Conflict and Peacebuilding in Sri Lanka
Caught in the peace trap?

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10 An insider’s view of donor support for the Sri Lankan peace process, 2000–2005

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Introduction

By 2008, efforts towards a negotiated peace had collapsed completely and Sri Lanka was once again at war. What had been a bloody ‘shadow’ war had now become an openly declared military battle. Unsurprisingly, when the Sri Lankan government officially abrogated the Ceasefire Agreement in January 2008, the phrase ‘peace process’ was dropped from political discourse. International actors were scorned by the government and the LTTE for working explicitly on peace-building or for decrying human rights abuses. This was a familiar scenario for Sri Lanka, echoing the ‘war for peace’ strategies of the past.

From 2002 to 2004, however, Sri Lanka experienced something unique. The peace process ushered in at that time was unlike other ‘peace’ interludes in recent Sri Lankan history, largely because of the type of international involvement. However, this internationalization of peace efforts, failed to bring a lasting settlement, and negotiations collapsed like previous efforts. Many international representatives are inclined to declare efforts launched during the ‘peace window’ as a failure.

This chapter discusses international engagement in Sri Lanka’s peace process with a focus on the period 2000–2005. In particular it examines the internationalization of the peace process and analyses why and how international actors, the government, and the LTTE stepped outside of their more traditional modes of engagement in pursuit of peace.

The chapter argues that the peace window of this period was both unique in its configuration of events, and in the response of the international community. Though the peace process and international efforts to support it may have failed, the underlying causes of the failure lie in the deeper governance and political challenges that have characterized Sri Lanka for decades. These challenges were sidelined during this period, partly because of the government’s tendency to search for external legitimacy rather than building it domestically. The opportunity to achieve a peaceful solution to conflict may have been missed, but international actors can still draw important lessons from the period on how and when donors can ‘aid’ peace.

The emphasis that aid agencies place on conflict reduction policies has increased since the end of the Cold War. Aid has been increasingly promoted as a tool for peacebuilding and for post-conflict reconstruction. Some donors have encouraged ‘conflict sensitivity’, aiming to ensure that at the very least foreign aid does not unwittingly aggravate conflict (Uvin 2002). Critics, meanwhile, have suggested that this attention to conflict masks a more self-interested global agenda, rather than promoting universal humanitarian values. Others have felt that the blurring of the line between politics and development compromises international humanitarianism (Duffield 2007; Vankovska 2007).

This study shows that in Sri Lanka, the role of domestic politics is critical in determining the impacts of aid flows, this chapter looks at practical barriers to effective aid provision that arise from within aid organizations themselves, and from their own political masters. Grand policy statements on peacebuilding are often compromised by other political agendas that aid agencies need to answer to, concerning trade, diplomatic relations, security interests, migration, lobbying from pressure groups, and so on. Agencies also confront the more practical difficulty of fitting the need to be sensitive to complicated issues like ethnicity alongside their primary institutional objective, which is to disburse pledged aid funds as efficiently as possible.

The fact that donors supported a peace process in Sri Lanka is largely a reflection of what the government wanted at that time, rather than a shift in donor policy making. Much of the attention on development and peacebuilding is focused on low-income, aid-dependent states; there is not as much interest in aid provision and ongoing conflict in less impoverished states like Sri Lanka that may receive aid funds, but are no longer a priority in terms of poverty reduction. Yet Sri Lanka, and many other states that are not aid-dependent yet still receive major flows of foreign aid, have often experienced different forms of protracted violent conflict. The marginal role of donors in such settings creates a set of challenges for them in raising and tackling potentially sensitive issues, even if their global policies prioritize conflict reduction. With little financial leverage over recipient governments, donors are generally tempted to maintain good relationships and avoid difficult issues.

This chapter presents a particular angle on conflict in Sri Lanka, focusing on the role of donor assistance and providing an insider’s view of donors’ engagement with the Sri Lankan peace processes. It is divided into three parts. First, we provide a brief overview of foreign assistance to Sri Lanka. Second, we delve more deeply into the period between 2000 and 2005, when donors became actively involved in supporting the peace process. Third, the key trends, underlying motivations and incentives for donor action are considered. The conclusion reflects on the 2000-2005 period and the subsequent collapse of the peace process, aiming to draw lessons that might be applicable more widely.
Supporting state development

For many decades, donor assistance to Sri Lanka has mostly been provided for government programmes. However, the country has never been heavily aid-dependent, and as the economy has gradually grown over time, foreign aid has become less important.

Transferred to government for major projects, or occasionally for generalized budget support, donor funds have helped finance health, education, infrastructure and other services. It is widely argued that these steps helped Sri Lanka register impressive improvements in health, education and rural poverty, and the country was held up as a major development success story up until the late 1970s.

The top-down aid delivery model practised in Sri Lanka up to the 1970s tended to support what emerged as an over-centralized state. Aid funds were provided to central government, and negotiations over how funds were allocated occurred at a central level, arguably undermining democratic processes and reducing government accountability to Sri Lankan citizens. A state that can receive funds centrally without needing to ensure the cooperation of citizens, taxpayers or local political interests may have less need to listen to local opinion. The centralized, technocratic ‘developmental state’ that aid has tended to support in many countries may lack mechanisms or political processes to ensure just political representation and a voice for ethnic or other minorities (Lefwich 2000: 152–67).

While domestic factors are more significant than aid flows in determining the political make-up of Sri Lanka, donor assistance supported structures and political systems that marginalize certain groups within the population. The political context was an emerging ethnically defined state identity, and a democratic system that effectively marginalized the Tamil minority. Internationally funded development projects have often played into such domestic political contexts.3 Perhaps the clearest example is donor support for the Mahaweli basin development scheme, a massive integrated development programme for Sri Lanka’s interior that commenced in the 1970s. Donor support made the scheme viable, but failed to integrate adequate social or political sensitivity. Resentment at unequal access to the benefits of such state investments on the part of Tamil and Muslim minority populations fuelled support for subsequent civil war (primarily among Tamils).

Changing the state? Aid conditionality in Sri Lanka

In Sri Lanka and elsewhere, an awareness that aid without policy change was often ineffective in bringing about economic growth encouraged donors to attach conditions to their support. This enabled donors and governments to keep the funding pipeline flowing, while attempting to use aid as a lever for reforms. From 1977, aid to Sri Lanka was tied to a concerted programme of economic liberalization, though it should be noted that the country diverged from the standard model, in the sense that aid flows enabled the state to grow at a time when it was ostensibly being ‘rolled back’ (Moore 1990: 353–7). The role of donors in promoting a less interventionist state has been the focus of wide criticism, with externally driven policy changes and aid projects regarded as contributors to the conflict that escalated from the early 1980s. Herring, for example, finds that donor-funded projects intended to ease the pain of transition to a more liberalized economy ended up increasing competition for government resources, and raising tensions (2003: 146–7).

From the late 1980s, donors widened their scope, promoting reform of government structures as well as economic policy change. Repeated efforts were made to slim down the civil service, improve planning and budgetary mechanisms, and change the form or function of some ministries. Subsequently, a range of peace conditionality involved a more explicit focus on conflict-related issues.5 Conditionality has long been criticized on a number of fronts, as a threat to sovereignty, as misguided given poor policy prescriptions and political naïveté on the part of donor agencies, and simply as an ineffective way of changing policy.6 With direct conditionality largely shunned as a result, aid agencies have instead promoted policy change through a range of softer instruments: dialogue, incentives, funding for specific initiatives, common donor platforms, and so on (Frerks and Klem 2006). A return to greater awareness of the role of the state in development has also led to renewed interest in supporting governments. Mechanisms for doing so have evolved, and donors may offer direct state budgetary support as well as pooled funds or sector-wide assistance (Mosley and Eeckhout 2000: 146–53).

Some donors have adopted a range of terms such as ‘transformative approaches’, and ‘building drivers of change’ to describe efforts to promote reforms of government structures that aim to move beyond crude conditionality.7 They have also considered other ways of promoting change by supporting domestic constituencies likely to build pressure for the desired reforms, including civil groups, membership organizations, media, and research bodies.

Others choose to avoid the state altogether. In Sri Lanka, many donors chose to provide aid outside government mechanisms as the conflict escalated. In addition to ‘transformative’ support to promote change, international NGOs and a range of domestic bodies have used alternative channels of support in order to reach marginalized groups and to promote a broader ‘civil society’. Such assistance may aim to build the voices of marginalized groups in policy dialogue. A fear of corruption also encourages donor agencies – especially USAID and other US government agencies – to avoid funding government directly.

For donors from Asian rather than Western nations, the prime role of the state has not been challenged, and their aid is generally provided in support of domestic state policy. A host of factors contribute to this, including: greater respect for national sovereignty and a desire to avoid foreign interference; positive experiences of successful state-led development in East and Southeast Asia; a weaker democratic tradition; and less scrutiny of aid flows by civil society domestically. Given that Asian donors are highly significant in Sri Lanka, this is important in considering the overall shape of aid (see Figure 10.1).
From the government's perspective, European and North American donors are still less significant than the small amounts below would indicate given that much of their support is channelled to or through non-governmental bodies.

Growing donor awareness of conflict

In Sri Lanka, aid organizations that looked most seriously at the implications of civil war tended to be those adopting newer ideas on aid provision more widely. Awareness of conflict as an issue spread across aid agencies and NGOs from the early 1990s (Uvin 2002). Furthermore, as Sri Lanka achieved middle-income status (according to categories used in the World Bank’s annual World Development Reports and elsewhere), donors who were increasingly focusing on poverty reduction saw less of a rationale for engagement. Some bilateral donor nations in particular stopped spending substantial sums of money in the country, and no longer delivered large projects through state channels. Consequently, for some, a good relationship with the government became less essential. They were able to focus on the conflict in a way that antagonized government, while still achieving their (reduced) annual aid disbursement objectives. A vocal Tamil diaspora was another factor drawing donor agencies’ attention to the conflict.

By 2000, a range of bilateral donors were already engaged in conflict-related issues as a core aspect of their work. Other donors, especially the largest three (Japan, Asian Development Bank and World Bank), demonstrated little recognition of civil war, or indeed of ethnicity in any other respect, in their documentation or programming (Oftstad 2002). Often, it was not in the interests of the larger donors, nor the government, to recognize issues that would complicate provision of substantial funds.

A Strategic Conflict Assessment (SCA) conducted by the UK government donor DFID in 2000 identified the following main types of development assistance to Sri Lanka: conventional development assistance channelled through government, with primary focuses on structural adjustment, liberalization, government reform and infrastructure investment; humanitarian assistance provided to the conflict-affected northeast; and assistance from smaller bilateral donors, through civil organizations focusing on areas such as human rights, conflict resolution, capacity building and judicial reform (Goodhand 2001). The SCA found that across the board, donors responded to conflict in three ways. The predominant approach was to work around conflict, avoiding affected areas of the northeast. If a link between conflict and development was acknowledged, it was that conflict can be ameliorated through greater market openness and deregulation. Major donors such as Japan and the Asian Development Bank (ADB) have taken this line; some others (such as the World Bank) focused on conflict in some of their assistance, but the bulk of their support remains in this category.

The second response was to ensure that projects were sensitive to conflict conditions: agencies working in the northeast have been forced to adapt programmes by reducing conflict related risks and ensuring that aid does no harm. This includes international NGOs and some UN agencies. In the third category, some agencies adopted an explicit focus on conflict. A small group of bilateral donors recognized the link between development and conflict and began to identify possible interventions. While these initiatives brought new ideas and lessons, they were relatively small scale and were unlikely to affect wider incentives systems and structures related to the conflict.

Table: Bilateral ODA by Sector (2004-05)

- Education
- Health and population
- Other social sectors
- Economic infrastructure and services
- Production
- Multisector
- Programme assistance
- Action relating to debt
- Emergency assistance

Source: OFCD (2008), World Bank (www.oecd.org/dac/stats)

Notes:
1 Gross figures including both loans and repayments of loans from government to donor institutions. Official Development Assistance (ODA or Foreign AID) is provided by donor countries to developing countries. Donors are typically developed OECD member states. But Foreign Aid has always been highly politicized and often controversial, and many donors to Sri Lanka are not OECD members.
2 Some non-OECD donor contributions do not register on these statistics, including: India (sizeable low-interest loans), China, Saudi Arabia, Kuwait, and other Middle Eastern governments.
3 From the government’s perspective, European and North American donors are still less significant than the small amounts below would indicate given that much of their support is channelled to or through non-governmental bodies.

Figure 10.1 Donor flows to Sri Lanka, 2005

An insider’s view of donor support
Donors and peacebuilding 2000–2005

In the five years following the first SCA, political and institutional contexts have tested the extent to which donors in Sri Lanka can effectively support peace. This section analyses donor attitudes and practice over three periods, corresponding with shifts in the political environment.

The war for peace period: increasing donor disillusionment

As the Sri Lankan economy weakened in 2000–2001, military deadlock continued in the north. The LTTE managed to inflict major casualties on the armed forces, and simultaneously pursued terrorist tactics in the south. Over time, small bilateral donors began to move away from support to the government that was led at that time by the People’s Alliance (PA) coalition. Following the lead shown by the Netherlands, Germany, and Canada, others followed. Many NGOs also responded to this shift. For the development banks and the IMF, economic stagnation and lack of policy change were the primary basis for some withdrawal of support.

Some bilateral donors attempted at this time to raise attention to the perceived folly of providing donor funds when continued conflict was damaging the economy of the island as a whole. While some donors were continuing in an environment of ‘business as usual’, and argued either that the government had a right to pursue a war against a terrorist non-state actor, or that withdrawal of support would hardly help the situation, others were aiming to establish greater links between conflict and development assistance. They funded a range of studies with this aim in mind. Positions became polarized at times, as was seen at the Donor Forum policy meeting in Paris in December 2000, where some donors were outspoken on the failure of government to promote peace in any meaningful way.

By this point, a range of smaller donors were actively engaged in peacebuilding measures as a key aspect of their programmes. Large donors, including the ADB and the World Bank, were focusing increasingly on links with conflict through programmes in the northeast, support for the government-led Relief, Rehabilitation and Reconciliation programme, and occasional aims to integrate awareness of ethnic issues into programming in the south or across the island. One prominent example was the World Bank education sector reform programme. However, the conflict remained a secondary factor in deciding resource transfers from the largest donors.

Throughout this period, the PA government maintained the position that the conflict was an internal matter. Donors were discouraged from proactively working on conflict or expressing political viewpoints.

Donors get comfortable with the UNP and LTTE

The UNP electoral victory over the PA government in December 2001 led to a wholesale change. The new government signed a ceasefire agreement with the LTTE in February 2002, launched peace talks soon after, and opened the doors for international engagement and support. The UNP saw opportunities in internationalizing the peace process. Norway played the role of official facilitator to the peace process and appointed a special envoy. Ranil Wickremasinghe, the new Prime Minister, also decided at the outset to create an international ‘safety net’ for the peace process, but also for the UNP. Key influential blocs – the USA, European Union, and Japan – were brought in as co-chairs and provided not only economic guarantees (the promise of a peace dividend), but also political ones. They undertook the peace process, not just through their influence over aid, but also by lending their political weight to the process and to the UNP government. Having these countries in the government’s camp was also important in providing a security net; with the US in particular backing the government through greater military cooperation (see Lunstead, this volume), Wickremasinghe hoped to reassure a nervous Sinhalese public that its international friends would be a counterweight to the LTTE’s military strength.

The donor response following the ceasefire was in many ways remarkable, given the absence of any significant political settlement. In some respects they treated a no-war, no-peace environment as though it were a post-conflict setting. Donors saw opportunities in engaging with a government willing to listen to their views, and to use language that donors or their diplomatic colleagues would find encouraging. Added to this was the new government’s economic policy platform that promoted rapid reform through liberalization towards a greater role for the free market and reduced state intervention (see Bastian, this volume). For a majority of donors, this policy portfolio was very close to the prescriptions that they themselves would have offered.

Peace architecture (such as peace secretariats and a donor co-chair conference mechanism) was rapidly put in place, and donors, eager to play a constructive role, channelled support towards these bodies. Japan, who had previously trodden cautiously over political matters, appointed a special envoy for the peace process and assumed the leading co-chair role. Other donors also appointed special peace envoys and deployed countless missions to launch reconstruction programmes. The Ceasefire Agreement made provision for the Nordic countries to establish the Sri Lanka Monitoring Mission.

Between late 2002 and early 2003, the government and LTTE held six rounds of peace talks. The government also pushed forward on developing its economic plan, while the World Bank, ADB and the UN led a needs assessment for reconstruction in the northeast. In parallel with the formal peace talks, international donor conferences were planned to mobilize and leverage international support and financing. The Oslo conference in November 2002 built on the recommendations from the two rounds of talks, with donors endorsing the parties’ commitment to human rights and other core principles, and pledging to support a reconstruction fund for the conflict-damaged northeast. Further conferences were planned in donor country capitals, leading to a final high profile conference in Tokyo in June 2003. There, donors were expected to pledge major funds against a completed needs assessment of the northeast and the government’s economic recovery plan, which doubled as its Poverty Reduction Strategy Paper (PRSP) (called Regaining Sri Lanka). Another significant feature of this period was the international community’s relationship with the LTTE. The international community was consistent in its
support for constructive engagement between the government and the LTTE, hoping that it would lead to a negotiated political settlement. The UNP government’s encouraging approach to international engagement with the LTTE provided space for donors to meet LTTE representatives who had set up a liaison office in the Sri Lankan capital, Colombo, as well as a network of contacts internationally. For aid agencies, engagement with both parties to a conflict is often seen as an important part of designing post-conflict assistance.

The ADB and World Bank took a pragmatic approach, developing informal working arrangements with key LTTE counterparts to ensure effective implementation of their proposed large-scale reconstruction projects in the northeast. The LTTE regarded their even-handed approach favourably because it brought resources to their areas, so it was no surprise that the World Bank was the LTTE’s custodian of choice for the new North East Reconstruction Fund. The United Nations children’s agency UNICEF courageously attempted to tackle thornier issues involving vulnerable children and underage recruits. Through an approach of constructive engagement and strategic partnership with LTTE-aligned organizations like the Tamils Rehabilitation Organization (TRO), UNICEF was able to get government and LTTE agreement to an Action Plan for Children Affected by War (UNICEF 2003, 2004), though in practice this was never effectively implemented.

For bilateral donors, engaging with armed non-state actors presented a particular challenge. Bilaterals such as India and the US took a harder line with the LTTE, reflecting their own history with the organization (in the case of India), or domestic policy constraints restricting association with terrorist organizations since 11 September 2001 (see Lunstead, this volume). Most other bilaterals adopted visible and direct ‘constructive engagement’, with the LTTE in Sri Lanka and abroad, providing a sympathetic hearing, and in some cases (Norway, Switzerland) providing funding and support. Even countries that had proscribed the LTTE as a terrorist organization (UK, Australia, Canada) chose this approach. This ‘good cop, bad cop’ routine, whether by design or coincidence, kept pressure on the LTTE to reform on fundamental human rights issues, while still encouraging their political transformation. Though approaches differed, the common interest amongst donors was to encourage the government and LTTE to work together towards a political solution based on power sharing and federalism. When access to the northeast improved (due to the opening of the A9 road and resumption of commercial flights), donor traffic to the Vanni region increased, and donors were not prepared to abandon their support for peace negotiations.

The donor process continued, however, even without the LTTE. The Tokyo conference was well attended: participants included the Sri Lankan Prime Minister, the Japanese Prime Minister, the Norwegian Foreign Minister, the US Deputy Secretary of State, and the President of the ADB. The LTTE justified their absence from Tokyo by arguing that the conference, like the previous Washington conference, undermined the basic principle of parity between parties in the peace process. In any case, $4.5 billion was pledged overall, 20 per cent in the form of grants and the remaining 80 per cent as concessional loans. Adjusted on an annual basis, the $4.5 billion worked out to be about $1.25 billion a year – compared to Sri Lanka’s normal aid level of around $750 million a year. The largest pledges came from the three largest donors to Sri Lanka – Japan, the ADB, and the World Bank (US$1 billion each) – with significant contributions from the European Union ($293 million) and other bilaterals. The Declaration made in Tokyo stated that assistance by the donor community must be closely linked to substantial and parallel progress in the peace process, with donors holding the right to decide whether commitment to peace was genuine. The language used struck most observers as donor conditionality rather than a looser linkage. However, the government accepted the conditional overtones, realizing that they put more pressure on the LTTE than themselves, and would act to support their economic reform strategy. The government left Tokyo with their pockets full. Donors left Tokyo locked into a declaration that they were ill prepared to implement. The LTTE were simply left out, having chosen not to attend.

For the international community, the conference process and especially the Tokyo meeting were intended to bolster and support a positive peace process. When the peace talks went off track in April 2003, the conferences continued, partly out of their own momentum as plans had been made, but also because donors hoped and felt confident that talks would resume soon. Though stalled talks were a setback, donors were not prepared to abandon their support for peace and hoped the Tokyo conference would provide an incentive for parties to resume negotiations.

The six months following the Tokyo conference confirmed the donors’ predicament. Peace talks remained on ice, the North East Reconstruction Fund never evolved beyond a piece of paper, and there was little progress in agreeing on administrative structures for the northeast. The ambiguity of the Tokyo Declaration led to ad hoc responses, with some donors holding off on their assistance to the northeast while continuing their assistance to the government for the south.
unlikely to affect the over-riding policy-based priorities of most donors. In Sri Lanka, donors are largely driven by agency-specific imperatives and agendas, mediated through internal bureaucratic filters. Categorization of Sri Lanka as a middle-income country has led to the possible departures or scaling back of some smaller donor programmes. The lack of progress towards peace further contributed to donor fatigue.

Third, the response to 11 September 2001 affected development policies by giving increased emphasis to issues of global security and counter-terrorism. This has changed how some donors engage with the LTTE. It has also led to the creation of special reconstruction and stabilization programmes and units within some donor agencies that focus on failed and fragile states.17

Finally, an increased emphasis on coordination and harmonization has affected donors from the European Union especially. It has led to an increased emphasis on common principles and ways of working, which reflects a broader global trend in donor ‘good practice’.18 However, such efforts have been strongly resisted by the UPFA regime, which has preferred to play a divide and rule game with international donors.

**Integrating conflict sensitivity**

Some bilateral donors made peacebuilding their main priority for Sri Lanka. UN agencies such as UNICEF engaged productively in the northeast and on conflict issues more widely, in common with a global move towards recognizing child rights as an over-arching priority. For others, the response was more instrumental, stemming from growing awareness that the conflict has a real impact on their projects and programmes that needs to be taken into account.

As a result of increasing analytical work, donors were more aware of the underlying causes and drivers of conflict. But aid flows were not generally well placed to engage with the fundamental or underlying problems that generated conflict in the first place. A ‘transformativie’ approach to tackle background conditions gained little ground, although enhanced understanding provided scope for some useful interventions.19

In departure from earlier practices, large donors like ADB and Japan began to consider issues of equity between Tamil, Sinhalese and Muslim populations in monitoring and appraisal of projects. The World Bank designed its Country Assistance Strategy to include a core pillar on peacebuilding. Some donors – ADB, UK, Switzerland for example – created new posts for conflict and peace specialists. This made a considerable difference to their ability to engage with issues on the ground.

Although the frozen peace talks meant that no interim authority emerged, many donors found ways of working in the northeast for a period. These generally built on existing mechanisms that donors already worked with, operating either through international NGOs, UN agencies, or government departments. Recognizing the role played by the LTTE and its partners in the northeast, most donors working in these areas found means of ensuring LTTE cooperation and consultation until the situation deteriorated.

**Political awareness**

Engaging with the peace process improved donors’ knowledge both of the dynamics of the conflict, and of shorter-term political imperatives. Specialist staff, joint working, and learning exercises such as a ‘scenario planning process’ in 2004 increased knowledge and understanding. Although the main objectives for the larger donors were broadly speaking the same as before, linkages with conflict issues were being made. By 2005 there was some engagement when conflict issues were perceived to have the potential to damage the realization of key objectives concerning economic growth, poverty reduction, or associated reform programmes. Subsequent donor strategies, for example the World Bank’s Country Assessment 2003–2007, explicitly incorporated peacebuilding in a more concerted way than had been the case before.

However, donor support for economic liberalization may have demonstrated a long-standing lack of political awareness. Given the patronage-based structures of Sri Lankan political systems, a rapid liberalization programme is challenging – it attacks vested interests, and undermines grassroots support – and it may also create financial opportunities for certain political and business elites. Many observers may agree that Sri Lanka needs reforms, but the sequencing of any steps is a careful political balancing act. Some argue that donor promotion of rapid economic reforms under the UNP government undermined grassroots support for the peace process (see Bastian, this volume). Whereas a peace dividend was promised, the reality for many in the south was rising prices as subsidies were removed. Given that popular southern support is important for any government promoting a peace settlement, this may have been short-sighted. Indeed, the numbers of votes won by the JVP and still more extremist Sinhala groups in the south in the election of 2005 effectively dealt a massive blow to the peace process (see Rampton with Welikala, this volume).

By backing a peace process that was strongly identified with one political grouping, donors may have also acted counterproductively in the longer run, given the oppositional characteristics of the Sri Lankan political scene. In this sense, donor enthusiasm to support a peace process being led by a party that also had the ‘right’ economic policies may have led to politically naïve international policy making based on short time horizons.

A range of donors simultaneously chose to support civil bodies working on conflict related issues in an effort to build domestic pressure for peace. Various donors made a conscious effort to move beyond an elite range of NGOs in Colombo, and find indigenous bodies that might be able to build a generalized groundswell supporting peace.20 Occasionally, civil groups within the diaspora community were also involved – in Switzerland for example. Yet a continual criticism is that in general these programmes still failed to reach beyond just a few high profile groups.21

Higher-risk and potentially high-exposure initiatives also emerged, including directly engaging the LTTE themselves whilst supporting development initiatives for the northeast, and promoting greater links between the LTTE and the government. Whereas donors had preferred to keep a very low profile in the past, at times...
they responded rapidly to the peace process given the incentive to contribute to, and be associated with, a potentially successful outcome.

The donor harmonization that seemed possible during the UNP government may have given individual donors the confidence to take risks, knowing that their policies would be supported or shared by other agencies. Generally, donor collaboration and information sharing in Sri Lanka improved hugely between 2000 and 2005. Some results included joint working on selected projects, and the common positions developed in Tokyo in 2003. Donors collaborated on common negotiating positions, engaged in shared analytical exercises, and increasingly co-financed peacebuilding support. However, this changed when the government changed.

Some donors, and many political commentators, have long felt that mainstream development support to the government should have been used to change the structures and political systems that are part of the background of the conflict: according to this line, a sense of injustice at the perceived unequal treatment of the minority population through skewed resource allocation, language and education policy, and so on, will arguably not disappear until there is pronounced institutional change. Decentralization of power to the local level is also seen as significant. However, while some donors hold such aims, others – especially the largest three (Japan, ADB, and the World Bank) – did not reorientate the bulk of their activities around them. At the margins there has been some evidence of change: for example the ADB and World Bank tried to work more closely with provincial and local administrations, particularly in the northeast.

The 2000 Strategic Conflict Analysis on Sri Lanka noted that: ‘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’ (Goodhand 2001). This had hardly changed by 2005. Donor timeframes were still driven in practice by short-term cycles of planning and financing, while the agencies able to work effectively in the northeast tended to be those with a long track record of engagement.

**Sri Lanka post-2005**

By 2008, the government and the LTTE each believed the other could only be dealt with through coercion at home and diplomatic isolation abroad. Human rights abuses mounted and the government took strong exception to the international community’s efforts to deter further escalation or to link trade ties and economic assistance to progress on power sharing and human rights. Western countries like the US, UK and Germany reduced their assistance to Sri Lanka and increased their criticism, particularly on human rights (Human Rights Features 2007). If international actors were disillusioned after the fall of Wickremasinghe’s UNP government in 2004, by 2008 there was a general feeling of fatigue, frustration and futility. By mid 2009, had reached new levels given the dire humanitarian situation in the Vanni and the government’s securitized approach to assistance in the north and east. A military logic continued to prevail even after the government’s defeat of the LTTE in the Vanni in May 2009.

President Rajapaksa did not altogether abandon an internationalized strategy, but rather chose to court a different set of countries as his partners. The government’s position in 2008 was that the co-chairs of the peace process and Western international actors more broadly had been overly pro-UNP. This fits a long-standing political expectation in Sri Lanka that the UNP favours Western-aligned business interests, whilst other parties are typically more cynical of the West and less willing to back various domestic business interests. As the government’s relations with Western countries strained, it increasingly looked to other Asian countries and international capital markets for aid and investment. China and Iran in particular have pledged more than $2 billion to develop Sri Lanka’s ports, oil refineries and power infrastructure. In the eyes of the UPFA government, this brand of internationalization delivers aid and security without peace conditionality. Whether these new donors can substitute for Western donors as Sri Lanka’s main ‘development partners’ is yet to be seen but the government – backed by a large section of voters – has been defiant. President Rajapaksa has billed the new tide in donor assistance as ‘traditional Asian solidarity’.

Sri Lanka’s respectable economic growth throughout the years of conflict has not been transformative politically or socially. It has also been accompanied by little growth in productivity or investment in infrastructure, education, and public services. The opportunity cost of the war remains huge and there can be no accelerating development without an end to the conflict (Fernando 2007). International actors, however, were still compelled to try to persuade the present government to pursue a political solution to the conflict, to respect human rights, and to work with them as partners in programme implementation. The impacts of this engagement have often been either ineffectual or negative, sometimes resulting in a harsh public backlash against individual donors. UN agencies have also come under fire from the government in their attempt to work in conflict-affected areas to deliver humanitarian assistance.

**Conclusions**

Donors shifted their approach in Sri Lanka between 2000 and 2005. They became far more aware of conflict-related issues, were more able to work together on conflict and were more able to draw links between the conflict and their own financial support. Yet ultimately, ambitious efforts to promote peace with development assistance between 2000 and 2005 failed. Despite dynamic swings in the peace process, the structural underpinnings of the Sri Lanka conflict were not transformed substantively. While development aid may have provided a means for supporting a more fundamental shift if it had occurred, it could not itself be a driver of such change.

International involvement in peacebuilding can create unrealistic expectations of rapid change. Post-conflict environments often create scope for structural adaptations that would not otherwise be possible. However, there is no such state of flux in Sri Lanka. While the dynamics of conflict have been fluid, radical transformations are unlikely given continuities in the underlying structures of the state and policies of political elites.
The notion that aid can in itself act as a significant lever to promote peace in Sri Lanka is unrealistic and perhaps misses a set of limiting factors. The only field in Sri Lanka where the major donors stuck to a reform agenda was over progress towards a liberal economic model. Those aid agencies at the forefront of peacebuilding approaches were financially insignificant aid actors in Sri Lanka. Although this does not render them irrelevant, and there were many valid exercises that they engaged in, it does mean that their own approaches are unlikely to become common currency across the aid community in Sri Lanka.

Aid is only rarely effective as a tool for transformation. It is a relatively minor issue in the political economy of conflict in Sri Lanka and the same applies in most other countries. This means that while aid can support dominant tendencies or political imperatives, it can rarely change them. The viability of aid as a supporting factor to the peace process depends entirely on progress in the peace process itself. In most cases, aid is the cart and not the horse.

This does not mean that the international community is without influence. Donor countries can optimize the variety of means of engagement that they bring to Sri Lanka: trade, military, security, diplomacy and aid. Donor agencies themselves can provide a variety of incentives and supportive measures for peace, as part of wider efforts. Over time, donors in Sri Lanka came to the general consensus that aid can benefit peace but cannot create it. The drivers of change in Sri Lanka are political actors, not donors. While political actors have used aid as a lever for their own political interests, donors should not mistake this manipulation for influence.

Notes

1 Military pursuit of victory, presented as ‘war for peace’, was a characteristic of previous governments, including those of President Chandrika Kumaratunga (1994–2005).
2 This chapter was compiled using general information gathered through the authors’ professional engagement in Sri Lanka dating back to 1991. Interviews and review of literature conducted in February 2005 provided more detailed sources; updated interviews in late 2007 enabled the period of study to be placed in context. A Strategic Conflict Analysis conducted by donor agencies in Sri Lanka in 2000 provided a valuable baseline against which material was compared, see Goodhand (2001).
4 For an examination of the interactions between donor-promoted liberalization policies and the conflict, see Bastian (2007).
5 Boyce (2002b). Peace conditionalities seek to calibrate the flow of donor support more closely to peace processes by tying specific aid agreements to specific steps to build peace.
6 See for example Killick (1998).
7 For example the Department for International Development (2005).
8 The northeast existed as one province from 1988 to 2007. It is now two separate provinces.
9 Unlike the later 2005 assessment, the earlier Strategic Conflict Assessment undertaken in 2000 (Goodhand 2001) was not a common exercise shared by many donor agencies. It was a shorter and less inclusive process, undertaken at a time when military conflict was ongoing. However, it provides a starting point and remains a valid interpretation of events up to 2000, with a particular focus on donor assistance and conflict.