

Pathfinder Foundation

**NATIONAL CONSULTATION
ON
FORMALIZING INFORMAL ECONOMIC ACTIVITIES**

Sri Lanka

15th December, 2006
Sri Lanka Foundation Institute, Colombo

Rapporteur: Gitanjali Marcelline

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PART 1

Summary of Proceedings

1. BACKGROUND

The informal trade sector of Sri Lanka accounts for about 47 percent of the total economic activities of the country and that its contribution to employment-generation is invaluable. About 49 percent of the labor force is employed in the informal sector with the majority being women. A considerable proportion of self-employed workers who account for about 59 percent of the labor force are in the informal trade sector.

There are reasons for the existence of the informal trade sector, chief among which are; highly politicized government procurement process, rampant corruption, bureaucracy and red tape, smallness of the scale of operation (less capital and more labor intensive, etc).

The informal trade sector is not without problems. Apart from providing poor quality products and services, there is lack of access to formal financial resources and dispute settlement processes, there is deprivation of information, non-representation of informal sector interests in the government policy-making process, inefficiency in resource-allocation, low level of competitiveness, to name a few.

The effects of development of informal trade on poverty-reduction is such that it reinforces poverty and inequality, operates inefficiently, returns on assets are minimal, and employees are subject to exploitation and do not have legal protection and social security.

Towards developing a policy tool-kit for the use of government and NGOs in the region on ways and means of empowering the poor through formalization of informal economic activities, a national consultation was held by UNHLCLEP and the Pathfinder, at the Sri Lanka Foundation Institute, Colombo 7, on Friday, 15th December, 2006.

Aside from presentations on informal trade, informal markets for financial services, informal land markets, and legal and regulatory issues involved in formalizing the informal sector economic activities in Sri Lanka, an open forum was held for stakeholders to voice their issues/concerns.

Stakeholders included financial experts, academics, lawyers, and last but not least representatives of civil society organizations.

II. INFORMAL TRADE

At the outset, the presenter wished to reiterate on the fact that the informal trade sector accounts for a considerable percentage of the total economic activities of the country and contributes much to employment-generation.

To examine some of the reasons for the existence of the informal trade sector; high transaction costs in formal trade sector (i.e., obtaining business license, acquiring land titles or leases, hiring employees, complying with government regulations, obtaining loans, enforcing contracts, payment of taxes, etc), tariff and non-tariff barriers (complex and comprising of several bands. Additionally, other charges such as 10% import duty surcharge, port and airport development levy, VAT, etc), quick and short-term gain/benefits without undue delay in payments, and also the fact that the informal trader is comfortable in the knowledge that there is no proper monitoring and follow-up by government authorities, the reason why they prefer to remain in the informal sector. Legal constraints also make informal traders remain in the informal sector.

There is no denying that in the informal sector there are issues. Apart from poor quality products and services, this sector has lack of access to formal financial resources. Also, employees face exploitation, meaning they do not have legal protection and social security, e.g., child labor is rampant and there is non-payment of EPF. Low level of competitiveness and non-access to basic facilities such as healthcare, water, and electricity are other problems.

Considering these problems, how does one empower the poor - formalize the informal economy? Have a market-based approach to strengthen the informal trading sector? Create a favorable incentive structure for the markets to operate by the government? Link the informal trade sector with the formal trade sector rather than altogether formalizing it? These are questions worth examining.

One might say to simplify the existing complex legal framework to establish businesses and property rights to get access to public goods, or establish a social security system for informal traders, or improve infrastructure and basic facilities such as communication, water, and electricity, provide education/training facilities and develop the skills of informal traders to gain access to formal financial resources, or even make transaction costs low (i.e., in obtaining business license, registration, etc). Would all these help? Here is food for thought!

The way the presenter saw it, one reason for informal traders to opt to remain in the informal trade sector is owing to the smallness of the scale of operation (less capital and more labor intensive). However, instances are not unknown when women and children have been exploited. Should they not be provided with legal protection and social security? These are requirements which are met in the formal trade sector, which is a positive factor.

Although there are quick and high gains in the informal trading sector, in the long-term it reinforces poverty and inequality and operates inefficiently resulting in minimal returns

on assets. The main reason for this is lack of education/training facilities for informal traders, and non-development of marketing channels.

In closing, the presenter did not fail to point out that legal constraints also make informal traders remain in the informal sector. No doubt these snags need fixing when formalizing the informal trade sector.

DISCUSSION

The presentation eked much interest resulting in discussion.

The burning issue/question raised by the former Governor of the Central Bank was whether the informal economy is as informal as it is made out to be. If it is not, why then should it be formalized? Does society will it or is it the wish of policy makers?

From the facts presented it was evident to the retired bank governor that the informal trade sector has done more good than bad to the economy, with it accounting for 47 percent of the total economic activities of the country and considering its immense contribution to employment-generation.

According to the eminent banker, one reason why society would want it formalized is because, right now it does not have a market-based approach, neither a favorable incentive structure for the markets to operate by the government which is crucial for its development. The other reason being; to streamline functions, prevent exploitation and provide legal protection and social security, e.g., women and children. Also, taking into consideration the fact that in the informal sector, there is no further investment from income received, e.g., for fishermen. Further, it was felt that by formalizing the informal trade sector, the traders can be educated and trained to develop their businesses. Yet, there remains the question “In formalizing the informal economy what is the limit?” Here, one could see that the problem is not in formalizing the informal economy, but more in how it is done, e.g., whether adequate information and data is provided to all instead of a limited few. If the relevant people are deprived of information, that would pose a problem.

There was the general thinking that formalizing the informal trade sector should be an easy process instead of being cumbersome as it is now, e.g., with high transaction costs in obtaining business licenses, etc. If the informal trading sector is to be formalized, rigidity of entry requirements must be relaxed.

Some participants were confused about the definition/interpretation of the word “informal” and sought clarification. It was defined as *“the economic activities which escape from government regulations and those which are not subject to institutions that provide job security”*:

It was another participant's observation that China has prospered from its informal economy and that in Taiwan, its informal economy has targeted youth development for long-term gain. Rather than formalizing the informal trade sector, Sri Lanka should look at reorganizing it by developing its youth and promoting high quality products and services. .

Yet, there remained a conflict about the term "*formalizing the informal sector*" as it was felt by many present that including the eminent banker that it has done more good than bad to the economy and what was needed was to fine tune it to better effect. After much deliberation, consensus was arrived at amongst the participants to term it as "*reorganizing/strengthening the informal sector*".

An observation made by another participant was that in the informal trade sector, traders are compelled to turn to informal financial markets, such as direct money lenders, indirect money lenders, and voluntary saving and loan associations, owing to high transaction costs in the formal trade sectors. Also, socio-economic and cultural factors make informal traders turn to informal financial markets for their financial needs. Such setbacks can only be fixed with proper education/awareness and change of mindset/attitudes.

A different perspective given by another participant was that only a few engaged in informal trade have enjoyed tertiary/university education and the rest are low skilled and that nothing has been done by the government to develop their skills. Further, there was concern that formalizing the informal trade sector would affect the livelihoods of such persons. It was agreed by all present that the need of the hour is to provide the necessary education training and skills to informal traders.

Another observation made was that by property rights not being established by the government, informal traders cannot gain access to public goods and services. It was felt by many present that when reorganizing/strengthening the informal sector, for the government to establish property rights for informal traders to gain access to public goods and services.

Corruption, bureaucracy and red tape, being the bane of the country, to outline/adopt strategies to minimize if not altogether eliminate these when reorganizing the informal sector.

Since informal lending institutions such as 'Grameen' and 'Sanasa' Bank give a yeoman service to informal traders, it was recommended by many present to develop these institutions to serve the informal trader better.

II. LEGAL AND REGULATORY ISSUES IN FORMALIZING THE INFORMAL ECONOMIC ACTIVITIES

At the outset, the presenter wished to address the following legal and regulatory issues:-

- Legislation relating to business start-up
- Property rights
- Worker rights
- Rule of law and access to justice

According to the presenter, much research has been carried out on legal and regulatory issues in formalizing informal economic activities. An informal economy has been the solution to economic woes of many a developing country.

The formal trading sector promotes business-friendly environments with tax holidays, etc. but the informal sector has not had any relief, e.g. it does not have well established property rights to gain access to public goods. If at all, the antiquated/colonial system still exists. Formalizing the informal sector or creating a business friendly environment is not bad, but must be done taking into consideration ground realities. To elaborate laws relating to registration of business - according to Securities and Exchange Commission reports, the percentages of business registration in recent years has shown a remarkable low. The reason for this has been high transaction costs and long delays associated with adherence to the laws and regulations in formal trade, e.g., registration of a business entity requires mandatory submission of audited accounts in addition to registration fees. This makes the informal trader not want to formalize.

It would do well for one to examine if there is a real necessity to formalize the informal trade sector. Is it because of the general perception that the informal sector does not provide quality goods and services and operates on low transactions costs? What is the guarantee that traders in the informal sector adheres to all these rules and regulations? Here is food for thought!

Under legal and regulatory framework pertaining to business, there are environmental laws and regulations, but one finds many environmental hazards caused by industries, e.g., such as emission of toxins/chemicals, non-adherence to health and safety regulations, etc. To prevent these hazards, it is recommended to formulate environmental and health and safety regulations with minimum costs to informal enterprises.

Another reason for informal trade is tariff and non-tariff barriers (complex and comprising of several bands. Additionally, other charges – 10% import duty surcharge, port and airport development levy, VAT, excise duties, EDB fees, port handling charges, etc). Rather than declaring all income and assets and closing shop, the informal trader would opt to remain in the informal sector. Removing these barriers and enabling Small and Medium Enterprises (SME's) access to formal financial resources such as micro financing schemes and giving tax relief will surely help. In the informal sector, traders in order to start business are compelled to resort to 'Seetu's' or gain loans from pawn brokers to avoid high transaction costs. This goes to show how necessary the informal money markets were to them. It was only once they were well established that they joined the mainstream (became formalized).

Instances of employees being subject to exploitation, not having legal protection and social security, e.g., child labor, non-payment of EPF, etc. are not unknown in the informal sector. Whilst laws should be formulated and enacted to arrest or altogether eliminate these, attempts must also be made to reorganize the informal sector with change of attitudes/mindsets.

Laws related to the property rights of land are another set of barriers preventing informal economic activities transforming to formal economy. People who have not received state land do not have full property rights on their land and as a result cannot use it as collateral to obtain loans from formal financial institutions to improve their livelihood. The inadequate coverage of title registration for private lands whose ownership is established through continuous inheritance has also prevented the landowners to use their land as a marketable asset to participate in formal business activities. The government owns 80% of the land. Only 20% comes under private ownership. An attempt to compare land reforms in other countries would simply be a wasted effort since there is simply no comparison. The need of the hour is to reform the State Land Alienation Policy to grant full property rights to the land grantees and set up a Commission to grant deeds. Also, provide 'titles of ownership' to informal traders to register their businesses.

The legal and regulatory framework of Sri Lanka pertaining to business caters to the open economy. This needs changing with introduction of labor laws more sensitive to the nature and characteristics of informal enterprises without violating employee rights and gender equality. Rule of law and access to justice is minimal for informal traders. Therefore they do not have confidence in humanitarian organizations such as the Human Rights Commission. This is all the more reason why it is necessary to provide necessary education and skills to informal traders to help them fight for their rights, especially property.

DISCUSSION

Commencing the discussion, it was one participant's observation that the last regime tried to establish property rights to grant access to public goods. The reason why it failed was because measures were taken to survey the land which was a lengthy and costly process. If at all they were subject to lengthy court procedures to establish their property rights. Further, the inadequate coverage of title registration for private lands whose ownership is established through continuous inheritance has also prevented the landowners to use their land as a marketable asset to participate in formal business activities. Responding to this observation/statement the presenter informed that it was his understanding that recommendations have been made by policymakers to the state to reform the state land alienation policy to grant full property rights to the land grantees and to establish property rights for the urban shanty dwellers as well as rural squatters.

III. INFORMAL MARKETS FOR FINANCIAL SERVICES

The informal trade sector of Sri Lanka accounts for about 47 percent of the total economic activities of the country, which is a considerable percentage. According to the Consumer Finance Socio-Economic Survey of 2003/04 conducted by the Central Bank of Sri Lanka, 61 percent of the value of household loans has been obtained from informal sources. This piece of information/data goes to show that the informal financial markets provide a very important service in meeting the financial needs of especially less privileged segments of society who find that dealing with formal financial institutions are inconvenient albeit impossible.

There are a number of advantages that informal traders enjoy. Among them; (a) proximity (b) friendly atmosphere (c) quick credit (d) accessibility at any time (e) repayment flexibility (f) low transaction costs.

The structure of informal financial markets comprises of three major components;

1. Direct money lenders (this category includes professional and non-professional money lenders, friends, relatives and private pawn brokers.
2. Indirect money lenders (this category includes traders, marketing and commission agents, landlords, etc).
3. Voluntary saving and loan associations (they include single and multi-purpose credit societies, rotating credit and savings associations, etc).

Informal financial transactions prevail more in the rural sector than in the urban and estate sectors. More common forms of informal financing in the rural sector are pawning, household purchases on credit (mainly from petty traders and boutique keepers), cultivation loans linked to future harvests, direct loans for any purpose without collateral (mainly from shopkeepers, professional money lenders, etc). Whereas, formal financial markets demand collateral, which pose a problem for the landless, as, people who have not received state land do not have full property rights on their land and as a result cannot use it as collateral to obtain loans from formal financial institutions to improve their livelihood. A striking feature of the informal economy is that it does not rely on formal financial institutions for its financial needs but informal financial markets such as mentioned above.

As said before, one component of informal financial markets are voluntary saving and loan associations. Whilst some operate under the 'grameen' concept others offer micro-credit facilities. One striking feature of these two institutions is that they do not demand security/collateral but rely on mutual understanding (personal guarantee) and limit interest rates.

Two factors contribute to informal financing;

1. Legal and regulatory factors, meaning its ability to win public confidence which in turn is associated with the credibility of its payment and settlement system. The informal financial market arrangements have emerged to meet the demand from those who have been deprived of formal market.
2. Socio-economic and cultural factors, such as poor infrastructure, predominance of rural sector with uncertainty of incomes generated in the agricultural sector, high

incidence of poverty, relatively large-scale informal activity and high degree of tax evasion. Also, the cultural factors discourage people from being classified as 'borrowers' or debtors' and risk affecting their self esteem, the reason why they seek informal sources for their financial needs. Further, they are more comfortable and receptive to the friendly and cordial atmosphere of informal lending institutions unlike the formal which are rigid and uncompromising.

DISCUSSION

Commencing the discussion, one participant observed that not only informal financial markets, but the formal as well resort to pawn brokering for quick and high financial gains, which goes to show that some of the methods of the informal financial markets works well for the formal financial markets as well.

Another's view was that the government has no proper economic policies thereby resulting in bad governance with corruption, bureaucracy and red tape rampant. It was agreed by all present that good governance is required if the informal trading sector is to be reorganized/strengthened.

Commenting on the success and invaluable service the 'Women's Bank' of Seevalipura (a voluntary saving and loan association) has been giving its female residents over the years, was a representative of the bank. The bank, apart from meeting the financial needs of those women, empowers them and brings them equal status and recognition in society. It operates according to the 'grameen' concept and does not demand security/collateral but rely on mutual understanding (personal guarantee). Success has not come easy but with sheer perseverance. The initial membership of 19 has now risen to 45. At the time of start-up no interest was shown by the government to help the bank. Now that it is successful, they want a stake in it.

A representative of a bank dealing in micro-financing in the rural sector was of the view that entry barriers and stringent laws in formal financial markets makes traders turn to informal financial markets for their financial needs. It was further observed that the Micro Finance Institutions Act is pending implementation and whether its passing would positively affect Micro-finance institutions or bring the necessary relief/incentives to the grassroots community.

IV. INFORMAL LAND MARKETS

At the outset, the presenter wished to lay emphasis on the fact that land is a natural resource which should be cherished and protected. 82 percent of Sri Lanka's land is owned by the state whilst 18 percent is privately-owned.

It is said that informal land markets exist in Sri Lanka. An informal land market is defined as *“the existing practices of allocation and transfer of land which are not covered or insufficiently covered by formal arrangements”*.

The nature and extent of informal land market is such that it covers various land use and ownership practices currently prevailing in the country, e.g., illegal use of public land, squatting of urban public land, transfer of land allocated by the government under various re-settlement and colonization schemes.

Under the ‘Swarnabhoomi’ program, state lands were distributed in the 1980’s to farmers but with certain conditions. Yet it is found that these conditions are violated and informal land transactions continue.

Property rights of land include both ownership rights and user rights. Allocation and transfer of land in the urban sector occurs almost exclusively through formal markets, with a proper plan and title. However, in the rural sector, informal practices of land use and transfer prevail heavily without these documents. Therefore a way must be found to establish property rights for people to gain access to public goods and services.

Among the reasons for informal arrangements are;

- Informal property rights and restrictions imposed on the alienated land by the state. Such restrictions have encouraged reliance on informal methods for allocation and transfer of such land.
- A substantial area of the land in the rural sector is not surveyed and does not have formal titles. Such an exercise requires incurs cost and many people in the rural sector cannot afford it, thus compelling them to adopt informal arrangements for allocation and transfer of their lands.
- Various forms of informal arrangements exist in the use of paddy land largely due to efforts made to escape the terms and conditions stipulated in various Acts.

In Sri Lanka, poverty is basically a rural phenomenon. Inadequate growth in the rural economy, particularly the slow growth in per-capita income in the agricultural sector is largely responsible for this. Uneconomic size of land holdings is considered an important factor contributing to low productivity. It is estimated that more than 1ha of land is required for an agricultural household to generate an income level above the poverty line.

DISCUSSION

Commencing the discussion one participant informed that in the Mahaweli settlement schemes, land recipients are not permitted to sell their lands but they can transfer the ownership to a person of similar socio-economic background. Due to lack of employment opportunities in the non-farm sector to support succeeding generations, the only available economic asset of the family, which is land, had to be transferred among several members of the family using informal ownership arrangements.

It was informed by another participant that there are many land disputes pending mediation. The sole aim of adopting the method of mediation is to ensure the improvement of the quality of justice. Yet, it could be seen that gender e(ine)quality is one of the major issues challenging the very foundation of the mediation principles, with most mediators assuming the role of keepers of tradition and related norms. This affects the credibility and effectiveness of the mechanism purely based voluntarily and on mutual trust. One would ask “why is there a need for gender equality in Sri Lanka”? Is it because, prejudice exists in many families where the boy child is favored and the girl child discriminated against over basic rights? Women are discriminated against with respect to employment and economic opportunities.

In Sri Lanka, personal laws such as ‘Thesawalamai’ Muslim law, and Kandyan law, have placed unreasonable and unjust conditions on women which deny them equality in the eyes of these personal laws, e.g., Thesawalamai requires that married women get the written consent of their husbands prior to transferring land or obtaining credit. Whereas, Muslim law decrees that inheritance is given in the ratio of 2/3 to the sons and 1/3 to the daughters. In Kandyan law, inheritance is dependent on whether marriages entered into are *Binna* marriages or *deega* marriages. Inheritance of state agriculture land allocation under the Land Development Ordinance is from father to son. The widow does not have any claims to the land even in the form of life interest, even though she may have worked equally to develop the agricultural lands. From the foregoing facts, it can be surmised that even though we have an all encompassing equality statement, in reality it is not practiced. Men need to know that these inequalities exist in society.

It could also be seen that farmers are unaware of Acts passed by the government or laws governing property rights of land including ownership rights and user rights. In order to overcome this shortcoming, farmers must be educated/made aware of their rights so that they could establish their property rights to gain access to public goods and services.

Another astute observation was that getting ‘Swarnabhoomi’ deeds does not give farmers access to property rights, but that they simply remain leaseholders, whereby the allottees lack both security and the right to take loans against their property. It is suggested that rather than distribute land, make it available to the farmers property rights so that they gain security and are able to obtain loans against their property. Although the government has allocated 17 lakhs for ‘Swarnabhoomi’ deeds, due to political bungling/efficiency the granting of these deeds is at a standstill.

V. CONCLUSION/RECOMMENDATIONS/WAY FORWARD

Towards developing a policy tool-kit for the use of government and NGOs in the region on ways and means of empowering the poor through formalization of informal economic activities, this national consultation was held.

At this consultation, presentations were made on informal trade, informal markets for financial services, informal land markets, and legal and regulatory issues involved in

formalizing the informal sector economic activities in Sri Lanka, and an open forum held to raise issues/voice concerns relating to the informal trade sector.

From the presentations made and testimonies gathered, it could be seen that the informal trade sector has done more good than bad to the economy, with it accounting for 47 percent of the total economic activities of the country and considering its immense contribution to employment-generation. Also, the fact that the formal sector has benefited much by adopting some of the methods practiced in the informal financial sector.

Then the question arises “why formalize the informal trade sector”? Considering the more good than bad it has done to the economy, would it not be more logical to reorganize/strengthen it by taking into consideration ground realities? There was much food for thought thrown in during the presentations and ensuing discussions on how to reorganize/strengthen informal trade activities.

The ultimate goal is to empower the poor. It includes ensuring child rights and gender equality at work and home. Simply reflect on the question whether altogether formalizing informal activities would help achieve the ultimate goal of empowering the poor, or is reorganizing/strengthening it the answer?

It cannot be denied that a market-based approach will help strengthen the informal trade activities, as would creating a favorable incentive structure for the markets to operate by the government..

Whatever decision society or policy makers make, ensure the outcome will enhance the quality of lives of the less privileged segments of society (poor), contribute further to economic activities of the country and generate more employment. The economy simply cannot afford a drastic dip or be burdened with unemployment woes.

The need of the hour is eradication of poverty and that can happen only by taking into consideration ground realities and wise thinking and decisions.

PART II

ORGANIZATION OF THE WORKSHOP

1, INAUGURATION & WELCOME ADDRESS

Mr. A. S. Jayawardene, Chairman, Pathfinder Foundation

Good morning.

I will briefly outline the objectives of the program and hand the mike over to Prof. Danny Atpattu who will be presenting the Synopsis.

Just to tell you something about myself - I am a retired banker. I am now a member of an organization called Pathfinder. The objective of this organization is to address issues of society and look into the developmental aspects of the country and to entertain the views of Civil Society Organizations. The reason being, so far the informal trade sector has not

been addressed in detail. It is with the express purpose of addressing the issues/constraints faced in this sector, that this consultation is being held.

For now there are two programs being worked out between India and Sri Lanka. The two countries are also in the process of analyzing rules and regulations, etc. As mentioned, the purpose of this consultation is to look at formalizing the informal trade sector

An eminent person by the name George Soros wrote a book called “Mystery of Capital”. In it it is said that although people are poor, in resources they are not. It is because they work outside the formal sector that they remain poor. If they are made aware/educated of their rights, then perhaps we will be empowered.

If you look at global figures, more than 50% of people are engaged in informal trade. They do not have access to land, financial resources, etc., yet they contribute much to their economies. Soros said when they started there were no rules, but with time they fixed it and went forward. In other words, they joined the mainstream or became formalized.

In Sri Lanka, it is said that 47% are engaged in the informal sector. In this consultation we will be examining informal trade, informal financial markets, and informal land markets. You will gather that in formal financial markets, banks are reluctant to lend money to informal traders. Therefore, the informal trader finds it more convenient to trade in the Black market. Why are we examining these three sectors? Because it is realized that this is a vibrant sector and if formalized the country will benefit more.

We have invited eminent persons to discuss these issues with you and seek your views.

II. PRESENTATION OF SYNOPSIS

Prof. Danny Atapattu

Good morning. Firstly, I would like to thank the organizers for having invited me to this important Consultation and to present the synopsis.

As Dr. A.S. Jayawardene stated, the informal sector of Sri Lanka is an important sector which accounts for about 47 percent of the total economic activities of the country. Its contribution to employment-generation is invaluable.

Most people in this sector are not strong economically. Although, since the 1977 we have had an open economy, not much development is seen. We will now look at how to formalize the informal sector. Thailand accounts for about 52% of the total economic activities of the country, whereas Sri Lanka 47%. We will see what is required to strengthen our economy.

There are many constraints faced by the informal sector. There are 5 papers being discussed. One is on informal land markets where focus will be on the agriculture sector – land allocation, use, etc.). Another paper is on informal trade. The third is on informal financial markets of Sri Lanka. As you know informal financial markets play a big role in Sri Lanka. The issues/constraints faced in it will be discussed. Next, the informal economy in conflict affected north and east will be discussed. This is a major problem for Sri Lanka. Finally, the legal and regulatory issues involved in formalizing the informal sector economic activities in Sri Lanka – a paper will be presented and discussed. It is better to discuss these according to Terms of Reference.

Firstly, access to justice and rule of law not being present, many issues have arisen. We will look at how it can be addressed and overcome, particularly legal issues/snags. How to address issues of land, finances, etc. These are issues faced by the poor, also, how to minimize/eliminate corruption, bureaucracy and red tape. Secondly, address issues of property rights. This is a major issue in the informal sector which hinders farmers' progress. The issues faced by women with regard to property rights too will be discussed. Thirdly, address Labor issues/rights. As you know many people are engaged in the informal sector. According to figures it is 63.5%. Other issues faced by workers are gender issues. Low income earners in the informal sector are those who have not studied even up to 5th standard. We must look at what steps can be taken to ensure their rights and to educate them and develop their skills, also, how to develop women in the informal sector...how to help them gain access to loans...how to bring in laws to address the rights of workers, including non-exploitation, providing them with social security, payment of EPF avoiding child labor, etc. Lastly, we will look at how to develop 'Viyasavishakthiya'. As you maybe aware, many issues are faced by this sector. We will look at how to enable traders to commence a business – address issues faced in registration of businesses, etc.

II. Vote of Thanks

Mr. Luxman Siriwardene

This consultation has been held jointly by UNHLCLEP and the Pathfinder to develop a policy tool-kit for the use of government and NGOs in the region on ways and means of empowering the poor through formalization of informal economic activities.

Apart from presenting facts on informal trade, informal markets for financial services, informal land markets, and legal and regulatory issues involved in formalizing the informal sector economic activities in Sri Lanka, an open forum was held for stakeholders, which is you, to raise issues/voice your concerns.

It is with great humility that I thank you for your participation. We learnt much from your experiences and testimonies. I shall count on your presence at future consultations as well.

III. Agenda

8.45 a.m. – 9.05 a.m.	Inauguration and welcome address By Mr. A. S. Jayawardene, Chairman, Pathfinder
9.05 a.m. – 9.20 a.m.	Presentation of Synopsis by Prof. Danny Atapattu
9.25 a.m. – 9.35 a.m.	Informal Trade, Dr. O. G. Dayaratna Banda (University of Peradeniya)
9.45 a.m. – 9.50 a.m. informal	Legal & Regulatory issues involved in formalizing the Sector economic activities in Sri Lanka Mr. Dilum Abeysekera, Attorney-at-Law
9.55 a.m. – 10.10 a.m.	Tea Break
10.10 a.m. to 10.20 a.m.	Informal Markets for Financial Services Mr. K. P. N. S. Karunagoda, Central Bank of Sri Lanka

10.25 a.m. – 10.35 a.m.	Informal Land Markets, Mr. Thushiman Gunawardene Department of Agriculture, Peradeniya
10.50 a.m. – 12.55 p.m.	Open Forum
12.55 p.m. – 1.00 p.m.	Vote of Thanks
1.00 p.m.	Lunch

End of Program

IV. List of Participants

NATIONAL CONSULTATION MEETING			
To be held at 8.45 a.m to 1.00 p.m			
On Friday 15 th December, 2006			
At the Sri Lanka Foundation Institute in Colombo 07.			
Se. No.	Name	Designation	Address
1'	Mr. Indika Manamendra	Manager	Lanka Micro Finance Network Colombo 7.
2'	Mr. B. S. Gunasekera	Micro Finance Consultant	Lanka Micro Finance Network Colombo 7.
3'	Mrs. T. Hewapathirana	Chief Executive Officer	Lanka Micro Finance Network Colombo 7.
4'	Mr. A.A.D. Sugath Kumara	President	Community Development Society, 72\$35" Kirulapura, Colombo 6.
5'	Mr. H.A. Chandrasena	Community Leader	Community Development Society, 260\$63" Pipe Road, Colombo 5'
6'	Mrs. M.G. Kanthi	President	Women's Bank, 86 A" Nagaswatte, Colombo 6
7'	Mrs. H.P. Premawathie	President	Women's Bank (White Lotus Group) 65\$22" Swarna Road, Colombo 6.
8'	Mr. K. Mogan Kumar	Community Leader	Community Development Society, 160\$A\$5" Cotta Road, Borella, Colombo 8.
9'	Mr. Madhawan Rajendran	Community Leader	Community Development Society, 655\$11\$D/9" Samagi Watte" Colombo 5.
10.	Mr. Gunawansa B. Herath	Director	SANASA Federation, Kandepola, Ambakote, Rideegama, Kurunegala.
11.	Mr. Patrick Fernando	Director	SANASA Development Bank, Madampe.
12.	Mr. Nimal Arawugoda	Deputy Director	SANASA Federation, Panawewa, Bingiriya.
13.	Mr. M. Gunarathna	President	SANASA Federation, 474, Homagama Road, Athurugiriya.
14.	Mr. W.K.G. Weerasinghe	Executive Director	SANASA Federation, Narendrasinghe Committee, Balagolla, Kengalle.
15.	Mr. L.B. Dassanayake	The Chairman	SANASA Federation, 45/90, Nawala Road, Colombo 5
16.	Mrs. D.M. Chandrakumara	Manager (Loans)	E.C.L.O.F. Lanka, 11, Dewala Road, Pamunuwa, Maharagama.
17.	Mrs. Indra Diviyagaha	Secretary	Habaraduwa Development Foundation, Meepe Road, Katukurunda, Habaraduwa.

18'	Prof. Sisira Pinnawala	Professor	University of Peradeniya
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