Urban challenges for Sri Lanka's development and Indian connection

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Economic Planners claim that Sri Lanka's development should grow at around 8 to 10 per cent per annum for at least a decade, in order to overcome the twin problems of unemployment and low per capita incomes. This rate has however eluded Sri Lanka. While it has been going up and down, on average it has hovered around 5 per cent per annum. It appears as if there is a hoodoo to attaining a higher rate of sustained economic growth.

There are many pre-requisites for higher growth. Economists would sum it up in terms of the rate of investment and the efficiency of the capital. These are however determined by a number of other factors, such as correct macro-economic policies, infrastructure, education, skills, management abilities, technology, work ethics, political stability, law and order, and so on. It has become equally compelling for it to correlate to the demographics, and also the appropriate balance in the use of land. All of this offer massive challenges to the small island nation which has got embroiled in a long-haul conflict in its north and east.

The overcoming of these challenges is however necessary to ensure that the half a million or more unemployed, and the quarter million new entrants to the workforce have productive opportunities. Meanwhile, it is pertinent to note that Sri Lanka's demography is in transition. The country is expected to reach zero population growth in the third decade of this century, when the population will stabilise at around 22 million. One out of five of this population will be elderly by that time. No other country in the world has had an ageing of the population as rapid as in Sri Lanka. The median age will increase from today's 30 years, to 40 years by 2025, and to 50 years by 2050.

Another noteworthy forecast is that if Sri Lanka continues at a 5 per cent growth rate of the economy, it will take 19 years to double per capita incomes. However, if it rises to 8 percent, it will take 11 years, and at 10 per cent it will yet have to wait 8 years.

In this scenario, two key aspects need to be addressed on the challenges facing the country's development. One is that due to the stagnant levels of insufficient domestic savings, it has become essential to attract investment capital from abroad. For this, it will be necessary to create a conducive environment, which implies a macro-approach in it's planning. The other is to regionalize the policy-making process to ensure that growth is coupled with "balanced regional development". The latter would require a micro-approach. The co-ordination of both is what would be imperative.

The co-ordinated approach has a strong bearing on how the country's 65,000 sq. kilometres of land mass is spatially structured in its uses. The planning of same is what Physical Planners do by incorporating the nexus between the economic sectors and the urban-rural divide. In the former it is noteworthy that the dominant share (of over half), comprise the Services Sector. The latter reflects the trend of a corresponding rise in the urban share of the population. It has been forecast that its present 35 per cent will increase to 45 per cent by 2015, and to 65 percent by 2030.

This is not different to the other countries in Asia. It's formidable twins of India and China are expected to respectively become 42 per cent urban by 2021, and 43 per cent urban by end 2006. The Asian Development Bank has therefore advised the governments in Asia to recognise this and to formulate policies at managing the urbanisation process. Already, the Indian Prime Minister, Dr. Manmohan Singh, has reiterated that, "Indian cities could no longer continue to develop in a haphazard manner".

The above does not mean that the relevance and importance of the rural sector should be downplayed. It implies that Sri Lanka needs to manage it's urban-rural divide. The rural sector gives the country its food security, ecological balance, watersheds for conserving drinking water and for the generation of hydropower. This affirms the need to focus on the micro-approach in the planning process involving the regionalization of its spatial structure.

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As previously mentioned, Urban Sri Lanka is where the growth of the services sector of the economy is taking place. It is where the larger share of the upwardly mobile middle class live, and where foreign direct investment is invited and feted, and also where money makes money. On the other hand, Rural Sri Lanka is where a failed monsoon leading to a crop failure would mean disaster, and where a good monsoon leading to a bumper crop can also mean a disaster for the farmer who will have to sell for less.

The rural populations are therefore increasingly frustrated, being aware of the boom elsewhere but feeling hopelessly excluded from the new wealth. It's sensitivity has now reached the hot spots of the political barometer in Sri Lanka & in India. The latter nation has launched the National Rural Employment Guarantee Scheme coupled with the programme to provide urban amenities in rural areas (or the PURA project). It's aim is to create village clusters and provide them with physical, electronic, knowledge, and economic connectivity.

In Sri Lanka too, the Mahinda Chintana has embarked on the development of the less developed provinces, and it has also launched an initiative for electronic, physical, and economic connectivity in the rural areas.

It is for the aforesaid reasons that the urban-rural divide must be bridged within it's regional spatial framework.

Thus, being a small island nation sandwiched between a demography in transition and a vacuum as yet in it's urban-rural connectivity, the issue of it's infill with overseas investment capital has made development a challenge of enormous proportions. This situation is similar to what faces an entrepreneur who has a business with great prospects, but lacking sufficient capital. His or her choice then becomes as follows:

i. Borrow capital on reasonable or concessionary terms; or

ii. Raise cheap equity from the capital market by the issue of shares; or

iii. Establish partnerships with others *having capital.*

In the case of the Sri Lankan economy, the last option offers the strategically better choice as its own small market of 22 million with a low purchasing power may carry a poor rating for the other options.

It is therefore fortunate that Sri Lanka is a sovereign nation located in the Indian Ocean and in the Asian Region. It is even more fortunate that it is a mere 30 kilometres from its giant neighbour, India; separated only by a shallow waterway known as the Palk Strait. India has favourable attributes for Sri Lanka to form a partnership in its development paradigm.

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India is a land mass of 3.2 million sq. kilometres which is 58 times the land mass of Sri Lanka. It has a population of 1.1 billion which has been projected to reach 1.6 billion by 2050. It has a middle class of 250 million persons, and 80 million households having a significant disposable income. The overseas Indian Diaspora is 22 million. It's economy is growing at a sustained rate of around 9 per cent per annum. This year's budget expects it to rise to 10 per cent per annum. The continuity in this growth mode have prompted analysts, such as Goldman Sachs, to predict that by 2040, India's GDP will be third in global ranking after China and the USA.

India's contrasts are also true. One out of four Indians or 250 million earn less than US $ 2 a day. Also, currently India's per capita income on the basis of purchasing power parity is less that that of Sri Lanka. Furthermore, one out of three Indians cannot read or write. In addition, half the number of children who join primary school, dropout. Another concerning factor is that 5.7 million Indians are afflicted by AIDS.

Nevertheless, at the rate India's economy is growing, within the next decade the economic synergy that Sri Lanka can derive from it's neighbour will comprise the key to its own economic growth momentum. Already there is a Free Trade Agreement between the two. It is now being scoped to become a Comprehensive Economic Partnership Agreement. Both countries are also linked by air, sea, and telecommunications. The missing link is the land connectivity.

Sri Lanka and India with 21 other countries have however entered into an Inter-governmental Agreement to form the Asian Highway. India's component in same is its Golden Quadrilateral Highway Network, linking the east, west, north and south of that country. Sri Lanka's component has been envisaged (on paper) to be a ferry link across the Palk Strait to the Southern Indian State of Tamil Nadu, and from there onwards to India's Highway Network.

Analysts confirm that the catalyst for gearing the momentum of the aforesaid bilateral synergy is the Sri Lanka-South India sub-regional economy. The four southern states of Tamil Nadu, Kerala, Andhra Pradesh and Karnataka, with a population of over 200 million and comprising an urban share of 60 million, will consist of the Indian partner of the synergy. The energiser for Sri Lanka to cement the partnership will comprise the land connectivity between them.

The fundamental element to kick- start the synergy will be the harmonization of Sri Lanka's national spatial strategy with the corresponding strategies for the key metropolises of Bangalore (population: 6.4 million), Chennai (population: 7.4 million), Hyderabad, and Thiruvanathapuram.

For example, it has been recently reported that in Karnataka State, the Bangalore Development Authority is preparing a comprehensive development plan for completion before the end of the year. The State government has also approved a proposal by the Bangalore Metropolitan Regional Development Authority to form five satellite towns and link them with a ring road. Furthermore, a Master Plan for the all round development of the city of Mysore is planned. In addition, the Bangalore – Mysore development corridor is also earmarked.

In the state of Andhra Pradesh, the Hyderabad Urban Development Authority has envisaged major development initiatives in its metes and bounds including a Special Economic Zone (SEZ), an IT city, and an exclusive hotel zone.

The main thrust of the recent address of the Governor of the State of Kerala has also been on Capital City Development and on the deepwater international container transhipment terminal at Vizhinjan. The State government has asked the Metropolitan Corporations and Municipalities to prepare Master Plans to spur the development of the urban areas.

The newly elected DMK Government in Tamil Nadu State has announced its proposal to create satellite towns outside the Chennai Metropolitan Area to decongest the city centre. The concern over the direction of growth of Chennai and Coimbatore has surfaced because while the latter has a Master Plan, the former has had none for the last ten years. In the meantime, the Union Minister for Shipping, Road Transport and Highways who hails from the State has asserted that, "all road development projects in Tamil Nadu State had been put on fast track and would be completed as scheduled".

In the context of the aforementioned activities in planning & development of the key urban nodes of India's Southern States, it will be imperative for Sri Lanka to promote its interest in a Translational Spatial Strategy based on a Sri Lanka – South India sub – regional economy. It's consideration by our Foreign Ministry is timely.

It is meanwhile, pertinent to note that India has launched the dredging of the Palk Strait to create the Sethusamudram Canal on its side of the International Maritime Boundary Line. Reportedly 5.3 million cubic metres have already been dredged. The rest of it is to be completed by 2008. It's impact on the envisaged synergy between the urban nodes of the two countries now need to be addressed. It's overarchching aim should be for Sri Lanka to conceive the appropriate Transnational Spatial Strategy which will be sustainable in the post-Sethu era. Sri Lanka's desired rate of economic growth and of it's scale, may depend on same.