

Sri Lanka: Relapse into Conflict. Limits of Donor Interventions

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Case Studies - Empowerment

Four case studies examine the effects of donor interventions on the capacities and opportunities of the poor as part of the project on promoting empowerment in post-conflict contexts.

About FRIDE

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For over two decades, Sri Lanka has been embroiled in a protracted and seemingly intractable conflict. While its most visible impact has been the death of 65,000 people and the displacement of millions more, the cumulative effect on the country's social fabric has been profound. This paper aims to analyse the effect of donor interventions on empowerment and, particularly, how Western action/inaction has impacted on the livelihoods of those affected. It should be noted at the outset that Sri Lanka has gone through several tenuous 'post-conflict' stages. Most recently, following the 2002 Ceasefire Agreement (CFA) and six rounds of talks between the Government of Sri Lanka (GOSL) and the Liberation Tigers of Tamil Eelam (LTTE), there was genuine optimism surrounding the end of conflict. However, the relapse into conflict in the second half of 2006 and extending into 2007 throws into doubt the idea that Sri Lanka is in a post-conflict scenario, illustrated by the United Nations High Commissioner for Refugees' (UNHCR) re-designation of the country's situation as 'scenario III – high intensity conflict'.¹

¹ UNHCR, 'UNHCR's Response to New Displacement in Sri Lanka', August 2006, <http://www.unhcr.lk/partners/docs/UNHCR-Sri%20Lanka-New-Displacement-ResponseSept06.pdf> [February 16, 2007].

The role of the international community has taken on a heightened emphasis in the CFA period as international involvement, aid and conflict resolution coalesce into an increasingly volatile cocktail. Donor contributions have become closely linked with the wider goals of the international community. While there is a marked contrast from the official aims of a conflict-sensitive aid programme and the actual commissioning of aid, this approach is characteristic of a distinct shift from the largely conflict-blind donor interventions of the 1970s through to the mid-1990s. This period ran in parallel with the escalation of conflict, arguably feeding that process while attempting to make the socio-economic gains envisaged in the interventions. This paper will primarily focus on the post-2002 period and the impact of donor interventions on (dis)empowerment in a framework of post-independence disempowerment leading to civil war.

Sri Lanka is a majority Sinhala Buddhist country, reflected in the dominant discourse of its history. At the time of independence, around 75 percent of the island's inhabitants were Sinhalese. The Tamils, who offered at the time a counter-narrative of ancient kingdoms in the North and East of Sri Lanka, were the chief minority. This prompted a call for 'fifty-fifty' representation for the minorities that was rejected by the predominately Sinhala leadership at the time of independence. Ultimately, the largely English-speaking, westernised colonial elite recognised that the rural masses represented a critical element in electoral politics. Majoritarian nationalism became the means for wooing this vote, and therefore the interests of the minorities were largely cast aside.

Phases of Disempowerment: 1977 to 2002

Phase 1: 1977-1994 Economic Liberalisation and the Descent into Civil War

In 1977, the government of JR Jayewardene came to power with an overwhelming majority and set upon an agenda of restoring national unity through political and electoral reform, and economic liberalisation. The first plank was represented by the 1978 constitution which transferred power to a strong executive, and the second plank was epitomised by the Accelerated Mahaweli Programme (AMP). The government opened the economy on an unprecedented scale with relaxed or completely eliminated import controls, the introduction of structural-adjustment programmes and of foreign investment promotion, and increased private competition.² This was in contrast to the strong central economy of the previous administration. Donor involvement in Sri Lanka, which had been intermittent in previous years, began to take on unprecedented levels as both bilateral and multilateral corporations lent strong support to the government's agenda. By way of illustration, total aid from IBRD/IDA (International Bank for Regional Development/International Development Association) sources amounted to US\$ 65 million at the end of 1976; by 1997, this had increased to US\$ 1.9 billion, of which

² See D. Dunham and S. Jayasuriya (2001), 'Economic Liberalisation and Socio-Political Decay: A Case Study of Sri Lanka', conference paper, www.devstud.org.uk/publications/papers/conf01/conf01dunham.doc [February 12, 2007], p. 20.

over 95 percent was concessionary assistance from the IDA.³

The AMP was sponsored through significant funding by the international donor community. The World Bank, which had been closely involved in making recommendations for improvements in the irrigation programmes of the country, specifically contributed approximately US\$ 200 million in the early 1980s.⁴ Its primary aim was to create a self-sufficient agricultural economy in the former dry zone areas concentrated in the country's north and east. Furthermore, it aimed to redress peasant landlessness and overpopulation in the densely populated south and southwest of Sri Lanka by resettling these peasant families in the sparsely populated dry zone areas.

The legitimacy achieved through 'democratisation' permitted an easier conduct of the conflict and willingness in the international community to view it as an 'internal' problem. This permitted all donors to take an approach that bypassed conflict, resorting to a limited view that consistent economic growth indicated donor aid was attaining success on its core objectives, thus ignoring the escalation in the central conflict after the July 1983 riots. These elements combined dramatically upon the direct intervention of India in Sri Lanka's politics in 1987 with the signing of the Indo-Lanka Accord and the despatch of the Indian Peacekeeping Force to oversee the truce. Southern reaction to both the peace agreement and the Indian intervention was dramatic, resulting in the

re-emergence of the People's Liberation Front (JVP) as the extremist manifestation of popular southern unrest.⁵ As the LTTE turned its guns on the Indian peacekeepers, the state ruthlessly put down the southern uprising, generating negative publicity with substantive allegations of human rights abuses. Additionally, an outflow of millions of Tamil refugees to the countries of the west and millions of internally displaced persons (IDPs) within its own borders, the donor community began to shift away from 'conflict-blind' approaches to policy-making. It was belatedly recognised that 'reform of government structures was required as well as economic liberalisation'.⁶ Furthermore, 'conflict' and 'conflict resolution' began to be built into the mandate of donor agencies, especially by western bilateral nations such as Canada, Germany, the Netherlands and the United Kingdom.

Phase 2: 1995-2002 'War for Peace'

President Chandrika Kumaratunga initiated a 'war for peace' against the LTTE in 1995. The pursuit of this strategy for six years represents a fundamental paradox as widespread conflict did not result in a concomitant depression in the economy. This was due to the concentration of economic growth in the country's Western Province and the integration of Sri Lanka with the global economy. Economic data shows that the economy continued to grow between 1995 and

³ Central Bank 1998 report cited by S. Bastian, 'Foreign Aid, Globalization and Conflict in Sri Lanka', in M. Mayer et al., *Building Local Capacities for Peace: Rethinking Conflict and Development in Sri Lanka*, Delhi: Macmillan, 2003, p. 138.

⁴ P. Wickramasekera, 'The Mahaweli Development Programme, Agrarian Changes and the Peasantry', in C. Abeysekera (ed.), *Capital and Peasant Production: Studies in the continuity and discontinuity of Agrarian Structures in Sri Lanka*, Colombo: Social Scientists Association, 1985, pp. 86-7.

⁵ For analysis of the social motivations behind the resurgence of the JVP in 1987 see J. Uyangoda, 'Social Conflict, Radical Resistance and Projects of State Power in Southern Sri Lanka: The Case of the JVP' in Mayer et al. (2003), op. cit.

⁶ A. Burke and A. Mulakala, 'Donors and Peacebuilding: Part of the Sri Lanka Strategic Conflict Assessment 2005 – 2000-2005', Asia Foundation, Six-part series, Vol.2, 2005, p. 12. http://www.asiafoundation.org/pdf/SL_Donors_and_Peacebuilding.pdf

2000 by an average rate of just over 5 percent.⁷ This reality, and the Kumaratunga strategy, has been facilitated by an international donor community that has been fixated on the economic reform agenda. The conflict was secondary to that driving focus, and by avoiding conflict-ridden areas, specifically the North-East, development aid was diverted into projects elsewhere.⁸ As Goodhand has noted, if a link between conflict and development is acknowledged, it is that conflict is an impediment and can be removed with greater market openness and deregulation.

Towards the end of the 1990s, peace conditionalities began to be 'added-on' to aid packages as part of the wider better practices espoused by the donor community. Diverting funds to the non-government sector for specifically peace-related activities became a method through which donors could continue involvement while bypassing *bona fide* government projects. This was spearheaded by bilateral aid organisations and as such was, at the time, small scale in comparison to mainstream development programmes.⁹ The World Bank, despite beginning to invest in development projects in the North-East, continued to support a portfolio of programmes that were effectively 'conflict-blind' and, indeed, 'ethnic-blind'.¹⁰ The primary donors to Sri Lanka, the Asian Development Bank (ADB) and Japan, avoided working in the North-East until the war is over.

⁷ A. Shastri, 'An Open Economy in a Time of Intense Civil War: Sri Lanka, 1994 – 2000', in D. Winslow and M. Woost (eds.), *Economy, Culture, and Civil War in Sri Lanka*, Bloomington and Indianapolis: Indiana University Press, 2004, p. 73; See also S. Bastian, 'Sri Lanka's international straitjacket', *Himal*, December 2006.

⁸ J. Goodhand makes this point in his 2000 Strategic Conflict Assessment as the first of three responses that donors take to conflict: conflict is a 'negative externality to be avoided' and donors avoid working in conflict-affected areas and development aid is put on hold in the North-East: J. Goodhand, *Aid, Conflict and Peacebuilding in Sri Lanka*, London: The Conflict, Security and Development Group, 2000, <http://www.dfid.gov.uk/pubs/files/conflictassessmentsrilanka.pdf> [February 17 2007], p. 12.

⁹ Ibid.

¹⁰ Goodhand (2000), op. cit.

At the time of the ceasefire agreement, signed between the Ranil Wickremesinghe Administration and the LTTE in February 2002, approximately 700,000 civilians remained internally displaced.¹¹ The majority of these were Tamils, who were confined to welfare centres, consistent in their poor conditions and lack of proper assistance, and increasingly relocation villages.¹² The proliferation of government High Security Zones (HSZs), where civilians were not allowed to dwell in areas surrounding military encampments, caused further displacement, disruption to economic livelihood, and an ultimate baulk to the right to return. However, alongside those that had been internally displaced, the livelihood of the common civilian throughout the north and east was desperately poor. The closure of the main highway and a blockade on essential services to the North served to decimate any economic activity. In the rest of the country, the visible effects of conflict were less, but there was an urgent need for economic regeneration.

Donor Interventions and Empowerment

In order to analyse the effect of donor interventions in the post-conflict period from 2002, we must briefly illustrate how their activities have promoted or hindered empowerment in the conflict period. We have above touched on the fact that the donor community was heavily invested in Sri Lanka despite the

¹¹ It can be argued that the first two stages of conflict, between 1983 and 1987, and between 1990 and 1994, resulted in refugee creation, while the third stage of conflict, between 1995 and 2002, resulted in increasing creation of internally displaced people and a UNHCR pioneered 'protection regime' consisting of welfare centres and 'relocation villages' for these people. Both approaches were unsatisfactory.

¹² There are a sizeable number of Muslim IDPs who were forcibly evicted from Jaffna Peninsula by the LTTE in 1990.

escalating conflict. There have been a number of reasons for this. The most fundamental is a faith in the state, accentuated due to its strong indicators for democracy, the open market, public participation and general malleability for western economic liberalism. In Sri Lanka, this was the acceptance of the 1977 post-colonial state as a matured political entity, legitimating the pursuit of conflict. Indeed, 'dominant development theories served the interests of dominant nationalism', which 'coincided with ethnic nationalism of the majority ethnic group'.¹³ The flood of development-oriented funding therefore ignored the deeper societal schisms despite the occasional paroxysms of the majoritarian state. Consequently, western donor funding underpinning the government's economic liberalisation promoted disempowerment in conflict-affected areas. Indirectly, despite development's wider aims to spread wealth throughout the nation, it remained central in orientation and the cost of war ensured that the trickle-down effect of economic benefits bypassed the poor.

For example, while achieving some success, the AMP failed to attain its core goals of redressing peasant landlessness and wet zone overpopulation. By the 1990s, its donors had published a number of reports lamenting its failure to create an equitable peasant-based agricultural economy in the area. Its more insidious claim to fame has been the charge that an ulterior motive of the scheme was to engineer demographic change so as to discredit the Tamil claim for statehood.¹⁴ On this front, it has been more

successful, and population figures for the areas concerned demonstrate a steady increase in the Sinhala population in proportion to the Tamil (and Muslim). Furthermore, the friction caused by politically-induced resettlement has hardly increased empowerment as Sinhala villagers in 'resettlement villages' have constantly been targeted by the LTTE in reprisal attacks.¹⁵ Furthermore, major donor-funded projects like the AMP had a negative impact on the conduct of the elite with kickbacks and below-the-table financial incentives establishing a mentality of perceived corruption that has persisted to date. In rural areas, the impact was to embed and revolutionise patronage politics, a key element of the social transformation noted above.

In terms of aiding and abetting the government strategy, the 'War for Peace' period was significant, as the donor agencies 'followed' the armed forces as it made advances into LTTE territory. The big three – the World Bank, the ADB, and the Japan Bank for International Cooperation (J-BIC) – all began funding and implementing projects in the North and East. Bilateral aid agencies also began getting involved in the war-torn districts. For example, in 1996, the German Technical Cooperation (GTZ) commenced work on a project, the Jaffna Rehabilitation Project, aimed at rehabilitating selected infrastructure facilities in the Jaffna Peninsula.¹⁶ The government encouraged this process as its conquest of Jaffna town was nullified by the LTTE's pre-emptive evacuation of the town. As a result, the reconstruction of areas brought under

¹³ S. Bastian, 'Liberalised Politics and Regional Autonomy' in S. Bastian (ed.), *Devolution and Development in Sri Lanka*, Delhi: Konark, 1994, p. 146.

¹⁴ For agrarian politics and the state, the classic text is M. Moore, *The State and Peasant Politics in Sri Lanka*, Cambridge: Cambridge, 1985. See also N. Shanmugaratnam, 'Some Aspects of the Evolution and Implementation of the Policy of Peasant Resettlement in the Dry Zone of Sri Lanka: 1930 to the Present', in Abeysekera (1985), op. cit., pp. 63-81; and, specifically, C. Manogaran, 'Colonization as Politics:

Political use of Space in Sri Lanka's Ethnic Conflict', in C. Manogaran and B. Pfaffenberger (eds.), *The Sri Lankan Tamils: Ethnicity and Identity*, Colorado: Westview, 1994.

¹⁵ Y. Thangarajah, 'Ethnicization of the Devolution Debate and the Militarization of Civil Society in North-Eastern Sri Lanka' in Mayer et al. (2003), op. cit., pp. 26-27.

¹⁶ See E. Halbach, 'Rebuilding Lives in Times of Conflict in Sri Lanka: The Contribution of Jaffna Rehabilitation Project' in Mayer et al. (2003), pp. 167-176.

government control, especially Jaffna town – symbolically the centre of the Tamil homeland – began to take on symbolic significance for the government. The aid agencies, hence, fulfilled that necessity. Donors pledged approximately US\$ 200 million towards humanitarian assistance in the Jaffna District at the request of the government.¹⁷ A number of commentators have criticised the approach taken by the donors as one that failed to take into consideration basic realities and that bought into the government’s simplistic agenda of a war for peace.¹⁸ Indeed, this support for the government agenda is symptomatic of a wider paradox concerning donor actions in Sri Lanka and the practicality of an empowerment approach that is principally routed through one of the executors of the civil war. It would arguably have made for better practice if donors had supported targeted actions, such as de-mining, rather than be seen to legitimise an umbrella government policy.¹⁹

Post-2002: Internationalisation of the Peace Process

In the aftermath of the ceasefire agreement, the two sides held six rounds of peace negotiations between September 2002 and April 2003. The process was dominated by the importance of the international dimension on several levels – third party facilitation by Norway, a Nordic ceasefire monitoring mission and the appointment of the co-chairs to the peace process comprising the United States, the European Union,

Japan and Norway. The involvement of the donor community in the peace process was all encompassing – track one, facilitating peace efforts for both (and other) parties, support to civil society in order to maintain the peace constituency, and funds for local and grassroots capacity-building projects.

Table 1: Leading donors to Sri Lanka, 2003²⁰

Top Ten Donors of gross ODA (Official Development Assistance)	(2002-3 average in US\$ million)	%
Japan	249	37
ADB	148	21
World Bank	146	21
International Monetary Fund (IMF)	27	4
Germany	25	4
Norway	25	4
Netherlands	24	3
Sweden	19	2
South Korea	17	2
USA	16	2

The three major donors to Sri Lanka – Japan, the ADB and the World Bank – continued to fulfil that role with around 80 percent of total funding. The figures also demonstrate that while Western European states feature strongly, their overall influence on the GOSL is minimal for two reasons. Firstly, the total flow of aid is not comparable to the three largest donors and owing to the emphasis on conflict prevention and peace building, much of the funding goes to third-party non-governmental organisations and not to the government itself. As such, these donors have very little leverage with the government; nonetheless, their continued

¹⁷ Y. Foster, 'Jaffna – The Context of Development in a War for Peace' in Mayer et al. (2003), op. cit., p. 157.

¹⁸ As Foster (2003), op. cit., p. 158, notes, one 'entry point for better policy would be to acknowledge the contradictions' involved in humanitarian action, and the dilemmas involved in humanitarian assistance in a wider context of systematic discrimination'.

¹⁹ In 1999, for example, the government with the World Bank, UNDP and other stakeholders embarked on a national framework for Rehabilitation, Reconstruction and Reconciliation (RRR).

²⁰ Cited in Burke and Mulakala (2005), op. cit., p. 16. These statistics are taken from the Organisation for Economic Cooperation and Development's (OECD) Development Assistance Committee (DAC) and as such do not include some large donors – India, China and Saudi Arabia, for example.

involvement with vulnerable groups has contributed to local-level capacity building.

In April 2003, the Tokyo donor conference pledged US\$ 4.5 billion to Sri Lanka, largely routed through support for the peace process. Japan, the ADB and the World Bank each pledged US\$ 1 billion with the European Union (US\$ 293m) and the United States (US\$ 54m) the other major contributors. Approximately 80 percent of the funds pledged took the form of concessionary loans with the remaining as outright grants. The total figure approximated to an annual aid flow of US\$ 1.25 billion, an increase from Sri Lanka's normal aid level of US\$ 750 million per annum.²¹ The Norwegian facilitators intended the Tokyo meeting to be as much a part of the peace process as the negotiation process and as such, some form of aid conditionality appeared to be in operation.²² Nonetheless, it has become clear that the conditionality invoked is fairly loose and much of the funds have been released despite the clear failure to attain most, if not all, of the pre-requisites for access to the funds.²³ A further complication to the idea that conditionalities could be imposed on aid was the devastating Boxing Day tsunami of 2005.²⁴ Given the sheer inflow of money into the country for purposes of rehabilitation and reconstruction, the significance of the Tokyo funds diminished.

²¹ Ibid., p. 18.

²² The same issue has arisen with the February 2007 Sri Lanka Development Forum held in Galle, Sri Lanka, where the Sri Lankan government triumphantly greeted the news of pledges numbering up to US\$ 4.5 billion. However, the President of the World Bank made it clear that much of the pledges were 'not new', and that the pressing requirement was the attainment of a political settlement to the conflict. See *Sunday Times*, Editorial, February 11, <http://www.sundaytimes.lk/070211/Editorial.html> [February 14, 2007].

²³ These included 'full compliance with the ceasefire agreement by both parties', 'effective delivery mechanisms relating to development activity in the North-East', parallel progress towards a political solution, solutions for displacement, re-integration, de-escalation and normalisation, and a raft of requirements that pertained to the peace talks which, of course, did not re-start after April 2003.

²⁴ The Indian Ocean tsunami killed 36,000 people on the northern, eastern and southern coastlines of Sri Lanka.

The major effects and trends of the post-2002 period in terms of empowerment are:

Aid and Sustaining Peace – As indicated above, the policies of the international community while more conflict-sensitive and politically informed, failed to sustain peace in Sri Lanka. Burke and Mulakala, in their comprehensive assessment of donors and peacebuilding in Sri Lanka, have cited a number of factors which are directly relevant – aid is dependent on diplomatic and political considerations and is rarely independent, the more conflict-sensitive aid organisations (Canada, Germany, Norway, UK, Sweden, Switzerland etc.) are financially insignificant actors in the Sri Lankan economy, and aid is arguably not effective as a vehicle for transformation; while aid can 'support dominant tendencies or political imperatives, it can rarely change them'.²⁵ Political transformation, despite the volume of funding, has remained elusive, and conflict dynamics have not been ameliorated. Where targets have been achieved and livelihoods improved, especially in the conflict-affected areas, progress has been swept back by resurgent conflict. For example, in Vaharai, extensive donor-funded facilities for education, health and basic facilities for the internally displaced was nullified by high-intensity conflict between the government and the LTTE.

Normalisation and Resettlement – UNHCR reported initial (2002 – 2004) high rates of return for IDPs but these figures tailed off significantly following key events in early 2004, as can be seen in the table below. From a high of 269,012 returnees in 2002, the figures decline considerably in the ensuing years while the total number of IDPs remains above 300,000.

²⁵ Burke and Mulakala (2005), op. cit., p. 6.

Table 2: UNHCR statistics for returning refugees/internally displaced persons²⁶

Category	2002	2003	2004	2005	May 2006	Total
Return of IDPs	269,012	76,722	34,220	27,185	11,539	418,678
Repatriation	1,427	5,098	10,104	2,700	320	19,649
Number of IDPs	-	-	347,475	318,303	312,712	-
SL Refugees Abroad	-	-	130,962	124,800	124,800	-

The failure to dismantle High Security Zones was one major factor impeding strategies for resettlement, as durable solutions for a sizeable population of IDPs could not be found.²⁷ Furthermore, it ensured continued lack of access to education, health and employment, as arable agricultural land often fell squarely within the zones. As an example, the Sithamparapuram Camp near Vavuniya was part of the extensive protection regime of the Sri Lankan government and the international donor community, principally the UNHCR, World Food Program and FORUT (*Solidaritetsaksjon For Utvikling*, Norway; Campaign for Development and Solidarity). National non-governmental organisation (NGOs) – Sewalanka, for example – initiated projects to set up community based organisations to synergise long-term development and self-reliance strategies. In some key livelihood markers such as education this worked well, with high enrolment rates among the youth in Ordinary Level examinations and even private tuition classes. However, sustainable employment was hindered by a restrictive pass system, and the lack of arable farming land due to scarcity of land and the absence of irrigation water. This exacerbated livelihood

²⁶ Collated from UNHCR Sri Lanka Office Statistics, December 2004 to May 2006. These figures do not include new tsunami-related IDPs, and do not include the creation of new IDPs from April 2006.

²⁷ In 2003, there were eighteen such zones in the Jaffna Peninsula alone, covering an area of 190 km² out of a total area of 880 km². The number of High Security Zones has decreased as some areas have been scaled down but increased by the imposition of restrictions on movements in other areas, principally in the East.

vulnerabilities as the majority of IDPs in the camp came from fertile farming villages and as a result, only limited part-time and often seasonal employment was available. Population movement was also impossible as a permanent pass was required to seek work further afield; this pass required identity documents, many of which had been lost when the IDPs took flight.²⁸ In the long-term, grassroots capacity-building is made impossible by these continued restrictions, and populations remain perpetually vulnerable.

Civil Society – The donor community focused on a number of professional NGOs as potential drivers for pro-peace change. However, it can be argued that this coterie of organisations were largely Colombo-centric and were unable to put across the argument for peace to the wider population, especially amongst the Sinhala-dominated Southern heartland, where notions of a unitary state are particularly embedded.

North-Eastern Development – A qualitative shift in the donor approach to contributing to socioeconomic development was the significant emphasis on rehabilitation and reconstruction projects in the North and East. The World Bank led the way in this regard with IDA projects related to reconstruction, housing, irrigation, infrastructure development and improvements to rural water facilities amounting to more than US\$ 175 million. However, major problems arose following the failure of the Subcommittee for Immediate Humanitarian and Rehabilitation Needs (SIHRN), the North East Reconstruction Fund (NERF) to be operated by the World Bank, and the joint mechanism to distribute tsunami related funds. This ensured that a coordinated aid disbursement

²⁸ K. T. Silva, 'Armed Conflict, Displacement and Poverty Trends in Sri Lanka: Evidence from Selected Displaced Populations', in Mayer et al. (2003), op. cit., pp. 249-253.

mechanism to vulnerable conflict-affected populations in the North-East was restricted and often ad hoc. Indeed, following the breakdown of peace negotiations, funds to some North-East activities were temporarily halted, including that for the reconstruction of Kilinochchi hospital.

Summary of Post-War Dimensions of Empowerment

The following is a brief analysis of the types of donor interventions taken in the period 2002 – 2006.

Normalisation/Basic Needs

Twenty years of conflict were almost entirely confined to the Northern and Eastern Provinces of the country and, therefore, the vulnerability of the inhabitants of these parts were manifold and quantitatively different to that of the rest of the country.²⁹ The donor community recognised that the 'immediate needs' of these people were of concern and therefore pledged support to the activities of SIHRN, a subcommittee set up between the GOSL and the LTTE for rehabilitation needs. Twinned with a trust fund, NERF, for resources to be disbursed for relief and reconstruction activities, SIHRN was intended to call for and then identify projects that would facilitate its core functions. It ceased to function when the LTTE withdrew from the peace negotiations. NERF was never signed. This

failure was significant, as a structured outlet for project identification and implementation was lost. This would have ensured a steady flow of donor funds towards getting the people of the North-East back on their feet again.

A number of projects operated independently of official purposes; as noted above. These included:

1. A significantly expanded portfolio of World Bank projects including the North-East Housing Reconstruction Program (US\$ 75m) facilitating reconstruction of 46,000 houses which were in substandard condition through provision of cash grants; irrigation (US\$ 65m), road infrastructure, access to clean water, and healthcare.
2. The World Bank North East Emergency Reconstruction Program (US\$ 36m) financing the repair of infrastructure, building of institutional capacity and facilitation of renewed economic activity for returning IDPs. This has supported UNHCR functions alongside the EU, DFID (UK Government's Department for International Development) and the Dutch Embassy, who have been co-partners in the main government resettlement program, which has disbursed a cash grant of SLR 25,000 (approx US\$ 250) each to 111,000 families.
3. ADB involvement epitomised by the North-East Community Restoration and Development (NECORD, US\$ 40m) project³⁰ and the Northeast Coastal Community Development Project (US\$ 26m). In the latter instance, the ADB adopted a regional equity

²⁹ A revised research report carried out by the National Peace Council of Sri Lanka and the MARGA Institute estimated that two-thirds of the total economic cost of conflict has been borne by the North-East. Cited by R. Jayasuriya, 'CFA transformed Lanka polity', *Sunday Observer*, February 18 2007.

³⁰ NECORD has had substantial support from GTZ and the Netherlands and is implemented by the North Eastern Provincial Council. See the NECORD website for further information, <http://www.necord.org/>.

model that specifically filtered ethnicity to ensure an equitable cross-community service.

4. The European Union (22m Euros since 2004) operated humanitarian-related projects including an extensive Mine Action Programme operated by the European Commission Humanitarian Aid Office (ECHO). This has been supported by DFID (US\$ 5m).

From 2002 to 2004, the donor community oversaw a resurgence of economic activity and livelihood development in the North and East. NECORD, which focused on a structured 'bottom up' approach, is widely regarded as a successful pilot model which was to be replicated in the ADB's 2006 Country Assistance Strategy. It covered a spectrum of activities from basic services and housing for the displaced, improvement of health and education facilities and re-establishment of agricultural and fishing activities. The ADB's assessment of the project noted that the roots of its success lay in the highly participatory approach whereby communities determined the small-scale infrastructure needed for economic growth and poverty reduction which was then screened for consistency and strategic objectivity, in addition to the use of existing government structures. Furthermore, NECORD strived for equity at a community and ethnic level. Similarly, Sri Lanka's Mine Action Program is one of the most extensive in the world and while not without pitfalls, has succeeded in reducing mine accidents from twenty to four per month by 2004. However, despite the immense quantity of funded programmes in the conflict-affected areas, success has been hindered by two fundamental factors – lack of progress in the peace process and the devastating effects of the tsunami.³¹ Furthermore, any improvement to the livelihood of the majority of

civilians in the region has been negated by the (re)closure of the main highway and blockade of essential services by road to the Peninsula. As such, capacity-building and empowerment schemes are likely moribund and the requirement for emergency relief has become the paramount concern rather than more long-term empowerment strategies.

Peace Support and Conflict Resolution

A number of bilateral donor organisations fund civil society organisations in order to promote a peaceful resolution to the conflict: Switzerland, principally through the German Berghof Foundation for Conflict Studies; the Swedish International Development Cooperation Agency (SIDA); GTZ; the Norwegian Embassy; and the Canadian International Development Agency (CIDA) have typically followed this strategy which supports activities on several spheres – advocacy campaigns, research studies, monitoring trends for peace and war, supporting local-level conflict resolution and prevention mechanisms, and building local-level capacity. An excellent example of funding policy-oriented research has been the Strategic Conflict Assessments for Sri Lanka in 2000 and 2005. In the latter instance, the World Bank, the Netherlands Ministry of Foreign Affairs, the Asia Foundation, SIDA and DFID sponsored the main study and five accompanying studies on the Sri Lankan conflict. The accumulated product offers a sobering analysis of the shortcomings of the peace process. More so, it offers a template from which policy makers can initiate actions to focus positively on target groups.

CIDA has routed its funds primarily through the non-governmental sector for a number of years, and views

³¹ See, for example, World Bank Country Assistance Strategic Progress Report, Sri Lanka, January 2006, pp. 1-2.

it as the most effective repository of funding despite recurrent conflict. This was especially true during the years of conflict as the Canadian government withheld direct funding from the Sri Lankan government in protest over its human rights record. One danger in this approach is that civil society in Sri Lanka has found it difficult to penetrate the populist nationalist ideology of the JVP which holds currency throughout the south. Furthermore, especially with the advent of the tsunami-based NGO, the word 'NGO' has been linked by nationalist elements to anti-state functions because of the dangers painted about colonialism and foreign funding. To add to this dilemma, involvement with civil society is often ad hoc and undertaken 'clumsily' and only to a few, and constant, high-profile beneficiaries.³² Where civil society has promoted local empowerment, this has been relatively successful in building livelihood strategies, supporting female-headed households and engendering conflict management techniques. An excellent example of a joint GTZ-DFID collaboration that has been successful in building local-capacities and engendering innovative strategies for building community relations is FLICT (Facilitating Local Initiatives for Conflict Transformation), which has built a network of local-level contacts in its quest for indigenous approaches to conflict transformation. It follows a variety of approaches, from media to cultural activities to greater awareness through mobile theatre-groups. Despite its successes in building awareness, it is interesting to note that strategic reviews of FLICT noted that one of the detriments towards successful completion of its objectives was the fractured nature of civil society, recommending that greater links be cultivated between community-based organisations (CBOs) and Colombo-based NGOs to help mend this divide. CBOs supported by the donor community have

played an important role in imparting skills and techniques, and assisting with employment strategies, but all too often sustainability becomes elusive. Furthermore, regional and ethnic inequities remain at the core, ensuring Sri Lanka is the title of most unequal country in the region. Stronger, more sustained links with established civil society may assist in assuaging their collective failings.

Equitable Economic Development and Good Governance

While economic liberalisation assisted in maintaining economic growth, inequity in Sri Lanka is at the core of conflict. On most poverty indicators, Sri Lanka is both the best and worst in South Asia; the best at the national level, and the worst for regional equality. Poverty has been halved in the urban sector but fell only by 6 percent in the rural sector (the most important) and has increased by 50 percent in the plantation estate sector.³³ This process has been promoted by the donor community and with that recognition a pro-poor and pro-equity approach has dominated the agendas of both the ADB and the World Bank. The ADB is committed to a regionally equitable reform strategy, promoting growth in remoter and poorer regions, particularly the North-East, South and Central Provinces. The ADB works closely with the government to strengthen the private sector that has been constrained by high transaction costs brought about by overregulation and an unclear tax regime. The ADB, World Bank and EU have all supported small and medium-sized enterprises (SME) development as a key area to ameliorate regional equity by promoting both private sector and local development. This

³² Burke and Mulakala (2005), op. cit., p. 29.

³³ World Bank (2006), op. cit., p. 19.

dovetails with official government policy in targeting SME development as a means to halt regional inequality. However, re-starting old SMEs and helping to initiate new ones has been difficult to sustain, both because of recurrent conflict and the tsunami. Nonetheless, it has been recognised that SME development is the primary way towards achieving empowerment objectives via sustainable growth, job creation and poverty reduction. There is a need to ensure that this is sustained and take into consideration ethnic and gender inequity. A number of donors also support Transparency International Sri Lanka which has begun to produce numerous detailed reports on corruption trends in government and its related services such as the police. Foreign donors regularly support independent commissions such as the Human Rights Commission of Sri Lanka but, ultimately, there is very little proof that these institutions are producing the long-term impact desired.

Information and Communication Technologies

Information and Communication Technology (ICT) and ready access to it at every level has become an important feature of the Rajapakse regime, and the Information and Communication Technology Agency of Sri Lanka (ICTA) is strongly funded by the international donor community. It has a number of operational projects promoting access to telephone, mobile and internet facilities, as well as building distance learning centres. The central e-Sri Lanka Development project is operated by ICTA on an US\$ 83 million grant from the World Bank. It is primarily aimed at promoting the use of ICT to enhance growth, employment and equity through affordable access to

means of information and communication. The empowerment of local communities benefits through private sector development and competitiveness, creating jobs in the ICT industry, access to ICT-enabled skills and ready access to ICT tools, ultimately empowering the rural poor, women and youth.

Access to Socio-Economic Rights: Education and Healthcare

A number of projects are operational in the sphere of education, particularly access to education and improving standards of primary, secondary and undergraduate education, but also including its potentially transformative impact on conflict. It is impossible to gauge how successful these projects are; however, Sri Lanka's university system is in parlous state and the state of primary and secondary education is also often inadequate. Many schools in the North and East have become unusable as they are in High Security Zones and the remaining schools are in desperate need of better finances, facilities and staff. One of the major projects being funded is the Education Sector Development Project, funded largely by the World Bank (US\$ 60 million) but supported by SIDA and other partner organisations, directly funds the country's education budget with core aims to improve basic education and secondary education, enhance the economic efficiency and equity of resource allocation and distribution within the education system, and ultimately strengthen the quality of the education sector. It also aims to upgrade the network of public schools in order to ease geographical constraints to equitable access to high quality basic and secondary education. The World Bank is funding a similar project – the US\$ 72.6 million Sri Lanka Health Sector Development Programme aiming to

improve the efficiency, equity and quality of health care. It is also actively sponsoring a national AIDS prevention programme. Furthermore, at present there is an effort by the government in cooperation with several partner donor organisations including the World Bank, DFID and SIDA to develop a National Education Sector Strategy which would maximise the contribution education could make to social harmony and peacebuilding.

Conclusions and Recommendations

The situation in Sri Lanka is at its worst level since the 2002 ceasefire. As such, two different questions can be addressed at the donor community:

- (1) How does the donor community promote empowerment in the present scenario?
- (2) How did the donor community fail in its actions during the brief post-conflict period, and how can it learn from this experience?

We shall tackle the second question as it is of more relevance to a post-conflict scenario.

The Peace-Development Nexus: While there has been a significant improvement in political awareness and sensitivity among the donor community, 'conflict sensitivity' remains secondary to an aid agenda. This is particularly true with the major multilateral organisations and Japan, who continue to contribute millions into development projects while an escalating conflict causes deteriorating conditions for a wide swathe of people concentrated in the Northern and Eastern Provinces. Given the ethnic composition of those populations, the policy therefore reverts to one of ethnic blindness. Aid as a tool has been questioned above and in a number of analyses elsewhere, however,

if it is to have any transformative impact, it must be recognised that continued funding in the absence of political transformation is futile. On the other hand, as noted above, most European states' aid contributions are minimal in comparison to the major contributors and are concentrated in the non-governmental sector. At present, they have very little influence on government policy. However, civil society in essence remains a non-political space which has the potential to act as a transformative driver for change. The most high-profile NGOs are based around individuals and collaborate on an ad hoc basis rather than assessing how best to pool abilities to best effect. On the other hand, with enhanced support and clear direction, civil society can play a transformative and advocacy role against government excesses and reluctance to transform. Donor countries must make it very clear that the Sri Lankan state has the obligations of a modern democracy to maintain and, as such, strongly link continued development assistance with a willingness to negotiate a political settlement to the ethnic conflict. At present, there is no evidence that the government is complying with its own mechanisms for devising a solution to the conflict. The International Financial Institutions (IFIs) and Japan must make a more concerted effort to ensure that their support for development projects meets the criteria subscribed under the 'do no harm' policy.

The North-East: The donor community must recognise that the lack of a peace process affects the communities in the Northern and Eastern Provinces disproportionately in comparison with the rest of the country. A sustained commitment to both improving livelihood and monitoring needs and requirements is a must. In the case of bilateral donor organisations belonging to countries that have banned the LTTE as a terrorist organisation, there must be clarity on the

methods to be employed in areas under LTTE control for relief and humanitarian purposes.

Human Rights Focus: This was significantly absent in the post-conflict scenario of 2002-2006. The LTTE was not pulled up on its numerous human rights abuses and, as such, the international community has very little credibility in criticising government human rights abuses. A firm policy guiding prompt and impartial action on extra-judicial killings, abductions and detentions would be advisable. Furthermore, a policy on promoting free media and gender sensitivity are necessities.

Local Capacity Building: Concerted funding of provincial and local level development activities and capacity-building needs to be emphasised in order to redress regional inequities. Donors must target Provincial Councils, NGOs and grassroots CBOs to bypass the limiting, bureaucratic and financially inefficient central government. The creation of sustainable jobs and industry in the rural sectors is important. As such, a regulatory environment that would support sustained SME development and eliminate piecemeal subsidies is a key need. The benefits of ICT must be strengthened, as it is a key

area in building local capacities. At present, while internet use has doubled from 2000 to 2004, it remains limited to fourteen users in a thousand. Personal internet facilities and service centres must be expanded to bring about deepened access to information through ICT and the requisite skills for employment and industry.

Long-term Strategy: Donor organisations must endeavour to continue funding successful projects beyond the initial project duration, such as ICT development. In order to emphasise successful beginnings, a sustained and prolonged commitment to development is critical. Similarly, the bilateral donors, such as the Netherlands and DFID, must balance thoughts of withdrawal in the face of a deteriorating situation with the recognition that years of progress and commitment would be squandered.

Opening New Spaces: Donor organisations must continue to seek alternate channels for dialogue and debate. This could mean an expansion of civil society involvement, interaction with the Tamil diaspora, and continued support for track-two initiatives intended to ensure channels of communication are open between stakeholders.

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