,000	45,133 - 56,141	31,982 - 42,643	62,842 - 86,621
8	4,000 - 10,000	30,089 - 43,346	33,278 - 41,659	30,579 - 84,831
9	2,000 - 5,000	15,044 - 17,774	22,798 - 32,576	15,290 - 21,785
10	3,000 - 8,000	14,577 - 36,240	36,698 - 42,643	24,602 - 78,053
11	35,000 - 40,000	N/A	N/A	97,568 - 206,660
12	5,000 - 8,000	29,582 - 36,240	32,576 - 42,643	21,785 - 28,510
13	2,000 - 3,000	8,669 - 10,664	35,484 - 46,811	23,816 - 31,421
14	20,000 - 50,000	8,541 - 10,262	17,772 - 34,574	11,931 - 29,828
15	1,000 - 2,000	7,522 - 8,669	11,399 - 13,030	9,327 - 13,620

Source: PADCO Analysis.

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TABLE 1.11
PERCENTAGE CHANGE IN LAND VALUES IN THE CITY OF COLOMBO
BY POSTAL ZONE
1976-89 (Constant 1952=100 Rs.per perch)

Postal Zone	1976-1980	1980-1984/85	1984/85-1989	1976-1989
1	N/A	N/A	N/A	14.3 - 17.6
2	57.7 - 65.6	N/A	N/A	21.9 - 26.7
3	48.5 - 75.8	(3.4)- (0.5)	(4.9)- 9.5	15.4 - 17.6
4	N/A	N/A	N/A	N/A
5	56.0 - 65.6	9.6 - 11.4	2.2 - 5.4	21.1 - 23.0
6	1.4 - 6.7	1.7 - 3.4	9.7 - 16.7	5.8 - 6.8
7	62.8 - 65.6	(7.4)- (5.9)	18.4 - 19.4	20.6 - 21.0
8	44.3 - 65.6	(0.9)- 2.3	(2.1)- 19.5	17.6 - 18.6
9	37.3 - 65.6	9.2 - 14.4	(9.5)- (9.6)	12.5 - 17.6
10	45.9 - 48.5	3.7 - 22.6	(9.5)- 16.3	18.3 - 20.0
11	N/A	N/A	N/A	8.5 - 14.0
12	45.9 - 56.0	2.2 - 3.7	(9.6)	10.7 - 12.5
13	37.3 - 44.3	36.4 - 38.5	(9.5)	20.6 - 21.9
14	(32.7)-(19.2)	17.6 - 30.7	(9.5)- (3.6)	(4.1)
15	44.3 - 65.6	9.5 - 9.7	(4.9)- 1.1	16.6 - 19.5

Source: PADCO Analysis.

The price of land also increased substantially between 1978 and 1987 in the suburban local authorities that comprise the Greater Colombo area. Land in the 13 local authorities grew at a real compound annual rate of approximately 13 percent between 1978 and 1987 (see Table 1.12). Although individual growth rates are not available for intervening periods, it can be assumed that increments in land values are similar to those registered for the City of Colombo.

If the five slower growing local authorities (Hendala, Wattala, Dalugama and Kelaniya) located to the north and northeast of the City of Colombo are removed from this analysis, land value increments increase to 15-16 percent per year. The highest suburban land values occur along the corridor stretching eastward from the City's limits to Kotte and Battaramulla. Along this corridor, land currently costs up to Rs.15,000-25,000 per perch and has increased at a compound annual rate of 20-30 percent between 1978 and 1987.

Undoubtedly, land values in Colombo's suburbs were driven up by the optimism and speculation generated by Government's new economic policies. However, the significant appreciation in land values was also fueled by the demand of new middle- and lower-income households and by informal commercial activities that were unable to find affordable, buildable land within the CMC.

As a result of these dramatic increases in land value between 1976 and 1989, the accessibility of middle- and lower-income households to the local land markets within the Greater Colombo area has shifted. Poorer households, that in 1976 were able to afford a minimum plot of land in the City of Colombo, or in one of its better served suburbs, are now forced to look for land beyond the perimeter of existing urban services.

4. Land Acquisition

The ability to acquire land on a timely basis is a critical element in both private and public sector land development. Private sector developers acquire land from both private landowners and public sector agencies. On the private land market, a developer will often use a broker to identify several tracts of land within a desired area. For this service, the seller normally pays the broker a commission of 1.5 percent of the selling price. According to discussions with local developers, there is sufficient land available in the Colombo suburbs for their scale of development that is on the order of 25-50 units per subdivision.

The cumbersome land deed system and land ownership patterns prevailing in Sri Lanka do not appear to disrupt the activities of private developers. A developer will only enter into negotiations for a parcel of land with a landowner who can provide a clear and unencumbered deed. Verification of clear title can take up to two months to complete at the Land Registry. As added protection against future claims on his land, a developer will normally purchase title insurance through either a public or private insurance company.

TABLE 1.12
LAND PRICES IN COLOMBO AND SUBURBAN LOCAL AUTHORITIES
 Current and Constant Terms 1978-1987 (Rs./perch)

Local Authority	Residential Land Value (Current Terms)				Residential Land Values (Constant Values)		Annual Percentage (Change in Constant Terms)	
	1978		1987		1987		1978-1987	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
Colombo M.C.	8,000	50,000	30,000	300,000	10,998	116,077	3.6	9.8
Hendala L.A.	750	1,900	3,000	12,500	1,108	4,884	4.4	11.1
Wattala U.C.	650	2,000	3,000	15,000	1,126	5,946	6.3	12.9
Peliyagoda U.C.	1,000	1,900	5,000	12,500	1,895	4,884	7.4	11.1
Kolonnawa U.C.	500	2,100	5,000	12,500	2,045	4,831	16.9	9.7
Kotte, U.C.	800	1,000	10,000	25,000	4,184	11,191	20.2	30.8
Dehiwala-Mt.Lavinia M.C.	1,000	3,000	15,000	30,000	6,387	12,268	22.9	16.9
Dalugama L.A.	750	2,000	3,000	11,000	1,108	4,213	4.4	8.6
Kelaniya L.A.	750	2,200	3,000	10,000	1,108	3,749	4.4	6.1
Kotikawatta L.A.	400	2,000	2,500	12,500	971	4,857	10.3	10.4
Settaramulla T.C.	500	1,000	9,000	15,000	3,903	6,392	25.6	22.9
Maharagama L.A.	900	2,000	9,000	15,000	3,681	5,946	16.9	12.9
Moratuwa U.C.	1,000	2,000	6,500	15,000	2,537	5,729	10.9	12.4
Mulleriyawa T.C.	300	1,700	2,500	10,000	1,002	3,860	14.3	9.5

Source: National Building Research Organization Land Values with PADCO Analysis.

Larger developers will also purchase land at periodic auctions held by public sector development agencies such as the UDA, NHDA, and the Reclamation Board. On certain occasions, these public agencies will also entertain direct requests from individual developers to purchase land.

There is a difference of opinion regarding the ease of land acquisition by Government agencies.¹¹ In most cases of public acquisition, Government's Land Acquisition Department compulsorily acquires land under the Land Acquisition Act of 1950. Although the entire acquisition process can take two years or longer, Government manages to circumvent this lengthy process by the application of Section 38(a) of the Law. This section allows the interested Government agency to take possession of a parcel of land following the surveying of the property and the gazetting of its intention to acquire. Most Government line agencies take advantage of this mechanism, which allows them to get access to a parcel of land in approximately six months. Since Section 38(a) allows Government technicians to proceed quite rapidly with project design and execution, they believe public land acquisition works satisfactorily. However, they cannot transfer title to the beneficiaries until the acquisition process is complete.

5. Subdivision and Zoning Approval for Land Development

In theory, the UDA, through the assignment of planning officers to the local authorities, has the responsibility for "one-stop" planning and zoning approval for land development. Planning and zoning regulations form part of the development plans that are provided for in the UDA legislation as amended in Act No.4 of 1982.

To date, 11 municipal councils, 37 urban councils, 14 town councils and 20 village councils have been declared as Urban Development Areas that require development plans. Excluded from direct UDA planning supervision are the Greater Colombo Economic Commission (GCEC) and towns not designated as urban or municipal councils such as those in the Mahaweli area. However, the GCEC applies development norms and standards to its industrial parks that are patterned on UDA regulations. It also calls on the UDA on an informal basis for planning advice. Although they are in the process of preparation, many local authorities within the Greater Colombo area, particularly the smaller ones, still lack development plans. This severely limits their ability to review current land development projects and to apply sound planning criteria to ongoing development decisions. Even when this first round of development planning is completed, it is unclear how they will be implemented in a coherent and integrated manner from the standpoint of the entire Greater Colombo area.

The lack of development plans, and thus approved planning and zoning regulations, has encouraged the indiscriminate subdivision of land in Colombo's suburban local authorities by private developers and land brokers. Even where development plans exist, such as the case with the CMC and the larger municipal and urban councils, the sale of land

¹¹See Section 4.4, Urban Land and Property Market, Urban Sector Profile for Sri Lanka, ADB, December 1988; and Section IV 13.a 3.06, Urban Land, Sri Lanka Urban Sector Report, the World Bank, June 1984.

subdivisions is proceeding without the proper attention to the provision of essential infrastructure such as water, electricity and storm drainage. Surprisingly, this development pattern is apparently occurring with the approval of the local authorities in those cases where the Water and Electricity Boards agree to provide service within pre-specified time period. This ad hoc provision of services causes an inefficient and ineffective allocation of resources at a time when local authorities face severe financial constraints. The UDA, in conjunction with the local authorities, should examine the feasibility of requiring appropriate site planning and infrastructure standards to serve the city's different socioeconomic groups prior to subdivision approval and occupancy.

Where they exist, the zoning regulations of local authority development plans are quite stringent with respect to the type and location of permitted land uses. Discussions with local professionals, however, clearly indicate that zoning regulations are not being followed. As noted in Section I.H on environmental matters, the indiscriminate location of industries in certain areas of Greater Colombo has caused substantial environmental problems to their inhabitants.

The competition for affordable and buildable land within the City has created another problem that goes unchecked by the authorities. This is the conversion of residential buildings to non-residential uses that has placed an inordinate strain on existing public services in the affected areas.

6. Institutional Framework for Land Development Approval

While in theory the local authorities are responsible for subdivision and zoning approval, discussions with private developers invariably mention the involvement and lack of coordination among several other government land development agencies. The primary agencies involved in this process in the Greater Colombo area are the:

- Local Authorities;
- Urban Development Authority;
- Land Reclamation Development Corporation;
- National Water Supply and Drainage Board.

In addition to the UDA planning officer assigned to the individual local authorities, the Land Reclamation and Water Supply Boards play an important role in the approval process. The Land Reclamation Corporation has the responsibility for reclaiming marshy lands, particularly in urban areas, and for the maintenance of major drainage canals. The Corporation has recently become active in the reclamation and development of marshlands in the Greater Colombo area. In this capacity, all private proposals to reclaim marshlands have to receive approval of the Corporation.

Prior to receiving subdivision approval from the local authorities, a private developer must also receive verification from the Water Board that a sufficient supply of water exists to serve the proposed subdivision. A private developer normally must obtain these two additional certificates independently of the local authority review process, often with unforeseen costs arising during the process. Assuming no major difficulties are

encountered in obtaining these approvals, subdivision approval can take anywhere from two to eight weeks, still a relatively short period in terms of international experience.

F. URBAN INFRASTRUCTURE CHARACTERISTICS

The following summarizes the findings of the World Bank's Urban Sector Report (1984) and the ADB's Urban Sector Profile (1988) with respect to the existing infrastructure situation and problems of infrastructure provision. Both reports generally conclude that the overall standard of existing urban infrastructure in Sri Lanka is generally better than that found in other countries of the region. This seems to be due primarily to the relatively small number of people living in urban areas, the small size of cities outside Colombo, and the relatively low rate of urban population growth as a whole. These factors have enabled the urban sector in Sri Lanka to avoid to a large extent the intense pressures on urban services and other infrastructure experienced by most other countries in the region where urban growth rates are higher.

There are, however, various deficiencies with respect to some important urban services. There are clear signs that urban infrastructure in Sri Lanka is deteriorating and, particularly in Colombo, is increasingly over-burdened as a consequence of urban agglomeration in the area. The ADB Urban Sector Profile cites various infrastructure problems that were having serious effects on private sector business activities, the most important of which were: traffic congestion inside Colombo and transport difficulties outside the city caused by narrow, damaged and inadequately maintained roads; poor telecommunications connections, both local and foreign, complicating market transactions; electricity blackouts and brownouts resulting in production interruptions, making it necessary to invest in generators and adding to business costs; difficulties in retaining highly qualified professional and managerial personnel who prefer to seek employment abroad because of housing shortages, lack of social amenities, good schools and health services; and scarcity of skilled labor stemming from the current shortage of good vocational and technical schools.

To correct some of the major deficiencies and improve service levels, the Government has made substantial investment in infrastructure in recent years. These programs are summarized by infrastructure components below:

1. Water Supply

Since the establishment of the National Water Supply and Drainage Board (NWSDB) in 1975, there has been a dramatic increase in the level of Government investment in the water supply and sanitation sector. For example, one water supply system now serves all the urban local authorities that comprise Greater Colombo. Water supply schemes are currently under construction or nearing completion in several urban areas including Kalutara, Beruwala and Point Pedro. The past few years have seen major investment in schemes for a large number of urban centers throughout the country including Greater Colombo, Trincomalee and Negombo. However, in almost all urban areas now served with a piped supply, the emphasis is shifting towards rehabilitation of existing systems and devolution of the responsibilities of the NWSDB.

There are three major water supply programs currently under implementation or preparation, and a large number of smaller projects are also being undertaken through the NWSDB or individual ULAs. Through these programs, it is the intention of Government to achieve 100 percent coverage of urban areas with piped water supply networks by 1995.

Organizational and operational changes within NWSDB over the past few years have increased efficiency and financial performance. However, failure of revenue generation to meet operational and maintenance costs has proved a barrier to future expansion. Only recently has a strong emphasis been placed on the billing and collection of fees for NWSDB services. With the assistance of USAID, a financial recovery program has been initiated with the objective of achieving revenues to cover total operational and maintenance costs plus debt service by 1990. Improvements have already been made and recovery of operating costs and working capital requirements have increased from 31 per cent in 1984 to 75 percent in 1987.

2. Sanitation and Sewerage

The urban sanitation sector has not enjoyed the same level of support that has been afforded the water supply sector in recent years. Investment in sanitation and sewerage projects has generally been restricted to Colombo and one or two district sanitation programs which cover largely rural areas. The largest scheme has been the extension of the previously existing Colombo sewerage network to include three more local authorities of Greater Colombo.¹² However, due to the technical and financial problems faced by the authorities in undertaking the maintenance of the system, and the lack of agreement on the sewer charges to be levied, most households have yet to be connected to the system.

Outside of Colombo, although there are considerable deficiencies in the sanitation facilities provided in all the urban areas in the country, progress is being made towards providing every house with a sanitary on-plot toilet facility. This is being achieved partly through the Million Houses Program which provides financing for the construction of water sealed pit privies in new housing schemes and for the construction of household toilets or communal toilets under the slum upgrading schemes. Progress is also being made through the UPU which has been successful in replacing almost all bucket latrines by more sanitary toilets in the 41 ULAs that come under the project.

3. Stormwater Drainage

Stormwater drainage projects within the urban areas come under the responsibility of the individual ULAs and the UDA. The only major projects being undertaken at present are a comprehensive drainage improvement scheme for Colombo and its suburbs, a drainage maintenance project for the Colombo Municipal Council, and proposals for a major canal and drainage improvement scheme.

¹²In addition to the Colombo Municipal Council, Dehiwala-Mt. Lavinia M.C., Kolonnawa U.C., and Kotte U.C. have not been connected to the sewerage system.

Outside Colombo, there are no major surface water drainage projects in progress or proposed. ULAs are generally carrying out their own improvements with the assistance of the UDA (or UMP of UPU), or in some cases the NWSDB. There are flooding problems in a number of ULAs, but the local councils currently lack the funding to undertake the works necessary to eliminate these problems.

4. Solid Waste Management

Improvements are being made to the system of solid waste collection and disposal in the ULAs through the UPU. The improvements are concentrated on enhancing the operational efficiency of collection and disposal of solid waste by maximizing the use of existing resources. Although improvements have been made using existing resources, these are inadequate to meet the solid waste collection and disposal requirements of the growing urban populations in the ULAs. There is, therefore, a need for the provision of additional collection equipment and improved facilities at disposal sites.

5. Electricity

The CEB is currently undertaking a Master Plan Study for electricity supply with the assistance of the World Bank and GTZ of West Germany. Within the next ten years it is estimated that installed capacity will have to increase from the current level of 1,146 MW to 1,645 MW. Many ULAs buy power from the CEB off the national grid and operate and maintain their own 11Kv medium tension and 400/240 volt low tension system. The problems with this arrangement are:

- (i) although CEB's collection performance is satisfactory from those consumers which it bills directly, as documented in Section I.D., many local authority licensees are far behind with their payments and fail to achieve a high collection efficiency;
- (ii) many ULAs do not have the technical capability to operate the distribution system at maximum efficiency or provide adequate system maintenance;
- (iii) since most ULAs have very few commercial and industrial consumers, no cross subsidy is possible to bring down the price to domestic consumers. Hence the cost of electricity is high and people do not want to, or cannot, pay.

The result of the foregoing is that the CEB is losing revenue but is unable to cut off supplies from major municipal debtors because of the political unacceptability of such a move. At the same time, consumers are reluctant to pay for a poor service that suffers frequent breakdowns and voltage drops.

The establishment of the Lanka Electricity Company (LECO) in 1982 has assisted with the improvement in efficiency of distribution, billing and collection, initially in the urban areas around Colombo for which it has so far taken responsibility. LECO is supposed to take over all responsibilities previously held by the ULAs and thus far has achieved dramatically better collection efficiency and considerable reductions in arrears. While LECO is assuming responsibility for and rehabilitating distribution systems in ULAs around Colombo, the CEB is undertaking similar improvements and assuming responsibility for the smaller urban settlements around the country.

6. Roads and Highways:

The transport sector has long been recognized by the Government as one of the key elements in meeting declared national objectives of economic growth and decentralization. The problems are being addressed through an extensive program of internationally-funded road and railway projects. These include two World Bank and two ADB-funded road rehabilitation projects which will rehabilitate some 1,300 km of roads and 70 bridges. Within the Greater Colombo area an ODA-funded road improvement and traffic planning project has been underway since 1985. In the railway sector, track maintenance and rehabilitation and repair of rolling stock has accounted for the bulk of expenditure.

7. Telecommunications:

The telecommunications sector has recently benefitted from support by the ADB and IDA for the improvement of telecommunications in the Colombo area and in a number of districts outside Colombo. Rehabilitation and extension of the system in and around Colombo is continuing as is a FINNIDA assisted project to improve facilities in the Hambantota district.

Further improvements will be required in the next few years and additional assistance is likely to follow the proposed institutional changes which will make the Department of Telecommunications and Posts first a parastatal and eventually a private company. This should also have the effect of dramatically improving the revenue collection efficiency which is currently poor.

G. URBAN SHELTER CHARACTERISTICS

1. Housing Characteristics

According to a housing needs assessment carried out in Sri Lanka in 1984, the country's housing needs for urban areas are estimated to average about 38,000 units annually over the next 20 years. However, it was observed in Section I.A. that the urban population was growing at only 1.2 percent per annum, or 12.15 percent from 1971 to 1981. As a result the urban population percentage dropped somewhat from 22.4 percent in 1971 to 21.5 percent in 1981 (see Table 1.1). During the same 10-year period, however, the number of urban houses increased from 421,155 to 511,810,¹³ or 21.5 percent, indicating that the country is housing its urban households more rapidly than they are increasing.

Furthermore, from Table 1.13 it can be seen that, in general, the urban population was housed in a better quality stock than in 1971. While some 24 percent and 8 percent of housing units in 1981 were of semi-permanent and improvised materials, respectively, their absolute number remained nearly constant over the decade. This can be compared to the significant growth in permanent dwellings of 33 percent.

¹³Department of Census & Statistics, Census of Population and Housing, 1981.

TABLE 1.13
DISTRIBUTION OF URBAN OCCUPIED HOUSING UNITS
BY TYPE AND SECTOR 1971 AND 1981

	1971		1981		Percent Increase
	Number	Percent	Number	Percent	
Total	421,155	100.0	511,810	100.0	21.5
Permanent	264,757	62.9	351,301	68.3	32.7
Semi-Permanent	118,968	28.1	120,500	23.5	1.8
Improvised	38,000	9.0	40,009	7.8	5.3

Source: Department of Census & Statistics, Census of Population and Housing 1981

Further, from an amenities point of view, the percentage of urban houses supplied with water and electricity increased from 35 percent and 45 percent in 1971 to 46 percent and 49 percent in 1981, respectively. In addition, the number of persons per room declined from 2.8 to 2.2 in the intercensal period.

Although the foregoing statistics indicate a general improvement in the quality and amenities of the urban housing stock, it seems that the third of the stock constructed of semi-permanent and improvised materials is found mostly among low-income families in Colombo. According to the 1981 census, total occupation of improvised housing had increased from 160,000 in 1971 to 182,000 in 1981. Of this number, more than 40,000 were in the urban sector with more than 20,000 of these units in Colombo. Of the population in the city of Colombo, it was estimated that more than 125,000 or 21.5 percent lived in shanties.

The high densities and congestion in urban areas present greater health and safety risks when coupled with the level of amenities. In the urban areas as a whole, about 24.4 percent of the population shared their toilets with others, while nearly 20 percent were reported to not even have shared toilet facilities.¹⁴ In Colombo, almost 59 percent of the slum population did not have access to suitable toilets even on a shared basis, and less than 28 percent had a flush or water-sealed toilet. Only 36 percent of all low-income housing units in Colombo had exclusive use of a source of water, and the slums had as little as one water tap per 128 persons and one toilet for more than 36 persons.¹⁵

Most of the houses in Sri Lanka are built by individual households or small private contractors. It is estimated that 80 percent of housing investment was associated with

¹⁴1981 Census of Population & Housing, Department of Census and Statistics, Table 13.18, p.226.

¹⁵World Bank, Urban Sector Report, p.51.

household resources, 15 percent with public sector investment and the remaining 5 percent with the banking sector. Outside of Colombo, most of the houses built are one or two-roomed structures costing as little as Rs.40,000. A reasonable middle income house outside of Colombo would cost about Rs.300-400,000, including serviced land.

2. Housing Provision

Since 1977, the public sector has played an active and innovative role in the provision of housing, initially with the Hundred Thousand House Program (HTHP) and then with the Million Houses Program (MHP). The major initiative in the housing sector over the past few years has been the MHP. The concept is of a national shelter program which includes both the public and private sectors and both the rural and urban populations, covering the period 1984 to 1989. The estimated total number of families benefited through the program up to September 1988 was 801,382.¹⁶ The two major sub-programs of the MHP are the Urban Housing Sub-Program (UHSP) and the Rural Housing Sub-Program (RHSP). Table 1.14 shows the progress of both programs in terms of total funds disbursed and number of families reached up to mid-1988.

UHSP	1984	1985	1986	1987	1988 (up to July)
(Rs.Mi)					
Total Disbursements	--	38.4	60.7	57.4	45.1
Families Reached: Loans	--	7,584	10,419	7,334	5,547
Other	--	14,788	6,539	7,013	4,025
RHSP					
Total Disbursement	189.8	217.6	255.8	194.5	106.1
Families Reached	43,213	42,077	60,337	36,502	22,454

Source: World Bank Memorandum on NHDA, 1988.

It can be seen from Table 1.14 that the RHSP is the major sub-program of the MHP. This program is targeted to beneficiary families whose monthly income is less than Rs.1000, while the UHSP is targeted to urban low-income families earning less than Rs.1200 per month as well as those living in unserviced slums and shanty developments. The UHSP is comprised of four option packages:

- (a) Slum and Shanty upgrading
- (b) New Housing

¹⁶This Section is summarized from ADB, *Urban Sector Profile*, pp.100-110, and data from NHDA contained in a World Bank Memorandum, 1988.

- (c) Utilities
- (d) Sites and Services

Annex 2 sets out the details of the options, requirements and loan terms for each package for both the RHSP and the UHSP. The success of the MHP, in particular the UHSP and the RHSP, has been its unprecedented scale and outreach, its target on the poor of Sri Lanka, and its emphasis on low cost, indigenous construction methods. The program has also generated initiatives whereby the resources provided by NHDA have been supplemented by the resources of the beneficiaries. According to the NHDA, over 80 percent of the beneficiaries of the program have been in low-income groups.

The USAID Housing Guaranty program has been a major supporter of both the RHSP and UHSP, especially in the use of the Thrift and Credit Cooperative Societies (TCCS) for effective cost recovery under the RHSP. However, cost recovery through the TCCS, which had increased to some 65 percent of total amounts outstanding, suffered a major setback with the forgiveness by the new Government of MHP loans for all foodstamp holders. However, since TCCSs do not exist and have been found difficult to establish in urban areas, an alternative means, perhaps through the HDFC or the SMIB, will have to be found to effect improved cost recovery under the UHSP.

With respect to the Slum and Shanty Upgrading option of UHSP, it seems that the USAID HG program has not as yet included eligible expenditure for infrastructure work carried out under the program. Since this is often the major expenditure in upgrading programs, consideration might be given to such disbursements in the future. This issue takes on added importance when it is seen that NHDA's effectiveness in implementing the program has been affected by declining budget allocations (Table 1.15). Since the MHP was completed in 1989, a follow-on 1.5 Million Housing Program, composed of 13 sub-programs, has been launched in 1990 and will run for the next five years. It seems however, that the same budget constraints will apply in that out of the projected budget of Rs.1.0 billion for 1990 only some Rs.200 million has been allocated.

Year	Actual Allocation Rs.Million	% Increase (Decrease) from Base Year
1984	480.0	---
1985	500.0	4.2
1986	465.0	(3.1)
1987	373.8	(21.5)
1988	400.0	(16.7)
1989	437.0	(8.9)

Source: NHDA

H. ENVIRONMENTAL CHARACTERISTICS OF URBAN AREAS¹⁷

Sri Lanka currently faces a range of environmental problems. They include deforestation, soil erosion and land degradation; losses of wildlife habitat and related biological resources; mismanagement of coastal resources and wetlands; and, health and welfare problems caused by industrial pollution and accelerating urban development. Given the urban focus of this study, the present section briefly addresses the latter two elements of the country's environmental context.

The first sub-section describes the environmental problems of urban areas related to industrial pollution and urban development. The second sub-section outlines the legislative framework adopted to ameliorate these urban environmental problems. Finally, the third sub-section briefly discusses the Government institutions that have been created to develop environmental policy and plans.

a. The Problem

(i) Industrial Pollution:

Sri Lanka's environmental pollution problems, directly related to manufacturing activities, are most prevalent in the Greater Colombo area. Nearly all the island's larger industrial complexes and about 80 percent of the medium and small industries are located in and around Colombo. These industrial activities have caused serious water, air and soil pollution problems. The problems can be highlighted as follows:

Surface Water Pollution:

The often illegal discharge of untreated industrial effluent into storm water drains has caused the heavy pollution of most of the City's canals and lakes. These bodies of water suffer from high concentrations of carbon dioxide and nitrogen. Many of the lakes of the Greater Colombo area are also brackish (high chloride concentration) due to their periodic connection with the sea.

Groundwater Pollution:

The infiltration of industrial and human wastewater into the groundwater has resulted in the unsuitability of many shallow wells for drinking purposes. The contamination

¹⁷This section on the environmental characteristics of urban areas synthesizes material taken from the following five sources:

1. Environmental Study of Sri Lanka, Status Assessment Programme for Environmental Cooperation, Main Report, NORAD/Colombo, June 1989;
2. Environmental Laws and Institutions of Sri Lanka, Assessment of USAID/Colombo, Malcolm F. Baldwin, December 1989.
3. Water Pollution Survey, Greater Colombo Area, Phases I and II, BHK Consulting Engineers, 1986;
4. Environmental Assessment Procedure for Development Activities in Urban Areas, Manual for Planners and Decision Makers, National Building Research Organisation, March 1988;
5. Urban Sector Profile for Sri Lanka, Asian Development Bank, December 1982; and Interviews with Dr. L.R. Sally, National Building Research Organisation; K.A.H. Ranawæra, Director General, Central Environmental Authority; and Malcolm Jansen, Environmental Officer, USAID/Colombo.

of groundwater has been caused by the disposal of industrial effluents into soakaway pits, a common form of human waste disposal in Sri Lanka. This effluent, still containing pollutants, mixes with the groundwater. Since it is not totally absorbed by the soil, it continues to pollute the groundwater.

Air Pollution:

A number of industries pollute the environment by emitting dust, fibres and/or noxious fumes originating from the use of volatile solvents.

Soil Pollution:

Colombo lacks sufficient sites for the disposal of industrial, as well as domestic, solid waste. Dumping in many areas is uncontrolled. Waste is dumped in storm drains along the roadside and in easily accessible low-lying areas. This uncontrolled dumping frequently clogs drains and creates serious soil and groundwater pollution problems. It has also increased the likelihood of periodic flooding in many of the island's municipal urban centers.

The problem of industrial pollution in Sri Lanka, as in many other developing countries, is compounded by the siting of industrial activities in close proximity to residential areas. Many polluting industries in Colombo are located next to residential areas without any buffer zones or open space to separate them. The residents are confronted daily by polluted drains, stagnant water and drains blocked by industrial wastes.

(ii) Urban Development:

Although Sri Lanka's recent urban population growth has been low in comparison to international norms, urban sprawl has occurred in Colombo, Kandy and other urban centers. This urban growth has significantly altered the land use patterns of these urban areas and has exacerbated an already deteriorating urban environment.

Several key issues will take on greater importance over the next 5-10 years as Sri Lanka's urban areas continue to increase in population and expand their built-up areas.

Increased Wastewater Generation:

Considerable recent foreign investment in the water supply sector will likely result in increased water consumption, with a consequent increase in wastewater generated. While on-plot sanitation systems are generally working satisfactorily, the combined effects of increased wastewater production and increasing population densities in urban areas will tend to overload soakaways and to elevate the groundwater table. Already, water-logging is evident in certain urban areas where there is insufficient soil capacity to absorb all the wastewater generated.

Increased Flooding:

Periodic flooding has become a problem in many urban areas. Flooding has intensified due to encroachments into canals, rivers and low-lying marsh lands, as well as the uncontrolled dumping of solid waste into these waterways.

Uncontrolled Land Reclamation:

Uncontrolled and/or poorly designed land filling for residential and other uses increases the likelihood of flooding by reducing the volume of natural flood storage areas and the potential for discharge of waterways.

Increased Air Pollution:

In addition to industrial pollutions, air quality has decreased, especially along Colombo's major thoroughfares, due to the emissions of vehicular traffic and the poor condition of the road surfaces.

b. Legal Framework for Environmental Protection in Urban Areas

Dating from the mid-1800s, Sri Lanka has a long history of environmental legislation. Much of it is applicable to the country's urban areas. The principal environmental legislation can be classified according to objective as follows:

(i) Environmental Policy-

- The National Environmental Act (NEA), No.47 of 1980 established a Central Environmental Authority (CEA) to develop policies, standards, studies and educational programs concerned with environmental and natural resources;
- 1988 amendments to the National Environmental Act require that the CEA issue new air, water and land pollution standards and emission permits, and establish environmental impact assessment procedure for development projects.

(ii) Urban and Town Development-

- The Town and Country Planning Ordinance, 1915, authorizes planning and zoning for the conservation and management of the environment;
- The Urban Development Authority Law, No.41 of 1978, as amended, authorizes development plans and regulations, including zoning and the issuance of permits, for designated Development Areas;
- The Housing and Town Development Ordinance, 1915, provides for the regulation and development of housing and related facilities in municipal councils, urban councils and other declared Development Areas.

(iii) Pollution and Toxic Substances-

- For the purposes of the present study, the Nuisance Ordinance No.15 of 1862, (as amended) complements common law of nuisance by prohibiting the fouling of water courses, the maintenance of stagnant and/or polluted water, etc.;
- The Marine Pollution Prevention Act, No.59 of 1981, provides for the prevention, reduction and control of the island's waterways.

Aquatic and Coastal Resources-

- **Land Reclamation and Development Corporation Act, No.15 of 1968, as amended by Act No.27 of 1976 and Act No.52 of 1982, authorizes Government to reclaim and develop areas declared as low-lying, marsh, waste or swampy areas for residential, industrial, commercial or agricultural use.**

c. Responsibilities of Urban Environmental Institutions

This section examines Sri Lanka's principal Government institutions that develop policies and carry out plans and programs related to urban environmental management:

(i) Central Environmental Authority (CEA)-

The CEA is Sri Lanka's primary environmental agency. It was established under the National Environmental Act (NEA) of 1980 and is responsible for developing national environmental and natural resource policies and public education programs. Under a subsequent cabinet order, it is also responsible for implementation and oversight of environmental impact assessments. The CEA consists of a three-person board, assisted by a small staff of professionals. It has developed, and oversees, an environmental impact assessment process for other Government agencies. The CEA forms part of the Ministry of Policy Planning and Implementation and has sole responsibility for assessing and developing Sri Lanka's approaches to environmental and pollution control. The NEA calls for the CEA to conduct and coordinate research on environmental degradation and to develop environmental protection criteria and standards.

(ii) Urban Development Authority (UDA) and its National Building Research Organisation (NBRO)

The UDA is part of the Ministry of Policy Planning and Implementation. Under the Urban Development Authorities Act, the UDA must evaluate development proposals for all industrial and infrastructure projects. UDA has decentralized its approval authority, while maintaining oversight through a UDA planning officer based in each local authority. The UDA's research wing, the National Building Research Organisation (NBRO), assists the UDA to meet its environment assessment review requirements. To help the UDA evaluate development projects, the NBRO has prepared a manual for "Environmental Assessment Procedure for Development Activities in Urban Areas."

Since its inception, the NBRO has largely financed its operational requirements through the provision of consulting and testing services. In 1986, however, it received a three-year US\$1.08 million grant from UNDP to support seven technical divisions including Human Settlements and an Environmental Division. The Environmental Division reviews about 10-12 development projects each month. Comments are sent to the local councils where they are normally incorporated as conditions for approval. The NBRO recently completed a study of industrial pollution in the Ratmalana Urban Council south of Colombo.

(iii) Greater Colombo Economic Commission (GCEC)

The GCEC exercises development authority over 415 square kilometers of land within the Greater Colombo area. Any industrial, commercial or residential development in this region must be approved by the GCEC. It directly administers two industrial export zones (Katunayake and Biyagama) and two pocket industrial developments at Ekala and Jaela.

GCEC has developed these zones following its own in-house economic and environmental review. In addition, it has planning and zoning authority for the remaining areas outside the export zones. Implementation authority, however, rests with the local authorities. Under its authority, the GCEC environmental section has reviewed over two thousand projects in accordance with their own procedures for environmental assessment. Approximately, 5-10 percent fail to receive GCEC approval.

I. MISSION ACTIVITIES RELATED TO URBAN

The majority of this section is based on the USAID/Sri Lanka Action Plan 1989 (March 1989) and interviews with various USAID officers.

As it prepares to undertake the 1992-96 CDSS, USAID/Sri Lanka is completing a strategy based on a series of projects that have focused on addressing Sri Lanka's problems in employment and income. This strategy has emphasized income growth by promoting private enterprise with respect to farmers as well as entrepreneurs and low-income households. Based on past analyses and previous experience, interventions were primarily designed to strengthen the technology-produce-market linkages as a means to raise incomes and maintain an acceptable income distribution.

In implementing this strategy, linkages among key sectors in USAID/Sri Lanka's portfolios become increasingly important. Advances in agriculture are linked not only to the adoption of technological advances in the sector, but also to increased employment outside agriculture leading to increased demand for agriculture products. Thus, the development of urban local authorities, which up to now have been primarily market, trading and agricultural service centers, is seen as a promising link between the two major sectors of the Mission's strategy, agriculture and the private sector. Selective extension of the Housing Guaranty program into urban development might therefore accelerate the agriculture transformation process while simultaneously creating increased employment in the private sector.

1. Agricultural/Rural Development

In pursuing the goals of increasing rural incomes, productivity and food consumption, agriculture's portfolio combines:

- (a) support for the improved performance of irrigation systems;
- (b) assistance to efforts to diversify agricultural production; and
- (c) an evolving policy dialogue in favor of market based policies to promote rural income growth.

Originally concentrating on raising rice production and developing the institutional structure to support agriculture development, the Mission has moved to a more deliberate effort to increase both farm and non-farm incomes and productivity. Agricultural diversification provides a means to enhance the stability of earnings, improve nutrition, increase the profitability of farm enterprises and make better use of scarce resources, in particular irrigation water. The agriculture portfolio, therefore, provides substantial support to:

- **The formulation of GSL diversification policies** - the National Agriculture, Food and Nutrition Strategy (NAFNS), and the Agricultural Planning and Analysis Project (APAP-383-0083);
- **The development of improved production technologies for non-rice field crops** - the Diversified Agriculture Research Project (DARP-383-0058);
- **Efforts to promote production and marketing of high-value export crops** - the Mahaweli Agriculture and Rural Development project (MARD-383-0086), and the Mahaweli Enterprise Development project (MED-383-0090).

USAID's portfolio has, therefore, emphasized food crop technologies, institutional development and irrigation management, and areas of comparative advantage for U.S. assistance.

Related to the subsector on irrigation management is the Mission's work under the Water Supply and Sanitation Sector (WSSS) project. This project, which is an integral part of development of the urban sector, has achieved major improvements in the institutional capabilities of the National Water Supply and Drainage Board (NWSDB) to plan, design, rehabilitate/construct, operate and maintain water and sanitation systems throughout Sri Lanka. Increased emphasis on improved operations and maintenance has lowered NWSDB's unit operations and maintenance costs and has increased revenues considerably. It has also encouraged the Asian Development Bank to provide significant funding for further capital expansion. A comprehensive tariff increase is to take effect in 1990, which will cover operations and maintenance costs with debt service and/or depreciation (whichever is greater) being included by 1993.

In the area of land tenure policy and related issues, the Mission's policy dialogue with Government has been broadened beyond support for expedited land titling under a PL480 self-help measure. Options for a comprehensive assessment of the pertinent land tenure issues in agriculture and rural development have been explored with GSL. In negotiations during the development of the Mahaweli Enterprise Development project, USAID was able to obtain agreement on land transfer to encourage small-scale enterprise. Consideration might be given to extending this effort to the urban sector where land conveyance can also be difficult (see Section I.E).

The rural development effort has also benefited from the rural component of the Government's Million Houses Program, supported under the Housing Guaranty program. The program has substantially contributed to a strengthening of rural financial markets. Policy dialogue has succeeded in moving the program to greater reliance on private financial institutions, specifically the Thrift and Credit Cooperative Societies. In addition,

support for housing construction also provided valuable lessons in capital formation and uses of formal credit for low-income rural families.

2. Private Sector Development

USAID/Sri Lanka has succeeded in incorporating a private sector focus into its entire portfolio: the PL480 Section 108 program of local currency loans to the private sector; the privatization of the seed industry through the DARP project; the introduction of the Thrift and Credit Cooperative Society system into loan origination and servicing under the Million Houses Program; the PVO co-financing of sub-projects which encourage small-scale industries; the MARD project to increase the role of private sector marketing in the Mahaweli areas; and the productive enterprises component under RAP.

Perhaps the project in the Private Sector Development portfolio, which could be closely related to urban development, is the Mahaweli Enterprise Development (MED) project. This project is designed to develop small-scale enterprises within the Mahaweli Development area with the intention of attracting larger scale enterprises. As mentioned above, a Condition Precedent to disbursement was the transfer of 750 lots to individuals for the development of small enterprises.

Given the dualistic nature of the Sri Lanka's private sector, i.e., small-scale, informal enterprises versus large-scale capital intensive enterprises, the Private Sector Program is contemplating a two-pronged strategy:

- support to accelerate the formation and growth of viable micro and small-scale enterprises that thrive in a market environment; and
- assistance to improve the competitiveness of Sri Lankan industry by shaping an appropriate policy environment, and by encouraging the development and adaptation of efficient technologies.

As stated in the Action Plan:

"A good deal more needs to be known about the distribution and activity of the labor force. The Central Bank annual report of 1987 states that only 1.5 million jobs can be identified, 1.2 million of which are in the public sector. (The economically active population was estimated at 5.7 million 1984.) That suggests a vast array of small scale operations around the country, contributing much to GNP without being part of the formal economic system. This is an area of particular concern to both the GSL and USAID, and a field in which USAID can make a substantial contribution through the Mahaweli Enterprise Development project."

The foregoing is a good description of the informal manufacturing and service sector. Since small-scale enterprises and employment schemes form an important aspect of the poverty alleviation program, intervention by USAID in this area could have a significant impact both on poverty alleviation and employment creation.

A final area with links between Private Sector Development and the Housing Guaranty Program is the Million Houses Program (MHP). USAID's interest has concentrated on making the MHP more self-sustaining by encouraging higher interest rates and increasing the rates of recovery of the loans. A major policy advance has been the privatization of part of the loan origination and servicing functions by channeling some MHP loans through the Thrift and Credit Cooperative Society system (TCCS). Loans handled by the TCCS, so far almost all in rural areas, have had recovery rates approaching 65 percent, compared to the less than 50 percent recovery rates achieved by the overall program.

Although these recovery rates have fallen substantially due to the Government ordered relief from loan repayments by foodstamp holders, according to the Action Plan,

"The TCCS' success in the financial aspects of housing has been due, at least in part, to its use of less onerous lending practices than banks and other formal sector lenders, enabling them to fill a credit market niche that the other formal financial institutions were not interested in, but which has demonstrated itself to be creditworthy under the right circumstances."

While serious damage has been done to many of the newer thrift societies and to credit discipline overall, this seems to be an important area to pursue in ascertaining how the private sector can be mobilized to provide housing and home improvement credits to low-income urban families.

II. SECTOR DEFINITION/IDENTIFICATION OF KEY ISSUES

INTRODUCTION

The previous section attempted to give an overview of the characteristics of the urban sector in Sri Lanka. Although a considerable body of knowledge exists on the urban sector in Sri Lanka, a significant lack of data was found in crucial areas. For example, data on socio-economic characteristics of the urban population were found only on a national basis or, based on individual studies, for various urban neighborhoods in Colombo. Perhaps, with additional time, recent socio-economic data can be obtained by city size through the UDA or from other sources. At present, however, urban socio-economic data, with the exception of population, are not disaggregated by province or city size.

Given the aspatial economic policies of Sri Lanka, the spatial consequences of economic growth both formal and informal have also only been documented in general terms, e.g. increased pollution, increased traffic congestion, increased concentration of growth in and around Colombo, etc. Outside of the quantitative data on the contribution of the urban economy to GDP, employment, types of employment, etc. which are set out in Section I.B., there seems to be little or no documentation on the links of the urban sector to national economic growth or urbanization characteristics and how they relate to economic growth. Perhaps the lack of data in these areas is an issue in itself.

In spite of this lack of data, the review of the urban sector in the previous section brought out various issues with respect to various components of the urban sector. In attempting to define the urban sector according to its size, growth trends, linkages to the rural sector and capacity to plan and manage urban growth, this section will highlight what are felt to be the key issues in the sector. Subsequently, a final section will outline what steps might be taken to address them.

A. URBAN POPULATION GROWTH TRENDS

1. Growth Trend

Very little data seem to exist not only on the socio-economic characteristics of urban population in Sri Lanka but also on their demographic aspects, i.e. population trends and projections by size or type of urban areas.¹⁸ Although data are limited, an idea of the trend in urban population by type of urban area can be obtained from Table 2.1, which shows the distribution of urban population in municipal councils, urban councils and town councils in the 1963, 1971 and 1981 censuses.

¹⁸Population projections for urban centers were carried out by UDA at the request of the consultants. However, in spite of the differing characteristics of various urban centers, the projections were calculated on a straight line basis resulting in a similar urban population profile as existed in 1981. See Annex Table 6.

Type of Urban Area	1963			1971			1981		
	# of Units	Population	%	# of Units	Population	%	# of Units	Population	%
M.Cs.	10	1,031,557	51.2	12	1,219,682	42.8	12	1,304,846	40.9
U.Cs.	35	581,279	28.8	37	771,095	27.1	39	898,466	28.1
T.Cs.	54	403,449	20.0	86	857,339	30.1	83	989,177	31.0
Total	99	2,016,285	100.0	135	2,848,116	100.0	134	3,192,489	100.0

Although the number of municipal councils increased by two and the population in municipal councils by 26.5 percent from 1963 to 1981, the municipal council share of urban population continually declined from 51 percent in 1963 to 41 percent in 1981. While the urban council share of urban population remained constant at roughly 28 percent in spite of an increase of four urban councils and a population increase of 55 percent, the town council share jumped from 20 percent to 31 percent. This was mainly due to the increase in the number of town councils from 54 to 83 which was concomitant with a town council population increase of 14 percent. Both of these factors indicate significant growth at the lower end of the urban spectrum. This is confirmed by the fact that, outside of Colombo, the three municipal councils with growth rates greater than the national average, i.e. Batticaloa, Ratnapura and Nuwara Eliya, are the smaller municipal councils. This is also true for the urban councils with growth rates greater than the national average, i.e., Panadura, Kegalle, Hambantota and Moneragala.¹⁹

Another factor is operating here, however, and that is the criteria for creating urban local authorities. It can be seen from Table 1.3 and 2.1 that the number of each type of urban area changed from one census to the next, and consequently the percentage urban. The criteria for establishing new authorities and for upgrading existing ones is, therefore, basic to the definition of urban in Sri Lanka. In discussions with Government officials, however, no definitive criteria such as population, revenue base, density, etc., were mentioned. This is confirmed by the fact that in 1981 five urban councils had larger populations than five municipal councils; and several former town councils and rural ACAs have populations greater than urban councils.

It seems that, based on the Urban Council Act of 1939, the original urban local authorities were created on the basis of existing Sanitation Boards, population and/or location as district capitals.²⁰ However, over time, many Town Councils were created based on application to the Commissioner of Local Government and a decree by the Minister. Local authorities also applied to be upgraded to urban and municipal councils, or could refuse

¹⁹See Annex Table 6.

²⁰The original Act will have to be reviewed to confirm these and any other criteria.

to be upgraded. Further, due to the rural emphasis of Government programs, no new authorities were created since 1970. Thus, as detailed later in this section, the present definition of urban areas in Sri Lanka, based as it is on the population in municipal, urban, and town council areas, is extremely amorphous since no definitive criteria seem to exist for creating or differentiating these areas.

With respect to urban growth outside of the Colombo Metropolitan area, it is more meaningful to gauge urban population trends according to the urban population share of each district as well as the change in the population in the inter-censal period. Table 2.2 shows that the share of the urban population in most districts is well below the national average of 21.5 percent. In about one third of the districts less than one tenth of the population lives in urban areas. The heavy urbanization in the Colombo district is evident in that it is the only district which is over 50 percent urban, i.e., nearly 75 percent, with the next highest urban district, Jaffna, only 33 percent urban.

With respect to the pace of urbanization, it can be seen from Table 2.2 that the districts have in general experienced similarly slow urban growth as the country as a whole. Some two thirds of the districts experienced an actual decrease in the share of urban population. Only in the case of Colombo was there a dramatic increase in urban population from 55.2 percent to 71.4 percent.

This apparent growth, however, is due to a boundary change rather than any real growth in urban population. Essentially, it is a result of the creation of the Gampaha district which was more rural than the remainder of the Colombo district from which it was separated. Thus, it seems that in the 1971-81 inter-censal period none of the country's districts has experienced any significant degree of urban growth.

Regarding future urban growth, Table 2.3 shows the breakdown of the urban population by town size for the last four censuses. As mentioned earlier, the lack of definition of and the rapid increase in the number of urban areas from 1953 to 1971, i.e. 43 to 135, complicates the analysis of urban growth. Due to the relative stability in the number of towns between 1971 and 1981, projections by town size have therefore been carried out based on this period rather than going back to prior censuses. In the absence of qualitative socio-economic data on various categories of towns, the projections in Table 2.4 have been done on a straight line basis. Thus, the trends from 1971 to 1981 have necessarily been intensified in that the growth of towns in the 20-25,000 range and over 100,000 has increased, accounting for some 73 percent of the urban population in 1991, while population in the lower ranges and the 50-100,000 range has fallen. Further, total urban population increased at roughly 1.7 percent per annum for a total of 3.7 million. According to Department of Census and Statistics population projections, this would be 20.9 percent of total population in 1991, which is roughly the same as the urban population in previous censuses.

TABLE 2.2
DISTRICT DISTRIBUTION OF URBAN POPULATION, SRI LANKA

District	Urban Population ('000)			Share of Total District (percent) Population			Average Annual Growth Rate of Urban Population (percent)
	1963	1971	1981	1963	1971	1981	1971-81
Colombo	1,023.8	1,470.1	1,282.0	46.5	55.0	74.3	1.2
Gampaha	-	-	386.1	-	-	27.8	1.4
Kalutara	126.4	161.4	177.0	20.0	22.1	21.4	1.1
Kandy	119.2	148.2	147.4	11.4	12.5	13.1	0.6
Matale	29.4	38.2	38.0	11.5	12.1	10.6	0.1
Nuwara-Eliya	24.5	21.8	37.9	6.2	4.8	7.3	2.3
Galle	130.0	157.5	168.1	20.2	21.4	20.6	0.8
Matara	60.5	66.4	71.5	11.8	11.3	11.1	0.8
Hambantota	22.3	33.3	41.4	8.1	9.8	9.8	2.4
Jaffna	150.8	235.6	270.6	24.6	33.5	32.6	1.6
Mannar	9.0	11.2	14.5	15.0	14.3	13.5	3.0
Vavuniya	11.2	20.6	18.5	16.3	21.5	19.3	1.8
Mulaitivu	-	-	7.2	-	-	9.3	4.6
Batticaloa	49.3	70.9	79.6	25.2	27.5	24.0	1.4
Amparai	28.6	32.1	53.6	13.5	11.8	13.8	-
Trincomalee	34.8	74.8	83.3	25.1	38.9	32.4	1.5
Kurunegala	30.1	43.1	43.9	3.5	4.2	3.6	0.4
Puttalam	38.2	52.2	61.8	12.6	13.8	12.5	1.8
Anuradhapura	32.9	38.9	41.7	11.8	10.0	7.1	0.7
Polonnaruwa	5.9	16.1	20.8	9.0	9.8	7.9	2.7
Badulla	42.3	51.7	51.5	8.1	8.4	8.0	0.7
Moneragala	3.4	4.2	6.0	2.5	2.2	2.2	4.5
Ratnapura	26.3	47.8	59.2	4.8	7.2	7.4	1.9
Kegalle	17.5	46.0	53.5	3.0	7.1	7.8	1.6

Sources: Census of Population-1971 and 1981, and Statistical Abstract of Ceylon-1977, Department of Census and Statistics, Colombo.

Note: Two new districts of Gampaha and Mulaitivu were carved out of Colombo and Vavuniya Districts respectively, for the 1981 Census.

**TABLE 2.3
DISTRIBUTION OF URBAN POPULATION ACCORDING TO SIZE OF TOWN**

Census Year		SIZE OF TOWN IN TERMS OF POPULATION						
		Below 2,000	2,000 to 4,999	5,000 to 9,999	10,000 to 19,999	20,000 to 49,999	50,000 to 99,999	100,000 and Over
1953	Number of towns	3	8	4	15	6	6	1
	Population	4,062	28,338	29,691	213,150	154,727	383,038	426,127
	Percentage of total urban	0.3	2.3	2.4	17.2	12.5	30.9	34.4
1963	Number of towns	9	21	23	21	18	5	2
	Population	15,342	74,681	158,280	278,153	487,986	379,265	622,578
	Percentage of total urban	0.8	3.7	7.9	13.8	24.2	18.8	30.9
1971	Number of towns	6	32	30	34	31	4	5
	Population	10,819	104,095	215,848	499,561	781,874	411,311	823,798
	Percentage of total urban	0.4	3.7	7.6	17.5	27.5	14.4	28.9
1981	Number of towns	3	27	30	34	31	4	5
	Population	5,153	85,679	214,521	498,002	981,837	292,012	1,115,265
	Percentage of total urban	0.2	2.7	6.7	15.6	30.8	9.1	34.9

Source: Department of Census and Statistics.

**TABLE 2.4
PROJECTION OF URBAN POPULATION BY TOWN SIZE**

Census Year		SIZE OF TOWN IN TERMS OF POPULATION						
		Below 5,000	5,000-10,000	10,000-20,000	20,000-50,000	50,000-100,000	Over 100,000	All Towns
1971	Number of towns	38	30	34	25	5	3	135
	Population	114,914	215,848	499,561	781,874	411,311	823,798	2,848,116
	Percentage urban	4.1	7.6	17.5	27.5	14.4	28.9	100.0
1981	Number of towns	30	30	34	31	4	5	134
	Population	90,832	214,521	498,002	981,837	292,032	1,115,265	3,192,489
	Percentage urban	2.9	6.7	15.6	30.8	9.1	34.9	100.0
1991	Population	71,794	213,202	493,448	1,232,940	207,344	1,509,856	3,731,584
	Percentage urban	1.9	5.7	13.3	33.0	5.6	40.5	100.0

Source: Department of Census and Statistics, PADCO Analysis.

2. Definition of Urban

A major issue in the foregoing attempt to gauge urban population growth by size and type of urban center is how the urban population in Sri Lanka is defined. As mentioned previously, the official definition of the urban population in Sri Lanka is that population residing in municipal, urban and town council areas, the criteria for creation and definition of which are uncertain. Thus, an increase or diminution in the number of local councils affects the size of the urban population accordingly. For example, the 1987 Constitutional Amendment creating the Provincial Councils and Pradeshiya Sabhas effectively abolished town councils in that all town councils were absorbed into the 257 Pradeshiya Sabhas. Thus, if the definition of the urban population as the population in local council areas remains unchanged for the 1991 census, the 'urban' population will decline to an estimated 13 percent of total population.²¹

The present definition will, therefore, be extremely misleading as to the extent of urbanization and the share of urban population in Sri Lanka. This definition and the percent urban in Sri Lanka can be compared to other countries in the region as follows:²²

Country	Percent Urban (1981)	Definition of Urban
Bangladesh	15.2	Places having a municipality, a town committee or a cantonment board.
India	23.3	Towns (places with municipal corporations, municipal area, town and notified area committees and cantonment boards); also, all places having 5,000 or more inhabitants, a density of not less than 390 persons per square kilometer, pronounced urban characteristics and at least 75 percent of the adult male population employed in the non-agricultural sector.
Indonesia	22.4	Municipalities, regency capitals, and other places with urban characteristics.
Iran	49.6	All Shahrestan centers, regardless of size, and all places of 5,000 or more inhabitants.
Malaysia	37.2	Gazetted areas with population of 10,000 or more.
Nepal	6.4	Localities of 9,000 or more inhabitants (Panchayats).
Pakistan	28.3	Places with municipal corporations, town committees or cantonments.
Thailand	21.5	Municipalities.

²¹This estimate is based on the 1991 population of municipal and urban councils as projected in Annex Table 6, and the 'central' population projection for 1991 for the country by the Department of Census and Statistics.

²²United Nations, Demographic Yearbook, 1985.

It can be seen from the foregoing that the definition of urban differs greatly by country, with several (Bangladesh, Indonesia and Pakistan) similar to Sri Lanka's. Perhaps India is the most comprehensive in that it includes all places with 5,000 or more inhabitants but also a minimum density (390/square km), urban characteristics and at least 75 percent of adult males employed in the non-agricultural sector. With respect to the economic base and characteristics of an area, the latter is a key component. For example, if all areas with a population of more than 5,000 inhabitants were defined as urban areas in Sri Lanka, the urban population percentage would have been 38.8 percent in 1981.²³ Many of these localities, however, are estate areas or rural villages which would not have 'pronounced urban characteristics' nor an employed population of more than 75 percent in non-agricultural sector. However, many areas which are presently considered rural AGA divisions, especially those adjacent to the Colombo Metropolitan area and the Municipality of Kandy, could be considered urban by the foregoing definition.²⁴ These suburban areas alone have a population of nearly 200,000.

Thus, it seems that the percentage share of urban population could very well have been greater than 21.5 percent in 1981. While it is not as high as 39 percent, it certainly is not as low as 13 percent. Given the fact that activity pursuant to carrying out the 1991 Census has already begun, it might be beneficial to convey the foregoing definitional issue to the Department of Census and Statistics such that a realistic definition of the urban population can be agreed upon--and a precipitous decline from 21.5 percent urban to some 13 percent, avoided. Such a decline would have serious implications for, *inter alia*, understanding the characteristics of the urban population, ascertaining internal migration patterns, designing 'urban' development programs, estimating urban poverty, and perhaps most importantly calculating the role the urban sector performs in the economy. Thus, the urban problems detailed in the previous Chapter could continue to mount until diseconomies of agglomeration (c.f. p.31) become a serious disincentive to further investment, internal and external, with the consequent implications for basic employment creation, income generation, and economic growth in general.

B. SPATIAL DISTRIBUTION OF POVERTY

Although Sri Lanka is a poor country, comparatively it is better off than most developing countries. In 1984, the country's GNP per capita was US\$300 compared to an average of US\$260 for all developing countries and a median for Asia of US\$370 (Bangladesh-US\$180; Malaysia-US\$1980).²⁵ In addition, with respect to other low-income countries in Asia, Sri Lanka has a more equitable distribution of income. Since the bottom quintile of the population earns the highest percentage of income *vis a vis* other Asian countries, 7.5 percent vs. 6.2 percent Asian median, and the lowest percentage of income

²³Based on an investigation carried out by the Office of the Mission Housing Advisor, USAID.

²⁴Map 4, in the next section, shows that, on the average, eight of Sri Lanka's 24 districts have densities over 400 per square kilometers.

²⁵Sri Lanka Compared, compiled by USAID/Sri Lanka Projects Office, 1989.

is earned by the top quintile, 43.4 percent vs. 49.4 percent Asian median, Sri Lanka's income distribution curve is flatter than that for other countries in the region.

In spite of these comparatively favorable figures, poverty in Sri Lanka is experienced by the majority of the population. An indication of this poverty is the number of the population receiving food stamps. Although abuses have been reported with respect to eligible incomes, in 1988 more than 8.5 million, or more than half the population, received food stamps. Further, on the basis of caloric intake, nearly 25 percent of the population are below the absolute poverty line. In addition, it is estimated that 37 percent of the pre-school age children suffer from malnutrition and more than 50 percent are affected by nutritional anemia.²⁶

The spatial distribution of poverty in Sri Lanka can be approximated from data pertaining to the distribution of food stamps, or poor relief, nationwide. Families with incomes less than Rs.700 per month are entitled to such relief. Table 2.5 shows the percentage of those receiving food stamps as a percentage of total population for each district. The spatial variation of the population receiving food stamps is readily apparent from the table. While Colombo and the surrounding districts have the lowest percentage on food stamps, i.e. an average of 28 percent, the districts in what is now the North Eastern province have by far the highest, an average of 67 percent. This might be expected since this province has been the location of most of the hostilities since 1983. More than 50 percent of the population in the North West (Kurunegala) and Sabaragamuwa (Ratnapura) provinces also receive food stamps. Since the figures are not broken down by urban and rural areas, it is unknown whether the distribution of poverty as indicated by the distribution of foodstamps is highly associated with urban areas. The fact that the urban mean and median per capita incomes increased by over twice as much as that in the rural sector from 1981 to 1985 (see Table 1.5), however, indicates that poverty, as measured by income, is still predominant in the rural areas. Further, the provinces with the highest percentage of foodstamps contain districts with some of the lowest population densities (see Map 4, Population Density by District).

²⁶Government of Sri Lanka, Report on Poverty Alleviation Through People-Based Development, May 1988, as quoted in ADB, Urban Sector Profile, 1988, p.29.

TABLE 2.5
DISTRIBUTION POOR RELIEF STAMPS (Food Stamps)
UNDER PUBLIC ASSISTANCE PROGRAMME
ALL ISLAND (Sri Lanka) FOR THE YEAR 1987

Districts	Number of Persons Receiving Stamps	Mid-Year Population	Percent of Population Who Receive Stamps	Provincial Average
Colombo District	337,833	1,833,000	18.4	
Gampaha	505,125	1,535,000	32.9	
Kalutara	370,839	896,000	41.4	(28.)
Kandy	487,913	1,075,000	45.4	
Matale	218,072	386,000	56.5	
Nuwara Eliya	151,326	617,000	24.5	(41.)
Galle	364,720	867,000	42.1	
Matara	290,872	682,000	42.6	
Hambantota	234,872	480,000	48.9	(44.)
Jaffna	694,648	919,000	75.7	
Mannar	79,030	128,000	61.7	
Vavuniya	80,757	118,000	68.4	
Mullaitivu	63,047	100,000	63.0	(67.)
Batticalca	270,008	379,000	71.2	
Ampara	287,702	466,000	61.7	
Trincomalee	151,803	301,000	50.4	
Kurunegala	744,055	1,335,000	55.7	
Puttalam	331,487	568,000	58.4	(57.)
Anuradhapura	308,405	720,000	42.8	
Polonnaruwa	119,425	327,000	36.5	(41.)
Badulla	238,018	658,000	36.1	
Moneragala	218,493	327,000	66.8	(46.)
Ratnapura	465,399	879,000	52.9	
Kegalle	331,169	713,000	46.4	(50.)
TOTAL	7,345,018	15,309,000	45.0	

Source: Department of Social Services, Sri Lanka, 1987. Unpublished data and Health Bulletin, 1986. Published by the Ministry of Health of Sri Lanka. As quoted in ADB Urban Sector Profile, p.30.

Those families receiving food stamps are also the target population for the Government's new poverty relief program, Janasawiya or 'people's effort'. Under this program, those families with five or more persons earning less than Rs.700 per month will receive Rs.2,500 per month. Of the Rs.2,500, however, only Rs.1,458 is allowed for consumption while the remaining Rs.1,042 is deposited in a bank for two years. At the end of two years the amount saved (Rs.25,000) is to be used for investment in an income earning trade or business. The Rs.1,458 per month, if not consumed, is intended to help the recipient in acquiring skills to conduct his future trade or business. In some areas of the country, this portion is being paid after the recipient has participated in a local public works project such as minor road or drainage project. If the program were designed with this objective in mind, i.e. to teach the recipient a marketable skill over two years through community and/or public works programs, the recipients would more likely be able to productively invest his savings at the end of the two years.

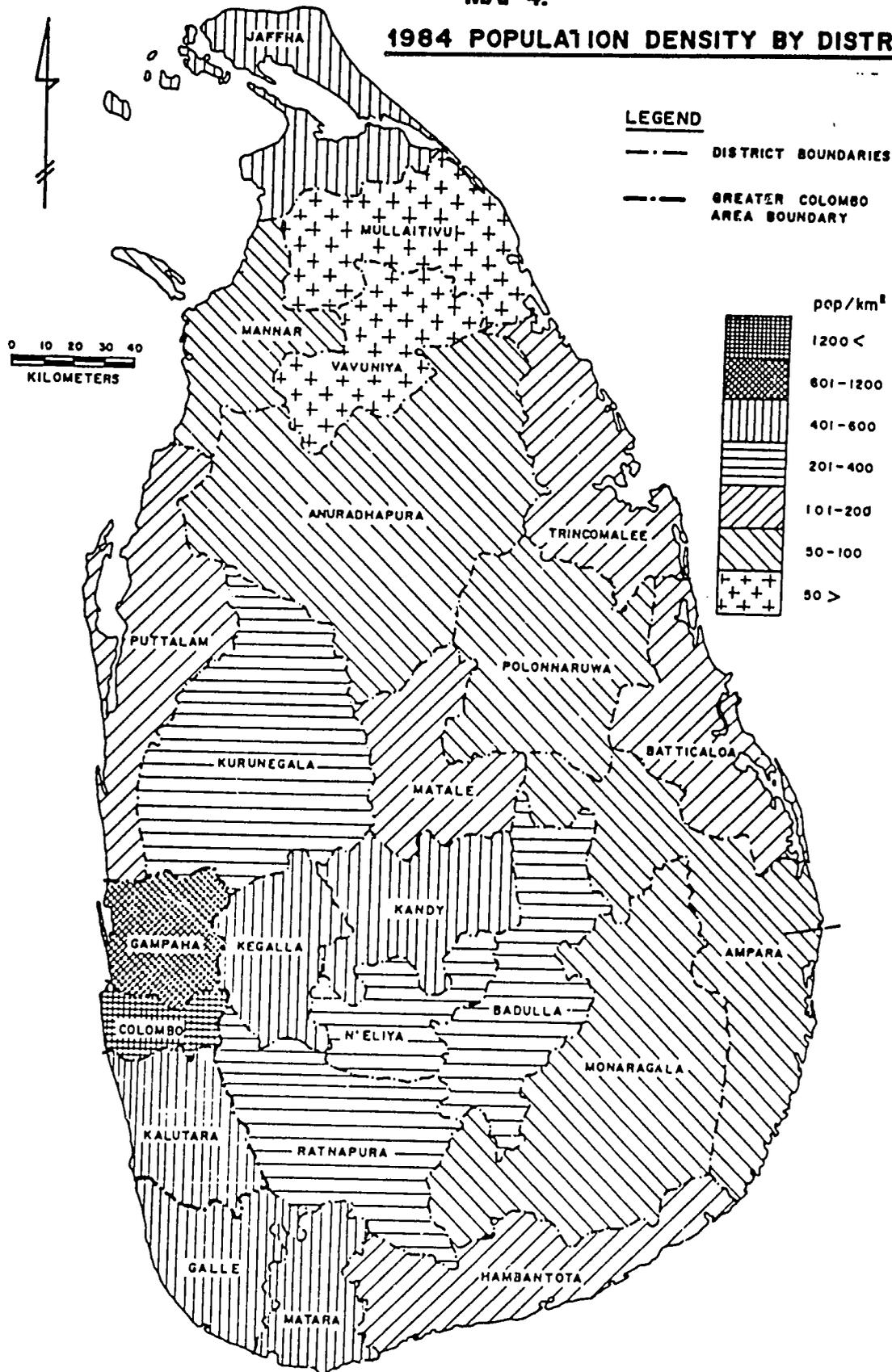
One indication of urban poverty is the number of semi-permanent and improvised dwellings in urban areas. It was seen in section I.G that while this number decreased as a percentage of urban dwellings from 37 percent to 32 percent in 1971 and 1981, respectively, the absolute number rose from 157,000 to 161,000 in the intercensal period. According to the NHDA, there is still a high incidence of squatter and shanty settlements both in Colombo and other urban areas of the country. The 1981 Census indicated that such dwellings accounted for 53 percent of the housing stock in the Colombo Municipal Council and an average of about 20 percent in other urban areas. Although no figures are available, this percentage should have declined based on the progress of the Million Houses Program since 1985 (see section I.G).

Surveys undertaken in several squatter areas in Greater Colombo indicated that the majority of families earned less than Rs.500 per month, and there was high unemployment and underemployment and poor access to services. Further, more than 75 percent of family expenditure was on food, allowing little, if anything, to amortize a plot and/or housing loan (see Table 2.6). While the MHP slum and squatter upgrading program has made a significant impact in providing services, tenure and housing loans to these areas, unemployment is still a major problem. It is in this area that the Janasawiya program could have an impact if, in fact, low-income urban dwellers could learn a trade and/or set up a business in their local area. Further, a portion of the two year savings might also be used to obtain title to their lot or house which in turn could be used as collateral for a larger business or trade loan.

It can be seen from the foregoing that a major issue with respect to urban poverty is that, in the absence of recent socio-economic and housing data, it is unknown to what extent urban poverty as measured by income, caloric intake, and/or dwelling status, exists both in the Colombo Metropolitan area and other urban local authorities. While the MHP slum and squatter upgrading program should have made an impact on reducing the number of squatter areas, until the results of the 1991 census are published, it will not be known what effect the Urban Housing Sub-Program has had on decreasing the total number of semi-permanent and improvised housing units.

MAP 4.

1984 POPULATION DENSITY BY DISTRICT



Source: Sri Lanka Transport Sector Planning Study, Louis Berger Intl., Colombo. September 1987.

TABLE 2.6
RESULTS OF SURVEYS OF SQUATTER SETTLEMENTS

Year of Study	1988	1986/87	1985
Location	Gintupitiya and Wanathamulla wards of CMC	Bloemendhal wards of the CMC	Nedivwala in Dehiwela, Mt.Lavinia MC
Income	63% earn less than Rs.1500 per family per month	42% earn less than Rs.1200 per family per month	87% earn less than Rs.1500 per family per month
Expenditure	76.4% of the income on food	75.4% of the income on food	79.5% of the income on food
Unemployment	10% males, 94% females of the work force	15.8% males, 31.7% females of the work force	58% of the work force or seasonal workers
School Dropouts	22%	Not available	44%
Infrastructure Survey	At Gintupitiya, pipe borne water is available in adequate quantities	One community tap, tap per 222 persons or 515 households	One community tap for 50 households
Water for drinking, working, washing, etc.	Wanathamulla--no water service to settlement. Water obtained from adjoining housing scheme		
Toilet facilities	91% of the households use public toilets	75% of the common garden toilets; 25% no toilet facilities	41% of households have no toilet facilities
Solid waste disposal	85% of the households are provided poly sacks by CMC	80% of the households dump waste on open space	85% of the households dump waste on open space

Source: As quoted in ADB Urban Sector Profile, p.33

The two major features which are required to reduce urban poverty as measured by housing characteristics and dwelling status (tenure) are land and infrastructure. It was seen in section I.E, Urban Land Issues, that land prices in the Colombo Municipal Council area increased by 15.5 percent per year in real terms from 1976 to 1989 and 13 percent per year in the 13 surrounding ULAs. These price increases, along with an outdated land titling and registration system, have forced an increasing number of urban low-income families to squat on marginal land where they have access to employment sources or to settle on the urban fringe without adequate services or employment opportunities.

Further, as documented in section I.E, population growth pressure in Greater Colombo has forced many local authorities to approve land subdivisions without provision of services. This problem is compounded by the lack of coordination among government land development agencies, i.e. the UDA, NWSDB, Land Reclamation Corporation, ULAs, etc., in the subdivision approval process.

With respect to ULAs outside Colombo, lack of time did not permit the collection of land prices nor the determination of the extent of slums and squatter settlements. The one field visit was enlightening, however, in that a squatter settlement in Kurunegala was visited which was located with easy access to casual urban employment. What council officials had said were some 50 houses were in fact some 200 houses without services, the original ones having been there for 50 years. Further, the occupants who were questioned had not heard of any government housing assistance. Thus, as is the case in many developing countries, lack of access to urban land and services is a major issue, compounding not only urban housing problems but also urban transportation problems. Further, although not a primary cause of urban under and unemployment, the lack of affordable serviced land certainly constrains amelioration of the problem.

C. IMPACT OF DEVOLUTION ON PROVINCIAL COUNCILS AND LOCAL AUTHORITIES

1. Organization

As referred to in Section I, the Government of Sri Lanka is undergoing a basic structural change in which many of the responsibilities of line ministries are being devolved, not just decentralized, to Provincial Councils, Urban Local Authorities and Pradeshiya Sabhas. This process, which began in 1988, has accelerated in 1989 with the result that provincial council administrations have been established in all eight provinces along with sub-provincial administrations of municipal and urban councils in urban areas and Pradeshiya Sabhas in semi-rural²⁷ and rural areas.

a. Provincial Councils: In the Provincial Council organizations, activities are concentrated at two levels: the Provincial Council level where activities are primarily associated with development planning, finance, personnel management, law and order,

²⁷Town Councils, some of which have populations up to 56,000, were absorbed into Pradeshiya Sabhas in 1987.

etc; and the Pradeshiya Sabha level where operations are concerned with the implementation of programs and the delivery of services. The basic organization of the Provincial Council Administration is composed of the Chief Minister and not more than four sectoral ministries, each of which is responsible for a group of somewhat related sectoral subjects. Each sectoral minister has a sector secretary who is supposed to report to his minister through the chief secretary. In reality, however, the sector secretary deals directly with his minister keeping the chief secretary informed of major decisions. Reporting to each secretary are the respective department heads, accounting officers and 'discipline'²⁸ specialists.

The Chief Secretary himself heads four divisions:

- a) Planning and Monitoring
- b) Finance
- c) Personnel Management
- d) Internal Audit

In addition, the Provincial Engineering and Construction Agency, which carries out planning, design and tendering for most provincial physical works, reports to him as well as the Divisional Secretaries of the Pradeshiya Sabhas.

The Planning and Monitoring Division essentially performs economic development planning. It is organized such that it has linkages with:

- Central Cabinet Ministers from whom Provincial Ministers receive policy directives,
- Provincial Ministers and Sector Secretaries,
- Divisional Secretaries of the Pradeshiya Sabhas.

Thus, as a result of devolution, it is the Planning Division of the Provincial Councils that will be primarily responsible for economic development planning and plan implementation in the region. While the provincial planners will have to take into account aspects of the national plan which impact on their region, their major functions will be the development of a provincial plan which is primarily based on the development plans of each Pradeshiya Sabha. At present these plans are being developed on a four-year timeframe. Moreover, due to the lack of skilled economic planners, the Planning Divisions are currently dependent either on staff from the Ministry of Policy Planning and Implementation, or local consultants specifically engaged for various planning tasks.

b. **Pradeshiya Sabhas:** At the Pradeshiya Sabha level, the key official is the Divisional Secretary or Assistant Government Agent (AGA) since the Pradeshiya Sabha covers the same area as the former AGA divisions. In addition to performing the traditional regulatory functions which have been devolved, the Pradeshiya Sabha is the key organizational unit for the coordination and implementation of Government programs

²⁸Discipline is used here in the sense of professional discipline.

and services. In general, the following types of officers are attached to the Pradeshiya Sabha:

**Division Officers attached to the Pradeshiya Sabhas
(Ibbagamuwa P.S., Kurunegala)**

1. Community Development Officer	1 Department of Local Government
2. Agricultural Advisor	5 Department of Agriculture
3. Divisional Officers	5 Department of Agrarian Services
4. Coconut Development Officers	3 Coconut Development Board
5. Minor Export Crops Developmt Officers	1 Minor Export Crops Developmt Bd.
6. Agriculture Managers	1 Agriculture Development Authority
7. Fresh Water Fish Inspector	1 Department of Fisheries
8. Divisional Agricultural Officer	1 Department of Agriculture
9. Regional Subject Matter Officers	3 Department of Agriculture
10. Adult Education Officer	1 Department of Education
11. Area Forest Officers	11 Wildlife Conservation Department
12. Public Health Officer	5 Department of Health
13. Family Health Nurse	13 Department of Health
14. Education Officer	2 Department of Education
15. Veterinarlan Officer	1 Veterinary Department
16. Livestock Advisor	1 Veterinary Department
17. Livestock Development Officer	1 Veterinary Department
18. Technical Officer (Civil)	4 Provincial Council
19. Technical Officer (Electrical)	1 Provincial Council
20. Technical Officers	3 Department of Agrarian Services
21. Irrigation Engineer	1 Department of Irrigation
22. Technical Officer	9 Department of Irrigation
23. Cooperative Development Officer	1 Department of Cooperatives
	75

It can be seen from the foregoing that the Pradeshiya Sabha includes a very large number of officers often performing overlapping functions. The Ibbagamuwa Pradeshiya Sabha in Kurunegala Province performed some 23 functions, five of which were overlapping, through 75 officers. Since the Pradeshiya Sabha is the level at which program implementation and service delivery occur, it seems that substantial consolidation and rationalization of staff functions could improve the operational efficiency of the Divisional Secretary's office.

Improved efficiency takes on added importance when it is seen that, nationally, below the Provincial level there are 257 Pradeshiya Sabhas. While administrative branches of the Provinces still exist at the District level, of which there are 24, this still means that on average over ten Pradeshiya Sabhas report to each District, and more directly, 32 report to each Province. Moreover, in order to bring government services even closer to the people, each Pradeshiya Sabha is divided into Grama Sevaka divisions. These divisions, of which there were 116 in the Ibbagamuwa Pradeshiya Sabha, are usually based in existing villages of some 250 families. The Grama Sevaka officer, who lives in the village,

performs basic administrative and development functions and reports to the Pradeshiya Sabha Division Secretary.

The foregoing has concentrated on the two tier organization of Provinces and Pradeshiya Sabhas because the principal ties in the administration of Provincial Government exist between these two units. The links between the Provincial Councils and Urban Local Authorities are still being forged. Traditionally, ULAs in Sri Lanka have had strong, somewhat autonomous organizations reporting directly to the Commissioner of Local Government. Understandably, with the advent of the Provincial Councils, many ULAs felt their revenue base if not their functions would be eroded.

In many cases, this created a series of problems between aggressive Provincial Councils, who at times took over the premises of local councils,²⁹ and ULAs struggling to maintain their authority. However, once it was clarified that Provincial Councils could not usurp the revenue base nor the functions of ULAs in ULA areas, the respective organizations have begun to cooperate more closely. This is imperative since, beginning in 1990, ULAs will be receiving their revenue grants through the Provincial Councils.

c. **Urban Program Unit Phase IV:** In order to support the institutional development of the Provincial Councils vis-a-vis the local authorities and the Pradeshiya Sabhas, Government has decided to continue the IDA financed technical assistance provided through the Urban Program Unit into a fourth phase. The technical assistance has several objectives, the principal of which will be to:

- Assess the existing capacity of the ULAs and Pradeshiya Sabhas to implement devolved functions and determine technical assistance and training required to meet the devolved responsibilities.
- Integrate the development functions of the ULAs and Pradeshiya Sabhas with those of the Provincial Councils.

A portion of the work to achieve these objectives will be the design of a format for the preparation of strategic development plans for local authority areas which will combine both economic and physical aspects. While many local authorities have physical land use plans developed by the UDA, outside of the capital budget, they do not have economic development plans. Conversely, it was seen above that the Provincial Councils are developing comprehensive economic development plans but have thus far given no consideration to the spatial aspects of these plans. Thus, an issue for the MPPI and the UDA would seem to be assistance to the Provincial Councils in the formulation of integrated economic and physical development plans. It is understood that an Urban Development Cell has been established in the MPPI to investigate this issue in the context of formulating an urban development policy.

²⁹According to officials in the UPA, the Southern PC took over the premises of the Galle M.C.

It might be added here that in order to more effectively assist Provincial Councils, ULAs and Pradeshiya Sabhas to achieve the foregoing objectives, the UPU itself will be decentralized with some three to four officers assigned to each Province.

2. Finance

a. **Provincial:** As mentioned in Section I.D., the Provincial Councils obtain their funds from three sources: the central budget, own sources and commercial borrowing. Since the Provinces are assuming the responsibility for all devolved functions, their major source of funds will be from the central budget. Table 2.7 shows the breakdown of the allocation of funds to the eight Provincial Councils for fiscal year 1990.

Of the Rs.13.3 billion being allocated to the Councils, the nearly Rs.10.0 billion in Block Grants is by far the largest portion. Criteria Based Capital at Rs.1.0 billion differs from Public Investment Plan (PIP) capital, Rs.928 million, in that the former is a percentage of receipts in the previous year and can be used at the discretion of the Provincial Council, while the latter is designated for certain services of which education is the largest at Rs.566 million.

The breakdown of the Block Grants in Table 2.8 illustrates the funding profile of the devolved functions for which the Provincial Councils are responsible. Social services are receiving the largest share with education and health services coming next. The Table also reveals that the North East Province has been allotted the most at more than Rs.2.2 billion while the Uva Province allocation is less than one-third of that amount.

Based on documentation from Kurunegala Province, the Provinces are presently in the process of submitting budget allocations for Provincial Sector Ministries to the Provincial Council for approval. Since breakdowns of budget proposals for each Sector Ministry were obtained in Kurunegala, it was interesting to note that the budget line items for each Sector Ministry were set against expected outputs for the year. Although it is unknown whether this is being done in other Provinces, this form of 'performance budgeting' is definitely an improvement over line item budgeting in that expected outputs per budget item can be monitored.

TABLE 2.7
DRAFT ESTIMATES 1990
ALLOCATION OF FUNDS TO PROVINCIAL COUNCILS

Province	Recurrent Establishment	Block Grants	Criteria-based Capital	Capital PIP	Rehabilitation & Reconstruction	I.R.D.P.	Totals
Western	47,182,000	1,891,187,700	211,530,000	132,253,000	5,500,000	60,000,000	2,347,652,700
Central	41,648,000	1,253,631,000	137,960,000	121,240,000	5,300,000	53,000,000	1,612,779,000
Southern	40,873,000	1,181,942,800	147,740,000	114,732,000	29,500,000	58,000,000	1,572,787,800
North-East	44,731,000	2,212,592,000	146,530,000	113,448,000	665,006,000	4,000,000	3,186,307,000
North-Western	39,812,000	1,195,833,900	118,160,000	117,443,000	7,700,000	12,000,000	1,490,948,900
North Central	37,401,000	735,757,500	62,770,000	107,413,000	25,800,000	500,000	969,641,500
Uva	37,624,000	568,162,000	65,810,000	114,315,000	5,800,000	68,000,000	859,711,000
Sabaragamuwa	38,490,000	957,578,100	109,500,000	107,151,000	8,500,000	55,000,000	1,276,219,100
TOTALS	327,761,000	9,996,685,000	1,000,000,000	927,995,000	753,106,000	310,500,000	13,316,047,000

Source: Government of Sri Lanka Budget, 1990.

b. Urban Local Authorities: With devolution, the local authorities will have to cope with two major changes to their revenues. In the first place, they will be receiving Government revenue grants from the Provincial Councils rather than directly from the former Department of Local Government. Secondly, most ULAs are aware of the fact that they will have to turn over electricity rates and maintenance to LECO/CEB in the near future and, subsequently, water distribution and maintenance to the NWSDB.

Revenue Grants have been a major source of funds to the ULAs accounting for 23 percent of total revenue in 1985 and 31 percent in 1988. The ULAs have therefore been concerned that these grants would continue under the Provincial Councils. They have been assured by the Ministry of State for Provincial Councils, which has taken over most of the functions of the former Commissioner of Local Government, that these Revenue Grants will continue as designated funds for local councils in the province. Further, in a similar fashion to operations prior to devolution, 75 percent of revenue grants will be received outright and 25 percent will be subject to the UPU point system. As mentioned in Chapter I, however, the loss of electricity and meter revenue combined with limited government resources should force ULAs to exert greater effort in the assessment and collection of property taxes and fees if previous levels of expenditure are to be maintained. The decentralization of the UPU to the ULA should assist them in this effort.

With respect to electricity and water revenue, it was seen in Chapter I that between 1986 and 1987, electricity expenditure increased faster than revenue for all ULAs. It seems, however, that in some ULAs where security is less of a problem, i.e., less lighting at night is required, substantial profit is made by ULAs from the sale of electricity. In 1985, electricity sales accounted for 43 percent of ULA revenue versus 41 percent in 1988.³⁰ In addition, skilled staff exist in most ULAs to install and maintain electrical connections. However, up to now, in local councils where electricity has been taken over by LECO, many local employees have not been retained. Moreover, for the distribution system usually owned in large part by local authorities, they have been offered stock in LECO, which is still an untried enterprise, rather than much needed cash. Although most ULAs have therefore resisted the takeover of electricity by LECO or CEB, foreign donors, mainly the ADB, have made this a loan condition such that LECO and CEB can become financially self-sustaining enterprises.

The importance of electricity to ULAs on both the revenue and expenditure side can be seen from the 1990 projected revenue and estimated expenditure for the Kurunegala Municipal Council (see Annex 3 for details). Revenue from the sale of electricity is 41 percent of total revenue while expenditure is 47 percent. The Municipal Council budget also reveals that only 5 percent of revenue is projected from consolidated rates or property tax versus 19 percent from government grants. While the loss of electricity revenue and expenditure should result in a net increase of some Rs.2.5 million to the Kurunegala M.C., only Rs.2.4 million, or 5.7 percent of total expenditure, is estimated for capital expenditure in 1990. This is due to a general request from Central Government to

³⁰This can be compared to water revenue of 4 percent of ULA revenue from 1985 to 1988.

limit capital expenditure. Thus, it seems increased capital expenditure in ULAs will be entirely dependent on increases in local revenue.

c. **Local Loans and Development Fund (LLDF):** The LLDF was created in 1916 as a Central Government vehicle for providing loan financing to local authorities. "...for the purpose of any work of public utility which such authority may be authorized by law to undertake."³¹ Although the legislation has been amended seven times since 1916, by the late 1980s, the LLDF was practically defunct due to: bad loans, heavy arrears, low level of Government funding, staff deficiencies and a policy that only revenue generating projects would be eligible for financing. In 1988, under a policy of strengthening local governments, the Ministry of Local Government, Housing and Construction undertook to restructure and reorganize the LLDF. Although loan funds were to have been increased and the professional staff expanded, the LLDF is still not fully functional. It has a skeleton staff which is based in the Ministry of State for Provincial Councils and its authorized capital base remained at Rs.10 million. Further, lending is still restricted to revenue generating projects.

Based on consultant reports written in 1988, however, the LLDF Board met in December, 1989 to consider whether to adopt the recommendations for restructuring and reorganization. Since the World Bank has agreed to support the LLDF with a US\$25 million loan, it is envisaged that the recommendations will be activated beginning in 1990. At the present time the LLDF borrows from the Ministry of Finance at 9.25 percent and lends to ULAs at 9.5 percent for 25 years, or 20 years in the case of water supply. Most loans have been made for market complexes³² and local water supplies. Under the restructuring, loans can be made to Local Authorities for new construction, upgrading and equipment purchases and can be of either a revenue or non-revenue generating nature. The latter includes civil works equipment, solid waste equipment, roads, footpaths, street lighting and other social infrastructure.

Since it was the understanding both of officials in the UPU and the Kurunegala M.C. that loans must be for revenue generating projects, lending for social infrastructure is a major departure from previous policy. Although such loans will be based on projected revenues of the local authority, they should be of significant assistance to most ULAs. In the Kurunegala M.C., for example, the major municipal requirements were a garbage truck, a septic tank emptier, central market drainage and a fire truck,³³ all of which cannot be financed under current LLDF procedures. It would seem, therefore, that if the LLDF is restructured as planned, it should be an effective vehicle for making both revenue generating and social infrastructure loans not only to local authorities but also to Pradeshiya Sabhas.

³¹MLGHC, Guidelines for Executive Officials of the Restructured and Reorganized Local Loans and Development Fund, July 1988.

³²In 1987, of 9 loans, 8 were for market complexes and one was for a town hall.

³³Four shops were recently destroyed by fire since fire trucks had to come from Colombo, a two-three hour drive.

TABLE 2.8
BLOCK GRANTS TO PROVINCIAL COUNCILS—1990

Functions/ Details	Western	Central	Southern	North-East	North-West	North Central	UVA	Sabara- gamuawa
Policy Planning/Imple.	4,796,000	3,705,000	4,610,000	3,787,000	3,688,000	1,914,000	1,904,000	2,818,000
Irrigation	---	---	---	8,353,000	---	---	---	---
Land Commissioner	4,000,000	4,400,000	6,200,000	10,536,000	5,500,000	3,500,000	3,500,000	3,500,000
Education	635,200,000	380,400,000	373,000,000	816,000,000	390,100,000	236,400,000	221,200,000	245,700,000
Social Services	715,757,600	514,408,600	503,514,800	1,026,488,700	503,503,800	319,209,300	162,444,000	463,987,000
Local Government	210,057,000	103,360,500	61,261,500	100,385,300	53,378,000	25,194,000	28,127,000	36,851,300
Commsnr. Motor Traffic	1,930,000	332,800	332,700	232,900	366,000	232,900	65,500	266,200
Highways	12,886,000	14,374,000	9,858,000	12,652,000	10,072,000	7,990,000	8,087,000	6,661,000
Agriculture	9,100,000	14,145,000	10,730,000	12,935,000	11,480,000	6,965,000	7,450,000	6,159,000
Export Agriculture	1,000,000	2,500,000	1,375,000	---	850,000	---	425,000	850,000
Agrarian Services	12,409,000	14,411,000	12,409,000	11,408,000	13,410,000	7,406,000	6,406,000	6,406,000
Animal Husbandry	4,643,500	5,920,000	3,050,000	5,170,000	4,569,000	3,400,000	2,138,000	4,110,000
Cooperative Developmt.	14,126,600	10,850,000	11,444,600	14,938,000	9,512,300	6,426,300	5,233,400	7,467,000
Health Services	230,911,000	169,490,000	154,780,000	178,207,000	170,718,000	103,319,000	99,201,000	157,724,000
Ayurvedha	12,140,000	5,241,000	13,850,000	2,935,000	8,761,000	8,213,000	11,443,000	9,924,000
Probation/Child Care	11,289,000	2,376,000	5,556,000	2,884,000	2,233,000	2,377,000	2,539,000	1,045,000
Textiles/Rural Indus.	4,303,500	2,364,800	2,783,500	1,645,400	2,277,100	1,218,100	699,100	1,251,500
Small Industries	3,088,000	2,649,000	3,880,000	727,000	2,835,000	160,000	439,000	1,605,000
Rural Development	3,556,000	2,743,000	3,307,000	3,306,900	2,580,700	1,834,900	1,805,700	2,110,500
TOTALS	1,891,187,700	1,253,631,000	1,181,942,800	2,212,592,000	1,195,833,900	735,757,500	578,162,000	957,578,100

Source: Government of Sri Lanka Budget, 1990.

3. Issues

Given the importance of the new administrative structure to urban development in Sri Lanka, several issues arise with respect to the impact of devolution on the provincial councils' and local authorities' capacity to plan and manage urban growth. These issues can be grouped into administrative, planning and finance aspects.

a. **Administrative:** It can be seen from the foregoing that the major linkages in the implementation of government programs are between the Provincial Councils and the Pradeshiya Sabhas. While the fact that 257 Pradeshiya Sabhas are reporting to only eight Provincial Councils is an issue in itself from an administrative capacity perspective, a more crucial issue for urban development is the relationship of the ULAs to the Provincial Councils. This relationship is critical since urban growth and urban development will henceforth be viewed in the provincial context. Although the relationship between the Provincial Councils and the ULAs has become more cooperative, the principal danger is that, in the interests of 'provincial development', the administrative capacity of the Provincial Councils will be concentrated on the Pradeshiya Sabhas to the detriment of the ULAs.³⁴ Thus, without a spokesman at the center such as the former Commissioner of Local Government, many ULAs could be left on their own to deal with growing urban problems. While Phase IV of the UPU will address this issue, it remains to be seen whether the Ministry of State for Provincial Councils will also become an advocate for ULA staffing and funding.

b. **Planning:** Another issue basic to the capacity of Provincial Councils and local authorities to plan and manage urban growth is the approach to planning as well as the planning capacity that exists at both levels. It was seen that, at the provincial level, the approach is primarily economic development planning, and, at least in the Provincial Council visited, the capacity is quite limited. On the other hand, at the level of the ULA, development planning exists only in the selection of projects for the capital budget, which is a small minority of total expenditure, while physical planning is concentrated on static land use control plans. Thus, while there is an opportunity to effectively plan and manage urban growth since central development administration is being devolved to the field, this opportunity will be lost if planners of the provincial level are not made aware of the spatial consequences of their investments and planners in the ULAs continue to take a map oriented vs. a program oriented approach. Although the UDA has had contacts with several Provincial Councils and would assign planners to Provincial administrations if requested, the UDA has yet to determine if their planning powers conflict with those of the Provincial Councils. The UDA, therefore, feels that the Provincial Councils have the prerogative to request physical/structural planning assistance as needed. Thus, it seems that up to now the UDA has not seized the opportunity to integrate physical development planning with economic development planning such that urbanization and urban growth can be guided at the Provincial level.

³⁴The foregoing has documented the huge administrative superstructure which has been established to deal with provincial rural populations.

c. Finance: Financing urban development is the third crucial leg in gauging the impact decentralization will have on the capacity to manage urban growth. Even if administrative and planning capacities were adequate, without sufficient funds, urban problems would overwhelm provincial councils and local authorities. In view of the fact that property taxes, the main source of local revenue, accounted for only some 15 percent of ULA revenue in 1988 and revenue grants at 31 percent of total revenue are mainly used for recurrent costs, the major issue in the financing of urban development is the mobilization of funds to implement and maintain urban infrastructure and services. Since government has requested ULAs to limit capital expenditure, an increase in revenue grants through the Provincial Councils is highly unlikely. Thus, if the ULAs are to maintain expenditure commensurate with managing and controlling urban growth, local funding will have to be mobilized on a hitherto unprecedented scale. This will entail not only an increased effectiveness in the assessment of properties and the administration of the property tax, but also the initiation of various means by which to increase collections of the Business Turnover Tax, especially on small businesses, without stifling small enterprise. Both of these are sophisticated exercises which will entail assistance from the UPU. Another source of funds is a resuscitated LLDF. However, in order to receive loans, ULA cash flows will have to be positive in the long run. In summary, under the new administrative structure, ULAs will have to take definitive steps to build their own resource and revenue base if they are to finance local urban development as well as become centers of economic growth in the Provinces.

D. IMPACT OF URBANIZATION IN COLOMBO

According to 1981 Census figures, the population of Colombo and its suburbs (including Dehiwela-Mt. Lavinia, Moratuwa and Kotte) was about nine times greater than Jaffna, Sri Lanka's next largest urban center. Although population grew at a relatively slow rate between 1971 and 1981, the City and its suburban local authorities added over 80 thousand new inhabitants. Even if Colombo continues to grow at previously low levels, its population will increase to more than 1.3 million by the year 2000. This section summarizes the major impacts of these urbanization trends on Greater Colombo and attempts to identify issues related to its capacity to plan and manage future growth.

Impacts of Past Urbanization

1. Economic Spatial Concentration:

The primacy of Colombo in the hierarchy of Sri Lanka's urban centers has been established since colonial times. By 1981, the vast majority of all secondary and tertiary economic activity was located in the Western Province, of which Colombo is the capital. In addition, 56 percent of finance, businesses and real estate employment; 51 percent of transportation employment; 50 percent of manufacturing employment; 46 percent of employment in utilities; 42 percent of wholesale and retail employment; and, 40 percent of social and other service employment was centered in the Western Province in 1981 (see Table 1.7).

The economic dominance of the Western Province, and particularly the Greater Colombo area, is further highlighted by examining the distribution of industrial employment and output in 1983. During that year, 36 percent of all industrial employment and 65 percent of industrial output was associated with the Western Province, and with the Districts of Colombo and Gampaha in particular. Finally, most of Sri Lanka's formal sector and large-scale industry, including the two GCEC EPZs, is located in the Greater Colombo area.

Agglomeration economies, including the presence of Government offices, largely account for the dominance of Greater Colombo. One study notes that between 1971 and 1981, 57 percent of the increase in manufacturing employment in Sri Lanka occurred in the Colombo district, which consequently increased its share of total manufacturing employment from 31 percent in 1971 to 42 percent in 1981.³⁵ The study goes on to hypothesize that Colombo has maintained its economic primacy due to the concentration of industries and the existing network of physical and social infrastructure. There is every reason to believe that Colombo will maintain this primacy position into the foreseeable future.

2. Increasing Land Values and Conversion of Peripheral Lands:

Section I.F.3 noted the dramatic increase in land values in Colombo and its suburban local authorities between 1976 and 1989. In terms of real annual growth, land values in the City of Colombo increased at a rate of 15.5 percent during the period. Due to the scarcity of buildable land (26 percent of all land in the City of Colombo is marshy and subject to flooding), development pressure was exerted on the undeveloped land of surrounding local authorities. Thus, land value in these areas also increased substantially, growing at a real annual rate of approximately 13 percent between 1978 and 1987.

The growth of Colombo's peripheral local authorities took place primarily as the result of the conversion of agricultural land to residential and other uses. The development of the new government center in Kotte spurred growth along the eastern axis radiating from the City of Colombo. Land values in the Kotte area alone grew at annual rates of 20-30 percent between 1978 and 1987. If the uncontrolled development trends of the past 10-15 years continue, future growth in the Greater Colombo area will lead to the unnecessary loss of valuable agricultural land.

³⁵See Rasanayagam Y., "Industrial Structure, Change and Spatial Distribution of Manufacturing Employment in Sri Lanka," University of Colombo, Review No.7, 1987.

3. Growth of Slum and Shanty Areas:

Over the past decade, the price of land and formal shelter solutions escalated beyond the paying capacity of most of Colombo's middle- and lower-income families. This price escalation exacerbated an already serious slum and shanty problem in the Greater Colombo area. Of the almost 39,000 substandard housing units counted in urban areas by the 1981 Census, more than 20,000 were located in Colombo. This indicates that more than 120,000 persons, or 21.5 percent of Colombo's total population, live in shanty conditions.

4. Spatial Accessibility to Local Land Markets:

As a result of the dramatic increase in land values between 1976 and 1989, many middle- and lower-income households are currently excluded from purchasing within the City of Colombo. Poorer households, who in 1976 were able to afford a minimum plot of land in Colombo, or in one of the better located suburbs, are now forced to live beyond the perimeter of the built-up area.

5. Traffic Congestion:

Traffic congestion has reached serious proportions in Greater Colombo. It has been estimated by the World Bank that traffic in the CMC grew at 10 percent per year for the five years 1979-1984. The development of the port and airport, the new administrative center at Kotte and the export production zones at Katunayake and Biyagama have not been matched by improvements in primary transportation networks. As a result, there are increased levels of congestion on all approaches to the City center.

Adding to increased traffic congestion caused by the continued siting of major development projects in the Greater Colombo area has been the dramatic increase in total vehicular population. Between 1980 and 1987, the total number of registered vehicles in Colombo increased from 337,600 to 587,600, an increase of 75 percent. Most of this increase was in motorcycles, which increased by 190 percent. On the other hand, private cars increased by 23 percent, while private buses increased by 300 percent from 5,750 in 1980 to 24,200 in 1987.

6. Environmental Degradation:

As mentioned previously, nearly all the island's larger industrial complexes and about 80 percent of the medium and small industries are located in and around Colombo. In many cases, these industrial activities have caused serious water, air and soil pollution problems. This problem is exacerbated by the siting of industrial activities in close proximity to residential areas, many of which are located without any buffer zones or open spaces to separate them.

Although Sri Lanka's urban areas have not experienced the growth pressures of other similarly sized developing country cities, uncontrolled development has still occurred within Colombo and peripheral local authorities. This urban growth has significantly altered previous land use patterns and has compounded an already deteriorating urban

environment with respect to increased waste water generation, increased flooding, uncontrolled land reclamation and increased air pollution.

Development Framework for the Planning and Management of Colombo's Future Growth
The Greater Colombo area will continue to play a primary role in the hierarchy of Sri Lanka urban centers for the foreseeable future. Given anticipated growth for the next 5-10 years, seven key elements of an overall development framework for Colombo and its suburban local authorities have been identified. The adoption of this development framework should ensure the successful planning and management of anticipated growth. While only an outline of these elements is possible at this time, it does provide a basis for further discussion and additional analysis. The seven key elements of the proposed development framework are as follows:

- (1) **Identify Area of Influence for Greater Colombo Area:** Several disparate events of the past 10-15 years, when taken together, underscore the need for the identification and formalization of an area of influence for the Greater Colombo area that will define the spatial frame of reference for future planning and programming. These events include:
 - (a) Urban development pressure and accelerating conversion of agricultural land to residential, commercial and industrial uses in suburban local authorities;
 - (b) Creation of two major Government development programs with jurisdiction over large tracts of land--the New Capital Project Development Area in Kotte to the east of the CMC; and the GCEC area of authority immediately to the north of the CMC;
 - (c) Proliferation of new development agencies with overlapping responsibility for various aspects of land development:
 - i. Urban Development Authority
 - ii. National Housing Development Authority
 - iii. National Water Supply and Drainage Board
 - iv. Land Reclamation and Development Corporation.

- (2) **Establish data management and mapping system:** for the adopted area of influence for Greater Colombo in order to provide the statistical base necessary to plan and program future urban development, i.e., population, housing quality and needs, infrastructure coverage, household incomes, local authority financial resources and expenditures, etc.

- (3) **Examine the feasibility of establishing an area-wide planning commission:** or body to begin to coordinate and establish linkages among the various local authorities that comprise Greater Colombo in order to:
 - (a) manage and guide future peripheral growth;
 - (b) effectively and efficiently allocate scarce financial resources;
 - (c) coordinate development of new land areas that overlap local authority boundaries;

- (c) coordinate development of new land areas that overlap local authority boundaries;
- (d) integrate and coordinate the development of primary trunk infrastructure and the siting of new industrial activities.

The Urban Development Authority would have a principal role in any proposed area-wide planning body since it already has responsibility for planning and zoning at the local authority level. Discussions with CMC municipal officials indicate that the new Provincial Council for the Western Province could possibly play a planning coordination role among the various local authorities that comprise the Greater Colombo area.

- (4) **Prepare 5-10 year development or structure plan:** for the adopted Greater Colombo area that would serve as the basis for decision-making regarding future development. The proposed development or structure plan would be driven by projections of future population growth and the residential and non-residential land required to cater to this growth. The plan would identify priority areas within Greater Colombo subject to, or with the potential for, rapid growth. Specific, action-oriented area development plans would be prepared for these areas. These action plans would emphasize the planning and design of primary infrastructure networks required to serve these areas and the preparation of total cost packages and potential central, local and foreign funding sources. The adoption of a development or structure plan for the Greater Colombo area would assist the local authorities that still have not finalized their individual development plans. It would also allow the integration and coordination of these plans within the overall development strategy and objectives for the City.
- (5) **Support Government's Urban Management Program to strengthen the financial and administrative self-sufficiency of the local authorities:** Special attention would be given to: (i) increased efficiency and effectiveness of property tax administration (i.e., assessment based on market value of annual rent); (ii) recovery of all costs associated with provision of public services; and (iii) an aggressive program to collect all arrears on property tax and service payments.
- (6) **Examine in more detail the legislation framework for land development:** In order to alleviate existing constraints and/or bottlenecks related to definition of privately owned land, transfer and registration of title and public acquisition of land.
- (7) **Promote the participation of private land developers in the provision of serviced land:** Private land developers, especially real estate brokers who specialize in small land subdivisions, currently have a poor reputation in Colombo. They are associated in public opinion with subdividing land without full consideration for providing all the necessary services. However, they are only partially to blame for this problem as the Government infrastructure agencies have not performed very well regarding the timely provision of trunk infrastructure, particularly water and storm drainage facil-

ities. To meet the accelerating demand for new residential and commercial/industrial land, the local authorities have felt pressured to approve subdivisions where the ultimate provision of services is left to the individual plot-holder and the local authority, not the private developer. This has obviously placed a severe strain on the existing capacity of the local authorities when they are least able to make additional financial commitments.

Within the context of the guidance and direction provided by an area-wide development or structural plan, Government infrastructure agencies must be encouraged to plan, and in some instances install, major trunk infrastructure in advance of actual development of an area. In this way, local authorities and private developers can combine forces to provide appropriate secondary and tertiary levels of public services to cater to the City's various socioeconomic groups.

Issues

The primacy of Colombo and the magnitude of its urban problems serve to highlight an essential characteristic of the urban sector in Sri Lanka, i.e. its duality. While the difference in urbanization and urban problems between Greater Colombo and outlying ULAs is primarily one of scale, any assessment of the country's urban sector should take into account this basic duality. Although time and a lack of disaggregated socio-economic data has not permitted an in depth analysis of the duality, the major issues of urbanization in Colombo can be set out along the same lines as those in the previous section. In this manner, an idea of the duality can be obtained by comparing urban issues between Colombo and outlying ULAs along administrative, planning and financial lines.

1. Administrative:

In the creation of the provincial administration, it was apparently decided not to create a separate governmental unit for the Greater Colombo area. Thus, Greater Colombo is still comprised of two municipal councils, five urban councils and nine town councils, an obvious fragmentation of urban government to which another layer of administration has been added, the Western Provincial Council. The lack of a Colombo metropolitan government has a significant impact on the coordination and implementation of urban development. Although most of the primary infrastructure investment is undertaken by line agencies, each local authority is responsible for development and maintenance of secondary and tertiary networks as well as local sanitation and health services. These services can only deteriorate as the growth of Greater Colombo outstrips a fragmented administrative capacity.

In addition, although the Western Province is the most highly urbanized province, it will still have to serve the needs of its respective Pradeshiya Sabhas. Thus, as brought out in the previous section, the issue of lack of a central administrative body or advocate in the central government also applies to the ULAs in the Greater Colombo area. A related aspect of this same issue is the relationship between the Colombo Municipal Council and the Western Provincial Council. Time did not permit the determination of their respective responsibilities and to what extent the CMC will have autonomy in the formulation and

implementation of urban programs and in what respects it will have to report to the Provincial Council. However, as indicated earlier, if the Western Provincial Council can play a planning coordination role among the various local authorities, this could be a step towards the ultimate realization of a Greater Colombo administrative unit.

2. Planning:

As mentioned above, the establishment of a definitive boundary for the Greater Colombo area as well as an area-wide planning commission could substantially ameliorate administrative and planning coordination problems in the metropolitan area. However, the same planning problems plague the local authorities in the Greater Colombo area as those in outlying areas, i.e., the approach to planning as a land use control mechanism rather than a dynamic, programmatic vehicle with which to guide urban development. The need for a structural development plan is particularly evident in the Western Province. It is here where the lack of attention to the spatial aspects of planning are manifest. Thus, the issue of integrating economic and physical planning, which has more time to be resolved in rural provinces, becomes an imperative in the Western Province where urban growth is rapidly becoming uncontrollable. The major issue, therefore, is whether a 'dynamic' planning capacity exists either at the Municipal or Provincial level to develop and implement such a plan.

3. Financial:

Given the increasing demand for urban services in the Colombo area, the financial requirements of the Metropolitan Colombo ULAs are even greater than those for outlying ULAs. Thus, local resources should have been proportionately more developed to meet these needs. This, however, has not been the case since local authorities in and around Colombo continue to rely on central government revenue grants and, more significantly, investment by line agencies. It was seen in Section I.J. Other Donor Activities, that this investment has been heavily financed by external donors thereby creating a debt for the country as a whole. It is uncertain, however, if the central government will be willing to undertake additional debt in order to continue to finance urban infrastructure in Colombo. This along with the limitation on future revenue grants, leads to the same financial issue affecting outlying ULAs, i.e. the requirement to mobilize local resources. While assessment and taxing capabilities might be more sophisticated in Colombo, the financial need is also greater. Thus, not only will the property tax, the B.T.T. and other local revenue sources have to be administered more effectively, but also the line agencies will have to become more efficient in charging the full costs of public services.

E. URBAN-RURAL LINKAGES

This section attempts to set out the relationships between the urban and rural sectors with a view to describing how the urban sector interacts with larger social and economic trends and, perhaps more importantly for any urban development strategy, how urban centers relate to rural areas. Although no full-scale study of urban-rural linkages has been undertaken in Sri Lanka, there have been several smaller studies for USAID on regional development in Sri Lanka (Berry, 1988) and urban-rural linkages as

instruments of rural development (Berry, 1989). This section therefore draws on the findings of these studies as well as others by Louis Berger (Sri Lanka Transport Sector Planning Study, 1987) and Rondinelli (Market Town Analysis for Rural Economic Growth: Applied Methods and Techniques, 1988).

1. Urban Linkages to the National Economy: The Primacy of Colombo

Based on available data, Section I.B, Urban Sector in Economic Development, summarized the urban sector's role in the economy, viz:

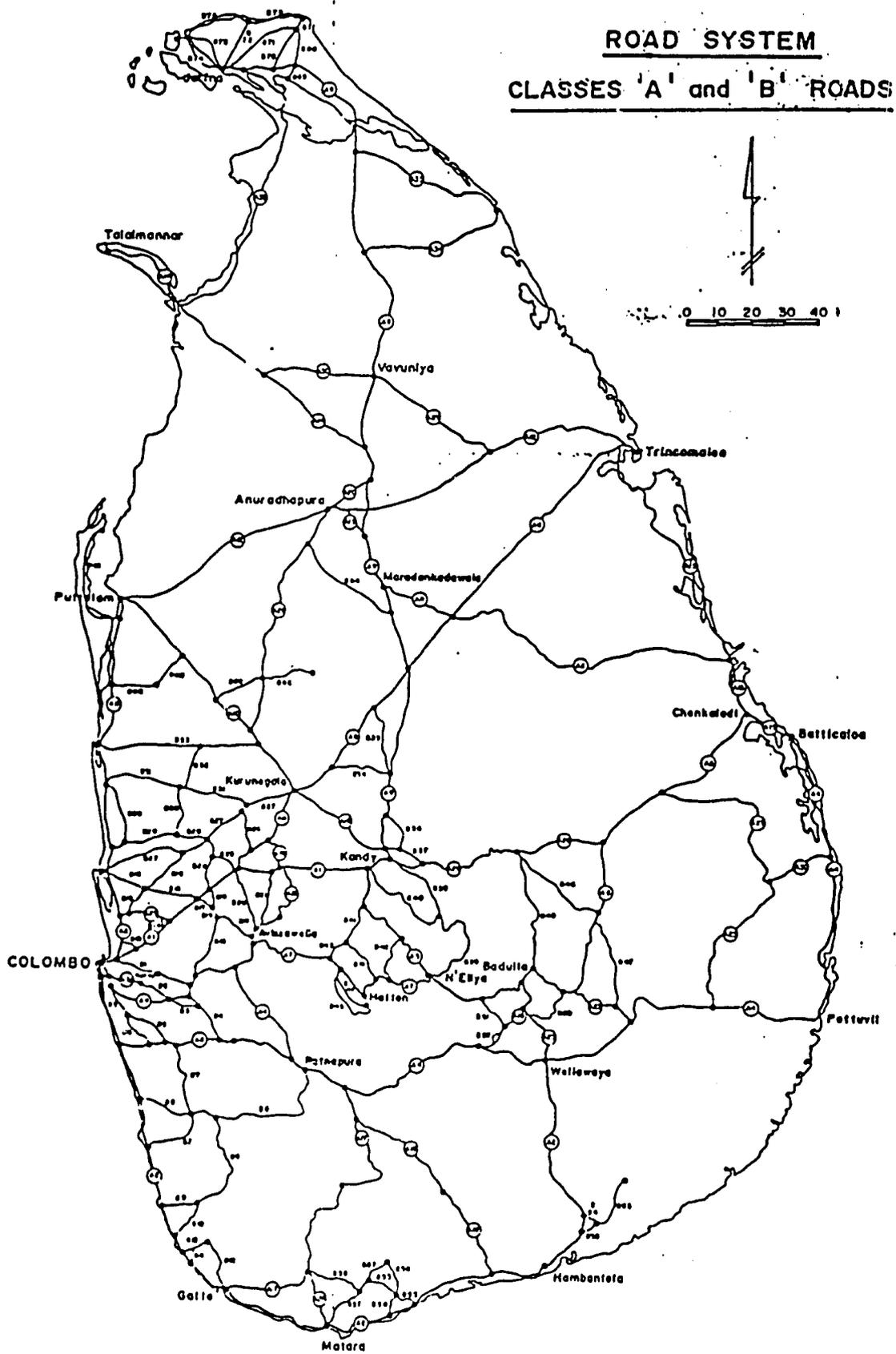
- Some 73 percent of GDP is from non-agricultural production.
- Urban employment was approximately 1 million or 19 percent of total employment in 1985/86.
- Over half of urban employment is in the services sector.
- The Western Province accounted for over half the employment in:
 - finance, insurance, real estate--56 percent
 - transport--51 percent
 - manufacturing--50 percent

With respect to the economic primacy of Colombo, it was seen in the previous section that:

- 36 percent of industrial employment and 65 percent of industrial output was associated with the Western Province, in particular with the districts of Colombo and Gampaha.
- Between 1971 and 1981, 57 percent of the increase in manufacturing employment occurred in the Colombo district.
- The Colombo district accounted for 42 percent of total manufacturing employment in 1981.

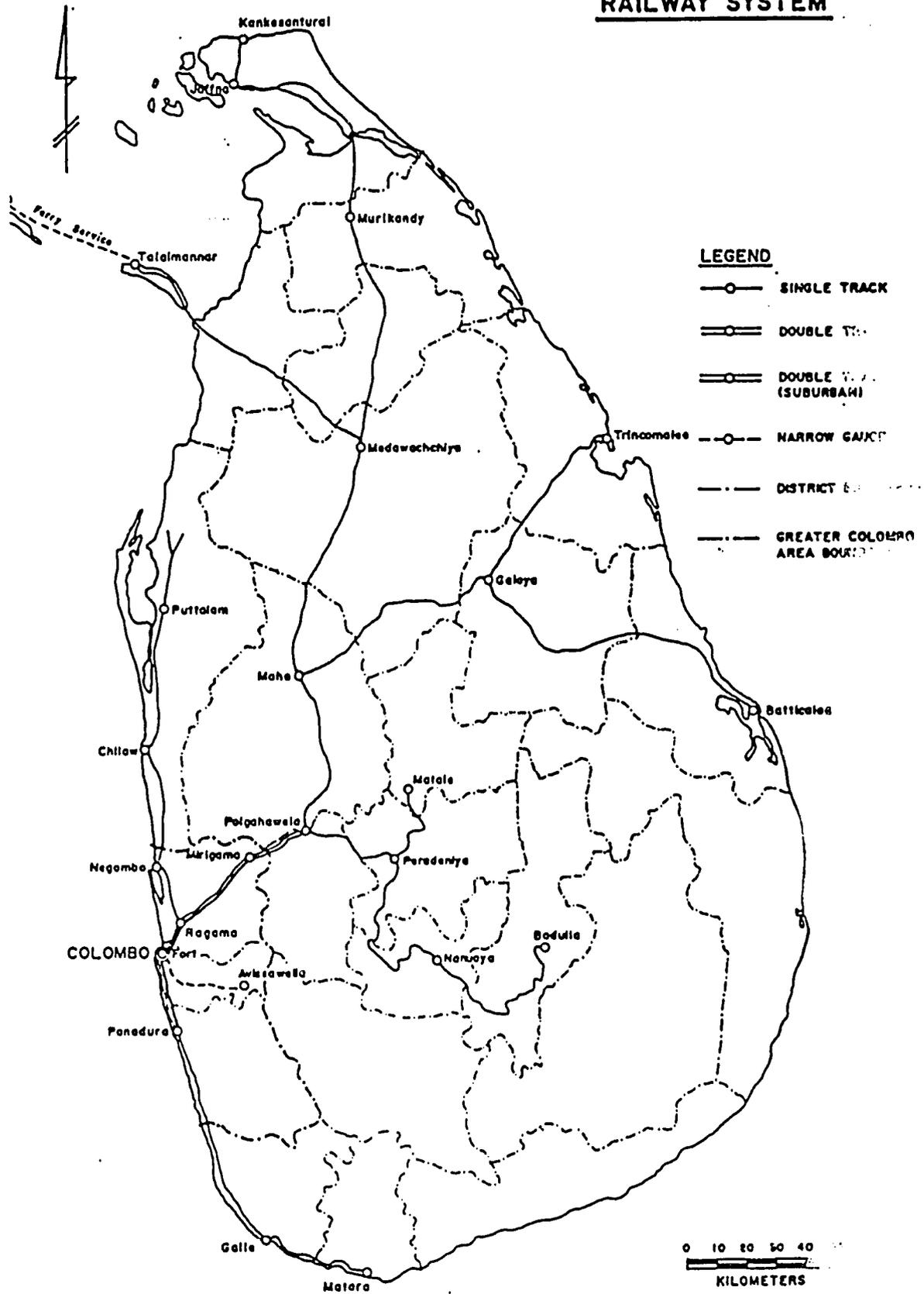
It is evident from the foregoing that Colombo has maintained its economic primacy due to agglomeration economies, including the presence of government departments. In addition, the existing network of physical infrastructure, primarily road and railway, has abetted this concentration. Maps 5 and 6 (Berger, 1987) of the Class A and B road system and railway system illustrate that, as in the pre-independence era, Colombo remains the hub of the transportation network.

MAP 5.

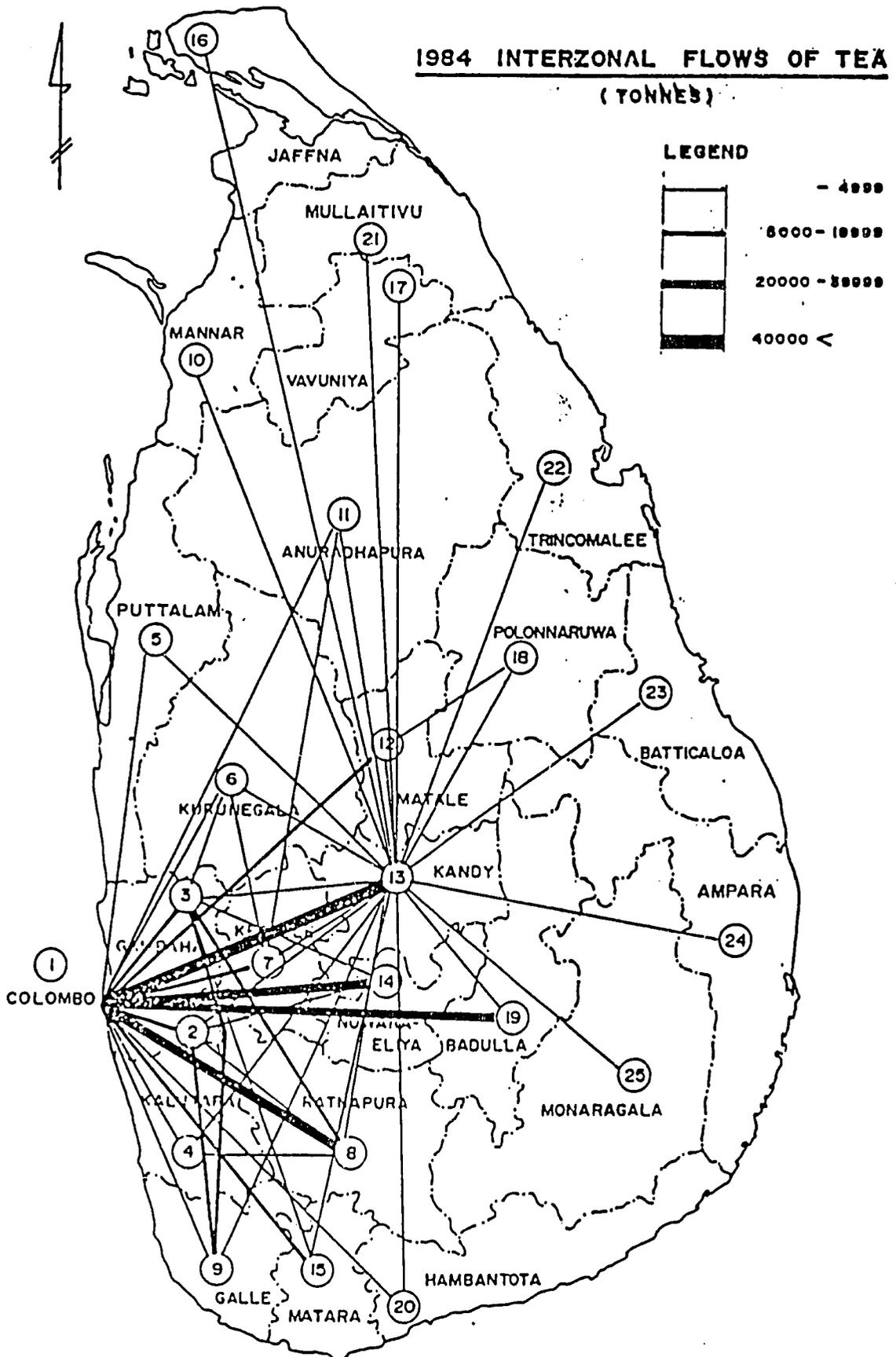


MAP 6.

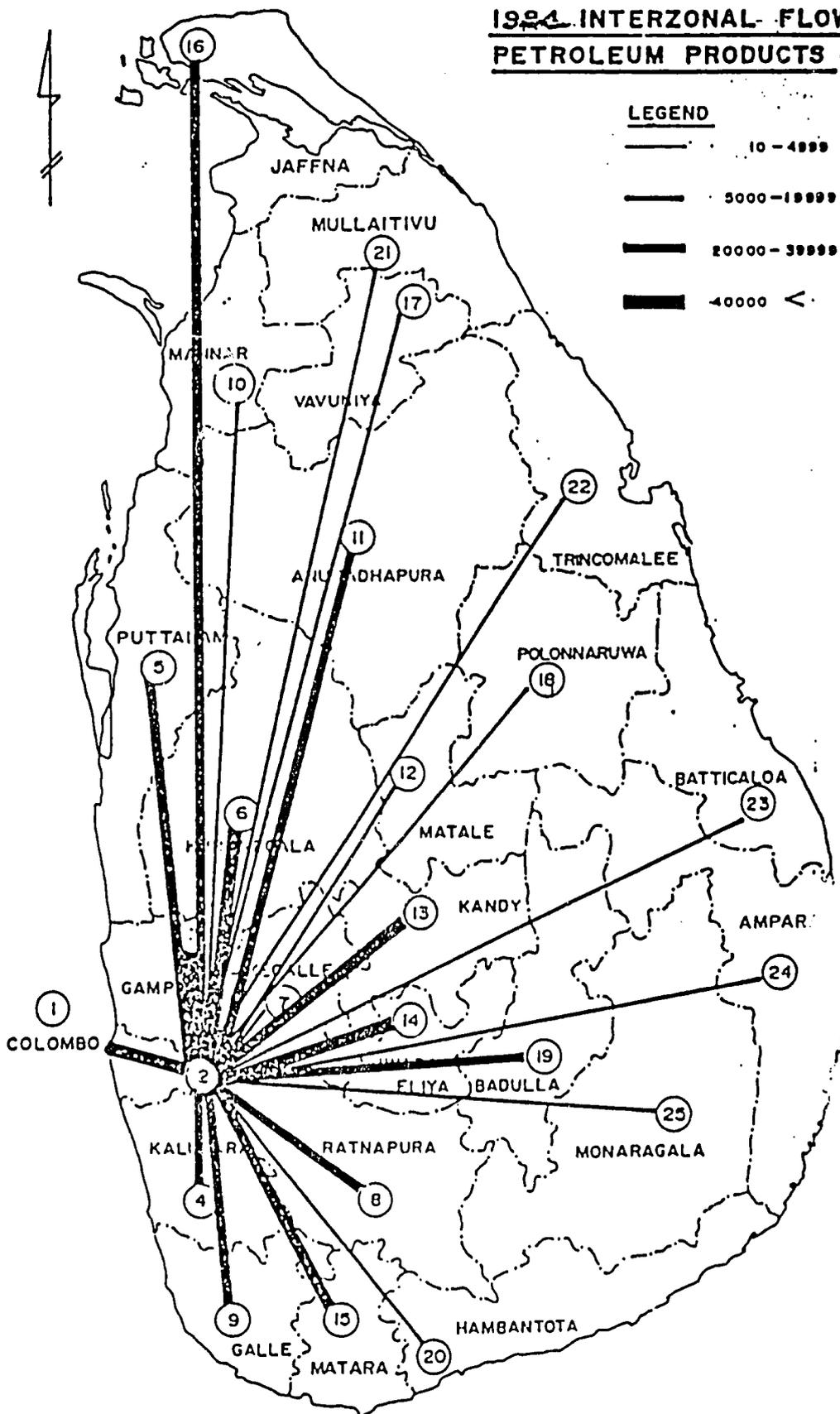
RAILWAY SYSTEM



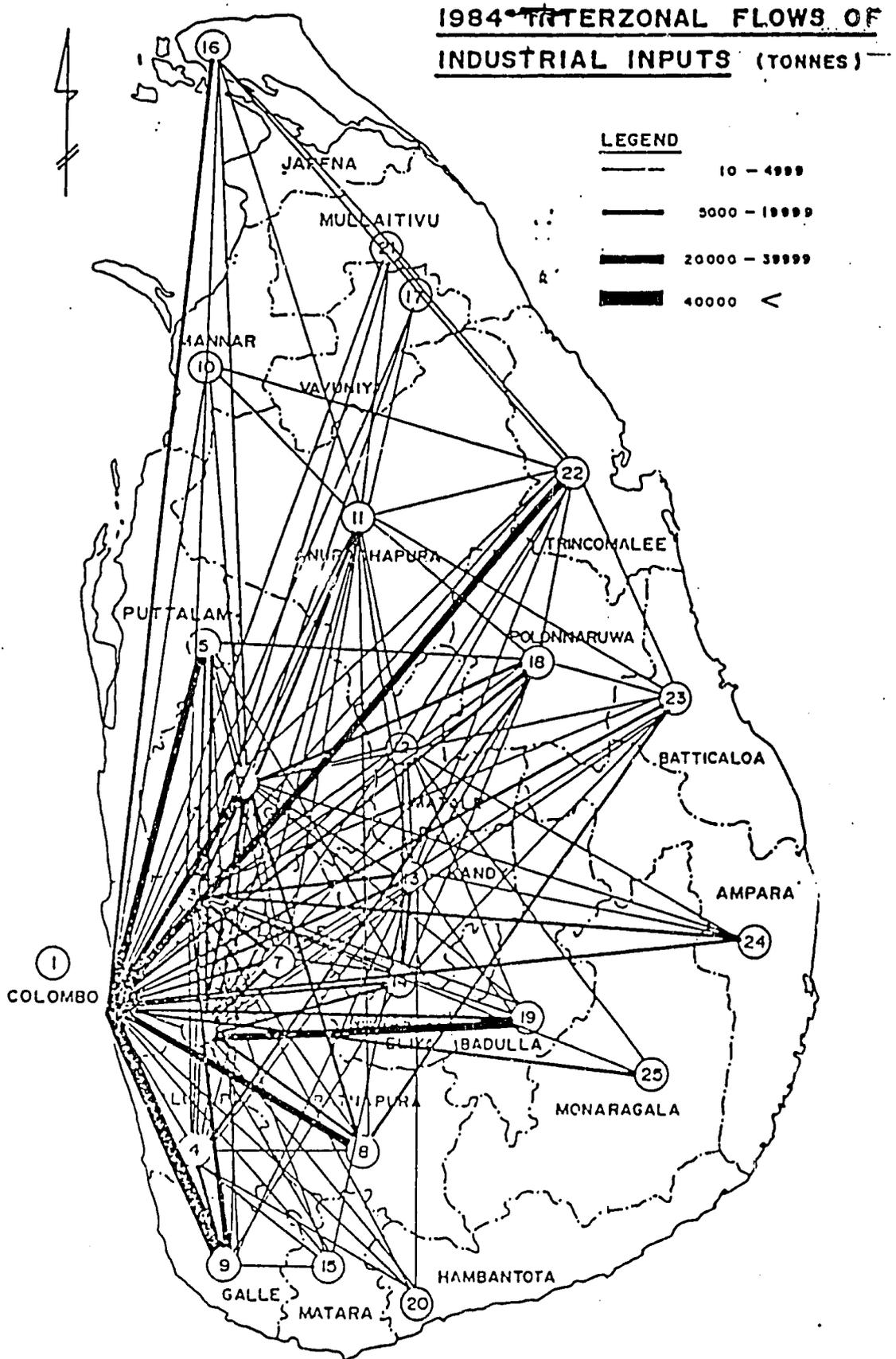
MAP 7.



MAP 8.,

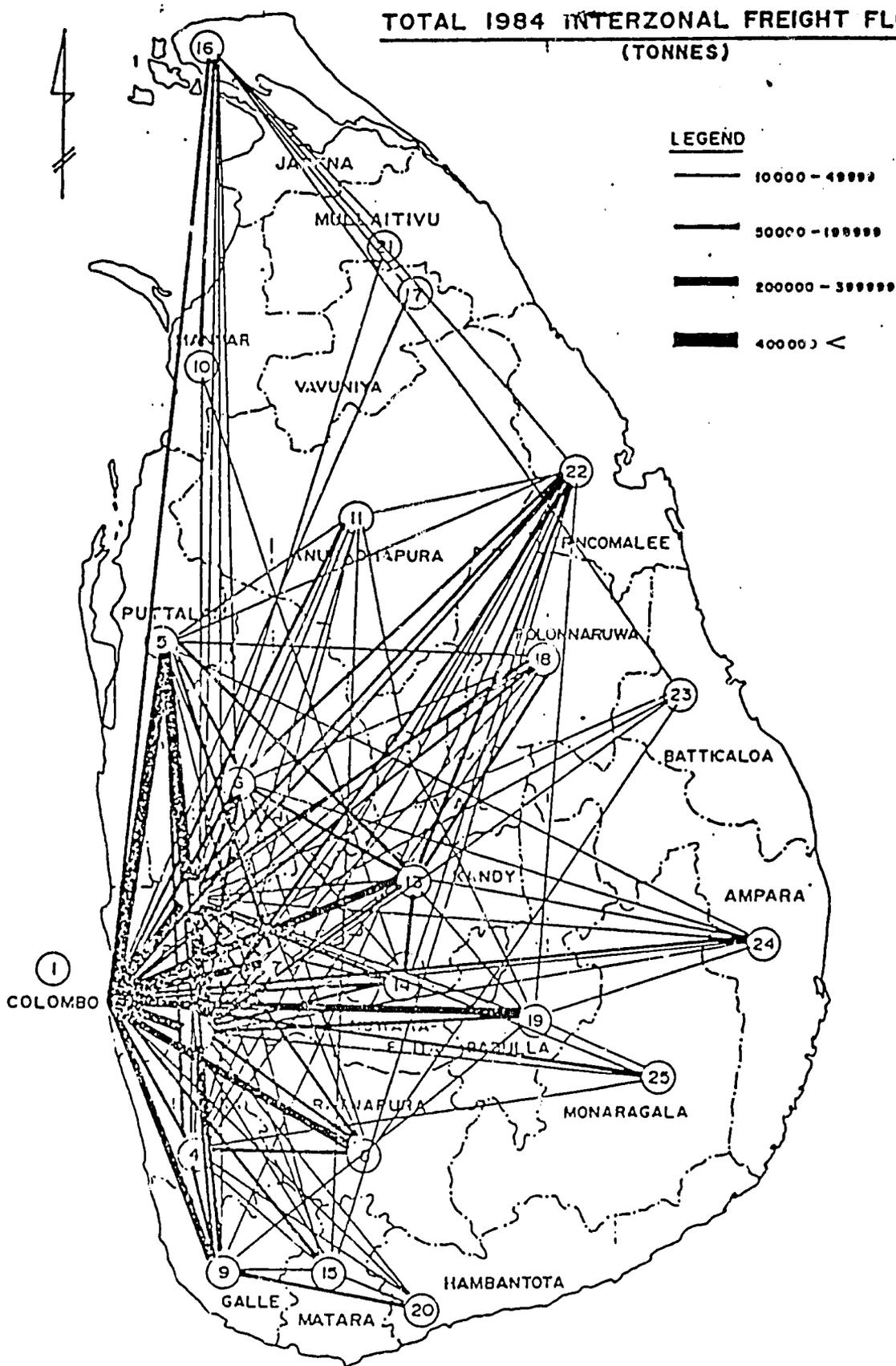


MAP 9.



MAP 10.

**TOTAL 1984 INTERZONAL FREIGHT FLOWS
(TONNES)**



In an analysis of freight transport demand, the Louis Berger study derived a series of interzonal flows of major commodities for the country as a whole. Equating transport zones to districts (with the exception of zone 1, which is the Colombo Municipal area within the Colombo district, zone 2), the study mapped interzonal flows for 17 commodity groups. The maps of the interzonal flows of tea, a major export product, petroleum products and industrial inputs, as well as the overall interzonal freight flows are instructional as to Colombo's role as primary exporter and importer and, therefore, the center of freight flows (see Maps 7,8,9, and 10). Not only do flows of tea focus on Colombo, but also the flows of petroleum products and industrial inputs, many of which are imported and subsequently shipped up country. These, plus the flow charts of 14 other commodity groups, predominantly center on Colombo, defining it as the core economic region.

2. Urban Linkages to the Rural Sector:

As mentioned in Chapter I, advances in agriculture are linked not only to the adoption of technological advances in the sector but also to increased employment outside agriculture leading to increased demand for agriculture products. With respect to USAID Sri Lanka's strategy to increase incomes and employment, the development of urban linkages to the rural sector is therefore seen as a promising area in which to relate USAID's programs in agriculture and the private sector.

Pursuant to this approach, a study on urban-rural linkages in Sri Lanka was carried out in early 1989 (Strengthened Urban-Rural Linkages as Instrument of Rural Development, Berry, B., 1989). According to the study, concern for urban issues in rural development programs has mainly been restricted to ensuring that essential services are accessible to the farming population. Little work has been done on the numbers and types of services required by markets of different sizes and income levels.

Since the study holds that programs to promote small-scale enterprise in local service centers must be based on an understanding of the demand for services in the target region, it applies a simple urban hierarchy model to an irrigated settlement area in the Hambantota district. Based on the findings in this area and an application to the wider Mahaweli case, the study concludes that it takes five rural households to generate sufficient direct and indirect expenditure flows to support two urban households; and, an average of 2.36 rural jobs is required to support one urban household.

The study goes on to cite the activities of three different Regional Rural Development Banks (RRDBs) as examples of urban-rural linkages not only through the provision of cultivation loans to farmers and project loans to small enterprises, but also through the development of intermediation agents who link potential producers and the vendors who contract for their output. It concludes that:

"A much better understanding of these linkages and of the ways small towns link into broader urban hierarchies is required if project interventions targeting the development of small enterprise or the transformation of traditional agriculture are to be put in proper perspective." (Berry, p.33)

It, therefore, calls for a full study to be undertaken on the structure of connections between rural areas and urban regions: "...the actors and their intermediation activities, the structures that can be strengthened, and the gaps that need to be filled." (Berry, p.34)

It is questionable, however, whether a full-scale urban-rural linkage study is necessary to formulate an urban investment program, which would assist in the development of local authorities from market, trading and agricultural service centers to centers of exchange, employment and production. Given that both foreign and domestic investment funds are limited, a practical approach would be to locate investments in selected market towns that have growth potential and that serve a large population.

One approach to identifying market towns with growth potential which has been applied successfully in several developing countries is that set out in Rondinelli's paper, Market Town Analysis for Rural Economic Growth: Applied Methods and Techniques. Since the approach emphasizes the importance of analyzing market towns in a regional context, it seems to be well suited not only to Sri Lanka's newly decentralized administrative structure but also to the Mission's regional development objectives. It also provides a practical framework within which to identify the key issues surrounding the discussion of urban-rural linkages in Sri Lanka and to identify the next steps in carrying out the exercise. It is, therefore, summarized here.

The approach is based on the "Urban Functions in Rural Development" (UFRD) methodology for analyzing market towns developed by AID in the 1970s and modified through field testing in the 1980s. The UFRD approach is based on research that shows that urban centers in the form of market towns, rural service centers and intermediate cities--and the services, facilities, infrastructure, and productive activities located within them--can and do play important roles in facilitating rural development. Towns and cities that act as agricultural markets, that provide basic social services and public facilities for rural people, and that are linked to each other and to their surrounding rural areas can serve as the physical base for rural and regional economic growth.

UFRD, therefore, provides a technique to rapidly assess the spatial distribution of social and economic functions in market towns to address the following questions:

1. What types of services, facilities, infrastructure and productive activities (urban functions) do market towns within a region now have?
2. How accessible are these services and facilities to the people living in the surrounding region?
3. Which areas in a region lack services, facilities and infrastructure that are important for agricultural development and employment generation?
4. How can new investment needed for rural economic growth be distributed so that they reduce geographical disparities by better serving the areas and groups of people that do not now have access to basic market functions?

The purpose of the analytical approach is to identify strategically located towns and cities that have sufficiently large population and volume of market trade to accommodate new investment efficiently and effectively. Another purpose is to identify the investments in economic services, facilities and infrastructure that will increase the access of rural population to market towns.

The principal components of the approach are the following:

1. Regional resource analysis.
2. Analysis of the system of market towns.
3. Analysis of the economic and physical linkages among market towns and between market towns and rural areas.
4. Analytical mapping.
5. Accessibility analysis.
6. Analysis of "gaps" in urban functions.
7. Formulation of market town development strategies.
8. Identification of investment projects and programs for market town development.

The first three stages essentially provide the baseline information for the later analytical and programmatic states. The following sections try to provide a sufficiently detailed overview of the approach, in addition to insights into available data in Sri Lanka, in order to determine how one could proceed to carry out a rapid assessment of urban-rural linkages in Sri Lanka.

1. Regional Resource Analysis

This stage of the analysis provides baseline data and regional profiles to determine economic growth potential. The purposes of this initial phase are:

- a. To describe the strengths and weaknesses of the regional economy by assessing the types, characteristics and distribution of human and physical resources;
- b. To compare the levels of development and the social, economic and physical resources of different localities within the region.

Given Sri Lanka's current emphasis on the devolution of urban responsibilities to the provincial level and previous analyses of various socioeconomic indicators at that administrative level (Ernst and Samaranayake, 1988), the province could be the highest order spatial unit for the application of the approach.

2. Analysis of the Market Town System

This stage of the analysis: (a) identifies market towns by size and location; (b) examines the types of services, facilities, infrastructure and productive activities presently located in them; (c) describes the hierarchy of market towns based on the number and type of market functions they offer, and (d) determines the spatial distribution of, and association among, functions within the region.

EXHIBIT 1 MAJOR LINKAGES IN SPATIAL DEVELOPMENT	
TYPE	ELEMENT
Physical Linkages	Road Networks River and Water Transport Networks Railroad Networks Ecological Interdependencies
Economic Linkages	Market Patterns Raw Materials and Intermediate Goods Flows Capital Flows Production Linkages-Backward/Forward/Lateral Consumption and Shopping Patterns Income Flows Sectoral and Inter-regional Commodity Flows "Cross Linkages"
Population Movement Linkages	Migration-Temporary and Permanent Journey to Work
Technological Linkages	Technology Interdependencies Irrigation Systems Telecommunications Systems
Social Interaction Linkages	Visiting Patterns Kinship Patterns Rites, Rituals, and Religious Activities Social Group Interaction
Service Delivery Linkages	Energy Flows and Networks Credit and Financial Networks Education, Training, and Extension Linkages Health Service Delivery Systems Professional, Commercial, Technical Service Patterns
Political, Administrative, and Organizational Linkages	Structural Relationships Government Budgetary Flows Organizational Interdependence Authority-Approval-Supervision Patterns Inter-jurisdictional Transaction Patterns Informal Political Decision Chains

3. Market Town Linkage Analysis

Linkage analysis describes the patterns of physical, economic, social and organizational interactions among market towns as well as those between market towns and the rural areas surrounding them. Exhibit 1 lists the types of linkages that can be analyzed within a region. Linkages are the means through which people who live in small or rural areas obtain access to services, facilities, infrastructure and productive activities located in market towns. Two types of studies are most useful in providing a profile of economic linkages within a region:

- a. Market place studies that attempt to trace the flow of goods into and out of market centers;
- b. Transport origin and destination studies that show the flow of people and goods among market towns and rural areas.

In Sri Lanka, two types of origin and destination studies exist:

- a. Comparative Study on Migration, Urbanization and Development in the ESCAP Region (1971), United Nations, New York, 1980.
- b. Sri Lanka Transport Sector Planning Study, Louis Berger, 1984.

4. Analytical Mapping

The information collected in stages 1-3 can be graphically illustrated on base maps to determine the service areas of market towns in the region and the resultant linkage patterns.

5. Accessibility Analysis

Accessibility analysis provides a better idea of which areas are lacking important functions needed for rural development. Using the information from stages 1-3, it is possible to identify areas within a region (provinces and districts in the Sri Lanka case) where people have little or no physical access to town-based functions. This type of analysis can help determine where linkages are weak or nonexistent, and where important functions are missing that could facilitate economic growth.

6. Functional Gap Analysis

Gap analysis provides information that can be used to identify the lack of specific services and/or productive activities in particular market towns or areas within a region.

7. Formulation of Spatial and Sectoral Development Strategies

Information from the previous stages can be combined with other economic, social and physical studies to formulate investment strategies for promoting widespread economic growth. Alternative strategies include:

- a. Strengthen existing functions in towns with growth potential that serve a large hinterland;
- b. Invest in new functions in existing towns;
- c. Strengthen existing linkages by upgrading roads or improving transportation links;

d. Create new linkages among market towns.

8. Identification of Sectoral Investment Projects and Programs

The last stage in the approach is the identification and integration of strategies for sectoral projects within investment programs for a range of areas and market towns within a region. Using the results of market town studies and sectoral analyses, the Government and/or the Mission can develop specific development programs for selected regions, based on its economic potential and comparative advantage.

Based on experience in Nepal, an urban-rural linkage study using the foregoing approach could take at least 3-4 weeks for two persons. Given the importance of selecting potential growth centers such that individual investments can effectively accelerate rural development and increase off-farm employment, the basic issue is whether a full-scale urban-rural linkage study is required. On the other hand, given present political considerations and the existing priorities of the Mission, it would seem that a set of selection criteria based on Government and USAID development objectives can be defined such that a region or province could be selected for a partial application of the methodology.

III. NEXT STEPS: POSSIBILITIES OF USAID INTERVENTION

Based on the review of the urban sector in Chapter I and preliminary findings in identifying key issues in Chapter II, a checklist of possible areas for USAID intervention was left with the Mission at the end of Phase I of the Urban Assessment Study. In view of the fact that many of the issues have been brought into clearer focus in Phase II of the Study, it is worthwhile to review the list at this time as to its continued applicability.

A. LAND

- Examine the feasibility of extending the agricultural land titling project to urban areas.
- Provide TA to review legislative framework for constraints re title transfer, land registration, and public sector land acquisition.

B. INFRASTRUCTURE

- Consider use of present and/or future HG to finance on-site infrastructure in slum and shanty upgrading areas.
- Consider designing an HG sectoral loan to finance urban infrastructure, i.e., roads, drainage, footpaths, markets, etc., mainly in Urban and former Town Councils.

C. FINANCE

- Participate in restructured and reorganized LLDF both for revenue generating and social infrastructure loans.
- Support resuscitated LLDF with TA for restructuring, loan review, feasibility studies, loan monitoring, etc.
- Ascertain role for private sector in providing housing and home improvement credits to low-income urban families.

D. DEVELOPMENT PLANNING

- In Provincial Councils, ULAs and Pradeshiya Sabhas:
 - Provide TA to UDA, UPU and/or Provincial Councils on integration of economic development planning with physical plans at Provincial ULA and Pradeshiya Sabha levels.
 - Plans should focus on linking urban poor and small-scale informal enterprises with larger urban economy.
- In Greater Colombo, assist Government to:
 - Define Greater Colombo area of influence for purposes of planning and programming.
 - Establish data management and mapping as statistical base for area of influence.
 - Examine feasibility of establishing area-wide planning commission to coordinate and integrate growth of CMC and surrounding local authorities.
 - Promote participation of private developers in the provision of services to low-income families.

- Nationally, monitor the formulation of an Urban Development Policy by the Urban Development Cell in the Ministry of Policy, Planning, and Implementation and provide support where necessary.

It can be seen from the foregoing that possible areas of intervention are numerous. However, many of the areas are either too different from the urban sector, e.g., the agricultural land titling project, or are presently being covered by other donor agencies, e.g., IDA technical assistance to the UPU and follow up financing through the LLDF, and World Bank and ADB funding of much of the primary urban infrastructure.

One area, however, in which a small AID investment could have major influence on the direction and operations of the urban sector is through assistance to the Urban Development Cell (UDC) in the MPPI. According to a draft work program for the UDC (see attached), which was established in July 1989, its two major objectives are:

1. Formulation and implementation of an Urban Development Policy which will be broadly consistent with the country's medium term economic growth and long-term development objectives.
2. Coordinate and spearhead the implementation of urban development projects and programs including World Bank and Asian Development Bank assisted urban sector projects.

The work program goes on to list the five basic responsibilities assigned to the UDC:

1. Study and review the country's on-going urban development activities with the ultimate objective of evolving a comprehensive urban development policy.
2. Formulate medium- and long-term urban sector strategies and identify projects and programs to be implemented by the relevant agencies.
3. Coordinate urban-related development activities of all agencies and monitor their performance.
4. Coordinate implementation of donor funded projects, including projects to be funded by the World Bank and the Asian Development Bank.
5. Appraise all capital expenditure projects and programs implemented by UDA with the objective of satisfying the financial viability of projects and generating a net return on investment to UDA.

As can be seen, the foregoing are formidable tasks. The UDC realizes this in that it has set one year for completion of the first task--the formulation of an urban development policy. However, the UDC essentially does not have a staff in that it is composed of senior government officials with full-time responsibilities elsewhere, viz:

- The Chairman of the UDA, who is also the Chairman of the HDFC and Air Lanka;
- The Director of the Division of Industry and Construction in the National Planning Department of the MPPI, who also acts as the Economic Advisor to the UDA;
- The Director General of the UDA;

- The Additional Director General/Director of Planning of the UDA;
- An Economist assigned to the UDA who acts as the Secretary to the UDC.

It is evident that the officials composing the UDC will not have the time to fulfill the responsibilities set out in the work program. This fact is recognized, in part, in that the UDC has assigned the responsibility for formulating an urban development policy to the UDA. In discussions with the Additional Director of the UDA, however, there seems to have been no work carried out along these lines as yet.

In spite of the lack of staff, the UDC seems to be well positioned to have an overall coordinating and guiding influence on activities in the urban sector as a whole. Based jointly in the MPPI/Ministry of Finance, it is not only composed of high government officials but also has a Steering Committee of Secretaries of urban related Ministries.

Further, the UDC seems to have a substantive appreciation of the problems of the urban sector. The work program recognizes that there is a vacuum in the formulation and implementation of a definitive urban development policy and goes on to cite many of the issues raised in this study, e.g., the lack of an urban information base, the lack of coordination of urban development agencies, the lack of capacity in local authorities to plan and coordinate urban services, the need for a skills upgrading program in the UDA, the need for proper feasibility studies of urban development projects, and the requirements for investment plans for "...selected regional towns which may eventually be developed into Secondary Cities of industrial development."

By capitalizing on this initiative by Government, USAID/Sri Lanka has an opportunity to intervene in the sector at the highest level. Through the provision of assistance in the formulation of an urban development policy, the Mission would be involved in the joint development of the framework for an urban sector HG loan with its concomitant policy agenda. Among other policy items, the latter could define private sector initiatives in the provision of urban services, including privatization of relevant agencies, as well as feasible linkages with the rural sector.

Since the present work program of the UDC is extremely ambitious and the staff practically non-existent, it is recommended--given Mission approval--that a short-term consultancy be contracted to work with the relevant officials of the UDC in scoping out a realistic work program, as well as the terms of reference for longer-term technical assistance. Even if long-term assistance were not possible, the short-term initiative would show the interest of the Mission in assisting Government to come to grips with a sector which, until recently, has been largely ignored in Sri Lanka.

ANNEXES

ANNEX TABLE 1
SRI LANKA: RURAL AND URBAN FERTILITY DIFFERENTIALS*
 (Children 0-4 years of age per 1,000 women aged 15-49)

Year	Urban	Rural	Urban % Rural
1953	549	672	81.7
1963	594	712	83.4
1971	492	569	86.5
1981	393	516	76.2

*Ten percent sample of 1981 Census. Women aged 15-49 comprised 26% of both rural and urban populations. Death rates are less easily compared.

**ANNEX 2
MILLION HOUSES PROGRAM
URBAN AND RURAL HOUSING**

Options and Loans Package

A. Slum and Shanty Upgrading Package

Purpose	Upgrading, repairing or extending an existing house, latrine, tenement, or additional space.
Requirements	Applicant should own and occupy property to be upgraded, and need should be apparent.
Loan Amounts	Urban -- from Rs.4,000 - Rs.8,000 Rural -- from Rs.5,000 - Rs.12,000
Interest Rate	Urban -- 3-6% depending on loan amount Rural -- 3-10% depending on loan amount
Repayment Period	15 years for both urban and rural

B. New House Package

Purpose	To construct a basic house (where water and facilities are provided, or house with facilities, or starter house where land is available).
Requirements	Applicants should own land on which house is to be constructed, should not own permanent house, and for urban houses, should be permanent resident of ULA.
Loan Amounts	Urban -- from Rs.8,000 - Rs.15,000 Rural -- from Rs.5,000 - Rs.7,500
Interest Rate	Urban -- 6-10% depending on loan amount Rural -- 3-6% depending on loan amount
Repayment Period	15 years for both urban and rural.

C. Utilities Package

Purpose	To meet needs of services like water connections, latrines, electricity connection, survey and registration of deeds, and/or other services.
Requirements	Need should be apparent, and applicant should own and occupy property.

Loan Amounts	Urban -- from Rs.1,000 - Rs.5,000 Rural -- from Rs.3,000 - Rs.12,000
Interest Rate	Urban -- 3% Rural -- 3-10% depending on loan amount
Repayment Period	Urban -- 5 years Rural -- 15 years

D. Sites and Services Package

Purpose	To acquire serviced plots, or plots with shelters, and/or common amenities.
Requirements	Applicants should not own land or house of permanent nature, and for urban areas, should be permanent members of ULA.
Loan Amounts	Urban -- Rs.4,000 - Rs.15,000 plus cost of land Rural -- Rs.3,500 - Rs.16,000 plus cost of land
Interest Rate	3-10% for both urban and rural, depending on loan amounts
Repayment Period	15 years for both urban and rural

Source: NHDA "Implementation Guidelines to the MHP"

**ANNEX TABLE 2
POPULATION BY DISTRICTS***

District	Census of Population		Density (per sq.km)		% Increase
	1971	1981	1971	1981	1971-1981
Colombo	1,498,393	1,699,241	2,297	2,605	13.4
Gampaha	1,173,872	1,390,862	839	994	18.5
Kalutara	729,514	829,704	454	516	13.7
Kandy	1,008,710	1,048,317	508	486	-4.4
Matale	384,841	357,354	158	180	23.5
Nuwara-Eliya	629,493	603,577	377	420	11.1
Galle	735,173	814,531	439	487	10.8
Matara	586,443	643,786	470	516	9.8
Hambantota	340,254	424,344	131	163	24.7
Jaffna	696,664	830,552	336	401	19.2
Mannar	74,125	106,235	37	53	43.3
Vavuniya	60,212	95,428	23	36	58.5
Mullaitivu	43,625	77,180	22	39	76.9
Batticaloa	256,721	330,333	104	134	28.7
Amparai	272,605	388,970	60	86	42.7
Trincomalee	188,245	255,948	72	98	36.0
Kurunegala	1,025,633	1,211,801	215	254	18.2
Puttalam	378,430	492,533	127	165	30.2
Anuradhapura	388,770	587,929	55	82	51.2
Polonnaruwa	163,653	261,563	48	77	59.8
Badulla	615,405	640,952	218	277	4.2
Moneragala	193,020	273,570	35	49	41.7
Ratnapura	673,558	797,087	208	246	18.4
Kegalle	642,538	684,944	387	412	6.6
SRI LANKA	11,689,897	14,846,760	196	230	17.0

Source: Department of Census and Statistics.

*All figures according to present boundaries.

ANNEX 3	
MUNICIPAL COUNCIL, KURUNEGALA	
PROJECT REVENUE FOR THE YEAR 1990	
Consolidated Rates	2,460,000
Entertainment Tax	1,320,000
License duties and taxes on trade	878,500
Rent	2,434,600
Service charges (recoverable services like water service connections)	4,935,300
Water supply charges	2,350,000
Government Grant for recurrent charges (to meet partially, expenditure on emoluments)	8,134,800
Others	2,634,300
Subtotal	25,147,500
Income from sale of electricity	17,400,000
TOTAL	42,547,500

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MUNICIPAL COUNCIL, KURUNEGALA ESTIMATED EXPENDITURE FOR THE YEAR 1990	
RECURRENT EXPENDITURE	
General Administration	5,302,000
Health Services	4,263,300
Physical Planning (thoroughfares and buildings)	3,629,000
Water supply scheme (distribution)	3,619,900
Other utility services (markets, street lighting, etc.)	2,387,800
Welfare services and amenities	1,007,100
Subtotal	20,209,100
Expenditure on electricity distribution	19,915,800
(Recurrent Expenditure) Total	40,124,900
Capital expenditure	2,412,200
Total expenditure	42,537,100
Anticipated surplus from operations/1990	10,400
	42,547,500

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ANNEX TABLE 3
INDUSTRIAL ORIGIN OF THE GROSS DOMESTIC PRODUCT
AT CURRENT PRODUCER PRICES

Sector	1984	1985	1986
Agriculture, Forestry, Fishing	37,292.9	38,505.8	39,529.4
Mining and Quarrying	1,209.2	1,226.3	1,669.9
Manufacturing	24,301.0	26,179.9	26,913.4
Construction	11,306.0	11,939.0	13,197.4
Electricity, Gas, Water	2,506.5	2,999.1	3,062.4
Transport and Communication	15,621.2	17,429.4	19,660.9
Wholesale, Retail Trade, Restaurants and Hotels	26,950.5	29,061.5	32,716.0
Banking, Insurance, Real estate, etc.	6,120.7	6,455.9	7,743.4
Ownership of Dwellings	2,228.8	2,501.9	2,588.3
Government Services	8,236.9	9,243.6	11,124.2
Private Services	3,624.4	3,823.9	4,220.7
Total	139,398.1	149,366.3	162,426.0
Add: Import Duties	7,945.4	8,397.0	10,014.3
Total GDP	147,343.5	157,763.3	172,440.3

Source: Department of Census and Statistics.

Note: Processing of Tea and Rubber included under Agriculture, Forestry and Fishing earlier are now included under Manufacturing.

**ANNEX TABLE 4
LOCAL GOVERNMENT STATISTICS-SERVICES PROVIDED FOR 1986 AND 1987**

	TYPE OF COUNCIL							
	Municipal		Urban		District Development (Sub-Offices)		Total	
	1986	1987 ¹	1986	1987 ¹	1986	1987 ¹	1986	1987 ¹
Vehicular Road (k.m.)	1,405.1	00	2,282.1	00	58,936.1	00	62,093.3	00
Dispensaries ³	09	09	22	22	229	229	260	260
Cemeteries ³	12	12	39	39	562	562	613	613
Pipe-borne water ^{2,3}	12	12	34	34	210	210	256	256
Electricity ^{3,4}	12	12	39	39	391	391	442	442
Conservancy ³	12	12	39	39	301	301	352	352
Parks/Playgrounds ³	12	12	37	37	332	332	381	381
Libraries ³	12	12	39	39	584	584	635	635

Source: Local Government Department.

¹ Provisional.

² Includes water pipes supplied by the Water Supply and Drainage Board.

³ Number of Councils and D.D.C. (Sub-Offices) providing the services.

⁴ Includes electricity supplied by the Electricity Board.

ANNEX TABLE 5
REVENUE COLLECTION IN URBAN AREAS: 1988 (January-July)
 Rs.million)

	Rates		Total Revenue		Rates Collected As A Percentage of Total Collected
	Amount Collected	Percentage Due	Amount Due	Percentage Collected	
Municipalities					
1	14.40	40.50	21.10	38.46	71.60
2	11.00	52.60	31.50	37.20	17.10
3	2.50	78.20	7.40	55.20	48.80
4	7.20	37.80	34.50	46.40	16.80
5	1.40	61.40	17.50	65.90	7.10
6	0.50	0.00	21.60	0.00	0.00
7	2.10	7.80	14.70	54.80	2.10
8	5.00	45.30	25.60	57.50	15.40
9	1.80	45.80	15.00	45.30	3.50
	46.30	44.09	253.40	41.60	15.40
Urban Councils					
10	13.10	44.40	22.20	42.60	90.00
11	3.40	80.50	5.30	72.50	64.70
12	1.50	12.50	4.20	46.40	10.50
13	2.30	60.30	3.50	60.10	65.30
14	1.10	55.40	7.50	62.50	12.50
15	0.04	64.10	2.70	56.40	1.60
16	0.70	45.50	5.30	42.80	12.50
17	6.10	12.10	1.40	62.10	14.30
18	0.00	0.00	0.00	0.00	0.00
19	0.40	46.40	6.50	56.30	5.50
20	0.40	71.90	3.70	77.90	3.70
21	6.30	58.50	4.70	49.20	7.00
22	0.20	71.30	1.30	62.10	17.40
23	0.30	116.10	0.30	66.80	15.10
24	6.30	37.70	4.10	53.10	4.20
25	1.30	45.20	16.90	47.40	6.70
26	6.30	15.70	3.60	32.50	4.70
27	0.05	116.60	2.70	36.60	4.10
28	6.60	0.00	0.00	0.00	0.00
29	1.40	21.30	7.50	42.10	3.00
30	0.50	27.50	19.70	35.50	7.10
31	6.50	107.40	16.60	54.40	5.20
32	0.70	47.40	2.40	60.60	23.30
33	1.10	31.30	4.80	26.60	55.30
34	2.40	0.00	2.20	47.40	63.60
35	0.30	20.80	3.50	40.50	6.00
36	2.60	28.80	4.10	0.00	0.60
37	1.70	0.00	15.10	33.10	6.00
38	6.30	24.50	7.10	44.40	7.40
39	6.40	0.00	4.30	0.00	0.00
40	4.00	30.90	23.40	47.80	3.60
41	6.50	0.00	2.10	0.00	0.00
42	1.60	30.30	16.30	65.30	7.50
43	1.30	0.00	2.50	6.60	0.00
Subtotal:	52.80	40.19	212.40	45.60	22.20
Total:	99.10	40.00	465.80	47.00	21.60

Note : Due to the continuing social unrest, it was not possible to collect information from all of the urban councils.

Source: Data supplied by the Urban Programme Unit, Ministry of Local Government and Housing

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ANNEX TABLE 6

NO.	Section Name/ Division Name	Growth Rate	POPULATION					
			1971	1981	1991	2001	2011	2021
1	COLOMBO MC	0.42	562160	585221	611312	637477	664762	693215
2	NEGOMBO MC	0.75	571151	615461	663201	714651	770091	829831
3	KANDY MC	0.82	936021	1015661	1102081	1195851	1297601	1408011
4	JAFFNA MC	0.98	1076631	1186711	1308491	1442521	1590281	1753181
5	GALLE MC	0.61	727201	772791	821241	872731	927451	985601
6	KURUNEGALA MC	0.53	251891	265561	279971	295161	311181	328071
7	MATALE MC	0.31	307041	316491	326641	336901	347491	358411
8	DANDULLA MC	0.49	346581	363941	382171	401311	421411	442521
9	DEHIWELA MT LAVI	1.27	1547051	1756051	1992251	2260221	2564241	2909151
10	BATTICALOA MC	1.68	367611	434251	512971	605951	715811	845571
11	RATNAPURA MC	1.10	291161	324821	352371	404261	450991	503121
12	MUNARA ELIYA MC	1.20	163471	184181	207511	233791	263401	296771
13	AVISSAWELLA UC	1.10	121531	135571	151241	168721	188221	209971
14	DALANGODA MC	1.10	86531	96531	107681	120121	134001	149491
15	KOLLONNAWA UC	1.10	370221	413021	460761	514021	573441	639731
16	KOTTE UC	1.10	920421	1026821	1145521	1277951	1425691	1590511
17	MURATIYA MC	1.31	954891	1099001	1251751	1425741	1623911	1849631
18	DANOORAWELA MC	1.10	40371	45031	50231	56031	62501	69721
19	GAMPPIYA UC	0.50	100591	106791	113371	120351	127761	135631
20	TRINCOMALEE MC	0.75	417841	450251	485181	522021	563381	607081
21	JA-ELE MC	1.10	217371	242491	270521	301791	336671	375591
22	TALAWAKELE MC	1.10	36021	40181	44821	50001	55781	62321
23	PELIYAGODA MC	0.19	250351	255141	260021	265001	270071	275241
24	HATTON DICKOYA MC	0.75	91221	98291	105911	114121	122971	132511
205	MINIHANGODA MC	0.95	58431	64221	70581	77571	85261	93711
25	MURUDHWAPURA MC	0.41	340361	352701	370051	393031	410271	427401
27	HATTALA MABOLE MC	1.06	180391	200411	222721	247481	275001	305581
28	HAPUTALE MC	0.12	24041	24331	24621	24911	25211	25511
27	NAWALAPITIYA MC	0.44	135151	129311	123731	118391	113281	108391
30	HATTEGAMA MC	1.10	30551	43111	48091	53641	59841	66751
31	GAMPOLA UC	0.40	215991	224781	233931	243451	253361	263671
32	KADUGANNIYA MC	0.44	15621	16321	17051	17811	18601	19431
33	KULIYAPITIYA MC	0.77	53931	58221	62861	67871	73281	79121
34	BERUMELA UC	1.10	204231	227041	254181	283561	316341	352911
35	MORANA MC	1.10	77971	86981	97031	108241	120751	134701
36	KALUTARA MC	0.76	287481	316301	348011	382871	421271	463501
37	PANADURA MC	1.20	277181	312291	351851	396421	446641	503221
38	VAUNIA MC	1.10	156391	174461	194621	217111	242201	270201
39	CHILAW MC	1.10	176031	196381	219081	244401	272551	304171
40	PUTTALAM MC	1.10	179821	200601	223791	249661	278521	310711
41	HATARA MC	0.69	366411	392491	420421	450341	482391	516721
42	HELIGAMA MC	0.84	164801	179171	194801	211791	230261	250341
43	KEGALLE MC	1.21	132621	149561	168671	190221	214531	241941
44	TANGALLE MC	0.74	87481	96051	105471	115811	127161	139631
45	HUMBANTOTA MC	1.20	69081	77831	87691	98791	111301	125101
46	AMBALANGODA MC	0.87	143521	156501	170661	186101	202931	221291
47	CHAWAHACHCHERI MC	1.02	178291	197331	218401	241721	267531	296101
48	POINT-PEDRU MC	0.78	137391	151461	166771	184071	202921	223701
49	KULIYAPITIYA MC	0.77	53931	58221	62861	67871	73281	79121
50	MONARAGALA MC	1.20	17661	16511	18601	20951	23601	26581
TOTAL			1960339	2122123	2300374	2495967	2714032	2953949

*** Urban Development Authority - Sri Lanka, *** December 1987.

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