



ISTANBUL + 5

SRI LANKA

COUNTRY REPORT

*FOR THE SPECIAL SESSION OF
THE UN GENERAL ASSEMBLY
FOR AN OVERALL REVIEW
AND
APPRAISAL OF THE IMPLEMENTATION OF
THE HABITAT AGENDA*

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MINISTRY OF URBAN DEVELOPMENT, CONSTRUCTION & PUBLIC UTILITIES
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ABRIVIATIONS

BOC	= Bank of Ceylon
BOI	= Board Of Investment
CBO	= Community Based Organization
CCD	= Coast Conservation Department
CDC	= Community Development Council
CEA	= Central Environment Authority
CEB	= Ceylon Electricity Board
CMC	= Colombo Municipal Council
CMR	= Colombo Metropolitan Region
CMRSP	= Colombo Metropolitan Region Structure Plan
CZMP	= Coastal Zone Management Plan
DR	= Department of Railways
EIA	= Environmental Impact Assessment
EPF	= Employees Provident Fund
ETF	= Employees Trust Fund
GOSL	= Government of Sri Lanka
HDFC	= Housing Development Finance Corporation Ltd.
IEE	= Initial Environmental Examination
IFAD	= International Fund for Agricultural Development
IRDP	= Integrated Rural Development Programme
LA	= Local Authority
LG	= Local Government
LGTMU	= Local Government Training and Management Unit
MOFP	= Ministry of Finance and Planning
MTEWA	= Ministry of Transport, Environment and Women's Affairs
MPCLG	= Ministry of Provincial Councils and Local Government
MUDHC	= Ministry of Urban Development, Housing and Construction
NARESA	= Natural Resources, Energy and Science Authority
NGO	= None Governmental Organization
NHDA	= National Housing Development Authority
NSB	= National Savings Bank
NSF	= National Science Foundation
NWSDB	= National Water Supply and Drainage Board
O&M	= Operations and Maintenance
PB	= Peoples Bank
PC	= Provincial Council
PTFR	= Presidential Task Force Report (on Housing & Urban Development)
RDA	= Road Development Authority
SCUSP	= Secretarial Committee on Urban Sector Policy
SG	= Survey General
SLLRDC	= Sri Lanka Land Reclamation and Development Corporation
SLT	= Sri Lanka Telecom
SMIB	= State Mortgage and Investment Bank
STP	= Sustainable Townships Programme
REEL	= Real Estate Exchange (pvt.) Limited
UDA	= Urban Development Authority
UDLHP	= Urban Development Low Income Housing Project
ULA	= Urban Local Authorities
UNDP	= United Nations Development Programme
UNICEF	= United Nations Children's Fund
UPU	= Urban Project Unit
USIP	= Urban Settlements Improvement Project

SRI LANKA AT GLANCE

General Information	
Land Extent (Sq.Km.)	65,610
Capital	Colombo
Forest Cover (% of Land Mass)	21
Demographic Data 1999	
National Population (Millions- Estimated)	18.7
Total Population - Metropolitan Area (Millions)	4.6
Total Population - City of Colombo (Millions)	0.7
Population Growth Rate (National - %)	1.2
Population Growth Rate - Metropolitan Region (%)	1.4
Urban Population (Estimated - %)	28
Population Density (Per Sq.Km.)	296
Residential Density - Metropolitan area (Persons per Ha.)	36
Health	
Hospital Beds - Colombo Metropolitan Region (per 1000 population)	3.75
Number of Doctors - Colombo Metropolitan Region (per 1000 population)	4.25
Infant Mortality Rate - Colombo Metropolitan Region (per 1000 live births)	17.5
Under Nourished Population 1969 - 1971 (%)	21.5
Under Nourished Population 1990 - 1992 (%)	26.5
Ethnicity (%)	
Sinhalese	72
Tamil	20
Muslims	07
Religion (%)	
Buddhists	67
Hindus	17
Muslims	09
Christians	07
Economic	
GNP per capita, 1999 (US\$)	823
Social	
Unemployment Rate (%)	9.1
Average Households Size	5.0
Literacy rate - Both Sex (%)	92.3
Literacy rates - Colombo Metropolitan Region (%)	87.2
Population under National Poverty Line (%)	22.3
Life Expectancy Rate	73
Composition of National Housing Stock (%)	
Permanent	42
Semi Permanent	52
Improvised	6
Total (%)	100.0
Total Number of Units (Estimated - millions)	3.9
Composition of Colombo Metropolitan Region Housing Stock (%)	
Permanent	63
Semi Permanent	32
Improvised	6
Total (%)	100.0
Total Housing Number of Units	698,865
Local Government	
No. of Municipal Councils	14
No. of Urban Councils	37
No. of Pradeshiya Shabava (Village Level)	254

COUNTRY REPORT

SRI LANKA COUNTRY REPORT ON ISTANBUL + 5: REVIEW ON IMPLEMENTING THE HABITAT AGENDA

INTRODUCTION

The prime objective of the concise Country Report on Sri Lanka is to review the progress made since HABITAT II Conference held in Istanbul, June 1996. This document examines the progress made by Sri Lanka since HABITAT II (1996-1999) mainly on: a) the progress made including prevailing conditions, new trends, emerging issues and major areas of concern, b) policy and legislative changes, c) Institutional weaknesses and obstacles encountered, d) lessons learnt and e) recommendations for priority action, under six major chapters, namely, Shelter, Social Development and Eradication of Poverty, Environmental Management, Economic Development, Governance, and International Cooperation. The format of this presentation is in conformity with the guidelines of UNCHS, on the Country Report and the Performance Monitoring Annexure Indicators.

The content of this report is an out come of the National Workshop on "Sustainable Human Settlements Development in the Next Decade", organized by the National Habitat Steering Committee (NHSC) appointed by the GOSL, with the participation of all stakeholders, under the coordination of the Ministry of Urban Development, Housing and Construction, in Colombo, on 31st of March 2000.

It is an accepted phenomenon that the standard of housing reflects the socio economic performance situation of a country or a society. Addressing the issue of sub-standard housing in is one of the most serious development challenges in the next decade. For instance 51% of the Colombo's total population live in such conditions. Moreover, only 42% of the total housing stock of Sri Lanka is permanent. Therefore, provision of better housing, improving the quality of the national housing stock, ensuring security of tenure, improvements to infrastructure and creating sustainable environmental conditions are the major challenges that the economic development of Sri Lanka has to be addressed today. In the light of the above, Sri Lanka has been actively involved in promoting planned physical and urban human settlement development, since 1996. The 1998 Presidential Task Force on Housing and Urban Development has laid down the basic guidelines and directions under six major thrust areas such as: Urban development, Physical Planning, Environment, Human Settlements Development, and Water and Infrastructure Development, in compatible with the objectives of the HABITAT Agenda 21. Further the required institutional and coordination mechanisms were created to facilitate the objectives of the Presidential Task Force, removing number of legal and institutional impediments, causing hindrance to the fast track implementation of Sri Lanka programme on Urban and Human Settlement Development.

During the period under review, the human "Development Index Rank" (UNICEF- 1999) of the country has reached at 91, placing Sri Lanka above many of the developing countries. As a result of the full commitment of the GOSL to ensure social development and eradication of poverty, it has achieved a remarkable success in bringing down the mortality rate of the child population under five years of age and reducing Infant Mortality Rate to 16.1 per 1,000 live births, thus achieving "Under Five Mortality Rank" of Sri Lanka, standing at 136 in the Global context, which is best in the SAARC region. By the year 1999 the national literacy rate has reached at 94% as against 92% in the urban areas and the life expectancy at birth has reached 73 years and per capita GNP has increased to US\$ 823, while further reducing the population under National Poverty Line up to 22 %.

The country's ecological resources and the bio-diversity have to support the needs of the existing population of 18.7million and maintain the sustainable levels, without compromising the ability of future generations to have free access and use of its natural resources. The national population growth rate was comparatively low in Sri Lanka and it is on the decline (1.2% - 1999). But the urban population growth shows a tendency to take over the national growth rate marginally. Urban population consist of 30% of the total at the turn of the new millennium and according to the projections it will reach 45% by 2015, and 65% by the year 2030 respectively.

As a result of adoption of the market economic principals and policies in the sphere of economic management, Sri Lanka today is in the verge of changing from a traditional agricultural society into a manufacturing and service sector heavy economy. As a result the participation of the non-agricultural sectors in the GDP is on the increase (Manufacturing 17.1%, Construction 7.1%, Electricity 1.4 %, Transport 11.3%, Trade 22.5%, Banking 7.6%, Ownership of Dwelling 1.9% and Other 9.6%). The Annual real GDP growth of the country has been maintained at an average of 5% during 1996 - 1998 and the average level of investments and savings during the same period was 25% of GDP. Despite the current civil strife and high percentage of expenses for defence on one hand, and the serious set backs suffered in the South and Far Eastern Economies on the other, Sri Lanka was able to maintain the economic stability as well as achieving some progressive results in the spheres of social and economic development. The progress made in some selected sectors during the past five years (1994-1999) are as follows: labour force participation rate increased from 66% to 70.1%, employment rate increased from 5.2 to 6.1 million (of which 82% in the Private Sector).

14.4% to 9.1%, annual total of foreign employment increased from 49,911 to average of 158,200 per annum, domestic savings as a % of GDP increased from 14.7 to 19.2%, national savings as a % of GDP increased from 17.8 to 24.2%, inflation rate has reduced from 13 to 7%.

Sri Lanka is a country with long standing experience on Center - Periphery power sharing and devolution. This process was further strengthened by devolving more powers to the sub-national levels, by amending the constitution of Sri Lanka in 1987, creating the Provincial Council (PC) system. A further devolution of power to sub-national levels of the governments are being proposed under the New Constitution, which is gaining broader consensus through a vigorous public debate from all parties concerned, including the main opposition party of the Parliament in Sri Lanka. This newly proposed constitution will definitely empower all the sub-national level institutions with more authority and responsibilities in decision making, financial control, regional and local level development, management of natural resources including land and forests, housing, human settlements, urban and infrastructure development, health, education etc.

The GOSL has kept in focus, the role of the State in economic development, which was confined to areas where market mechanisms failed, while facilitating and guiding investment by the private sector. Policy directions on government investment emphasizes a gradual reduction in the budget deficit where the underlying strategy is aimed at reducing inflation, creating productive employment opportunities, reducing poverty, increasing savings & investment and promoting private sector activities in order to place the economy on the path of rapid economic development. Government has been successful in mobilizing and utilizing substantial volumes of foreign assistance towards the Public Investment Strategy and socio-economic development in Sri Lanka. Accordingly, the annual average foreign commitment during the past five year period 1995-1999 is around US \$ 750 million while the annual disbursement of such commitment is around US\$ 580 million. Sri Lanka wishes to harness international cooperation and assistance for the achievements of its priority needs in the coming two decades. Mobilization of housing finance, international development, basic infrastructure provision, development of monitoring mechanisms, human resources development, strengthening of NGOs/CBOs are some important areas identified for International Corporation. Finally, Sri Lanka is determined to support the HABITAT II, Global Plan of Action by accepting the principals and commitments embodied in the draft Global Plan of Action, extending institutional arrangements and facilities to the UNCHS, organizing manpower training and conducting exchange programmes for regional international requirements in the years to come.

CHAPTER ONE: SHELTER

An Overview

Since 1996, Sri Lanka has been actively involved in promoting planned physical and urban human settlement development. The 1998 Presidential Task Force on Housing and Urban Development has laid down the basic guide lines and directions under six major thrust areas such as: Urban development, Physical Planning, Environment, Human Settlements Development, Water and Infrastructure Development, in compatible with the HABITAT Agenda 21. Accordingly, the Ministry of Housing and Public Utilities had been empowered to execute the above thrust areas and renamed it as the Ministry of Urban Development, Housing and Construction. Further the required institutional and coordination mechanisms were created to facilitate the objectives of the Presidential Task Force, removing number of legal and institutional impediments, causing hindrance to the fast track implementation of Sri Lanka programme on Urban and Human Settlement Development.

(1) Security of Tenure

Sri Lanka is a basically home owning society where the occupants themselves privately own about 80% of the National Housing Stock. This ratio in the urban areas is comparatively low as about 60% (Annexure Indicator 1), due to high land values and usage of large stock of rental housing. However, as a result of the ongoing war like situation in the Northern and Eastern provinces of the country, nearly 450,000 people are reported to be displaced. All the other categories of tenure are around 15%, which includes purchasing, social housing rent free, squatting, etc.

1.1. Progress Achieved Since 1996

- ▶ All tenants in the Government Owned Housing Schemes (approximately 78,000 housing units) have been given an opportunity to become the absolute owners of those units. As a result almost 80% of the tenants of such housing schemes have become owners, while the balance is yet to be converted as the owners.
- ▶ Tenureship of the private owned rental houses have been well secured due to influence of the rent Act No. 2 of 1972.
- ▶ Tenureship of occupants in government owned low-income urban settlements were well secured having executed long-term lease for 50 years for the extent of land they occupy.

Sri Lanka is not practicing evictions as a means of obtaining land for any form of development. However there may be instances where a development intervention such as building of a road, secretariat, housing, market or school complex, bus stand, and/or should proceed for the greater benefit of society, in spite of the potential adverse effects on some people. In such cases, in terms of present law and practices, the people who may be adversely affected by the development intervention should be consulted and compensated for their losses and even assist to rebuild their houses and communities, re-establish their enterprises and commit to their capacity building and potentials as productive members of society, at a level generally, at least equivalent to that was likely to prevailed in the absence of the development intervention. Participatory rehousing programs are being implemented mainly in the urban areas, which involve some form of voluntary relocation (Annexure Indicator 2). The average figure of voluntary relocation per annum during the last 5 years is around 720 in the City of Colombo. This was basically done through the construction of alternative housing for the settlers living on slum and shanty areas, particularly on the reservations and environmental sensitive areas, funded exclusively, through public financing.

1.2. Policy and Legislative Changes Since HABITAT II

Since 1996, GOSL has removed impediments and institutional bottlenecks that have prevented the ability to transfer the ownership of a large stock of government owned housing apartments to the respective occupiers.

- ▶ Enacted Act No. 2 of 1999 to amend the apartment ownership Law No. 11 of 1973, enable the occupants in government owned apartments to become owners.
- ▶ Enacted Act No. 30 of 1999 to amend NHDA Act No. 17 of 1979 to made provision in the principal act to regularize unauthorized occupants in government owned housing units by converting them as legal occupants by offering absolute ownership.
- ▶ State machinery / instruments have been used to expeditiously transfer the tenureship to occupants in public housing schemes built on privately own lands with the consent of the land owners by the NHDA.
- ▶ Management corporations have been established in all government owned apartments enabling the occupants to manage the housing complex by themselves.
- ▶ Easy payment terms were offered to all occupants in government owned housing units irrespective of their legitimacy.
- ▶ All squatters occupied in government owned lands were given market value for the extent of land occupied by them in relocating them in government housing units.

- ▶ Tenureship of all occupants in government owned low-income urban settlements were secured having granted long-term leases for 50 years for them.
- ▶ All under-served communities in the Capital City have been recognized by the State enabling them to trade off the property they live on for a standard new house with required amenities disregarding their legal right to the property.

1.3. Institutional Weaknesses and Problems Encountered

During the past two decades many State sponsored housing schemes being built on privately own land without getting those lands fully vested with the GOSL authorities. It was a serious constraint for the GOSL to implement of its policy to give full tenureship to the occupants of the housing schemes, without completing the acquisition process and removing the legal impediments. Also the occupants of such schemes were not in a position to make any investments to improve the condition of the houses or to dispose their houses in the market as and when required.

1.4. Lessons Learned

Venturing into ad-hoc approaches has created more hindrances than facilitating the access to tenureship by both urban and rural poor.

1.5. Recommendations for Priority Action

1. Adopt market based, self financing, voluntary rehousing processes in urban areas for encumbered families living in slum and shanty like settlements, deviating from ad-hoc, unplanned housing approaches normally carried out by the authorities where possible.
2. Enable families living in the housing schemes built by the state agencies during the past to enjoy the benefits of the secondary housing market by transferring free hold ownership to such families.
3. Continue assistance by way of material grants to specially targeted community / vulnerable groups to enhance their capacity in building of their houses.
4. Entertain community and concerns of disable and other groups with special physical requirements in the design of built environment and housing neighbourhoods.
5. Empower the user communities to ensure effective maintenance and management of newly created neighbourhoods in the human settlements according to the prudent market principles.
6. Promote the government policy of creating a "Society with Secured Tenureship" through enabling and conducive environments, by implementing appropriate policies, introducing necessary institutional and participatory structures, removal of legal impediments, and thereby mobilizing all forces to achieve the above objective, including regulating the market and financing opportunities across the board.
7. Strengthen the management corporations and expand the scope of their functions in order to make them comically violable enterprising entities.
8. Restructuring of the present Common Amenities Board in order to safeguard the interests of both management corporations and the occupants.
9. Promote rental housing markets to cater for the middle and lower income groups thereby enabling to increase the housing stock within a well conceived National Spatial Strategy.

(2) Right to Adequate Housing

The right to adequate housing is one of the key principles of the GOSL (Annexure Indicator 3.1). To facilitate this process necessary policies and legislations have been introduced during the past few years. Since the adoption of the Universal Declaration of Human Rights in 1948, the right to adequate shelter has been recognized as an important component of the right to an adequate standard of living. The Government of Sri Lanka has endorsed this right to shelter in its Constitution in Chapter VI – section 27 (c) as "the realization of all citizens of an adequate standard of living for themselves and their families, including adequate food, clothing and housing. The continuous improvement of living condition and the full enjoyment of leisure, social and cultural opportunities". It is an accepted phenomenon that the standard of housing reflects the socio economic performance of a country or a society. Addressing the issue of sub-standard housing in is one of the most serious development challenges in the next decade. For instance 51% of the Colombo's total population live in such conditions. Moreover, only 42% of the total housing stock of Sri Lanka is permanent. Therefore, provision of better housing, improving the quality of the national housing stock, ensuring security of tenure, improvements to infrastructure and creating sustainable environmental conditions are the major challenges that the economic development of Sri Lanka has to be addressed today.

2.1. Progress Made Since 1996

Indicator 3 in the Annexure shows the average housing price to income ratio based on market prices. It is revealing, that this ratio is very high in Sri Lanka, which is almost 80%. As the affordability is low, for both State and the users, enabling incremental housing approaches are adopted in the non-urban connected areas, while market based trading off housing

strategies is increasingly applied in urban congested areas. Many of the housing strategies that have shown remarkable successes in the rural areas have been transplanted into the hard-core city areas as temporary solution to the critical housing issues. However, these have created a negative impact on the sustainability of such settlements as well as the urban environment, creating hindrance to desired urban development. To co-op up with this situation following strategies have been adopted.

1. Introduction of Sustainable Township Programme (STP) to provide adequate housing for nearly 66,000 families in government owned 1,500 underserved settlements within the Colombo City, enabling them to trade-off the value of the land on which they sit for ages as against a cost free new apartment without being a burden neither to them nor to the government.
2. Increased the availability of funding in housing finance market enabling the individual house builders to have access to the housing finance assistance at reasonable cost:
 - ▶ Mobilizing funds of ETF and EPF in the housing finance market,
 - ▶ Establishment of specialized housing finance bank called "Housing Development Finance Corporation (HDFC) by an Act of Parliament, No. 7 of 1997, converting a building society called "Housing Development Finance Corporation Ltd.
 - ▶ Enhanced the lending capacity of NHDA by increasing capital for such loans (Rs.1,500 millions for the year 2000).
 - ▶ Reduction of lending interest rate of NHDA, from 20.5% to the range of 10 to 15%.
 - ▶ Increased the NHDA given individual loan amount from Rs. 25,000 to Rs. 50,000.
 - ▶ Reduction of lending interest rate on housing loans by Commercial Banks from 19% to 15%.
3. Encouraged the private property developers to invest in construction of houses for employees of middle and lower-middle income groups by providing them following incentives and concessions:
 - ▶ Low cost housing funded through ETF with a minimum investment of Rs. 50 million and 50% of housing units to be made available to employees.
 - ▶ 7 years tax holiday,
 - ▶ Duty free imports,
 - ▶ Stamp duty on buying and selling of houses and housing mortgages reduced to Rs. 1 for every Rs 1,000/=.
 - ▶ A company undertaking the construction of at least 100 housing units in not more than 3 locations with an investment of Rs. 50 million would entitle to an income tax holiday of 7 years. And for the investment is Rs 100 million or more 10 years. Also entitle to get the exemption from the custom duty for importation of project related items.
 - ▶ Provision of state owned lands to BOI approved property developers at 4% of the market value.
4. Provisions of state lands owned by NHDA at 50% of the market price to government employees/artists/scientists etc. to construct their own houses.
5. Supply of state lands owned by Land Commissioner to low income needy families upon recovery of nominal rental under 30 years lease, for them to construct their own house.
6. Supply of building materials such as roofing sheets and tiles to low-income needy families as free grant for them to construct their own house.
7. Communities such as Fishermen, Plantation Workers have been specially targeted for housing development and grants, including various financial and material assistance for them to construct their own house.
8. Exclude the value of land in pricing of housing units constructed by NHDA to vulnerable groups.
9. Waive-off the land price by 50% of the sale price of housing unit constructed by NHDA to government employees, Artists, Scientist.
10. Concessions and incentives to domestic construction contractors to encourage for more housing and to reduce cost.
 - ▶ Reduction of income tax from 35 to 15% for domestic construction firms,
 - ▶ Set up a guarantee fund by GOSL for the benefit of domestic contractors.
11. GST exceptions the supply, sale, hire, rent of residential houses.
12. Tax concessions and full infrastructure up to the site by the BOI for the private sector developers who opt to construct over 300 units of houses in a single project, at affordable prices, for middle and lower middle classes.
13. Rent revenue arising from any house constructed by a person, which is used solely for residential purposes, be exempt from income tax for 10 years.
14. In the case of converting a house into two or more residential units, the rent arising from those units are exempted from income tax.
15. Increased the investment for housing by GOSL through the national budget for provisions of housing to working population in the public sector.

2.2. Policy and Legislative Changes since HABITAT II

1. Adoption of Sustainable Townships Programme and establishment of joint venture partnership company of Real Estate Exchange (Pvt.) Ltd. or REEL to address the adequate shelter issues for slums and shanty dwellers in underserved settlements in Colombo city (Annexure B on Best Practices).
2. Enabling REEL to function as a stock exchange for real estate exchanging and development financing.
3. Enabling REEL to issue land based securities to mobilize private capital to finance real estate developments including affordable housing.
4. Forging new business alliances between the two traditionally polarized groups by bringing together the urban poor on one hand, and the real estate developers and the financing institutions on the other, through REEL on a participation and partnership basis in developing housing for the poor and engaging in urban development projects.
5. Policy approval to establish Employees Housing Fund (EHF) through the contribution of 1% from the monthly income of all employees to enhance the housing finance capacity of the housing financing lending institutions for them to issue more housing loans to employees (The bill is now before the Cabinet of Ministers with a view to present to the Parliament).
6. Policy approval to introduce secondary mortgage market system, to allow the primary housing lending institutions to convert their pool of illiquid non tradable assets into liquid tradable assets, for them to generate more capital through the capital market, to expand housing credit facilities to individual house builders (Amendments to Mortgage Act, National Housing Act and establishment of a institution to act as a conduit/special vehicle/trustee is in progress).
7. Introduction of appropriate land use subdivision regulations for the urban areas to maximize the productivity of urban land, design, and promotion of secondary markets pertaining to land and housing.
8. Recognizing land permits issued under land development ordinance and crown land ordinance as an acceptable co-lateral similar to free hold titles for the purpose of issuing loans to individual house builders.
9. Act No. 11 of 1998 GST exemption for supply /sale/ hire/ rent of residential houses.
10. Tax concessions, and duty free concessions for importation of housing related material to property developers who construct houses for employees or to lower and middle-income category to ensure affordable housing.
11. Waived off the land price to vulnerable groups, waived-off the 50% of the land price to Public sector employees/Artists/Scientists.
12. Easy payment terms to vulnerable groups, Public sector employees/Artists/Scientists in purchasing houses and lands from the NHDA.
13. Mobilizing funds of ETF and EPF in housing finance market.
14. Establishment of specialized housing finance bank for provision of more credit facilities to lower middle and middle-income categories.

2.3. Institutional Weaknesses and Problems Encountered

- ▶ Absence of a comprehensive and a coherent National Housing Policy.
- ▶ Lack of fiscal incentives and regulatory safeguards for the private sector participation.
- ▶ Inhibitive effects of the current enactments to promote free market rental housing.
- ▶ Shortage of buildable lands with necessary infrastructure across the board.
- ▶ High price of buildable lands beyond the affordable limits of the vast majority.
- ▶ Lack of funding arrangements and shortages of financial resources at reasonable costs.
- ▶ Problems of mortgage borrowings and high cost of finance due to unclear land titles, high borrowing expenditures, undue delays in processing and unaffordable interest rates.
- ▶ Shortage of trained and skilled labour.
- ▶ Unpredictable price escalation in the construction industry.
- ▶ Unaffordable stamp duty and notarial fees imposed on low-income categories
- ▶ Lack of long term housing finance at affordable interest rates.
- ▶ Lack of rental housing initiatives from both private and the public sector investors.
- ▶ Prevailing outdated property laws.
- ▶ Lack of well conceived, transparent and integrated urban development plans to guide the developers and to create confidence among them.
- ▶ Lack of cost effective / ineffective and appropriate technology in the building industry for facilitate production of mass housing.
- ▶ Lack of regulatory mechanisms to coordinate and monitor the development programs initiated by private and public sector.

2.4. Lessons Learned

- ▶ Individual house builders and private sector investments in the housing market has become significant than that of direct intervention of the State in the provision of adequate shelter for all.

- ▶ Despite many inherent problems, middle-income and upper-middle income households have access to the formal housing finance market. However, shortage of such finance is a major constraint to the provision of housing for low-income households.
- ▶ Access to housing in the formal market is a remote possibility for low-income sector. As the individual savings itself cannot meet the price of housing. Therefore, housing finance to low-income households at affordable interest rates become very instrumental.

2.5. Recommendations for Priority Action

1. Adoption of a bipartisan approach towards the formulation of a National Housing Policy encompassing urban, rural, plantation and fisheries sectors and to implement programs accordingly.
2. Bring amendments to NHDA Act No.17 of 1979 and UDA act No. 41 of 1971 to waive-off the requirement of stamp duty and notarial fees in executing title deeds/ lease agreements.
3. Bring amendments to Municipal Council and Urban Council Ordinances to avoid existing cumbersome and tedious procedures in granting ownership to occupants in their housing schemes.
4. Bring amendments to Mortgage Act to develop a secondary mortgage market in the housing sector.
5. Provision of adequate coverage in the legislation relaxing Rent Act to safeguard the tenure rights and interests of the private sector in order to facilitate rental-housing market.
6. Relaxation of tedious procedures adopted by State owned housing finance agencies.
7. Increase apartment-housing stock by optimising the density.
8. Expansion of rental-housing market by creating conducive environment for the private sector.
9. Introduction of developer / Investor friendly institutional / regulatory mechanisms / structures in the housing sector.
10. Application of market oriented research findings in the building industry.
11. Establishment of a Housing Information Facilitation Centre (HIFC) for the benefit of individuals / developers and other interested groups.
12. Acceleration of the implementation of proposed Title Registration Act.
13. Maintaining an appropriate stock of government quarters

(3) Equal Access to Land

Access to land may be understood as a condition of a particular socio political process that enables individuals and organizations to own, use, and dispose land resource within a legal framework. The government is the biggest landowner in Sri Lanka holding over 82% of the total land (NSF-1999). However, in the cities like Colombo, the private free hold ownership is as much as 78%. Further, in considering the land use pattern of the island almost 25% are home gardens. Moreover, the land : man ratio in the country is on the decrease, where it was 1.84 at the turn of the last century (1901). This was reduced to 0.44 in 1981, and it has been projected to a further reduction to 0.31 by year 2001 (Logos - 1991).

Land price income ratio in Sri Lanka is highly imbalanced in rural areas as against the cities (Annexure Indicator 4). In order to create conditions to ensure easy access to the land market and to have a level-playing field for end users, the government has effectively implemented a series of programs. The measures taken in this regard have been further outlined under section on Right to Adequate Housing.

To minimize the constraints pertaining to disposal of land particularly for human settlement development is under serious scrutiny by the government. Currently number of committees and Presidential Task Forces are working on these issues. Already some of the legal impediments have been removed in this sector through amending the existing legislations as indicated in the previous section.

(4) Equal Access to Credit

Housing is an expensive commodity beyond the reach of the majority of the population. The availability of mortgage facilities forms a necessary function to ensure access to owner occupancy. When such credit is not adequately available to particular groups, housing ownership will be severely restricted. This situation is clearly reflected in the data given under Annexure Indicator 5, where the mortgage facilities extended in the housing sector is still under 14% of the total construction of dwellings. The housing finance market can be broadly divided into three categories viz;

- ▶ Commercial banks consisting of both public and private sectors,
- ▶ Specialized housing banks-SMIB & HDFC,
- ▶ NHDA and other participating agencies including Thrift and Credit Cooperative Societies (TCCS) and NGOs.

4.1. Progress Achieved Since 1996.

During the period under review (1996 – 1999) number of measures have been taken by the Government of Sri Lanka to promote access to credit by all sectors. Some of them are;

- ▶ FPF and ETE have been mobilized into the housing credit market

- ▶ Increasing the availability of funding in housing finance market and house builders to have access to housing credit facilities at affordable costs through the establishment of Employees Housing Fund and introduction of secondary mortgage market system.
- ▶ Bringing down the interest rate from 20.5% by the NHDA to a rate within the range of 10 to 15% for the low-income needy families.
- ▶ Increasing the credit facilities by the NHDA to low-income groups by mobilizing additional government resources.
- ▶ Reduction of lending interest rates by the commercial banks for housing from 19% to 15%.
- ▶ Mobilizing more resources by the Provincial Councils and co-operatives to grant more credit facilities to low-income needy families.
- ▶ Mobilizing more resources under "Samurdhi" - poverty alleviation program - to grant more credit facilities to improve the shelter of "Samurdhi" recipients, (identified as needy low-income families).
- ▶ Relaxation of tedious loan processing procedures in granting housing loans to low-income needy families by the NHDA and HDFC accepting their land permits issued to them under land development ordinance and crown land ordinance as co-lateral, similar to an outright title deed.

4.2. Policy and Legislative Changes Since HABITAT II

Please refer to sub section 2.2 above.

4.3. Institutional Weaknesses And Problems Encountered

- ▶ Commercial banks are inaccessible to low income-households, primarily due to unaffordable co-lateral, and unfamiliar formal system of processing loan applications and cumbersome procedures.
- ▶ Lack of short- term return from the investments for housing.
- ▶ Unwarranted political interferences in recovering loans by the NHDA.
- ▶ Low-income categories find it difficult to raise housing loans through the formal lending institutions as they find it difficult to prove earnings and credit worthiness.
- ▶ Levying of high interest rates by the lending institutions for small loan packages prevents access by the low-income groups in the formal housing finance market.
- ▶ Heavy initial expenditure and time consumption for-collection of various documents required by lending institutions.

4.4. Lessons Learned

- ▶ Housing finance alone cannot solve the problem of access to credit and there will always be a group of households who cannot afford housing finance on any terms offered.
- ▶ Market economy disregards provision of housing as a social obligation.

4.5. Recommendations for Priority Action

1. Commercial banks to recognize the housing sector as priority lending area.
2. Methods should be introduced to obtain the credit facilities on reasonable interest rates, affordable to low-income groups.
3. Time consuming processing procedures followed by State owned housing financing agencies have to be relaxed.
4. Alternative methods should be adopted to overcome deficiencies in registration of title deeds.
5. Strict loan recovery discipline to be maintained by NHDA without allowing unwarranted political interferences.

(5) Access to Basic Services

Water is one of the great necessities of human life, which is taken for granted in the developed world. Supply of clean water is necessity for life and health, yet 1.4 billion people have no access to adequate water supply world over. In Sri Lanka, the access to water has gradually improved during the period under review (1997-1999) both in City (90.2%) and same trend can be observed in none urban areas (70.6%) - (Annexure Indicator 6). However, nearly half of the city population that live in under-served settlements consume water, which is largely unaccounted.

As per the Annexure Indicator 7, the percentage of pipe borne water connection has increased from 9.5% in 1997 to 12% by 1999. During the same period, some improvements to the sewage systems in the urban areas can be observed particularly in the city of Colombo. Pipe-sewerage infrastructure facilities are limited in the country and cover a few sections of the Greater Colombo Area. The - over - one hundred year old sewer - network in the city of Colombo is overloaded and needs urgent improvements with massive investments which is beyond the capacity of local funding sources. The government intervention is necessary to provide adequate sewerage disposal infrastructure and treatment facilities as a social obligation since investment by the private sector in this area is commercially not viable at present. Provision of sewerage disposal facilities is a developed function. However, no systematic approach has been followed.

the local authorities for the provision of adequate infrastructure to facilitate a sound urban growth. Lack of sewerage facilities in the urban centres is a serious constraint for Sri Lanka to move into high-density housing development. Assistance to local government institutions in terms of finance, cost effective technology, operational arrangements etc. may generate sufficient interest among them to actively involve in the provision of sewer disposal facilities.

In relation to the household connection in electricity a remarkable improvement in the coverage can be seen in urban areas particularly in the city of Colombo (97%). In comparison to many other developing countries the national electricity coverage level is high in Sri Lanka (57%), which became possible as a result of introduction of thermal power plants to supplement the capacity of the national power grid and the privatisation of the distribution of electricity supply. Moreover, the coverage of telecom facility has shown even better performances in Sri Lanka during the period under review. The major policy change on this was the privatisation of land based telecommunication system in the country and the fast growth of the cellular phone networks operated by the private sector (Annexure Indicator 7). Provision of infrastructure and incentives by the GOSL, has encouraged private sector participation in this sector.

5.1. Recommendations for Priority Action

Encouraging Provincial Councils to identify the sewerage needs in their administrative areas, promoting the construction of appropriate sewerage disposal and treatment facilities to benefit large scale individual projects such as industrial parks, housing schemes and townships and strengthening the capacity of the electricity supply by supplementing the national grid using appropriate cost effective, environmentally friendly power generation sources are some of the Recommendations for Priority Action for these sectors.

CHAPTER TWO: SOCIAL DEVELOPMENT AND ERADICATION OF POVERTY

An Overview

During the period under review, the human "Development Index Rank" of the country has reached at 91, placing Sri Lanka above many of the developing countries (UNICEF-1999). By the year 1999 the national literacy rate reached about 94% as against 92% in the urban areas and the life expectancy at birth 83 years while per capita GNP has reached US\$ 823 (Central Bank of Sri Lanka -1998). The policies adopted by the successive governments since independence in 1948 to provide free education and health including implementation of many poverty alleviation and empowerment programs have contributed to achieve above satisfactory status.

(6) Opportunities For Healthy and Safe Life

High child mortality is directly correlated to low environmental conditions such as the low levels of wastewater treatments and sewerages and sanitation facilities. Accordingly, Sri Lanka has achieved a remarkable success in bringing down the mortality rate of the child population under five years of age. The country has achieved successfully results in reducing its Infant Mortality Rate from 37.1 per 1000 live births in the year 1978 to 16.1 in the year 1999 (Annexure Indicator 8). As a result, "Under Five Mortality Rank" of Sri Lanka stands as 136 in the Global context, which is best in the SAARC region.

Crime rates provide useful information on the level of security in a city. However, the number of reported murders, rapes, and thefts too often only represent the apparent crime. In many countries only less than 50% of total crime are reported to the police. Due to the prevalence of high levels of literacy rates, availability of wider network of police stations, high degree of democracy and social awareness, etc. the level of reporting against the crime is comparatively high in Sri Lanka. However, level of reporting against domestic violence is low mainly due to the cultural factors. The existence of continuous civil war for a long time in the country has contributed significantly to the increase of crime rates. Despite the existence of continuous war like situation in the country during the past 15 years the legal and institutional measures necessary taken to control the crime and violence is satisfactory (Annexure 9.0 and 9.1). Especially legal reforms have been formulated to facilitate the judicial actions against rapes and violence against women.

(7) Social Integration and Support Disadvantaged Groups

To assist the socially and economically disadvantaged groups and enabling them to join the main stream of socio economic life in the country is one of the prime considerations in the development agenda of the GOSL. Under this category several categories of persons can be identified, namely urban and rural poor small fishermen, segment of the estate workers, displaced persons, disable people women who hold the social and economic responsibilities to looked after their families and above all, old people (preferably over 55 years) which will be increased in the future.

Being a developing country existence of poverty is inevitable. However, remarkable achievements gained in the social development indicators in Sri Lanka have resulted to maintain a low percentage of households below the national poverty line (Annexure Indicator 10). It is reported that 2.1 million families (22% of the total population) are below the poverty line (Total monthly income of a family is less than Rs. 1000). The gradual increase of urban poor and the gap between the rich and the poor has been remarkably increased during the last decade. Though there was an increase in the per capita income, the purchasing power of the people has been decreased due to the depreciation of rupee value. During the past decade a continuous programme to eradicate poverty was carried out by the Government of Sri Lanka, where nearly 1 million families were benefited through various schemes of assistance to come out from poverty cycle. The ongoing main poverty alleviation programme of the government ("Samurdhi" Programme or Prosperity Programme), has adopted an approach to enable the poor rather than comforting them, by involving them in savings, entrepreneurship development, resource management and venturing into small scale family based enterprises. The recent data indicates that around 1.5 million families were given loans worth of Rs. 805 million who start self-employment and micro enterprises. Over 900 grassroots level banks are operative countrywide with over US\$ 18 million savings of which over 60% have been contributed by the women. Also 21% of Samurdhi beneficiary families are headed by women and it is noted that the benefits are more effective in the case where women take a leading role in Samurdhi activities.

A five year plan has been formulated under "Samurdhi" programme to promote the level of income of about 50% of the recipients. This plan is basically aimed at creating a sense of autonomy and self-sufficiency through eradication of dependent mentality. Once they have reached to this level, it is expected to withdraw the financial grants. However the grants given to the people who could not engage in any economic activities (disabled, old people) will be continued under Samurdhi programme. Formulation of a special programme for urban poor is in progress as well.

Urban poor represents above 29% of the total urban population in the country. However, in the city of Colombo this figure is almost 51%. Poor in the rural areas are more disadvantageous in relation to gain access to basic services, markets and employment opportunities available in the urban areas. However, in relation to housing, rural poor is much better

than their urban counter parts. About 30% of the small-scale fishing families are considered under this category. The situation of small fishermen is not encouraging as they have to face the two basic issues namely disruptions due to the civil war and the depletion of resource base. The situation of small fishermen is not encouraging, as they have to face two basic issues namely disruptions of the war and depletion of resource base. Giving due considerations for disable persons is one of the main concerns of the Government. Their number is growing, as large number of soldiers and civilians have been wounded and thus become disabled as a result of the ongoing war like situation in the country. Disabled people have been identified as a special category even under the Samurdhi program. A monthly grant is given by the Social Service Department to the disable people. A special scheme and structural designs to suite their basic needs to ensure comfortable living and enabling them to gain access to services pertaining to housing sector is considered as very important area for policy development. Further, due to the ongoing civil war nearly 450,000 people in the county is displaced. The government of Sri Lanka and many relief organizations of both National and International are helping them to provide shelter and basic services including health, cloths, food and education.

The progress made since 1996 in the above sectors cannot be really seen during a shorter period of time span as much of the data pertaining these indicators will yield results over a longer period of time. Also since 1981 a national census has not been carried out in the country due to inaccessibility into the civil war affected Northern and Eastern provinces. Therefore, the indicators pertaining to employment, alleviation of poverty, women headed households and other benchmark data pertaining to disadvantaged groups are not readily available for comparison. Nevertheless, the projected calculations and sample surveys carried out by the relevant GOSL authorities in general, and Department of Census and Statistics in particular, have indicated that there is a progress achieved in all spheres of social and economic development including poverty alleviation.

Formulation of a national policy for disadvantaged group is of vital importance. Following are the recommendations for priority action under this policy. Ensure social integration of disadvantaged groups into the mainstream giving due consideration to their basic needs, social and economic concerns; and ethnic, religious, cultural, livelihood, and food security considerations in all human settlements and urban development strategies, enabling the delivery of positive impacts of the development endeavours equally to all segments of the society. Introduce micro level saving schemes for these category of people enabling them to venture into small-scale economic activities; broadened the market based indoor and outdoor venture opportunities (in many developed economies, larger companies sub contracting same specific work that can be performed at domestic atmosphere to women) to poor currently in the informal sector or seeking employment; enhance capacity building of communities on shared control of natural resources, environment and neighbourhood management; protection of livelihoods and enhance such opportunities for further diversification within market environments. Implementation of the recommendations of presidential task force reports on: women, suicides, housing and urban development, youth, child abuse etc. are also some of the Recommendations for Priority Action.

(8) Gender Equality in Human Settlements Development

Sri Lankan women have not been discriminated legally, customarily and traditionally by preventing them from enjoying the benefits of development. Equal access and rights have been assured to many basic areas such as education, holding and disposing of properties employment and engaging in business ventures. The provisions have been made in the constitution of the Democratic Socialist Republic of Sri Lanka to ensure equal rights of people irrespective of their ethnic, religious, and sex differences. Socio-cultural factors or policy decisions are not affecting their ability to enjoy the benefits of the development and the society at large. However, some external factors such as extreme poverty, becoming the bread winner of the household, open market competition to get employment and/or to sell produces, etc. are creating conditions for insecurity and exploitation among women labour.

Sri Lanka is a country where greater degree of **Male-Female Gaps** cannot be seen in relation to the women education and life expectancy. They are in par with the male population in many areas of social indicators (Annexure Indicator 11). According to IFAD (1992), Sri Lanka has maintained nearly 4% of annual in reduction in female illiteracy during the past few years. Further during the period under review, the male-female ratio in the University education sector was 85% (Central Bank of Sri Lanka -1998 & Department of Census & Statistics -1998). However, in the employment sector their rate of participation is still lower. The women as a percentage of total labour force are 27, and female labour force participation rate as a percentage of total female population is 19 (IFAD -1992). According to non confirmed sources, this situation has been remarkably progressed during the period under review. However, the majority are belong to the unskilled category and receiving low daily wages compared to the males a large number of beneficiaries of poverty alleviation programmes including rural and urban poor are having serious constraints in marketing their products. Further, the savings made by the poor families are not being very effectively diverted into new ventures, available in the ever-expanding market place. The access to credit for these category of people is not widely available due to lack of co-laterals acceptable to money lending institutions to enable them to obtain credit facilities. Also their affordability to pay back the loans is considered as yet another constraint.

Besides the key role-played in domestic affairs, women have taken up important positions in the areas of politics, defence, administration, higher education, business ventures etc. Social development programs therefore in the country have enabled to assure equal access to both above stated sectors without any discrimination. The societal and role of the women is not only confined to reproductive work, but also to productive work as primary or secondary income earners. In addition, women are involved in community and environmental managing activities. Among the family members, women use to spend most of their time in the neighbourhood. They are responsible for attending to domestic affairs, which include variety of activities in addition to the child bearing and caring. They are the members who basically utilize the space within the dwelling units as well as the neighbouring areas. Utilization of time in collecting water, garbage disposal, cleaning and washing are some other matters they have to handle and manage in their day-to-day life, but not accounted. In relation to gaining access to primary amenities and space they have the best experience on the hardships that have to undergone in obtaining such facilities. In the housing sector, women are very active in the affairs related to the development their housing, infrastructure, security of tenure, food and livelihood security, and environmental matters. Two national level institutions are functioning i.e. Women's Bureau (1978) and Ministry of Women's Affairs (1983) within the GOSL. Also the reforms are under consideration to eliminate the impediments of owning the lands alienated by the government. Introduction of a women's charter, ensure more access to credit for housing and entrepreneurship development activities, particularly for the low-income sector women and creation of conditions to make sure full employment opportunities are some of the **Recommendations for Priority Action**.

CHAPTER THREE: ENVIRONMENTAL MANAGEMENT

An Overview

Sri Lanka is a small Island country in the Indian Ocean, located with close proximity to the southern tip in Indian sub continent with the landmass of 65.6 thousand square kilometres. This country is enriched with different environment ranging from the coastal belt to the hill country. The existing patches of virgin rain forest are a unique natural feature. The physical formation of the country is an asset in terms of the natural drainage and conservation of water resources. The country's coastal belt is containing most of its human settlements and urban concentrations. The country has to support the needs of the existing population of 18.7million and maintain the sustainable levels in the resource utilization, without compromising the ability of future generations to ensure free access and use of its natural resources and the benefits of the bio-diversity.

The last population censuses held in Sri Lanka (1981) revealed an annual growth rate of 1.67%. The tendency observed during the preceding years through various sample surveys and projections reported this growth rate is on the decline (1.2% in 1999). In contrast to many other countries the urban growth in Sri Lanka has been very slow and it was remaining around 1.3%. But the urban population growth shows a tendency to take over the national growth rate marginally, at the turn of the 21st Century. Currently the urban population of Sri Lanka is estimated at 30% and projections are that it will reach 45% by 2015, and 65% by the year 2030 respectively (PTFR - 1998).

(9) Promote Geographically Balanced Settlements Structures

The Presidential Task Force Report (PTFR-1999) on Housing & Development in 1999 highlighted the basic guidelines and directions on which Sri Lanka should promote its Human Settlement development programme within the next two decades, after reviewing the urban and settlement development trends. Accordingly, preparation of National, Provincial, and Local Plans covering the entire country within a short period and to project the physical development for next 30 years within the overall context of National economic growth strategy has been undertaken. Therefore providing sustainable and affordable quality housing and human settlements within a planned sustainable healthy environment, while integrating the existing natural features such as rivers, canals, water bodies, costal belt, wetlands, agricultural areas and forest covers into future urban and human settlement development strategy, has gained top priority in the development principles of the GOSL. Further to reorganize the population distribution of the country and to provide required services and infrastructure facilities in a manner where the resource utilization is manageable and sustainable, while taking into account that "urban population" will reach 65% of the total by the year 2030 with an estimated "peak population" of 23.1 million.

The legislation on "National Physical Planning" which is to be enacted by an Act of Parliament will be an umbrella Law to integrate the present powers and functions practised by many organizations on physical development. The "National Physical Structure Plan" which is being prepared will draw up policy guidelines for the geographically balanced settlement structure of the country with special emphasis on the protection of the environment. Weak monitoring and enforcement of laws by all organizations responsible for the protraction of environment further segregated the quality of the urban life. The Colombo Metropolitan Region Structure Plan (1998) or CMRSP is already in place, and similar ones are under preparation for all the other provinces.

The present trend in urban expansion, which has been mainly determined by the land prices, has resulted in major land use changes such as conversion of agriculture lands to settlements without proper infrastructure facilities. The extensive land usage for urban development and housing by cleaning of green areas has created negative impacts on the urban environment. The filling of low-lying lands in urban areas, which are very valuable in the urban land use to ensure the sustainability, has resulted in the decline of the quality of life in urban environment (Annexure Indicator 12).

In order to ensure geographically balanced settlement structures in harmony with the physical environment of the country, promotion of a series of new growth centres with adequate human settlement structures in less populated areas of North-Central, Northern, Eastern and South-Eastern parts in the country as a measure of reducing the heavy population pressure on the ecologically sensitive Coastal Zone and the Central Hill Country of the Island; and implementation of the proposed National Physical Structure Plan and promote the development of settlement structure as per the guidelines stipulated therein, coordinate with infrastructure agencies to develop their projects falling in line with settlement development plan and strengthen the capacities of urban local authorities by empowering them with the responsibilities of local level environment management and monitoring are some of the **Recommendations for Priority Action**.

(10) Managing Supply and Demand for Water in an Effective Manner

At present, only 20% of the urban population receives a 24-hour water supply service. Of all the Water supply schemes, only one third has the capacity of providing a 24-hour water supply. The GOSL is committed to achieve the goal of providing safe drinking water for all.

water. However, the coverage of pipe borne water supply in terms of regional distribution is inadequate and heavily skewed to a few districts in the country. The demand has been increased from all user groups for water supply services. During the period under review (1996-1999) piped water supply has been growing at an average annual rate of 5.5 for domestic use and 4.5 for non-domestic use. To meet the present need annual investment in this sector has to be increased to US\$.130 millions per annum. In the year 2000 the largest ever allocation for the sector, which is about US\$.70 millions, has been provided by the GOSL.

The accessibility for safe drinking water is comparatively high in Sri Lanka as shown in the indicator 6 in the annexure. Since the Sri Lanka has been adopted the market economic principles the cost recovery management method has been increasingly applied to ensure a better service and a greater coverage. Accordingly the water tariff was revised from time to time. During the period under review it has been increased by 7% all together as a measure of cost recovery. However special targeted groups continue to receive subsidized water in urban areas. The average per capita water consumption in the urban areas is 180 litres per day while the same figure for Sri Lanka is 120 litres. The median price paid for 100 litres is US\$. 0.026 in the City and US\$. 0.044 in Sri Lanka (Annexure Indicators 13 & 14).

10.1. Recommendations for Priority Action

To concentrate GOSL investments on augment plants, capacity and storage of water to ensure uninterrupted supply of water for retail supply, introduce appropriate institutional provisions to involve private sector (both local and foreign) in the construction and management of water utilities, set up independent regulatory mechanism responsible for overall policies and frame standards, tariff levels etc., Recognize the principle of cost recovery and efficiency in setting water tariff, ensuring maximum supply of safe drinking water at affordable price, Involve LG institutions to actively participate in the distribution, operation and maintenance of water supply in a sustainable manner, provide data and information for planning at central and provincial levels as future demand and supply, capacity requirements, service quality, potential water sources, catchments areas for preservation and conservation, minimize waste of water, implement community based water supply projects at local levels, reduction of unaccounted for water etc.

(11) Urban Pollution

The production and consumption of energy influence most aspects of urban life. Growing urban populations and levels of industrialization invariably lead to greater energy demand, which is usually reflected in increasing pollutant emissions. Sri Lanka has experienced a moderate growth of urbanization during the few decades. However to avoid disaster situations in this sector, the GOSL has taken a series of measures to mitigate the negative impacts of urban pollution. The "Clean Air 2000" Action Plan that was established in 1993 is being gradually implemented and systematic air quality monitoring, particularly in the city of Colombo is under way. The National Building Research Organization (NBRO) has entrusted to monitor and establish model air quality standards, and also to execute a continuous ambient air quality-monitoring programme. They have already fixed two stations in the city of Colombo. Vital air quality and meteorological parameters are collected and disseminated to public to use in regulatory activities by the Central Environmental Authority in Sri Lanka. Results show that the air pollution in the primate city of Colombo is continuously increasing at an average rate of 10% per annum. The results of the NBRO air quality monitoring programme shows that the national air quality standards have exceeded acceptable levels for SO₂ and O₃, especially during the North-East monsoonal periods. It has also revealed, that the average annual respirable particulate (PM-10) matter exceeds US-EPA standards. Action has been initiated by the GOSL to frame to require legislation in this sector and the Ministry of Forestry and Environment has been entrusted to enforce such laws, which will help to improve the air quality and minimized the urban pollution. However, increasing demand for electricity of 10% per annum is leading to the promotion of thermal power plants in city areas. It could significantly increase air pollution in the coastal urban centres. Spread of expansion of industries will also aggravate the situation. The recent policy and legislative changes in this regard are approval of the "Clean Air 2000" plan by the GOSL with an appointment of an implementation committee (Annexure Indicator 15).

Improvement of water treatment reduces the incidence of a variety of water-borne diseases. A reliable waste water system is a major indicator of the level of local development and of community health. The Central Environmental Authority maintains standards pertaining to waste water discharged in high polluting industries. It is a requirement by law to treat wastewater and to discharge through appropriate BOD levels by all high polluting industries. Standards pertaining the BOD levels are on all the other activities are also clearly specified by the same law. However the major bottleneck observed in the implementation of these environmental regulations are, lack of competent mechanisms to monitor such regulations at operational levels in both National and Sub-National levels.

The problem of sewage disposal in Colombo is compounded by the inadequacy of urban infrastructure for the city's poor residence. The waste along with storm water and some industrial effluent is discharged directly into canals. Organic pollution from sewage accounts to 50% to 60% of the total waste load (10,000 kg BOD per day) discharged into the canal

network in Colombo. Serious problems pertaining to untreated open discharge of wastewater are observed in all major Coastal Tourist Resorts (CZMP -1997).

Municipal solid waste and industry related effluents are becoming a treat to maintaining a healthy environment in urban areas. It is estimated that per capita generation of solid waste is around 600 grams per day in the city of Colombo. The city of Colombo generates an average of 1,000 tons of solid waste per day. In the Colombo Metropolitan Area over 2,500 tons solid waste is generated per day, of which 50% is not collected (PTFR -1998). Solid waste in most areas is dumped indiscriminately in low line wetlands or thrown into canals or streams (CZMP -1997). An average of 95% solid waste in the Colombo Metropolitan areas is dumped openly without any treatment. Only 8.5% of garbage generated is recycled in this region (Annexure No. 17). Effective handling of solid waste has been hampered due to several constraints encountered by local authorities. Amongst most challenging are the lack of collection equipment, transport vehicles, sanitary disposal methods and sites, and particularly the poor knowledge know-how on effective handling and management of solid waste. The Central Government has taken steps to assist selected local authorities in the acquisition of solid waste collection and disposal equipment, and vehicles.

Provision of further assistance to LAs to deal with the solid waste management problem in a most innovative and cost effective manner; implementation of programmes to minimize the waste, and on-site disposal, and promote new methods on cycling, re-use, composting, use of waste as raw material etc., by the LAs; enhance the capacities of the LAs on environmental and waste management; direct foreign investments through the GOSL to built the necessary infrastructure base for effective sewerage and waste management in the CMR, particularly in the City of Colombo; involvement of the foreign and local private sector investment and participation in this sector development and management activities etc. are some of the **Recommendations for Priority Action**.

(12) Prevent Disasters and Rebuild Settlements

Despite regulatory efforts, urban development is not sufficiently planned in relation to natural hazards. Indeed haphazard urbanization and urban sprawl characterize the most urbanized and populous part of the country. The natural disasters are exacerbated by poor infrastructure, thus aggregating the existing environment problems such as floods, spread of contaminated water waste etc. Costly mitigatory measures are being implemented in Colombo and the suburbs (Annexure Indicator No. 12.1).

Sri Lanka Urban Multi-Hazard Disaster Mitigation Project (1997-1999) was carried out by the Centre for Housing Planning and Building (CHPB), Urban Development Authority and the National Building Research Organization (NBRO). This was initiated and funded by USAID with the collaboration of the Asian Disaster Preparedness Centre (ADPC) based in Bangkok, to focus on disaster prevention rather than emergency management as happened in the past. A comprehensive demonstration project was carried out with the participation of all National and local stakeholders in Ratnapura (a mid ranged hilly area of Sri Lanka). Hazard identification flood and land slide hazard mapping risk assessment evaluation of mitigatory strategies training for local authority officers and planners public awareness for residence, businessmen, school children etc.; and development of planning guidelines as well as guidelines pertaining to emergency preparedness were focused in the demonstration project. Suitable land use zoning was integrated into the urban development plans with a few compromises. Above exercise has been replicated in two towns in hill country areas (Nawalapitiya and Kandy). Sets of guidelines for the use of National wide usage have been prepared. A comprehensive database is being developed. Emergency management, which remained with the Ministry of Social Services, is being improved. The greater Colombo Flood Control and Environment Improvement Project Phase I has been completed while the phase II is under way.

Awareness creation among planners, Local Government Authorities, politicians and the public on environmental consciousness and natural hazards; implementation of regional structure plans and planned urban and settlement development; involvement of LAs, communities, developers, investors and all other stake holders in environmental management, conservation and avoiding disaster-prone areas in selecting for non-permissible uses; control urban sprawls through regulation and planning; implementation of flood and surface drainage plans where available and identify such plans where necessary for other areas; selection of most vulnerable geographical areas and sectors for investments on priority basis by the GOSL are some of the **Recommendations for Priority Action**.

(13) Effective and Environmentally Sound Transportation Systems

Fast growing urbanization increases vehicle population from 1.3 million to 1.5 million by 15% during 1996-1998. Concentration of traffic generation activities in urban centres has led to increase in travel time in urban centres of the country. It is estimated that 82,299 vehicle hours per day and Rs. 10 billions per day is lost due to congestion. Discourage ribbon development, segregate pedestrian and vehicles in urban centres, introducing by-pass roads and discourage private vehicle entering the town centres and implementation of traffic

are the new trends. Relocation of traffic generating activities from main roads and discouraging them on highways, limiting and controlling right turns and control access to highways are the emerging concerns. Also the introduction of by-pass roads in towns and expressways and in high mobility roads in the country are other concerns with regard to better transportation management systems.

However the responsibilities are diluted over several agencies with regard to transport and traffic management. There is lack of coordination among such agencies in order to develop effective systems to cater for the rapid urbanization and economic development. Some of the lesions are developers and investors tend to disregard and neglect regulations merely to increase their profit margins and for individual benefit. Existing road network in urban areas cannot be widened above certain limits. The number of vehicle, however are increasing day by day in particularly on urban roads. It has been observed therefore that a well-coordinated, better-managed traffic and transport system is a must to address above issues.

An integrated approach to transport has not been implemented. As a result travel time in urban areas has been increasing over the last decade. However better traffic management systems are being introduced in the city of Colombo to cope up with the situation. As revealed in the Annexure Indicator 18, the travel time has not significantly increased despite a massive increase of motor vehicle population in the city. However the outskirts travel time has comparatively increased from 30 minutes in 1997 to 45 minutes in 1999 (Annexure Indicator No.19). Thus commuting in the peripheral areas are becoming increasingly difficult. Therefore, appropriate, comfortable, speedy and affordable transport modes such as light rail, tram cars are increasingly being considered as alternative modes of passenger travels. As per Annexure Indicator 19, the largest percentages of work trips within urban areas are by public transport systems. It has increased over the last three years from 63% (1997) to 68.2% (1999), maintaining an average of 65.4 % of the total. Use of private vehicles, which was at 25% in 1997, has declined to 21.4% by 1999. Commuting by train for work is comparatively less in the urban areas of Sri Lanka unlike other countries. And it has further declined from 8.9% in 1997 to 7.6% in 1999.

Construction of North-South High-way; further development of the railways including Light Rapid Transit to achieve 25% nodal traffic shares in CMR by the year 2015; strengthening of public transportation system through competition and better service by both private and public sector investment and participation; establishment of inter nodal transport centres in urban areas enabling bus-rail-taxi-bicycle-car transfers; set apart required land in urban areas through resettling the reservation encroached families and acquisition for road and railway projects inclusive of space for terminals and stations; re-establish street lines in all urban centres based on the road hierarchy; creating safe mobility of pedestrians in the city centres and restrict in floor of vehicles to cities; set up a Traffic Management Council to bear overall responsibility for managing traffic in urban areas; improvement of non motorized roads etc. are some of the **Recommendations for Priority Action.**

(14) Mechanisms to Prepare and Implement Local Environmental Plans & Local Agenda 21 Initiatives

The Urban Development Authority (UDA) of Sri Lanka has initiated action for the preparation of the National Physical Structure Plan (NPSP). The main objective of the NPSP is the identification of optimal special location for economic sectors with consequent land uses in order to achieve a population distribution on an environmentally sustainable basis. A future distribution of population therefore will be determined and promoted by taking into account the National disaster areas combined with the recommendations of NPSP.

The draft Regional Structure Plans have been completed (Excluding civil war affected North and North-East Provinces), which will guide the development on a regional basis. The Colombo Metropolitan Regional Structure Plan (CMRSP - 1998) has been approved and gazetted by the GOSL. As per the recommendations made at the HABITAT Agenda, the preparation of environmental plans have been initiated for the towns in the Western province, where the environmental problems are most critical (Annexure Indicator 19.1).

Implementation of the three plans for Colombo, Dehiwala-Mt. Lavinia, and Sri Jayewardenepura-Kotte, which indicate environmental aspects in a widest spectrum including local area settlement distribution with densities, roads and infrastructure and other social amenities, along with solid waste management; enacting the legislation on National Physical Planning Agency (NPPA), and to prepare and implement a National Physical Plan to provide necessary policy guidelines to all sectors to guide the physical development of the country, implementation of structure plans prepared by UDA etc. are some of the **Recommendations for Priority Action.**

CHAPTER FOUR: ECONOMIC DEVELOPMENT

An Overview

The composition of the Sri Lanka economy has undergone structural changes during past two decades as a result of adoption of market economic development approaches. Today Sri Lanka is in the verge of changing from a traditional agricultural society to a manufacturing and service sector heavy economy. As a result the agricultural sector input to the GDP has decreased from 28.5 in 1981 to 21.5 in 1999, while the participation of the other sectors in the GDP has increased to 78.5% by 1998 (Manufacturing 17.1%, Construction 7.1%, Electricity 1.4 %, Transport 11.3%, Trade 22.5%, Banking 7.6%, Ownership of Dwelling 1.9%, Other 9.6% - Central Bank 1999). Annual real GDP growth of the country has been maintained at an average of 5% during 1996 – 1998 and the average level of investments and savings during the same period was about 25% of GDP. It is observed that there is an increasing trend in shifting the employment from the agricultural sector to manufacturing and construction sector. The positive trends in per capita GNP could also be observed during the same period which increased from 588 US \$ to 823 US \$. It is observed that despite the current civil strife and high percentage of expenses for defence and security measures on one hand, and the serious economic and financial setbacks suffered in the South Asian and Far Eastern Region on the other, the country was able to maintain the economic stability as well as achieving some progressive results in economic development.

Although the country's population is heavily dominated by the rural sector (72%) with a low annual population growth rate (1.2), the dominance of Colombo Metropolitan Region (CMR) cannot be overlooked. Approximately 88% of manufacturing employment in the country is in the CMR and the nearly half of the country's GDP is generated from the CMR. Colombo Metropolitan Region is rich in infrastructure facilities compared to the other urban areas of the country. Due to high concentration of these basic utilities, CMR offers a unique position in the socio-economic structure and still it receives dominance in the urban hierarchy of the country as the major commercial, industrial, services and administrative centre.

Other urban areas outside the CMR are small and medium sized townships basically functioning as market and service centres for the neighbouring areas. Operation of liberalized market economy policy in the country has created various avenues of employment especially in the trade, commerce and service sector in the urban economy. It ranges from informal petty trading, micro enterprises to large scale formally organized business ventures catering to the international market. Having observed the trends and potentials during the recent past, it is noted that these changes are significant in the non-agricultural or urban sector. The market benefits enjoyed by the agricultural sector, especially the subsistence farmers in the dry zone area and other rural areas of the country are not so encouraging. Though the country's population and the economy is dominated by the rural sector, there is a decline trend in the agricultural sector. The agricultural sector faces several challenges such as high cost of cultivation, shortage of labour due to unwillingness of younger generation to continue the activities, marketing of production, importation of agricultural products at a cheaper price from overseas as well as ecological constraints. In the process of urbanization and economic development, use of land for cultivation especially in the Western Province and neighbouring areas of other regional towns has become non-profitable in economic terms. Hence the conversion of such uses into more productive urban uses has become inevitable.

Urban areas of the country have become market centres for exchange and selling of agricultural and other products generated in the rural areas. Some regional urban centres in the country have been basically developed as wholesale and marketing centres of agricultural goods produced in the rural areas. In terms of productivity, though the urban and rural centres are interdependent, certain urban centres in the country have become parasitic in character by enjoying the benefits of rural productivity. Productivity in the urban context is basically measured on the basis formal and well-enumerated activities in the economy. Productivity of the urban informal sector is not properly assessed and recognized yet, even though it forms 69% at the city level as revealed in Annexure Indicator 20.

(15) Small and Micro-enterprises

The role of women and men in the economy has been gradually changing in compatible with the current economic trends of the country. It is evident that women in Sri Lanka have forced in labour market in relation to their contribution to GDP and the foreign income earnings. The women employment in the plantation sector, garment industry and migrant labour contingent in to Middle Eastern Countries contribute to the National income very significantly. Opening of new areas of employment, which were basically, dominated by males has substantially diversified the women labour market. However, the role of the women as housewife, and the mother, perhaps even as the breadwinner of the family, imposes the tremendous pressure on them. This situation is very pathetic among the displaced. This situation is more serious in the urban sector, particularly among the urban poor where 37% of them are classified as the breadwinners of the family (STP - 1999).

In addition to the women's participation in the enumerated formal sector, there is large number of females engaged in the economic activities managed by them. It is reported that approximately 15% of employed females are 'Own Account

Workers' either in the traditional domestic agricultural sector or in the informal sector. However these figures are greater in the urban areas. In the informal sector, they tend to be employed within low income earning activities and engaged under fairly unfavourable working conditions. Though the activities in the trade and commerce sector and services have been increased in urban areas as a result of the open economy, the traditional industrial sector operating at village level has shown a remarkable decrease. Lack of access to credit, and markets for their production are some of the serious issues faced by the informal sector. Further inadequacy of knowledge and capacity on efficient utilization of resources is also identified as one of the areas of concern.

Collaboration with specialized institutions like Micro-enterprise Development Authority, "Samurdhi Movement", Vocational Training Institution, NGOs and other agencies to assist the beneficiaries of the low income settlements on capacity building and venturing into small and micro centrepiece development activities as a part and parcel of the overall social mobilization process in all enabling and market based housing strategies; giving priority in funding allocation for such projects including environmental management components by the communities etc. are some of the **Recommendations for Priority Action**.

(16) Public-Private Sector Partnerships & Stimulate Productive Employment Opportunities

As a measure to establish financial base for urban development, GOSL has encourage formation of new public-private sector partnerships for institutions that are privately owned and managed, but public in their function and purpose. The Presidential Task Force on Housing and Urban Development has identified, that the GOSL should adopt a policy to ensure partnership and participation of the private sector in the Housing, Urban Development and Construction sectors. Traditionally the NHDA was expected to construct and supply houses. Clearly this is not a fair and equitable system, because government voted funds to utilize to provide subsidize houses to a selected small group of people who may not be the intended target group. Further, it created a dependency syndrome among the people. Therefore, according to the PTFR (1998), the approach of the government should be enabling, supporting and facilitating. Although the private sector is presently involved in construction of housing for upper and middle class income groups, while their participation in catering for houses for the low-income and lower middle groups is limited. The reasons for poor participation of the private sector and possible strategies as follows; investment in housing for low and middle income group not being attractive, availability of buildable lands, long procedures in land allocation, non availability of infrastructure facilities etc.

In the area of providing infrastructural and environmental services, the Colombo Municipal Council and the other three major cities within the CMR are effectively engaging the private sector. Further the privatisation of major services such as electricity and telecom has been carried out very effectively and shown a tremendous improvement in delivery of output to the public in many areas of the country (Annexure Indicator 20.1). During the period of review supply of the electricity has increased from 48.3% to 57% in Sri Lanka, while this has been increased in the city areas from 95% to 97% during the period from 1997 to 1999. Furthermore, supply of telephone connections has been increased from 8.2% to 15.2% in Sri Lanka and from 20.2% to 30.7% in the CMR during the same corresponding period. Expected benefits and efficiency of public-private partnership are not achieved in the case of transport sector. Managerial deficiencies, high profit motives of the private sector excessive competition are some factors, which contribute to this situation. Poor quality of roads further handicap the efficiency of this sector.

Sri Lanka, with one primate city agglomeration, which is the CMR, contributes an average of 41.3% of the GDP (Annexure Indicator 21). However, the problem of housing and infrastructure to cater the residential population in CMR in general, and the city of Colombo in particular, is highly inadequate. Also, factors such as pollution, traffic congestion, lack of housing etc. limit the capacity of the city of Colombo to provide more employment opportunities and to contribute more positively to increase the city product. During the period under review GOSL has effectively managed an unemployment situation in Sri Lanka, by bringing down the relevant figures from 10.4% to 9.1% (Annexure Indicator 21).

Create conducive environment for effective Private-Public sector participation through removal of legal impediments and unnecessary administrative procedures, giving incentives to private sector to venturing into environmental management and infrastructure development, and management of the human settlements and urban areas; privatisation of management of the urban services including water, sewerage, road development etc. where possible; creating access to donor funds by the private sector in specified areas etc. are some of the **Recommendations for Priority Action**.

CHAPTER FIVE: GOVERNANCE

An Overview

Sri Lanka is a country with long standing experience on Centre - Periphery power sharing and devolution. This process was further strengthened by devolving more powers to the sub-national levels, by amending the constitution of Sri Lanka in 1987, creating the present Provincial Council (PC) system. In addition to the constitutional recognition as a sub national level democratic institution and constitutional safe guards provided in the above amendments a further devolution of power to sub-national levels of the government is being proposed under the New Constitution, which is expected to gain broader consensus through a vigorous public debate from all parties concerned, including the main opposition party of the Parliament in Sri Lanka. This newly proposed constitution will further empower the all the sub-national level institutions with more authority and responsibilities in decision making, financial control, regional and local level development, management of natural resources including land and forests, housing, health, education, transport, human settlements, urban and infrastructure development, etc.

(17) Decentralization and Strengthening of Local Authorities

1987 Amendment to the Constitution, popularly refereed to as the "Thirteenth Amendment", sets out three lists of power sharing, i.e. Devolved Functions, Non- Devolved Functions and Concurrent Functions, defining the matters upon which the Central Government may make laws in consultation with Provincial Councils (Annexure Indicator 22.1). Also there is a provision in the thirteenth amendment to the effect, that Provincial Councils cannot reduce the existing power of the Local Authorities, but if necessary, additional powers can be assigned to them. The Local Government system in Sri Lanka is well established through the constitutional and legislative process. However, Provincial Councils have received the right to dissolve the council and to appoint administrators in case of mal-practices or mismanagement by the elected council, only upon the recommendations of an inquiring tribunal. Further, any citizen or any aggrieved councillor has the right to challenge such a decision at courts (Annexure Indicator 22.1). Constitutional guarantee, while recognizing the local authorities as sub national level democratic institutional has been proposed under the new constitution with further devolution of powers to them. In March 1998, GOSL has established a commission of inquiry on Local Government Reforms to review the existing structure of Local Government, identify and address deficiencies, and to recommend necessary legal reforms. The recommendations of this report are now being reviewed by the GOSL for action. Further, in August 1999, the GOSL has established the Sri Lanka Institute of Local Governance (SLILG), under the Ministry of Provincial Councils and Local Government with more powers and resources to make necessary action on strengthening of LAs. Moreover, handing over unused state lands, transfer of ownership of state-built housing schemes and minor water supply schemes implemented in the under-served settlements to Local Authorities and decentralization functions of UDA, CEA and CCD etc. to Provinces have already been done, during the period under review.

(18) Participation and Civic Engagement

To encourage and support participation, civic engagement and the fulfilment of the government responsibilities, the National Government, Local Authorities and/or civil society originations are being put into effect, at appropriate levels, enabling a broad-based participation of all people in decision-making and in the implementation and monitoring of human settlements strategies, policies and programs. Participatory mechanism should ensure that all voices are heard in identifying problems and priorities, setting goals and implementing programs and projects (Annexure Indicator 22.2). The period since 1996, is characterized as large scale public participation by the general public and the civil society as result of the commitment of the GOSL to maintain law and order, human rights, media freedom, and individuals freedom of speech, write and expression etc. despite the prevalence of a war like situation in some parts of the country. These preconditions have positively contributed to re-activate the civil society after long period of its relatively low profile of participation in governance and the development process.

Apart from the constitutional provisions for peoples participation in decision-making in planning and implementation of development activities and management of resources has also been provided in the Urban Development Authority Act, National Environmental Law Act, Coast Conservation Act, etc. Under these Acts any proposal for major development activity should be brought to the notice of the general public by way of Gazette notification, news paper advertisement, displaying at places freely accessible to people and conducting public meetings etc. All these laws requires EIA or IEE reports depending of the magnitude of the proposed development and the social and environmental impacts of such activities. Law also requires giving sufficient time for the public to respond and to express their concerns. At local levels the LAs as representative of community have recognized CBO, CDCs and NGOs.

(19) Accountability and Efficient Governance of Towns, Cities and Metropolitan Areas

External financial control of Local Authorities is laid down in all the respective legislations. Law requires the Local Authorities to maintain proper books of accounts. Further the annual budget estimates and annual financial statements of the Local Authorities are submitted to the Provincial Councils for review and approval. The Provincial Councils also have the right to audit the accounts of the Local Authorities.

estimates if any, has to be approved by the council. Further, the procurement procedures are well stipulated in the law. Also, the Local Authorities has to follow the financial regulations and the administrative code of the Central Government. The Auditor General of the Central Government must audit their annual accounts. If any misappropriation or lapses are found, it will be reported to the Public Accounts Committee of the Parliament, which has the powers to summon those who are responsible for such act and impose a surcharge, if found to be responsible. Further, the report of the Auditor General has to be tabled before a council session, which is open to public and the media (Annexure Indicator 22.3).

Budgetary allocations from the Central Government to Provincial and LAs are being recommended by the Financial Commission, which has been established under the "Thirteenth Amendment" to the constitution in 1987. This commission comprises of the Governor of the Central Bank, Secretary to the Treasury and three representatives from the major ethnic communities. The allocations to the respective PCs are being made on the basis of size of the population, per capita income of the PC and the existing inter-provincial social and economic disparities. Three categories of funds are being transferred from the Central Government to PCs and LAs, namely: to "Block Grant" to cover the recurrent expenditure including salaries, "Criteria Based Grant" to reduce the inter provincial disparities and to speed-up the development activities, and "Medium Term Investment Programme" to carry out the development activities by using the funds transferred through the line ministries of the Central Government. The Local Authority financing generate through three major sources, such as recurrent grants and the specific capital grants received from the Central Government, locally granted funds by the respective LA (Annexure Indicator 23.1).

The future initiatives on devolution and decentralization should focus about the cost-effectiveness of the following options. The effort so far undertaken towards devolution and decentralization has created certain undesirable effects as the layers of new administrative legislations duplicates the existing legislations without having necessary adjustment to avoid overlapping that leads to conflicts, confusion and waste of resources. Creation of Provincial Councils in addition to the about 300 existing Local Authorities has increase the strength of the Sub-national level administrative structures at a huge cost from the part of the public spending. However, these organizations continue to suffer due to lack of skilled and competent front-line officials who could really discharge the functions expected by the regional development process, and management of the resources.

19.1. Recommendations for Priority Action

Identification of policies and actions to build the capacities of the LAs; assign more development responsibilities with a view to strengthen the revenue bases of LAs; provision of adequate staff-cadre to enable LAs to increase resource mobilization, successful implementation and management of projects and to ensure their sustainability; improvement of the professional and managerial skills of the cadre attached to PCs and LAs; and other relevant recommendations made in the above sections are some of the Recommendations for Priority Action.

1. Implementation of the recommendations of the report of the commission of inquiry on Local Government.
2. Encourage and facilitate LAs to promote housing development programs and public utilities programs within their areas of jurisdiction.
3. Handing over and transferring of all common areas, public spaces and thoroughfares of all housing schemes to Local Authorities enabling them to provide public utility services including garbage collection, solid waste disposal, sanitation etc., provision for back / front alleys, sewerage disposals, etc. to occupants in those schemes including under-served settlements.
4. Update all existing ordinances, by laws and procedures of Local Authorities to suite current requirements, so that they can expand their revenue base for the provision of better public utility services to the communities in the areas without heavily depending on the central government.
5. Create necessary institutional and technical environment within the LAs enabling them to function as economically viable autonomous entities.

CHAPTER SIX: INTERNATIONAL COOPERATION

An Overview

Consequent to economic growth, and the increase in per capita income of the population, the effective demand for better housing and utility services has shown a significant rise over the past decade. In keeping with tradition, a majority of families favoured individual efforts to improve the physical quality of their houses while, quite legitimately, demanding that the government to develop common infrastructure and ensure effective and efficient delivery of services. The latter, however, will remain a challenge for the government, be it at the national or at the local level. The Government kept in focus the role of the state in economic development, which was confined to areas where market mechanisms failed, while facilitating and guiding investment by the private sector. Policy directions on government investment emphasizes a gradual reduction in the budget deficit where the underlying strategy is aimed at reducing inflation, creating productive employment opportunities, reducing poverty, increasing savings & investment and promoting private sector activities in order to place the economy on the path of rapid economic development.

(20) International Cooperation and Partnership

20.1. Progress Made Since Habitat II

Support the implementation of employment strategies where people (users) play an active role in decision making and contributing to improve their habitat by themselves. GOSL has also supported the development of sustainable strategies where a large number of families could be provided with adequate housing by mobilizing the market forces. Moreover, It has been found unaffordable for the low-income earners to have direct access to formal lending markets at commercial interests rates. GOSL is revising the above concept and has considered "Interest Absorption" strategy for limited targeted categories of households. Moreover GOSL is also exploring international cooperation to extend assistance to especially targeted communities and vulnerable groups in the form of National grants as a bridging financing system.

Mobilizing private capital for housing development across board catering to all income groups without imposing an additional burden to the state is one of the prime strategies of the country. GOSL welcome foreign investment for settlement development with adequate infrastructure and other services. The Board of Investments is offering a wide range of incentives to the investors who are coming into the housing development sector for the lower income groups. Sustainable Cities Programme (SCP) and similar programmes that are geared to strengthen the management, implementation and coordination capacities of ULAs are encouraged. It has been recognized by the GOSL that ULAs are the legitimate establishments that are entrusted with local level planning. Further, the model initiatives such as Sustainable Townships Programme (STP), which has introduced on prudent market based principals and private sector based implementation practices to address the housing issue of Colombo's poor with the participation and partnership of the Colombo Municipal Council, within an overall context of urban development strategy is encouraged. GOSL welcome initiatives adopted by UN agencies in the process of strengthening local level self-government. PCs and ULAs are encouraged to venture into housing development for the year 2000 on wards.

A conducive business environment, backed by a constitutional guarantee, provides strong protection to foreign investments in Sri Lanka. During the past five years, through initiatives taken by the Board of Investment (BOI), Sri Lanka has offered a package of incentives for both domestic and foreign private sector investors to engage in commercially viable economic activities. Bilateral investment protection agreements with 21 countries have been signed. Fundamental economic reforms in the financial sector, corporate management, infrastructure and tariffs have been carried out in order to intensify the role of the private sector to engage in efficient and competitive economic activities. The enabling environment thus created has begun to respond positively by jointly investing in infrastructure development with the government. As a result, the foreign direct investment opportunities have been enhanced in sectors such as industry, construction and real estate development, bringing about physical changes in human settlements and the living environments.

Development strategy expressed in terms of sectoral plans of a medium term perspective continues to provide the basis for negotiating foreign financing from both concessionary and commercial credit sources. As a result the government has continued to receive a substantial amount of foreign aid to supplement capital investment. However the overall utilization of committed aid however, has been relatively lower (at 70%) than expected. As a counter measure for declining official development assistance, the government efforts have been focused on rationalizing the institutional framework, making it possible to negotiate with the private sector for infrastructure services development and management. The environmental infrastructure investment of the IDA, focusing on solid waste disposal and industrial effluent treatment, made an attempt to create a breakthrough by defining the domains of the private and public sectors. However, these initiatives require, in addition, both further refinement and political will and commitment to implementation. Government has been successful in mobilizing and utilizing substantial volumes of foreign assistance towards the Public Investment Strategy and socio-

economic development in Sri Lanka Annual Average foreign and commitment during the five year period 1995-1999 is around US \$ 750 million while the annual disbursement of such commitment is around US\$ 580 million.

Foreign Aid Commitments 1995- 1999 (US \$ million)

Type	1995	1996	1997	1998	1999	Total 95-99	Average 95-99
Loans	369.1	846.1	627.9	590.2	656.38	3715.38	619.23
Grants	155.0	136.8	146.0	135.1	59.76	807.46	134.58
Total	524.1	982.9	773.9	725.3	716.14	4522.84	753.81

Utilization of Foreign Aid 1995- 1999 (US \$ million)

Type of Aid	1995	1996	1997	1998	1999	Total 95-99	Average 95-99
Loans	475.8	435.6	417.5	486.3	453.8	2684.6	447.4
Grants	181.9	142.1	127.0	92.5	90.4	811.0	135.2
Total	657.7	577.7	544.5	578.8	544.2	3495.6	582.6

20.2. Policy and Legislative Changes Since HABITAT II

Legal impediments affecting government institutions from benefiting capital, technology, and knowledge transfers from international arena have been removed by introducing appropriate amendments, particularly into the law pertaining to utility sector. Water sector has achieved notable progress as a result. Outdated government based institutional structures are being restructured to attract foreign capital and investment.

20.3. Lessons Learned

Isolated target based foreign assistance have been found unsustainable as they are not economically affordable for both users and the State. Further, they impose serious consequence for O&M activities. Future international cooperation therefore, should be sought, based on a well-conceived development strategy. The GOSL has offered opportunities to test the internationally accepted strategies in the human settlement development sector, particularly in water supply and in infrastructure sectors.

20.4. Envisaged Areas for International Co-operation

International Co-operation in the form of project type assistance based on the medium-term sectoral plans development strategy, funding and technology transfer in the following areas is crucial if envisaged progress is to be made.

1. Augmenting the existing over burdened infrastructure and services networks in the City of Colombo.
2. Storm water drainage improvement and flood control in the City of Colombo, which is posing a threat to the environment.
3. Re-housing of displaced families in the Northern & Eastern parts of the Island and developing the physical and social infrastructure in the region once the peace is achieved.
4. Rehabilitation and resettlement of displaced families in conflict areas.
5. Infrastructure development programmes in small townships to extent the urban services to the rural folk in the periphery.

20.5. Recommendation for Priority Action

1. Obtaining international cooperation to assist the communities affected by the conflict is a priority requirement under the rehabilitation and resettlement strategy.
2. Bilateral donors, NGOs, and international charitable organizations are to allow to work together with the public sector institutions to provide humanitarian assistance to these communities.
3. Capacity building of the Provincial Councils and Local Authorities to ensure the smooth and prompt implementation of the housing and urban development projects with the private sector under the Regional Development Plans of the UDA.
4. Capacity building of the Local Authorities to maintain the infrastructure networks to be strengthened by training staff and making the machinery and equipment available.
5. Support market based, private sector involved housing, urban and infrastructure development initiatives.
6. Support expansion of secondary housing market and securities based financing for housing development for urban poor and urban development including infrastructure.

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ANNEXURE

INDICATORS

CHAPTER ONE: SHELTER

(1) Provide Security of Tenure:

1. Indicator One: Tenure Type by Sex of the Chief Occupant (%)

Tenure Type	Sri Lanka	City	Remarks
1) Owned	79.3	58.0	
Male Household	N/AV	82.0	
Female Household	N/AV	18.0	
2) Private Rental	5.8	29.1	
3) Displaced*	*	*	* As a result of the on going war like situation in the North and East Provinces nearly one million people are displaced due to terrorist attacks on ethnic civilian targets, or to avoid the active military operational areas.
4. All Other	14.9	12.9	
TOTAL	100.0	100.0	Note: N/AV = Not Available

Source: Sustainable Townships Programme, 1999

2. Indicator Two: Evictions

(Average Annual Evictions)

Year	Voluntary Relocation of Families from Under Served Human Settlements		Involuntary Relocation of Families from Human Settlements (Evictions)	
	Sri Lanka	City	Sri Lanka	City
1995	N/AV	1,335	No involuntary relocation (Evictions) is practised in Sri Lanka in the housing sector.	
1996	N/AV	965		
1997	N/AV	124		
1998	N/AV	284		
1999	N/AV	774		
Average	N/AV	720.4	Note: N/AV = Not Available	

Source: NHDA, 1999, RDA, SLRDC, DR

(2) Promote the Right to Adequate Shelter

3. Indicator Three: Average Housing Price to Income Ratio

(Based on Market Prices)

Year	Sri Lanka	City	Remarks
1999	75%	80%	As the affordability is low participatory, enabling incremental housing approach is adopted in the non-urban areas while the cross subsidiary market based housing approaches are being applied in the urban areas.

3.1. Qualitative Indicator: Housing Rights (National Level)

FACTOR	STATUS
Does the Constitution or National Law promote housing	YES
Does it include protection against eviction	YES
Are there impediments to owning land	SOME
Are there impediments to particular groups owning lands	NONE
Are there impediments to women inheriting land and housing	NONE
Are there impediments to particular groups inheriting land and housing	NONE
Are there impediments to women taking mortgages in their name	NONE
Are there impediments to particular groups taking mortgages in their own name	NONE

(3) Provide Equal Access to Land

4. Indicator Four: Land Price to Income Ratio

(Based on Median Income Ratio to 10 sq.m Land Area)

Year	Sri Lanka			Urban		
	Highly Developed Land	Developed Land	None Developed Land	Developed Land	Developed Land	None Developed Land
Average 1999, (%)*	28	8	2	351	140	53

* Median income has been calculated on the basis of per capita income in 1999 (US \$ 823), current market values of lands.

(4) Promote Equal Access To Credit

5. Indicator Five: Housing Price to Income Ratio

(% of Dwellings with Loans)

Year	Sri Lanka	
	Mortgaged	Not Mortgaged
1997	20	28
1998	22	30
1999	N/AV	33

Source: NHDA, SMIB, HDFC, PB, BOC, NSB

(5) Promote Equal Access To Basic Services

6. Indicator Six: Access to Water (% of Households)

Year	None Urban Areas	City
1997	66.0	89.8
1998	69.6	90.2
1999	73.4	90.6
Average	70.6	90.2

Source: UNICEF, 1998; Department of Census & Statistics, 1998; NWS&DB; Central Bank, 1998.

7. Indicator Seven: Household Connections (% of Households)

Year	Sri Lanka	City	Remarks
Pipe Water			
1997	9.5	20.6	
1998	10.6	22.9	
1999	12.0	25.8	
Sewerage			
1997	N/AP	70	
1998	N/AP	76	
1999	N/AP	80	
Electricity			
1997	48.3	95.0	
1998	52.4	96.0	
1999	57.0	97.0	
Telephone			
1997	8.2	20.2	Urban Data refers only to Colombo Metropolitan Region.
1998	11.9	26.0	
1999	15.2	30.7	

Source: UDA, NWS&DB, CMC, CEB, SLT

CHAPTER TWO: SOCIAL DEVELOPMENT & ERADICATION OF POVERTY

(6) Provide Equal Opportunities for Safe & Healthy Life

8. Indicator Eight: Under Five Mortality (% of Deaths per 000 live births)

Year	Sri Lanka	Urban
1997	16.5	N/AV
1998	16.3	N/AV
1999	16.1	N/AV
Average	16.3	N/AV

Source: UNICEF, 1998; Department of Census & Statistics, 1998; Central Bank, 1998

9. Indicator Nine: Crime Rates (Absolute Figure)

Year	Sri Lanka	City	
Homicides			
1997	N/AV	380	
1998	N/AV	204	
1999	N/AV	N/AV	
Rapes			
1997	144	N/AV	
1998	221	N/AV	
1999	307	N/AV	
Thefts			
1997	N/AV	990	City data referees only for Colombo Metropolitan Region
1998	N/AV	475	
1999	N/AV	N/AV	

Source: Department of Police

9.1. Qualitative Indicator: on Urban Violence

FACTOR	STATUS LEVEL		REMARKS
	Sri Lanka	City	
Areas considered as dangerous or inaccessible to the police	YES	NO	Access is restricted in some areas due to terrorist activities.
Violence at schools	NO	NO	
Official policy against domestic violence	YES	YES	
Crime prevention policy	YES	YES	
Weapon control policy	YES	YES	
Victim of violence assistance programme	YES	YES	

(7) Promote Social Integration & Support to Disadvantaged Groups Provide Equal Opportunities for Safe & Healthy Life

10. Indicator Ten: Poor Households

(% of Households Below Poverty Line, Headed by Men & Women)

Year	Sri Lanka	City
1997	22.4	18.3
1998	22.2	18.0
1999	22.0	18.0
Average	22.2	18.1

Source: Central Bank, 1998

(8) Promote Gender Equality in Human Settlements Development

11. Indicator Eleven: Female-Male Gaps (%)

YEAR	Sri Lanka		Urban			
	Male	Female	Total	Male	Female	Total
Education: School Enrolment Rate (%)						
Primary 1996	106	105	106	N/AV	N/AV	N/AV
Secondary 1996	65	68	66	N/AV	N/AV	N/AV
Health: Under 5 Mortality Rate (%)						
1995	N/AV	N/AV	19.0	N/AV	N/AV	N/AV
1990	N/AV	N/AV	N/AV	N/AV	N/AV	N/AV
1999	N/AV	N/AV	N/AV	N/AV	N/AV	N/AV
Health: Life Expectancy Rate 1995-2000	70.7	75.4	73.1	N/AV	N/AV	N/AV
Employment: Unemployment						
1994	N/AV	N/AV	13.8	12.6	24.6	16.1
1996	N/AV	N/AV	11.6	N/AV	N/AV	N/AV
1997	N/AV	N/AV	10.4	N/AV	N/AV	N/AV
1998	N/AV	N/AV	10.6	N/AV	N/AV	N/AV
1999	N/AV	N/AV	9.8	N/AV	N/AV	N/AV
Participation in Decision Making: Number of Councillors Elected at Local Elections						
1996 (Local Elections)	98.9	1.1	100.0	N/AV	N/AV	N/AV

Source: Bread for the World Institute, 1998; Department of Census & Statistics, 1998; Central Bank, 1998

CHAPTRE THREE: ENVIRONMENTAL MANAGEMENT

(9) Promote Geographically Balanced Settlement Structures

12. Indicator Twelve: Urban Population Growth

(Annual Population Growth Rate %)

Year	Sri Lanka	Urban
1981	1.67	1.2
1994	1.40	1.3
1999	1.20	1.4
Average	1.42	1.3

Source: Central Bank, 1999, Department of Census & Statistics, 1998

(10) Manage Supply and Demand for Water in an Effective Manner

13. Indicator Thirteen: Water Consumption

(Average Domestic Consumption, Per Capita Liters per day)

Year	Sri Lanka	Urban	Remarks
1997 - 1999	120	180	Estimated Figure

Source: NWS&DB, 1999

14. Indicator Fourteen: Price of Water

(Median Price of Water Paid Per 100 Liters in US \$)

Period	Colombo	Other Urban Areas
1996-1999	0.026	0.044

Source: NWS&DB, 1999

(11) Urban Pollution

15. Indicator Fifteen: Air Pollution in Cites

City	SO ₂	SPM	O ₃	CO	No _x	Pb	Remarks
Colombo	0.015	N/AV	N/AV	N/AV	0.054	N/AV	Annual average 1997-1999. Continues Air Quality Monitoring is being done in 2 permanent locations in the City of Colombo.

Source: UDA, 1999

16. Indicator Sixteen: Wastewater Treated

(% of All Water Undergoing Some Form of Treatment)

Year	Sri Lanka	City	Remarks
1997	N/AV	N/AV	Treatment facilities available for high polluting industries.
1998	N/AV	N/AV	
1999	N/AV	N/AV	
Average	N/AV	10	

Source: UDA, 1999

17. Indicator Seventeen: Solid Waste Disposal in Cities - 1999 (%)

City	Landfills	Incinerated	Open Dump	Recycled
Colombo	None	None	100.0	None
Dehiwala			85.0	15.0
Moratuwa			100.0	None
Kotte			98.0	2.0
Average			95.8	8.5

Source: UDA, 1999

(12) Prevent Disasters and Rebuild Settlements

12.1. Qualitative Data on Disaster Prevention and Mitigation Instruments

Factor	Sri Lanka	Urban	Remarks
Building Codes	YES	YES	
Hazard Mapping	YES	SOME	The most Vulnerable Hazards Prone Areas being mapped.
Disaster Insurance	YES	YES	Available on Individual Demand as a Service in the Market for private householders.

(13) Promote Effective and Environmentally Sound Transportation System

18. Indicator Eighteen: Travel Time

(Average Minutes for a One-way Work Trip)

Year	Colombo	Other Urban Areas	Remarks
1997	25	30	Traffic management in is comparatively better the in the City in relation to the peripheral urban areas.
1998	25	45	
1999	30	45	
Average	27	40	

Source: UDA

19. Indicator Nineteen: Transport Modes (Colombo City Limits)

(% of Work Trips by Different Modes)

City	Private Vehicles*	Train	Bus	Other
1997	25.0	8.9	63.0	3.6
1998	23.7	8.1	65.0	3.2
1999	21.4	7.6	68.2	2.8
Average	23.3	8.2	65.4	3.2

Note: * Including private cars /vans/Motor cycles

Source: UDA, 1999.

(14) Support Mechanisms to Prepare & Implement Local Environmental Plans and Local Agenda 21 Initiatives

19.1. Qualitative Indicator: City Level Local Environmental Plans

Factor	Index	Remarks
How many cities have established long term strategic planning initiatives for sustainable development, involving key partners (Number)	5	<ul style="list-style-type: none"> ▶ Cities are urban places over 100,000 Population. ▶ 6 Such Cities in Sri Lanka. ▶ This is an inbuilt process in the planning and implementation cycle of all development projects at all levels. ▶ However, this process is constrained due to lack of adequate resources, expertise, and awareness among the beneficiaries and other stakeholders at all levels of governance.
Is this process institutionalized at the National Level and/or has there been any legislative for sustainable development, involving key partners	YES	
Has the city established a long term strategic planning initiative for sustainable development, involving key partners?	YES	
Is the city implementing local environmental action plans involving key partners	YES	

CHAPTER FOUR: ECONOMIC DEVELOPMENT

(15) Strengthen Small and Micro Enterprises, Particularly Those Developed by Women

20. Indicator Twenty: Informal Employment

(% of the Informal Sector Employed Population)

Year	Sri Lanka	Urban	Remarks
1997	N/AV	N/AV	
1998	N/AV	69.0*	*City Level
1999	N/AV	N/AV	

Source: UDA.

(16) Encourage Public – Private Partnerships

20.1. Qualitative Indicator: Public – Private Partnerships

(City Level)

Factor	Index	Remarks
Have some major public enterprises involving the delivery of services in cities established partnerships with private firms at the city level	YES	
If yes, how many altogether in the country	4*	*In 4 major cities private sector is increasingly participating in the delivery of solid waste, electricity and telecom service sectors.

21. Indicator Twenty One: City Product

(Total Product of the City as Per the National Accounts Procedures)

Year	Colombo Metropolitan Region	Sri Lanka	Remarks
1981	39.1	60.9	Estimated, based on the Provincial GDP figures.
1990	41.4	58.6	
1999	43.3	56.7	
Average	41.3	58.7	

22. Indicator Twenty Two: Unemployment in Sri Lanka
(% of the Work Force)

Indicator	Without Work	Currently Available for Work	Seeking Work
1997	10.4	N/AV	N/AV
1998	9.7	N/AV	N/AV
1999	9.1	15.3	N/AV

Source: Central Bank, 1999, Department of Census & Statistics, 1998

CHAPTER FIVE: GOVERNANCE

(17) Promote Decentralization & Strengthen Local Authorities

22.1. Qualitative Indicator: Level of Decentralization

Factor	Status	Remarks
1. Can the higher Levels of the Government (National, Provincial):		
a. Close the LG (Ex. Appoint an Administrator or New Council, Call new Elections)	NO*	*Local Government system in Sri Lanka has been well established through the constitutional and legislative process. However provincial government has reserved the right to dissolve the council and to appoint administrators in case of mal practices of mis-management by the elected council, only upon the recommendation of a inquiring tribunal. Further, ratepayers or any citizen or aggrieved councillor has the right to challenge such a decision at court.
b. Remove Councillors	ALL*	
2. Can the Local Government, without permission from higher Government:		
a. Set local tax levels (all/some)	SOME	
b. Set user charges for services	SOME	
c. Borrow Funds	SOME	
d. Choose contractors for projects	ALL	
3. Is the amount of fund transfers from higher governments known in advance of the local budget setting process.	ALL	
a. If some, what is the percentage of the 3 above	N/AP	

(18) Encourage and Support Participation and Civic Engagement

22.2. Qualitative Indicator: Citizen Involvement in Major Planning Decisions

Factor	Index	Remarks
Are Cities involving the civil society in a formal participatory process prior to:		Consultations done mostly at political level, Civil Society involvement is nominal, The negative Social, Environmental, Economic impacts are essentially locked into either through EIA or IEE report preparations depending of the magnitude of the project.
a. New major roads and highway proposals	ALL	
b. Alteration in zoning	ALL	
c. Major public projects	ALL	

(19) **Ensure Transparent, Accountable & Efficient Governance of Towns, Cities and Metropolitan Areas**

22.3. Indicator: Transparency and Accountability (City Level)

Factor	Status	Remarks
Regular independent auditing of Municipal Accounts	ALL	
Published contracts & tenders for municipal services	ALL	
Sanctions against faults of Civil Servants	ALL	Auditor General has the right to surcharge from the responsible officer/councilor/mayor/chairman for faults.
Laws on Disclosure of potential conflicts of Interest	ALL	

23. Indicator Twenty Three: Local Government Revenue and Expenditures

23.1. Qualitative Indicator: Revenue and Expenditures
(City Level, Three Year Average in US\$.)

Factor	Index (US.\$ Millions)	
	Capital	Recurrent
1. Total Local Government revenue from all sources	2.19	19.95
2. Per capita capital expenditure by all Local Governments in the Colombo Metropolitan Region	1.55	8.66
Total	3.74	32.35

Source: Department of Census & Statistics, 1998

CHAPTER SIX: INTERNATIONAL COOPERATION

(20) **Enhance International Cooperation and Partnerships**

23.2. Qualitative Indicator: Engagement in International Cooperation

Indicator	Sri Lanka	Cities	Remarks
1. Is the country involved in international cooperation, as receiver	YES	YES	
a. Is the country involved in international cooperation, as receiver	YES	YES	
b. Is the country involved in international Cooperation, as donor	NO	NO	
2. For recipient countries: (US\$)			
a. Total Amount Received			
3. Is the City affiliated to one or more association of local authorities	N/AP	NO	
4. Is the City involved in direct city to city cooperation	N/AP	YES	