



GROUNDVIEW

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Paddy @ 20/= Rice @ 60/= what is the mystery?

Can we keep both the Farmer and the Housewife happy?

By Karunarathna Gamage

It is hardly a secret that the rapidly increasing price of rice has now become an unbearable burden for the masses, with both Colombo paddy cultivating areas displaying this trend.

The Government has hitherto been unable to arrest this trend, enjoyed by mill owners who are able to increase the price of rice arbitrarily. The price of rice at the market place is in no way comparable to the Rs. 19/50 paid for a kilo of Naadu paddy and the Rs. 20/50 that is paid for a kilo of Samba paddy. Not only was that so, but no variety of paddy went above Rs. 21 during the 2007 Yala Season. Many believe that the rice now available in the market is what was bought and stored by the mill monopolists during that season.

Statistics indicate that even during the time of the Paddy Marketing Board, only 8% to 10% of the entire harvest was purchased by them

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DID PRIMA BUY RICE?

K.D.Devapriya Kataragama

Amidst the rising cost of rice farming organisations in the Hambanthota District claim that Prima allegedly purchased substantial quantities of rice during the harvesting period. It is alleged that they also purchased rice in Tissamaharama, Ambalanthota and Polnaruwa.

The rice was purchased on behalf of the Company through traders who paid a higher price than the Government or Millers.

However Prima officials declined to comment when contacted via phone and e-mail.

Note by Editor

Ground View contacted two officials of Prima by E-Mail. A senior Manager who on the phone declined to comment and referred us to a Director to whom we repeated the identical message from whom there was no response. Our E-Mail message to Prima Ceylon Ltd is reproduced below.

"We publish a bimonthly magazine Ground View which in the next issue will carry a story about the temporary increase of the price of rice experienced in the country. We have received a report from our correspondent in Tissamaharama that Prima Ceylon purchased rice during the last harvesting season. We felt we should carry the story with a statement from Prima Ceylon Ltd as well. I would be most grateful if you could respond with your views regarding this report."

While we express our disappointment in not receiving a response from PRIMA Ceylon Ltd, we wish to assure them that GROUNDVIEW will be happy to publish their reply in our next issue.



Batticaloa at high noon. A shroud of fear and uncertainty descends on the city

Batticaloa elections: Dawning of democracy or fostering of violence

By K. Ratnam

It is as if the city of Batticaloa has become a red hot furnace due to the scorching sun. Yet at high noon there is a pall of gloom that hangs over the city. People who have come to attend to their requirements are wandering about hither and thither in a mighty hurry to get back as if a storm were expected any time.

It is likely their only objective is to achieve their needs and leave the city as fast as possible.

The residents in and around Batticaloa are under a constant reign

of terror, the only difference is in those who wield the weapons. Batticaloa residents said frequent shootings, murders, abductions or levying of taxes which occur frequently continue without any sign of ceasing.

The community in Batticaloa is assaulted by the vagaries of nature such as the Tsunami, floods, cyclones etc., while bearing the burden of war thrust on them. As if to indicate to the world that the situation is worse, the government has burdened them with

an election in a bid to demonstrate the legitimacy of democracy. Armed gangs that roam the streets have now been replaced by several groups or factions of the earlier pro-Karuna faction which broke away from the LTTE.

The farmers who toil in the fields and the threshing-floor for grains of rice, the fishermen who wrestle with the waves as well as people who are engaged in another livelihood who strive in order to survive have to face the terror devoid of nationality, religion and caste.

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Anatomy of a debacle

This is a narrative of events that contributed to the exorbitant increase in the price of rice that baffled the consumer, tickled a few rice millers who made windfall profits and made most of us listen to government ministers spewing out explanations that defied common sense and reason.

The government calculates the annual con-

sumption of our staple food at the rate of 106 kg of rice per person x 20.010 million population. This works out to 6000 MT per day x 30 days x = 180,000 MT per month x 12 months 2,160,000 Metric Tons which was expected to be the annual consumption of Sri Lanka.

The annual paddy production of the island was estimated to be 3,131,000 metric tons which when converted to rice making allowance for wastage and seed paddy is calculated at 64% of the paddy produced = 2,000,384 Metric Tons of rice.

Apart from an obvious shortfall of the country's requirement of rice due to natural causes, liberation of the Eastern province which interrupted the normal supply from this highly productive part of the country there occurred another development in the global grain market which saw a steep price increase in wheat and maize.

Producers of animal feed bought a substantial amount of rice almost at the time of harvesting in several areas including in the Hambanthota District.

The steep rise in the price of wheat resulted in a drastic reduction in wheat consumption by nearly 50%.

Complicating matter further was the de-

mand for rice flour and other rice based food products which the government actively encouraged in the glory days of a surplus which promoted even the export of rice.

With the government deciding to import rice the private traders sent a clear message that they will not import rice in competition with the government.

In to this void stepped the millers with muscle and the Murphy' law took over. Paddy bought from the producers for less than Rs.20 per kilo reached the consumer in the form of rice ranging from Rs.60 to Nearly Rs.100 per Kg which hopefully will comedown with the next harvest.

In the year 2002 the Central Bank of Sri Lanka which was then under the direction of economists whose primary concern was the health of the economy, introduced a scheme called 'GOVI SAHANAYA' to provide relief to farmers to ensure a reasonable income for the producers through forward sales contracts. Wherever the pilot projects were launched they worked well. An in-depth analysis of the scheme will be given in the next issue. As an exhaustive analysis of the 'Rise of the Price of rice' appears below let us just have a glimpse of

what the Central Bank expected in 2002 to achieve through its forward sales contracts with farmers. "Creating a reliable and stable market for agricultural produce would certainly be a great national service. If we initiate the preliminary activities today for such a process, future generations will reap immense benefits....."

It was only a steep increase in the price of our staple diet, which hopefully will stabilize in a few months. Market interventionist policies and the failure to utilise the knowledge of officials to setup the necessary institutional framework to anticipate both domestic and global trends to meet and adopt timely measures to avert a looming crisis is the result of the arrogance of those who wield political power acting as Don Quixotes attacking windmills.

'Tell no lies. Claim no easy victories...'

Amilcar Cabral - (1963) Leader of the Freedom Struggle in Portuguese Guinea

Anticompetitive Activities, the source of the crisis

By Dr. O G Dayaratne-Banda

Rice, which is the staple food in Sri Lanka, has become the subject of a national issue today. The Government appears to be in the dark as to how to tackle issues confronting rice in the context of a market economy.

As it is well known, since independence, many successive governments through various public spending programmes, supported by foreign aid, developed the rice production sector with a vehement dedication with the aim of making Sri Lanka a country self-sufficient in rice. However, neither producers nor consumers of rice appear to have benefited to the best satisfaction due to various reasons.

There is a large number of small-sized rice producers scattered around the country. The size of their unit of operation precludes the fact that any single producer does not have the power to influence the outcomes of the rice market. On the other hand, the large number of rice consumers also does not individually have the power to influence the market outcomes. According to theory, this situation is best described as a competitive market. In a competitive market, however, the prices should be lower compared to other forms of markets. There should not be shortages of supply, and the quality of the products should be higher. Due to the peculiar nature of the rice market, there are various types of anticompetitive activities.

The collection and distribution of rice - the chain linking the producers to the consumers - is comprised by a small number of large

traders. This has become the most influential force in the rice market. Though from time to time the governments attempted to make anti-market interventions by creating state monopolistic institutions, the nature and characteristics of the rice market have not changed overtime. The selected intervention led to further distorting the rice market rather than correcting it. According to theory, these middlemen or rice traders are to get their share equal to the cost of their transactions. Even though producers of rice sell their products at very low prices, the consumers pay very high prices compared with the producer price. It is very essential to question as to why there is a huge gap between the production price and the consumer price of rice. The gap should normally be the cost of collection and distribution of rice. But the size of the gap far exceeds the cost that should be incurred by the traders. This may be due to two reasons.

First reason involves the size of transaction costs. The chain linking the paddy producer to the paddy consumer, appears to be a considerable number of agents (or nodes) linking one another. The smaller traders collect rice from the producers and sell to the larger mill-owners. The mill-owners sell the products to the large distributing traders who sell the products to the small retailer. You can see here, there are at least four middlemen - small trader collecting paddy, large mill-owner, large distributor, and retailer - each of whom has to retain their share of profit equal to the cost incurred during their operations. For instance, suppose the smaller trader

collects one and a half kilos of paddy (to make one kilo of rice) from the producer at Rs.15 and increases his selling price to 10 to cover up his cost of Rs.5 per unit. Then the large mill-owner buys at Rs.20 per one and a half kilos of paddy. The mill-over then converts paddy into rice. The mill-owner sells a kilo of rice to larger distributors at around Rs.45 adding Rs.20 per kilo of rice. This may include the cost for one and a half kilos of paddy (Rs.20), his production cost to convert paddy into rice, and transaction costs. The larger distributor then sells at 50 retaining Rs.5 per kilo of rice to cover up his cost of transaction. Then the smaller retailer sells at Rs.55 per kilo of rice retaining his share of profit of Rs.5 per unit. The price to produce paddy was just about Rs.10 per kilo so that one kilo of rice would cost Rs15 for one and a half kilos of paddy. But the final price that is paid by the consumer for a kilo of rice is about Rs.55. Moreover, the final price of rice tends to increase when the number of middlemen also increases. In order to reduce the price of rice, the rice trading system should be developed so that transaction costs could be lowered. It is therefore the duty of the government to take measures to reduce large transaction costs taking place in the rice market.

However, this is not the main issue in the rice market. The major source of rice market distortion is related to anticompetitive activities of the rice traders. These anticompetitive activities of the rice traders include: Abuse of dominant positions by the rice traders, trading cartels created by rice traders, discriminatory pricing

(such as predatory pricing and dumping), excessive pricing, discriminatory treatment, maintaining resale prices, creating artificial supply shortages, collusive dealings, and reciprocal dealings. The usual higher prices of rice and supply shortages are not due to the higher than normal demand, for as the rice demand in Sri Lanka is almost stable, but because of the anticompetitive activities of the rice traders. Therefore, the best solution for this kind of situation is not to create a state monopoly institution that further distorts the market but to introduce competition policies and laws to prevent anticompetitive activities in the rice market.

Sri Lanka currently has a functioning market economy with exogenously imposed market failures in the rice market. There are no competition laws to prevent these anticompetitive activities and to increase market competition. State intervention is necessary to correct these anticompetitive practices by rice traders. The anticompetitive activities of the rice traders have increased prices, created supply shortages, impeded innovations, and at the end, reduced consumer welfare. Competition laws are aimed at preventing these exogenous market failures, mainly by different regulatory interventions.

These market failures and distortions caused by the behavior of rice traders justify the introduction of competition laws to prevent and punish those conducts. Competition law is formed by a set of rules and regulations that prohibit anticompetitive behavior, monitor certain business decisions and transactions that may lead to

anticompetitive outcomes.

In the rice market in Sri Lanka, despite the small size, there are highly concentrated entry barriers which give rise to conditions for anticompetitive practices to flourish.

Introduction of competition laws in the rice market creates a number of positive effects. Competition law will be greatly beneficial to rice producers and consumers. The consumers will benefit from lower prices and more availability of rice. Rice traders will be forced to be more efficient and to reduce transaction costs. It will also drive out some inefficient rice traders shortening the rice supply chain, which would help reduce transaction costs and the consumer price of rice.

Competition law will lead to positive welfare effects as the intensifying competition may lead to cost savings weeding out inefficient traders, and retaining more efficient low cost traders.

The government should not further distort the rice market by intervening to buy and sell rice (paddy) through creating inefficient state monopolistic institutions such as the Paddy Marketing Board. It should rather introduce competition laws to increase market competition eliminating anticompetitive activities in the market. It should also develop the rice trading system in order to reduce transaction costs reducing prices. It should be clearer that there is a new way of intervention by the government in the market through rules and regulations that would in fact increase market competition and enhance consumer and producer welfare.

Students of the Eastern University's Trincomalee campus have begun protests against the government's plans under the *Nagenahira Navodya* programme to shift the campus to an unprotected area in Nilaveli.

The students claim that such a move which they believe to be politically influenced would not only jeopardize their chances for an education but also place their lives in danger.

The Trincomalee campus is perhaps one of the few universities in the country that does not hamper academic curricula through strikes, boycotting of classes or even ragging of students. In a province set a blaze by war, more than 200 students from various parts of the island- whether Sinhala, Tamil or Muslim have been drawn together at this campus through the struggle to educate themselves.

Situated in Trincomalee town the campus began as an affiliate of the Jayawardenapura University, which offered Diploma courses in management commencing from 1993. In 2001 it was established as the Trincomalee campus of the Eastern University by the University Commission. At present the campus offers degree courses in media communication, IT and business management.

In the past due to issues of space a necessity arose to shift the campus to accommodate the increasing number of students. The authorities selected an unprotected site at the Nilaveli Koneshwarapuri area situated about 15 kilometres from Trincomalee. Although the area is under the control of security forces the safety of the students cannot be guaranteed as fighting is still reported from the Koneshwarapuri area which is also infamous for abductions and killings.

"Moving to this area would be as though we were sacrificing our lives for this *Nejenahira* programme," said Sampath Perera, President of the Students' Association, Trincomalee Campus.

The students are wary of political motives behind the government's efforts to move the campus to an area with no facilities and above all no security, despite locations in close proximity to Trincomalee town which could house the students.

Students claim that even now various unofficial armed groups as well as those in Tiger organizations are active in the Nilaveli area.

"Various armed gangs are active in this area. From time to time people are assassinated. Moving us to such a place would be similar to writing our death certificates..." said a student who did not want to be named.

The proposed area for the campus lacks the minimum facilities required for such a building and foremost among them are transport, highway, postal and hospital facilities.

Many students who study at the campus follow other professional courses during the weekends, and travel to the capital as well as to adjacent towns. Moving the campus would create further difficulties.

"Although we are awarded a degree from the university we need professional training in order to get a job. Most of the students either go to Colombo or Kurunegala during the weekends. We travel in the night train or the bus, more often than not. If our campus is taken to Nilaveli, none of this



The students of the Trincomalee campus face an uncertain future if government plans to move their campus to an insecure location succeed.

AN EDUCATION AT THE RISK OF LIFE



will be possible," says Chathurika Palanasinghe, a second year student.

"We are not asking them to continue to have the campus here... we are asking the government not to move us from here until the war situation and the environment has improved further," added M. I. Smeera, an-

We are not demanding them not to move the university to Nilaveli, only to postpone the move, because the present situation is not suitable..."



other second year student.

Despite the fact that the Eastern province was liberated from the Tigers peace has yet to be restored. It was just recently that a claymore bomb targeted passengers on a bus along the Trincomalee Nilaveli road.

Ven. Wegama Khemasara the only monk studying for a degree in Media Communication speaking to GroundView said they would take whatever action possible against this arbitrary decision.

"As students of this, University we have never uttered a slogan or protest against the Government. We had enough and more shortages here. But we put up with all that because we live amidst a war. However, we cannot in any way agree with this decision of the Government. We are not demanding them not to move the university to Nilaveli, only to postpone the move, because the present situation is not suitable..."

Sampath Perera said the students had already raised awareness of the issue amongst all parties, saying "the University Grants Commission should understand the dilemma the Trincomalee University students' are in. If by chance, the students abandon the Trincomalee university, due to this decision, the Government and the University Grants Commission should accept this responsibility. This is clearly a problem concerning our lives."

The Senior Assistant Secretary, Eastern University, S. Sathyaseelan who declined to comment regarding the government's decision to move the Trincomalee Campus said it was futile to protest as the decision of the Government and the University Grants Commission would not be amended.

By Mangalanath Liyanarachchi
Trincomalee

Forgotten IDPs from the north 'Cries from Puttalam'

BY Hiran Priyankara Jayasinghe



Numbering 30,000 when they first arrived in Puttalam at what were to be temporary camps for Internally Displaced Persons (IDPs), there are now 130,000 living in 136 such camps spread across areas, such as Mundalam, Vanathavillu, and Arachchikattu.

For those familiar with the fairytales of the Grimm Brothers, the story of the young girl who equals her love for her father to her love for salt is no doubt a resounding one. Banished from her home by a wounded father who assumes her love for him to be trivial, she later gains grace when he realises the true depth of her love for him.

However, for the Muslim refugees of Puttalam, life is no fairytale. The situation is certainly grim, and the taste of salt is now bitter.

For these Muslims, who once led peaceful and productive lives in the north, their lives have now been shattered. They were ordered to leave their homes in just two hours – or face dire consequences. Leaving everything they possessed behind them, they fled with their families, hoping no doubt to return when things calmed down. Little did they know that their lives, which had turned topsy-turvy in the blink of an eye,

would remain so and in fact only worsen, for the next two decades. Numbering 30,000 when they first arrived in Puttalam at what were to be temporary camps for Internally Displaced Persons (IDPs), there are now 130,000 living in 136 such camps spread across areas, such as Mundalam, Vanathavillu, and Arachchikattu. The increase in the number of IDPs is not surprising when one considers that many IDPs have married and raised families in the space of the 17 years they have spent in the camps, waiting for an end which is not in sight.

Adding to the misery of living in these camps is overcrowded and extremely unhygienic conditions in their very location. The camps where the IDPs are sheltered are, in fact, abandoned salterns. There are active salt fields less than 200 metres away from these camps. Salterns are located in extremely hot areas where there is a scarcity of trees and, therefore, no relief from the sun beating down daily

on the weary heads of the IDPs. As far as living conditions go, apart from a few camps, the rest lack the most basic of facilities. The majority of these camps have no sanitation, water and electricity, and no access to healthcare. Most families live in tents, which are prone to damage in extreme weather conditions.

One area has about 250 resident families comprising about a 1000 individuals. They are compelled to share just two wells. Due to the high concentration of salt, the water is unfit for drinking.

They also have to share 10 dilapidated toilets, built around 10 years ago and not maintained since, which means each toilet has to be shared by 100 IDPs. During the rainy season, the entire area is flooded, often resembling a marsh, and toilets overflow, posing a serious health hazard.

Over and above this, IDPs from Jaffna and Kilinochchi complain that those from Vavuniya and Mannar are better looked after



since they have members of parliament to represent them.

A difficult environment. Many of the refugees, like A. C. M. Fausia, however, have known no other life. While her parents hail from Kilinochchi, she was born in the IDP camp and is now studying for her A/L examination at the Puttalam Fathima Girls' School.

"I was born in this camp in Puttalam, and have never been to either Jaffna or Kilinochchi. My parents often talk of better days, when they led comfortable lives in Kilinochchi, but this life here is all I know," she says. Attending school and studying in such an environment is no mean task, but yet she perseveres in the hope that with an education, the dream of a better life will be closer at hand. Ramsan, who was born in Kilinochchi, is the father of two children and arrived at the saltern camps about ten years ago. This is what he had to say:

"While in Kilinochchi, I ran a small restaurant and what I earned was adequate for my needs. The competition in Puttalam is intense and I now work as an employee in a restaurant here. It is difficult to feed my family with what I earn now. Water is scarce in this camp, and there are hardly any toilet facilities here, but all our complaints have fallen on deaf ears." For A. C. M. Jinnah, who was born in Kilinochchi, but arrived at the camp when he was just 12 years old, every day brings dreams of what could have been.

"My father had paddy fields in Kilinochchi. He was a very successful farmer and we lived well. Now we are suffering at the Puttalam camp, and there is no end to our troubles," he said. We have been trapped on all sides

"I am married with two children. I was 16 years old when I arrived in Puttalam. We lost everything due to the war. Before the war, we led a very comfortable life in Kilinochchi. My father was well off – but when we came to Puttalam, my father could bring only the clothes on his back and his family. The LTTE chased us and looted our houses. Today we are suffering in Puttalam. We are hemmed in from all sides," laments A. C. M. Bhani.

She said her family led a comfortable life with little or no problems. "Now we have lost all that because of the war. We have no one to turn to. There is no one to look after us or attend to our needs. We now live on an abandoned saltern in this unbearable heat. Our children succumb to various ailments due to the heat. We live here in the midst of immense problems. There have been several ceremonies to commemorate our arrival here over seventeen years ago – and an opportunity to air our grievances – but solutions are yet to be found." The IDPs plead for the authorities to provide them with basic facilities, which would enable them to live with at least a small degree of comfort.

Trinco survivors still grapple with tsunami aftermath

To date no detailed post-tsunami report has been compiled on the reconstruction efforts and if those efforts were successful in helping survivors rebuild their lives.

Although the devastation was unprepared for several months after programmes on how to survive were launched in case another one occurred.

So far all these programmes are inactive. In the beginning a Tsunami Disaster Committees was established through the Center for Tsunami Disaster Management, but today the centre is unaware of the members of the committee. In trying to locate the chairman of the committee several phone calls were made in vain with no responses.

It is more than likely that if another Tsunami occurred many people would be unaware of how to face such a situation or where to go for safety.

Mrs. Siththi Hamsan Beebee (32) a resident of Kinniya, Annal Nagar who lost three children, said she often recalls the images of losing her children.

"Forty-five children who were in the church compound adjoining our home were washed away. When I see the ruins of the church which was damaged I sometimes feel so upset its enough to commit suicides she said.

Tony Miranda, Coordinator of C.T.F., an NGO that conducts counseling and other services said the tsunami had left a psychological scar on those living in Trincomalee.

According to a statement made by A. Nadaraja, the Additional Government Agent in Trincomalee 974 lives were lost in Trincomalee. He added that the majority of the damage occurred in Kinniya, Muttur and Kuchchaveli divisional secretariat areas.

The Trincomalee Government Agent's office reported that over 42 local and foreign NGOs came forward to build houses in the district. The number of houses that were constructed under the supervision of the Government by non-governmental organizations stands at 2405.

According to data Mr. Nadaraja said over 3000 families still require permanent shelters in Trincomalee. Most of these people live in temporary houses or reside with relatives.

Samudragama situated in the

midst of the Trincomalee town is a village which was badly affected by the Tsunami. In 2005, the Government resettled 84 families in the Sardhapura area. Eighteen families have been provided with permanent houses within the same area and many others who faced the tsunami have once again gone back to Samudragama to settle down.

Jayasinghege Janaka Roshantha (26) who resides in a temporary house at Sardhapura, said since the 200metre ban was not valid many went back to settle down in the same area area.

"Our house was completely destroyed by the Tsunami. Later we went to a refugee camp at the Sangamitta hall, with my three young children. That was also situated by the edge of the sea. There was no protection at all. I stayed there for about three months and then built a small house after clearing a jungle plot in *Sardhapura* village and took the children and settled down there. Later on, I got to know that my name had been deleted from the list of names for housing. When I asked the Gramasewa officer for the reason,

he said that it was because I was not resident at Samudragama during the tsunami. There were lots of incidents of fraud and corruption."

The very fact that Janaka Roshantha was issued a tsunami relief ration card bearing No. 75552 in Samudragama by the Divisional Secretary of Trincomalee town is an indication of a wrong doing.

M.S. Swamalatha (54) is a mother of two at Samudragama. Her husband is a fisherman. During the months of November and December which are known as "waarakan" (the off season) by fisher folk in their dialect, the sea of is very rough. While the house that Mrs. Swamalatha lived in was destroyed by such rough seas, later she settled down in a house on rent.

" It was at that time that we became victims of the Tsunami. My husband's name was on the list for permanent housing. However those who had their names listed after ours have got houses while we are still waiting. When we asked the Divisional Secretary as to how our name were deleted



from the list, she said since we were living in a rented house we were considered as a sub-family. Apparently sub-families are not provided with housing. However not only sub-families but those who were not even married at the time were provided with permanent houses." She said.

The Grama Niladhari officers and those at the Divisional Secretariat are in charge of coordinating the distribution of tsunami relief.

Maniyaveli Gramasewa Niladhari, Jayakandan, who in the past has been accused of improper conduct in coordinating tsunami relief says that all these accusations are baseless. "Everyone is trying to acquire a house, and to get relief assistance. We take into consideration the permanent residents on the electoral list before the tsunami. If anyone is of the belief that they have been treated unfairly they can complain to the Government Agent," he said.

According to a newspaper statement made by Kalyana Premaratne, a resident of Trinco when it was exposed in writing to the Government Agent with proof that the Grama Niladhari officer of China Bay and Kavattikuda Gramasewa divisions had misappropriated tsunami rations to a great extent and handed them over to a businessmen who who had not been a victim of the tsunami and some harbour workers, the punishment that she was given was to be transferred to the Mahamayapura Gramasewa division adjoining her own village..

Godwin Appuhamy, a fishermen working on the drag net and a resident of China harbour Codbay said that he had not received any support from the government. According to police reports, the loss of a large scale drag net businessman such as could amount to about Rs. 5 million.

"I lost everything I owned in the

Tsunami...the drag nets and the boats were destroyed. You gentleman just consider who gets the Tsunami relief that I do not receive", Godwin asks us, while showing us his house and drag net hut (waadiya) which is situated less than ten metres from the sea. However, the Government did provide relief but most people made use of the opportunity to pass off as fishermen says Adhambhawa Saynudeen(48) a fisherman residing in Kinniya. Eighteen families of the Jamaliya village Trincomalee who were displaced still live in temporary houses in Uppuveli, Trincomalee. R.P. Damayanthi (23) who lives in the Uppuveli Tsunami camp said, authorities were trying to take them to Kinniya, without even considering her husband's livelihood opportunities and that most people at the camp were against this move.

Many houses that were constructed for people of the area were of a poor standard than those houses being erected in the government controlled areas. Also many houses constructed had been destroyed in the operations that had been launched by the security forces to liberate the area.

During the past, these areas had been under the control of the Tiger organization and Tsunami reconstruction work during that period had been carried out under the supervision of the Tiger organization, according to Muttur Divisional Secretary Mohammed Hane.

He was quoted in the media as saying the construction of Tsunami houses in the Sampoor area was abandoned since it was decided to declare the area as a high security zone, and there was little possibility of resuming the reconstruction work.



Informal Trade In Sri Lanka

By Dr. O.G. Dayarathne Banda

Senior Lecturer in Economics,
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Informal trade, which seems to be the main component of the informal sector, is widely seen in most countries in the world. It seemingly comprises of various activities including small and medium scale trading enterprises, petty trade, and other small commercial activities.

Informal trade can be seen in both rural and urban areas in Sri Lanka. They are normally placed outside of the purview of government regulations or policies (at least to a great extent), taxations (there are various taxes) and various charges, and business permit charges. They include both illegal activities as well as legal activities. Some informal activities may be included in national income data and may come under some government taxes, but others, which belong to the unorganized sector, are not included in the national accounts. The definition of informal trade that is used here is basically based on "status of employment". It includes four categories: legal status, accountancy (excluding incorporated and quasi-incorporated firms), employment size of the enterprise (normally less than five workers per enterprise), and registration. Within the informal sector so defined, the criterion of status in employment allows to distinguish two sub-categories: own-account enterprises which do not employ permanent employees but may employ casual or family workers, and informal employers' enterprises which do employ permanent employees with respect to the already mentioned criteria.

One of the fundamental arguments of this paper is that development of the informal sector in Sri Lanka basically helps eradicate poverty. A majority of employees in the informal trading sector come from the lower income groups of society. A larger share of informal trading enterprises owned and managed by well-off individuals. But, most of the employees in these enterprises are from the poorest segment of the society. Hence, any measure taken to develop the informal trade sector directly affects the poor. We examine informal trading sector in Sri Lanka along with these observations. The objectives of this paper are: to identify the extent of informal trading activities in Sri Lanka; to recognise fundamental reasons for the existence of informal trade; to identify basic elements of a plan of action for developing the informal trading sector, especially through connecting informal activities with formal activities, and to explain as to how the development of the informal trade sector helps eradicate poverty.

Given the limitations of data on informal economic activities in general and informal trading activities in particular, a comprehensive



and a thorough analysis of it with reference to Sri Lanka involve a data generating process. Such an exercise is both time consuming and costly. However, this paper attempts to draw information from various secondary sources together with information from field observations and discussions undertaken with informal traders in *Sathipola* (weekly trade fair) of Pilimalalawa, Kaduganawa, and Gampola in Mahanuwara district. Discussions were also held with some pavement vendors and itinerant sellers. Collection of information in this way was done in an informal manner.

There is a dearth of literature on informal sector activities in Sri Lanka providing a fundamental understanding of the sector though there are some general and ill-treated exercises (Marga Institute 1979, Marga Institute 1992).

The existing information suggests that the informal sector in Sri Lanka accounts for about 47 percent of the total economic activities of the country in 2003 (Schneider 2005). This is well above the Asian average, which is about 30 percent. The contribution of informal sector to employment is also large. About 49 percent of the total labour force was outside the formal sector in 1998 (Sandaratne 2004). This estimate is not likely to have captured fully the extent of informal enterprises in the country indicating that the majority of the workforce in Sri Lanka is still in the informal sector. Furthermore, a majority of informal workers in Sri Lanka are women (Jayaweera et al 2000).

The extent of the domestic informal trade sector is not known in Sri Lanka. However, obtaining a proper estimate of the total manifold activities in the informal domestic trade sector requires a countrywide survey. This paper attempts to use the existing secondary data to determine the extent of informal domestic trade in Sri Lanka providing some guesstimates of the domestic informal trade based on some of the derivations from the available official statistics in Sri Lanka.

First, the self-employed workforce is about 59 percent of the total workforce in Sri Lanka. A considerable share of this informal workforce would be in the informal trade sector (Department of Census and Statistics 2004/05) since

most of the self-employed people are engaged in various types of trading activities.

Second, though most of the micro and small scale trading enterprises belong to the formal category, the labour force in these trade stalls operating throughout the country provides informal wage labour. These workers hardly get any formal employment contracts.

Third, the *Sathipola* (Weekly Trade Fair) operating throughout the country regularly, is one of the model trading systems directly linked with the lower income people in the country. Though large-scale businessmen seem to control much of the activities of the sector, the workforce in *Sathipola* seems to belong to informal category. Most of the customers in *Sathipola* are from the lower income households. In some areas, permanent buildings are available for weekly fairs which were built and maintained by the Local Government bodies, but in most cases traders themselves erect their temporary huts. It is also evident that trade takes place in these *Sathipola* under an unhygienic environment. These *Sathipola* lack even very basic facilities required to undertake trading of food products such as vegetable and fruits. There is no proper information available to trading parties linking producers with traders, and then with the customers. In some cases, the small-scale traders have been under pressure and been subject to unfair exploitation by large-scale formal businessmen who seem to be suppliers of goods traded by informal sellers.

Finally, there are also a considerable number of itinerant traders throughout the country, especially in urban areas. There seems to be a large number of informal itinerant fish sellers operating throughout the country as distributor of fresh fish and meat. These sellers basically belong to the lower income segments of the society. They are not well equipped to transport fish due to lack of facilities.

Reasons for the existence of Informal Trade

In analyzing the contribution of the informal sector, emphasis is placed on the importance of links between formal and informal activities that are not confined to particular occupa-

tions or even to economic activities. Informal trade is 'the way of doing things' characterized by many factors. In most cases, micro and small-scale operators find it convenient to organize themselves in the informal sector than formal sector due to many reasons. Most of these factors are common for both foreign and domestic informal trade. However, our focus is mainly on domestic informal trade.

Transaction costs :

Apart from production costs, it appears that the transaction costs are lower in informal trade sector than in the formal trade sector. There are a number of sources of transaction costs:

- o obtaining a business license
- o acquiring land titles or leases
- o hiring employees
- o knowing and complying with applicable government laws and regulations
- o obtaining a loan
- o buying supplies
- o hooking up and maintaining electricity and telephone services
- o paying taxes
- o enforcing contracts
- o Acquiring accurate information: Information is one of the key requirements for efficient functioning of trading activities. Obtaining information about price, quality, and quantity of particular goods and services, about sources of goods and services, and about potential customers usually incur costs. Accurate information helps reduce transaction costs of doing business substantially. However, informal traders do not seem to use formal information channels, because costs are higher. They rely on a set of informal means in which social-



relationships seem to be playing a critical role. Informal traders in Sri Lanka are seemingly using family ties, ethnic ties, and other informal contacts as channels for circulating information.

The percentage of transaction costs out of total costs is very large in micro and small-scale businesses if they prefer to operate formally, since production costs are lower.

Less prone to corruption and red tape:

Corruption is widespread and persistent in the public sector in Sri Lanka. The corruption perception indexes created and maintained by the International Country Risk Services and Transparency International indicate that corruption is an endemic phenomenon in

How it can impact on poverty alleviation

Sri Lanka, especially in the lower ranks of the government bureaucracy (See Dayaratna Banda 2004). Due to the presence of corruption and institutional weaknesses traders may tend to evade laws and operate informally. One of the important observations is that corruption at the lower ranks of the government bureaucracy affects poor people very badly. Therefore, elimination of corruption at the top-level of government, though very essential, does not suffice to eradicate poverty much if lower level petty corruption and bribery is not eliminated.

Faster realization of payments than formal channels:

This is an important aspect since small-scale informal traders operate with a very small amount of capital, which compels them to engage in highly liquid transactions. Maintaining high liquidity assets related to transactions are very essential for running businesses in the informal trade sector. Apart from the above factors, a number of other factors specifically affecting domestic informal trade are:

Size:

The size of a unit of informal activity seems to be very small when measured on the basis of both number of employees and the amount of capital. These traders rarely use expensive capital equipment in their operations. The activities are basically labour intensive.

Easiness of entry:

Existing legal framework, which affects the business sector, appears to be an impediment for healthy functioning of very small and micro enterprises. In order to start up a new business and running a business, entrepreneurs need to undergo a very hectic process. This involves various things:

Quality of products and services:

Quality of the products traded in informal markets is very low. There are no quality guarantees. Customers are not able to secure quality of products since sellers are not operating under regulated requirements. Because of these reasons traders find it easier to cheat the customers. However, this is not basically a long term aspect of informal business, since informal businesses are conscious about the customer confidence. Sathipola in Sri Lanka are operating in a very unhygienic market environment. It is disheartening to note the horrible state of the Sathipola in Sri Lanka.

Access to financial resources:

Informal businesses are deprived of access to resources due to various reasons. Informal traders need to rely on informal financial sources for financing their business since they do not have access to formal channels. Though transaction costs in the informal financial sector are low compared to the formal sector, interest rates and collateral require-



ments are very high in the informal financial sector, informal trade sector does not have access to formal financial resources because formal financial sources require legal property titles, legal business transactions, as well as established business practices, together with standard accounting practices. Lack of access to formal financial resources seriously impedes the growth of this sector and create sustainability issues. One of the main arguments in favour of formalizing informal trade is that formal operations increase the access to resources.

Dispute settlement mechanisms:

Businesses naturally involve various disputes. Illegality of informal entrepreneurs precludes them from using existing legal systems to enforce contracts. The result is that they minimize risks by only engaging in short-term contracts with known partners involving small amounts of money. This limits their ability to expand and to benefit from economies of scale. In some cases, informal enterprises, deprived of access to the legal system, seem to resort to violence to enforce agreements of property rights. More powerful informal traders deliberately use force to deter new entrants into informal trade sector, as well as to limit the activities of poor segments of the sector. There are also cases where new entrants into informal trade sector as well as poor incumbents have to pay ransoms and other charges for people who seem to illegally regulate the activities of the sector. It is not rules and regulations that govern the activities of informal trade sector, but whims and fancies of a privileged few operating in the sector as larger businessmen or as thugs (law enforcement mechanism in the shadow economy) who seem to have a monopoly in decision making in the sector. Entrepreneurs belonging to lower income segments of the society do not get an opportunity to run informal business in a productive, efficient, and profitable manner as a result of this.

Misguided policies:

Because members of the informal sector operate clandestinely in most cases, they have little opportunity to voice their concerns to government officials and thus policies are

less responsive to their needs. The traders are normally at the mercy of politicians and some bureaucrats to remain in business. Their lack of property rights fosters a concentration of economic power in the hands of a small number of elites who control government policymaking and large portions of economic activity through monopolies. Many macro-economic policies in Sri Lanka target whole economy based on informal on formal sector, disregarding nearly a half of economic activities of the country. Because informal sector activity is not fully included in official statistic, government policies and regulatory institutions that affect the entire population are made without data on a substantial amount of economic activity. This leads to misguided policy responses.

Lack of access to essential public goods and services:

Utility connections (water, electricity and telephone) require a legally recognized prop-



erty title or lease as a form of securitization. Because most informal traders do not have property titles, they may be deprived of water, electricity and phone service. In some cases, informal traders have little choice but to tap electrical, water and telephone lines illegally, thereby raising the cost for regular subscribers.

Some Recommendations for Restructuring the Informal Trade Sector

This section attempts to identify a set of guidelines in a market-based approach that can help to reform informal trading sector in Sri Lanka. The premise of this paper is that markets are most often the best way to organize economic activity. Though market itself is considered to be an institution, there needs to be supporting institutions for markets to function effectively. Therefore, there is an increasing role for government in the form of creating the required incentive structure for markets to work effectively. This seems to be crucial in developing informal sector. In here,

we examine the possibility of linking formal and informal sectors in most cases, and developing informal trade where such efforts are socially welfare enhancing. It is not possible to assert linking informal and formal trade when it comes to foreign informal trade. In case of foreign informal trade, things need to be done in order to reduce or eliminate them. Following specific things are recommended to be included in a comprehensive framework to develop informal sector in Sri Lanka;

Adjustment Mechanism:

It is necessary to create necessary conditions for voluntary formalizing if socially desirable. Informal traders should be allowed to decide whether they are willing to enter the formal mechanism. There are adjustment costs for restricting. Entrepreneurs in informal sector may find it difficult to bear adjustment costs which may in some way compel them to be out of formal sector, even if restructuring programme are implemented without an incentive package which includes a considerable degree of financial support to assist new micro and small scales formals to sustain business until they become affordable to pay various charges to government. There should be some kind of adjustment funds to support these entrepreneurs during adjustment period. A proper transition mechanism is necessary. This requires a particular form of government intervention.

Commercial relationships:

There are linkages between formal firms and informal enterprises. In most cases, formal firms supply merchandise to informal enterprises. Powerless informal enterprises are subjected to unfair exploitation by formal firms which are normally stronger than informal enterprises. Measures need to be taken to formalize business relationships between formal firms and informal enterprises.

Facilities:

Provide facilities to continue informal trading activities:

Sathipola (weekly trade fair): both living conditions of workers in this sector and quality of services can remarkably be improved by providing basic facilities to these sales centers. This can be used as a role model for developing trading activities since majority of lower income groups are using this facility constantly.

Itinerant fish traders: These traders are mostly from the poorest segments of the society. Sellers use either push bicycles or motor-bicycles or hired or mortgaged three-wheelers for running their livelihoods. It may be possible to design a programme to assist these sellers to buy and maintain these equipments at bearable costs. Since formal traders supply fish, this relationship needs to be developed to help improve transacting conditions for the benefit of these itinerant traders. Consumers will also benefit from this by being able to buy high quality products at lowered prices from these itinerant sellers.

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Driven out but determined to fight back



By K.D.Devapriya - Kataragama

Farmers of the Uva province have been the target of recent LTTE attacks, and driven from their land and livelihood are resorting to arming themselves in the possibility of future attacks.

The Uva province once considered as the major supplier of rice and vegetables for the whole island is now compelled to allow its produce to be used as fodder for wild elephants. The farmers who toil amidst protests and strikes are at the mercy of terrorists.

Recently a bus plying along the Buttala

Niyadella route was the target of a terrorist bomb which claimed 30 innocent lives. This was followed by the shooting of six chena farmers in Welisara. Since the shooting, the Chena farmers in Okkampitiya gave up their livelihood for fear remaining. Three thousand acres of chena cultivation crops such as peanut, maize and Kurukan were abandoned. The farmers claim that some crops were even harvested by the LTTE.

"We have toiled to cultivate our lands having struggled with the terrorists and

the elephants. Despite not having an education we managed to survive by cultivating these lands and when it was time to reap the harvest these farmers were killed. The government has said they will provide protection. But they have provided guns to only a few farmers at Okkampitiya. It is difficult to look on while the land we cultivated for our food is destroyed in this manner," laments H.M. Leslie, a young farmer of the area who cultivated about ten acres.

Recalling the incident B.M. Kusumawathie (40) said, "after the bus bombing in Buttala the Tigers came to our Chena. They killed my elder brother and all my relations. The police did not come to even carry the corpses which my younger brother only did this. We live by these cultivations and this time we were blessed with a good harvest. The Tigers are still

roaming near the mountains and pluck the maize which we've cultivated."

Principal of the Wijayaba Maha Vidyalaya at Okkampitiya, V.M Nandasena said of the 2186 children only 55 were present at the re-opening of school. "There are no buses and some teachers are afraid. The villagers are still living elsewhere. The people of this area lead simple lives and they know nothing about war or security." While few policemen patrol the streets of Okkampitiya villagers still live in a state of fear.

Villagers with old fashioned shot guns which operate using gun powder, guard the area along with the Police. Villagers who don't possess guns have begun arming themselves with cleavers and jungle knives.



paddy @ 20/= rice @ 60/=

Even the recently established Agricultural Marketing Authority has not been able to better this dismal state of affairs. In addition the red tape that surrounds these institutions merely makes matters worse for the farmer. The public servants on Government salaries, overtime and other benefits purchase paddy from the farmers, store them for some time and finally dispose of it to the private mill operators. When the price of rice kept spiralling with no end in sight over 50,000 metric tons of rice found its way into the hands of those mill operators.

Miles of Red Tape

The paddy that is purchased by the Government after having waded through yards of red tape hardly exceeds 10% of the country's total paddy output. - The rest is purchased by mill operators and private traders. More often than not Government Ministers proclaim that the Government purchases and stores paddy at exorbitant prices in order to stabilize the market during shortages. They also claim that while protecting the farmer they have to pay equal heed to the interests of the consumer as well. Be that as it may, the consumer is yet to be provided with paddy at a reasonable price.

Often the paddy that the Government purchase end up in the lap of the private mill operator.

While private mill operators earn up to a 300% profit and the public pays unconscio-

nable prices for rice, the large scale paddy millers still continue to buy their paddy at no more than Rs. 19/50 to Rs. 21/50 per Kilo.

Closure of Mills

The smaller millers claim that Government institutions in charge of purchasing paddy continue to favour the large scale mill operators, on account of this, nearly 200 small mills in the Polonnaruwa District have been forced to shut down, according to several small and medium scale operators.

President of the Small and Medium Scale Mill Operators Association in Polonnaruwa, A.W. Ratnayake confirmed that over 200 mills had shut down.

He went on to say that they could not buy any paddy from the Government stores. The closure of the mills resulted in the reduction of the rice supplied to the market and the farmer had to face problems of repaying the loans obtained from the bank. One such farmer, H. M. Malik, the owner of the Fasna Rice Mill in Kaduruwela in the Polonnaruwa said he was being compelled to shut down his mill which employed about 20 workers.

J. A. Tilakaratne, owner of the Thilini Rice Mill at Temple Road in Kaduruwela, said only the large scale mill operators were able to purchase paddy from the Government stores. Having paid Rs. 275,000 and waited for over two months he was unable

to get his stock from Government stores

M. C. A. Rahuman also from Kaduruwela and the owner of the Madina Rice Mill in the Muslim settlement said many of the paddy millers in the area faced a grave economic crisis of being unable to meet their daily requirements. He said he even had to sell off his herd of goats which he had reared over a long period of time to raise some money.

K W Sumanadasa, the owner of the Upali Rice Mill at Palugasdamana had to close down his mill due to a lack of paddy. "If the Government had taken steps to provide us with the required paddy, this mill which I had operated for over 30 - 40 years would not have faced this fate", he lamented.

K. C. Sarath Kumara another owner whose mill was shut down said that smaller mill owners faced a bleak future since the paddy business was dominated by large scale operators.

A M Nishan, the mill owner [Maasha Rice mill] in Kaduruwela faces difficulties having closed down. His mill used to produce about 10,000 kilos of rice per day - but it has been closed for over one and a half months.

Government Purchases

The Manager of the only Agricultural Marketing Institute in the area, Vasantha Abeykoon, said the Government did not purchase any paddy from cultivators during the Yala season. But on earlier occasions the

Government had purchased approximately 24 million kilos of paddy. According to a Government decision this was to be sold at Rs. 19/50 per kilo of naadu and Rs. 21/50 per Kilo of Samba.

There are allegations that the Government is unable to control the price of rice because the large mill owners are connected to Government Ministers, with even the media highlighting the fact that these persons monopolized the trade.

Importing rice to alleviate the consumers needs was a futile exercise. The price of imported rice is now the same as that of local rice. Deputy Minister, Agricultural Services, Siripala Gamlath was recently quoted in the media as saying the allegation that the price of rice had risen due to the actions of the monopolistic large scale paddy mill owners was a baseless one. Adding that large quantities of paddy were required to keep the nearly 500 or so employees and workers continuously employed from one season to the other. Exploitation by the rice mill owners is not something new to the cultivators in the agricultural districts of the country.

However, the people find it hard to come to terms with the fact that the rice that finally ended up in the stores of the large mill owners is the same rice that was purchased with money provided by the Treasury.

CONTD FROM PAGE 1

People left destitute and prone to more trouble as illegal sand mining thrives

The recent floods caused by the torrential downpour in the Meda Rata area resulted in the flooding of the Dambulla town. The waters which in turn flowed to the Kala Wewa tank resulted in overflowing. While the northeast monsoon generally brings with it heavy rains to the Raja Rata area during the Maha season, this time around heavy rainfall was recorded, not by the Raja Rata, but by the midlands. Far from being an unusual phenomenon, however, this is a warning of similar future predicaments the villagers in the area will have to face, warns Merrill Mendis, Climatologist, and Director of the Meteorological Department.

It is evident that the Kala Oya is now not in a position to bear even the rainfall received by the northeast monsoon. If this does in fact turn out to be correct, very soon the network of tanks in the Raja Rata area will face inevitable destruction.

Due to recent floods, residents had to flee the area in search of hillocks to save themselves from being drowned in floodwaters. Almost three thousand people were rendered destitute by these floods.

Biso Menika of Ipologama relating the harrowing experience she underwent said she narrowly escaped with her life. Many others sought sanctuary in a temple.

Some of the villagers in the area, such as 72-year-old J. A. Martin of Makulewa, was of the view that this was the first time since the 70s that the village had witnessed such floods. He believe this was due to the deforestation, which was carried out during the implementation of the Mahaweli scheme. R. M. Kusuma of Hurigaswewa, Ambalamgala says, "There



DAMBULLA: FLOOD WATERS WREAK HAVOC



is no vegetation on either side of the banks. But the Oya has a deep drop of about 20 feet. To fetch water, we have to go deep down. So, we could not believe how the waters could rise up to more than 20 feet and flood the whole village. All the villagers had to be evacu-

ated and take refuge in the village temple and the Mahaweli Development Vihare." Nihal Chandana of Kaviyawa, Yaya 10 claimed that although floods have adverse effects on the Kala Oya, no one could object to the excavation of sand since this was the sole occupa-

tion of the villagers. Geologists are of the view that after a long period of time the banks on either side of the river become hardened and are able to withstand heavy flood waters. However, when the river banks are cut on either side, it upsets the drainage pat-

tern of the water, completely destroying the river banks. This could be seen in Yaya 9 of Rajangana, Dahaye Ela and Lunu Oya areas. The drilling of the Rajangana area to obtain sand has had devastating results on the Kala Oya banks, resulting in the river becoming three times broader than its original width.

Mrs. Anula Indrani, Additional Government Agent (AGA) of Rajangana, is a Public Officer who has fought against the excavation of river sand. She says, "The southern bank of the Kala Oya has been completely damaged. During my tenure of office, I have tried my best to prevent sand mining. This practice has continued, regardless. Of existing laws and regulations to prevent this. However, even these regulations could not prevent the giant Kumbuk trees on each side of the Kala Oya bank from being felled.

"The authority of the Divisional Secretary is not sufficient to prevent this catastrophe. This could be effectively done only by the Director of the Geological and Mining Authority. Still, officers of this Authority have openly broken the laws, assisting people to engage in sand mining by issuing permits for same. It is clear now that these officers are in the pay of the Sand Mudalalis. Due to racketeers the lives of the people are in jeopardy. For a start, we should transfer these officers from the area.

Secondly, the large volumes of sand deposited on either side of the banks after floods should be conserved and collection and transportation it should be prohibited. If this is not done, the people of the area will have to face a great catastrophe."

informal trade in....

Eradicate Entry Barriers:

Take measures to eradicate entry barriers available in formal sector.

- When restructuring, there should be measures not to impose additional costs on micro and small scale trading sector as transaction costs.
- Possibility of providing business licenses and property titles for micro and small business free of charge or at very small costs should be searched.

Implement tax exemptions and other incentives as part of reform package,

- Reduce complexity of rule and regulations,
- Guarantee stability/predictability of laws and regulations

Improve existing dispute settlement mechanism, or develop a dispute settlement mechanism for small and micro enterprises,

- Measures should be taken to ensure that the formal regulatory environment is not biased in favour of formal firms and workers over informal enterprises and workers (or vice versa),
- Eliminate procedural delays by improving quality of bureaucracy, eliminating corruption especially at lower ranks of bureaucracy, and strengthening meritocratic recruitment of government workers,
- Reform and strengthen property rights systems applicable to small and micro scale businesses.

Pro-Poor Business Rules and Regulations:

Pro-poor business rules and regulations need to be developed by streamlining business permit requirements and procedures. In most cases poor people have little access to legal system as a result of high

cost involved. Procedure delays and paper work tend to affect badly for the poor to run small and micro businesses.

What needs to be done

Nature, extent, anatomy, and characteristics of informal trade sector in Sri Lanka are not completely known at present. As a result, informal trade sector in Sri Lanka has got a scant attention from policy makers. It appears that most poor people sustain their livelihoods by either being self employed or by providing labor to these informal trading enterprises. Moreover, a majority of informal sector workers are women. There seems to be no established commercial or employment contracts in this sector, safeguarding the rights of workers. Poor and powerless workers in this sector are subject to unfair exploitation due to lack of employment protection. We conclude that letting the informal trad-

ing sector to operate as of now is not effective in eradicating poverty. New ways and means, as suggested in the paper, should be searched and implemented to restructure activities of informal trade sector without imposing additional burden by way of costs on people who are involved in the sector. These reform efforts should be done under market-oriented economic systems by making serious and effective measures to improve the "incentive structure" of the economy to facilitate efficient functioning of private enterprise from micro level to large scale. "Incentive structure" of the country needs to be developed in order to provide just and equitable business conditions for all scales of business operations.

courtesy of pathfinder foundation

CONTD. FROM PAGE 7



By Udaiyar from Jaffna

NO ONE to listen to our pleas



They just pour out their grievances. On one hand our people gain some mental solace, on the other hand the reporter gets a story," he said dejectedly.

The cost of living is sky rocketing like the Kfir jets," said an old man standing along a road side in Jaffna. He was holding his loaf of bread tightly as though it was something precious.

"Yes, soon will have to give up eating," another old man standing next to him admitted. It is easy to estimate the cost of living by comparing the price increase of wheat flour and bread.

While posing a question regarding the cost of living to a crowd in front of a grocery shop a man answers, "so many reporters and media people have visited us and asked the same question again and again, our silly people have been repeating the same story but we hardly witness any outcome. They just pour out their griev-

ances. On one hand our people gain some mental solace, on the other hand the reporter gets a story," he said dejectedly.

"Who cares about our plight? Though we had rice and sambol for lunch, we just pretend as though we ate lunch with chicken curry. We use to hide our personal difficulties but now we are unable to afford even bread and sambol for our meal," said Vimala (50).

Jelina Stanislas travels every day from Sillalai to Jaffna for work. She says "fuel prices are increasing day by day, so are the bus fares. Early morning I come to Jaffna then I have to take a bus in the evening to go home. I don't know when all will come to an end.

Though the bus fares increase I have to catch one bus after the other if I want to come to work". A trishaw driver by the name of Ravi said that he will take me to a place in Navanthurai where stagnant rain water had collected.

"Do you know that place, get into my auto I will take you there" said Ravi eager to earn a few rupees under the guise of helping me with some information.

As he had described, the area was submerged by flood water due to the The monsoon rains which had not drained as yet. Big stones were laid in front of all the houses to cross the path without stepping in to the water. It was sad to see the children standing inside their houses and staring through the window.

The residents were living amidst unhygienic conditions which had led to breeding grounds for mosquitoes and other water borne diseases. The Jaffna District Cooperative Rural Bank Association building was also under water.

It's quite natural for a community living in such poor conditions to become frustrated with life.

When we returned to the place where Ravi had stationed his trishaw, he slowly looked at his watch and checked the time. "One hour has passed, please pay me Rs.450/-", he said. It was not a demand. It was a firm affirmation. Knowing his plight I agreed without any negotiations only asking him to take me home safely.

The psychological trauma of an age old war

By Puthiyavan

A recent survey conducted by a social organisation in Savatkadu, Anaikodai Jaffna under the supervision of a psychiatrist, revealed the silent suffering of generations who've witnessed the war first hand.

The killings, abductions and disappearances that take place daily have contributed to decades of mental agony which are finally taking its toll in the manifestation of an aggressive society.

The survey revealed that the majority of young widows had lost their husbands due to killings or abductions. All the young widows were suffering from mental depression.

Their children in the age group of 1-10 years displayed signs of stubbornness, urinating in the bed, and pain in the limbs. However it was indicated in the survey that these disorders were purely psychological impacts of the violence they had witnessed.

The elderly have now grown accus-



They are tired of grieving; attending funerals, there's no one to console one another; each and every family is victimised daily by the violent activity in Jaffna. They've learnt to control their feelings, they hardly laugh or cry.

tomed to the killings and abductions of their kith and kin including their children, in-laws and friends. They are tired of grieving; attending funerals, there's no one to console one another; each and every family is victimised daily by the violent activity in Jaffna. They've learnt to control their feelings, they hardly laugh or cry.

Such emotions could lead to a tendency of frustration and finally develop into a long term psychological trauma. The survey also highlighted that community awareness programmes at the

village level could help restore these people emotionally.

During the survey it was brought to our attention that a girl, returning from school asked her mother for food by threatening her with a cane. When we inquired about her family, we came to know that her father was abducted in front of the family at gun point.

The survey proved that psychological trauma had no boundaries where well educated and rich families were affected as well as the poor.





Batticaloa: Dawning of ...

This election which descended upon them has in no way helped foster happiness or please the Batticaloa community who wait with longing in their eyes for a day when they would be able to engage in their livelihood freely.

The reason being that the local government elections which will be held on March 10 - the first time in 14 years will be far from one that is representative of the people. It has been a cause of worry for the general public that terrorist groups have come forward to contest the elections with the blessing of the Government under the guise of reformed democrats.

The law abiding public questions the fact that the Government is preparing to establish democracy in Batticaloa by putting forward these murderous gangs.

The residents have a morbid fear of what awaits them in the future. They do not speak about it. It is a matter of survival from dawn till dusk everyday. Seeing the sullen faces of these hapless people I was reminded of a verse in the bible -And the brother shall deliver up the brother to death, and the father the child and the children shall rise up against their parents and cause them to be put to death . And ye shall be hated of all men for my name's sake : but he that endureth to the end shall be saved . [ST. MATTHEW 10. 21.22]

The Batticaloa district is itself a refugee camp for those who've become destitute. A large number of refugees from Batticaloa as well from Trincomalee live in these refugee camps.

According to government statistics more than 7,000 families are resident here. The total number of persons is more than 25,000 inclusive of young children, widows and elders. It is almost two years since these people were left destitute by the war and driven from their homes to live in these camps. Most of the camp residents say that the food rations provided by the World Food Programme every 15 days is insufficient to survive.

"It is true we are poor, but before we somehow had three meals a day and lived contentedly with our children. Now, we do not have meals. Each person gets 1 kilo and 80 grams of rice for 15 days. The children complain that they are hungry. God, what can we do?" says P. Thangavadivel (58), a father of five at the Ooranie refugee camp situated close to the Batticaloa town.

The 148 families are resident at the Ooranie camp. They are a group of war refugees who arrived from Muttur and Sampoor.

These people who lived in their villages were herded into these camps because of the cruel war. A major problem of these people who live amidst many difficulties and hardships, is the fact that they have no way of appeasing their pangs of hunger.

J.A. Sudha (28), a mother of two who arrived at the Ooranie camp from Eechalampattu in Trincomalee lost her husband in the war. "We left our village with the children, we do not know when we can go back to our villages but we have no choice. We have suffered a lot so far. The children cry in hunger. We feel sorry for them," she laments. "A kilo of rice costs Rs 90-95. A coconut costs Rs. 40-45. So, how can we survive?" Ponnambalam Thavaraja (56), who was engaged in fishing in a suburban lagoon asked us. The death knell has been sounded for the fishing profession too. "We are unable to catch fish because they have laid drag nets and large nets in this lagoon as well. No one is able to end this illegal activity."

A moslem trader in the city told us that cost of textiles have gone up by almost 30% he also said " there doesn't seem to be much interest shown by the public about the up coming elections".

Although polls to elect representatives to nine Provincial Councils in the Batticaloa district, from the general public has already been announced there is hardly any interest shown by the general public.

Batticaloa Police, told us that all candidates contesting the elections would be provided with two police officers per candidate for their protection.

Several people we met in Batticaloa who were reluctant to reveal their identity were convinced the Batticaloa elections would push power into the hands of armed gangs and groups.

Although the government rejoiced at the liberation of the Eastern province from the clutches of the LTTE the same cannot be said for those belonging to civil society, while armed gangs in Batticaloa are strengthened daily.

It is doubtful if the people of Batticaloa will savour a dawn free of fear and suspicion.





Left destitute and driven out of their homes villagers in Vavuniya relate their stories of hardship

A Place TO CALL HOME

By Ranjith Jayasundara Vavuniya

The lives of 36 families situated along the Vavuniya border were shattered when the Tigers attacked their homes on April 12, last year.

Badda Ralage Jayasuriya a 67-year-old resident of the destroyed Avarantulawa village located in Pangala speaking to GroundView expressed his woes saying, "we have spent our lives in the midst of this war and we worry that our children will have to suffer this fate as well. We have no assurance that we will be able to stand on our two feet and rebuild our lives."

The villagers deserted the area for fear of their lives and settled in the village of Periyar in Ulukkulama. Six people were also killed in the attack. The authorities have made arrangements for these families to be housed in temporary huts in certain areas in this village.

"Earlier we used to go into the jungle to collect honey and we could have engaged in sand mining or even found firewood; however now we cannot go into the jungle because of the Tigers. The government gives us monthly rations worth Rs. 1,150. The rations include two kilos of rice for the two of us, one bottle of coconut oil, one kilo of dhal, one kilo of sugar. We have to make do with this meager amount for the whole month. We are unable to buy condiments or vegetables. If we could worked for a daily wage we could have managed to overcome these shortages. On certain days, we sell the kilo of rice to a nearby boutique and buy vegetables.

Actually, we do not eat, as we have very little. It would be closer to the truth to say we lick the scraps," said an elderly villager Kapuralage Herathamy (65).

Those who've settled down in these temporary huts have had to construct them on their own by laying cadjan for the roof, walls and cementing the floor. This small hut is approximately 180 square feet and is not only their only dwelling place but the only place to store their belongings as well.

An issue of concern facing the families in Avarantulawa are their children, who struggle to gain an education in a village that lacks facilities and school supplies.

Inoka Damayanthi a mother of two, highlighted this issue saying, "there are many school going children. They have to walk about two miles on foot. Those days we had a good income. We were able to cultivate land and we had paddy fields of our own. But now we have lost all that and the only way we survive is on the dry rations the government gives us." She added, "we have to buy clothes for the children, they require stationary. But we have no financial means to buy them and some children have even



given up going to school." Mudalihamige Kusumawathie (52), another resident of this village further stressed their plight. "We became destitute and came here to save our lives, bringing only what we could carry. This is the fourth time and all the previous times in the past we re-built our houses. But this time we don't have the strength. If we lose our homes by staying here this time around, we are not going to rebuild. We will walk on the roads and survive under a tree, even," she said, while tears full of pain slid down her face and fell to the ground. We inquired from the Vavuniya District Secretary

S. Shanmugam about the difficulties faced by these people and the action which would be taken to resettle them.

"We have temporarily resettled these people in the Avarantulawa village. These temporary houses have been constructed with the assistance of Non Governmental Organizations.

Various problems regarding security have arisen and that's why these people do not want to go back to their village to settle down. If they want to regain their living standards they were previously they have to go back to their village", he said.