

URBAN DEVELOPMENT ISSUES IN ASIA WITH SPECIAL  
REFERENCE TO SRI LANKA

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by

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INTRODUCTION

Rapid urbanization, a low level of income and net savings, and high costs associated with urban development and urban services are critical factors contributing to the deteriorating urban environment in most of the developing countries. The seriousness of the urban situation is recognized but public policy, planning, programming, resource allocation, and financing aspects of urban development are generally unintegrated and disjointed. In this paper we will identify and discuss the strategic urban development issues in the developing countries of Asia in general, and in Sri Lanka in particular. This is done in the context of four inter-related perspectives or frameworks:

1. Demographic and urbanization processes and prospects;
2. Planning approaches for national development and urban development, with an emphasis on their institutional setting;
3. Urbanization policy responses; and
4. Economic and fiscal/financial aspects.

We conclude by summarizing and synthesizing each of these in terms of their major policy implications for financing urban development.

DEMOGRAPHIC AND URBANIZATION PROCESSES AND PROSPECTS

It may be appropriate to define some basic concepts that are critical from a public policy perspective and are frequently employed in dealing with the urbanization process.

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- a) Absolute size is the total number of persons in a country living in urban areas at a given point in time or on a time series basis.
- b) Level of urbanization is the percent or share of total population in a country living in urban areas at a given point of time.
- c) Rate of urbanization is the average annual percent change in urban population over a given period of time.
- d) Pattern of urbanization refers to the distribution of urban population according to different sizes of urban centers at a given point in time or on a time series basis.

Urbanization is basically a twentieth century phenomenon. In 1920, of the total world population of 1.9 billion, only 360 million or 19 percent lived in urban areas (see Tables 1, 2 and 3). By 1950 urban population increased to 712 million or 28 percent of the total world population of 2.5 billion. In 1980 total urban population stood at 1.8 billion or 41 percent of the total world population of 4.4 billion. By the end of the century it is anticipated that the majority of people will be living and working in urban areas (3.2 billion out of the total world population of 6.3 billion). Amongst the more developed countries the level of urbanization (percent of total population living and working in urban areas) was 39, 52, and 71 percent in 1920, 1950 and 1980 respectively. By the year 2000, the comparable percentage is likely to be 80. For the less developed countries taken together, the level of urbanization increased from 8 percent in 1920 to 16 and 30 percent respectively by 1950 and 1980. At the end of the century this percentage is likely to be 42.<sup>1</sup>

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<sup>1</sup>Philip M. Hauser and Robert W. Gardner, "Urban Future: Trends and Prospects" in Hauser et. al. Population and The Urban Future (Albany, New York: State University of New York Press, 1982), pp. 1-58.

TABLE 1

## Total Population and Population by Urban and Rural Residence, 1920-2000 (in Millions)

Region	1920	1930	1940	1950	1960	1970	1980	1990	2000
<u>World</u>									
Grand total	1860.0	2068.6	2295.1	2508.4	2986.0	3610.4	4374.1	5280.0	6254.4
Total urban	360.0	450.0	570.0	712.1	1012.1	1354.2	1806.8	2422.3	3208.0
Total rural	1500.0	1618.6	1725.1	1796.3	1973.9	2256.2	2567.3	2857.7	3046.4
<u>More Developed Countries</u>									
Total	672.7	757.9	820.6	857.5	975.8	1084.4	1181.0	1277.4	1360.2
Urban	260.0	315.0	385.0	444.4	572.7	702.9	834.4	969.2	1092.5
Rural	412.7	442.9	435.6	413.1	403.1	381.5	346.6	308.2	267.7
<u>Less Developed Countries</u>									
Total	1187.3	1310.7	1474.5	1650.9	2010.2	2526.4	3193.1	4002.6	4984.1
Urban	100.0	135.0	185.0	267.6	439.4	651.5	972.4	1453.1	2115.6
Rural	1087.3	1175.7	1289.5	1383.3	1570.8	1874.9	2220.7	2549.5	2868.5
<u>Asia</u>									
Grand total	1023.2	1120/2	1245.1	1374.0	1643.7	2028.1	2514.5	3069.8	3637.4
Total urban	90.0	115.0	160.0	216.3	341.6	482.4	689.3	992.2	1413.1
Total rural	933.3	1005.2	1085.1	1157.7	1302.1	1545.7	1825.2	2077.6	2224.3
<u>East Asia</u>									
Grand total	553.4	591.2	634.4	679.2	788.0	926.9	1087.7	1233.5	1370.1
Total urban	50.0	65.0	85.0	108.9	194.7	265.1	359.5	476.5	622.4
Total rural	503.4	526.2	549.4	570.3	590.3	661.8	728.2	757.0	747.7
<u>South Asia</u>									
Grand total	469.8	529.0	610.7	694.8	855.7	1101.2	1426.8	1836.3	2267.3
Total urban	40.0	50.0	75.0	107.4	146.9	217.3	329.8	515.7	790.7
Total rural	429.8	479.0	535.7	587.4	708.8	883.9	1097.0	1320.6	1476.6

TABLE 1 (cont.)

Region	1920	1930	1940	1950	1960	1970	1980	1990	2000
<u>Sri Lanka</u>									
Grand total				8.1 <sup>a</sup>	10.6 <sup>b</sup>	12.7 <sup>c</sup>	14.9 <sup>d</sup>		
Total urban				1.2	2.0	2.8	3.2		
Total rural				6.9	8.6	9.9	11.7		

SOURCE: Philip M. Hauser and Robert W. Gardner, "Urban Future: Trends and Prospects" in Hauser et al. (eds.) Population and the Urban Future (Albany, N.Y.: State University of New York Press, 1982), pp. 1-58. Figure for Sri Lanka from Ved Prakash and Jack R. Huddleston, Approaches to Financial Analysis and Investment Planning for Urban Development Projects in Sri Lanka (Kenya, Nairobi: United Nations Center for Human Settlements (HABITAT), 1984).

<sup>a</sup>for 1953

<sup>b</sup>for 1963

<sup>c</sup>for 1971

<sup>d</sup>for 1981

TABLE 2

Average Annual Growth Rates for Total, Urban and Rural Populations, Each Decade 1920-2000; 1920-50; 1950-2000; and 1980-2000

Region	1920-30	1930-40	1940-50	1950-60	1960-70	1970-80	1980-90	1990-2000	1920-50	1950-2000	1980-2000
<u>World</u>											
Grand total	1.1	1.0	0.9	1.7	1.9	1.9	1.9	1.7	1.0	1.8	1.8
Total urban	2.2	2.4	2.2	3.5	2.9	2.9	2.9	2.8	2.3	2.5	2.9
Total rural	0.8	0.6	0.4	0.9	1.3	1.3	1.1	0.6	0.4	1.1	0.9
<u>More Developed Countries</u>											
Total	1.2	0.8	0.4	1.3	1.1	0.9	0.8	0.6	0.8	0.9	0.7
Urban	1.9	2.0	1.4	2.5	2.1	1.7	1.5	1.2	1.8	1.8	1.4
Rural	0.7	-0.2	-0.5	-0.3	-0.6	-1.0	-1.2	-1.4	0.0	-0.9	-1.3
<u>Less Developed Countries</u>											
Total	1.0	1.2	1.1	2.0	2.3	2.3	2.3	2.2	1.1	2.2	2.2
Urban	3.0	3.2	3.7	8.0	3.9	4.0	4.0	3.8	3.3	4.1	3.9
Rural	0.8	0.9	0.7	1.3	1.8	1.7	1.4	1.2	0.8	1.5	1.3
<u>Asia</u>											
Grand total	0.9	1.1	1.0	1.8	2.1	2.2	2.0	0.7	1.0	2.0	1.9
Total urban	2.5	3.3	3.0	4.6	3.5	3.6	3.6	3.5	2.9	3.8	3.6
Total rural	0.7	0.8	0.7	1.2	1.7	1.7	1.3	0.7	0.7	1.3	1.0
<u>East Asia</u>											
Grand total	0.7	0.7	0.7	1.5	1.6	1.6	1.3	1.1	0.7	1.4	1.2
Total urban	2.6	2.7	2.5	5.8	3.1	3.1	2.8	2.7	2.6	3.5	2.7
Total rural	0.4	0.4	0.4	0.3	1.1	1.0	0.4	-0.1	0.4	0.5	0.1
<u>South Asia</u>											
Grand total	1.2	1.4	1.3	2.1	2.5	2.6	2.5	2.1	1.3	2.4	2.3
Total urban	2.2	4.1	2.7	3.1	3.9	4.2	4.5	4.3	3.3	4.0	4.4
Total rural	1.1	1.1	0.9	1.9	2.2	2.2	1.9	1.1	1.0	1.8	1.5
<u>Sri Lanka</u>											
Grand total			2.7 <sup>a</sup>	2.3 <sup>b</sup>	1.6 <sup>c</sup>						
Urban			5.2	4.4	1.2						
Rural			2.2	1.4	1.7						

SOURCES: Same as Table 1.

<sup>a</sup> Annual growth rates for 1953-63<sup>b</sup> Annual growth rates for 1963-71<sup>c</sup> Annual growth rate for 1971-81

TABLE 3

Percentage Urban (Level of Urbanization)

Region	1920	1930	1940	1950	1960	1970	1980	1990	2000
World	19	22	25	28	34	38	41	46	51
More Developed Countries	39	42	47	52	59	65	71	76	80
Less Developed Countries	8	10	13	16	22	26	31	36	43
Africa	7	9	10	14	18	23	29	36	43
Latin America	22	28	31	41	49	57	65	71	75
Asia	9	10	13	16	21	24	27	32	39
East Asia	9	11	13	16	25	29	33	39	45
South Asia	9	10	12	16	17	20	23	28	35
Sri Lanka			15 <sup>a</sup>	19 <sup>b</sup>	22 <sup>c</sup>	22 <sup>d</sup>			

SOURCES: Same as Table 1.

<sup>a</sup>for 1953<sup>b</sup>for 1963<sup>c</sup>for 1971<sup>d</sup>for 1981

Developing countries, have and will continue to register very rapid increases in urban population during the second half of this century--a ten-fold increase, more than twice the total population growth rate and more than four times the rate of increase in rural population. Amongst the developing regions of the world, Asia will continue to have the lowest level of urbanization such that in the year 2000, 39 percent of its population will be urban, followed by Africa (43 percent) and 75 percent in Latin America (see figure 1). Although the level of urbanization in less developed countries will continue to be significantly lower than the level in developed countries, the total number of urban dwellers in less developed countries exceeded the total number of urban dwellers in developed countries for the first time in 1980. By the year 2000, it is anticipated that 2 out of every three urban dwellers will be in the less developed countries (reverse of the situation that existed in 1950). Urban population in the less developed countries of Asia was 90 million in 1920, 342 million in 1950, 689 million in 1980, and is likely to increase to 1.4 billion by the end of the century. During the second half of this century, the rate of growth of urban population is likely to average around 4 percent per annum, more than doubling itself every two decades. It may be noted that during 1950-2000, more than 60 percent (or 1.2 billion) of the 1.8 billion increase in urban population in developing countries is expected to be in Asia, and of the 1.2 billion increase in Asia, two countries--India and the People's Republic of China--will account for a significant majority of the incremental urban population in Asia.

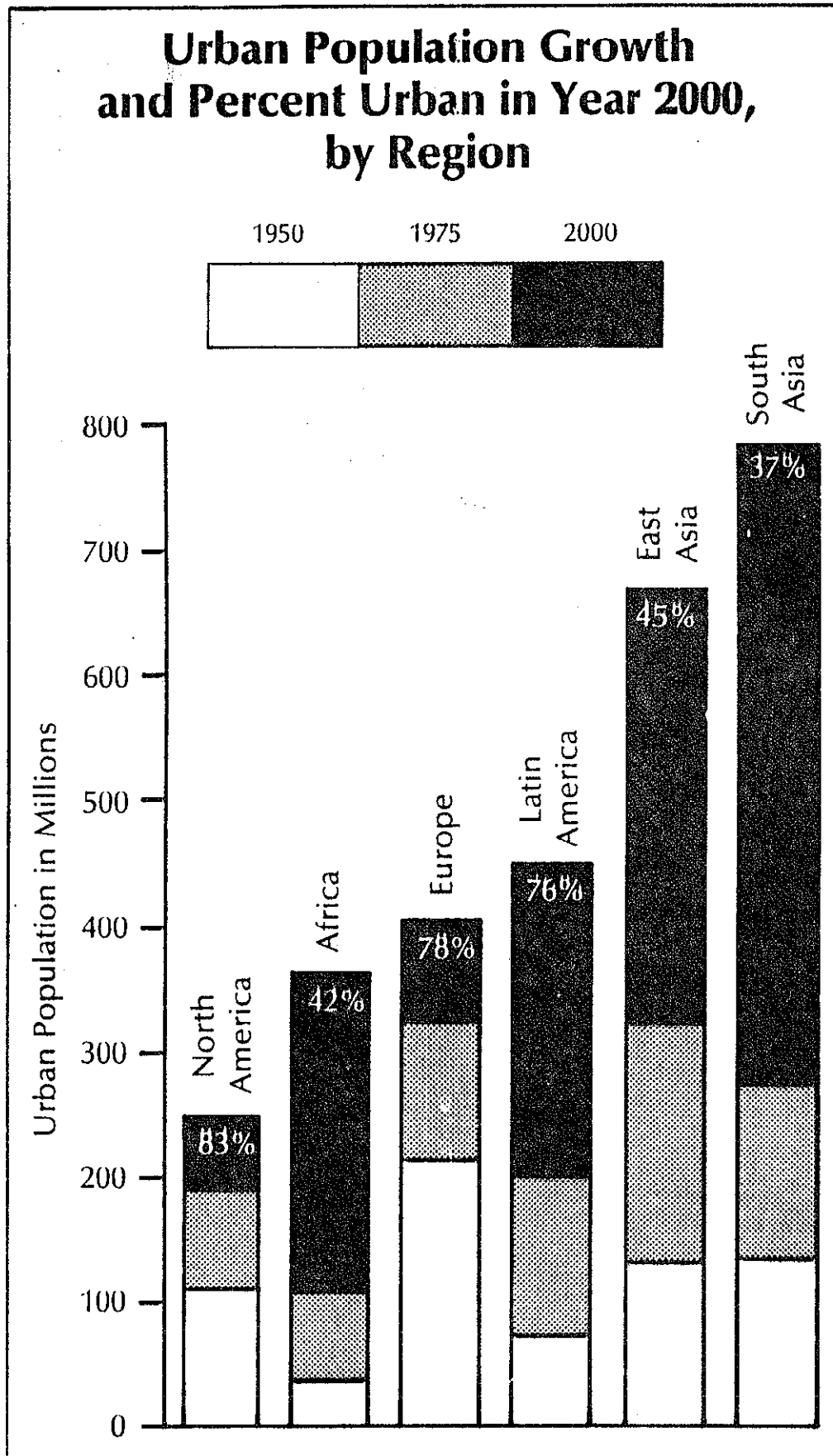
A salient feature of the urbanization process in the developing countries has been the invariable trend towards concentration of population in the capital cities and large urban centers.<sup>2</sup> The

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<sup>2</sup>Ibid (see Table 4 for details)



FIGURE 1



Source: Demographic Indicators of Countries: Estimates and Projections as Assessed in 1980, United Nations, New York, 1982.

TABLE 4

## Urbanization Pattern

Region	Percent (cumulative) of Urban Population					
	1950	1960	1970	1980	1990	2000
<u>20,000+</u>						
World Total	76	77	76	76	76	76
More Developed Countries	79	78	78	78	78	78
Less Developed Countries	72	76	74	75	75	75
Asia	80	79	78	79	79	78
East Asia	89	82	81	82	82	82
South Asia	70	76	75	76	75	76
Sri Lanka	-	-	-	54	-	-
<u>100,000+</u>						
World Total	54	59	62	65	67	70
More Developed Countries	66	63	66	66	69	69
Less Developed Countries	50	53	57	64	66	71
Asia	52	54	56	63	66	69
East Asia	59	55	55	64	67	69
South Asia	45	52	57	62	65	68
Sri Lanka	-	-	-	38	-	-
<u>1,000,000+</u>						
World Total	25	29	32	36	41	43
More Developed Countries	28	32	34	38	40	40
Less Developed Countries	19	26	30	35	41	44
Asia	23	28	44	35	39	42
East Asia	29	32	34	37	40	42
South Asia	17	23	27	32	39	42
Sri Lanka	-	-	-	-	-	-
<u>5,000,000+</u>						
World Total	7	10	13	14	16	21
More Developed Countries	10	14	14	14	15	16
Less Developed Countries	2	6	10	14	17	23
Asia	6	9	12	15	18	22
East Asia	12	12	17	16	18	20
South Asia	0	5	6	14	17	16
Sri Lanka	-	-	-	-	-	-

SOURCES: Same as Table 1.

developing countries in Asia, however, vary widely in terms of the level and tempo of urbanization, and the primacy of the cities (see Table 4). Despite these variations, however, a few generalizations can be made:

First, generally countries in the middle income group (Republic of Korea, Malaysia) have a higher percentage of urbanization. Second, population concentration in the metropolitan and large cities is common in most DMC's (Developing Countries Members of the Asian Development Bank)--a feature on which the concern for the problems of urbanization is largely focussed. Third, large cities have generally been growing as rapidly as the total urban population of the country, and there is no evidence that today's very large cities (population above five million) are encountering any natural or technological limits to this growth.<sup>3</sup>

However, what is most interesting to note is that the respective patterns of urbanization (in terms of concentration of population in different city-sizes) in the developing and developed countries were quite different until recently. But the patterns have become very similar such that by the year 2000 the largest cities (1 million+ and 5 million+) are likely to account for a larger percent of the total population in the developing countries (including Asia) than the developed. To underscore this point, it may be pointed out that of the world's 15 largest cities in 1950, 11 were in the developed countries. In the year 2000, 12 of the 15 largest cities will be in developing countries--eight in the Asian developing countries.

In many respects the demographic and urbanization processes in Sri Lanka followed less developed countries' trends through 1970. For example, the annual rate of growth of population during the 1950s was 2.7 percent and during the 1960s it declined slightly to 2.3 percent per

<sup>3</sup>Asian Development Bank, Bank's Strategy for Assistance in Urban Development (Manila, 1980, draft).

annum. The comparable rates for urban population were 5.2 and 4.4 percent respectively. However during the period 1971-1980, the growth of population declined to 1.6 percent per annum, with rural and urban populations growing at 1.7 and 1.2 percent respectively-- note that the rate of growth of the urban population was lower than the rural and average rates of growth.<sup>4</sup> In a recent report the World Bank suggests that the urbanization process may accelerate somewhat during the rest of this century. In 1980, for which data are available for Sri Lanka, the urbanization pattern was also different, showing below average concentration of population in cities of 20,000+ and 100,000+ respectively. According to the 1981 census, the population of Colombo, the largest city, was just under 600,000 (for details see Tables 5, 6, and 7). The slowing down of the population growth as well as the urbanization process in Sri Lanka have largely been attributed to successful efforts of the government which have resulted in geographically dispersed social services and nearly equal social welfare indicators in urban and rural areas.<sup>5</sup> Demographic and certain other indicators in the context of income are quite impressive in Sri Lanka relative to several comparable countries (see Table 7).

Review and analysis of demographic and urbanization processes suggests the following four major concerns for public policy and planning with respect to urban development:

1. Urbanization-process (rate) cannot be influenced to any appreciable extent.

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<sup>4</sup>M. W. J. G. Mendis, "An Analysis of the Inter-Censal Growth of Towns in Sri Lanka," Development Planning Review, Vol. 1, Nos. 1 and 2, December 1982, pp. 1-13.

<sup>5</sup>World Bank, op. cit., and G. V. S. de Silva, Some Heretical Thoughts on Economic Development (Colombo, Sri Lanka: Lake House Investments Ltd., 1973).

TABLE 5

Population Growth and Urban Population Growth 1953-1981

	<u>1953</u>	<u>1963</u>	<u>1971</u>	<u>1981</u>	<u>1953-63</u>	<u>1963-71</u>	<u>1971-81</u>	<u>1963-81</u>
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	3,194		4.4	1.2	2.6
% Urban	15.3	19.1	22.4	21.5				

Source: World Bank, Sri Lanka Urban Sector Draft Report (July 1983)

TABLE 6

SRI LANKAPOPULATION OF THE MUNICIPAL COUNCILS AND URBAN COUNCILS IN 1981 <sup>1/</sup>  
(above 14,000 persons)

Name of Town	Population 1981 Census	Average Annual Growth Rate (%) in the Inter-Censal Periods	
		1963-1971	1971-1981
Colombo Municipal Council (MC)	585,776	1.24	0.42
Dehiwela - Mt. Lavinia (MC)	174,385	4.88	1.27
Jaffna (MC)	118,215	1.65	0.98
Moratuwa Urban Council (UC)	135,610	n.a.	n.a.
Kandy (MC)	101,281	4.60	0.82
Kotte (UC)	101,563	n.a.	n.a.
Galle (MC)	77,183	1.15	0.61
Negombo (MC)	61,376	2.64	0.75
Trincomalee (UC)	44,913	n.a.	n.a.
Batticaloa (MC)	42,934	7.45	1.68
Matara (UC)	39,162	n.a.	n.a.
Anuradhapura (UC)	36,248	n.a.	n.a.
Badulla (MC)	32,954	3.85	-0.49
Matale (MC)	29,745	2.19	-0.31
Ratnapura (MC)	37,354	5.23	2.83
Kalutara (UC)	31,495	n.a.	n.a.
Kurunegala (MC)	26,519	1.88	0.53
Puttalam (UC)	21,463	n.a.	n.a.
Chilaw (UC)	20,830	n.a.	n.a.
Nuwara Eliya (MC)	21,319	1.46	3.04
Kegalle (UC)	14,920	n.a.	n.a.

<sup>1/</sup> There are 12 Municipal Councils, 38 Urban Councils, and 24 Development Councils.

Source: Census of Population and Housing, Sri Lanka - 1981 and M.W.J.G. Mendis, op. cit.

2. There is a great deal of discussion in the literature concerning the pattern of urbanization and need to develop an appropriate hierarchy of urban centers. However, it may be pointed out that there are no theoretically generalizable models to accomplish this. In the majority of developing countries, urban development strategies are random efforts at altering the pattern of urbanization. There is no empirical evidence to suggest that these policies have been effective.<sup>6</sup>
3. Management problems of very large cities in terms of (1) providing accessibility of urban services and facilities for large segments of poor households; and (2) improving environmental conditions.<sup>7</sup>
4. Size (and level) of urbanization may result in different policy concerns in different countries.

When the above concerns are analyzed within the perspective of the urbanization process in Sri Lanka, only item 3 above is of crucial importance. Although concern is at times expressed that Colombo is too large and/or has some attributes of being a primate city. We believe that concern about the pattern of urbanization in Sri Lanka (item 2 above) should not be very serious.<sup>8</sup>

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<sup>6</sup>H. Richardson, City Size and National Development Strategies in Developing Countries (Washington, D.C.: World Bank Staff Working Paper No. 252, 1977); and Bertrand Renaud, National Urbanization Policies in Developing Countries (Washington, D.C.: World Bank Staff Working Paper No. 347, 1979).

<sup>7</sup>See for example Johannes F. Linn, Cities in Developing World: Policies for Their Equitable and Efficient Growth (Oxford University Press, 1983).

<sup>8</sup>Primacy index for Sri Lanka on a four city basis in 1981 is only 1.1.

PLANNING APPROACHES FOR NATIONAL AND URBAN DEVELOPMENT  
AND THEIR INSTITUTIONAL SETTING<sup>9</sup>

National planning is grounded in economic development planning with a sectoral orientation, while urban planning conventionally focusses upon physical/spatial development with an inter-sectoral, comprehensive emphasis.

National plans are of two types--general policy and sectoral plans and administrative agency functional plans prepared by ministries and departments. The latter are typically inputs to the national plan, but are prepared more frequently, are more specific, and are keyed into a national fiscal allocation cycle. National planning is characterized by stronger vertical relationships, with horizontal coordination at the general policy level; it is commonly deficient in project specifics. It is generally dominated by a top-down planning system in which the flow of decisions emanates from a central authority.

Local urban planning has had a physical emphasis, with an orientation towards individual projects. Because of the specificity of project planning and execution, there are often better horizontal ties and informal coordination among line agencies at the field or project implementation level.

The shortcomings of national planning have been widely described in the literature, and generally include at least the following:

- a) limited utility, i.e., lack of specificity and project content; essentially no linkage to national budgetary decisionmaking; and a seeming emphasis in macro-economic planning on the production of the published plan versus a plan as an implementable action program;

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<sup>9</sup>For a more detailed discussion see Stephen Born and Ved Prakash, "Integration of Local and National Level Development Planning." a paper presented at the Conference of Integrated Rural/Area Development Planning, Arusha, Tanzania, March 10-15, 1980.



- b) the failure to deal with inter-regional (urban) disparities;  
and
- c) a dismal record in addressing the needs of the poorer segments  
of society.

Representative of the harshest indictments is that by Caiden and Wildavsky (1974) who, after studying 11 non-communist countries, concluded that national planning should be abandoned.

Urban planning has experienced its own problems. The consequences have been poor project design and execution, a myopia regarding the nature and scale of the underlying developmental problems, limited staff capacity, insufficient fiscal resources, and an inability to deal with the fragmented and complex line agency budgets and programs to achieve areal integration.

At the risk of overstating the situation, the personnel legacy of national and local planning to date are economists at the national level who have become enthralled with elegant econometric modelling and physical/town planners at the local level who are concerned with their notion of "comprehensive planning." Both of these groups of planners have been largely divorced from decisionmaking and programmatic considerations (although there is increasing evidence of an evolution towards action-oriented planning at all levels).<sup>10</sup>

The prevalent national and local planning approaches point to the near intractable issues of integrating/coordinating economic and spatial planning. This is equally true of horizontal and vertical intergovernmental relations for urban development policies and programs.

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<sup>10</sup>See for example, Bendavid-Val, Avrom and Peter Waller (eds.), Action Oriented Approaches to Regional Development Planning (New York: Praeger Publishers, 1975), and Leo Jakobson, The Sketch Plan: A Method for Programming Action (Madison, Wis.: Regional Planning and Area Development Project, University of Wisconsin, 1981).

### Institutional Setting

The majority of developing countries have unitary systems of government. Constitutionally all powers rest with the central government. Only a handful of countries have a federated system where subnational governments are constitutionally assigned certain functions and revenue powers. Even in the latter group, subnational levels of government are largely dependent upon the national government for financial resources. From the fiscal dependence perspective, almost all developing countries either are or resemble unitary systems of government. Consequently, division of responsibilities and allocation of resources amongst different levels of government becomes a serious problem for intergovernmental coordination (relations). In most countries, policies and programs do not exhibit the needed dynamism and flexibility and thus they are unable to cope with the diversity among different urban areas.

The institutional problem is further compounded by the fragmentation of responsibilities dealing with urban planning and development programs at national and subnational levels. In a majority of the cases, individual projects and programs are planned, approved, and financed by different sectoral agencies and statutory bodies severely limiting the coordinated approach to urban development.

We believe, however, that this situation is less serious in Sri Lanka. Existing institutional arrangements encompassing urban development functions are far less fragmented and provide unmatched opportunities toward formulating coordinated urban development strategies, public policies and investment programs. Currently the overall national urban development policy is decided by the Subcommittee of the Cabinet of Ministers (who are directly concerned with activities related to urban development) under the Chairmanship of His Excellency the President. The Prime Minister is in charge of the Ministry of Local Government Housing and Construction (MLGHC) and is the key member

of the Cabinet Subcommittee. The Secretary of the MLGHC serves as secretary to the Subcommittee. All the important departments, authorities, boards, corporations and funds at the national level that are involved in urban development programs are either under the MLGHC or report directly to it.<sup>11</sup>

Project planning and management for urban development is generally inadequate in most of the concerned agencies. We believe that the serious shortcomings are the lack of attention to financial, investment, and when appropriate economic aspects as well as monitoring and evaluation phases. This is especially the case for projects for which the Urban Development Authority has the lead responsibility. Consequently, the potential opportunity for a coordinated set of urban development strategies, policies, investment programs and financing measures, mobilization of resources for financing capital outlays and maintenance and operating expenditures is currently not being utilized. The input of the MLGHC appears to be minimal in the public investment programming process.

A brief history on the role of the Urban Development Authority (UDA) is essential in understanding the institutional setting for urban development projects. The UDA was established in 1978 under Law No. 41 of the National State Assembly and has been amended several times. However, the more significant changes are incorporated in the Urban Development Authority (Amendment) Act, No. 4 of 1982. The UDA is entrusted with planning regulation and control, and implementation of

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<sup>11</sup>Departments of Local Government, Local Government Service, Town and Country Planning, National Housing and Buildings; Urban Development, National Housing Development, Central Environment, and Town Hall Foundation Authorities; National Water Supply and Drainage, Common Amenities, Local Government Service Advisory and Local Government Service Disciplinary Boards; State Engineering Corporation, Building Materials Corporation, and the Government Owned Business Undertakings of the Colombo Commercial (Engineering) Ltd.; and Local Loans and Development, and National Housing Funds.

integrated economic, social and physical development of designated urban areas. Its powers and functions include:

1. to formulate and submit development plans including capital investment plans to the Minister for approval by the Government;
2. to implement development plans and capital investment plans approved by the Government;
3. to formulate capital improvement programs;
4. to acquire, develop, and dispose of land in the urban development areas; and
5. to approve, coordinate, regulate, control or prohibit any development scheme or project, or any development activity, of any Government agency (including local government authorities) or any other person in designated urban development areas.

Since its inception, the UDA has played the crucial role in the formulation, design, and implementation of major urban development projects (e.g., the Parliamentary complex, the administrative complex, fish market, and other commercial and residential development--including upgrading of slums, and sites and services programs). The main emphasis to date has been on the physical design and engineering aspects of urban development projects. The economic and financial aspects have been given little if any attention. This has led to the adoption of standards on the basis of "desirable quality targets" rather than relative to costs, economic capacity, and adequate measures for resource mobilization. Consequently, the opportunity costs associated with the above mentioned major urban development projects may be quite high. This, in fact, has been borne out by the cost over-runs for all the above and other urban development and housing projects, and their dismal performance in terms of cost-recovery.

PUBLIC POLICY RESPONSES

The developing countries in Asia, like most other developing countries, are undergoing rapid socioeconomic changes, and most of them are engaged in varying forms of planning for national development. A review of some of the recent national development plans indicates that most of them do not contain clearly defined objectives and targets for urbanization. The concern is primarily expressed in terms of altering the pattern of urbanization. These plans concentrate on the problems of economic growth and increasing financial resources, while giving inadequate attention to relating economic development to spatial consequences. Some aspects of urbanization are discussed in the plans in conjunction with industrial location policy, as problems associated with housing or slums or the need to prepare "master plans" for all cities above a certain size.

From a public policy point of view, Dotson defines this lack of attention to urbanization and urban development in national planning as either unconscious, partial, uncoordinated or negative.<sup>12</sup>

Balanced regional development and elimination of disparities among regions have been major objectives expressed in most national plans. But only in a few instances are concrete suggestions presented with regard to the methods for achieving these objectives. The Indian and some other national development plans, for example, include explicit location policies as a means for distributing investment in new industry

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<sup>12</sup> Arch Dotson, "Urbanization and National Development in South and Southeast Asia," Report of the Southeast Asia Development Advisory Group (Urban Development Panel Seminars, New York: Asia Society, 1972), pp. 1-2. See also Bertrand Renaud, National Urbanization Policies in Developing Countries (Washington, D.C.: World Bank Staff Working Paper No. 347, 1979); and H. Richardson, City Size and National Spatial Strategies in Developing Countries (Washington, D.C.: World Bank Staff Working Paper No. 252, 1977).

more equitably among regions. Similarly, small-scale industry is identified and considered in the context of either rural or small town development. Despite these locational attempts, many Indian national planners admit that decentralization efforts have failed, that the aggregation of industry of different scales has continued in the large cities and that regional disparities have increased rather than decreased.

Another aspect of this quest for decentralization is evident in the continued interest in the development of new towns, particularly in conjunction with large-scale industrial investment and administrative reforms requiring new capital cities. The model for planning most of these new towns has generally been the British "garden city" in its manifold company town varieties. The resultant opportunity cost of this kind of urbanization is enormous, both in economic and in social terms.<sup>13</sup>

At the metropolitan level, urban planning has largely been modelled along the lines of European and North American examples. As a result, most of these "master planning" efforts have produced, at best, some interesting compilations of information about the nature of urban problems, and at worst a colorful map and picture books, some of which have become much sought after as collector's items. The conceptual poverty which has long dominated Western urban planning has been exported to the Asian metropolis despite, or perhaps because of the considerable interest which organizations like the United Nations, the Ford Foundation, and some of the bilateral technical assistance programs have shown in problems associated with the fast growth or the primate centers of the developing countries.<sup>14</sup>

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<sup>13</sup>Ved Prakash, New Towns in India: Monograph on Southern Asia No. 8 (Durham, North Carolina: Duke University, 1969).

<sup>14</sup>Leo Jakobson and Ved Prakash, (eds.), Metropolitan Growth: Public Policy for Southeast Asia (Beverly Hills, CA.: Sage Publications, 1974). pp. 259-286.

Until recently, the developing countries as well as multilateral and bilateral aid/donor agencies, dealt with urban shelter and infrastructure on a sectoral basis. A recent report of the World Bank correctly points out that:

The sector-by-sector approach by itself, however, has been found to have certain weaknesses, and it has been necessary to develop comprehensive integrated ways of providing shelter to make programs more effective in meeting the needs of low-income groups. Most of the previously mentioned services taken by themselves are important to the provision of shelter, but they are considerably more effective when they can complement one another. The provision of water supplies alone, for example, has only a minimal effect on health unless complementary measures are taken to improve the disposal of human waste... To bring these services together requires a high degree of planning and integration of investments in urban services that by and large is lacking in most urban areas... The purely sectoral approach, moreover, does not lend itself to addressing the problem of land tenure...

To improve the provision of shelter and complementary services, the Bank has put its greatest effort into financing of the upgrading of dwellings in existing settlements and sites-and-services projects for the development of new settlements. The salient feature of these projects has been the coordination of land tenure, public services, and private investment, along with the improvement of employment opportunities. The outstanding element of policy behind these projects is an emphasis on cost recovery and the development of shelter programs that can be replicated on a large scale.<sup>15</sup>

Past approaches, in a majority of the developing countries have by and large been inappropriate and ineffective. Another recent World Bank report summarizes the situation by stating that:

...Unfortunately, the need for sound policy and strategic investment was not fully appreciated in the 1960's in most countries. Governments frequently mounted expensive public housing schemes, extended water supply networks, and built roads on an ad hoc basis, without a long-term view of how they fit together in relation to anticipated needs. Policymakers and technicians lacked adequate technical and financial solutions to the problems they anticipated.

By 1970, the urban dilemma appeared particularly intractable because awareness of urban needs had developed at the same time as an international consensus was emerging that the rural sector should be the priority for assistance. Urban investment which

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<sup>15</sup>Shelter: Poverty and Basic Needs Series (Washington, D.C.: World Bank, September 1980).

used scarce public funds would divert needed resources from the rural sector. This view was supported by the fact that urban investment was frequently subsidized at the time and benefitted only a minority of the population. Moreover, urban services with high unit costs, provided on a subsidized basis, could not be extended to the urban masses. It was, therefore, essential that a new approach be found which acknowledged that the urban sector could and should pay for itself and which provided services which were affordable to the urban poor and thus permitted replicability for the sector as a whole.<sup>16</sup>

As pointed out in the preceding section, in the case of Sri Lanka, the public policy response to urban development problems has been similar to other developing countries (including Asia) in general. In recent years it has become evident that lack of coordination amongst government departments, agencies and authorities with regard to urban development projects and programs (especially inadequate attention to financial aspects) has led to unprecedented and accelerated short-falls with respect to mobilization of resources for financing urban facilities and long-run maintenance and operating expenditures. Thus there is an urgent need for a systematic review of current urban development strategies and programs.

#### ECONOMIC AND FISCAL ASPECTS

Policies and strategies for resource mobilization for financing urban development must be viewed within the broader framework of national income and social accounts; national (central), state (provincial), and local government revenues and intergovernmental fiscal transfers; and capital and annual (maintenance and operating) costs associated with urban service requirements.

The scale and rapid growth of urban population translates into massive capital investment requirements and resulting long-term reoccurring costs in most developing countries. When these costs

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<sup>16</sup>Learning by Doing: World Bank Lending for Urban Development (Washington, D.C.: World Bank, 1983).



TABLE 7

Sri Lanka: Comparison of Demographic Indicators in Income Context

	Per Capita Income (US\$) 1980	Crude Death Rate Per 100 Population (1980)	Life Expectancy at Birth (1980)	Average Annual Population Growth (1970-1980)
Zaire	220	18	47	2.7%
Malawi	230	22	44	2.9%
Mozambique	230	18	47	4.0%
India	240	14	52	2.1%
Haita	270	14	53	1.7%
Sri Lanka <sup>1</sup>	270	7	66	1.6%
Sierra Leone	280	18	47	2.6%
Tanzania	280	15	52	3.4%
China	290	8	64	1.8%
Guinea	290	20	45	2.9%
Industrial Market Economies	-	9	74	0.8%

SOURCE: World Development Report, 1982

<sup>1</sup>The data for Sri Lanka differ slightly from most country sources but are included here as contained in the World Development Report, for purposes of comparison.

are juxtaposed with extremely low levels of income and net savings, the severity of constraints and the importance of resource mobilization come into focus.<sup>17</sup>

It may also be pertinent to point out that during 1970-1980 population and Gross National Product both grew at average annual rates of 2.7 percent in the less developed countries, whereas the Gross National Product grew at 3.2 percent per annum and population at 0.8 percent per annum in the more developed countries. The less developed countries taken together are thus faced with an extremely difficult situation, i.e., limited resources in the face of rapidly rising urban populations and related facilities and service requirements.

Per capita Gross National Product (1981) and average annual rates of growth during the last two decades for 16 Asian countries are presented in Table 9. The World Bank's 1983 Report on World Development divides the 117 countries (market economies) into five groups:

(1) low-income countries (per capita GNP of US\$400 or less); (2) lower middle-income countries (per capita GNP between US\$420 and 1,630); (3) upper middle-income countries (per capita GNP between US\$1,700 and 5,670); (4) high-income oil exporters (per capita GNP between US\$8,560 and 24,660); and (5) industrial market economies (per capita GNP between US\$5,230 and 17,430). Of the 16 countries included in Table 9, eight including Sri Lanka belong to group 1 (low-income) countries, four to group 2, and the remaining four to group 3.

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<sup>17</sup>A recent study by the World Bank and the WHO estimated that incremental per capita capital costs for urban water supply to be around US\$121 (1977 prices) for house connections and US\$48 for street standpipes. The sanitation costs were estimated to be around US\$112 for house connections and US\$35 for household systems. A somewhat conservative estimate for minimal standards for the very basic facilities such as water supply, sanitation, roads, street lighting, drainage, and schools may range between US\$350 and 500 per capita. Maintenance and operating (reoccurring) costs may be around US\$50 per capita per annum.

TABLE 8  
Per Capita Gross National Product in Selected  
Developing Countries in Asia

<u>Country</u>	<u>GNP Per Capita</u>		<u>Rank</u> <sup>1</sup>
	Dollars in 1981 prices	Average Annual Growth (Per Cent) - 1960-81	
Afghanistan	170 <sup>2</sup>	0.5	9
Bangladesh	140	0.3	5
Burma	190	1.4	8
China <sup>3</sup>	300	5.0	21
Hong Kong	5,100	6.9	91
India	260	1.4	17
Indonesia	530	4.1	41
Korea, Republic of	1,700	6.9	74
Malaysia	1,840	4.3	77
Nepal	150	0.0	7
Pakistan	350	2.8	30
Papua New Guinea	840	2.5	51
Philippines	790	2.8	49
Singapore	5,240	7.4	93
Sri Lanka	300	2.5	24
Thailand	770	4.6	48

<sup>1</sup>Lowest to highest per capita GNP among the 125 countries included in the World Bank Report.

<sup>2</sup>for 1979 in current prices.

<sup>3</sup>Excluding Taiwan, whose per capita GNP was US\$890 in 1975 and average growth rate, 6.9 per cent (1965-74).

Source: International Bank for Reconstruction and Development, World Development Report 1983, (Washington, D.C., 1983).

In a majority of the countries (including Sri Lanka), the average annual growth rate has been under three percent. Only three countries (Hong Kong, Republic of Korea, and Singapore) had annual growth rates around seven percent. In real terms, per capita GNP may have declined in several countries.

Given the low level of income and pattern of income distribution, the incidence of poverty (both urban and rural) is relatively much higher in the developing countries of Asia (see Tables 10 and 11) than other regions. Thus the level of net savings in most of the developing countries is extremely low. Even if urban development infrastructure is accorded a high priority in the developmental context, available resources may be quite deficient in most of the countries.

Analysis of public sector data indicates that the size of public sector relative to the national income is rather small in many of the developing countries in Asia. In about half, total public expenditures constitute less than 25 percent of the Gross Domestic Product. In 1981 there were three countries where this percentage was just over 30 (Malaysia, Singapore and Sri Lanka). The total public expenditure relative to Gross National Product has changed only slightly during the last two decades in most of the developing countries in Asia. Government revenue receipts (all levels) constitute less than 20 percent of the Gross Domestic product in a majority of them. In Sri Lanka, per capita total current revenue in 1975 was US\$31, of which US\$26 were through taxation. It is important also to note that the tax structure relies heavily on indirect taxes in most of the developing countries in Asia.

Investment in urban development in Sri Lanka has been concentrated in a small number of large projects in Colombo and a few other selected urban centers. For example a large proportion of the total planned investment in urban development during 1979-84 has been in three projects in Colombo,

TABLE 9

## Income Distribution in Selected Developing Countries in Asia

Country	Year	Percentage Share of Household Income by Percentile Groups of Households					
		Lowest 20 Percent	Second Quintile	Third Quintile	Fourth Quintile	Highest 20 Percent	Highest 10 Percent
Bangladesh	1973-74	6.9	11.3	16.1	23.5	42.2	27.4
Nepal	1976-77	4.6	8.0	11.7	16.5	59.2	46.5
India	1975-76	7.0	9.2	13.9	20.5	49.4	33.6
Sri Lanka	1969-70	7.5	11.7	15.7	21.7	43.4	28.2
Indonesia	1976	6.6	7.8	12.6	23.6	49.4	34.0
Thailand	1975-76	5.6	9.6	13.9	21.1	49.8	34.1
Philippines	1970-71	5.2	9.0	12.8	19.0	54.0	38.5
Republic of Korea	1976	5.7	11.2	15.4	22.4	45.3	27.5
Malaysia	1973	3.5	7.7	12.4	20.3	56.1	39.8
Hong Kong	1980	5.4	10.8	15.2	21.6	47.0	31.3

Source: World Bank, World Development Report, op. cit. pp. 200-201.

TABLE 10

PROJECTED GROWTH IN THE NUMBER OF HOUSEHOLDS IN POVERTY, RURAL AND URBAN, 1975-2000<sup>1</sup>

Region	1975		1980		1990		2000	
	Increase or Decrease		Increase or Decrease		Increase or Decrease		Increase or Decrease	
	Urban poor households (thousands)							
Eastern Africa	1,039	+330.5	1,369.5	+1,175	2,544.5	+2,158.5	4,703	
Western Africa	1,072	+333	1,405	+861	2,266	+961	3,227	
East Asia and the Pacific	2,664	+1,491	4,155	+956	5,111	+633	5,744	
South Asia	10,213	+3,757	13,970	+7,285	21,255	+11,300	32,555	
Europe, the Middle East, and North Africa	5,581	+669	6,250	+1,324	7,574	+1,169	8,743	
Latin America and the Caribbean	12,945	+1,078	14,023	+2,775	16,798	+2,530	19,328	
Total	33,514	+7,658.5	41,172.5	+14,376	55,548.5	+18,751.5	74,300	
	Rural poor households (thousands)							
Eastern Africa	5,902.5	+555.5	6,458	+1,100	7,558	+1,067	8,625	
Western Africa	2,670	+268	2,938	-450	2,488	-250	2,238	
East Asia and the Pacific	14,327	-1,774	12,553	-834	11,719	-1,847	9,872	
South Asia	49,677	-878	48,799	-7,763	41,036	-8,327	32,709	
Europe, the Middle East, and North Africa	4,563	-802	3,761	-1,428	2,333	-930	1,403	
Latin America and the Caribbean	6,040	-1,108	4,932	-1,904	3,028	-1,407	1,621	
Total	83,179.5	-3,738.5	79,441	-11,279	68,162	-11,694	56,468	

1. Based on estimates of real per capita incomes through the year 2000, using United Nations medium-variant rates of growth of population and World Bank projections of real growth of national income. Poor households in 1975 are here defined as those living in absolute poverty in 1975 in all rural areas except those in El Salvador and Jamaica and in all urban areas in East Asia, Malawi, Zambia, and Egypt. In all other instances the numbers of those in absolute poverty are small in comparison to the numbers of those in relative poverty, which indicates that the relatively poor are the appropriate target group. In determining movements in and out of poverty in the course of time, the thresholds of both absolute and relative poverty are held constant in 1975 dollars. The accuracy of the projected figures is dependent upon a fairly stable distribution of income.

SOURCE: World Bank, Shelter: Poverty and Basic Needs Series, op. cit.

i.e., Parliamentary Complex, New Administrative Complex, and the New Fish Market.<sup>18</sup>

Public sector housing during the corresponding period has been about the same as in the above three projects and is concentrated in Colombo and Kandy. Water supply and sanitation accounts for most of the remaining investments in a few selected urban areas. It appears that this investment in a few large areas has constrained investments in many of the smaller urban centers. It seems that planning for urban development projects has been seriously lacking in financial and investment aspects.

The most serious issue that emerges from the discussion above underscores the need for strict adherence to affordability, cost recovery, and replicability as they become paramount in the context of public policies and programs for urban development. It is all the more important that physical, economic, and financial aspects of urban development plans and projects must be considered as integrated elements of the planning and public policy processes.

#### SUMMARY

The International Conference on Population and the Urban Future, sponsored by the United Nations Fund for Population Activities held in Rome from September 1-4, 1980 proposed that individual countries develop a strategy for national planning for urban futures. They also suggested that such strategies be supported by appropriate legislation and funding and that they include three important elements:

1. the formulation of comprehensive national population policies;

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<sup>18</sup>Total public sector planned outlays (for the country as a whole) during 1983-87 are around Rs 128 billion of which housing, water supply, and urban development accounts for Rs 12 billion (or 10 percent of total). The cost of the above three projects (1979-1984) is estimated to be around Rs 3.0 billion.

2. policies for balanced development; and
3. policies for improvement of urban areas.

We believe that the approach to policies dealing with distribution of population (elements 2 and 3 above)--especially in mixed economies--must recognize the difficulties of formulating comprehensive urbanization policies and the limited success of such policies in the past. Urbanization processes--level, rate, and pattern--depend to a large extent upon a myriad of private decisions (individuals, households, firms and other entities). It may be argued that comprehensive urbanization policies may neither be feasible nor desirable. What may be more appropriate is to aim for selectively comprehensive action oriented strategies, planning and policy approaches.<sup>19</sup>

In terms of the third element of the strategies (i.e., policies for improvement of urban areas), the urban development issues vary a great deal from one developing country to another and perhaps from one point in time to another in a given country. A great deal of specificity is thus essential as to the scope, elements and institutional arrangements for effectively dealing with extremely complex urban development problems in the context of public policies and programs.

As pointed out earlier, the scale and rapidity of the urbanization process in the Asian developing countries is unparalleled in history. The problems of planning, resource mobilization and financing urban development should be differentiated in terms of different city-sizes. Investment requirements and fiscal efforts for financing long-run expenditures are so massive that urban facilities and services in the large cities

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<sup>19</sup>For example in Sri Lanka the authors in an earlier report on their short-term mission to Sri Lanka sponsored by UN-HABITAT in 1983 (Approaches to Financial Analysis and Investment Planning for Urban Development Projects) outlined an approach to the formulation of a National Urban Development Budget including specific systems of financial and investment analysis for public sector financed urban development programs and projects as well as public sector financial impact of private sector financed projects.



must be largely self-financing. Per capita incomes are generally positively associated with city size, thus the economic capacity in these cities may be two, three, or more times that of their respective national average.

The prevailing worldwide attitude among politicians and other major participants in public policy arenas is generally anti-urban, and particularly anti-big city. This attitude is commonly shared by planners of all kinds. The suggestions and arguments by various commissions, committees and others in many countries that large cities should get a very high priority in allocation of investment and other financial resources from the national government have not been heeded. Politically, they may not be feasible in the near future.

The size of the public sector is relatively small and many countries in Asia rely heavily on indirect taxes. It is likely that the overall incidence of taxation is not very progressive. Since income levels in large cities are generally several times that of the national average, it may be argued that there is room for much greater fiscal effort in large cities; thus, the case for complete reliance on national allocation of resources is not a strong one and cannot be justified. Rapidly growing cities must, therefore, bear a large proportion of the fiscal burden of financing urban facilities and services. The task of planning and resource mobilization for financing urban development may thus be best accomplished by giving the large cities more revenue-raising authority and more responsibility for their own expenditures.

Assignment of additional revenue and expenditure authority to local governments in large cities must be concomitant upon a marked improvement in assessment and collection administration of tax and other resources that are already available to them. In respect to additional assignment of tax and other revenue authority to local bodies, intergovernmental fiscal cooperation devices may provide many advantages over local administration in the case of specific tax and non-tax revenues.

Inter-governmental fiscal relations will continue to be of an increasing importance, although their objectives may be different for smaller urban areas and big cities. Intergovernmental fiscal cooperation devices such as tax supplements, tax credits, and tax sharing have necessarily to play much larger roles than they do at present. A suitable system of grants-in-aid must be developed to supplement the tax cooperation devices towards achieving broad policy coordination and functional cooperation; stimulating, controlling, and supervising local public agencies; and equalizing costs and opportunities among local governments to minimize the externalities and spillover effects.

The land situation is extremely critical in Asia. Urban land resources and rising land values offer major constraints and tremendous opportunities for urban growth management as well as mobilization of fiscal resources for urban development. Land taxation has a tremendous potential as a source of revenue and may provide important policy instruments towards achieving other public policy objectives, e.g., cross-subsidization for poor households.

The importance of taxation of land and buildings as a financing resource is considerable. Currently, property tax is a minor source and of little importance in terms of revenue in most of the developing countries in Asia. The property taxation should thus occupy an increasingly important place in efforts to finance urban services. The bases of exemptions, rates, assessment, and collection of real estate taxes must therefore be carefully examined in each country, and some radical changes may be called for. The recent experiences in Taiwan and the Republic of Korea with integrated land and property tax systems provide a basis for optimism in resource mobilization through similar fiscal devices.

Local tax revenues have generally been found to be less income-elastic than the provincial and particularly national taxes. Imbalances between expenditure requirements and resources available to urban local bodies are thus likely to continue and become cumulatively more accentuated in the future. Nontax revenues, especially user and beneficiary charges, can potentially provide more elastic sources of revenue in the face of rapid additions of population in the large cities and rising incomes with economic development. Thus, the role of pricing policies and cost recovery methods, along with increased reliance upon other nontax revenues may be extremely important in the resource mobilization context.

Rapid growth of large cities would require increasingly heavy amounts of investment in urban infrastructure facilities. In many of the countries, there are no capital markets from which the funds can be borrowed directly by the municipal governments. Only a handful of cities are able to secure even partial long-term financing against the issuance of their own bonds. Careful examination of alternative institutional arrangements (e.g., revolving funds and infrastructure development banks) to facilitate loan finance for urban capital improvement programmes in a particular country would thus be crucial.