

Working Paper 6

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This is an exploratory study on the extent and causes of informal economy in the conflict region of Sri Lanka. The extent of informal economy in monetary terms in the conflict region is estimated to be roughly 30% of the Provincial Gross Domestic Product of the North&East Province in 2004. Lack of government administration, law enforcement and judicial services, and economic sanctions are identified as the primary causes of informal economy in the conflict region. It is argued that informal economy in conflict-affected countries/regions is transnational by nature and therefore policies to combat the informal economy needs international cooperation