

Infrastructure: Enabling economic growth

By LAHIRU KARUNATHILAKA

Getting it right

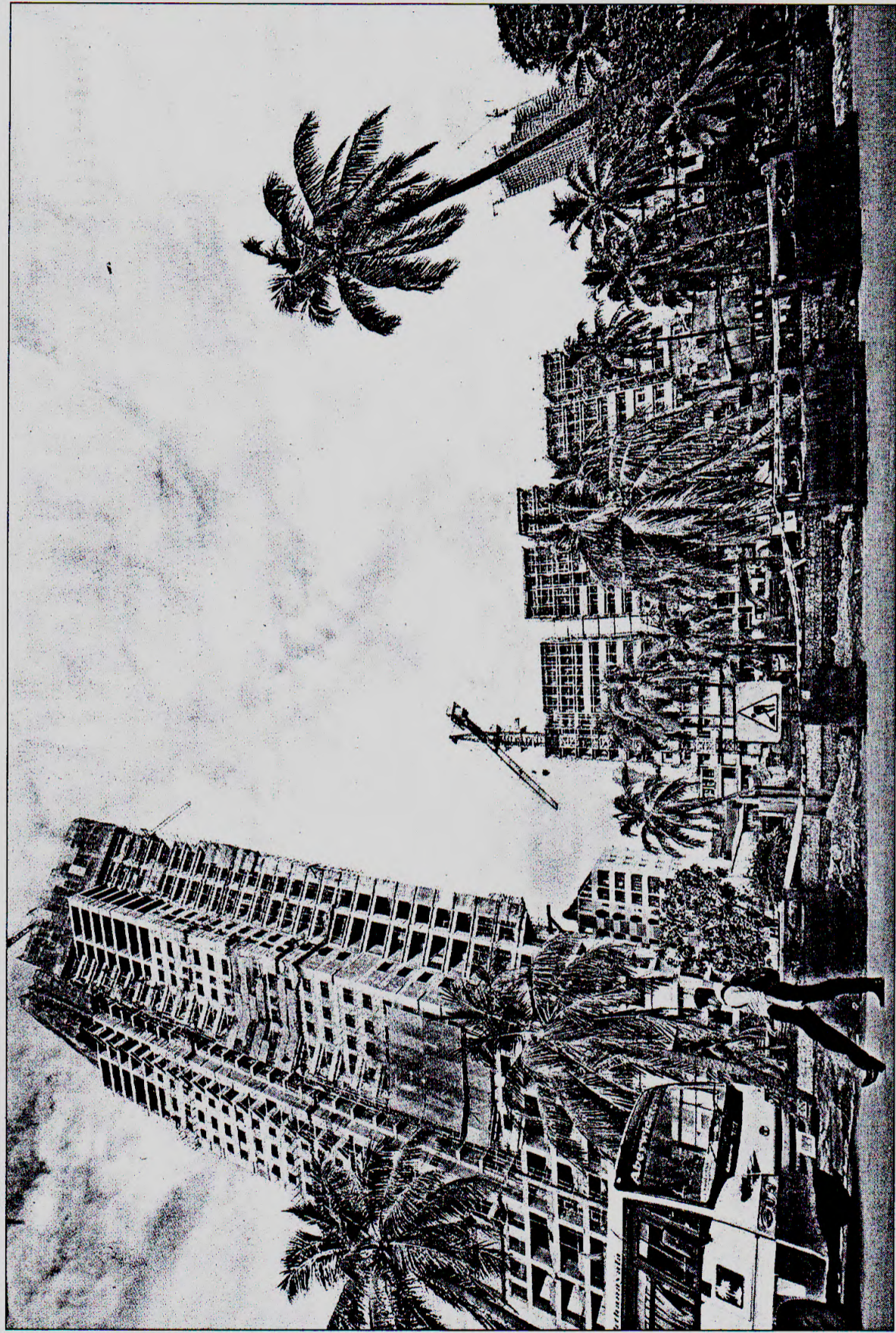
INFRASTRUCTURE can drive economic growth and contribute to social cohesion. Infrastructure investment and development is one of the top priorities for governments globally. It is imperative for poverty reduction, social progress and inclusive economic growth.

Emerging markets like us need to develop critical new infrastructure to accommodate population growth, rapid urbanisation and rising incomes. This requires our infrastructure strategy to meet the Sustainable Development Goals. With this attitude infrastructure should not be considered as individual assets, such as highways, power plants, water network, hospitals and should not be planned or strategised under individual ministry portfolios.

Infrastructure: fiscal policy and a governance challenge

Having said that, almost every Government including Sri Lanka are under pressure to improve their fiscal positions. Poor governance is a major reason why such projects often fail to meet their objectives, budget and time frame. Political influence may impair the decision-making in terms of identifying and prioritising. Coordination across level of Government is difficult despite the fact that majority of the public investments were made at ministry level.

Followed by the adverse weather conditions and sluggish economic recovery, the economy of Sri Lanka continued to grow at a decreasing rate (YoY growth of 3.2% in real terms). Debt to GDP levels are



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ers. On this point we should be vigilant on large-scale projects since most of the input we have to import. Such investment would increase import expenditure and pressure the trade balance and balance of payments. Indirectly in the long term, through raising the production capacity of the economy by reducing transportation and other costs allowing a more efficient use of inputs.

Above facts indicate that the additional expenditure on infrastructure investment must be found by reducing public expenditure in non-productive areas and through public sector reforms. Institute of policy studies in Sri Lanka states that "the priority for fiscal policy is to release financing for infrastructure investment and reconstruction spending". This entails that a

fold social benefits. Maternal mortality rates are affected by the quality of water and hygiene. 18% of the schools don't have any type of water source. From the students who enrol for Ordinary Level, only 60% students remain for their Advance Level classes².

Having said that, the above models need material amount of reforms to be taken in the legal and regulatory system. This is why having a national strategy and an efficient regulatory

regulatory design
This will mainly address

design on infrastructure is key. Finally, 'Make it Smart', studies done by economics intelligent unit (supported by UNOPS) shows building information modelling (BIM), sensors, and big data will be increasingly important tools which will improve the monitoring of the asset performance and improve the planning of new assets. This can also increase the environmental sustainability of existing assets (making assets future-proof) while cutting costs associated with maintenance.

Latest real word example is Singapore's WaterWise system. Using a combination of hardware and software, the system monitors in real time the city's water distribution network. Sensors track indicators, such as pressure, flow rate, pH levels, turbidity and dissolved organic matter. The system enables quicker detection of leaks or burst pipes and facilitates long-term planning for maintenance and system expansion. (www.nrf.gov.sg)

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Footnotes

- 1 Excluding the profitability of The Ceylon Fisheries Corporation
- 2 School Census Report, 2017 Source: IMF, Fiscal Monitor 'Debt, use it wisely', October 2016 and OECD Economic Outlook, June 2016