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## Aid, conflict and peace building in Sri Lanka

Jonathan Goodhand

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Centre for Defence Studies
King's College, University of London
Strand, London WC2R 2LS
United Kingdom

*Phone* +44 (0)20 7848 2338
*Fax* +44 (0)20 7848 2748



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# Executive summary

## Introduction

As a recent World Bank report notes, realising Sri Lanka's enormous potential will first require an end to the war.[1] Development donors whose primary goal is the reduction of poverty, increasingly recognise that the primary barrier to achieving this goal is the ongoing conflict that has led to widespread suffering and deepening poverty. Donors recognise the need to understand better the links between development, poverty and conflict and to design poverty focused programmes that address the underlying bases of social conflict. This report represents one contribution towards understanding these linkages better, and developing practical approaches to poverty alleviation and conflict mitigation in a context of ongoing violence.

The report is based upon a two-week field visit to Sri Lanka in April 2000. In addition to interviews with donors, government officials, NGOs and academics in Colombo, field trips were made to Trincomalee, Kandy and Hambantota. The study also drew upon current literature and related research in this area.

The paper is divided into the following chapters; chapter one provides a brief overview of conflict in Sri Lanka and a history of the responses. Chapter two maps out the main aid actors and programmes in Sri Lanka, giving a breakdown of the quantity and type of assistance provided. Chapter three focuses on the relationship between aid and violent conflict, through an examination of different donor approaches and an analysis of the interaction between aid and the dynamics of peace and conflict. Chapter four examines how development policies and programmes could be made more conflict sensitive. Finally, in light of the preceding analysis, in chapter five a number of broad conclusions and specific recommendations are outlined for aid donors in Sri Lanka.

## Mapping conflict and responses to it

Although the so-called 'ethnic conflict' in the north east is spatially defined, this paper argues that militarised violence has become an island-wide and

endemic feature of Sri Lankan society and has to be analysed and responded to in these terms. The conflict has multiple dimensions requiring analysis, which encompasses the international, security, political, economic and social dimensions of the crisis. Although many factors are important, this study places a particular emphasis on: the historical development and identity of the state; the transition from 1977 towards a liberalised, deregulated economy; and the competing nationalisms and social polarisation that have fuelled violent conflict.

Violent conflict has had enormous costs in terms of Sri Lanka's physical, financial, human and social capital. Apart from the direct impact on human lives and suffering, it has cost approximately 2% of GDP per year. It has also undermined the development gains of previous decades and had a corrosive effect on Sri Lanka's institutions of governance. In spite of the obvious costs to the majority of the population, violent conflict has conferred important benefits on certain groups and individuals. Violence has become a means to attain legitimacy, wealth and protection. Vested political and economic interests have blocked attempts at conflict resolution.

Conflict-resolution processes have been ongoing, but have failed to secure sustainable peace. It is argued that neither military action, diplomatic interventions nor constitutional change, are sufficient by themselves to bring sustainable peace to Sri Lanka. Sri Lanka is illustrative of the fact that democratic institutions do not necessarily foster democratic politics and an inclusive conflict resolution process needs to tackle the deep politics of society as well as the high politics of the state. The limited nature of public debate on the constitutional reform package is illustrative of the need to generate wider societal ownership and participation in the conflict-resolution process.

The prospects for peace in the near future are remote. On the military front, the conflict has escalated, and while the fate of Jaffna is in the balance neither side is likely to engage in meaningful peace talks. On the political side, there is little to indicate the likelihood of major policy shifts or political breakthroughs in the coming months; the failure to pass the constitutional reform package

through Parliament and the recent Parliamentary elections, which have produced an unstable coalition government, give little cause for optimism about the conflict-resolution process in the months ahead.

## Mapping aid in Sri Lanka

The current situation is extremely volatile. Escalating violence in the north east and the potential for renewed conflict in the south are stretching the fabric of Sri Lankan society. Recent communal violence in the Hill Country points to growing tensions throughout the island. It is in this context of deep political insecurity that donors must locate themselves. The growing recognition that, for aid donors, it can no longer be a case of 'business as usual', is causing a number of them to rethink their past achievements and to adapt their future strategies.

Aid is only one of a number of instruments employed by donor governments to achieve policy objectives. The primary concerns of donor governments in Sri Lanka are regional security, trade and investment, immigration, human rights and development and humanitarian aid. In the 1990s, there appears to have been a convergence of the security, economic and development policy objectives of the international community. Increasingly, aid has been justified because of its capacity to support wider policy goals i.e. to promote democracy, facilitate liberalisation, mitigate the impacts of transition, prevent refugee outflows and manage or resolve violent conflict. The international community increasingly uses the language of 'structural stability' and 'policy coherence' i.e. different policy instruments should complement and reinforce one another to build sustainable human security.

Translating general principles into practice has, however, been problematic. Firstly, there are diverging views within the aid community on whether aid should be used to achieve explicit political objectives. Secondly, it is argued that conflict in Sri Lanka is essentially a political crisis and, as such needs to be addressed through political and diplomatic instruments; development aid cannot be a substitute for such interventions. Thirdly, although the aim of policy coherence may be to develop synergy between different policies, in

reality policy objectives frequently clash with and undermine one another. The strict enforcement of immigration regimes may, for example, clash with human rights concerns.

While there is some agreement that peace and stability may be necessary preconditions for sustainable development, there are concerns that if this becomes an explicit objective of development policy it means creating expectations that cannot be met. These tensions manifest themselves in differing donor development strategies in response to violent conflict.

Sri Lanka has historically been one of the highest per capita recipient countries. Aid in the 1960s and 1970s was initially focused on support to the state. After 1977, its primary focus has been the promotion of liberalisation and structural adjustment. In recent years, added to this has been an increased focus on governance, human rights and poverty alleviation. Since the 1980s donors have also provided humanitarian aid to the north east to mitigate the impacts of the conflict. One of the defining characteristics of aid in Sri Lanka is its spatial division between relief and rehabilitation aid to the north east and development assistance to the south.

A further defining feature of aid to Sri Lanka is the dominant position in financial terms of three donors; 85% of development funding comes through the World Bank, ADB and the Japanese external assistance programme. The fact that, in 1999, these three donors accounted for 92% of Sri Lanka's total debt stock gives an indication of their importance (and potential leverage).[2]

There are broadly three types of aid in Sri Lanka:

1. development aid to the government focusing on liberalisation, structural adjustment, infrastructure development and a range of sectoral issues, including government reform, education and poverty reduction. The main actors include the World Bank, ADB, the Japanese and a number of smaller bilaterals, including Germany, Norway, the Netherlands, USA, DFID and Sweden;
2. development aid to civil society covering a range of issues, such as

community development, human rights, reconciliation, the media and electoral monitoring. Significant donors include CIDA, SIDA, USAID, Asia Foundation, Holland and Norway; and

3. humanitarian aid to the north east. The main operational agencies are the UN, the ICRC and international NGOs. The main bilateral donors are Germany, France, Sweden, UK, Norway, Holland, Italy and the United States. In 1998, bilateral donor commitments for emergency aid amounted to $17.8 million.

Aid flows to Sri Lanka have remained fairly constant, although gross disbursements of concessional aid in 1999 fell from $520 million to $350 million. It is likely that, in the medium-term, aid flows will decline which relates in part to the increasing focus of many donors on the poorest countries (not including Sri Lanka), and, most significantly, to a dissatisfaction with the failure to find an end to Sri Lanka's conflict. With the trend towards performance based lending, concessional aid is likely to decrease as is the proportion of grants to loans.

## Donors, aid and the dynamics of peace and conflict

There are marked differences in the ways in which donors approach conflict. Broadly speaking, three different categories of response can be distinguished.

- Donors that rarely take conflict into account to any significant extent or they treat it as a 'disruptive factor' to be avoided ***(working around conflict)***.
- Donors that regard conflict as an issue and account for it in at least some of their plans by attempting to minimise conflict-related risks ***(working in conflict)***.
- Donors that actively and explicitly consider ways in which their work can help reduce or manage conflict and promote (long-term) reconciliation ***(working on conflict)***.

The predominant approach by the main donors has been to work 'around' conflict. Conflict is treated as a 'negative externality' to be avoided and, until recently, the main donors have put development assistance to the north east 'on hold' until the fighting is over. Agencies in the north east, however, have been forced to develop strategies to work more effectively 'in conflict' by mitigating conflict related-risks and ensuring that aid programmes 'do no harm'. A group of like-minded bilaterals has, in recent years, begun to explore the possibilities of working more explicitly 'on conflict'. There are examples of innovative programmes, but efforts have tended to be quite piecemeal and small scale in comparison to mainstream development programmes.

It is difficult to establish the precise impact of aid on the dynamics of peace and conflict. The complexity and 'inter-connectedness' of the impact chain make it difficult to isolate the impact of interventions. At best we are talking about *probabilities* that aid has had a positive or negative effect on the structures and incentives of violent conflict. One should not overstate the impacts of aid on the dynamics of conflict. However, it is argued that, historically, development assistance that lacked sensitivity to political and social dynamics had a tendency to follow the fracture lines of the conflict. The Mahaweli programme and donor support in the area of education, for instance, sharpened ethnic fault lines. There is a need to learn from the positive examples given, where aid has supported reconciliation processes, and to incorporate the lessons into mainstream practice.

The critical challenge is to develop ways of making mainstream development assistance more conflict sensitive, while also amplifying the positive benefits of aid with an explicit conflict-reduction focus.

## Towards more conflict-sensitive policy and programming

It is argued that four factors are particularly important if the donor community is to work more effectively 'in' and 'on' conflict:

*1. Integrating conflict sensitivity*

Some broad guiding principles for conflict sensitive aid were identified which include:

- Develop a more balanced approach to reform and transition processes, which recognises the importance of supporting institutions, building local capacities and making social investments.
- Place a greater focus on social safety nets and equity and be more sensitive to the distributional impacts of projects.
- Address the patterns of relative deprivation and regional imbalances. This involves making greater investments in the north east and support for poor rural areas.
- Build strong government ownership for reform processes, based on an astute analysis of the political forces that may support or block such changes.
- Move beyond the current relief-development dichotomy, which involves humanitarian aid being provided to the north east and development aid to the south. This pattern of aid provision increases regional imbalances and feeds into the negative dynamic of the conflict.

*2. A politically informed approach*

This report has highlighted the salience of political factors in the Sri Lankan conflict. Donors should place a strong emphasis on undertaking political analysis to understand better the working of the political systems and incentives of political actors. Donor-supported government reforms programmes, for instance, may make sense in efficiency terms, but have frequently failed in practice because of insufficient analysis of the political costs and benefits to the actors concerned.

*3. A co-ordinated and comprehensive approach*

Working 'on' conflict may be less to do with developing new instruments and more about the optimal use of the broad range of existing instruments. First, there is a need for a comprehensive approach, in which different policy

instruments complement one another. Second, within the donor community a more strategic form of co-ordination needs to be developed.

Donor governments should focus on developing greater complementarity between different policy instruments. They should be more transparent in how they arrive at and weight different policy goals, such as trade, immigration and development concerns.

Development donors have made progress in developing operational co-ordination, but have been less successful at a strategic level. Unless the ADB, World Bank and Japan are central players in attempts to develop more conflict-sensitive approaches, such initiatives are likely to have a limited impact. The challenge facing the smaller bilateral donors, who are attempting to mainstream conflict concerns, is to 'sensitise' the policy environment and encourage the larger donors to take such issues seriously.

There have been number of positive developments leading to improved aid co-ordination – including UNDAF, Poverty Framework, Presidential Task Force for Disaster Management and the 3 Rs programme – however, in the main these have been at the sectoral or operational level. There is still a gap at the national strategic level. In the north east, co-ordination, tends to be much tighter. In the south co-ordination tends to be looser and less emphasis has been placed on developing common approaches. We have argued, however, that militarised violence is endemic and should be responded to on an island-wide basis. This implies crossing a threshold, from a loose co-ordination arrangement to a tight, concerted strategy. Donors should look more seriously at strategic framework approaches, how they have been used elsewhere and whether they might usefully be adapted to the Sri Lankan context.

### *4. Long-term, strategic engagement*

Most donors and operational agencies recognise the need for longer term approaches, but few have been able to put this into practice – largely because the source of the problem lies further up the aid chain. The crux of the

problem is that short-term thinking, short-term mandates and short-term funding are being used to confront entrenched and long-term problems and needs. We have argued that if donors are serious about working 'on' conflict there needs to be a switch from supporting just projects to sustaining strategies and processes. This is a long-term enterprise, which cuts against the grain of the donor mentality (and domestic politics in the donor countries) that wants to assess the return on investment over relatively short periods of time.[3]

# Recommendations

## *Policy coherence*

The international community has historically viewed violent conflict in Sri Lanka as an internal problem, which does not affect Western security interests. More sustained and concerted political attention could have a significant effect on the calculations and incentives systems of the parties to the conflict. There is scope for the international community to use existing policy instruments in a more co-ordinated way.

Co-ordination arrangements and information sharing within and between donor governments can be improved. There could be more regular meetings, to discuss strategic priorities and systematic conflict analysis. In donor governments where development and diplomatic departments are separate, regular briefings of development departments by the diplomatic section and vice versa would be of value.

## *Aid co-ordination*

Efforts should be made to develop a more concerted, tighter form of co-ordination within a Strategic Framework approach. Strategic Framework models that have been used elsewhere should be examined to explore their applicability in the Sri Lankan context. The lessons generated by current co-ordination initiatives such as the Presidential Task Force on Disaster Management, the Poverty Framework and the 3 Rs programme need to be analysed and shared.

### *Strategic lobbying*

The donor community should attempt to develop a more co-ordinated and proactive approach to lobbying in relation to conflict, development, humanitarian and human-rights concerns. While not advocating a confrontational approach, donors could be (and are becoming) more forceful in advocating on issues such as humanitarian access, the economic blockade of the north east and human-rights concerns. The EU is playing an important role, and should be supported further in this respect. The next Donor Meeting represents an important opportunity for donors to influence incentive systems related to the conflict. To have a significant effect, the major donors should be involved and the possibility of applying aid conditionalities might be further explored.

### *Integrating conflict sensitivity*

The main task is to encourage the larger donors who work 'around' conflict to become more sensitive to conflict issues. This will involve developing further what conflict sensitivity means in practice for specific types of programmes in specific contexts.

Much could be learnt from the work done by humanitarian agencies operating in the north east. Their efforts to develop codes of conduct, operating principles, 'do no harm' frameworks and an aid ombudsman, all have relevance to development agencies in the south. As a matter of course, all development donors supporting programmes in the north east or the south should incorporate 'do no harm' criteria into their assessment and monitoring frameworks. Furthermore, the rationale for an aid ombudsman – to increase the accountability and responsiveness of aid – applies equally to the agencies working in the south as those in the north east, and could be explored further as an island-wide initiative.

There have been number of positive initiatives in recent years which have emphasised beneficiary participation and voice, including Oxfam/SCF's study 'Listening to the Displaced and Listening to the Returned: A Community Study', the 3 Rs programme and a number of participatory poverty

assessments. These kinds of exercises are critical if aid is to become more responsive and sensitive to conflict dynamics. Efforts should be made to build upon these initiatives to develop an ongoing and systematic consultation process, which feeds into learning, planning and advocacy strategies. A systematic consultation framework might also be linked to the development of an aid ombudsman.

### *Strengthening peacebuilding and reconciliation*

Donors should work jointly to amplify the positive impacts of programmes that have an explicit and/or sole focus on peacebuilding and reconciliation.

This report has emphasised the need to strengthen initiatives, which to help build a strong, legitimate, and responsive state. Donor achievements in the area of institutional development have been modest. There is a need to take stock of past efforts and to identify strategies which are most likely to strengthen institutions and processes that promote equity, power sharing and conflict management. In spite of the constraints, there are spaces and opportunities. The 3 Rs programme, for instance, carries the potential to strengthen linkages and capacities at both the local and national levels. Institutions and actors at the meso-level might be focused upon more, since it is often blockages at this level which prevent policies (such as language policies) from being implemented in practice. It is also the mid-level actors who often play an important mediating role between national and local level politics.

In addition to supporting democratic institutions, donors could play an active role in supporting groups that can contribute to a more open and inclusive political debate. Donors could help open spaces for debate by supporting a range of activities, including: ongoing dialogue with political parties and parliamentarians; support for civil society groups; strengthening the media; building links with private-sector organisations, like the Chambers of Commerce; and dialogue with religious groups. However, the emphasis should shift from a piecemeal, project-focused approach, to one that concentrates on developing strategies, processes and linkages. Donors may need to rethink how

they engage with civil society. It may be less about 'cherry picking' Colombo-based NGOs than helping create an enabling environment for a wider peace constituency. Positive changes are likely to come about through identifying openings for coalitions that can shape public policy.

Alternative funding mechanisms may need to be developed. Donors should explore the possibility of developing a locally managed 'peace trust fund', which would be tailored to meet the needs of more community-based, non-English speaking groups who require small amounts of funding, often at short notice. Currently, donors only have the capacity to engage with a very narrow cross-section of civil society. Such a funding mechanism might deepen their level of involvement and encourage the trickle down of support and information to a broader section of civil society.

Donors should not put development 'on hold' in the north east while the war is going on. While bulky investments are inadvisable, there are opportunities to support livelihoods, increase production and develop local capacities, as demonstrated by the World Bank's Irrigated Agriculture project. Other areas which deserve more attention, in terms of their potential peace-building impacts, are a focus on rural livelihoods and employment, education, support for youth, and English language teaching. These programmes all have the potential to build greater equity and social harmony over time.

Donors should continue to place a robust emphasis on human rights, including support for human-rights NGOs, access to legal services, the independent media, the Human Rights Commission and training with the military. As already mentioned, a more proactive approach to lobbying on human-rights issues, particularly through the EU is recommended.

A mapping exercise or audit of peace-building/reconciliation programmes and projects should be conducted to draw out lessons from a diverse range of initiatives. This would include the experience of humanitarian aid agencies in the north east as well as activities in the south by the likes of the National Alliance for Peace and the National Peace Council. This would not be considered an evaluation exercise, but an attempt to learn systematically from past

experiences, with a view to drawing up future strategies. The study might involve an inventory of approaches used so far, an assessment of impacts and identification of gaps in current activities.

An important constraint on current policy and practice is the lack of a methodology or framework for assessing the impact of development programmes on the dynamics of peace and conflict. There are currently a number of agencies exploring this issue, such as the World Bank and Oxfam, and there are also several international initiatives to develop PCIA tools. Donors could usefully support the convening of a PCIA working group to pool learning and perhaps field test a number of emerging methodologies.

## Developing new capacities

### *Analysis and learning*

There is already high quality analysis at different points and levels within the international community, but there is often a compartmentalisation of knowledge. There is a need to develop a forum for sharing conflict analysis on an ongoing basis. This might first be initiated by a number of the bilateral donors, such as SIDA, DFID and the Dutch, who have already conducted analysis on the links between conflict, development and aid. The group would focus upon developing a dynamic analysis of conflict and social, political and economic change, which helps donors make risk assessments and feeds into ongoing strategy and programming.

Donors could also build links with regional and international academic and policy institutes to feed into and inform debates in Sri Lanka.

Donors could also encourage institutional learning by conducting system-wide evaluations, which are de-linked from funding concerns.

### *Modalities/approach*

If donors are to integrate conflict-sensitive approaches they may need to consider the following issues:

- Developing more flexible but long-term modalities, particularly for

transitional forms of assistance that do not fall under 'pure' relief or 'pure' development budget lines.

- Supporting careers in aid that are deep rather than shallow, so that staff can develop in-depth regional or country level expertise.
- Changing internal incentive systems so that learning and analysis are rewarded and more time is provided to visit the field and listen to the views of those living in areas of conflict.
- Developing a greater tolerance for risk-taking and developing project portfolios, which combine high risk-high opportunity initiatives along with the more common low- risk-low opportunity projects.

# Introduction

As a 2000 World Bank report notes, realising Sri Lanka's enormous potential will first require an end to the war.[4] Development donors whose primary goal is the reduction of poverty, increasingly recognise that the primary barrier to achieving this goal is the ongoing conflict. The UK Department for International Development (DFID) recognises the need to understand better the links between development, poverty and conflict and to design poverty focused programmes that address the underlying bases of social conflict. This report represents one contribution towards understanding these linkages better, and developing practical approaches to poverty alleviation and conflict mitigation in a context of ongoing violence.

The report is based upon a two week field visit to Sri Lanka in April 2000 conducted by a team comprising Adam Burke (DFID, UK), Debi Duncan (DFID, UK), Jonathan Goodhand (International Non-governmental Organisation (NGO) Training and Research Centre (INTRAC)), Jehan Perera (National Peace Council (CDS)) and Chris Smith (Centre for Defence Studies). Martin Dawson (DFID, Sri Lanka) also accompanied the team for some of the meetings and provided invaluable assistance throughout the mission. In addition to interviews with donors, government officials, NGOs and academics in Colombo, field trips were also conducted to Trincomalee in the east, Kandy in central Sri Lanka and Hambantota in the south. The study also drew upon current literature and related research in this area.

The paper is divided into the following chapters: chapter one provides a brief overview of conflict in Sri Lanka and a history of the responses. Chapter two maps out the main aid actors and programmes in Sri Lanka, giving a breakdown of the quantity and type of assistance provided. Chapter three focuses on the relationship between aid and violent conflict, through an examination of different donor approaches and an analysis of the interaction between aid and the dynamics of peace and conflict. Chapter four examines how development policies and programmes could be made more conflict sensitive. Finally, in light of the preceding analysis, in chapter five, a number of broad conclusions and specific recommendations are outlined for aid donors in Sri Lanka.

# Endnotes

[1] World Bank, *Sri Lanka: Recapturing Missed Opportunities*, Poverty Reduction and Economic Management, South Asia Region, Report Number 20430-CE (Washington, DC: World Bank, June 16, 2000).
[2] Economist Intelligence Unit (2000) p.31.
[3] Moore, M., and Putzel, J., 'Politics and Poverty' *A background Paper for the World Development Report 2000/1*, September, 1999.
[4] World Bank 2000, *op.cit.*

# Chapter one

# Mapping the conflict and responses to it

## The nature of violent conflict in Sri Lanka

Sri Lanka is situated in the Indian Ocean just off the south-eastern end of India, from which it is separated from the southern Indian state of Tamil Nadu by the 20 mile wide Palk Straits. Historical and cultural links between the people of the Jaffna Peninsula, at the northern tip of Sri Lanka, and this state of 50 million Tamils have always been close. Sri Lanka has a population of 18 million made up of: 74% Sinhalese who are mostly Buddhist; 12.6% Sri Lankan Tamils (mainly Hindu); 5.6% Plantation Tamils (Hindu), 7% Moors (Tamil speaking, but of Muslim faith); and Christians from both Sinhalese and Tamil communities. Other groups include Burghers, Malays and Veddas. The majority of the people live in rural areas (78%).

Compared with other parts of the British colonial empire, the transition to independence for Sri Lanka (formerly Ceylon) in 1948 was comparatively peaceful. However, subsequent policies by successive Sri Lankan (and Sinhalese dominated) governments, and the reactions to these by Tamil people, sowed the seeds of what has become a protracted and vicious conflict. The conflict, which has been raging at varying intensity since 1983, can now be described as being between the largest and most militarily effective Tamil militant group, the Liberation Tigers of Tamil Eelam (LTTE) and the Government of Sri Lanka. The situation in Sri Lanka has been further inflamed by two violent insurrections in 1972 and 1989 by the Janatha Vimukhti Peramuna (JVP), a group made up mostly from disaffected Sinhalese youth which combined a potent mixture of Marxism and nationalism. The 1989 insurrection was brutally put down by the government and led to 60,000 deaths. Whilst this paper focuses on the conflict between the LTTE and the Sri Lankan government, the

rebellion by the JVP during this time had an important influence on the course of events.[5]

It is beyond the scope of this study to provide a detailed analysis of violent conflict in Sri Lanka. In this report our focus is on militarised violence, which includes conventional military engagements, but also encompasses a range of abuses associated with modern wars, including suicide bombings, human-rights abuses, predatory violence and show killings. Although the so-called 'ethnic conflict' in the north east is spatially defined, the paper argues that militarised violence has become an island-wide and endemic feature of Sri Lankan society and that it has to be responded to in these terms.

Attention has been focused on the 'hot' war in the north east, particularly as a result of recent military engagements. However, there is also war-induced insecurity in the south, with LTTE suicide attacks in Colombo, the bombing of economic targets and a growing problem of army deserters in rural areas in the south. There are also several other axes of violent conflict, some of which have become militarised (for example, the JVP insurgency) and others which have remained latent (for example, grievances amongst the Hill Country Tamils). Therefore, militarised violence has had an impact on Sri Lankan society in its totality. Increasingly, it has been argued that violence has become the main arbiter of social grievance.[6]

How one understands and labels violent conflict is important. Some sections of the Sri Lankan population, for instance, define 'the conflict' as a 'terrorist problem'. We have used the label 'complex political emergency', because it draws attention to the essentially political dynamic of the crisis in Sri Lanka. We will argue that militarised violence is a manifestation of a crisis of the state and needs to be responded to in these terms. Attempts to respond to and resolve the conflict in Sri Lanka need be based on an understanding of the incentive systems and structures that drive violence, and this means starting with an analysis of the state. To an extent, the term complex political emergency is a convenient label and we recognise the dangers of applying labels. There is no substitute for historical and context-specific analysis.

This report focuses on how aid can support peace building, reconciliation and social harmony in Sri Lankan society. We do not, however, assume a model of 'functional harmony', with conflict representing in some way a departure from the norm. It is recognised that conflict has a positive dimension and is an essential part of the process of social and political change. Conflict management or resolution is, therefore, not about preventing conflict but supporting institutions which are able to manage conflict in an inclusive and non violent way.

This report explores whether and how development assistance, can help contribute to structural stability in Sri Lanka. Structural stability is defined in dynamic terms as a 'situation involving sustainable economic development, democracy and respect for human rights, viable political structures, and healthy social and environmental conditions, with the capacity to manage change without resort to violent conflict'[7]. Stating that development aid should support structural stability, though, does not by itself help advance the debate. First, while there is some agreement that peace and stability may be necessary preconditions for sustainable development, there are concerns that if this becomes an explicit objective of development policy it means creating expectations that cannot be met. Second, there is still a major gap between the realisation that aid should be more sensitive to the dynamics of violent conflict and an understanding of what this actually means in practice. This report aims to contribute to this debate by exploring current donor practice and outlining possible future approaches.

## Impacts of conflict

The war has had negative impacts on Sri Lanka's physical, human, social and financial capital. However, compared to other countries affected by conflict, Sri Lanka is an anomaly in that its economy, rather than contracting during the war, grew at a faster rate than during the pre-war period. Evidently this is partly due to the changed global environment and the liberalisation of the economy after 1977. It has been argued that the relative robustness of the economy in the south accounts for the lack of concerted efforts from the political

and business community to address the war. As one foreign diplomat noted: 'the body politic is unwilling to address the problem and it is bank rolled by foreign donors…you can have guns and butter…you can have growth while waging war'. However, in the context of south and south east Asia, Sri Lanka's growth has been modest, and the conflict has undoubtedly been a factor in its relatively poor performance.

The war has been a crushing burden on national development efforts. Military expenditures have risen from 4% of total government expenditure in 1981 to 22% in 1997, crowding out various civilian expenditures[8]. $2.7 billion has been spent on defence since 1995.[9] It has been estimated that the overall cost of the government's Eelam Wars I and II works out to approximately $16 billion or 131% of 1995 Gross Domestic Product (GDP).[10] This has led to the growth of the budget deficit from 7.9% of GDP in 1997 to 9.2% in 1998. Apart from the direct costs, the war has had important opportunity costs. Foreign direct investment for example has not exceeded 1.3% of GDP in Sri Lanka compared to nearly 4.5% in Thailand, mainly because of the uncertain climate created by the war.[11]

The conflict has also had important political and social impacts. The militarisation of society and the state has undermined democratic institutions. At an inter and intra-community level, social relationships and institutions – society's endowments of 'social capital' – have been corroded.[12] Increasingly, the country has been divided into ethnic enclaves.

In spite of the obvious costs to the majority of the population, violent conflict has also conferred important benefits on certain groups and individuals. Violence has for significant groups, become a means to attain legitimacy, wealth and protection. The vested political and economic interests that have developed around the conflict need to be better understood by those trying to influence incentives systems in the interest of peace.

## Conflict analysis

The secessionist conflict is the result of a complex mix of factors, which have

changed and mutated over time. The following chapter briefly maps out some of the broad dimensions of the conflict.

## *International dimensions*

The Sri Lanka conflict, unlike many other complex political emergencies, is not driven by international geopolitical interests. Sri Lanka does not rate alongside the likes of East Timor or Kosovo as areas of primary strategic interest. To a great extent, the West has been content to accept the Indo-centric character of the sub continent.[13] The key external element of the Sri Lankan conflict has been the role of India. India has been both a power mediator and a protagonist in the conflict.[14] Although its role has changed, its interest in the internal affairs of Sri Lanka has remained a constant. The southern Indian state of Tamil Nadu has played a crucial role in the conflict, especially following the 1983 riots in Sri Lanka as thousands fled to Tamil Nadu. This had two effects; first, it internationalised' the conflict, and second, it raised strong emotions amongst the Tamils of Tamil Nadu, which put pressure on both local and national Indian politicians to do something to mitigate the plight of Sri Lankan Tamils.

The official Indian 'line' on Sri Lanka is that the Tamil-majority areas ought to have a large measure of autonomy in newly demarcated provinces. Following the military gains made by the LTTE in April-May 2000, some Tamil allies of the Bharathiya Janatha Party (BJP) government in Tamil Nadu openly supported secession, the creation of an independent Eelam, and military help for the LTTE. As for the Sri Lankan government, after the serious military reverses, it approached India for help in May 2000. It was widely thought this request pertained to military assistance in the contingency that the Sri Lankan Army had to be evacuated from Jaffna. India's publicly proffered 'humanitarian aid' – US$2 million to meet urgent fiscal needs of the government, was of some consolation. India is aware that it has some influence with both the People's Alliance (PA) government and the LTTE. The Indian government can enable and facilitate third country 'intervention' or 'mediation' without actually getting drawn into the conflict itself. India is also aware that sentiments of regional

parties in Tamil Nadu must be taken into account. Even though Norway come forward in 1999 as a facilitator of talks, New Delhi will continue to be the most important international point of reference if negotiations take place.

Non-state actors, who have established transnational networks, have also been an important factor in the conflict. The involvement of the Sri Lankan diaspora community in relation to the conflict deserves greater attention. That the Tamil diaspora of 850,000 living in western Europe and north America has bank rolled the LTTE is common knowledge. However, there has been insufficient research on the nature of the transnational networks, which continue to fuel and sustain the conflict. This is a critical gap in current knowledge and is particularly important if one is to develop more strategic efforts to de-escalate or resolve the conflict.

## *Security dimensions*

Sri Lanka has become a highly militarised society. The use of terror and show killings is widespread. Increasingly violence has become normalised and routinised, not only in the north east but in rest of the country, where election violence and violent crime (often from army deserters) have become endemic. In one-third of the island, it is the military that make the key decisions. Since the breakdown of the 1995 peace talks, there has been an increase in the political weight of those who control the means of violence, including the LTTE, the security forces and politicians with connections to thugs and paramilitaries.[15] There are a number of armed forces, in addition to the LTTE, that are not 100% under political control, including police commandos, the armed bodyguards of MPs, Tamil militant groups and Home Guards and army deserters. The Sri Lankan conflict has been called a 'no mercy' war as out of 10 estimated casualties on the battlefield, only one survives as wounded – being killed by their own side of the enemy – compared to the accepted average of 7.[16]

### *Government forces*

Sri Lanka had a largely ceremonial force of 12,000 in 1983. By 2000, this had

grown to a total force of around 200,000 with an infantry and ground force of approximately 100,000. In spite of their numerical advantage over the LTTE, the war had been badly managed over a considerable period of time. The Sri Lankan army has long been short of manpower, with thousands of desertions yearly. Morale is very poor, and there are thought to be around 20,000-30,000 deserters who have now become a major law and order problem in the south. There are also allegations of widespread corruption in military procurement. Furthermore, the politicisation of the armed forces has meant the constant reshuffling of staff, which in turn means that intelligence and counter-insurgency capacities are extremely weak.[17] In the east and parts of the north, counter-insurgency functions have been franchised out to Tamil militant groups such as the Tamil Eelam Liberation Organisation (TELO) and the People's Liberation Organisation of Tamil Eelam (PLOTE) who are responsible for widespread human-rights abuses.

### *The LTTE*

The LTTE consider themselves to be the sole representatives of Sri Lankan Tamils and have allowed no space for any form of democratic politics within the Tamil social formation.[18] In many respects, their brand of Tamil nationalism mirrors extreme Sinhala nationalism (see below). The current strength of the LTTE is estimated to be over 5,600, and a further 1,500 has been raised through the civilian militia – the *Eelapadai* (Eelam Force) and *Grama Padai* (Village Force).[19] In contrast to the government forces, they are highly motivated and well organised. They have proved themselves to be infinitely adaptable, having moved from guerrilla to conventional warfare at different stages of the war. They also maintain a naval arm, the 'Sea Tigers' and a suicide force, the 'Black Tigers'.

The LTTE are unconstrained by democratic concerns, as is the case with the government. They have been extremely adept at removing opposition and potential sources of leadership competition within the movement or the wider Tamil community. The Tigers also command a formidable resource base, quite

apart from their captured weapons. The LTTE international network operates in at least forty countries, with international propaganda and fund-raising co-ordinated by LTTE leaders based in France and the UK. They are in many businesses, both illegal (drug peddling, gun running, human trafficking, etc.) as well as legitimate. The LTTE owns a fleet of ships, employed both for ferrying military hardware as well as for commercial cargo. They also run many other businesses, including restaurants and shops etc. Although, the LTTE were listed by the United States as a terrorist organisation in 1997 and there have been some attempts to curtail their fund raising activities, these do not appear to have had a significant impact on their capacity to mobilise resources.

## *Political dimensions*

Although it is labelled an 'ethnic war', at the heart of the Sri Lankan crisis is a crisis of the state. The secessionist and JVP conflicts are both symptomatic of a broader crisis in the identity, policies and legitimacy of the state.[20] As Cliffe and Luckham note, 'the causes of complex political emergencies are not only to be found in the issues around which conflicts are politicised such as ethnicity or regional identity but also in the prior trend towards a failure of governance'.[21]

In 1948 there was a formal transfer of power from the UK, but, unlike India, there was no discourse or struggle over the identity and form of the state. The independent state was primarily conceived in accordance with the colonial legacy of centralisation.[22] An Anglicised élite inherited a political system of democratic majoritarianism. The unitary constitution did not give minorities adequate protection against the potentially discriminatory consequences of majoritarian Sinhalese rule.[23]

The process of undermining the checks and balances that were incorporated in the British-drawn constitution to safeguard minorities rights began with the disenfranchisement of the bulk of the Indian Tamil population under the Citizenship Act of 1948. The political outcome of this legislation was to make the majority of the Indian Tamil population stateless. During the 1950s, Sinhala Buddhist revivalism attained a new dominance in national politics. The

elections of 1956 brought into power a government with a hegemonic Sinhala-Buddhist ideology, which the same year passed the Sinhala Only Act. This made Sinhala, the language of the majority community, the only official language. The next important point in the deterioration of ethnic relations was the enactment of the first republican constitution in 1972. This removed the safeguards of the previous (British) constitution, gave a pre-eminent position to Buddhism, in addition to the Sinhala language, and, most importantly, concentrated power in the Sinhala-dominated legislature.[24]

The Sinhalisation of the state apparatus was a major blow to the Tamil population to whom it represented a major avenue of employment. From 1956-70, for example, the proportion of Tamils employed by the state fell from 60 to 10% in the professions, from 30 to 5% in the administrative service and from 40 to 1% in the armed forces.[25] Education was another area where state policies discriminated against the minority community. Particularly controversial was the university admission policy, known as 'standardisation', the effect of which was to reduce drastically the number of Tamil students entering university.[26]

A further example of development policies influenced by majority nationalism is the policy of large-scale irrigation schemes in the dry zone of Sri Lanka. These 'colonisation schemes' have continuity in state agrarian policies despite changes in regimes.[27] Such policies of agrarian populism date back to the 1920s and the largest such scheme was the Mahaweli development programme that was implemented from 1977. Colonisation schemes were articulated within a discourse of Sinhala nationalism. On an ideological level, the opening of the dry zone areas through state intervention was equated with the restoration of the ancient Sinhala civilisations. Most critical, however, were the demographic changes they brought about. Settlement programmes broke up the Tamil-speaking contiguity between the north and east. As a result of the expansion of the Sinhala population in the east, new electorates dominated by Sinhalese have been carved out. This has altered the electoral power balance in the east.[28]

Therefore, state ideology gave prominence to the identity of the majority

community. Paradoxically, democracy and communalism have fed off one another. Politicians, driven by the incentives of electoral arithmetic, have mobilised along communal lines. Ethnic groups have provided a ready-made constituency for politicians: they are easier to organise and consolidate than interest groups, since the norms restricting entry and exit are more powerful.[29]

Parliamentary constituencies have become highly polarised, and the tendency for each party to pander to the extreme wings has contributed to the 'competing nationalisms' of the Sinhala Buddhists and the Tamil nationalists. There has consequently been a gradual marginalisation of the moderate leadership. The assassination of Neelan Thirulchelavam in July 1999 – widely believed to have been carried out by the LTTE – a moderate Tamil leader and advocate for non-violent political change, was symptomatic of this process of polarisation and the silencing of moderate voices.

Tamil-Sinhala tensions are, however, only one of number of axes of violent conflict.[30] The JVP conflict was a manifestation of intra-Sinhalese tensions over political, economic and social exclusion. Moreover, within the Tamil community, in spite of LTTE efforts to silence 'dissident' voices, there are competing groups and interests. Feuding among Tamil paramilitary groups is one manifestation of these divisions. Other submerged divisions are the differences between Tamils from Jaffna, the east and the Hill Country in central Sri Lanka. A further area of tension is the growing nationalism of the Muslims, (traditionally located in the coastal areas, primarily in the east), manifest in an increasing awareness of their own distinct interests in relation to the mainstream political parties. In the event of a peace settlement, the different interests of such groups are likely to emerge. Therefore, the political map is far more complex than a simplistic division between competing Tamil and Sinhala nationalisms.

It is, therefore, wrong to view the state purely though an ethnic lens. The Sinhalisation of the state is a manifestation of a deeper problem of the failure of the state to institutionalise democratic politics. Dynastic politics and a concentration of political power are symptomatic of the widespread belief that

political power is derived from patronage rather than from performance. The undemocratic, personalised and exclusionary nature of the state were significant factors in the evolution of the JVP conflict. Growing poverty in the deep south, political and social exclusion, an inability of the state to deliver and growing corruption proved to be a combustible cocktail.

The inability of the state to devolve power and provide tangible benefits at the local level is illustrated by the experience of the Southern Development Authority. Despite initial promises, when it was formed in 1997, of major infrastructural investment in the south, in reality its powers and resources have been extremely limited. This is likely to contribute to further tensions, particularly since the social bases of the JVP movement remain in the deep south. Therefore, while there is a tendency to view the devolution package purely in relation to the resolution of the war in the north east, a much wider frame of reference is needed. Long-term structural stability in Sri Lanka depends on fundamental reforms of the state and the institutionalisation of democratic politics.

The longer the conflict continues, the harder the task of state reform becomes. As Uyangoda notes, a key problem with contemporary Sri Lanka is the absence of strong defences against ethnic exclusivity in politics. Rebuilding these defences involves building a new political culture that can accept and yet transcend ethnicity in politics.[31]

The state has adapted to, and been transformed by violent conflict. The militarisation and Sinhalisation of the state have eroded the institutions and norms governing democratic behaviour. The brutal suppression of the JVP set an important precedent, by showing that a military solution could effectively bring 'peace'. Increasingly, conflict is managed through the state's security and counter-insurgency armed groups, rather than through inclusive institutions and democratic practices. Security is interpreted very narrowly as the security of the state, state buildings and major economic targets and major political figures, at the expense of the population at large.[32] The announcement in May 2000 by the PA government of a state of 'war footing', which gives the

government wide-ranging powers including the right to seize private assets, to prohibit public gatherings and limit media coverage, was a continuation of this trend.

## *Economic dimensions*

Although aid donors view the conflict as primarily a constraint on development, in many respects the conflict is a consequence of a certain trajectory of development. State-led development in the post colonial period operated within a framework of dominant nationalism and favoured one ethnic group over another. The state's massive involvement in production can be gauged from the fact that in 1975 the public sector in Sri Lanka accounted for 63% of the ownership of tea acreage and for 54% of the total vale of production in manufacturing.[33] The role of the state in controlling access to scarce resources such as education, employment and land has already been mentioned.

In 1977, J.R. Jayewardene's United National Party (UNP) government initiated economic liberalisation. Successive governments have supported liberal economic policies, which have seen Sri Lanka's transition from a plantation economy to one where production and exports are largely industrial based.[34] The three pillars of the Sri Lankan economy are now the garment industry, tea and labour migration. Sri Lanka was one of the first developing countries to liberalise the economy and introduce structural adjustment policies. However, it was not until Ranasinghe Premadassa's government came to power in 1988, that economic liberalisation was taken up more seriously and a conventional stabilisation-cum-liberalisation programme was agreed.[35]

Liberalisation has had a mixed impact. It has led to improved macro-economic performance and produced an average growth rate of 5.2% between 1994 to 1997.[36] The economy has not been significantly affected by the Asian financial crisis and foreign donors predict sound medium-term prospects.[37] However, according to the same foreign donors, major policy initiatives are required, including reforms to public administration, the financial sector, pensions and public enterprise. The state continues to play a major role in the

economy and the private sector is relatively underdeveloped.

In rural areas, liberalisation has again had mixed effects. It has wiped out protected industries like handloom production, which provided employment for rural women. At the same time, it has also meant a greater degree of dynamism in the local economy, shown by the emergence of local construction industries and the emergence of the service sector.[38] Although liberalisation has brought some human development achievements, for example increased access of the rural population to safe drinking water and sanitation, it has also contributed to new inequalities and contradictions within Sri Lankan society.

Although Premadassa's government had a strong pro-poor rhetoric, deregulation broadened the scope for rent seeking and patronage, particularly through the privatisation programme. This period was marked by the rise of a new rich – a sub class of indigenous, largely Sinhala-speaking entrepreneurs, who were associated in the public mind with cronyism and patronage.[39] Therefore, perceptions have magnified and exaggerated objective changes in inequality.

Approximately 21% of Sri Lanka's population live in poverty.[40] However, the depth and geographical spread of poverty in Sri Lanka has been disputed. The 1995 World Bank report, for example, argued that there had been a significant decline in poverty between 1985-93, whereas other commentators paint quite a different picture of rural misery.[41] However, most agree that there has been a real widening of regional income disparities. There has been a pronounced metropolitan bias in local investment, employment and incomes. The Western Province, in particular Colombo, has been the main beneficiary of growth, while in the south development has stood still. In the north east there has been a marked decline. The conflict in the north east has reversed development processes in that part of the country and acted as a brake on development throughout the island.

Therefore, the conflict has had a major impact on poverty, which aid donors with a poverty focus increasingly recognise.[42] Debt servicing and the conflict absorb about 50% of budget outlays.[43] Some of the human development gains

of earlier decades are being undermined. The quality and efficiency of health care, for instance, has declined, the incidence of malaria has increased and there has been a slight worsening in the rate of malnutrition in children under the age of five years.[44] The PA government has been suffering from a growing credibility gap related to its failure to tackle corruption, to end the war, to dynamise the economy and to ensure a fairer distribution of gains between rich and poor.[45] Owing to the conflict, Sri Lanka has been unable to attract significant foreign direct investment and the current portfolio of investments is negligible.

Government poverty alleviation programmes have been undermined by structural adjustment programmes. The Samurdhi programme, replaced the Janasaviya programme in 1995. However, it has been poorly administrated and, because of political patronage systems, poorly targeted. The rural economy is fragile and highly brittle, where poverty has been staved off by the inflow of transfers and remittances. In A 1997 study of the rural economy in the south, Dunham and Edwards found that external transfers in the form of war related employment and migrant worker remittances were critical to the peasant economy.[46] These developments flag new and perilous forms of external dependency. In a 1998 article, Dunham and Jayasuriya paint a stark picture of growing rural frustration, particularly amongst the youth, which is manifest in rising suicide rates, alcohol abuse and domestic violence. They go on to argue that '…the seeds are there for a more violent response by the rural youth, many of whom now have military experience and some of whom have deserted with their weapons.'[47]

More difficult to research and to quantify is the growth of the black economy. This is partly related to the 'dark side' of globalisation and the development of transnational criminalised networks. The reported increase of Mafia activities in Colombo and the growth of human trafficking and child prostitution[48] are symptomatic of this trend. In addition, black economies have developed around the conflict.[49] In the border areas and in the conflict regions, paramilitary groups have developed various systems of taxation of traders and civilians through control of the main transport routes (and the movement of persons and goods), and through an economy of terror, scarcity and fear.[50] In the east,

the Razeeq group – a Tamil militant group who are loosely controlled and paid by the Sri Lankan army – control the fish trade and in Vavuniya in the north, the PLOTE have a monopoly on the fish and coconut industry. Armed groups control major transport routes and have created new security structures and protection rackets. Therefore, conflict has created new opportunities for profiteering and one could argue that, increasingly, the driving force for the conflict has shifted from grievance to greed. Evidently it is more complicated than this, but one should not discount the economic motivations for continued violence.

## *Social dimensions*

As argued above, the label 'ethnic conflict' is misleading as it implies that ethnicity is the primary cause of the Sri Lankan conflict. As Bush argues, 'identity does not mobilise individuals, rather individuals mobilise identity'.[51] The conflict is both a cause and a consequence of the 'ethnicisation' of social, political and economic life.

While a political economy perspective points to the primacy of 'interests', rather than 'passions' in complex political emergencies, one should not ignore the importance of the 'emotional economy' of violence. The Sri Lankan conflict, for instance, cannot be understood without referring to the 'double minority complex': both Sinhalese and Tamil's perceive themselves to be minority populations under threat – the former in relation to the Tamil population in south India and the later in relation to the Sinhalese majority in Sri Lanka. This sense of being an embattled minority has fuelled competing Sinhala and Tamil nationalism, which have become entwined with religious and cultural discourses.[52] Both draw on a mythical history, which emphasises ancient enmities between Sinhala and Tamil kingdoms,[53] in spite of the evidence of a long history of ethnic accommodation.[54] The importance of history and symbolism is demonstrated by the LTTE bombing of the Temple of the Tooth in Kandy in 1998, which hit at the heart of Sinhala Buddhist identity and pride.[55] As Ignatiev notes, it is not how the past dictates to the present, but how the present manipulates the past that is decisive.[56] As positions have

become more polarised, counter-discourses, which emphasise accommodation and a common past, are increasingly squeezed out. Although the education system may have the potential to reduce conflict and build social harmony, in its current form it reinforces ethnic and language differences.[57] Sri Lanka suffers from the lack of a trans-ethnic historical mythology which can provide legitimacy and ballast to a post-colonial state.[58]

It is important, therefore, not to dismiss the 'politics of passions', the processes through which hate is constructed and mobilised. Conflict entrepreneurs appear to have an intuitive understanding of such processes and how to destroy social capital and create 'anti-social' capital.[59] The LTTE, for instance, have either co-opted or destroyed pre-existing institutions and created new ones to win hearts and minds. Bonding social capital has been created within the Tamil community (hence the LTTE's campaign to eradicate caste identities) at the expense of bridging social capital between Tamil and non-Tamil groups. Propaganda and violence have been used to nurture an emotional economy based on a currency of fear, victim hood and a sense of grievance. Show case killings and 'theatrical' violence have been used strategically to intimidate populations, provoke reprisal killings and deepen ethnic fault lines. Another important element of the affective economy is the mythology of the 'heroic death'. Its most extreme version is the LTTE's female suicide bombers, which draws on this symbolism of valour to recruit and mobilise young men.[60]

The corrosion of social capital and what is considered 'normal behaviour' has contributed to a culture of impunity. Particularly in the 'grey' security areas, where control is disputed and there is a lack of basic human security, abuses of human rights are pervasive. Even if peace were to come tomorrow, one of the major challenges of peace will be to deal with the legacy of violence: 'Since the early 1980s, the everyday experience in Sri Lanka has centred on violence, destruction, hatred, and moral commitment to enmity. An overbearing sense of uncertainty and anxiety translates into violence as well as fear of violence. Engulfed in so much violence, Sri Lanka is not a normal society; it is a

shell-shocked society where reason and considered judgement in ethnic politics have given way to the politics of anxiety'.[61]

Violence has become the key arbiter of societal grievance.[62] The impacts of violent conflict are not contained to the north. There is a legacy of violence in the south and the potential for renewed violence, which has had an impact on social relations. The deep-south has been the main recruitment ground both for the JVP and the Sri Lankan army. The effects of these phenomena, combined with wide spread labour migration, on family structures and inter-household relations, needs to be further studied. Recent studies report rising suicide and disillusionment amongst the youth, alcoholism and disenchantment with mainstream politics.[63]

Just as one should not view the state purely through an ethnic lens, the same applies to social structures and institutions. Evidently there are multiple and overlapping identities, which have been affected in different ways and to differing degrees by conflict. Moreover, conflict has not merely broken down social relations, it has reordered and transformed them. Gender, generation and caste roles have all been transformed by conflict. A rehabilitation process is not about recreating the *status quo ante*, as society has moved on. Gender relationships, for instance, have been transformed. Apart from the obvious example of women bearing arms on both sides of the conflict, in many other respects women's roles have fundamentally changed. Research in the east, for example, indicates that women have been forced much more into the public realm, either because they are the heads of households or because it is too risky for their husbands to cross road blocks and travel between cleared and uncleared areas.[64] Moreover, women's organisations have proliferated in the 1980s and 1990s to meet the challenges of conflict on two fronts. Organisations like the Mother's Front and the Organisation of Families Members of the Disappeared were formed to deal with issues related to disappearances. Others, like SURIYA the Family Rehabilitation Centre and Women for Peace, were set up around economic and psychological needs.[65]

NGOs have proliferated in the 1990s in response to the conflicts, the effects

of structural adjustment and changing donor policies. Those formed in response to the conflict focus on humanitarian action, human rights and peace building. Another group of actors has organised around the impact of the market economy on the agricultural sector and its linkage to societal conflict. The Movement for National Land and Agricultural Reforms (MONLAR), for instance, was formed in 1991 and is based on a critique of the consequences of post-1977 economic orthodoxy.[66]

A critical question is whether in the battleground for hearts and minds, there are forces or groups who can challenge the polemics of competitive nationalism. Are there, for instance, 'connectors' or peace constituencies who might provide the basis for a movement for peace? This question is addressed further below; civil society, however, as it currently stands is certainly not a panacea. In many respects it is as much part of the problem as part of the solution. Sinhala Nationalist groups such as the National Movement Against Terrorism (NMAT) have been a driving force behind the emotional economy of the conflict and they have been far more effective in getting their message across than civic groups with a 'pro-peace' stance.

## Responses to conflict

The following chapter provides a brief overview of the key features of various attempts to resolve or respond to the conflict.[67] Throughout the conflict, a mix of different approaches has been tried, although the weighting has changed according to the ground conditions and priorities of the various actors. Themes that emerge from the literature are: an absence of long-term strategic thinking and intra and inter-party consensus; the lack of co-ordination between the various conflict resolution 'tracks'; the critical importance of timing and the failure of actors to exploit windows of opportunity when they present themselves; the lack of understanding of the incentives systems and structures driving conflict; and an inability to appreciate the importance of 'process-based' approaches to conflict resolution. Partly because of these short-comings, peace talks have been little more than short-term and fragile

interludes within a wider and escalating cycle of violence.

### *Military*

Although the military suppression of the JVP set an important precedent, it has become clear that there is no military solution to the war in the north east. The LTTE represent a very different challenge to the state than the one presented by JVP. The experience of the Indian Peace-Keeping Force (IPKF) demonstrated the difficulties associated with trying to overcome a highly motivated guerrilla force on its own territory. The Indian army entered Sri Lanka in 1987 as a peacekeeping force, but relations with the LTTE soon deteriorated. The IPKF could not secure military control over the Jaffna peninsula and in the end withdrew in 1990. In 1995, when the Sri Lankan army took Jaffna, the government 'war-for-peace' strategy appeared to be paying off. However, it was one thing taking over territory and quite another to hold onto it. The Sri Lanka army's 'Operation Jaya Sukuru' to establish control of the A9 route up to Jaffna failed spectacularly and as supply routes became over-stretched the LTTE, based in the jungles of the Vanni, started to hit back. Victories in Mullaittivu, Mankalam and Elephant Pass have meant not only territorial gains, but also large hauls of weapons and ammunition.

In the short to medium-term at least, there is no prospect of the LTTE being defeated militarily. However, maintaining parity in offensive capabilities and gaining control of new territory continue to be the strategic objectives of both the Sri Lankan state and the LTTE. There is no evidence that the two parties have reached a 'hurting stalemate' that may be a necessary precondition for serious negotiations to take place.[68] If a peace agreement is reached, serious consideration will need to be given to the problem posed by mass demobilisation in both the north and south of the country. This is likely to pose a major law and order and economic problem for many years after the conflict.

The other side of the PA government's war- for-peace strategy has been the development of a political package, with the aim of politically undermining the LTTE and isolating it from their Tamil constituency.

## *Political*

Historically there has been a succession of political initiatives to address Tamil grievances, including the Bandaranaike-Chelvanayakam Agreement (1957), the Senanayake-Chelvanayakam Pact (1965) and the Thirteenth Amendment (1987).[69] More recently, the PA government has put forward its own political package. All have focused, to varying degrees and with different formula, on the need to reconstitute relations between the centre and the regions.

The PA package is more far reaching than earlier initiatives in that it envisages a system of devolution which requires fundamental amendments to the constitution, and the reformation of the Sri Lankan state from a unitary entity to a 'united and sovereign republic with a Union on Regions.[70] However, there is no certainty that the package will be accepted by the LTTE. First the package does not recognise the specificity of the ethnic issue (enhanced devolution is applied equally to all provinces). Second, it does not meet the LTTE condition of a merger of the northern and eastern provinces. Third, the package leaves virtually no room for LTTE input.[71]

The package was deadlocked for some time in a parliamentary select committee, hampered by a lack of inter and intra-party consensus. The elusive bipartisan consensus appeared to have been secured when, from February 2000, there were intensive negotiations between the government, the UNP and Tamil parties. However, in spite of several devolutionary concepts being diluted to make the draft constitution more acceptable to the Sinhalese, the Bill's submission to Parliament was postponed following a UNP last minute pull out. Parliamentary elections in May 2000 resulted in an unstable coalition government headed by the PA, which will find it difficult to generate the necessary support for a substantive reform package.

## *Diplomatic*

We refer here to attempts to resolve the conflict through negotiation, with or without the facilitation of third parties. Historically there has been a resistance to third-party mediation from the Sri Lankan state and the Sinhalese

population. The conflict is viewed as an internal terrorist problem, which does not merit international mediation. The single mediator model may pose a unique problem in the Sri Lanka context, as Sinhalese nationalist forces are likely to suspect hidden agendas from particular countries in favour of Tamils or the LTTE.[72] Moreover, a call for mediation may signal something other than a desire for conflict settlement. It may also represent an opportunity to gain international legitimacy or a brief respite from the battlefield.[73]

There have been various attempts at direct negotiation, including talks in Thimpu (1985), Colombo (1989) and Jaffna (1994-95). There have also been offers of outside mediation, including the UN, the Commonwealth, the UK, Norway and Australia. In 1996, the British minister Liam Fox brokered an accord, between Chandrika Bandaranaike Kumaratunge's PA and the opposition UNP of Ranil Wickremesinghe, on a bipartisan approach for ending the ethnic war. However, little has happened since then to suggest that the various parties have acted in good faith in the interests of peace. Although the diplomatic community is clear in its policy position and objectives – there is widespread support for a negotiated settlement and there is no support for a separate state – there are insufficient economic or geopolitical interests to provide a stronger basis for a mediator to intervene with long-term commitment, and an awareness of the risks involved.[74]

In the past, there has been a failure to understand the incentives and positions of the different parties. As Uyangoda notes, there is a need for realism; neither side is motivated by altruism and they are hard hearted and calculating bargainers.[75] The LTTE present a particular challenge in terms of exerting leverage and holding them to account. They are primarily a military organisation with a weak political wing. In 1994-95, it was clear that the window of opportunity for negotiation was a short one; the LTTE cannot keep their cadres inactive in the camps for long. Philipson argues, however, that a change of approach might lead to positive outcomes. She advocates a more creative exploration of interests, rather than positions – positional bargaining poses the claim for Tamil Eelam against the claim for Sinhala only – which may throw up

interests and principles shared by the different parties.[76] Another weakness in negotiating processes has been an almost exclusive focus on 'Track One'. There has been a lack of acknowledgement of the importance of 'Track Two' initiatives, particularly those which focus on creating the conditions in which political leaders can take risks for peace, secure in the knowledge they are backed by their constituencies. Examples would include: work with parliamentarians; building links between civil society groups in the north and the south and working to moderate the extremist civil-society groups in the south.

The Norwegian offer to facilitate talks has been positively received by both sides. However, in spite of the political rhetoric of returning to talks, primacy is still accorded to a military course of action in shaping the process.[77] Until the fate of Jaffna has been decided, there is unlikely to be a serious commitment to negotiations from either side.

### *Civil Society*

Neither military action, diplomatic interventions nor constitutional change are sufficient by themselves to bring sustainable peace to Sri Lanka. There is a need to tackle deep-seated grievances and prejudices at the societal level. Many of the roots and possible solutions to the conflict lie within the sphere of civil society. As already noted, civil society is as much the problem as the solution. Extreme nationalist groups such as the National Movement Against Terrorism and elements of the Buddhist *Sangha* (clergy) have fuelled, and will continue to fuel, the conflict. However, Sri Lanka has a diverse and dynamic civil-society sector, including a number of groups campaigning on issues like human rights, peace and constitutional change. Although such groups are unlikely to be a leading edge in any peace process, they can be significant actors in generating support for a political process. This was the case in 1994, when civil-society groups like the Movement for Inter Racial Justice and Equality (MIRJE), Inform and the National Peace Council (NPC), mobilised support for the peace process.

After peace talks broke down the PA government attempted to mobilise civil

society through the *Sudu Nellum* (White Lotus) Movement, an effort to 'wage the battle for peace'. More recently, leaders of the Christian and Buddhist clergy travelled to the Vanni under the auspices of the National Alliance for Peace to meet leaders of the LTTE and civil-society groups. Surveys conducted among the Sinhala people have shown that the majority is willing to seek a political solution that would bring an end to the war.[78] However, there are few linkages between civil-society groups in the north and the south. Effectively, there is no independent political space for Tamils, as the LTTE has systematically eliminated competing groups. The peace movement is also constrained by internal deficiencies, including a lack of consensus on strategic objectives and inter-group rivalries. Experience so far indicates that actions or inaction further up the political chain will always limit the impact of civil-society initiatives.

### *Donors*

Historically, Sri Lanka has been one of the highest aid per capita recipients. In the 1960s and 1970s, the majority of economic aid was directed towards the state, to fund major development projects, such as land colonisation programmes and major infrastructure programmes.

From 1977, when Jayewardene's UNP government came to power, aid to the Sri Lankan state has supported and encouraged liberalisation of the economy, as well as investing in infrastructure and social spending. The UNP, with donor support, initiated a number of macro-economic development projects, such as hydro-electrical/irrigation schemes under the Accelerated Mahaweli Development Project and industrialisation efforts under the Greater Colombo Economic Commission and Urban and Housing Programme. These programmes were complemented by a portfolio of 16 Integrated Rural Development Projects (IRDPs) which aimed to bring about balanced regional development, widen economic opportunities and enhance living standards in rural areas.[79]

More recently, donor programmes in the 1990s have largely been designed to

diminish the role and size of the state, in pursuit of further moves towards market liberalisation and away from the centralist welfare state model. They have met marked resistance from bureaucracy and politicians who are unwilling to accept externally imposed economic and administrative reforms. In chapter three we explore donor responses to the conflict in more depth.

## Current situation

Military events have exposed weaknesses inherent in Sri Lankan government's 'war for peace strategy'. In November 1999, the LTTE launched a massive counter-offensive, operation 'Unceasing Waves-III', which led to the capture of the strategically important Elephant Pass in May 2000 and an assault on Jaffna. The Kumaratunga government put the country on a war footing. Taxes were hurriedly raised, and development plans suspended to help pay an additional $175 million on further military procurements in the aftermath of the fall of Elephant Pass. The government brought in new emergency measures, including strict press censorship, claiming supremacy of national interest over normal democratic freedoms. There are fears that further victories by the LTTE will provoke an anti-Tamil backlash in the south. Recent mob violence in the Hill Country, in which 26 Tamil inmates of a rehabilitation centre in Bindunuweva were killed, appears to confirm these fears.

While the military situation is so precariously balanced, substantive negotiations are unlikely: 'The fact is that when it comes to a negotiated settlement, whoever holds Jaffna, the northern capital, will be at an advantage at peace talks. With both sides desiring that crucial advantage, and the fighting forces so closely situated to one another, it is inevitable that the battle for Jaffna must first be settled before there can be mutual agreement for peace talks'.[80]

The political situation also looks increasingly unstable, with the failure to get the reform package through parliament, the violent Parliamentary elections in October and the resulting coalition government in which minority parties are likely to wield a great deal of influence.

Therefore the current situation is extremely volatile. Escalating violence in

the north east and the potential for renewed conflict in the south are stretching the fabric of Sri Lankan society. It is in this context of deep political insecurity that donors must locate themselves. The growing recognition that, for aid donors, it can no longer be a case of 'business as usual' is causing a number of them to rethink their past achievements and to adapt their future strategies.

# Endnotes

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[24] Bastian, S., *op.cit*. p.7.
[25] Kois, L.M., Francis, D., and Rotberg, R.I., 'Sri Lanka's Civil War and Prospects for Post-Conflict Resolution' *World Peace Foundation Report* number 18, (Washington DC: World Peace Foundation, 1998)
[26] The standardisation policy introduced a statistical means of aggregating standardised marks from the 'A level' exams in order to decide upon admission priorities for each subject, in accordance with quotas allocated to different districts. This process inflamed ethnic sensitivities. The absence of transparency regarding the statistical procedure followed led to the impression of marks being rigged in favour of medium-performing Sinhalese candidates. The result was a drastic reduction in the proportion of Tamil students gaining admission to science based universities, from 35.3% in 1970 to 14.2% in 1975.
[27] Bastian, S., p.11.
[28] *Ibid*. p.11.
In Trincomalee for example, according to the 1991 census, sixty four per cent of the 265 000-strong population belong to the Sinhalese and Muslim communities, while less than a third are Tamils. Four decades back,

Tamils constituted nearly 70 per cent of the population. See Charu Lata Joshi Sinhalese resettlement irks Tamils The Times of India News Service, 21 June 2000.

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[33] The Mahbub ul Haq Human Development Centre, *Human Development in South Asia 1999. The Crisis of Governance*, (Oxford: Oxford University Press, 1999) p.73.

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[39] Dunham, D., and Jayasuriya, S., *op.cit.*

[40] Asian Development Bank *op.cit*

[41] Dunham, D., and Jayasuriya, S., *op.cit.*

[42] See for example DFID *Country Strategy Paper* and the Asian Development Bank *Country Assistance Plan.*

[43] Asian Development Bank *op.cit.* p.21

[44] *ibid.* p.5

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[47] Dunham, D., and Jayasuriya, S., *op.cit*.p.14

[48] There are estimated to be 30,000 child prostitutes in Sri Lanka according to the International Labor Organization (ILO) and UN Children's Emergency Fund (UNICEF) studies.

[49] The most significant vested interest related to the conflict in financial terms is arms procurement, which is part of the official economy. The extent of involvement of foreign arms dealers, their proximity to the army, and the inclination of some sections of the defence establishment to benefit from dollar-based transactions are a cause for concern.

[50] Rajasingham-Senanayake, D. 'The dangers of devolution: the hidden economies of armed conflict' in Rotberg, R.I., (ed) *op.cit*.

[51] Bush, K., *op.cit* (1999) p.17

[52] Buddhist revivalism, for instance, dates back to the late 1800s, in part a reaction to the perceived threat of Christian missionaries.

[53] The Sinhalese draw upon the Vijaya legend associated with the Mahavamsa and its offshoots. As the Tamils became increasingly alienated from the political order they have begun to rewrite their history in ways that seek to combat Sinhala claims. Tamils claim to have provided immigrants to the island in the Sangam age (2nd century BC to 3rd century AD). Both draw upon the idea of 'traditional homelands'. See Roberts, M., 'History as Dynamite', Pravada, volume 6, number 6, 2000.

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[64] Goodhand, J., Hulme, D., and Lewer, N., *op.cit.*

[65] Saravanamuttu, 1999, *op.cit.*

[66] *ibid.* p. 116.

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[68] Uyangoda, J., in Rotberg, R.I., *op.cit*. p.158.

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[70] Samuel, K., 'Straining consensus: government strategies for war and peace in Sri Lanka, 1994-98' in *ibid*.

[71] Uyangoda, J., in Rotberg, R.I., *op.cit*. p.159.

[72] *ibid*. p.166.

[73] *ibid*. p.162.

[74] *ibid* p.165

[75] *ibid*.

[76] Philipson, L., *op.cit*. p.64

[77] Uyangoda, J., in Rotberg, R.I., *op.cit*. p.160

[78] National Peace Council, *Survey undertaken by the National Peace Council on popular attitudes towards the ethnic conflict and its solution*, (Colombo: National Peace Council, 15 March, 1999).

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# Chapter two

# Mapping aid in Sir Lanka

## Donor objectives and instruments

Development assistance should be located within a wider geo-strategic and political framework. Table one provides an overview of the range of policy instruments and concerns of donor governments involved with Sri Lanka.

**Table 1: donor government policy instruments and concerns in Sri Lanka**

| | Foreign affairs | Trade and investment | Immigration and refugees | Human rights | Aid | |
|---|---|---|---|---|---|---|
| | | | | | Development | Humanitarian |
| **Interests and concerns** | • Political settlement to the conflict within a united Sri Lanka<br>• Regional security<br>• Terrorism<br>• Trans-national networks and diaspora communities e.g. arms, drugs, money laundering | • Trade relations – exports and imports<br>• Open economy<br>• Investment opportunities | • Refugees – returnees and preventing outflows.<br>• Human trafficking | • Respect for International-human rights and international humanitarian law | • Structural stability<br>• Economic development<br>• Poverty reduction<br>• Good governance | • Alleviation of human suffering |
| **Policies** | • First track diplomacy e.g. Norway and India<br>• Support for 2nd track initiatives<br>• Anti-terrorism measures e.g. US support to Sri Lankan government<br>• Military assistance/security sector training<br>• Development aid to support good governance | • Private sector support<br>• Foreign direct investment<br>• Support for liberalisation<br>• Military equipment | • Immigration agreements and border controls<br>• Bilateral agreements with Sri Lankan government<br>• Legal frameworks | • Monitoring<br>• Advocacy e.g. EU statements<br>• Capacity building and training e.g. legal services, judiciary and security sector<br>• Support for NGOs and aid agencies e.g. ICRC, UNHCR, Amnesty | • Provision of concessional and grant aid for a range of activities including: infrastructure, health, education etc. | • Provision of basic needs and livelihood support in conflict-affected areas |

Although the table simplifies a complex reality – donor governments have different interests often leading to diverging policies81 – it helps illustrate two things. First, aid is only one of a number of policy instruments and second, aid policy is influenced (and sometimes dictated) by other policy concerns. Therefore, one has to look beyond aid and analyse the underlying interests and concerns of donor governments. Aid is not delivered into a political vacuum and neither does it emerge from a political vacuum.

Western donor countries have limited geopolitical interests in Sri Lanka. Unlike Kosovo, where Western regional interests were at stake, there is little basis for a long-term (and high risk) commitment to intervention in Sri Lanka by Western powers. Sri Lanka does not represent an attractive site for a 'peace rush' among international mediators at the present moment.[82] The acceptance of the Indo-centric character of the sub-continent has served to limit political attention or intervention.[83] However, on the positive side, this also means that the Sri Lankan conflict has not become entangled in international regional power politics, like Afghanistan for instance. There is international consensus on the need for a negotiated settlement and a political package that meets Tamil aspirations, but within a united Sri Lanka. Although there are nuances in Western government positions,[84] there has been a general convergence around this policy position.

A second set of priorities relates to economic interests, namely trade and investments. Donor countries with significant economic interests in Sri Lanka include the United States, Japan, the UK, Germany and South Korea.[85] A third area of concern is immigration and refugee inflows. Human-rights concerns also rose up donor government agendas during the 1980s and 1990s.

Aid has traditionally been the 'junior partner' in relation to foreign affairs. It has either been viewed as a separate sphere of activity, distinct from political interests, or it is subsumed by other policy objectives. During the 1990s there appears to have been a convergence of the security, economic and development policy objectives of the international community. Increasingly, aid has been justified because of its capacity to support wider policy goals i.e. to promote

democracy, facilitate liberalisation, mitigate the impacts of transition, prevent refugee outflows and to manage or resolve violent conflict. The international community increasingly uses the language of 'structural stability' and 'policy coherence' i.e. different policy instruments should complement and reinforce one another to build human security.

This trend towards coherence has come about partly because of a recognition that it is no longer possible to sustain the myth that aid is 'above' politics. Increasingly, donors have recognised that certain political conditions are needed for effective aid, which has led to increasing claims that aid can contribute to delivering these conditions.[86] Donors, it is argued, need to address the underlying causes of conflict if they are to achieve their development goals.

Some donors, however, continue to distance themselves from more explicitly political objectives. As one major donor commented: 'Since we are a government donor agency we're not in a position to deal with politics'. However, in the face of donors' attempts to push through government reform programmes, or support for human rights and conflict resolution interventions, it is difficult to sustain the argument that development is separate from politics. A number of bilateral donors are beginning to question the role of traditional development assistance in the context of an ongoing conflict. As one donor noted: 'There are limitations in the traditional donor role and debate needs to shift towards the nature of the political culture in Sri Lanka and its politics….from disbursing money to talk about politics'. The conflict has increasingly forced them to rethink their roles and approaches. As another donor commented: 'The war has become normalised and donors are increasingly asking why they should keep pouring money into a country at war'(aid donor). A number of donors realise 'that poverty is conflict induced and government sustained' (aid donor).

The EU may be representative of emerging priorities amongst donor governments; they have developed a package of measures to prevent refugee inflows, increase support in the area of private-sector economic co-operation, have a greater emphasis on human rights, decrease conventional development

co-operation and maintain humanitarian assistance.

Therefore, a growing donor commitment to peace building and conflict resolution should be analysed and assessed in relation to the wider policy environment. In some respects, such an approach is to be welcomed: it acknowledges and engages with political processes and it re-frames the pursuit of national interest more expansively in terms of the promotion of democracy and human rights. However, there are also concerns. Firstly, it may be used to justify new more intrusive approaches, which undermine the competence and legitimacy of the state. Secondly, it might be argued that structural stability is being forced upon developing countries in the same way that structural adjustment policies were in the 1980s – in spite of the lessons that a 'one size fits all' has limited value. Thirdly, as we have argued, conflict in Sri Lanka is essentially a political crisis and, as such, needs to be addressed through political and diplomatic instruments; development aid cannot be a substitute for such interventions. Finally, although the aim of policy coherence may be to develop synergy between different policies, in reality, policy objectives frequently clash with and undermine one another. The strict enforcement of immigration regimes may, for example, clash with human-rights concerns. Support for liberalisation and macro-economic reform may negate social harmony and development objectives.

## Aid actors

Sri Lanka has received on average a total of $898 million per annum in official development assistance through loans and grants in recent years, an amount equivalent to 7% GDP, slightly larger than the government's public investment budget. Gross disbursements of concessional aid in 1999 fell from $520 million to $350 million. Due to the significant economic impact of the civil conflict, and the government's efforts to reduce the budget deficit, donor-financed projects constitute a significant proportion of the overall public sector investment programme. Foreign aid utilisation is low due to slow project implementation and the lack of counterpart funds. Most bilateral funding

through the government is routed through the Department of External Resources and the Ministry of Policy and Planning and Implementation. Roughly two thirds of funding is in the form of loans to the government. Table two provides a more detailed breakdown of funding to Sri Lanka.

**Table 2: Sri Lanka**
Disbursements, unless otherwise stated, in millions of US dollars.

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1994 | 1995 | 1996 | 1997 | 1998 |
|---|---|---|---|---|---|---|---|---|---|---|
| **1. TOTAL RECEIPTS NET (ODA+OOF+ Private)** | | | | | | **2. TOTAL ODA NET** | | | | |
| **DAC Countries** | | | | | | | | | | |
| **Australia** | 5.3 | 5.2 | 10.4 | 5.9 | 5.5 | 5.8 | 6.0 | 10.4 | 6.4 | 5.7 |
| **Austria** | 0.3 | 0.4 | 0.5 | 0.1 | 0.1 | 0.5 | 0.2 | 0.6 | 0.1 | 0.1 |
| **Belgium** | 0.3 | 4.5 | 2.8 | 0.9 | 23.8 | 0.7 | 0.7 | 0.4 | 0.3 | 0.2 |
| **Canada** | 4.0 | 4.0 | 4.0 | 3.6 | 2.2 | 4.9 | 4.0 | 4.0 | 3.0 | 2.2 |
| **Denmark** | 0.4 | 0.3 | 0.8 | 1.5 | 0.7 | 0.4 | 0.5 | 0.5 | 1.5 | 0.7 |
| **Finland** | 14.4 | 3.5 | 5.8 | 1.9 | 13.9 | 5.1 | 1.8 | 0.7 | 0.7 | 0.5 |
| **France** | 43.1 | 23.7 | 17.4 | 5.1 | 0.2 | 0.2 | 0.9 | 1.6 | 1.6 | 0.4 |
| **Germany** | 8.3 | 28.7 | 1.8 | 2.6 | 53.8 | 7.0 | 11.4 | 15.8 | 9.8 | 19.0 |
| **Ireland** | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 |
| **Italy** | 0.7 | 8.0 | 0.7 | 0.8 | 0.7 | 6.4 | 0.4 | 0.5 | 0.5 | 0.3 |
| **Japan** | 187.0 | 271.8 | 125.5 | 274.3 | 246.1 | 213.0 | 269.7 | 134.9 | 134.9 | 197.8 |
| **Luxembourg** | – | – | 0.2 | 0.1 | 0.1 | – | – | 0.1 | 0.1 | 0.1 |
| **Netherlands** | 14.7 | 30.5 | 20.7 | 55.3 | 30.6 | 14.7 | 14.1 | 14.0 | 14.0 | 13.2 |
| **New Zealand** | 0.2 | 0.4 | 0.2 | 0.5 | 0.3 | 0.2 | 0.4 | 0.6 | 0.6 | 0.5 |
| **Norway** | 15.0 | 14.2 | 31.7 | 15.2 | 14.2 | 15.0 | 14.2 | 15.0 | 15.0 | 13.2 |
| **Portugal** | – | – | 0.0 | – | – | – | – | – | – | – |
| **Spain** | – | 0.0 | 0.0 | 0.0 | – | – | 0.0 | – | – | – |
| **Sweden** | 11.7 | 28.8 | 21.9 | 28.0 | 13.2 | 8.6 | 12.4 | 13.9 | 13.9 | 12.9 |
| **Switzerland** | 5.7 | 4.0 | 0.8 | 2.1 | 2.5 | 3.7 | 4.0 | 2.2 | 2.2 | 2.6 |
| **United Kingdom** | 86.4 | 24.4 | 80.7 | 38.5 | 20.2 | 12.4 | 13.8 | 17.4 | 17.4 | 13.5 |
| **United States** | 37.0 | 26.0 | 5.0 | 7.0 | 2.4 | 37.0 | 25.0 | 5.0 | 5.0 | 0.5 |
| **TOTAL** | **426.8** | **471.7** | **201.1** | **426.9** | **395.4** | **334.7** | **374.0** | **228.3** | **228.3** | **282.3** |
| **MULTILATERALS** | | | | | | | | | | |
| **AID8** | – | – | – | – | – | – | – | – | – | – |
| **AIDF** | – | – | – | – | – | – | – | – | – | – |
| **AsDB** | 89.2 | 53.2 | 139.5 | 84.0 | 105.8 | 69.2 | 83.2 | 139.5 | 78.0 | 105.8 |
| **CarDB** | – | – | – | – | – | – | – | – | – | – |
| **EC** | 8.3 | 7.2 | 5.3 | 7.2 | 5.0 | 8.3 | 7.2 | 5.5 | 7.2 | 5.0 |
| **EBRD** | – | – | – | – | – | – | – | – | – | – |
| **ISRD** | 7.7 | 8.7 | 8.4 | 5.9 | 6.8 | – | – | – | – | – |
| **IDA** | 70.8 | 98.3 | 84.8 | 87.5 | 83.6 | 70.5 | 95.2 | 4.9 | 57.0 | 83.6 |
| **IDB** | – | – | – | – | – | – | – | – | – | – |
| **IFAD** | 1.5 | 2.3 | 2.4 | 1.8 | 1.0 | 1.6 | 2.3 | 2.4 | 1.3 | 1.8 |
| **IFC** | 0.1 | 0.9 | 2.0 | 3.5 | 4.0 | – | – | – | – | – |
| **IMF** | 87.5 | 33.8 | 45.3 | 58.1 | – | 67.5 | 33.8 | 68.1 | 50.1 | – |
| **UNDP** | 8.3 | 4.6 | 4.2 | 8.6 | 5.4 | 6.0 | 4.6 | 6.6 | 6.6 | 5.4 |
| **UNTA** | 1.9 | 6.1 | 2.4 | 3.8 | 2.3 | 1.9 | 6.1 | 3.8 | 3.8 | 2.3 |
| **UNICEF** | 3.2 | 3.2 | 4.4 | 1.5 | 1.6 | 3.2 | 3.2 | 1.6 | 1.6 | 1.0 |
| **UNRWA** | – | – | – | – | – | – | – | – | – | – |
| **UNHCR** | 5.2 | 5.4 | 0.0 | 0.0 | 0.1 | 5.2 | 6.4 | – | – | 0.1 |

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1994 | 1995 | 1996 | 1997 | 1998 |
|---|---|---|---|---|---|---|---|---|---|---|
| **WFP** | 5.8 | 4.8 | 1.1 | 1.1 | 0.5 | 5.5 | 4.8 | 1.1 | 1.1 | 0.5 |
| **Other Multilaterals** | 2.0 | 2.3 | 2.1 | 2.5 | 5.6 | 2.0 | 2.3 | 2.1 | 2.5 | 5.6 |
| **Arab Agencies** | – | – | – | – | – | – | – | – | – | – |
| **TOTAL** | **249.3** | **173.8** | **204.6** | **105.0** | **209.0** | **257.3** | **181.5** | **103.4** | **109.4** | **209.9** |
| | | | | | | | | | | |
| **ARAB COUNTRIES** | 3.4 | 2.6 | 3.8 | 2.5 | 2.3 | 3.4 | 2.8 | 2.5 | 2.5 | 2.5 |
| **EC+EU Members** | 170.0 | 152.0 | 106.8 | 122.3 | 127.5 | 60.5 | 63.0 | 57.1 | 57.1 | 68.3 |
| **TOTAL** | **579.5** | **549.3** | **482.5** | **530.4** | **602.1** | **526.2** | **552.7** | **329.3** | **339.2** | **480.9** |

| | 1994 | 1995 | 1996 | 1997 | 1998 | 1994 | 1995 | 1996 | 1997 | 1998 |
|---|---|---|---|---|---|---|---|---|---|---|
| **3. ODA LOANS GROSS** | | | | | | **4. GRANTS DAC Countries** | | | | |
| **Australia** | – | – | – | – | – | 6.9 | 9.9 | 10.4 | 6.4 | 6.7 |
| **Austria** | – | – | – | – | – | 0.3 | 0.2 | 0.3 | 0.1 | 0.1 |
| **Belgium** | – | – | – | – | – | 0.7 | 0.7 | 0.4 | 0.3 | 0.2 |
| **Canada** | – | – | – | – | – | 8.0 | 7.1 | 7.2 | 6.7 | 5.1 |
| **Denmark** | – | – | – | 1.0 | 1.0 | 0.8 | 1.1 | 0.2 | 0.3 | 0.4 |
| **Finland** | – | – | – | – | – | 5.1 | 1.6 | 0.7 | 0.7 | 0.0 |
| **France** | 1.5 | 1.8 | 1.8 | 1.5 | 2.7 | 0.6 | 0.7 | 1.1 | 1.0 | 1.1 |
| **Germany** | 1.5 | 10.7 | 5.0 | 17.0 | 18.7 | 24.4 | 22.7 | 24.4 | 20.1 | 18.9 |
| **Ireland** | – | – | – | – | – | – | 0.1 | 0.1 | 0.1 | 0.1 |
| **Italy** | 2.7 | 0.3 | – | – | – | 2.1 | 0.1 | – | 0.5 | 0.3 |
| **Japan** | 181.4 | 204.3 | 143.1 | 118.3 | 185.3 | 81.1 | 118.4 | 86.6 | 72.9 | 76.4 |
| **Luxembourg** | – | – | – | – | – | – | – | 0.2 | 0.1 | 0.1 |
| **Netherlands** | – | – | – | – | – | 20.0 | 27.1 | 10.7 | 18.6 | 18.0 |
| **New Zealand** | – | – | – | – | – | 0.2 | 0.4 | 0.2 | 0.6 | 0.3 |
| **Norway** | 0.1 | 0.4 | – | 2.5 | – | 14.0 | 13.9 | 32.2 | 13.0 | 13.3 |
| **Portugal** | – | – | – | – | – | – | – | – | – | – |
| **Spain** | – | – | – | – | – | – | – | – | – | – |
| **Sweden** | – | – | – | – | – | 8.5 | 12.4 | 12.5 | 13.2 | 12.9 |
| **Switzerland** | – | – | – | – | – | 3.7 | 4.0 | 2.1 | 2.2 | 2.5 |
| **United Kingdom** | – | 0.9 | 2.5 | 5.2 | – | 13.6 | 13.7 | 16.2 | 12.5 | 13.8 |
| **United States** | 18.0 | 20.0 | 10.0 | 10.0 | 9.8 | 38.0 | 20.0 | 10.0 | 12.0 | 8.2 |
| **TOTAL** | **206.5** | **238.1** | **162.4** | **157.3** | **217.7** | **222.1** | **250.0** | **217.4** | **163.1** | **177.5** |
| | | | | | | | | | | |
| **MULTILATERAL** | 257.7 | 185.7 | 237.1 | 178.3 | 223.2 | 34.5 | 27.5 | 19.5 | 21.2 | 17.0 |
| **ARAB COUNTRIES** | 0.1 | 2.5 | 3.3 | 3.7 | 3.3 | 0.7 | – | – | – | 0.1 |
| **EC+EU Members** | 6.1 | 13.5 | 9.3 | 25.6 | 22.5 | 82.9 | 87.4 | 74.1 | 76.8 | 71.0 |
| **TOTAL** | **487.4** | **437.3** | **422.8** | **338.3** | **444.2** | **287.7** | **288.4** | **236.8** | **204.3** | **194.8** |

| | 1994 | 1995 | 1996 | 1997 | 1998 |
|---|---|---|---|---|---|
| **5. BILATERAL ODA COMMITMENTS BY PURPOSE** | | | | | |
| **Social Infrastructure & Services** | 180.5 | 70.9 | 191.6 | 157.8 | 85.4 |
| **Education** | 120.8 | 22.9 | 19.5 | 34.7 | 31.1 |
| **Health** | 8.6 | 6.4 | 28.4 | 26.8 | 5.3 |
| **Water Supply & Sanitation** | 35.1 | 29.7 | 114.4 | 88.4 | 15.1 |
| **Economic Infrastructure & Services** | 281.1 | 234.6 | 157.6 | 207.8 | 204.0 |
| **Transport & Communications** | 57.4 | 168.8 | 5.8 | 118.2 | 108.3 |
| **Energy** | 218.0 | 56.4 | 143.2 | 80.8 | 88.4 |
| **Production Sectors** | 95.2 | 79.1 | 167.5 | 114.1 | 48.5 |
| **Agriculture** | 44.3 | 61.6 | 160.0 | 58.0 | 21.2 |

| | 1994 | 1995 | 1996 | 1997 | 1998 |
|---|---|---|---|---|---|
| **Industry Mining Construction** | 44.9 | 15.8 | 4.7 | 7.5 | 26.8 |
| **Trade & Tourism** | 0.8 | 2.0 | 0.8 | 0.5 | 1.2 |
| **Multi Sector** | 98.1 | 7.0 | 22.4 | 13.5 | 3.2 |
| **Programme Assistance** | 20.8 | 43.5 | 1.4 | 18.4 | 11.7 |
| **Food Aid** | 20.6 | 38.5 | 0.2 | 13.2 | 10.8 |
| **Action Relating to Debt** | 0.5 | 8.4 | 0.6 | 0.1 | 0.8 |
| **Emergency Assistance** | 5.3 | 15.5 | 19.7 | 10.0 | 17.8 |
| **Unallocated/Unspecified** | 8.9 | 9.5 | 16.4 | 6.7 | 26.0 |
| **TOTAL** | **878.8** | **459.3** | **875.0** | **638.0** | **598.3** |

Source: OECD, 2000

## *Multilaterals and bilaterals*

Eighty–five percent of development funding comes through the World Bank, Asian Development Bank (ADB) and the Japanese external assistance programme. The fact that in 1999 these three donors accounted for 92% of Sri Lanka's total debt stock gives an indication of their potential leverage in relation to the Sri Lankan government. During the 1990s the average annual ADB public sector lending to Sri Lanka amounted to $140 million. Sri Lanka joined the World Bank in 1950. Since then, it has received 89 loans totalling $2.5 billion in support of development as of Fiscal Year (FY) 1998. These loans were provided in the form of interest-free credits through the World Bank's concessionary lending arm, the International Development Association (IDA). In FY98, the portfolio of active projects comprised 18 projects totalling $721.3 million in IDA credits.

Among the leading bilateral donors are Germany, Norway, Netherlands, the USA and Sweden. Although the UK is not a major donor in financial terms, it is still an influential player due to economic and historical links.

## *United Nations*

Although the UN is partly a donor, most of its funding comes through bilateral donors. The UN Development Programme (UNDP) is the lead agency for the UN's development activities in Sri Lanka and, as elsewhere, it works primarily through the government. Its development work in the south focuses on governance, poverty alleviation, human rights and gender. Historically, the UN

High Commissioner for Refugees (UNHCR) has tended to be the lead UN agency for the north east. Its presence in Sri Lanka is linked to the repatriation of Tamil refugees, mostly from southern India. It has subsequently broadened its mandate to encompass Internally Displaced Persons (IDPs) and communities that have absorbed repatriated refugees. In addition to its protection role, UNHCR has increasingly become involved in the direct provision of assistance through micro projects.

The Sri Lankan Army (SLA)'s take over of Jaffna in 1995, was the trigger for increased UNDP involvement in the north east, as the coordinator through the UN Office for Project Services (UNOPS) of the UN rehabilitation and reconstruction effort in Jaffna. In 1995, a UN Emergency Task Force (UNETF) was established to monitor the humanitarian situation in the Jaffna peninsula and to co-ordinate rehabilitation assistance.

### *NGOs*

Organised voluntary activism has a long history in Sri Lanka dating back to the voluntary and professional associations of pre-colonial and colonial times.[87] Compared to many other countries affected by conflict, Sri Lanka has a rich and diverse civil society and an NGO sector which reflects this diversity. Humanitarian NGOs operating in the north east represent only one part (and a relatively recent part) of the broader NGO movement, which number approximately 2000 in total.

Many organisations predate the recent donor interest in civil-society strengthening. The Sarvodaya Shramadana Movement, for instance, is a people's movement for social transformation that has been active since the 1950s. The Movement for Inter Racial Justice and Equality emerged in the late 1970s in response to the growing crisis of ethnic relations.

In the 1980s and 1990s there was a proliferation of NGOs due to increased donor support. As Saravanamuttu notes, there has always been an asymmetrical relationship between civil society and the state, in favour of the latter.[88] However, the role of NGOs – both as deliverers of services and advocates for

political and social change – has grown. For instance, advocacy and policy-related NGOs have been influential in getting debates on devolution and regional autonomy into the public domain. An indicator of their effectiveness may be the backlash against them by extremist Sinhala groups.[89] Moreover, during the 1990s, NGOs increasingly scaled-up their development activities. They became, for example, key implementing partners (or contracting agencies, as some would argue) of the World Bank-supported Janisaviya Trust Fund poverty-alleviation programme.[90]

Although in the south Sri Lankan NGOs are very active in a variety of sectors, from community development to micro-credit to human rights and policy advocacy, in the north east, international NGOs tend to be the major players. There are approximately eight major International NGOs operational in the north and east, several of which are also working in the south. They are the 'vehicles of choice' for donors because of their neutrality, and their logistics and organisational capacities. Although these NGOs, like Save the Children Fund (UK), OXFAM and CARE, also act as donors to local NGOs and community groups working in conflict affected areas, they bring in little of their own funding. The main NGO donors are bilaterals such as the UK, Canada, the Netherlands and the Scandinavians.

### *ICRC/IFRC*

The involvement of the International Committee for the Red Cross (ICRC) with Sri Lanka dates back to the 1970s when they were a frequent 'off shore' visitor during the first JVP insurrection. In 1989, at the height of the second JVP insurgency, the ICRC were invited to commence humanitarian work in Sri Lanka and they were officially established there in 1990. Since this time they have played a vital role in both protection and relief assistance to the north and east. ICRC delegates visit places of detention across the country and are also engaged in tracing detainees. In addition to its core mandate of protection and promoting International Humanitarian Law (IHL), ICRC, along with the International Federation of the Red Cross, works in tandem with the Sri Lanka

Red Cross. Interventions vary between areas but consist of mobile health teams, water supplies and occasional provision of non-food items.

ICRC has a clearly defined mandate and plays a unique role in the conflict, in relation to other aid actors. Particularly important is the intermediary role it plays between the government and the LTTE.

## Current donor activities in Sri Lanka

There are broadly three types of aid, which support different, but sometimes inter-related activities.

### *Development assistance to the state*

Most aid flows consist of development assistance to the state. The primary objectives of this form of assistance are related to macro-economic reform, expansion of the private sector, reform of the state, infrastructural investment and poverty alleviation. Japan devotes two-thirds of its aid to transport, energy and telecommunications and, in 1997, of the $398 million of bilateral ODA commitments, $204 million was earmarked for economic infrastructure and services. In recent years they have broadened their portfolio to include social infrastructure and the environment. The ADB concentrates upon agriculture, natural resources and education. Out of its ten projects in Sri Lanka, six have economic growth as the primary development objective and five have poverty as a secondary development objective. For the World Bank, the energy sector accounts for the largest share of IDA's FY98 disbursed portfolio in value terms, followed by agriculture, transportation, and education. Overall, lending for infrastructure represented 58 % of the total, while agriculture and the social sectors (including education and health) accounted for another 16% and 14%, respectively. The main areas of investment of the UN are related to governance, gender, poverty alleviation and the environment.

Although the bulk of foreign aid is focused on supporting macro-economic stability and growth, there is also a growing emphasis on poverty alleviation. The World Bank, ADB, UNDP and a number of bilateral donors, like DFID and

the Dutch, have in recent years placed a greater focus on poverty alleviation. The UNDP and the World Bank initiated a poverty study in 1998, which aims to develop a framework within which the government donor-financed poverty reduction efforts could be financed. This will feed into the Sri Lankan government's National Poverty Framework. Although the IRDPs were viewed as an important element of Sri Lanka's overall poverty alleviation strategy, a recent government review of the IRDPs found that they had not proven to be an effective mechanism for rural development and a sustainable reduction in poverty. In response to these findings the government formulated the Regional Economic Advancement Programme (REAP), to guide future rural development in the country, which is being supported by a number of donors.

### *Development assistance to civil society*

Although the bulk of donor funding is directed through the state, a significant proportion of grant assistance is provided to civil society. Through the 1990s, bilateral donors increased the proportion of aid directed towards NGOs and civil society. This partly reflected international policy shifts towards governance and state-civil society partnerships. It may also have been a result of the changing political climate. The Presidential Commission of Enquiry into NGOs during Premadassa's government marked a low point in NGO-government relations. However, civil society groups played a significant role in supporting the PA's return to power in 1994 and this marked an opening-up of space for NGOs from the mid 1990s onwards.

Donors support NGO activities in a range of sectors including small-scale livelihoods programmes, human rights, peace and reconciliation, the media and election monitoring. The Canadian International Development Agency (CIDA), for example, has allocated money towards a Good Governance and Institutional Strengthening (GGIS) project. It has also established a Human Rights Fund and a Peace Fund. The Swedish International Development Agency (SIDA) has funded a Centre for the Study of Human Rights at the University of Colombo. The Asia Foundation is also a non-governmental

donor focusing on human-rights and democratisation issues. The Norwegian Agency for International Development (NORAD) has been an important funder of civil society strengthening activities, while also working with the government, having helped establish the National Integration Policy Unit (NIPU) through the Ministry of Ethnic Affairs and National Integration.

### *Humanitarian assistance in the north east*

Humanitarian aid to the north east is funded by the UN, the World Bank, the EC, bilaterals and international NGOs. The World Bank is the only one of the three major donors to provide assistance to the north east. The main bilateral donors are Germany, France, Sweden, the UK, Norway, Holland, Italy and the United States. In 1998, bilateral donor commitments for emergency aid amounted to $17.8 million. The Rehabilitation and Reconstruction Authority for the North (RRAN) is the government body responsible for co-ordinating assistance to the north east. The main focus is upon alleviating the impact of conflict and supporting rehabilitation and reconstruction efforts. Activities include the provision of basic needs, food production, education, legal aid, health, trauma counselling and peace building.

Although most assistance for the north east comes out of humanitarian budget lines, the operating conditions and types of activities are extremely diverse, ranging from relief and welfare assistance to displaced populations in the Vanni to major reconstruction efforts in Jaffna. As noted in a 1999 UN mission, simplistic relief-development continuum thinking, has little relevance in an environment that is constantly changing as the conflict ebbs and flows.[91]

Although in absolute terms less aid is channelled to the north east than other parts of the country, a relatively high profile international presence in the conflict-affected areas has tended to fuel resentment in other parts of the country.

## Donor trends

In the future, aid is likely to decline in absolute terms and in relation to foreign direct investment (FDI) which has risen from $56 million in 1990 to $430

million in 1998. This relates in part to the increasing focus of many donors on the poorest countries (not including Sri Lanka), and most significantly to a dissatisfaction with the failure to find an end to Sri Lanka's conflict. Many of the smaller and more conflict-sensitive donors will probably continue to wind-down their support.

Although other aid flows have generally declined, humanitarian aid to the north east has remained more or less constant, fluctuating in line with the extent of humanitarian needs. The EU, for example, is maintaining levels of humanitarian aid but cutting back on development funding, with the exception of support for the business sector.

As is the trend globally, major donors are moving from large technical projects to re-focus on strengthening institutions. As bilateral aid dwindles, Sri Lanka will become increasingly dependent upon direct investment from foreign sources. The World Bank and the IMF are pressing more actively for reform through loan programmes. The Japanese in particular remain committed to funding the state. With the trend towards performance based lending, concessional aid is likely to decrease as is the proportion of grants to loans.

## Aid co-ordination

There are a number of platforms for donor co-ordination at the policy, programming and operational levels. The principal donor co-ordination mechanism in Sri Lanka is the Development Forum, chaired by the World Bank. The Development Forum is held every one to two years and facilitates the overall co-ordination of aid policy and implementation in Sri Lanka. The politics of the Development Forum are intense and successive Sri Lanka governments have become quite adept at convincing the donor community that change is in the offing.[92] Although the Forum represents an opportunity to develop a joined up approach from the aid community and to positively influence incentive systems in relation to the conflict, divisions between donors prevent it from playing this role. In general, the bigger donors are reticent to raise human-rights and governance issues, in contrast to a number of the smaller bilateral

donors. Policy dialogue at such meetings has served to raise general criticisms rather than impose any explicit conditionality.[93] As Bush notes[94], there is a lack of a critical mass amongst the donor community to apply pressure on issues related to peace and human rights.

In-country donor co-ordination and co-financing arrangements are receiving greater attention. The ADB and others are encouraging sectoral planning. The World Bank, with theUNDP, has been helping the government develop a poverty-reduction framework. It is playing a key role on the '3 Rs', a framework for the co-ordination of Relief, Rehabilitation and Reconciliation efforts. There tends to be close co-ordination between the 'big three' donors and also informally between a group of like-minded bilateral donors, such as the UK, the Netherlands, Germany and the Scandinavians. Formal co-ordination mechanisms tend to be more effective at the operational level, than at the strategic decision making level. As one donor noted: 'There's a lack of long-term planning… people use the conflict as an excuse…and every donor has their own interests and agendas'.

The UNDP-led Donor Forum provides an opportunity for informal meetings of multilaterals, bilaterals and NGOs. Within the UN a recent initiative has been the Common County Assessment (CCA) and the UN Development Assistance Framework (UNDAF), which aim to encourage a common analysis and response from the UN agencies. At an operational level, there is the UN Emergency Task Force (ETF) which was formed in 1995 and renamed the UN Relief and Rehabilitation Theme Group (RRTG) in 1998. Its function is to increase the capacity of the RRAN to plan and co-ordinate international assistance. The experience of the RRTG is illustrative of the challenges not only of co-ordinating between donors but between donors and the government. Government structures for planning and implementing relief and rehabilitation involve national, provincial and district institutions in a complex arrangement. This has led to disparate working arrangements for a number of UN agencies, and the different levels of co-ordination with government make it difficult for UN agencies to identify appropriate points of entry within the

government structures.[95]

Within the NGO sector, the main co-ordinating body for the north east is the Consortium of Humanitarian Agencies (CHA). CHA was formed in 1997 and has a membership of 32 NGOs with 15 observers, including bilateral, UN and NGO agencies. The consortium provides a forum for information exchange and supports the development of common positions and co-ordinated responses. In addition to the main body in Colombo, there are district level co-ordination fora in all districts of the north east.

# Endnotes

[81] Japan, for instance, has traditionally placed a strong emphasis on trade and development assistance, whereas Norway has emphasised human rights and conflict resolution.

[82] Uyangoda, J., in Rotberg, R.I. (ed), *op.cit*. p.165

[83] Bush, K., (1999) *op.cit*. p.5

[84] It has been argued, for example, that historically, countries with large expatriate Tamil populations, such as Canada and Norway, have been more critical of the Sri Lankan government and pushed more actively for a political response to Tamil grievances. The United States has tended to work more closely with the Sri Lankan government and, in 1997, designated the LTTE as a terrorist organisation. They have also been providing anti terrorist equipment since 1994. See Haniffa, A., 'US raises anti-terrorism aid to Lanka', *India Abroad*, 19 July 2000.

[85] The major exporters to Sri Lanka are Japan, India, Hong Kong, Korea and United States. The major importers of Sri Lankan goods are USA, UK, Germany, Japan and Belgium-Luxembourg. See IPS *op.cit*.

[86] Macrae, J., ' The monopolitics of humanitarian intervention: defining the aid-politics boundary', notes for an ODI seminar, 31 May 2000 p.1.

[87] Saravanamuttu, P., in Van Rooy, A., (ed) *op.cit.*

[88] *ibid*.

[89] Bastian, S., *op.cit*. p.37

[90] Hudson, R., 'Elephant Loose in the Jungle: the World Bank and NGOs in Sri Lanka' in Hulme, D., and Edwards, M., *NGOs, States and Donors: Too Close to Comfort*, (London: MacMillan, 1997)

[91] UNDP 'Recommendations on principles for cohesive UN Programming in areas most affected by cofnlict in Sri Lanka.' *Mission for a Joint UN Framework for Programming in Relief and Rehabilitation*, (Sri Lanka, March/April, 1999).

[92] Bush, K., *op.cit* p.34

[93] Klingebiel, S., Impact of Development Cooperation in Conflict Situations. Cross-section Report on Evaluations of German Cooperation in Six Countries' Reports and Working Paper 6, (GDI, Berlin, 1999).

[94] *ibid*.

[95] UNDP, 1999, *op.cit*. p.13

# Chapter three

# Donors, aid and the dynamics of conflict and peace

While one should not overestimate the influence of external actors on deep, historical processes, clearly interventions may have an impact on the incentives or disincentives for peace or conflict. As noted in chapter two, development assistance is only one of a number of policy instruments that might be applied to affect incentive systems or structures, and it is unlikely to be a leading edge in any peace process.

## Donors approaches to conflict

There are marked differences in the ways in which donors approach violent conflict. Broadly speaking, three different categories of response can be distinguished.

- Donors that rarely take conflict into account to any significant extent or they treat it as a 'disruptive factor' to be avoided – ***working around conflict***.
- Donors that regard conflict as an issue and account for it in at least some of their plans by attempting to minimise conflict related risks – ***working in conflict.***
- Donors that actively and explicitly consider ways in which their work can help to reduce or manage conflict and promote (long-term) reconciliation – ***working on conflict.***

Each position is based on a different set of assumptions leading to contrasting strategies. Table three summarises these approaches and provides examples. In reality it is more complex than the table suggests because many donors may employ a combination of different approaches. And because there are often disjunctures between what donors say they are doing and what they actually do.

**TABLE 3: DONOR APPROACHES TO CONFLICT**

| Approach | Working around conflict | Working in conflict | Working on conflict |
|---|---|---|---|
| **Assumptions** | • Conflict is a 'disruptive factor' over which little influence can be exercised<br>• Development programmes can continue without being negatively affected by conflict | • Development programmes can be negatively affected by, and have a negative impact on, the dynamics of conflict | • Development programmes can exploit opportunities to affect positively the dynamics of conflict |
| **Strategy** | • Withdraw from or keep out of conflict affected areas<br>• Continue to work in low risk areas on mainstream development activities | • Reactive adjustments are made to programmes in medium and high-risk areas Improve security management<br>• Greater focus on 'positioning' i.e. neutrality and impartiality<br>• Cut back on high input programmes | • Re-focus programmes onto the root causes of the conflict e.g. governance, poverty alleviation, social exclusion<br>• Attempt to influence the incentives for peace and disincentives for violence Support for mediation efforts<br>• Focus on protection and human rights |
| **Examples** | • key donor and government reform programmes<br>• major infrastructural support | • GTZ rehabilitation in Jaffna<br>• ICRC relief programme<br>• UNDP rehabilitation in Jaffna | • NORAD support for NIPU<br>• World Bank/DFID education and social harmony<br>• DFID support for OXFAM and SCF(UK)<br>• CIDA Good Governance and Institutional Strengthening programme |

## *Working around conflict*

This approach has historically been the predominant one amongst aid donors in Sri Lanka. It has been persuasively argued that 'conflict blind' development assistance, for example donor support for the Mahaweli project, fed into the dynamics of violent conflict.[96] In spite of this, few of the lessons about the need for more conflict-sensitive approaches appear to have been incorporated into mainstream donor policy and practice.

The framework for external assistance is set by the lead actors and their approach has predominantly been to work around the conflict. There is limited evidence to suggest that either the ADB or Japan understand the conflict as a major development issue. Their approach is based on addressing the restrictions to economic growth, rather than peace or stability. The main underlying assumption is that development assistance has limited influence on the

dynamics of conflict. Conflict is viewed as a constraint on development rather than, as argued earlier, a consequence of development. If any form of a linkage is recognised it is that a lack of development, i.e. liberalisation, market expansion and state reform, is an exacerbating factor. This inability to understand or address the development-conflict linkages is well illustrated in the 1998 UNDP Human Development Report which argues that the main reason for Sri Lanka's failure to generate higher levels of growth has been the systematic and deliberate pursuit of anti-market policies.

No mention is made of the conflict.[97]

Although there are notable exceptions, conflict has in the past been treated as a 'disruptive factor' or negative externality to be avoided rather than explicitly addressed. The inability of conventional development assistance to deal with violent conflict is also illustrated by the reaction of most donors to the JVP insurgency, when activities were scaled back to the 'island of Colombo'.[98] This conflict avoidance strategy is also illustrated in the ADB's Country Strategy document which states that: 'The strategy assumes that ADB operations will be geographically located away from areas directly affected by the civil conflict'.[99] Most of the major donors have made commitments to invest in the north east – 'when there is peace'– but until then, development activities are put on hold.

The tendency that has been observed in other contexts, for development actors to shield themselves from the context of the conflict, is well illustrated in Sri Lanka. However, as noted by the evaluation in 2000 of the UN rehabilitation programme in Jaffna, this approach is increasingly being challenged: 'There is a sense of undue complacency about the conflict, both in Sri Lanka and internationally. The social and economic costs for the country of a continuation of the war, even at a low level of intensity, are so high that the pursuit of a peaceful resolution must remain the foremost national priority. Unless this priority is tackled seriously and with the urgency it deserves, it is difficult to see how external aid to the country, fungible as it is, can be justified to taxpayers in donor countries for much longer'.[100]

## *Working in conflict*

This second approach applies primarily to agencies supporting humanitarian assistance in the north east. It is an approach that has developed in response to the challenges posed by a classic 'cross lines' humanitarian operation. Evidently, in the north east, one cannot ignore the conflict and agencies have been forced to develop approaches which enable them to deliver assistance in an appropriate and conflict-sensitive manner. The underlying assumption is that conflict-affected populations have a right to humanitarian assistance; however, such assistance can have perverse side effects if not delivered in an appropriate way.

This approach is primarily concerned with the impacts of conflict on programmes, and strategies have been developed to minimise or mitigate conflict-related risks. Agencies operating on both sides of the conflict have had to negotiate actively and reaffirm their impartiality and independence. A 1999 UN report, for instance, identifies the need to develop adequate capacity to assess, monitor and evaluate independently the Sri Lankan government.[101] Agencies like OXFAM, CARE and SCF have invested in the development of analytical and impact assessment capacities to ensure that programmes 'do no harm'. Agencies have also adopted a low key, low input strategy, for example the UNHCR micro projects, to lessen the vulnerability of programmes to the ebbing and flowing of conflict. Similarly, in Jaffna, agencies like the German Technical Cooperation (GTZ) and the UN have steered clear of large-scale infrastructure programmes because of the insecurity of the operating environment.

Therefore, donors and agencies operating in the north east have attempted to 'conflict proof' their programmes by becoming more sensitive to the dynamics of conflict and the potential for aid to 'do harm'. Their focus has been (a) to minimise the effects of conflict on programmes, and (b) minimise the negative impacts of aid on conflict.

## *Working on conflict*

This third approach is a result of a growing recognition that conflict cannot be treated as a 'negative externality', and that it is not sufficient to merely work 'in

conflict'; development goals cannot be achieved in the present context without addressing the conflict itself. Even if development aid may not bring an end to the war, there are still spaces to address post-conflict issues and to help prepare the ground for peace. The recommendations of the 1999 UN mission are illustrative of this kind of thinking. They identified principles for cohesive UN programming in conflict-affected areas, including impartiality, do no harm, capacity building and creating an enabling environment for reconciliation and peace building.[102]

Some other donors, such as the World Bank and the UN, have attempted to incorporate peace-building and reconciliation objectives into some of their activities. The World Bank, for instance, has incorporated explicit peace-building objectives into its education programme and Relief, Rehabilitation and Reconciliation ('3 Rs') programme. However, the Bank's main portfolio of work remains conventional development activities, which do not address conflict issues. Similarly, the UN's portfolio includes a number of programmes with peace-building objectives such as UNICEF's Zone's of Peace initiative, but these tend to be stand alone projects and peace building is not mainstreamed into the rest of the UN's work. There is a danger that in constructing a separate sphere called 'conflict resolution and peace building', the question of peace is de-linked from issues of justice, human rights and democratisation. In effect it de-politicises such interventions.

A number of donors, however, view peace building more holistically (and politically) and are attempting to integrate it into all their work. These include Norway, Sweden, Holland, Canada and the UK. They place a strong emphasis on good governance, the rule of law, respect for human rights, a strong civil society and the alleviation of poverty, as the basis for long-term structural stability.

Historically, the bilaterals in Sri Lanka have tended to be more innovative and experimental than the multilaterals. The IRDPs financed by the World Bank, for example, had a fairly conventional multi-sectoral approach, while the more experimental, process based IRDPs were funded by bilateral donors such as NORAD, SIDA and the Dutch.[103]

There are a number of institutional and political imperatives that prevent the major multilateral and bilateral donors from taking risks and being more innovative and experimental. Clearly an important factor is that conventional aid programmes are all channelled through the Sri Lankan government, and official donors have traditionally been susceptible to government agendas. This perhaps explains why the major donors were reluctant to invest in the north east, until the SLA took over Jaffna, and then there was a major rush of donors willing to support rehabilitation programmes in the north. It also partly explains why, in spite of a stated commitment to civil society, the amount of resources going to civil society, in relation to overall aid flows, is quite limited: 'Despite the concern with democratic governance, participatory democracy and capacity building of civil society voiced by many donors….most others found the issue too politically sensitive'.[104]

Interestingly, Canada and Norway, who have been more active than other donors in linking aid to conflict issues, share a number of common characteristics. Firstly, they do not have significant geopolitical interests in Sri Lanka, and so have fewer hidden agendas. Secondly, they have large Tamil expatriate populations, which means they also have access to a non-Sri Lankan government perspective. Thirdly, peace building and conflict resolution are key strategic priorities within their international aid programmes.

As mentioned above, in the Development Forum meetings in Paris, divisions within the aid community are exposed, between the more risk averse and pro-government donors and the smaller, more conflict aware donors. Donors in the later category argue that there are policy issues that can be addressed without waiting for the resolution of the conflict. Some argue for a more explicitly political and interventionist approach involving conditionalities: 'Greater conditionalities should be applied to development assistance, there's very little real emergency assistance here' (aid donor).

## Aid and the dynamics of peace and conflict

Assessing the impact of aid on peace and conflict is always difficult but it is

possible to outline some broad effects. We are concerned with two types of impacts: a) impacts of conflict on aid programmes b) impacts of aid on the dynamics of conflict, which are either negative or positive.

## *Impacts of conflict on programmes*

Aid agencies have engaged more seriously with the question of the impact of conflict on aid programmes, than the impact of aid on conflict and peace. Not surprisingly, in the north east security concerns are at the top of agency agendas. However, one can identify a number of direct and indirect impacts, in addition to security concerns, many of which apply to programmes in the south as well as the north east.

### *Security*

The conflict has important security implications for donors who are either operational or funding agencies in the north east. Aid staff are not directly targeted by belligerents, but the security concerns, particularly for those operating in front line areas are very real. Agencies have invested in security management procedures and the UN, for instance, has its own Security Advisor. NGOs tend to have higher 'comfort levels' in relation to security risks than agencies like the UN. In the grey areas, like the east, where there appear to be development opportunities, agencies have had to rethink their approaches in response to the changing security situation. Donors like the Norwegians and the Swiss NGO, Helvitas, supporting IRDPs in Batticaloa, for instance, have discovered that it is not a case of 'development as usual' and have had to adapt their programmes to the insecure environment. In the south, although programmes are not affected by security concerns to the same extent, the decline in law and order is likely to have a growing impact on programmes.

### *Political*

For agencies operating cross-line programmes, the greatest challenge has been to maintain their impartiality and independence. Agencies have to be very

conscious about the make up and backgrounds of their staff, the choice of programming areas and the distribution of programme benefits. For donors working in both the north and the south, the most important political impact of the conflict on their programmes has been the changing nature of the state. In the north, agencies are forced to contend with the increased militarisation of the state. In the south, donors grapple with the problem of encouraging a process of government reform, with a government that is focused on waging war. An island-wide consequence of the conflict, which again affects all development and relief programmes, is government decentralisation. Although the effects are variegated, it has introduced new actors at the local level and new co-ordination challenges.

### *Economic*

The government's economic blockade of the north east has had a major impact on poverty, and makes longer term programming, which aims to support sustainable livelihoods, difficult.[105] The conflict, as already mentioned, has resulted in an expanding black economy, and a greater reliance on extra-legal entitlements. This in turn undermines attempts to develop longer term poverty alleviation programmes. Although, as already described, the conflict has not prevented growth in the south, it has acted as a brake on development activities and undermines the effectiveness of donor policies and programmes, whether they are growth or poverty oriented.

### *Social*

The combined effects of displacement, militarisation of society and endemic insecurity have corroded community-level social capital. Local leadership has also been a major casualty of the war.[106] Evidently the picture is more complex than the simple breakdown of society; however, the transformation of social institutions has important implications for rehabilitation and development efforts. Again, it is not a case of 'business as usual' for development actors. Reform processes, which focus on the 'high politics' of the state without

addressing the 'low politics' of society, are likely to have a limited impact.

Therefore, conflict has had important impacts on donor policies and programmes, although, as explained above, many donors are continuing as though it were 'business as usual'. As conflict undermines the development objectives of aid donors – whether their focus is on macro-economic reform or poverty alleviation – it is increasingly difficult to sustain the argument that conflict is a negative externality that can be accounted for and 'worked around'. As DFID, for example, now argues, if you want to tackle poverty in Sri Lanka you have to tackle the conflict.

### *Impacts of programmes on the dynamics of peace and conflict*

Although attempts are currently being made to develop peace and conflict impact assessment (PCIA) methodologies,[107] the question of impact remains an elusive one. The complexity and 'interconnectedness' of the impact chain make it difficult to isolate the impact of interventions. At best we are talking about *probabilities* that aid has had a positive or negative effect on the structures and incentives of violent conflict.

Below we attempt to map out some examples of the impacts of aid on conflict. These are speculative and meant to be illustrative of the kinds of interactions – both negative and positive – between aid and conflict. In reality, impacts are rarely either all good or all bad. It might be argued, for example, that government reform programmes have short-term costs but long-term benefits. The weighting of impacts is also difficult. For example, aid programmes in the north east can be used by both sides for political propaganda purposes. However, these negative impacts may be outweighed by the benefits of maintaining a presence to mitigate human-rights abuses and build links between the north and south of the country. In any event, it is important to keep a sense of proportionality. As argued earlier, aid does not start wars, nor does it end them.

While the aid is not the central dynamic of the conflict, it can play a role in sustaining conflict and clearly donors need to better appreciate the linkages between aid, development and conflict. In many cases, the impacts whether

positive or negative, have been unintended and unacknowledged – either because donors lack political sensitivity or because they do not have the knowledge or tools to measure impacts. This lack of conflict 'mindfulness' has, therefore, contributed to both perverse outcomes and missed opportunities. Aid has inadvertently 'done harm' and opportunities to amplify positive outcomes have been lost.

**Table 4: Impacts of aid on the dynamics of conflict and peace**

| | Negative Impacts | Positive Impacts |
|---|---|---|
| **Political** | • Historically aid has supported government in many areas where national policy, and the machinery creating policy, are themselves some of the key structural causes of conflict. The government does not represent all Sri Lankans equitably and key areas of governance, including education, resource allocations, and staff recruitment, reflect this.<br>• Donor supported government reform programmes decrease the capacity of the state to provide entitlements to vulnerable groups.<br>• Donors, by creating parallel structures for their 'own' projects, may overload the government and undermine its capacity.<br>• Donor support, which bypasses local government by funding NGO programmes, may undermine the legitimacy and credibility of government.<br>• Aid donors have worked very closely with the government in Jaffna and in some respects this may be perceived as a case of rewarding the military option. As one UN reported noted: 'incentives and disincentives for influencing conflict situations cannot be limited to the narrow discussion of 'aid conditionality', there remains, nevertheless, a need for the donor community to avoid being perceived as rewarding a military option at the expense of peaceful political settlement to the conflict'. [108]<br>• Aid can legitimise conflicting parties. In the north, both sides argue legitimacy and normalcy on the basis of existing aid programmes. It can be argued that LTTE contact with, and control over, aid workers and their movements contribute to its regional power.<br>• NGO supported government resettlement programmes in the East and border areas have exacerbated inter-group tensions. | • Donors have funded civil-society groups, including useful advocacy programmes, through organisations such as the National Peace Council. NGOs have taken on some of this work across Sri Lanka, in addition to support for key organisations in the capital. Some of these organisations have been instrumental in getting debates on constitutional reform and peace building onto the public agenda.<br>• Good governance programmes, such as the CIDA project, may have a positive impact on political openness and democratic processes.<br>• Humanitarian aid organisations have worked with the Sri Lankan armed forces and the LTTE throughout the crisis. To what extent the presence and influence of organisations such as the ICRC have helped to prevent worse abuses and infringements of the laws of war is an interesting question that merits further research.<br>• Donors can also play a positive role both inside and outside the country through the support of an independent media. Media censorship during periods of intense fighting does nothing to enhance the government's reputation at home or abroad and raises suspicions regarding how the government is fighting the war.<br>• One area that is worth further consideration is the difficult question of *conditionality*. Though perhaps a devalued concept amongst the donors, following the ill-fated implementation of conditionality clauses attached to structural adjustment programmes, there might yet be room for using aid in a more proactive way, especially if donor programmes are likely to fade or close in the future.<br>• Donors have funded several seminars on the conflict, internally and externally, which have enabled new ideas and new approaches to enter the Sri Lankan discourse |

| | Negative Impacts | Positive Impacts |
|---|---|---|
| **Political (continued)** | • Increasingly, donors are compelled to treat Sri Lanka as two separate entities, by virtue of the type of aid delivered. The acknowledgement that there are 'cleared' and 'uncleared' regions reinforces the notion that multiculturalism is an impossibility. Therefore, the delivery of humanitarian aid can contribute to the disempowerment of the political entity that the donor countries consider legitimate, namely, the Sri Lankan government. | |
| **Economic** | • With the benefit of hindsight one can identify a number of areas in which aid policy has fed into the dynamics conflict. Aid donors, for instance, played a significant role in removal of food subsidies in the 1970s leaving politicians free to use the same money in a more political and less effective way. Privatisation policies supported by donors led to rent seeking and increased patronage networks, which has fuelled rural grievances. Support for exclusionary development patterns such as the Mahaweli programme has aggravated inter-group tensions.[109]<br>• Macro-economic policies are thought by some to provide the basis for further conflict in the south. The ability of the state to redistribute income through subsidies on basic food items is now curtailed. However inefficient this process may have been, it remains a potential catalyst for a resurgence of JVP activity.<br>• The bulk of donor assistance benefits populations in the south, thus accentuating regional imbalances.<br>• Humanitarian aid may feed into the war economy in the north. All goods going into LTTE controlled areas, for example, are directly or indirectly taxed. Indirectly, overseas aid and the expenses incurred by those who deliver it also provide a contribution as the government operates a War Defence Levy of 5.5% on goods and services. The fungibility of aid means that it frees up government resources that can be spent on the war effort. Aid flows into Sri Lanka, for example, are similar in value to the defence budget, an observation not lost on even those donors considered to be 'conflict blind'. | • If it is accepted that the satisfaction of economic need decreases feelings of resentment, then development assistance aimed at poverty reduction and economic growth might help reduce the desire of people to foment conflict. This applies to aid across Sri Lanka.<br>• Targeted poverty programmes, such as the SIDA funded education programme in the plantation sector, are thought to have ameliorated conflict conditions. |

| | Negative Impacts | Positive Impacts |
|---|---|---|
| **Social** | • There is a perceived imbalance of aid distribution between north and south, which fuels the ethnic divide. This is foremost, perhaps, a presentational problem but is nevertheless an important symbolic issue for donors to address.<br>• The provision of aid to only certain categories of people has often fuelled tensions e.g. between the displaced and settled populations.<br>• There is a danger that aid programmes often work against the grain of existing social structures and undermine coping strategies and community endowments of social capital.[110] | • Some donors aim to mainstream conflict issues into their activities: examples include, support from Norway, the World Bank, and DFID for education initiatives that work to build a more sensitive education system that can play a positive role in building social harmony.<br>• Humanitarian work has provided a variety of opportunities for developing linkages across the lines of conflict. The ICRC has been successful in building links with both the government and the LTTE on humanitarian issues, such as opening the road in the Vanni for the movement of humanitarian supplies. UNHCR micro-programmes and protection interventions have similar aims, at the local level and at more representational levels, in different conflict areas.<br>• NGOs and church groups have performed useful reconciliation work at the community level, even if efforts to influence the leadership on both sides has failed. Similar groups have also developed, and continue to maintain, useful links between north and south, through ongoing 'Track II' diplomacy efforts. |

Although one should not overstate the impact of aid, after 1977 development assistance to Sri Lanka increased rapidly, as did the role and influence of the IFIs, especially the World Bank. The focus on liberalisation and economic development was not accompanied by a sufficient appreciation of the historical and political context within which reforms were implemented. Much of the aid provided has been 'conflict blind' and has tended to follow the fracture lines of the conflict. This applies spatially (with development aid focusing on the south, thus increasing regional imbalances) and politically (with assistance tending to benefit dominant groups). Table four identifies the kinds of programmes that may have inadvertently exacerbated conflict by ignoring existing tensions in society. In some cases, such as the Mahaweli and education programmes, ethnic fault lines have been sharpened. In other cases, aid may have increased contradictions and economic disparities. Support for privatisation, for instance, has increased opportunities for rent seeking and corruption.

Poverty alleviation programmes have, on occasion, served to strengthen patronage networks of politicians, rather than alleviate poverty.

Aid has, therefore, affected the underlying structures driving the conflict. It also has an impact on the incentive systems of national actors. It can be argued, for example, that aid creates an economic buffer for the government, allowing the defence budget to grow, and to an extent postponing the costs of the conflict. Although it is difficult to determine exactly how aid affects local cost benefit calculations, it clearly does have an influence. For instance, the Sri Lankan government's cost benefit calculations regarding humanitarian aid to the north east might be along the lines of: potential benefits – it enhances the government's international credibility and also makes up for shortfalls in government provisions. Potential costs might be that the aid could get into the wrong hands, and aid agency contacts with the LTTE may give the group added credibility. This is evident in the manner in which the government has tended in the past to mount its most constructive political initiatives (such as the cease-fire of June 1986) at times shortly before Development Forum meetings, and to avoid military offensives at such times.[111]

Table four does not indicate the relative magnitude of negative or positive impacts. And it does not distinguish between different levels of impact. Some programmes, such as community-based reconciliation, for example, may have an impact at the micro-level without having a cumulative impact at the macro level. The lack of longitudinal baseline data and tools or methodologies for impact assessment make it difficult to track impacts over time. Moreover, as already mentioned, most donors and operational agencies have focused on the impact of conflict on their programmes. Few have studied in any depth the impact of their programmes on the dynamics of peace and conflict. However, if one compares the types of programmes that may have fuelled conflict with those that have had more positive impacts, the latter represent a relatively small part of the overall picture. They tend to be primarily programmes supported by smaller bilateral donors, often with governance, human-rights, poverty or social objectives.[112] They tend to represent a collection of disparate activities,

which have localised rather than system-wide effects. The programmes of the major multilateral and bilateral donors linked to the policy goals of structural adjustment and liberalisation have, in contrast, had impacts at the macro level, both positive and negative. This suggests that the critical challenge in Sri Lanka is to develop ways of making mainstream development assistance more conflict sensitive, while also amplifying the positive benefits of aid with an explicit conflict reduction focus. This requires more thinking about what this might mean in practice.

# Endnotes

[96] Klingebiel, S. *op.cit*. p.32

[97] UNDP *National Human Development Report 1998. Regional Developments of Human Development*, (Sri Lanka: UNDP, 1998) p.6

[98] Bush, K., *op.cit*. p.25

[99] Asian Development Bank *op.cit*. p.8

[100] UNDP, *Thematic cluster evaluation of projects and programmes focused on the Jaffna Peninsula*, 2000.

[101] UNDP, 1999, *op.cit.* p.16

[102] *ibid*.

[103] Lindahl, L., Softestad, D., and Wanisinge, R., *op.cit*. p.12

[104] Saravanmuttu, 1999, p.126.

[105] See Goodhand, J., and Clark, P., 'Sri Lanka: can a development approach be adopted in conflict situations? The experience of SCF(UK) in civil war zones' *The Rural Extension Bulletin*, number 8, December 1995.

[106] Goodhand, J., and Lewer, N., *op.cit.*

[107] See Bush, K., ' A measure of peace: Peace and Conflict Impact Assessment (PCIA) of development projects in conflict zones' *working paper number 1*, The Peacebuilding and Reconstruction Programme Initiative, (Ottawa: IDRC, 1998) and Leonhardt, M., 'Conflict impact assessment of EU development cooperation with APC countries. A review of literature and practice', (London: International Alert and Saferworld, 2000).

[108] UNDP, 1999 *op.cit.*

[109] Bush, K., 1999 *op.cit.*

[110] Goodhand, J., and Lewer, N., *op.cit.*

[111] International Alert 'Foreign aid and Sri Lankals military spending' *International Aid to Sri Lanka, recommendations by International Alert to the 1987 Sri Lanka Paris Aid Consortium Meeting*, (London: International Alert, June, 1987).

[112] In financial terms the amount of money spent on peacebuilding is relatively small. The Dutch for instance, who have an explicit focus on peacebuilding and reconciliation only spent 2.6% of total government assistance on this area during the 1990s. see Frerks, G., and Van Leeuwen, M., 'The Netherlands and Sri Lanka. Dutch Policies and Interventions with Regard to the Conflict in Sri Lanka' , *Conflict Policy Research Project*, (Netherlands: Clingendael Institute, 2000) p.8

# Chapter four

# Towards improved policy and practice

In this chapter we focus on two areas: (1) the need to develop a system wide approach, which exploits synergies between development aid and other policy instruments. (2) the need for mainstream aid policy to develop more conflict sensitive approaches.

## The need for a systems-wide approach

### *Developing policy coherence*

We have emphasised the need to place aid within a wider policy framework and to develop greater coherence between the various policy instruments that can have an influence on conflict. This means developing shared, overarching goals and having agreed principles for how they should be implemented in practice so as not to undermine or undercut other initiatives. Achieving coherence both within and between governments has, however, proved difficult in practice. A number of the smaller bilateral donors, particularly the Norwegians and the Dutch, have made an explicit link between their aid and diplomatic programmes. Although it has been argued that development assistance should be kept detached from wider foreign policy concerns, the merits of the Norwegian and Dutch approach is that it gives a clear and unambiguous message to the various actors involved in the conflict. Where diplomatic and development aid sections are institutionally de-linked this may not be the case[113] and, historically, the Sri Lankan government has been able to exploit policy differences within the international community, by skillfully playing one party off against another.

In addition to achieving coherence across the international system, there is a need to develop linkages between different levels of the system. Although it has

become common place to write about the need for multi-levelled approaches, there are few examples of this happening in practice. More attention needs to be focused on building positive linkages between the micro and macro. Donors could, perhaps, place a greater emphasis on identifying and supporting the institutions and actors at the meso-level that can play a legitimate mediating role between state, society and the market. Changes in language policies at the national level, for example, are unlikely to trickle down unless the problem of resistance within the mid-level bureaucracy is addressed.

Therefore, the meso-level often represents a 'missing link' in current donor analysis and policy. Two ways of addressing this may be: first, to undertake greater political analysis at this level to identify the actors, institutions and coalitions that are likely to block or support proposed changes. And second, donors should be open to the possibility of developing deeper relationships with a broader range of mid-level actors than has often been the case to date. This may include political parties, trade unions, the media, religious groups, chambers of commerce, NGOs and local government. To do this effectively, donors would have to develop a broader, less Colombo-centric, range of relationships and information networks.

### *Getting the right balance*

We have argued that the key donors (in financial and policy terms) have tended to work 'around conflict'. Their focus has been on supporting the transition that started in 1977 towards market openness and deregulation. Their underlying assumption has been that liberalisation, free trade and integration into the global economy are essentially harmonious with attaining long-term peace and stability. Conflict is understood as a negative externality, an impediment that stands in the way of market openness. Therefore, donors have responded to conflict by calling for fewer restrictions and greater deregulation. Since the early 1990s, there has been an increased realisation that deregulation needs to be accompanied by efforts to build the capacity of institutions to manage the transition process and support vulnerable groups to mitigate the inevitable

shocks. Therefore, governance, capacity building and poverty alleviation came onto donor agency agendas. However, social development processes are viewed as subordinate to the liberalisation agenda. Despite the refrain of the central lesson of structural adjustment – 'one size does not fit all' – the influence of international development agencies has meant that a relatively standardised development model dominates policy advice.

There is a need to develop a more balanced approach, with a less narrowly conceived understanding of the relationships between economic liberalisation and political stability. The empirical evidence from Sri Lanka (and elsewhere) suggests a more complex and often less harmonious relation between liberalisation and social stability. Liberalisation may, in fact, weaken the foundations upon which structural stability is built. Without social and political protection against the instabilities and uncertainties that liberalisation generates, the free market itself is at risk.[114] A precondition for developing more conflict-sensitive policy is to look more closely at underlying assumptions and to acknowledge the tensions. Making the assumptions explicit is a way of identifying differences and clarifying choices.

Development policies need to focus directly and explicitly on the issue of social exclusion and social instability. The institutions that negotiate and manage processes such as liberalisation and trade integration, are the same institutions that manage and negotiate social conflict i.e. the state and civil society. The processes of globalisation and liberalisation play themselves out differently in different societies depending, to a great extent, on the nature of the state and civil society in each particular context. State institutions and those within civil society determine the level of exposure to external shocks, the vulnerability of particular groups in society, who benefits and who loses from such processes and whether or not conflict is managed in a non-violent way. Donors, therefore, need to prioritise the strengthening of legitimate institutions of governance and security to achieve sustainable development and peace. A greater emphasis also needs to be placed on social investment by reaching internationally negotiated standards devoted to the social sectors.

## *Aid co-ordination*

The 1997 OECD/DAC guidelines, like many other documents concerned with conflict and peace building, stress the importance of aid co-ordination and the need 'to overcome the functional distinctions of the various agencies involved and to integrate, rather than merely co-ordinate, relief, rehabilitation and development objectives within the framework of a long-term strategy'. A 1999 OECD/DAC international study, distinguishes between operational, strategic and political co-ordination, and goes on to argue that progress has been made at the operational level, but at the strategic and political levels, co-ordination often breaks down.[115] Sri Lanka follows a similar pattern. Information exchange, consultation and operational co-ordination have improved with agencies working in the same area or sector sharing information, dividing tasks and collaborating on certain programmes. However, at the strategic and political level, different mandates, different analyses of conflict and different assumptions about the role of aid, lead to diverging positions and responses. If aid is to be used more effectively to influence incentives and build peace, improved co-ordination at the strategic and political level is a necessary precondition.

While most donors recognise the need for improved co-ordination, when it comes to putting this into practice, few are prepared to subordinate priority interests to common goals. A first step towards a more strategic and island-wide form of co-ordination may be to analyse and learn from recent positive experiences of collaboration, including the 3 Rs programme, the Presidential Task Force on Human Disaster Management and the Framework for Poverty Reduction. Tighter co-ordination does not mean that innovation and diversity have to be sacrificed for bland conformity. The challenge is to develop overall guiding principles which provide a firm basis for conflict-sensitive policy, whilst allowing room for individual donors to take risks and innovate. Although the context may be very different, experiences gained from the Strategic Framework process in Afghanistan might also usefully be shared with aid donors.[116] The UN could play a useful role in facilitating the transfer of learning.

### *Advocacy*

The lack of coherence and co-ordination at a system-wide level means that efforts to influence (dis)incentives may be diluted, and divisions within the international community can be exploited by parties to the conflict. A more proactive approach might involve the development of a common advocacy strategy. The muted response of the international community to the Public Security Act and the rising number of disappearances in the north demonstrate the need for such a strategy. There are signs that donors are moving in this direction, however, as shown by the July 2000 visit of the EU delegation, which prompted Kumaratunga to commit to finding an agreement between all parties by August 2000 – although this subsequently broke down.

To have a significant impact, the larger multilateral and bilateral donors would have to be part of, and perhaps lead, such an initiative. Donor leverage is also likely to be greater during a Development Forum meeting when the overall assistance framework is negotiated and finalised. As already mentioned, such an approach would have to be handled very sensitively; attempts to work 'on conflict' could be interpreted by some as an attempt to justify a new form of interventionism. On the other hand, some respondents felt that several years of 'quiet diplomacy' had brought limited gains and it was time to try a new, more proactive approach which links issues like good governance and the conduct of free and fair elections to future aid.

## The need for more conflict-sensitive approaches

The challenge is to sharpen the idea of conflict sensitive investment so that it can usefully inform practice. What, for example, does a conflict sensitive governance or poverty alleviation programme look like in the Sri Lanka context? How are they different from similar programmes implemented in more stable environments? In table five, we have attempted to map out some initial ideas and examples of what conflict sensitive approaches might look like in practice. We have divided responses into those that focus on the security, political,

economic and social dimensions of conflict. In practice, it is recognised that these four areas are inter-linked and overlapping.

The table is meant to be illustrative rather than comprehensive, and represents a starting point for further discussion. A critical factor that the table misses is how one decides upon the balance, mix and timing of approaches. It may not, for example, be appropriate to embark upon a major security-sector-reform programme in the current context. One also needs to weigh up the costs and benefits of more conflict-sensitive approaches, if it involves a greater investment in human resources and a lengthy engagement, sometimes for a limited return.

**Table 5:** conflict sensitive approaches

| | Issues to be addressed | Examples of macro-level interventions | Examples of micro-level interventions |
|---|---|---|---|
| **Security** | • Increased military spending<br>• Lack of accountability and transparency in decision making of armed forces<br>• Militarisation of structures and break down of law and order<br>• Domination by military actors in the north east<br>• Lack of dialogue with the LTTE<br>• Child soldiers<br>• Anti-personnel mines<br>• Army deserters<br>• Insecurity for groups in Colombo | • Democratic policing<br>• Strengthen civilian oversight of armed forces<br>• Professional standards and codes of conduct<br>• Human-rights education with military groups<br>• Rights of the child, advocacy on child soldiers<br>• Initiate process of de-escalation/confidence building as a precursor to talks<br>• Increase accountability in the armed forces – strengthen legal mechanisms for redress<br>• Explore demobilisation to establish debate on a post-conflict scenario | • Protection role of aid agencies<br>• Community-awareness raising on human rights<br>• De-mining activities<br>• Awareness raising and education on child rights |
| **Political** | • Government legitimacy<br>• Government commitment to finding a solution to the conflict<br>• Lack of government capacity, declining services<br>• Corruption<br>• Human rights abuses<br>• Political culture, criminality and political violence<br>• Lack of civic engagement | • Institutional strengthening of government agencies e.g. NIPU and Human Rights Commission<br>• Work with the political parties – sharing models and approaches from elsewhere e.g. International Alert's work with MPs<br>• Build political consensus in the south for peace by promoting dialogue between political parties/clergy | • Institutional strengthening of local government<br>• Support for NGO-government partnerships<br>• Support for NGO human-rights monitoring and election monitoring<br>• Strengthen capacity of community based organisations |

| | Issues to be addressed | Examples of macro-level interventions | Examples of micro-level interventions |
|---|---|---|---|
| **Political** (**continued**) | | • Election monitoring<br>• Support for independent media<br>• Support for decentralisation<br>• Support for the judiciary and legal access for marginalised groups<br>• Ombudsmen for humanitarian and development agencies | |
| **Economic** | • Inequitable distribution of resources<br>• Regional imbalances in economic growth<br>• Growth of poverty and income disparities<br>• Growth of patronage networks and criminalised economies<br>• Humanitarian distress | • Focus on poverty alleviation<br>• More proactive investment in the north east and the deep south<br>• Rural development, pro poor focus<br>• Lobby to lift or partially lift the economic blockade in the north east<br>• Improved targeting and implementation of the Samurdhi programme<br>• Support the profile of peace issues within the private sector e.g. Businessmen's peace initiative | • Support for Chambers of Commerce<br>• Support for credit and income generation programmes in peripheral areas<br>• Incorporate 'Do No Harm' criteria into project evaluations<br>• Investment in community development activities<br>• Provision of humanitarian relief<br>• Support for traditional dispute mechanisms |
| **Social** | • Social exclusion based on ethnicity, caste, gender and religion<br>• Growth of competing nationalisms<br>• Fractured civil-society groups. Lack of a strong peace constituency<br>• War-induced trauma | • Greater focus on education and health, particularly in outlying areas<br>• Place a greater focus on the youth in national policy<br>• Support for NIPU<br>• A greater emphasis on social harmony and reconciliation in the education syllabus<br>• Strengthen peace-building focus in the media<br>• More support for Regional Universities<br>• Strategic support for national level peace constituencies, alliances and media campaigns<br>• Develop linkages between north and south e.g. sporting and cultural events<br>• Promotion of English language as a link language?<br>• Support for regional workshops and seminars on conflict and peace analysis | • Strengthen peace constituencies e.g. support for National Alliance for Peace and National Peace Council<br>• Support for community-based women's groups<br>• Creation of fora for inter-communal collaboration<br>• Informational, social and cultural links between the north east and the south e.g. internet access, education exchanges etc.<br>• Work with religious groups<br>• Develop NGO capacities to support and build social capital and reconciliation<br>• Community based psychosocial support<br>• Training/workshops for civil society/peace activists |

## *Security*

Chronic insecurity exacerbates poverty, limits the likelihood of reconciliation and undermines the legitimacy of state institutions. Insecurity is mainly experienced by the rural poor as the urban élite have, to an extent, insulated themselves from the problem through the use of private security, and also as state security focuses on urban areas where the middle class live.[118] In chapter one, a range of security-related issues were identified which impinge upon donor programmes and may undermine long-term goals. Apart from conflict related risks, it has also been suggested that ODA may contribute to human insecurity by subsidising military expenditure.[119] At an international level development donors increasingly realise that more conflict sensitive approaches may entail venturing into new and politically sensitive areas such as the security sector. Given the current status of the conflict and the government's defence priorities, a fundamental reform of the security sector may not be appropriate or politically feasible. However, a number of donor governments already engage with the security sector[120] and there may be opportunities to pool knowledge and to co-ordinate different policy instruments such as diplomatic, defence and development co-operation, to address the security sector in a more comprehensive way.

Development donors need to tread very carefully here, as engagement in such a politically sensitive area as it touches upon questions of sovereignty and intervention. Efforts should not undermine, but rather strengthen, respect for the state's monopoly over the use of force within the rule of law.[121] Experience gained from elsewhere suggests that security cannot be treated in isolation and has to be linked to issues of justice and impunity and the broader legitimacy of the state. In the long-term, security-sector-reform is a governance issue and what matters is that the armed forces should be accountable and under civil control, and their budgets subject to scrutiny, reporting and auditing, no less than other public monies.[122]

Development donors may have only a limited role in affecting the incentive systems of military actors, and conditionality-based approaches applied

elsewhere have not resulted in significant reductions in military spending. However, co-ordinated efforts may influence both short-term incentives and longer-term sources of insecurity. Equitable development represents a long-term investment in security. Moreover, development assistance may also have a limited role in influencing the behaviour, capacities and relationships of the actors in the conflict. Donors could, for example, be more proactive and forceful in raising the issue of military spending with the government in relation to other budgetary allocations, particularly social spending. The security sector could, for example, be included in the public-sector review. There are also opportunities to link governance reform programmes more explicitly to security issues. The principles of public sector management could be equally be applied to the security sector. Donors with programmes in the north east could be more proactive in encouraging the government to achieve a better balance between national security concerns and the need for local people to earn a livelihood.[123] Donors could also influence the current imbalance in the north east between civil and military actors by building the capacity of the civil administration. Some interviewees, for instance, felt that the 3 Rs programme may have an important pay off if it strengthens the capacity of the civil administration in the north east in relation to the military. Finally, development agencies can affect incentives merely by having a presence in conflict affected areas; their protection and watchdog function should not be under-rated.

As already mentioned, there is a need to tread carefully and donors should be realistic about what can be achieved in the current environment. However, donors should not avoid the security sector just because it is politically sensitive. There is a need for a long-term, comprehensive and politically astute engagement.

### *Political*

We have emphasised that a starting point for an analysis of conflict in Sri Lanka should be an analysis of the state. Donors have frequently failed to develop a politically nuanced understanding of the Sri Lankan state. In the 1970s and

1980s, aid donors supported state policies which exacerbated inter-group tensions. In the 1990s, their attempts to downsize the state, may have contributed to new forms of tension and social exclusion.

The predominant donor view that peace building is to do with 'politics' while structural adjustment and public sector reform are to do with 'efficiency' is an unhelpful one. There is a need for a more honest and transparent engagement with the issues, and a questioning of some of the assumptions underlying current donor practice.

Good governance, poverty alleviation and reconciliation can be consistent with, and reinforce, one another. However, the critical point is how one of conceives good governance. The definition used by international investors, in terms of security of investments and reliability of commercial contracts, is distinctively different from the type of good governance which focuses on equity and poverty alleviation.[124] Apart from a rather narrow conception of good governance, donors have tended to focus on the formal institutions of democracy, rather than the deeper processes of democratic politics. The challenge is less about trying to satisfy formal institutional criteria and more to do with constructive and pragmatic institutional design, which changes the culture of politics and makes democracy more responsive to problems of inequality and conflict.

### *State reform*

Structural stability will only be brought about through substantive reform of the state. This is recognised in a 2000 World Bank report, which argues that public institutions and governance have gradually weakened over the years and fundamental reforms are required to 'recapture the missed opportunities of the past'.[125] Given that most donors work with the state, to support services and, importantly, to plan future reform, there is potential for them to have a positive influence on the trajectory of the conflict. Donor-funded reforms can help change the shape of government institutions in a way that encourages more equal access and less resentment. However, this means placing a greater

emphasis on institution building, an area in which donors have a mixed record; in its 1998 Country Assistance Strategy, the World Bank admitted that its assistance has had only a modest impact on institutional development.[126]

Donors need to develop a common understanding of what institution building and good governance mean in practice, and then develop a more co-ordinated and comprehensive approach. To date, donor efforts have often been piecemeal and uncoordinated, sometimes undermining, rather than strengthening government institutions: 'Everyone's doing workshops…there's too much process which is overwhelming the government…it sees so many consultants and reports, it doesn't have the capacity to absorb them and they become a hindrance…the consulting process can be disempowering'. (International donor).

A comprehensive approach is required which works across government departments and at different levels of the system. Donor support for the government departments with a strong poverty reduction potential, such as education, health or agriculture, for instance, may be undercut if more politically powerful ministries, such as defence, make ad hoc supplementary financing demands.

There is a need to recognise the positive aspects of the state; it is a functioning democracy and an important provider of entitlements to the poor in the north east and the south. Reform should not focus merely on downsizing the state. A strong state is required to create and shape political opportunities for the poor. NGOs and civil society are, therefore, not an alternative to a failing state. If the state is fragmented, unstable and incoherent, popular organisations will develop along similar lines.[127]

A reform agenda needs to be based on a pragmatic analysis of the vested interests which create particular institutional arrangements and are likely to resist change. One recent donor programme, for example, aimed to build schools to serve all communities. In fact, 24 out of the 25 schools constructed served Sinhalese populations, despite an expressed desire for a more representative mix. Another example of powerful vested interests are the many and

complex tax exemptions in the private corporate sector, the removal of which would considerably increase tax revenue.[128]

The state is not monolithic, and there are different elements and individuals within it that are more or less predisposed to reform. Donors need to identity pressure points and constituencies that can be supported. The National Integration Programme Unit (NIPU), which is currently being supported by NORAD, for instance, appears to be worth investing in over the long-term. Moreover, World Bank/DFID support for education and social harmony is a further example of a non-threatening and collaborative approach to working with and reforming state policies. As already mentioned, the 3 Rs programme represents an opportunity to strengthen civil administration in the north east. While decentralisation may not be a panacea, donors should, wherever possible, attempt to develop the institutional capacities of the government at a local level.

Institutions at the meso-level appear to be particularly important in bringing about political reform. Although civil-service reform programmes have primarily focused on efficiency issues, there is also a need to consider how to change incentive systems and organisational cultures so that bureaucrats commit themselves to equity and poverty agendas. This is admittedly a huge task and requires a long-term and co-ordinated commitment from aid donors.

### *Government ownership*

Donors' reports frequently mention a lack of government ownership as a key factor in project failure. Although government policies have been introduced to address a number of sources of grievance, they are often not implemented in practice. Few of the recommendations of the Presidential Commission on Youth following the JVP uprising have been implemented for instance. The Human Rights Commission has made limited progress and the implementation of Tamil language policies has been slow and patchy.

There are still significant internal blocks to government reform and policy change, and the process of policy formulation is often arbitrary, lacking

transparency and determined by special interest groups. Although the government has established a number of consultative groups such as the Presidential Task Force for Ethnic Affairs and National Integration, they do not appear to be significant arenas for influencing policy.

The OECD states that 'governance oriented assistance programmes need a strong base of political commitment in both donor and recipient countries over the long-term'.[129] However, clearly the government currently has priorities over and above state reform, and will not give the high-level time and effort needed to move vested interests. It is important for donors to understand incentive systems and to get the right balance between trust/dialogue and control/conditionalities. Although the three major donors could exercise considerable leverage if they applied political conditionalities to their aid, conditionality can have a high political price by creating a climate of adversity and resentment between donors and recipient.[130] Policy advice needs to be sensitive to special circumstances including political constraints. The recent failure to push the reform package (draft constitution) through parliament illustrates that government reform involves a complex set of issues not amenable to quick or simple solutions.

Donors, however, could perhaps play a role in helping build upon a strong domestic basis for change. The reform agenda should not be limited to government ownership and there is a need for wider societal ownership and participation. There has, for example, been insufficient public involvement in the formulation of the draft constitution. Donors could explore ways of generating a wider public debate on such issues.

### *Participation and democratic politics*

Sri Lankan politics is characterised by a dangerous combination of political mobilisation alongside institutional decay. The polarisation along party lines and zero-sum political culture of Sri Lankan politics were demonstrated by the Provincial Council elections of 1999. People have limited faith in the political system.[131] Sri Lanka is illustrative of the fact that democratic institutions may

not foster democratic politics.

As Bastian notes, there are limits to constitutionalism; formal or procedural democracy is not in itself sufficient to prevent political and social exclusion.[132] Democratic politics depends on a culture of participation, including a range of mechanisms such as a pluralistic media, an active civil society and competing political parties.[133] Although South Asia has a strong tradition of civil-society activism, the role of civil society in contributing to mainstream politics remains unclear. As Saravanamuttu notes, civil society in Sri Lanka has always been dominated by the state.[134] While Sri Lanka has a number of groups dedicated to issues such as human rights, election monitoring or policy advocacy, such groups have tended to lack a clear agenda for intervention in mainstream politics.[135]

Donors could play an important role in supporting the development of civil-society strategies and partnerships. This report has stressed the important role played by civil society, both as a source of conflict and a potential force for peace. Donors need to engage with civil society with open eyes, taking into account its 'ethno-sectarian geography'. This may mean engaging with the 'uncivil' elements of civil society such as NMAT – they are part of the conversation and their interests and strategies need to be taken into account. The recent influence of extreme nationalist groups on the breakdown of the constitutional reform process reinforces this view.

There are also 'connectors' and constituencies for peace within civil society that can be supported. These include, for example, lobbying organisations like the National Alliance for Peace and National Peace Council, think tanks, like the International centre for Ethnic Studies (ICES) working at the macro-level, and NGOs like the Social and Economic Development Centre (SEDEC) working on community based reconciliation. There are also a range of civil-society groups, such as women's organisations and church-based groups, which cut across social and ethnic cleavages.

Donors, in the need to keep transaction costs down, gravitate towards similar organisational forms, standardised procedures and universal thinking.

There is a natural tendency to focus on the short-term and the easily measurable and, therefore, to concentrate on the physical infrastructure of civil society – on the 'forms rather than the norms'[136] This translates into 'cherry picking' Colombo-based NGOs, who act as gatekeepers, preventing the trickle down of funds and information to community based groups. A deeper and more nuanced form of engagement is called for which may involve a greater focus on supporting strategies and processes rather than funding only projects

### *Economic*

As argued in chapter one, the promotion of development is not necessarily synonymous with the pursuit of security. The uneven development patterns of the past have fuelled violent conflict. Patterns of relative deprivation have been a fertile breeding ground for political mobilisation. Donors have inadvertently contributed to social conflict, because of insufficient sensitivity to equity and conflict issues. Privatisation programmes were implemented without sufficient checks and balances to prevent rent seeking behaviour. Poverty programmes were supported without sufficient understanding of their links to political patronage networks. The capacity of the state to correct regional imbalances and perform welfare functions has been compromised by structural adjustment programmes. The macro economic policies promoted by major donors have frequently been socially blind, with the burden of adjustment often falling on the poor through falling social and development expenditures.[137]

Donors need to develop a more balanced approach, which emphasises institutional development, equity and poverty reduction, in addition to growth and efficiency objectives. The institutions needed to assist economic transition are either missing or remain weak. For instance, trade reforms were initiated before the establishment of export institutions. Similarly, market regulations to protect the poor and the vulnerable from the private greed of the affluent are either weak or non-operative.[138] As argued above, there is a need for a strong and responsive state with the capacity to correct regional imbalances and compensate for market failures. Donors should be prepared to take some of the

political heat in tackling vested interests, just one example being the many tax exemptions in the private corporate sector.

In the last two years, the Sri Lankan government, supported by donors, has made a strong effort to understand the nature of poverty in Sri Lanka with a view to formulating a policy framework for poverty reduction.[139] Although poverty is rarely by itself a cause of violent conflict, growing economic disparities have created an environment that legitimises violence. The fact that there has been a wide gap between the promise and practice of welfare programmes, has increased social tensions. Recent poverty assessments in 2000 show that: income poverty remains high (with at least one quarter of the population below the poverty line); poverty is mainly a rural phenomenon; there are acute regional disparities in poverty.[140] It is extremely important that attempts to develop a National Poverty Framework are informed by an analysis of the links between security, poverty and entitlements. Strategies should be developed to ensure that poverty programmes are more conflict sensitive. This might include, for example, developing norms and approaches for implementing poverty-reduction programmes in conflict-affected areas.

Conflict has prevented rural areas from taking advantage of liberal economic policies. There is a need for more proactive investment in the north east and in districts like Uva and North Western, which suffer the worst deprivation. It can be argued that donor investments in the estate areas have played a role in mitigating social tensions. However, a number of the major donors are unwilling to invest in the north east 'while there is a war going on'. Healthcare, education and local economic conditions in the north east are worse than in other parts of the country.[141] These problems are compounded by the economic blockade, the skeletal nature of government services and the lack of donor engagement.

Donor approaches tend to be too compartmentalised and opportunities are consequently missed. Relief-development continuum thinking is still pervasive. Funding for the north east comes out of short-term humanitarian budget lines. While it may not be the time for major infrastuctural investment,

there is a need for more proactive investment of transitional assistance which falls in the grey area between relief and development budget lines. The World Bank's North East Irrigated Agriculture Project is a positive example of an attempt to jump start economic activities. More effort could be placed on learning from the experiences of international and local NGOs and how best to maximise synergies between relief and development opportunities. As an evaluation in 2000 of UNDP's work in Jaffna states: 'The rehabilitation effort, though geographically limited, cannot be seen in isolation from the programming of aid to the rest of the country. The two must be mutually reinforcing and designed to achieve consistent objectives.'[142]

## *Social*

As the Human Development Centre notes 'If economic adjustment is to be meaningful, it must be accompanied by social adjustment. Countries must spend as much time correcting social fundamentals as on correcting economic fundamentals'[143] In a society that has become increasingly polarised, donor policies should place a strong emphasis on supporting inclusive institutions, which can manage conflict, encourage public debate and support reconciliation.

Such policies need to be built upon a strong analysis of the political economy of conflict and the social transformations that have been brought about by ongoing violence. In Jaffna, for instance, rehabilitation is not about reverting to the status quo ante, as society has moved on.[144] Attempts to engineer community reconciliation need to be based upon a 'fine grained' analysis of the fears and incentive systems of the groups concerned. Attempts to rebuild physical capital should also focus on the need to support social capital, particularly 'bridging social capital' i.e. relationships of reciprocity and trust which bridge ethnic fault lines. Religious groups, such as the Catholic Church, have the potential to play such a role. The private sector might also be supported, through, for example, Chambers of Commerce to build north-south linkages.

The institutions of education and the media have potentially an important

role to play in counteracting the stereotyping and 'competing nationalisms' that fuel conflict. In practice, education policies divide children by language and under-serve students in poorer areas.[145] Similarly the media is extremely polarised. Moreover, there is no tradition of investigative journalism which could act as a check on government abuses.[146]

Donors, particularly the World Bank and DFID are currently developing new approaches in the area of education, which aim both to improve the quality of provision and address ethnic and equity issues. In a report published in 2000 by the World Bank and DFID, entitled 'Towards Social Harmony in Education', a number of issues are explored including: curriculum reform, the training and deployment of teachers and resources and the wider use of the English language as a bridge language to reduce the ethnic divide and increase the competitiveness of the labour force.[147]

# Endnotes

[113] A number of interviewees felt that development sections were more prepared to experiment with conflict resolution approaches than the more risk averse diplomatic sections. This may be because the diplomatic sections are more constrained by sovereignty issues.
[114] Moore, M., and Putzel, J., *op.cit.* p.7.
[115] Uvin, P., *The influence of aid in situations of violent conflict*,(Paris:OECD/DAC, September 1999) p.18
[116] It is also recognised that the experience of the Strategic Framework process in Afghanistan so far has been extremely mixed and one would certainly not recommend blindly transferring such a model to Sri Lanka.
[117] Economist Intelligence Unit, 2000 p.17.
[118] Dunham, D., and Jayasuriya, S., *op.cit.*
[119] Bush, K., 1999 *op.cit*. p.45
[120] The United States has been providing anti-terrorism equipment since 1994.
[121] OECD *DAC Guidelines on Conflict, Peace and Development Cooperation* (Paris: OECD, 1997) p.41.
[122] DFID *Conflict Prevention and Post-Conflict Reconstruction Network* report of the 14-17 May 2000 6th Meeting Oxford, p.79.
[123] UNDP 1999 *op.cit.*
[124] Moore, M., and Putzel, J., *op.cit*. p.32.
[125] Word Bank 2000 *op.cit.* p.iv.
[126] World Bank *Country Assistance Strategy Paper – Progress Report*, Sri Lanka, 20 December 1998, p.6.
[127] Moore, M., and Putzel, J., *op.cit.* p.4
[128] Moore, M., and O'Brien *Good Government Assessment Methodology: Sri Lanka*, (Sussex: University of Sussex, Institute of Development Studies, 1996)
[129] OECD *op.cit*. p.37
[130] Uvin, P., *op.cit*. p.14
[131] The Mahbub ul Haq Human Development Centre *op.cit.*
[132] Bastian, S., *op.cit.*
[133] Luckham, R., Goest, A., and Kaldor, M., 'Democratic Institutions and Politics in Contexts of Inequality, Poverty and Conflict. A Conceptual Framework' *IDS Working Paper* (Sussex: 2000)
[134] Saravanamuttu, P., *op.cit.*
[135] Luckham, R., Goest, A., and Kaldor, M., *op.cit*. p.13
[136] Edwards, M., *Enthusiasts, Tacticians and Sceptics: The World Bank, Civil Society and Social Capital*, (World Bank, 1999).
[137] The Mahbub ul Haq Human Development Centre *op.cit.* p.92.
[138] *ibid* p.90.
[139] World Bank 2000 *op.cit*. p.28
[140] *ibid* p.2.
[141] *ibid* p.30
[142] UNDP *Thematic cluster evaluation of project and programmes focused on the Jaffna Peninsula*, 2000.
[143] The Mahbub ul Haq Human Development Centre *op.cit*. p.93
[144] UNDP 2000, *op.cit.*
[145] World Bank 1998 *op.cit.* p.7.
[146] World Bank 2000 *op.cit*. p.24.
[147] DFID/World Bank *op.cit.*

# Chapter Five
# Conclusions and recommendations

## Development assistance, conflict and peace

This report has explored the links between development, poverty and violent conflict in Sri Lanka. This has entailed an analysis of violent conflict, a mapping of donor development programmes and an examination of the interactions between development aid and the dynamics of violent conflict. Based upon this analysis, a number of conflict-sensitive approaches were outlined.

At the heart of the conflict in Sri Lanka are political issues relating to the nature of the state and access to power and representation. Ultimately, these questions have to be addressed by political and civil actors within Sri Lanka making decisions about their definitions of peace, social justice and future development. Aid is only one of a number of instruments that can be applied to support such a process and, in relation to diplomatic interventions, it may be a rather blunt instrument with limited leverage. Therefore, aid may complement political processes happening on the ground, but it is unlikely to be a leading edge in a peace-building process.

We have, however, outlined a number of ways in which 'conflict blind' development aid can follow the fault lines of conflict and inadvertently increase political, economic and social exclusion. We have argued that donors should develop greater sensitivity to the dynamics of peace and conflict to minimise the risk that they may 'do harm'. The other side of conflict sensitivity is an awareness of the potential for aid to work 'on conflict', by contributing to an enabling environment for peace and reconciliation. As the World Bank, in its 1998 Country Assistance Strategy, states, 'donor programmes may be able to do little in terms of short-term conflict resolution but they can help create the conditions for lasting peace once the conflict has ended'.[148] Therefore, donors

can at least prepare the ground for peace and gear up activities for when spaces and opportunities present themselves.

There are important differences between various donors in terms of how seriously they have attempted to operationalise policies relating to conflict prevention, management and peace building. A number of the smaller bilateral donors have been the most proactive in attempting to mainstream reconciliation and peace building objectives. The larger multilateral and bilateral donors have tended to work 'around' conflict by treating it as a disruptive factor to be avoided. This may, however, be changing; the World Bank's decision to initiate programmes in the north east and their support for the 3 Rs programme marked a significant departure from previous policies. The demonstration effect of the 3 Rs programme will be extremely important. If it fails due to a combination of external events and design and implementation weaknesses, donor commitment may wane. If it is at least a partial success this may open the way to further forms of collaboration and a more proactive approach from the donor community. This in itself is a strong argument for co-ordinated donor support for the 3 Rs programme.

We have identified a range of issues that need to be addressed if the donor community is to work more effectively 'in' and 'on' conflict, but four factors stand out as being particularly important:

- integrating conflict sensitivity;
- a politically informed approach;
- comprehensive and co-ordinated strategy; and
- long-term strategic engagement.

We elaborate on these four points below and then move onto more specific recommendations.

### *1. Integrating conflict sensitivity*

Two strategies could be explored in parallel, to increase the peace building and reconciliation potential of aid in Sri Lanka. The first is to sensitise the policy

environment, so that donors no longer work 'around' conflict. The second is to explore, in a more concerted manner, the opportunities to work explicitly 'on' conflict. Addressing the first challenge might initially involve discussions with the major development donors, perhaps using the OECD/DAC guidelines as a starting point. The key question is how can development assistance promote structural stability in Sri Lanka? If, as we have argued, development donors should develop a greater sensitivity to equity issues, promote social cohesion, reduce the incentives and opportunities for violence and include peace and conflict indicators in their monitoring and evaluation of projects, how can this best be translated into practice? Discussions would need to look at how conflict sensitivity could be incorporated at the strategic, sectoral and programme levels. At the sectoral level, for example, it is essential that such concerns are fed into the Poverty Framework process.

The second strategy is concerned with increasing the impact of interventions that have an explicit focus on peace building and reconciliation. There have been a number of innovative donor supported initiatives in a variety of areas, including education, community reconciliation, human rights and good governance. However, three factors appear to be constraining the impact of such programmes. (1) a piecemeal approach, which prevents them from having a cumulative impact. (2) a limited analysis of the political processes and incentive systems which can undermine such initiatives (3) a lack of understanding of impacts – unless donors have some idea about their impact on peace building processes, it is extremely difficult to amplify the effects of such programmes. An initial starting point for taking this debate further might be to conduct a system-wide mapping and assessment exercise of donor supported programmes in the area of peace building and reconciliation. This could provide a basis of knowledge for developing and refining future strategies and approaches.

### *2. A politically informed approach*

This report has highlighted the salience of political factors in the Sri Lankan

conflict. Donors should place a strong emphasis on undertaking political analysis to understand better the working of the political systems and incentives of political actors. The economic logic of a particular programme or policy may be flawless, but political analysis may reveal an entirely different set of concerns and conclusions.[149] Donor-supported government reform programmes, for instance, may make sense in efficiency terms but have frequently failed in practice because of insufficient analysis of the political costs and benefits to the actors concerned.

A politically informed approach involves a more 'fine grained' appreciation of the context in which aid is delivered. It means acknowledging complexity and avoiding simplistic assumptions, which frequently lead to transplanted 'off the peg' approaches. We have argued for a more proactive approach in providing strategic support for institutions that can play a role in encouraging power sharing, mitigating transition processes and managing conflict in a non-violent way. This can only be done effectively if there is a sophisticated analysis of the political forces that are likely to support or block such changes.

Political analysis should be ongoing and dynamic, so that it enables donors to identify points at which particular interventions could enhance a constructive transformation of conflict. Donors may, for instance, find greater government receptivity and scope for new initiatives before a Development Forum meeting or immediately after elections. One could argue that opportunities have been missed in the past by external actors as a result of their misreading or non-reading of the political context.

There are at least two preconditions for high quality political analysis. One is systematic information sharing and joint analysis both between donors and within the wider international community. Another is the need to develop a means of assessing the political and conflict-related impacts of interventions. Donors should perhaps precede projects with political impact assessments, in the same way that corporations often carry out political risk analysis.[150] This might involve a more transparent political cost-benefit analysis, which weighs the pros and cons of various intervention scenarios against policy priorities.[151]

### *3. A co-ordinated and comprehensive approach*

Working 'on' conflict may be less to do with developing new instruments and more about the optimal use of the broad range of existing instruments. First, there is a need for a comprehensive approach in which different policy instruments complement one another. Second, within the donor community a more strategic form of co-ordination needs to be developed.

To an extent the international community mirrors the characteristics and problems associated with the wider political environment. Although there are a number of potential building blocks for a peace process that are commonly lacking in complex political emergencies elsewhere, (for example, a draft constitution, regional and international support for peace talks, a wider desire for peace and a dynamic civil society sector), the lack of *strategic linkages* and an *inclusive process* limit their impact. One could similarly argue, that the diplomatic and donor community have been involved in a number of innovative ways in supporting peace building and reconciliation; however, the impact has often been less than the sum of its parts due to a lack of strategic co-ordination.

Donor governments should focus on developing greater complementarity between different policy instruments. They should be more transparent in how they arrive at and weight different policy goals, such as trade, immigration and development concerns.

Development donors have made progress in developing operational co-ordination, but have been less successful at a strategic level. Unless the ADB, World Bank and Japan are central players in attempts to develop more conflict sensitive approaches, such initiatives are likely to have a limited impact. The fact that these three donors accounted for 92% of Sri Lanka's total debt stock for 1999 provides an indication of their potential leverage.[152] The challenge facing the smaller bilateral donors who are attempting to mainstream conflict concerns, is to 'sensitise' the policy environment and encourage the larger donors to take such issues seriously.

There have been number of positive developments leading to improved aid

co-ordination – including the UNDAF, the Poverty Framework, the Presidential Task Force for Disaster Management and the 3 Rs programme – however, in the main, these have been at the sectoral or operational level. There is still a gap at the national strategic level. Co-ordination mechanisms tend to reinforce rather than overcome divisions between the north east and the south. In the north east, co-ordination, tends to be much tighter. Agencies, in response to the challenge of chronic insecurity, have developed effective information sharing mechanisms (largely through the Consortium for Humanitarian Assistance (CHA)), operating procedures and codes of conduct. The potential for developing an aid ombudsman is also being explored. In the south, co-ordination tends to be much looser and less emphasis has been placed on developing common approaches. We have argued, however, that militarised violence is endemic and should be responded to on an island-wide basis. This implies crossing a threshold from a loose co-ordination arrangement to a tight, concerted strategy. Donors should look more seriously at strategic framework approaches, how they have been used elsewhere and whether they might usefully be adapted to the Sri Lankan context.

*4. Long-term strategic engagement*

Most donors and operational agencies recognise the need for longer-term approaches, but few have been able to put this into practice – largely because the source of the problem lies further up the aid chain. The crux of the problem is that short-term thinking, short-term mandates and short-term funding are being used to confront entrenched and long-term problems and needs. We have argued that, if donors are serious about working 'on' conflict, there needs to be a switch from supporting just projects to sustaining strategies and processes. This is a long-term enterprise, which cuts against the grain of the donor mentality (and domestic politics in the donor countries) that wants to assess the return on investment over relatively short periods of time.[153] It also involves building long-term relationships with actors and institutions.

## Recommendations

It is easier to establish a rationale for more conflict sensitive aid than it is to put into place workable arrangements. To an extent, there needs to be more widespread agreement on the question of 'why?' before addressing the questions of 'how?' The bilateral donors who are leading this debate need first to convince the larger multi and bilaterals of the rationale for more conflict sensitive aid. The first step might, therefore, largely involve discussion and 'marketing'. However, below we attempt to map out some possible ways forward, which may form the basis for future initiatives.

### *System-wide approaches*

#### *Policy coherence*

The international community has historically viewed violent conflict in Sri Lanka as an internal problem which does not affect Western security interests. More sustained and concerted political attention could have a significant effect on the calculations and incentives systems of the parties to the conflict. There is scope for the international community to use existing policy instruments in a more co-ordinated way. Donor governments could be more transparent and consistent in applying the frameworks within which policy decisions are made. If there is a hierarchy of objectives, these should be clearly outlined in policy statements, which should include also a position on conflict management and structural stability.[154]

Co-ordination arrangements and information sharing within and between donor governments can be improved. There could be more regular meetings, to discuss strategic priorities and systematic conflict analysis. In donor governments, where development and diplomatic departments are separate, regular briefings of development departments by the diplomatic section and vice versa would be of value.

#### *Aid co-ordination*

There have been several positive developments at the operational level but

there are still gaps at the strategic level. Efforts should be made to develop a more concerted, tighter form of co-ordination within a Strategic Framework approach.

Strategic Framework models should be examined that have been used elsewhere to explore their applicability in the Sri Lankan context. The lessons generated by current co-ordination initiatives, such as the Presidential Task Force on Human Disaster Management, the Poverty Framework and the 3 Rs programme, should be collected and shared.

### *Strategic lobbying*

The donor community should attempt to develop a more co-ordinated and proactive approach to lobbying in relation to conflict, development, humanitarian and human-rights concerns. While not advocating a confrontational approach, donors could be (and are becoming) more forceful in advocating on issues such as humanitarian access, the economic blockade of the north east and human-rights concerns. The EU is playing an important role and should be supported further in this respect.

## *Conflict-sensitive approaches*

Conflict sensitive approaches should be promoted by sensitising donors who continue to work 'around' conflict and strengthening the work of those who work 'in' and 'on' conflict.

### *Integrating conflict sensitivity*

The main task is to encourage the larger donors who work 'around' conflict to become more sensitive to conflict issues. This will involve developing further what conflict sensitivity means in practice for specific types of programmes in specific contexts.

This report has outlined some broad guiding principles for conflict sensitive aid. These include:

- Develop a more balanced approach to reform and transition processes,

which recognises the importance of supporting institutions, building local capacities and making social investments.
- Place a greater focus on social safety nets and equity and be more sensitive to the distributional impacts of projects.
- Address the patterns of relative deprivation and regional imbalances. This involves making greater investments in the north east (see below), and support for poor rural areas.
- Build strong government ownership for reform processes, based on an astute analysis of the political forces that may support or block such changes.
- Move beyond the current relief-development dichotomy, which involves humanitarian aid being provided to the north east and development aid to the south. This pattern of aid provision increases regional imbalances and feeds into the negative dynamic of the conflict.

More discussion is required within the donor community to develop an approach or methodology for conflict sensitivity. This might involve a checklist of broad overall principles and then specific types of guidelines for particular programmes. The Poverty Framework might, for example, include norms and operating principles for poverty alleviation programmes in conflict-affected areas.

Much could be learnt from the work done by humanitarian agencies working in the north east. Their efforts to develop codes of conduct, operating principles, 'do no harm' frameworks and an aid ombudsman all have relevance to development agencies in the south. As a matter of course, all development donors supporting programmes in the north east or the south should incorporate 'do no harm' criteria into their assessment and monitoring frameworks. Furthermore, the rationale for an aid ombudsman – to increase the accountability and responsiveness of aid – applies equally to the agencies working in the south as those in the north east, and could be explored further as an island-wide initiative.

There have been number of positive initiatives in recent years which have

emphasised beneficiary participation and voice, including Oxfam/ SCF's study 'Listening to the Displaced and Returned',[155] the 3 Rs programme and a number of participatory poverty assessments. These kinds of exercises are critical if aid is to become more responsive and sensitive to conflict dynamics. Efforts should be made to build upon these initiatives to develop an ongoing and systematic consultation process, which feeds into learning, planning and advocacy strategies. A systematic consultation framework might also be linked to the development of an aid ombudsman.

*Strengthening peace building and reconciliation*

Donors should work jointly to amplify the positive impacts of programmes that have an explicit and/or sole focus on peace building and reconciliation.

This report has emphasised the need to strengthen initiatives that help to build a strong, legitimate, and responsive state. Donor achievements in the area of institutional development have been modest. There is a need to take stock of past efforts and to identify strategies which are most likely to strengthen institutions and processes that promote equity, power sharing and conflict management. In spite of the constraints, there are spaces and opportunities. At the central government level there are institutions and consultative bodies, like NIPU and the Presidential Task Force on Ethnic Affairs and National Integration, which can play a role in raising debates and perhaps influence the wider political culture if they are strengthened as bodies. At the local government level, donors can work with and strengthen the institutional capacities of local administrations. The 3 Rs programme carries the potential to strengthen linkages and capacities at both the local and national levels. Institutions and actors at the meso level might be focused upon more, since it is often blockages at this level which prevent policies (such as language policies) from being implemented in practice. It is also the mid-level actors who often play an important mediating role between national and local level politics.

In addition to supporting democratic institutions, donors could play an active role in supporting groups that can contribute to a more open and

inclusive political debate. It has, for instance, frequently been mentioned that there was insufficient public debate on the constitutional package. Donors could help open spaces for debate by supporting a range of activities including: ongoing dialogue with political parties and parliamentarians; support for civil society groups; strengthening the media; building links with private sector organisations like the Chambers of Commerce; and dialogue with religious groups. However, the emphasis should shift from a piecemeal, project-focused approach, to one which concentrates on developing strategies, processes and linkages. Donors may need to rethink how they engage with civil society. It may be less about 'cherry picking' Colombo-based NGOs than helping create an enabling environment for a wider peace constituency. Positive changes are likely to come about through identifying openings for coalitions that can shape public policy.

Alternative funding mechanisms may need to be developed. Donors should explore the possibility of developing a locally managed 'peace trust fund', which would be tailored to meet the needs of more community-based, non English speaking groups, who require small amounts of funding, often at short notice. Currently, donors only have the capacity to engage with a very narrow cross-section of civil society. Such a funding mechanism, might deepen their level of involvement and encourage the trickle down of support and information to a broader section of civil society.

Donors should not put development 'on hold' in the north east while the war is going on. While bulky investments are inadvisable, there are opportunities to support livelihoods, increase production and develop local capacities, as demonstrated by the World Bank's Irrigated Agriculture project. Other areas which deserve more attention, in terms of their potential peace building impacts, are a focus on rural livelihoods and employment, education, support for youth, and English language teaching. These programmes all have the potential to build greater equity and social harmony over time.

Donors should continue to place a robust emphasis on human rights, including support for human-rights NGOs, access to legal services, the

independent media, the Human Rights Commission and training with the military. As already mentioned, a more proactive approach to lobbying on human-rights issues, particularly through the EU, is recommended.

A mapping exercise or audit of peace building/reconciliation programmes and projects should be conducted to draw out lessons from a diverse range of initiatives. This would include the experience of humanitarian aid agencies in the north east, as well as activities in the south by the likes of the National Alliance for Peace and the National Peace Council. This would not be considered an evaluation exercise, but an attempt to learn systematically from past experiences, with a view to drawing up future strategies. The study might involve an inventory of approaches used so far, an assessment of impacts and identification of gaps in current activities.

An important constraint on current policy and practice is the lack of a methodology or framework for assessing the impact of development programmes on the dynamics of peace and conflict. While one should not view a peace and conflict impact assessment methodology as a magic bullet, it could assist donors, operational agencies and community groups in assessing the effectiveness of interventions and guiding future actions. Current practice depends, to a great extent, on a combination of intuition and wishful thinking. There are currently a number of agencies exploring this issue, such as the World Bank and Oxfam, and there are also several international initiatives to develop peace and conflict impact assessment tools. Donors could usefully support the convening of a peace and conflict impact assessment working group to pool learning and perhaps field test a number of emerging methodologies.

## *Developing new capacities*

### *Analysis and learning*

Conflict-sensitive approaches should be based on high quality information and analysis. To an extent, this information and analysis is contained at different points and levels within the international community, but there is often a compartmentalisation of knowledge. There is a need to develop a forum for

sharing conflict analysis on an ongoing basis. This might first be initiated by a number of the bilateral donors, such as SIDA, DFID and the Dutch, who have already conducted analysis on the links between conflict, development and aid. The group would focus upon developing a dynamic analysis of conflict and social, political and economic change, which helps donors make risk assessments and feeds into ongoing strategy and programming.

Donors could also build links with regional and international academic and policy institutes to feed into and inform debates in Sri Lanka. Debates and analysis sometimes suffer from being too 'Sri Lanka centric', and drawing upon lessons and models from elsewhere may bring new insights.

Donors could also encourage institutional learning by conducting system-wide evaluations, which are de-linked from funding decisions for a particular project. This would provide a better picture of the overall cumulative impact of aid programmes.

*Modalities/approach*

If donors are to integrate conflict-sensitive approaches, they may need to consider the following issues:

- Developing more flexible but long-term modalities, particularly for transitional forms of assistance that do not fall under 'pure' relief or 'pure' development budget lines.
- Supporting careers in aid that are deep rather than shallow, so that staff develop in-depth regional or country level expertise.
- Changing internal incentive systems so that learning and analysis are rewarded and more time is provided to visit the field and listen to the views of those living in areas of conflict.
- Developing a greater tolerance for risk-taking and developing project portfolios, which combine high-risk-high- opportunity initiatives along with the more common low-risk-low-opportunity projects.

# Endnotes

[148] World Bank 1998 *op.cit.* p.10.

[149] Moore, M., and Putzel, J., *op.cit.* p.37.

[150] A practice proposed by Moore, M., and Putzel, J., *op.cit.* in relation to poverty focused programmes.

[151] A practice which is explored by Van de Goor and Verstegen, S., *Conflict Prognosis. A Conflict and Policy assessment Framework. Part II*, ( Netherlands: Netherlands Institute of International Relations, 'Clingendael' Conflict Research Unit, June, 2000).

[152] Economist Intelligence Unit, 2000, p.31.

[153] Moore, M., and Putzel, J., *op.cit.* p.37.

[154] Van de Goor and Verstegen, S., *op.cit.,* for instance, recommend in a study for the Dutch government, the development of an integrated foreign and security policy mission statement which would (1) define strategic objectives regarding peace and security (2) define an integrated foreign and security policy (3) define the position of conflict prevention and management (4) indicate the preferences for specific types of intervention and co-operation.

[155] Oxfam/Save the Children, *Listening to the Displaced and Listening to the Returned. A Community Study*, (Sri Lanka, 1999).

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## Acronyms

| | |
|---|---|
| ADB | Asian Development Bank |
| CDS | Centre for Defence Studies |
| CHA | Consortium for Humanitarian Assistance |
| CIDA | Canadian International Development Agency |
| CPE | Complex Political Emergency |
| DFID | Department for International Development (UK) |
| DMK | Dravida Munnetra Kazhagam |
| EBRD | European Bank for Reconstruction and Development |
| ENLF | Eelam National Liberation Front (LTTE, EROS, EPRLF, TELO) |
| EPDP | Eelam Peoples Democratic Party |
| EPRLF | Eelam People's Revolutionary Liberation Front |
| EROS | Eelam Revolutionary Organisation of Students |
| FDI | Foreign Direct Investment |
| GGIS | Good Governance and Institutional Strengthening |
| GOI | Government of India |
| GOSL | Government of Sri Lanka |
| GTZ | German Technical Cooperation |
| HA | Humanitarian Assistance |
| ICRC | International Committee for the Red Cross |
| ICSE | International Centre for Ethnic Studies |
| IDB | Islamic Development Bank |
| IFI | International Financial Institution |
| IFRC | International Federation of the Red Cross |
| IHL | International Humanitarian Law |
| IMF | International Monetary Fund |
| INGO | International Non Governmental Organisation |
| IPKF | Indian Peace-Keeping Force |
| IRDP | Integrated Rural Development Project |

| | |
|---|---|
| JVP | Janatha Vimukhti Peramuna (Peoples Liberation Front) |
| LTTE | Liberation Tigers of Tamil Eelam |
| MIRJE | Movement for Inter Racial Justice and Equality |
| MOD | Ministry of Defence |
| MONLAR | Movement for National Land and Agricultural Reform |
| NGO | Non Governmental Organisation |
| NIPU | National Integration Programme Unit |
| NORAD | Norwegian Agency for International Development |
| NPC | National Peace Council |
| OECD/ DAC | Organisation of Economic Cooperation and Development/ Development Assistance Committee |
| PA | People's Alliance |
| PCIA | Peace and Conflict Impact Assessment |
| PLOTE | People's Liberation Organisation of Tamil Eelam |
| RAW | Research and Analysis Wing (India's external intelligence agency) |
| RRAN | Rehabilitation and Reconstruction Authority for the North |
| SAARC | South Asian Association for Regional Cooperation |
| SCF | Save the Children Fund |
| SEDEC | Social and Economic Development Centre |
| SIDA | Swedish International Development Agency |
| SLA | Sri Lankan Army |
| SLFP | Sri Lanka Freedom Party |
| TELF | Tamil Eelam Liberation Front(TELO, LTTE, EPRLF, EPRLF, EPDP, PLOTE, EROS) |
| TELO | Tamil Eelam Liberation Organisation |

| | |
|---|---|
| TULF | Tamil United Liberation Front |
| UNDAF | United Nations Development Assistance Framework |
| UNETF | United Nations Emergency Task Force |
| UNOPS | United Nations Office for Project Services |
| UNP | United National Party |
| UNRRTG | United Nations Relief and Rehabilitation Theme Group |