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# The Returns of Peace in Sri Lanka: The Development Cart before the Conflict Resolution Horse?

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## Abstract

*The current peace process between the Sri Lankan government and the Liberation Tigers of Tamil Eelam (LTTE) is unprecedented on several counts: talks have never lasted this long, been this stable, or been at such a high level in the past. Also unprecedented, and perhaps key to the early success of the process, has been an agreement (referred to in this article as the 'Killinochchi consensus') between the main stakeholders that the first priority of conflict resolution is realising the 'peace dividend'. This has resulted in considerable action and cooperation on reconstruction of the war-torn Northeast and development of the island's economy. It is suggested here that, apart from their direct benefits, these efforts have two further aims: to bolster popular support for the peace initiative, and to foster cooperation between the two negotiating sides ahead of discussions on more contentious issues. Also novel in the Sri Lankan case has been the willingness of international donors, particularly the international financial institutions, to get involved in the peace process well before a permanent solution has been achieved. While several questions remain about the nature and scope of the development imperative, whether it has been correctly sequenced, and whether it can deliver a sustainable peace, a constructive and pragmatic approach to peacebuilding through development holds some promise in Sri Lanka and perhaps elsewhere.*

## Introduction

The signing of an indefinite ceasefire between the Government of Sri Lanka<sup>1</sup> and the separatist Liberation Tigers of Tamil Eelam (LTTE) in February 2002 ushered in the most secure and promising period in the island's troubled recent history. Since then the two protagonists have been negotiating a permanent political settlement. Despite the progress to date, much remains to be done to transform this period of non-war into a sustainable peace – particularly as some of the most contested and potentially disruptive political and military issues (e.g. disarmament, minority rights and the design of appropriate political institutions) have yet to be addressed, let alone resolved.

An area where the two sides have agreed and cooperated – with the active support of international donors and the business sector – is the reconstruction of war-affected areas and island-wide economic development.<sup>2</sup> This has led to the emergence of what might be called the 'Killinochchi consensus', named after the town under LTTE control where many of the early negotiations have taken place and which has emerged as the focal point in the drive to rebuild the Northeast. The development imperative is a shared *first* priority towards building peace in Sri Lanka; it has underpinned negotiations to date and, it is hoped, it will pave the way for a permanent settlement. Though many issues remain

uncertain and the outcome of the whole process by no means guaranteed, it is timely and useful to review these attempts at peacebuilding *through* development in Sri Lanka.

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This article examines the nexus between conflict, development and peacebuilding in Sri Lanka, the interests and strategies of local and international stakeholders who have shaped it, and the novel sequencing of priorities. The Sri Lankan case raises several interesting and potentially important questions about the possibilities of using economic levers to transform political conflicts, the ability of international donors to ameliorate civil conflicts,

and, more generally, the relationship between state, society and market in plural developing countries. It is suggested here that the Sri Lankan case may be an instance in which joint and early action on securing the material dividends arising from peace can consolidate efforts at conflict resolution, at least in the short-term.

The following section deals briefly with the relationship between conflict and development in Sri Lanka's recent history. Subsequent sections analyse in turn the ways in which the development drive has featured in peace negotiations and the role being played by the international community in this process. A penultimate section examines some of the challenges to peacebuilding in Sri Lanka that remain and a concluding section dwells on the wider lessons that may be drawn from the Sri Lankan experience.

## **Conflict & Development**

The roots of the conflict in Sri Lanka can be found in agitation for greater rights by the island's Northeastern Tamils<sup>3</sup>, who make up about one-eighth of the total population. Such agitation occurred particularly in the period following the island's independence from Britain in 1948. Tamil political leaders claimed that the Sinhalese, who make up some three-quarters of the population, were using their stranglehold on political power to discriminate against Tamils. Several incidents of violence against Tamils culminating in a pogrom in 1983 in Colombo where an estimated several thousand Tamils were killed led to a growing feeling of physical insecurity. At the same time, Tamil political support was shifting away from elected political leaders to a number of Tamil militant groups advocating separatism.

By the mid-1980s, the Sri Lankan armed forces were engaged in regular skirmishes with some of these Tamil militant groups and the conflict began to resemble a conventional war between the state and the most dominant group, the LTTE. Except for sporadic periods of ceasefire, the conflict continued throughout the 1990s and into 2001. One of the longest and most costly conflicts in the Asia-Pacific region, the war in Sri Lanka has resulted in the death of at least 70,000 people, the displacement of hundreds of thousands, and the devastation of large parts of the island's Northeast where much of the fighting has taken place. While several attempts have been made towards a negotiated settlement, the major protagonists have repeatedly resorted to a militaristic strategy to achieve seemingly contradictory aims: a separate state of 'Tamil Eelam' for the island's Tamil population versus a united and unitary nation-state. It was in this context of a seemingly irresolvable conflict that an indefinite ceasefire between the two parties emerged. With the facilitation of envoys of the Norwegian

government, there had finally been some tangible progress in resolving one of the world's most intractable ethno-nationalist conflicts.

When examining the causes, consequences and dynamics of Sri Lanka's conflict, it is clear that economic development is implicated in several ways. First, access to key socio-economic resources such as education, employment (particularly in the state sector) and regional development has been a central political issue. Tamil concerns about discrimination and Sinhalese perceptions of the relative advantages enjoyed by Tamils can be seen as instrumental in the rise of communal politics (Sriskandarajah 2002a).

Secondly, almost two decades of war have cost the Sri Lankan economy dearly. In the Northeast, there has been widespread destruction of infrastructure, low levels of investment (public and private), a collapse of agriculture, shortages of critical goods and inputs, an absence or disruption of key markets for goods and services, damage to ecosystems, disruption of education and, as a result, large-scale internal and external displacement (Sriskandarajah 2002b). Island-wide, the direct and indirect economic costs of the war have been estimated to run into billions of US dollars (Grobbar and Gnanaselvam 1993; Kelegama 1999; and Arunatilake, et al. 2001). Further, a significant share of national output, including a large share of public spending, was spent on war-related activities (Sarvananthan 2002). International involvement in the economy had been steadily falling as a result of political uncertainty and perceived risk.

However, it should be noted that despite the negative economic consequences of war, Sri Lanka has made good progress in economic development. The Sri Lankan economy continued to grow relatively rapidly even at the height of the conflict, with annual Gross Domestic Product (GDP) growth averaging around 4% over the last quarter century. While Sri Lanka's per capita GDP is low (at around US\$850 per annum, Sri Lanka ranks 99<sup>th</sup> out of 173 countries surveyed), considerable success in education, health and welfare policies have meant that Sri Lanka's world rank in the broader Human Development Index (HDI) is better, at 81<sup>st</sup> (UNDP 2002).

Thirdly, although numerous military and political causes can be identified as to why the parties agreed to a ceasefire (e.g. military impasse, the government's election promise of peace, foreign facilitation, domestic pressure from civil society, and the post-September 11 context), there was also an economic imperative at work. In 2001, the Sri Lankan economy experienced its first ever contraction since the country gained independence, with GDP estimated to have shrunk by 1.4% compared to the previous year. The fiscal picture was also looking dire with military expenditure and government deficits ballooning. Arguably, more than at any other time in the country's recent history, the government could ill-afford to pursue its increasingly costly military strategy. For its part, the LTTE may also have been feeling the effects of limitations on its overseas fundraising and diplomatic activity as a result of proscriptions placed on the movement by several countries.

In these and other ways, the nexus between conflict and development has been a persistent and important theme in Sri Lanka. When the United National Front (UNF) coalition was elected in December 2001 on a platform that promised peace *and* prosperity – and the LTTE simultaneously announced its willingness to negotiate – the foundations for an end to the war had been laid. Just how the process has transpired (see Box 1), particularly with regard to its emphasis on reconstruction and development, is examined in the following section.

**Box 1. The first twelve months of the peace process**

<b>Date</b>	<b>Event</b>
22 February 2002	A ceasefire agreement between the Government of Sri Lanka and the LTTE is signed committing the two sides to maintain a separation of forces, refrain from offensive manoeuvres, and allow for the unimpeded flow of most items between areas under their respective control.
March 2002	The Sri Lanka Monitoring Mission (SLMM), staffed by representatives of Scandinavian countries, begins operations. Travel restrictions between government- and LTTE- controlled areas are lifted.
April 2002	The A9 highway that links the Jaffna Peninsula to the South is reopened, allowing for relatively free movement of people and goods, with both sides maintaining checkpoints at officially designated border points.
June/July 2002	Representatives of the two sides hold several meetings to discuss, among other things, arrangements for direct negotiations.
August 2002	Dates for the first round of talks are set and arrangements made for lifting the proscription of the LTTE in Sri Lanka ahead of talks.
16-8 September 2002	The first session of direct talks, held in Thailand, is considered a resounding success. The parties agree to set up a Joint Task Force for Humanitarian and Reconstruction Activities (JTF) and schedule three more meetings.
31 October – 3 November 2002	At a second session of talks, also held in Thailand, the two sides decide to set up three subcommittees (Subcommittee on Immediate Human and Rehabilitation Needs in the North and East (SIHRN); Subcommittee on De-escalation and Normalisation (SDN); and Subcommittee on Political Matters) in place of the JTF.
Mid-November 2002	The first meetings of the SDN and the SIHRN are held in the Northeast.
25 November 2002	The Norwegian Government hosts a one-day Peace Support meeting at which donors discuss and pledge support for supplementary reconstruction needs in the Northeast. Around US\$70 million is allocated, primarily to a Northeast Reconstruction Fund (NERF).
2-5 December 2002	At a third session of negotiations, held this time in Norway, both sides agree to examine federal structures in their search for a political framework. A fourth subcommittee, on Gender Issues, is also announced.
Mid-December 2002	The second meetings of the SDN and the SIHRN are held in the Northeast.
6-9 January 2003	At a fourth session of talks, held again in Thailand, the LTTE refuses to participate in further meetings of the SDN. Despite this and other sticking points emerging, the two sides agree on further sessions in February, March, and May. The two parties agree to request the World Bank to administer NERF funds in trust for the SIHRN to disburse. There is also agreement to implement an Action Plan for an Accelerated Resettlement Programme for the Jaffna District.
15-6 January 2003	A two-day meeting of the SIHRN is held at the subcommittee's new secretariat in Killinochchi to select projects to be funded by the NERF. Further dates for SIHRN meetings are set for February and March.
8-9 February 2003	A fifth and shortened session of talks is held in Berlin. Human rights matters

## Peace & Reconstruction

Despite the progress made since the ceasefire agreement, especially in improving the livelihoods of people in the Northeast, there have been very few concrete political breakthroughs. Admittedly, the LTTE has indicated that it is prepared to settle for something short of full secession if the terms are acceptable, and both sides seem to have agreed that some form of federal structure may be the best way forward. However, these are hardly concrete steps. Moreover, their announcement has come relatively late, some time after the key development-related issues had already been discussed and acted upon.

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level, it is hoped that greater economic prosperity will lead to greater public support for peace process. The two are seen to be mutually reinforcing and both have been made explicit by the negotiators:

We must commence with matters that both sides can agree and start working on, without wasting time on issues that are far ahead. We may deal with them at the correct time when the environment is more conducive following the confidence building measures (Government chief negotiator quoted in *Daily Mirror* 2002).

For the current government, keen to be seen to be meeting its election promise, economic recovery appears almost as important as political settlement:

In the early stages of our talks with the LTTE, we are trying to resolve some of the immediate practical needs of the people that can bring relief and normalcy to our society. Economic re-construction and development of the affected areas will be a deciding factor in sustaining the momentum of political negotiations. Development is part of the healing process in a wounded, divided society. The pressing day-to-day problems of the people need to be settled as early as possible... The momentum of growth must be re-established (Prime Minister Wickremesinghe 2002).

Bolstering popular support for the peace process is important not only for its own sake but for ensuring the electoral survival of the current government, particularly as the uneasy political 'cohabitation' in Colombo has meant that parliament could have been – and can still be – dissolved.

The LTTE, for its part, has also embraced enthusiastically the idea of reconstructing the Northeast before resolving the conflict. The organisation has positioned itself as the *de facto* government of areas under its control and is keen to be seen as adopting a

developmental stance. In his appeal to donors in Oslo, the LTTE's chief negotiator emphasized the material basis upon which peace should be built:

As the negotiating process moves forward with a clear vision and strategy to consolidate the current peace and to seek a permanent solution to the ethnic conflict, there are growing expectations and hopes among the war-affected civilian population that their urgent existential needs and wants will be addressed and redressed without delay. For the suffering masses, peace and negotiations have little or no meaning unless they gain the peace dividend in concrete monetary and material assistance without delay (Balasingham 2002).

Given this shared instrumental agenda, it is not surprising that both sides have been active on development issues. For example, one of the most significant early breakthroughs in direct negotiations was the announcement of the Joint Task Force for Humanitarian and Reconstruction Activities (JTF) to deal with reconstruction and humanitarian issues in the Northeast. Though the JTF initiative was soon dropped, reportedly due to concerns about the body's sovereignty, the two sides quickly moved to set up a new subcommittee system in its place. The Subcommittee on Immediate Human and Rehabilitation Needs in the North and East (SIHRN) has been by far the most active of the subcommittees and is gaining momentum. The novel arrangement, seemingly achieved after lengthy negotiations, during which the World Bank was appointed as trustee of the SIHRN funds, is perhaps testament to the commitment of both parties to work creatively on this issue.

The emerging centrality and expanding functions of the SIHRN also demonstrate the long-term timeframe being adopted by the government and the LTTE. If interpreted broadly, the stated aims of the subcommittee (to assist the return of internally-displaced people (IDPs), the needs of children and women, and the need for dignified livelihood) allow the SIHRN secretariat to serve as a *de facto* development authority for the Northeast (Berghof Foundation for Conflict Studies and Centre for Policy Alternatives 2003). As of January 2003 when the subcommittee began seeking and assessing proposals to use the funds set aside in the NERF, the emerging priority was the rebuilding of physical (e.g. roads and hospitals) and economic (e.g. irrigation systems, ice making plant, paddy storage facility, milk processing plant) infrastructure (*TamilNet* 2003).

This shared focus on reconstructing destroyed infrastructure and on 'normalisation' fits well with the need (most regularly expressed by the LTTE) for providing relief for war-affected populations and the need (expressed by the government) for 'regaining' the lost momentum of the Sri Lankan economy. The rebuilding theme also serves another important function besides garnering popular support and building trust: it has been the avenue through which the negotiating parties have sought to gain international support for both peace and reconstruction. Again, the two sides have been keen to make the link between (assisted) development and peace explicit:

Without international support and help with resources to build a peace dividend, the gloss on peace can be dulled. With the re-creation of opportunities for people and for growth, politicians and negotiators will be driven even harder to stabilize, advance and sustain the peace. From there, we can approach the complex constitutional issues (Wickremesinghe 2002).

Concrete international assistance at this critical stage of negotiations will demonstrate the international political support for the peace process. International backing is crucial at this juncture to silence the subversive elements that are opposed to peace and ethnic reconciliation. Such a gesture will generate confidence among the people, create a positive atmosphere and help to advance the negotiating process towards the goal of permanent peace (Balasingham 2002).

To this end, the two sides have worked together by preparing a joint appeal to donors in the lead up to the Oslo meeting (SIHRN 2002), and separately to canvass international support. Senior government officials have been hosting countless delegations of bilateral and multilateral officials and conducting numerous international visits. The LTTE also has hosted a number of senior delegations at its Killinochchi political headquarters.<sup>4</sup>

### **Reconstruction and International Support**

In recent years scholars and activists have become increasingly interested in the role of development assistance in conflict (i.e. Anderson 1999; Uvin 1998; Esman and Herring 2001; Boyce 2002), and in cases of post-conflict reconstruction such as Afghanistan (Atmar and Goodhand 2002; Cramer and Goodhand 2002); El Salvador (del Castillo 2001); Northern Ireland (Byrne and Irvin 2001); Palestine (Brynen 2000); and on the African continent (Moore 2000). Though written before the current negotiations commenced, a report by Goodhand (2001), chapters by Herring and Uphoff in Esman and Herring (2001), and an annotated bibliography by Zunzer (2002) provide useful accounts of the link between aid and conflict in Sri Lanka. Taken together, this literature suggests that international intervention in peacebuilding and reconstruction is at best a complex affair that is plagued by many potential challenges and pitfalls. At worst, it is sometimes suggested, such intervention can be counterproductive to either or both aims.

Given this growing interest and drawing on the lessons outlined in this literature, it would seem that the current peace process in Sri Lanka is significant in at least one important way: the articulation of an overt link between development and conflict resolution in Sri Lanka. International donors, particularly the international financial institutions (IFIs), have shown a willingness to become intimately involved in an active peace process, well before the emergence of a true 'post-conflict' situation. This early involvement has blurred the distinction between the two endeavours and also defied the traditional division of labour adopted by international organisations. As noted by Boyce and Pastor (1998:42), and Shanmugaratnam (2002), economic development is usually the domain of the IFIs, while conflict resolution and peacebuilding is usually handled by international peacemakers and other multilaterals such as the United Nations.

Donors have traditionally invested heavily in Sri Lanka's development. However, in recent years levels of official development assistance (ODA) have fallen. From a high of nearly 10% of GDP per annum in the early 1990s, net ODA disbursements fell to just over 1% of Sri Lanka's GDP in 2000 (World Bank, various years). To make things worse, there was considerable under-utilisation of allocated funds. In December 2000, donors expressed a reluctance to pledge further ODA until there was a resolution of the conflict and improvement in government management procedures.

It was in this context of decreasing ODA that the two sides appealed to the international community. These appeals were met with initial hesitation: as recently as June 2002, at an aid consortium meeting in Colombo, donors expressed their reluctance to commit funds until there was further action on peace and economic reform. By late November, at the Oslo meeting, this reluctance had evaporated and several states pledged supplementary funds to the value of some US\$70 million with promises of more in 2003. As noted by Clare Short (2002), then British Secretary of State for International Development, ‘...for donors this cannot be business as usual. The peace process is dynamic and demands rapid and flexible responses from donors’.

The donors, especially the IFIs have acted accordingly. In mid-2002 the IMF released the remaining tranches of funds from a standby agreement that had been withheld in 2001 because of unhappiness with the then government’s handling of the economy and lack of progress in meeting targets on fiscal consolidation. In April 2003 it also approved a further US\$560 million in loans to Sri Lanka. Similarly, in addition to its ongoing projects, the World Bank announced in April 2003 that it would be approving some US\$800 million in grants and interest-free loans over the coming four years – a significant increase on the average of US\$60 million a year that had been allocated in recent years. Finally, the Asian Development Bank (ADB), one of the first donors to get involved since the ceasefire, approved over US\$200 million in loans to Sri Lanka during 2002 – signalling the highest level of activity by the Bank in Sri Lanka since 1968 - and earmarked a further US\$700 million for 2003-2005 (ADB 2002).

### **Box 2. ODA as carrot and stick**

#### ***Donors hope that their assistance will:***

- provide relief to war-affected people;
- assist with resettlement and rehabilitation of displaced and disrupted people;
- improve the livelihoods of local populations and thus encourage popular support for the process;
- send a positive signal to private foreign investors;
- provide material support to the current government;
- provide incentives for the current government to continue its economic reform programme;
- provide incentives for the LTTE to engage in mainstream politics;
- ensure that donor priorities (e.g. human rights, gender issues) are included; and
- encourage civil society participation in the process.

While donor interests in intervening in Sri Lanka are manifold (see Box 2), the overarching logic of intervening in such a purposive manner and at such an early stage is unified: to use the opening of the ceasefire to bring relief and, through reconstruction and development, to increase the incentives to reach a negotiated settlement. Donors hope that their involvement at this early stage of the Sri Lankan peace process will support relief and reconstruction efforts and other instrumental goals – i.e. promoting the peace process and providing (dis)incentives to the major protagonists to stay at the negotiating table. Such support has provided considerable political mileage for the government in its bid to counter domestic opposition and garner popular backing. Similarly, IFIs have been keen to support the current government in economic reform and structural adjustment, and they may also have seen the opportunities to consolidate this process through an



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active and early involvement in the conflict resolution process – a phenomenon that Moore (2000) and Boyce and Pastor (1998) predict will be increasingly common around the world. Indeed, despite previous hesitation to deal with the LTTE, and even legislation proscribing the activities of the LTTE in some countries, many donors have shown that they are prepared to work, at least indirectly, with the LTTE in the context of Northeast development. Such actions, it is hoped, will bring the LTTE into mainstream politics. In these ways, donors have been using ODA as both the proverbial carrot to entice all parties to maintain the momentum towards peace, as well as a stick to be used if progress is unacceptable.

### **Can Reconstruction Lead to Political Settlement?**

In economic terms, the strategy of the Killinochchi consensus seems to be working. Sri Lanka's economy is expected to have grown by over 3% during calendar year 2002 and is expected to return to peak levels of around 5% per annum GDP growth over 2003. The strongest areas of growth in late 2002 (banking, real estate, insurance, transport and communications) have all benefited from the reconstruction of the Northeast and the expanding service provision to the area (Sri Lanka Department of Information 2003). The peace process has also favourably affected business confidence. Investment levels rose considerably during 2002 and the Colombo Stock Exchange closed the calendar year some 31% higher than the start of the year. As the Sri Lankan Prime Minister has observed, 'business is good for peace and peace is good for business' (Wickremesinghe 2002).

More broadly, the Killinochchi consensus is an attempt to pull Sri Lanka out of a cycle of conflict and sub-optimal development and into a virtuous circle of peace, economic growth, international support and, hopefully, political settlement. This has resulted from a mutually reinforcing process by which the positive relationship between peace and economic growth has been supported by the international community. In this process, maintaining a domestic political status quo in which the UNF continues to hold a parliamentary majority (and thus negotiate peace and reform the economy) remains vital.

Despite considerable trust building between the two main protagonists since the ceasefire agreement, there is still a long way to go before a permanent political settlement is reached. The possibility of renewed war always looms large. Several questions remain about how substantial the development drive is, whether it has been correctly sequenced, whether it can deliver a sustainable peace and, indeed, whether the end justifies the means.

One concern about the Killinochchi consensus is whether it is no more than political rhetoric aimed at giving a positive public gloss to difficult negotiations. The actual benefits of the 'development imperative' and donor involvement have yet to result in tangible results on the ground, particularly in the Northeast. To be sure, there is considerable donor and NGO activity, largely it seems to carry out 'needs assessments', but few donor-funded programmes beyond those providing immediate relief have started up. The LTTE for its part has been raising concerns about the speed and determination with which longer-term rehabilitation efforts are being carried out in the Northeast. The possibility of the

LTTE withdrawing from the peace process completely if the Killinochchi consensus does not produce real, tangible benefits looms large. Put simply, the experiment of peacebuilding through development in Sri Lanka will only work if it involves a substantial commitment by all parties involved to see the process through rather than simple lip-service. This is equally applicable in the South where rapidly rising living costs – partly the result of the

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economic reform process – could well undermine support for the government and, therefore, the peace process. Here too, the peace dividend (the carrot used by donors) must be tangible if the virtuous cycle of peace and development is to be sustained.

Further, there needs to be a clear targeting of the immediate needs of the Northeast and particularly in addressing the most disadvantaged in society. This risk that considerable amounts of donor money will end up going to the South or on programmes that

have negligible impact on the needy, especially in the war-torn Northeast is one that needs to be addressed. The concern is that the IFIs have relatively little experience in working in conflict situations and will not be adequately equipped or even interested in implementing programmes to these areas.

It is unclear whether effective institutions that will deliver this peace dividend have yet been set up. There is relatively little capacity in the Northeast to coordinate ODA flows and manage the development process effectively (Sivaram and Shanmugaratnam 2002). In such a situation, there may be significant levels of under-utilisation again. There have also been concerns that not enough is being done to stimulate production and long-term development (*Northeastern Herald* 2003) and that the root causes of conflict are not being addressed. This will mean that the institutions and policies being developed at present are likely to have long-term impacts and therefore are of greater significance than their present size or monetary worth. Careful attention needs to be paid to their design and implementation. This process must be driven by local actors—not imposed from the top-down.

At the same time that there are fears that the peace dividend in the Northeast is insignificant, there are also fears that it may be perceived to be too successful. If the government and donors are seen to be favouring the Northeast, this may lead to growing resentment in the South about the relative neglect of the rest of the country. In turn, this may lead to diminished popular Sinhalese support for the peace process and put the whole process at risk. However, while the Northeast is certainly likely to receive the largest proportion of any new funding, senior government officials and key donors have stressed that the dividends of peace should accrue to the entire island.

Regardless of whether the development process is actually working or not, perhaps the most obvious concern about the strategy of peacebuilding through development is whether the sequencing is correct, that is, whether the negotiators have indeed put the cart before the horse. There is, of course, a further question as to whether this strategy is part of a well thought-out, intentional plan by negotiators and/or the international community. This is an interesting question, but one that is not central to the concerns of this article and best left to historians. The challenge, for now and for the immediate future, is how to transform this pause in conflict into a permanent settlement, particularly where the most contested issues have yet to be dealt with adequately.

Until there is a suitable political settlement, there is also the risk that the two parties will return to their militaristic strategies and, as donors feared earlier, all that was gained during the ceasefire may be quickly lost. Worse still, the injection of funds in recent months has considerably improved the financial position of both protagonists. With no significant demobilisation and continued recruitment by both, donors risk inadvertently contributing to making any future war even more deadly.

These concerns about sequencing strike at the very assumptions and objectives that underpin the Killinochchi consensus and cannot be dismissed lightly. Equally important are concerns about the process itself. Two related issues are pertinent here. First, there is a question as to whether human rights concerns and democratic safeguards have been adequately incorporated in the peace process. As seen in Box 3, this is an overt privileging of fixing the market over addressing other social and political issues. Only relatively late in the process have civil and political rights been addressed and, even then, there have been few tangible results. Instead, the two sides seem to have started with a focus on socio-economic rights (sometimes called humanitarian rights) rather than collective political rights (e.g. self-determination) or individual human rights. This arguably dangerous for the process – its immediate impacts and its future implications.

**Box 3: Peacebuilding priorities**

<b>Sequencing</b>	<b>Arena</b>	<b>Implied rights</b>	<b>Lead actors</b>
Immediate term	Economy/Market	Socio-economic rights	Donors, SIHRN, & Private sector
Medium term	Society/People	Individual human rights	Government, LTTE & civil society
Long term	State/Politics	Collective political rights	Government & LTTE negotiators

Secondly, there is a question of whether the negotiators have allowed adequate public participation. Despite praise that the negotiating parties have demonstrated ‘that peace must be built up painstakingly from below’ (Petersen 2002), there have been few channels through which civil society has been able to contribute effectively to the process.

There are signs that, here too, the negotiating parties are making efforts to be sensitive to human rights and to open up the process: the appointment of Ian Martin, a former secretary-general of Amnesty International to advise the negotiators on how to protect human rights; the establishment of a committee on gender; and the intention to set up district-level panels to advise on development priorities. It is perhaps foolish to expect the negotiating parties to comply with all expectations. The Sri Lankan peace process is an inherently political process in which the two main parties need to sort out their differences and establish some sort of basic framework for the future. To some extent, international donors have demonstrated their willingness to balance the need to give the two sides a free hand in resolving the conflict against the need to impose conditions and priorities usually found in donor programmes.

**Conclusion**

The current peace process in Sri Lanka is unprecedented in its relative success, its areas of emphasis, the range of stakeholders involved, and the means employed. In the first year since the signing of the ceasefire, the two sides have demonstrated that pragmatic

cooperation on the economic front can reinforce conflict resolution. This experience highlights at least two important dyads that are of interest to theorists of peace and conflict: the local/global and the political/economic.

First, in contrast to the relatively little attention paid by the international community to the resolution of the Sri Lankan conflict over the last two decades, the current peace efforts highlight the role that international actors can play in a largely 'internal' conflict. Apart from the facilitation provided by the Norwegians, the donor community has, perhaps contrary to expectations, shown a willingness to get involved in a direct and material way. There is also evidence that international actors are willing to be more flexible and pragmatic in their approach – it is no longer, as Clare Short has pointed out, business as usual for donors. Of course, those suspicious of the intentions of donor agencies may well see these moves as the latest manifestation of the gradual expansion of the aid 'business' into newer pastures, on this occasion into peacebuilding.

Secondly, the Sri Lankan experience blurs the distinction between the political (conflict resolution) and economic (reconstruction and development) aspects of peacebuilding. Indeed, one implication of the Killinochchi consensus is that the former can be an outcome of the latter so that perhaps even the most intractable political disputes can be resolved through the use of economic incentives and levers. Such a view seems informed by a powerful neo-liberal logic that presents a tantalisingly simple message: get the economics right, and the politics will fall into place. The view is certainly not new (it was put perhaps most famously by Hirschman (1997) in his description of material 'interests' triumphing over other, more base 'passions'), but maybe there is something in the emerging global political economy that aids its articulation. This solution of modernising the way out of conflict, of shaping incentives so that key stakeholders have more to gain from peace than from war, is also not limited to Sri Lanka. For example, two senior US business figures suggest in a recent edition of *Foreign Affairs* that the 'The Economic Path out of Conflict' in Israel/Palestine is more economic development, investment and commerce:

Politics follows commerce because commerce provides mutual benefits across the broad expanse of the population, regardless of race, colour, religion, or ideology... [P]eace and goodwill only flourish when people have hope and a vision of better lives for their children... Without economic development and investment, there is no hope and no vision of better lives ahead (Abboud and Minow 2002: 14 & 16)

Despite the encroachment of global economic pragmatism into the domain of intra-state conflicts, there is very little indication that the Sri Lankan case will live up to the apolitical neo-liberal ideal. It may well be the case that, in this post-Cold war, globalising era, there is space for sub-state and non-state actors to negotiate some degree of economic sovereignty without being bogged down by the usual complications of political sovereignty. However, it is clear that very familiar political issues remain central: sovereignty, autonomy, territory, identity-rights, and security. The LTTE may well be seeking *de facto* economic self-determination, but this is only as a precursor to some form of *de jure* political autonomy. Indeed, since late April 2003, the LTTE has withdrawn from direct negotiations, in part, because of what it sees as insufficient action by the government to rebuild the Northeast and because of the inadequacy of administrative structures set up for the Northeast. While the ceasefire continues to hold, the issue of an interim administration for the Northeast with considerable powers and in which the LTTE plays a prominent part has become a sticking point once again.

These developments are a reminder that traditional concerns of conflict resolution will need to be addressed. In particular, attention will still need to be paid to the root causes of conflict – social, cultural, political and economic. In the case of the latter, the lesson drawn by Byrne and Irvin (2001: 425) from Northern Ireland is equally applicable to Sri Lanka: ‘economic aid on its own is not a panacea to resolve ethnic conflict within Northern Ireland, but it can be a part of an overall peace-building process that tackles structural inequalities that contribute to the protracted nature of ethno-political conflicts’.

In the Sri Lankan case, it is still too early to tell whether the economics are in fact right, let alone whether the politics will fall into place. All that can be said with confidence is that the first year of ceasefire has been an experiment in coming up with novel solutions to old problems. In the process, the development cart may indeed have been put in front of the orthodox political settlement horse but there is hope yet that this strategy will be productive. If the strategy works, then the outcome for Sri Lanka is likely to be very good in terms of

***Despite the encroachment of global economic pragmatism into the domain of intra-state conflicts, there is very little indication that the Sri Lankan case will live up to the apolitical neo-liberal ideal.***

increased prosperity, human security and political harmony. If it fails, then the situation is likely to be very bad, involving renewed conflict, with both sides deploying more resources than ever before and resolution made all the more difficult. It can only be hoped that the stakeholders in the Sri Lankan peace process realise that they cannot afford to fail.

### ***Postscript***

As this journal goes to print, the international donor community has just concluded a conference in Tokyo in which an unprecedented and most unexpected US\$4.5 billion was pledged to support peace and reconstruction in Sri Lanka. Donors have used the Tokyo meeting to pressure both sides to return to the negotiating table. The financial pledge was particularly surprising given the LTTE’s non-participation in the Tokyo conference, and their pull-out of direct negotiations in late April. The government seems to be unwilling or unable to offer something that the LTTE will accept. The LTTE argues that the peace dividend is yet to materialise in the Northeast, and has particular concerns that a large part is earmarked for structural reform in the South and thus may not reach those who need it most. They are also seeking a more concrete role in the implementation of development projects in the region. In sum, the issue of development remains at the heart of peacebuilding efforts in Sri Lanka, though perhaps the cracks emerging in the Killinochchi consensus may well undermine the entire peace process.

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## Endnotes

<sup>1</sup> Since the general elections of December 2001, there has been an uneasy 'cohabitation' – hitherto unseen in Sri Lanka – between an executive President and parliamentary majority from different political parties. While this situation has generated some confusion as to who is in 'government', the term is used without qualification in this article to refer collectively to the Prime Minister, his cabinet and the coalition that holds the parliamentary majority.

<sup>2</sup> Many terms have been used to describe development-related priorities in Sri Lanka recently: reconstruction, relief, rehabilitation, resettlement, reconciliation, rebuilding, and, perhaps most curiously, normalisation. In this article, the term development is used to refer broadly to the stimulation of economic activities and the enhancement of economic opportunities over the short- and long-term.

<sup>3</sup> An important distinction is drawn between those Tamil-speaking people of Sri Lanka who reside in or originate from the island's Northeast (often called 'Sri Lankan Tamils' in official literature) and those who live in upcountry areas in the South whose ancestors migrated from India to work on tea plantations (sometimes called 'Indian Tamil').

<sup>4</sup> In the first twelve months of the ceasefire, the LTTE had hosted at its Killinochchi offices delegations that have included several heads of missions from Colombo (China, France, Germany, Italy, Japan, Norway, Switzerland and United Kingdom), deputy heads of mission (Netherlands, and Sweden), a Vice President of the World Bank, country representatives from several multilateral organisations (World Bank & UNHCR), the Executive Director of UNICEF, and the Director General of Program of the Department for International Development (DFID), UK.

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