

**Countries in conflict
and aid strategies:
The case of Sri Lanka**

Arve Ofstad

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Summary

In countries with an ongoing violent conflict aid donors are confronted by four sets of issues: How the volume and orientation of the program may influence a peace process; whether development efforts may be undertaken in rebel controlled territories; and how an early rehabilitation program may affect the long term process. In this article we analyze the strategies applied in Sri Lanka by donors applying a traditional development approach and those following a more comprehensive approach. Dilemmas are created vis-à-vis both the government's and the rebels' policies and interests. Four general conclusions underline the political nature of development aid programs during a violent conflict.

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Price: NOK 50 + postage

ISSN 0804-3639

ISBN 82-90584-79-2

Indexing terms

Aid policy
Conflicts
Rehabilitation
Sri Lanka

Countries in violent conflict and aid strategies: The case of Sri Lanka¹

Arve Ofstad²

Most aid donors would increasingly like to see their programs to countries in violent conflict being used as positive contributions supporting peaceful solutions. However, despite the long ongoing debate in the international aid community and a beginning academic discourse, many questions remain on the relationship between aid policies and the forces that may promote or obstruct peace.³ The first thing to realize is that in countries with a high level of conflict aid programs become even more political – and politicized – than under normal circumstances. This is well illustrated in the Sri Lanka case.

In this article we will outline the issues confronting the aid agencies and the actual policy strategies of the major agencies in a country with a long lasting ongoing internal war. Of particular interest are the dilemmas in relating to the government and the militant groups when considering support to recovery and rehabilitation in the war-affected areas. These issues are relevant also in a number of similar cases such as Sudan, Angola, Afghanistan, etc, where an armed movement has control over parts of the country, and where opportunities for recovery and rehabilitation may be present in disputed territory while the war is still ongoing. We find the concepts of *incentives* and *disincentives* for a peace-promoting environment as developed in the OECD/Development Assistance Committee research program (Uvin, 1999) quite useful in this analysis. However, it is important to keep in mind the limited influence that aid policies have in influencing the overall conflict dynamics.

The Sri Lanka case: Typical as well as unique features

In Sri Lanka an armed conflict has been waged for 17 years since 1983 between the secessionist *Liberation Tigers of Tamil Eelam* (LTTE) and the government forces. The war has caused heavy human and economic costs with more than 70,000 lives lost, mostly combatants, and more than 1 million people being displaced at various times, some of these many times over. There have been several periods of cease-fire and peace negotiations, but each time the fragile process has been broken by LTTE. In the meanwhile several other militant Tamil groups, who were engaged in armed

¹ This paper has been produced as part of the research programme “Between relief and development: The role and experiences of the multilateral aid system” funded by the Norwegian Research Council. A previous version of this paper was presented at the Asia2000 Seminar at Sundvollen 5-7 June 2000. Thanks to Astri Suhrke, Bruce Jones, Arne Wiig and Hildegunn K. Nordås for helpful comments.

² The author was the UN Resident Coordinator in Sri Lanka 1995-98 and therefore personally involved in formulating UN policies during this period. Hopefully, the insight gained and presented here will more than compensate for any bias in presentation and analysis. The views expressed are the full responsibility of the author, and are not necessarily shared by the UN in Sri Lanka.

³ Note in particular the OECD Development Assistance Committee (DAC) which in 1998 issued a policy statement and a set of “Guidelines on conflict, peace and development co-operation” (OECD, 1998). Since 1999 the OECD/DAC Informal Task Force on Conflict, Peace and Development Co-operation has worked on a revision of these Guidelines.

struggle, accepted the peace agreement brokered by India in 1987 and are now collaborating militarily with the government forces against LTTE.

In 1990 the LTTE took physical control over the Jaffna peninsula and town, which is the traditional and cultural “capital” of the Tamil community in Sri Lanka. LTTE had also established control over most of the northern districts on the “mainland” known as the Vanni, and exercised control over large areas in the Eastern province. In the first half of 1996 the government forces regained control over Jaffna peninsula, but at the time of writing (June 2000) LTTE has again recaptured part of the peninsula and heavy fighting is ongoing just outside of Jaffna town.

This article deals primarily with the most recent 5-year-period 1994-99 after the elections that brought the People’s Alliance and president Chandrika Kumaratunga to power.⁴ During this period it is useful to distinguish between four distinct conflict-affected areas:

- areas under LTTE control, primarily in the Vanni and parts of the East;
- areas previously under LTTE control but recaptured by government forces, primarily the Jaffna peninsula since 1996;
- the so-called “border areas” with high security risks where fighting may take place in parts of the East and the Vanni, and neighboring districts; and
- the rest of the country, which was not so directly affected by the war. Actually, some 85 per cent of the population live in these areas not directly affected.

The policy options for the aid donors were necessarily shaped by government policies and strategies. The government’s strategy for solving the conflict was – and still is – primarily built on three main elements: First, to isolate the LTTE from the Tamil population and use the military to reduce the fighting capability of the LTTE sufficiently to make them willing to negotiate a peace settlement. Second, to design and negotiate a political solution that will be based on stronger devolution of power to the regions (provinces) and other reforms that provide for equal opportunities and respect for human rights. Third, to provide for economic rehabilitation and reconstruction in conflict-affected areas after peace has been restored.

In relation to international assistance, however, government policy has also been shaped by some additional concerns, such as the wish to avoid – or at least reduce – the “internationalization” of the conflict and thus limit the presence of international aid agencies in the conflict zones. Since their support was still required, a number of restrictions were put on aid agency presence and activities on these areas. Second, it has been paramount to ostracize the LTTE, and reduce the level of international contacts that could be interpreted as a form of recognition. Third, the government has displayed a double policy in dealing with development and reconstruction in Jaffna and the East. While expressing the government’s interest in reconstruction in order to win the “hearts and minds” of the population, at the same time the strict military controls and sanctions have reduced such opportunities. Fourth, all development and humanitarian activities in the North and the East, in LTTE- as well as government-

⁴ Kenneth Bush in his study (Bush, 1999) on Sri Lanka for the OECD/DAC Informal Task Force focuses on the 1983-90 period, and is more concerned about the East than the North. His study also has an overemphasis on the activities of NGOs. Bush therefore does not capture the issues discussed in this article.

controlled areas, have thus been restricted by the primary emphasis that have always been accorded to the military and security concerns.

As a quite unique feature in Sri Lanka, however, the government has maintained its presence in LTTE areas. This includes government appointed – and funded – district and divisional administrations headed by a Government Agent (GA) and basic services such as schools and health centers, local road and water engineers. Government employees receive their salaries and pensions are transferred. Perhaps even more important, the government supplies the food for the internally displaced and others without a decent livelihood because of the war. The IDPs are often temporarily housed in schools, temples or other public buildings and provided food in the form of dry rations. The annual cost of this food supplied by the government is around USD 60 million, which is around the double of the international humanitarian assistance.

The LTTE on the other side has been fighting a war with the primary aim of establishing a separate state for the Tamil-speaking community in the North and East. They have done their utmost to eliminate other Tamil political opponents, and undertaken virtually an ethnic cleansing in areas under their control. At the same time, they wish to portray themselves as an internationally acceptable political/military force, representing – and protecting – the Tamil community and respecting international norms to the extent possible in times of war. Their strategy is to establish military control over these territories, establish a *de facto* civil administration in the areas and eventually declare “Tamil Eelam”. They have also declared themselves willing to negotiate politically with the government of Sri Lanka preferably through a third party intermediary, as exemplified by the present Norwegian efforts to facilitate negotiations. It is so far unclear whether they eventually will accept a political solution within a united Sri Lanka, but various proposals have been made towards strong devolution of powers to regional units, or some form of federalism or confederalism.

While the government has been elected in multi-party parliamentary and presidential elections, LTTE has never participated in elections and does not allow any alternative parties and movements in their areas. Both the government security forces and the LTTE have committed serious human right abuses including disappearances, torture and extra-judicial killings. It is generally agreed, however, that the government human rights record improved in the second part of the 1990s as compared with the late 1980s and early 1990s. LTTE is held responsible for assassinating a number of political leaders (including presidents, ministers and members of parliament) and for placing bombs against civilian targets in Colombo and elsewhere. Both sides are accused of non-adherence to the Geneva Conventions on protection of civilians during war.

Aid policy issues

The aid donors were thus confronted with four typical policy issues:

- To what extent does the overall aid program provide political support to the government, and does aid directly or indirectly subsidize the government’s war effort?

- Can the contents and orientation of the aid program influence and/or support efforts towards a peace process, i.e. act as a (dis-)incentive?
- Will an early rehabilitation and reconstruction program in conflict-affected/disputed areas contribute towards a peace process?
- What measures of development efforts can and should be undertaken in rebel controlled areas?

I will suggest that the aid donors followed four main strategic patterns:

The *traditional development agency approach*: This line was followed primarily by the largest donors Japan, the Asian Development Bank (ADB), and the World Bank until recently. Their approach was to practically disregard the war and provide development assistance as if the war did not exist, except to avoid all conflict-affected areas in the north and east for security and political reasons. This approach was intended to be neutral, but disregarded the need for balanced development and any extraordinary measures in the conflict-affected areas. In this way the approach was regarded as clearly government-friendly, with an indirect and passive support to the government's overall strategy.⁵

The *human rights approach*: The clearest opposite to the traditionalist approach, was exemplified by Canada (CIDA) which decided not to provide direct development support through the government. CIDA channeled support primarily to non-government organizations and institutions, and only to governance and human rights institutions within the government sector. The Canadian decision to wind down its regular development program was a reaction to the previous Premadasa regime's heavy human rights abuses and not primarily a reflection on the ongoing war. Canada funded a number of human rights and other activist NGOs, as well as community oriented development organizations, including those active in the east and the north, both in government- and LTTE-controlled areas.

The *comprehensive approach*: This line was followed by the UN agencies (taken together as a group) and increasingly by most bilateral donors exemplified by the medium sized donors such as Netherlands, Germany and United Kingdom. These donors would maintain a regular aid program in collaboration with the government, but they would also provide a substantial humanitarian program with an expressed concern for internally displaced persons (IDPs) and other civilians affected by the war on all sides. They would be willing to provide special resources for an early rehabilitation in Jaffna and elsewhere were possible, and they would consider support to special needs due to the conflict such as the mine action project and training the police on human rights issues. The main approach was to be seen as balanced and comprehensive, looking for opportunities to integrate all sides into a long-term sustainable development. This approach which tried not to antagonize either side of the conflict, sometimes caused negative reactions by the most narrow-minded on each side.

⁵ World Bank (1998) describes the Bank's policies in previous years during the 1980s and the careful approach in the mid-1990s when the Bank expressed its concerns over the economic cost of the conflict, but did little more to integrate the conflict perspective into its regular programming.

The *pro-active approach* in promoting a peace process: While all donor countries wished to promote a peaceful solution to the war in Sri Lanka, it was primarily Sweden and subsequently Norway that most clearly expressed that they were aiming at reorienting their whole aid program as support to a movement towards peace. This approach implied an active support to the government's efforts to create a national consensus for its political proposals. It further meant pro-active support for other programs and policies that were seen as positive contributions, such as education and language reforms, human rights and peace organizations, judicial reforms, and rehabilitation and development into conflict-affected areas. However, also these donors balanced their support for peace promotion with other programs for poverty reduction and employment generation similar to the "comprehensive approach". They would argue more strongly, however, that these programs were integrated parts of a peace promotion effort.

The question is, how did these four strategic approaches result in different answers to the four major policy issues presented above, and what dilemmas were created vis-à-vis the government's and LTTE's policies and interests?

Overall aid program and the government's "war-for-peace" efforts

The first question is whether the aid agencies adjusted the overall aid volumes to influence the government – and other actors – in their approach towards a peace process during the 1994-99 period. This is the classical issue of aid conditionality. The answer is no, because all major donor countries supported the government's policy line – with some differences in emphasis and speed of implementation – and saw no reason to adjust their aid for political reasons during this period.⁶ All donor countries nevertheless expressed their concern over the continued armed conflict and its human and economic costs. They argued that the war was hampering their development efforts, that the defense budget was very high, and that all efforts must be made to accelerate a political solution. However, the government totally agreed with these sentiments while blaming the LTTE for having forced upon them a war, which the government did not want, and blaming the main opposition party UNP for frustrating the efforts to approve the political proposals in parliament. To a large extent the donor countries accepted this and continued their general political support to the government. They also realized the difficult political balancing of the government between the search for a political solution accommodating some of the Tamil demands against a Buddhist/Sinhala chauvinist backlash which had previously (1987-89) caused a violent uprising in the south.

As Kumaratunga's PA government included both "hawks" and "doves" with respect to the peace process, some donors even saw maintaining a high aid level as a support to the more moderate "doves" as represented by the Deputy Minister of Finance G.L. Peiris. Peiris was also the Minister for Justice and Constitutional Reforms and the main author of the proposals for political solutions, and as Deputy Minister of Finance he represented the government in all major aid negotiations. This idea of a positive incentive to support one faction within the ruling government was muted particularly

⁶ This is in contrary to donor reactions to human rights abuses during the previous Premadasa regime 1989-93, which resulted in a heated debate at the 1990 Consultative Group meeting in Paris. Overall aid volumes were reduced, several donors withdrew completely, and aid was re-channelled from government institutions to civil society organisations.

before the Development Forum meeting in Paris in May 1998, when impatience among donors over the slow progress in the peace process was growing.

Given the high level of agreement and the low political pressure in direction of change, the "traditionalist" could dominate the overall aid dialogue with Sri Lanka. Most of the aid dialogue would thus focus on other issues, such as the slow implementation of aid-funded projects, privatization of public utilities, the budget deficit and reforms in the public sector, and poverty alleviation policies.

The other donors applying more "comprehensive" or "pro-active" approaches would more often express their concern over the peace process and related issues. This would include concern over the slow internal political process, continued display of Buddhist/Sinhala chauvinism by some elements of the government, and slow integration and equal treatment of all communities. They also expressed concern over human rights issues such as the major disappearances in Jaffna in 1996, the felt harassment of the Tamil minority, instances of torture against LTTE suspects, and the impunity provided to human rights violators in the security forces. And they did react to secure humanitarian access and continuous humanitarian supplies to the internally displaced and civilians in LTTE territories. More recently, these donors also started to express their dissatisfaction over the slow implementation of rehabilitation projects in Jaffna. These issues of concern were nevertheless not seen by the donors to alter their overall political support to the government, and did not influence their level of aid to the country.

The main events for the comprehensive dialogue between the government and the aid donors are the Consultative Group (CG) meetings hosted by the World Bank in Paris. Under the present government Paris meetings were organized in April 1995 just after the resumption of the war, in November 1996 and May 1998 when the meeting changed name to the Sri Lanka Development Forum (DF). The next was due in December 1999, but has been postponed due to the presidential elections and the increased war intensity.

At all of these meetings "resettlement and reconstruction" was on the agenda in a session introduced by UNDP. But the meetings never allowed for a substantial discussion about conflict-related aid issues. At the 1995 CG meeting in Paris the President herself gave a presentation of the government's plans for a major reconstruction and development of Trincomalee. But since the war had just resumed, these plans have been completely shelved. At the 1996 meeting the government gave a very optimistic presentation of prospects for a political solution during the coming year (1997). At the suggestion of the World Bank, the meeting agreed to call an extraordinary donor conference for reconstruction and rehabilitation if there were sufficient progress in creating peaceful and secure conditions for such a program. By the 1998 meeting, however, only limited progress had been achieved, and more donors including the World Bank expressed a greater concern about lack of progress towards a political solution. UNDP and others also expressed concern about what they saw as inadequate support and contributions by the government side in promoting rehabilitation in Jaffna and the East.

The careful attitude of the donors to apply aid conditionality in Sri Lanka to promote a stronger process towards a peaceful solution to the war, reflect several considerations.

The main one is of course the support by the aid donors to the government's struggle against the LTTE and general confidence in the government's peace strategy. But there was also a very strong memory of the negative relationship between the previous government and the bilateral donors when human rights sanctions were discussed and applied. Both the previous and present governments were reacting strongly against political conditionality in the aid debate. They always insisted that the war was an internal political matter, and defended their human rights record in dealing with armed insurrection and separatism. Anyway, they maintained that human rights issues should be discussed in other fora, such as the UN Human Rights Commission, and not linked to development aid. Experiences elsewhere as well as analysis of the Sri Lanka situation would therefore indicate that attempts at applying aid conditionality will not be successful, or may equally well lead to the opposite result.

It is often argued by critical voices that international aid to Sri Lanka constitutes an implicit subsidy to the government's security forces and their military activities. The total volume of aid has been falling in recent years, to around or above USD 500 million (UNDP, 1998). Some of this, possibly as much as USD 100 million, is allocated to humanitarian and other measures intended to directly promote a peaceful development, or otherwise channeled to CBOs/NGOs outside of the government, while the rest – around USD 400-450 million – is for more regular development purposes. This has been compared with the present defense budget, which was around USD 880 million in 1998 and 740 million in 1999 (Central Bank, 2000). According to Kelegama (1999) and comparative assessments, this is at least USD 400 million higher than what the defense budget might have been under normal and peaceful circumstances.

International assistance always carries an element of "subsidy" to the overall government budget, and it is impossible completely to avoid the "fungibility" of aid, whereby aid funding of some activities enables the government to redirect their own resources to other priorities. In Sri Lanka, however, there are no indications that the defense budget has been, or might be, influenced by the size of the aid inflows. First, no donor aid is allocated directly for military or security purposes. Second, the defense budget has increased substantially through the 1990s, while the aid budget has stagnated and even fallen. The increased defense budget has been funded internally by a special defense levy, cuts in other government expenditures and a higher budget deficit. The Sri Lankan economy has been growing reasonably well and is not in a tight crisis as many other countries at war with itself. There are many other sources of export and government revenues, which so far have generated sufficient resources to fund the war. As an example, remittances from migrant labor generate approximately twice as much foreign exchange as official development aid. But most importantly, as implied also by Kelegama (1999), it is reasonable to assume that the defense forces and the military efforts have such a high priority that it would have been allocated more-or-less the same funds regardless of the volume of international aid.

Without aid, or with less aid, more investments in infrastructure might suffer, other government expenditures including welfare programs and education might be reduced, and the government might have to take up larger international loans on a commercial basis and thereby increase its debt burden. Taxation might be higher, possibly also with a higher budget deficit and higher inflation rate as a result. These measures might cause negative political reactions by larger parts of the population,

but this is difficult to predict. If the government gives defense such a high priority even in the face of falling development aid, it may also be able to tackle the political consequences or manage to secure sufficient political support for its policies.

The contents and orientation of the aid program

For the aid donors that wished to apply a more “comprehensive” or “pro-active” approach, the challenge remained on how to orient their aid program more directly to promote and encourage the movement towards a peace process. This was an issue in particular for the medium and smaller bilateral aid donors, since the major aid donors (Japan, ADB and the World Bank) all belonged to the “traditionalist” group which did not wish to become involved in these more politicized issues. The World Bank started to reorient its approach from 1998, however. Among the UN agencies both UNDP and UNICEF were contributing to the “comprehensive” approach and collaborating with the humanitarian programs of UNHCR and WFP.

But did these donor agencies have a policy and strategy for what they perceived would promote a peaceful solution? It is doubtful that any donor agency produced a sophisticated analysis of how different aid programs and activities might actually influence the prospects for a peace process. These agencies are basically technical aid agencies staffed by general practitioners, even though they were often integrated with the respective embassies and related to the political sections of their foreign ministries. For most countries, the Sri Lanka aid program was not seen as sufficiently important to justify the introduction of more sophisticated political analysis. For the UN system, there was no link between the political departments of the UN and the funds and programs present in Sri Lanka. The direction and content of the aid programs were therefore probably more influenced by the experiences from elsewhere as reflected *inter alia* in the OECD, and the ability of the representatives and their respective headquarters to apply this knowledge in Sri Lanka.

What then emerged as “peace promotion” strategies by the donors during this period, can be summarized under four main headings: addressing what was considered as the “root causes” of the conflict; improving human rights and promoting mutual trust damaged by the ongoing conflict; contributing to an overall balanced economic development; and planning for a post-war rehabilitation and reconstruction program.⁷

Three sectors were can be seen as addressing the “root” causes of the conflict: reforms in the education sector, language reforms, and decentralization with support to economic activities in the north and east on a non-discriminatory basis. No donor became involved in other “root” causes such as discriminatory recruitment and employment opportunities in the public sector and state-owned enterprises, modifying the dominant position of Buddhism, reversing what was regarded as Sinhala “colonization” of non-inhabited areas in the East which were considered parts of the traditional Tamil “homelands”, or reducing Sinhala dominance in the police and military forces. The education system is crucial in forming attitudes and creating the basis for better understanding, or lack of understanding. Many Tamils felt that the

⁷ However, USA has gone further than other donors, in providing direct support to the government’s security forces, primarily for training in “non-combat” activities. In their opinion, this is seen as a contribution to security and peace in the country. Sri Lanka does not receive any regular military assistance from any donor country, but purchases arms from a number of sources.

quota system in place since the 1960s for entrance to universities were discriminatory in favor of Sinhala speakers. It became increasingly clear to everybody that the whole education system needed reforms to modernize and reflect the needs of the 21st century, and several donors supported these reforms, including in particular Sweden, UK and the World Bank. From 1999 the World Bank initiated a dialogue on support to curriculum reforms in order to create better understanding among the different communities. Norway has in particular supported the new language policies within the larger framework of national integration, with the aim to teach both official languages to all students, as well as English as a “link language”.

Decentralization and devolution of power are seen as steps to rectify the elitist Sinhala-dominated policy-making in the center, and allow for greater autonomy and control over local resources to the regions, not only to the Tamil-dominated ones. Most donors supported the district development programs since the 1980s, but were careful not to link this with the political proposals for devolution. UNDP provided support to the Finance Commission which would eventually play a central role in allocating resources among the regions, and the World Bank produced a study which warned against potential slack budget discipline unless sufficient control systems were integrated in the devolution program. Though the donors were in favor of greater decentralization for development purposes as well as to eliminate one of the causes for the conflict, they were mostly hesitant to push this until the government and the opposition parties agreed on the political contents.

Many donors consider their support to promotion and implementation of human rights as part of their support to a sustainable peaceful solution. While human rights issues were rather contentious in the relations between donors and the government previously, especially during the Premadasa regime (1988-93), the present Kumaratunga government has been advocating a strong emphasis on human rights as part of their political platform. Despite continuous human rights problems also after 1994 from all sides of the conflict, including major disappearances in Jaffna in 1996 and several massacres by the LTTE forces, human rights became a low key issue and most donors preferred a constructive rather than a negative approach.⁸ Canada in particular channeled the major part of their aid outside of government institutions, and gave strong support to various human rights organizations. Most bilateral donors except for the main one, Japan, have provided similar support. USA has been prominent in support to the government’s newly established human rights commission, and UK has *inter alia* supported training in human rights and general behavior to the police forces.

Along with human rights programs, some donors initiated support for national integration, preparing for reconciliation, and other measures to rebuild trust and confidence between communities, and strengthening peaceful mechanisms for conflict resolution at national as well as local levels. Several aid donors funded programs for exposing central policy-makers including Members of Parliament to similar conflict-affected countries such as South Africa, Northern Ireland, Cambodia, Malaysia, the Philippines, etc. Some of these programs were regarded as very sensitive politically and caused a commotion from the more chauvinistic elements in Sri Lanka, especially

⁸ There are numerous national and international reports on the present human rights situation in Sri Lanka.

from the fundamentalist on the Buddhist-Sinhala side. Norway has since 1997 supported the government's campaign and various measures to strengthen its policies for national integration. UNICEF has for many years collaborated with the teachers training centers on an education for conflict resolution program, and UNESCO supported a small program of cultural and educational exchange between youth in Jaffna and "mainland" Sri Lanka under its "education for peace" program. From 1998 UNICEF initiated a "children as a zone of peace" program, launched during the visit by the UN Secretary-General's Special Representative on Children Affected by Violent Conflict.

Donors following the comprehensive and the pro-active approaches would also be concerned that development assistance should contribute to an overall balanced economic development in Sri Lanka, to avoid accusations that "too much" assistance was channeled to the Sinhala-dominated south, or to the Tamil areas in the north and east. While providing humanitarian assistance and some rehabilitation support to the north and east, the donors would therefore be equally concerned about poor areas and groups in the rest of the country. This would include rural and district development programs in poor Sinhala districts such as the Southern province, as well as social welfare for the Tamil plantation workers in the central highlands, and special development in the few Moslem-dominated districts. While these programs were fully justified by themselves, they were also important for maintenance of a balanced development approach in the context of the conflict.

Finally, donors have seen planning for a post-war recovery program with promises of additional funding as a pro-peace incentive. Rehabilitation and reconstruction has been an on-and-off issue for more than a decade. In 1987 the World Bank funded the preparation of the first Emergency Rehabilitation and Reconstruction program (ERRP I). At a Special Aid Group Meeting in December 1987 the donors pledged as much as USD 490 million for the 3-year-programme. However, as the armed conflict broke out again, no project was implemented in the North, and only some projects were implemented in the East.⁹ Meanwhile UNDP initiated its support to the government institutions responsible for planning and implementation of a reconstruction program. Under the next cease-fire period late 1994 to April '95 the ERRP was revised, and an ERRP II for the North was prepared. Because of the resumption of hostilities, this program was never fully approved and published, however.

Since 1995, donors have continued to indicate that additional resources will become available when "sufficient" peaceful conditions are obtained, preferably after a full peace accord. No new revision of the ERRP has been undertaken, and the government was continuously changing the institutional set-up for reconstruction. As a consequence, UNDP shifted its support to the new Rehabilitation and Reconstruction Authority for the North. In 1999 the World Bank initiated a new planning process, for rehabilitation to be implemented even during the ongoing war.

⁹ In subsequent years into the mid-1990s, the government kept referring to this original pledge of USD 490 million. It expected the donors to "owe" Sri Lanka the unspent amount of this pledge, and seemed to believe that the amount would automatically be reinstated for reconstruction purposes as soon as the conditions made this possible.

In conclusion, the donors applying the comprehensive and pro-active approaches did reorient their aid programs, in relatively careful and modest ways, to provide incentives for a peace process in Sri Lanka. The impact of these incentives on the slow peace process has not been evaluated, but was probably rather limited. The experience also shows that even a modest reorientation of the aid program was easily considered a political act in the very sensitive and politicized conflict environment.

Early rehabilitation on the government side in contested areas?

The funding and implementation of rehabilitation, reconstruction and development programs in the government controlled parts of North and East raised several questions. For the traditionalist donors, the issue was primarily one of security. They would not consider funding project activities in these areas, if the security situation was too risky for the embassy and agency personnel, or if they believed that their investments might become a target for sabotage and attacks. Clearly, this could represent a dilemma. The government wanted aid projects in areas they controlled and sometimes underplayed the security risks. At the same time, the LTTE were negative to projects that supported the government's position, and did attack economic targets from time to time.

For the non-traditionalist donors, the assessment was more complicated. They would be willing to accept a greater risk if the activity was politically important. The primary purpose would be to improve the economic and social conditions for the people affected, replace and reconstruct damaged and looted properties, and restarting economic activities. The underlying political assessment would be to give incentives to improving conditions by non-violent means. For some, this was seen also as a contribution towards reconciliation among communities and thus strengthening a peace process. Certainly this would be contrary to the violent struggle by LTTE. Politically the rehabilitation program might primarily serve the other Tamil forces as much as the government, even though donors professed a strictly neutral political position. However, the position of all political forces turned out to be more complicated in reality.

After the government forces resumed control over the Jaffna peninsula in the first half of 1996, the government presented the Jaffna Resettlement and Rehabilitation Programme (RRAN, 1996) to the donors in mid-1996. The donors found this program poorly prepared and implementation was delayed until 1997 by the government for security reasons. The donors nevertheless expressed their willingness to contribute, but only through UN agencies and NGOs. Since 1997 several UN agencies, the German GTZ, and several international NGOs were implementing rehabilitation projects in Jaffna, with additional funding from Australia, Canada, the Netherlands, Norway, Sweden, UK, and US. Since mid-1999 UNDP has also implemented a Mine Action Programme in Jaffna. The total level of funding and activities has been relatively low, however. This is partly due to the problematic logistics,¹⁰ and the continued uncertain security situation. However it seems clear that neither the donors nor the government really wish to implement a major reconstruction program in Jaffna until there is a final settlement of the larger conflict, or the threat of new violence in Jaffna has been practically eliminated. From April 2000 all rehabilitation

¹⁰ Jaffna was not accessible by road, and for long periods the only safe transport available for the donors was the weekly ICRC vessel sailing from Trincomalee.

activities have been suspended, however, due to the renewed intensive fighting on the peninsula.

Similar small-scale programs of resettlement and rehabilitation are also initiated in the government-controlled parts of Vavuniya and Mannar districts. UNHCR and several NGOs have for many years been active, while WFP has also extended their small irrigation program into Vavuniya. Recently Norway started implementation of a special reconstruction program in Vavuniya, which will also cover the LTTE-controlled parts of the district. These programs are also relatively modest in size, and are affected by similar uncertainties and security considerations.

Meanwhile, limited development activities in the East have continued, mostly in the government-controlled areas. Amparai district has been relatively calm and an active Minister of Reconstruction and Resettlement, who comes from this district, manages to attract donors including the Netherlands and UNICEF, together with a number of NGOs. Batticaloa has been more affected by the war, with large areas under LTTE control. Norway has been the main donor through the Batticaloa Integrated Rehabilitation and Reconstruction Programme but never succeeded to extend this program into the LTTE-controlled areas. Several national and international NGOs are also active here in relief-to-development programs. Trincomalee has also been badly affected by the conflict during the 1990s, with fighting and terrorist actions. Relief and small-scale development activities have nevertheless been undertaken, with Germany as an important donor in recent years. Several of the NGOs are active, as well as UNHCR through its micro-projects. In addition to those mentioned, Canada, UK and the EC are important donors to relief and development activities in the East, mostly through NGOs. (CHA, 1999)

These experiences illustrate a number of political dilemmas. First, the government professed that they wanted a rapid and comprehensive rehabilitation program to win the "hearts and minds" of the Tamil population now living in government controlled areas. However, they were also aware of the security threats, and the pressure by LTTE from behind the scenes on the local government officials. More importantly, however, these areas were under emergency laws and the military concerns were decisive in defining what rehabilitation activities should be undertaken. In the capital Colombo, both in the government and in the military establishment, many were very negative towards any rehabilitation. They regarded most Tamils as potential LTTE supporters, or felt that these areas did not "deserve" any economic support. Most ministry officials had practically no knowledge about conditions in the North and East, and wanted to avoid decisions because these areas were under military authority, and it was considered most "safe" to avoid contacts. As a result of all these factors, many actions were frustrated or delayed in spite of the official policy. For the donors it could be frustrating to respond to such conflicting signals.

Secondly, LTTE did not control these areas militarily, but were clearly present with their cadres and informants among the population. Most inhabitants and local officials were afraid of acting contrary to LTTE wishes, and some were outright supporters of LTTE. LTTE was therefore in a position to frustrate or sabotage activities not approved by them. At the same time, LTTE was not a legitimate force and donors could not negotiate any rehabilitation programs with them, especially not for activities in the government controlled areas. This was a clear dilemma as the LTTE was a

force to be reckoned with, but no donor or the government would accept LTTE influence over their rehabilitation program. After their 1996 loss of Jaffna, LTTE was initially absolutely against any international assistance to the peninsula, claiming that it was now government responsibility. At the same time, LTTE claimed to be fighting for improved conditions for the Tamil population. They were also interested in portraying themselves internationally as a responsible organization, and therefore soon accepted that international humanitarian assistance had to be provided. Subsequently they also accepted some rehabilitation activities, sometimes arguing that rehabilitation could re-establish what had been damaged, sometimes saying that activities could be at the same level as before when they were in charge of Jaffna, and sometimes demanding that the same type of activities should be undertaken in areas still under their control. The donors rather pragmatically found that initially there were substantial needs for just rehabilitation and repairs of damaged facilities, and that any larger reconstruction would nevertheless have to wait. Therefore it was quite possible to undertake "rehabilitation" while avoiding "reconstruction" in the initial period.

Communicating these issues with the LTTE was not easy or straightforward. However, humanitarian agencies primarily UNHCR, ICRC and some international NGOs (Oxfam, CARE International, Save the Children, MSF) were operating programs in LTTE-controlled areas, and had regular meetings with LTTE representatives on operational and security issues. The other UN agencies therefore made use of these meetings to inform LTTE about plans and activities also in Jaffna and elsewhere and listened to their reactions, without entering any negotiations about these plans. It was obvious, however, that LTTE was often already informed from their own informants about ongoing activities. The second line of communication was more indirect: All donors and operating agencies in Jaffna and the East needed approvals from the local government officials. Since these officials were under surveillance by LTTE and often under threat, they would not approve programs that LTTE disliked. When a project was approved by the local authorities, therefore, the donors could be relatively "safe". Donors would nevertheless also have to use their own judgement, and did not accept LTTE's restrictions unless there were security risks.

The local government officials were under multiple pressure, and had to act carefully. They were the government's representatives, but during 1995-99 two Government Agents in Jaffna were dismissed. The districts were ruled under military emergency powers, but the army was regarded by large parts of the population as an "occupying force" – even by non-LTTE sympathizers. The local officials therefore tried to keep some "distance" to the army. Besides the hidden pressure from LTTE, the other Tamil parties also struggled for influence, especially ex-militant parties such as EPDP, and the moderate TULF. Some local officials nevertheless showed a remarkable integrity, and donors found them to be the most reliable local partners.

The bilateral donors were not, however, willing to fund any rehabilitation project directly through the government. They did not provide budget support elsewhere in Sri Lanka, and wished to be seen as neutral in these conflict-affected areas. While the German GTZ opened a separate project office in Jaffna, the other donors preferred to channel their aid through the UN agencies and the international NGOs. All were also keen to support local NGOs and CBOs as an alternative to government agencies. In

the East a number of active local NGOs could be found and supported. This was more difficult in Jaffna, however, where LTTE had been in full control for five years. Most surviving local NGOs were therefore heavily dominated by LTTE and had a clear political agenda, while others were initially afraid to come forward. For the donors, even support to civil society thus became politicized. Skills and local knowledge were required for donor agencies wishing to promote local participation and civil society as a medium for development and mechanism for a more peaceful development process.

Two additional dilemmas had to be considered: The first is the classical issue of linking development programs to human rights conditions. During 1996, before most of these rehabilitation programs in Jaffna were started, several hundred persons – the actual figure is disputed – were arrested by the security forces in Jaffna and subsequently disappeared. The more complete picture of these disappearances gradually become better known later in 1997, but hardly any action was taken by the government to investigate and identify those responsible. This did not, however, influence the donors' programs for rehabilitation, but was brought up through other diplomatic channels and at the UN Commission for Human Rights meetings in Geneva. Second, the question was how much rehabilitation should be undertaken while the war was still ongoing, rather than focusing on a major rehabilitation and reconstruction program as a real incentive for a final peace accord. The donors implicitly decided on a combined strategy by undertaking a more limited rehabilitation program, and indicating a will to fund a larger program when the full peace has been achieved.

In conclusion, initiating development projects – even on a relatively small scale for rehabilitation purposes – in a disputed area while the war is still ongoing is definitely more politicized than ordinary development programs. In the case of Sri Lanka the non-traditionalist donors decided to support rehabilitation projects with the primary objective to benefit the population, while being aware of the risks involved. While preliminary evaluations have shown positive impact for the beneficiaries, it is not possible to measure any impact on attitudes towards peaceful solutions and reconciliation. The dilemmas and the logistic, security, and political frustrations were formidable, however. Interestingly, none of these issues were covered by the OECD/DAC guidelines on aid programs to conflict-affected countries (OECD, 1998).

Beyond humanitarian assistance in LTTE controlled areas?

Most bilateral donors are also contributing humanitarian assistance to the internally displaced and other victims of the conflict. This aid is mostly channeled through the UN agencies (UNHCR, WFP and UNICEF), the ICRC, and the major international NGOs. The international assistance is supplementary, since the government is providing substantial assistance to these victims in terms of food rations, temporary shelter in public buildings, and the regular basic health and education services is at least partly functional, also in the areas controlled by LTTE.

There have always been many controversies around this assistance, particularly that which is provided to the LTTE-controlled areas. The government is strictly controlling access and has banned a number of items that might have a potential military use, including all metal items, most machinery, cement, nitrogen fertilizers, batteries and petrol, making implementation of many project practically impossible. Food, other building material and clothing are generally allowed, but subject to

thorough scrutiny and sometimes limited in volumes. Medicines and medical equipment is allowed on a quota-basis. Protection and continued supplies become issues when intensified fighting erupts. Many government and military officials remain thoroughly suspicious that all support, even that funded by government, is siphoned off, taxed, and/or misused by the LTTE. In spite of these problems, humanitarian assistance has been maintained throughout the war, and there has never been a major outbreak of starvation or epidemic diseases with catastrophic results so common in other war-affected countries.

However, the war has been ongoing for 17 years and has created one of those "protracted" emergencies, where the question arises when to wind down the basic humanitarian life-saving actions, and whether to implement more activities to support a livelihood for those affected. While programs for resettlement and reintegration take place in the government controlled areas, the issue is whether more could be done also in the LTTE-controlled areas. These districts have a population varying between 500,000 and 1 million, most of them living under the poverty line, and including some 2-300,000 internally displaced.¹¹ Under normal conditions, a number of development programs would have been undertaken in these areas, in addition to resettlement programs for the displaced. But what could the donors support in the areas controlled by LTTE?

Most NGOs argued in favor of a more developmentalist approach, and some small-scale activities such as the UNHCR-supported micro-projects actually did take place. LTTE wanted more development projects with donor support, but the donors would not negotiate any programs directly with the LTTE.

Interestingly, the government position was not totally negative. The political position by the government has been that these areas are integral parts of Sri Lanka, and the civilian population in these areas have the same rights and should have the same access to services as those living elsewhere, despite LTTE military control over the area. This is why local government and services continued to function, albeit at a drastically reduced level, and movement of people and goods between the LTTE controlled and the government controlled areas was allowed. This nevertheless became a dilemma for the government: how to maintain basic services while avoiding that the LTTE military capacity would be strengthened. At the same time the government has clearly aimed at encouraging people to leave the LTTE areas, especially those displaced from Jaffna, by keeping basic services and supplies at a minimum level, without stating this policy publicly. In conclusion, the government was willing to accept and undertake small-scale development projects for the civilian population in these areas, such as water supply, irrigation and agriculture, as well as repair and maintenance of schools and health centers. However, the military sanctions and banned items were maintained and severely restricted possible activities.

Some donors were therefore willing to see their development assistance being provided for such activities also into the LTTE controlled areas, at the request of the government and in close collaboration with the local government officials. Norway negotiated such assistance in Batticaloa in the East, and in Vavuniya in the North

¹¹ There are no reliable official figures, and numbers vary as the war situation changes and people are moved and displaced.

(Vanni). WFP was willing to support upgrading of small-scale irrigation schemes, and the World Bank recently entered into a similar agreement, to be monitored by UNHCR. UNHCR also continued their micro projects that were initiated in the late 1980s when refugees were returning from India and resettled in their place of origin in the Vanni.

As long as this support aimed at returning refugees and the permanent civilian population in these areas, this was generally acceptable to all, including the government. However, as more than 200,000 internally displaced moved the Vanni in late 1995 and early 1996 from Jaffna after being encouraged – and perhaps pushed – by the LTTE, the question has been raised whether to support permanent resettlement for these families in the LTTE areas. While LTTE has encouraged and supported new resettlement schemes, the government has been strongly opposed to any resettlement and wanted the displaced to return to Jaffna. For the UN and the donors this represents an unsolved dilemma, partly because the LTTE has used various forms of coercion to keep the families there, and it has been practically impossible to establish the free choice of the displaced families, whether they wish to resettle or return.

This illustrates another question of increasing importance in countries with long lasting internal wars: How to communicate with violent non-state actors such as LTTE, not only on humanitarian issues, but also on human rights and broader development issues? Increasingly, the international community sees the need for entering into a dialogue with such actors to make them responsible for adherence to international norms and standards and protecting civilians in areas they control. This can be done without giving these actors any recognized international status, and without accepting any political demands or claims these may have. In the case of Sri Lanka, ICRC acted in accordance with their mandate to promote respect for International Humanitarian Law by all sides to the conflict. The NGOs and local government representatives have discussed implementation of the principles of “Do No Harm”, but this discussion did not involve any LTTE representative. And in May 1998 the Special Representative of the UN Secretary General on Children under Armed Conflict Mr. Olara Otunnu discussed the fate of children with the LTTE leadership. But few other agencies – if any – have had any form of “dialogue” with the LTTE on basic humanitarian and developmental issues, including democratization and human rights, or promoted a “civil society” in the LTTE-controlled areas.

It seems reasonable to argue that if any rehabilitation, recovery, resettlement or small-scale development programs are to be undertaken in areas militarily controlled by LTTE or similar violent non-state actors, it should be accompanied by a development dialogue and conditions at least similar to those now demanded by donors from regular governments: That human rights are to be respected, that people can move and settle freely, that civil society is encouraged, and that democratic institutions are encouraged. All of these are severely lacking in LTTE controlled areas, and it would therefore be difficult to justify donor support beyond basic humanitarian assistance. But what policies would provide a better incentive for a peace process? Again, these issues are not covered in the OECD/ DAC guidelines from 1998.

Conclusions

This article has shown important differences in donor policies between a traditionalist approach and a more comprehensive approach in adjusting their development aid

programs to the context of an ongoing violent conflict. A few donors followed more a narrowly focused human rights approach or a more pro-active approach, but these were rather similar to the comprehensive approach. The World Bank, as a latecomer, was switching from a traditionalist to a comprehensive approach in the most recent years. The comprehensive approach has implied adjusting the contents of the aid program, supporting rehabilitation in contested areas, and considering moving beyond humanitarian support in rebel controlled areas. At the same time, these donors have maintained a balanced program throughout the country. All aspects of the aid program required a deeper political assessment than for normal development programs, and thus represented a major challenge for aid actors.

Secondly, this case has illustrated that donors have to develop a more specific policy for countries with protracted emergencies, distinct from short-term emergency aid as well as different from regular development programs. Because of the fluidity of the situation in the North and East, and the general nature of protracted emergencies, it was not possible to maintain a sharp dividing line between humanitarian assistance and support to resettlement, rehabilitation and reconstruction. Combined with the more complex political context, this would underline the need for bilateral donors as well as the UN system and the World Bank to think in terms of these "in-between" situations as a special category of development.¹²

Thirdly, one option for donor approach to the conflict-affected areas in the North and East in Sri Lanka, may be to consider applying mechanisms similar to the "principled common programming" under the Strategic Framework for Afghanistan (UN, 1998). The main idea in Afghanistan is that all donors agree to a "Principled Approach" which is intended to promote the peace process, human rights, and humanitarian concerns simultaneously. This implies *inter alia* that rehabilitation and development assistance should not give any direct political or military advantage to any of the warring parties and no capacity-building activities should support "any presumptive state authority" unless this subscribes fully to all human rights principles. Gender equality has been given a particularly prominent position. Meanwhile, life-sustaining humanitarian assistance should be provided in accordance with the principles of humanity, universality and neutrality. These principles would have to be adjusted to the real situation in Sri Lanka, however, but might turn useful especially in dealing with the LTTE.

And finally, we have seen that the impact of these donor approaches on the actual peace process has been very difficult to assess, but is probably very limited. It was not to be expected that development aid policies in Sri Lanka would make or break a peace process. Other political, economic and social forces will decide whether this destructive war can be ended peacefully in the near future, or it will continue for another 17 years. Strong international actors may influence this process, but the basic solution and the will to find it must come from inside the country. At best, aid donors may create more incentives than disincentives towards such a process.

¹² See also Chr Michelsen Institute (1999) concluding chapter making the same argument.

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