

Conditioning Peace among Protagonists

A Study into the use of Peace Conditionalities in the Sri Lankan Peace Process

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List of Abbreviations

ADB	Asian Development Bank
CAS	Country Assistance Strategy
CFA	Cease Fire Agreement
CPE	Complex Political Emergency
DFID	Department for International Development
DWG	Donor Working Group on the Peace Process
EPDP	Eelam People's Democratic Party
FP	Federal Party
GoSL	Government of Sri Lanka
GTZ	German Technical Cooperation
HSZ	High Security Zone
IDA	International Development Agency
IDP	Internally Displaced Person
ICRC	International Committee of the Red Cross
IMF	International Monetary Fund
IPKF	Indian Peace Keeping Force
ISGA	Interim Self Governing Authority
JVP	Janatha Vimukthi Peramuna
LTTE	Liberation Tigers of Tamil Eelam
MP	Member of Parliament
NEPC	North East Provincial Council
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
OTI	Office for Transition Initiatives
PCIA	Peace and Conflict Impact Assessment
PDS	Planning and Development Secretariat
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
P-TOMS	Post Tsunami Operational Management Structure
SAARC	South Asian Association for Regional Cooperation
SIDA	Swedish International Development Agency
SIHRN	Sub Committee on Immediate Humanitarian and Rehabilitation Needs in the North-East
SLFP	Sri Lanka Freedom Party
SLMM	Sri Lanka Monitoring Mission
TRO	Tamils Rehabilitation Organisation
TUF	Tamil United Front
TULF	Tamil United Liberation Front
UPFA	United People's Freedom Alliance

UK	United Kingdom
UNHCR	United High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNP	United National Party
US	United States
UTHR	University Teachers for Human Rights
WFP	World Food Programme

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Executive Summary

Introduction

Following several generations of aid conditionality in the realms of economic reform and good governance, it was in the course of the 1990s that ‘peace conditionalities’ came to the limelight. Linkages between conflict and development came to be widely acknowledged and aid was assigned a central role in war-to-peace transitions. Aid became an instrument for reinforcing political pressure on (previously) warring parties and a means of delivering a peace dividend and other inducements. Conditions were moreover driven by ‘regular’ concerns with regard to accountability and the need to adhere to globally accepted principles such as human rights.

In the meantime, global debates on aid policy have largely moved beyond a conditionality logic. Domestic ownership and donor alignment to local approaches and priorities have increasingly become the cornerstones for global development policy, and conditionality has increasingly been considered ineffective or unjust. The war on terror and the increasing integration of defence, foreign and development policy have led to the use of more coercive instruments on the one hand, but simultaneously raised concern with regard to the preservation of humanitarian space and the ‘securitisation’ of aid on the other.

Peace conditionalities have thus become a contested issue and it is for this reason that this study was commissioned. Its aim is to analyse experiences with regard to peace conditionality, to identify strategies that have worked, and to map out the wider policy implications of these findings. In all, this research effort consists of a conceptual paper, two case studies and a synthesis paper. The present document concerns the Sri Lankan case-study, while the other case deals with Afghanistan.

We define conditionality as the promise or increase of aid in case of compliance by a recipient with conditions set by a donor, or its withdrawal or reduction in case of non-compliance. It is thus the use of aid as an instrument for applying pressure on domestic actors and the recipient government in particular. In this regard, sticks and carrots are closely related. Peace conditionality is the use of aid as a means to persuade conflict parties to make peace, to implement peace accords, and to consolidate peace. The Sri Lankan context is one in which there is a ceasefire, but no peace accord.

We emphasise that conditions may be formal or less formal and explicit or more implicit. Moreover, conditionality may take both a positive form (reward) and a negative one (sanction). There is in fact a continuum of donor engagement with instruments of varying degrees of severity, including sanctions, withdrawal or reduction of aid, persuasion, selectivity, rewards or inducements, policy dialogue, and partnership and in-country ownership. Where conditionality stops and simple inducements or ‘normal’ development aid start, depends on whether there is a demonstrable reciprocal follow-up action by the donor in the case of compliance or non-compliance with the conditions. Conditionality is subject to ‘framing’ and interpretation.

Background to the Conflict

It is important to understand the background and appreciate the history of the Sri Lankan conflict. Although the predominating factor is the war between the LTTE and the Sri Lankan government, a bipolar modal of the conflict is highly inadequate. The conflict in Sri Lanka is a complex, multi-actor, multi-level, multi-faceted and multi-causal phenomenon that defies a uniform description. It is in fact a welter of interconnected conflicts along the lines of caste, class, region, religion, language and ethnicity.

The present study focuses on the past five years, during which we have witnessed a remarkable peace process. Soon after its promising start, the process broke down and fell prey to fragmentation between and within the various parties. Since the series of Sri Lanka's interconnected conflicts involve a wide range of domestic actors, it is logical that a narrow peace process (comprising only two parties) faces major obstacles. To some extent, the peace process has acted as a lightning rod for broader societal tensions in Sri Lanka. Major regional differences and intra-Tamil and Sinhalese divisions have resulted in 'infighting', which have undermined the peace process.

Changes in International Involvement with Sri Lanka

It is important to keep Sri Lanka's global position in perspective. Though Western donors, Japan and multilateral agencies have interests in Sri Lanka in terms of trade, migration, diplomacy, international principles and ideologies as well as a development agenda, none of these are a major primary concern in the regional and global context. With the exception of India, which had an involvement in the late 1980s, foreign actors have had limited influence on the Sri Lankan government and the LTTE.

Though limited Western interests, a rather mild political dialogue and the implicit or explicit Indian pre-dominance have been consistent factors, there have nevertheless been changes in the level and kind of international involvement. Indian involvement peaked with the signing of the Indo-Lankan accord in 1987 and the subsequent deployment of the Indian Peace Keeping Force. The 1990s were a period of relative isolation, with limited foreign involvement in the conflict.

The current peace process, however, represents a coincidence of major domestic and international changes of orientation. At the domestic level, the two main parties – the UNF government and the LTTE – have explicitly reached out to the international community for support and cooperation, whereas international cooperation has increasingly become geared towards the peace, security and development nexus. Thus, the current process is one that has attracted the more willing involvement of donors (due to changing policy), at the same time making it more feasible for them to take part (given to the stance of the warring parties).

Mapping Peace Conditionalities

In Sri Lanka we have witnessed three main clusters of peace conditionalities. In the first place, international actors have used their leverage to get the two parties to the table and keep them there. Though domestic factors were decisive for the emergence of the peace process, international developments have reinforced this trend. The Indian and American security guarantees to the

government and international pressure on the LTTE (with proscription in some prominent countries) were particularly important. Once the peace process commenced, the movement was 'rewarded' with political access to various donor governments and the symbolism that surrounded these diplomatic exchanges. The LTTE, however, has continued to receive criticism for its human rights record, particularly with regard to child recruitment, extortion and political assassinations.

Secondly, international actors have used their aid as an inducement to the parties and the broader public to reap the tangible benefits of peace ('peace dividend'). Some have argued that this would raise the stakes and inhibit a return to war. At the Tokyo conference, donors pledged US\$ 4.5 bn for the next four years and made specific pledges for the war-ridden North and East. In §18 of the Tokyo Declaration, however, they emphasised that assistance 'must be closely linked to substantial and parallel progress in the peace process' and committed themselves to close monitoring on the basis of ten specific benchmarks. In retrospect, the peace process had pretty much collapsed before the ink of the Declaration had dried. Hardly any of the benchmarks have ever been met.

Thirdly, donors have encouraged the establishment of joint government-LTTE aid mechanisms. Such structures would be an effective means of dealing with aid administration in the war-torn areas, which have parallel LTTE and government structures of governance. Meanwhile, such forms of limited cooperation would create mutual confidence and led to power sharing. Two joint mechanisms were initiated: one during the peace talks (the Sub Committee on Immediate Humanitarian and Rehabilitation Needs in the North-east, [SIHRN]) and one after the tsunami (the Post-Tsunami Operational Management Structure, [P-TOMS]). By funding these mechanisms, donors hoped to stimulate cooperation between the government and the LTTE, but in the end neither initiative materialised, and donor money was withheld or diverted. SIHRN and P-TOMS were not merely technical mechanisms to deal with rehabilitation. Both ended up as *the* pivotal issues in the peace process at their respective moments in time. It was hoped that they would make the peace, but they eventually came close to breaking it.

Donors have further provided direct support for the peace process at the levels of Track 1, 2 and 3. Numerous civil society initiatives aimed at peacebuilding have been funded, with aid continuing to focus on more structural issues underpinning the conflict, such as poverty and political reform.

Though the entire donor community has employed most of the carrots and sticks described above, there have been major differences between donors. For reasons of brevity, we have clustered donors into five categories: the big spenders (development banks), the co-chairs to the peace process (EU, Japan, Norway and US), the European bilaterals, the regional actors, and the UN agencies.

Aid from the development banks (the World Bank and ADB) strongly increased after the ceasefire, and the North and East witnessed the first major influx of bank funds. Although spending fell in 2004, this was for other reasons than the peace process. The banks were willing to raise the stakes of peace, but they were not prepared to reduce their funds if the parties did not comply. Largely thanks to the two banks and Japan, many of Tokyo's promises were met, while the conditions – linking aid to progress in the peace process – moved to the background. The banks have repeatedly emphasised future spending would depend on political progress, but that link has proved to be stronger in rhetoric than in practice.

Though American, European, Japanese and Norwegian interests and positions with regard to the peace process have differed, the co-chairs have continued to speak with one mouth through periodic joint statements. References to aid conditionality and the Tokyo Declaration have gradually faded almost to nothing. However, the language has gradually toughened in response to the escalation of

security incidents, though much more so towards the LTTE than towards the government. The Americans have been far the most outspoken critics of the LTTE. The Japanese – Sri Lanka's biggest donor – have shied away from conditionality, but their prestige has of course been strongly attached to the Tokyo conference, and any decay of the Declaration would have reflected badly on them. The EU has kept a rather low profile throughout the peace process, but its engagement with the LTTE and its support for the joint mechanisms have stood out. However, in autumn 2005, the Europeans openly began to consider proscribing the LTTE. As the invited facilitator of the peace process, the Norwegian government has had a special role. Norwegian aid was primarily a goodwill instrument for dovetailing strategy, rather than a means of applying pressure. In view of the limited power tools at Norway's disposal, it has secured powerful backing through the support of the co-chairs, India and the broader donor community.

Most European countries, such as the Nordic states, Germany, the Netherlands, Switzerland and the United Kingdom, have rather modest aid budgets and limited diplomatic leverage. Many of these countries have therefore joined hands in an attempt to set the agenda in the broader donor community. They have been strong supporters of the 'principled approach' to the peace process, which was laid down in §18 and the guiding principles adopted with regard to tsunami aid. One strategic complementarity seems to have been the ability and willingness of many smaller European donors to engage with the LTTE, advocating the idea of channelling aid through a joint LTTE-government mechanism. Most European donors – the UK being the main exception – have also employed political symbolism as an inducement towards the LTTE.

Sri Lanka's neighbouring countries have not had a salient involvement in the peace process. With the demise of exclusive Indian involvement after the 1980s, other regional actors have adopted a more prominent role while Sri Lanka has strengthened its foreign relations in the region through trade agreements, military procurement and diplomatic ties. However, given that relations with neighbouring states have emerged with the longer view in mind, pressure to cut back support or withdraw it altogether – as was applied in Tokyo – is unlikely to come from countries in the region.

The UN – our fifth cluster of foreign involvement – has played a predominantly humanitarian part, never having been allowed any political (let alone military) clout. UN intervention in Sri Lanka has gradually come about through ad hoc decisions, while the UN country team – representing the different agencies – has been always reluctant to use aid as a lever. With the extensive government restrictions of the 1990s and continued human needs in mind, their main concern has been to be operational. Aid could help cultivate the fruits of peace, but it has not been used as a lever. One notable exception to the UN's non-political profile has been UNICEF's role in the monitoring of child recruitment by the LTTE.

In retrospect, the turbulent dynamics of the peace process has inhibited donor intervention. The change of government combined with an increasingly sceptical LTTE, have pushed donors into their fallback position: a mild dialogue with the government and increasing criticism towards the LTTE. At the time of the Tokyo conference, efforts to link aid to progress in the peace process were troubled by the fact that the peace process had more or less come to a standstill. Donors dangled the carrot, assuming the process was moving in the right direction, but when this assumption proved to be false they did not replace the carrot with a stick. Other factors, such as institutional momentum, the response to the tsunami and Sri Lanka's graduation to middle income status, proved to be more decisive in terms of aid spending. Support for the joint mechanisms (i.e. SIHRN and P-TOMS) meant little when neither mechanism was put into practice.

Local Perspectives and Responses

A review of domestic responses to donor interventions reminds us that, from various Sri Lankan perspectives, donors do matter. Their sticks and carrots are perceived to be influential and there is a lively debate on what donors should or should not do. Domestic perceptions are highly varied and dynamic. The UNF government openly invited strong foreign involvement, while the subsequent UPFA regime rejected any infringement of Sri Lanka's sovereignty. Powerful sections among the Sinhalese are suspicious of and disparaging about foreign interference. Political leaders thus do not want to be seen dancing to the donors' tune, meaning that foreign pressure may have adverse consequences. The LTTE initially reached out to the international community to help address the urgent needs of the north-eastern population, but soon reverted to a more critical position. 'Over-internationalisation' and a state bias were among the movement's cited reasons for withdrawal from the talks. Meanwhile, dissident Tamil voices are calling upon the international community to stop waiving turning a blind eye to **FINE** human rights abuses in the name of peace and instead force the LTTE to cease its oppressive rule, as well as to give up its self-proclaimed status as the sole representative of the Tamil speaking people. Likewise, the Muslims are demanding recognition, referring to international principles (such as inclusion, democracy and human rights) to argue that international actors should press the government and the LTTE to make better inclusion of the Muslims in the peace process.

As a result of the multiplicity of actors and viewpoints, donor conditionalities have become part of Sri Lanka's political dynamic, with mixed or even adverse consequences. Complex war-to-peace transitions involve tensions and trade-offs between core international principles such as sovereignty, democracy, human rights, the need for inclusion, and a successful peace process. Successful advocacy campaigns and domestic pressures may neutralise or even paralyse donor sticks and carrots. On the other hand, a great deal of domestic support exists for many issues and principles put forward by donors. Tuning in to domestic discourses and dynamics is the key to applying successful pressure or offering effective inducements.

Conclusions and Policy Implications

Conclusions

The donor community in Sri Lanka has embraced negative and positive aid conditionality as well as non-conditional incentives to promote peace, addressing both the government and the LTTE. However, there has been more unity among the donors at the rhetorical plane than in attempts to follow solemn declarations through with reciprocal action in the case of non-compliance.

When the peace progress stalled and neither of the joint mechanisms materialised, aid continued to flow at an unprecedented pace. Spending pressure and programmatic continuity generated their own momentum. Differences of interests, culture and approach between the donors came to the fore as well as differences of emphasis between the in-country missions and their respective headquarters, which were more sensitive to the 'friendly relations' with the recipient country, the views of other international players, and geo-political and trade interests.

Non-enforcement was further compounded by the lack of a clearly defined compliance regime, specifying what measures would follow if the criteria were not met. The criteria of the Tokyo

Declaration were, however, not accompanied by critical values and this made operationalisation ambiguous. Moreover, there was no ‘road map’ that could put these benchmarks into a broader perspective. Finally, linking conditions to specific tasks or behaviours by the parties individually would have been more effective than relating them to the progress of a process or to the establishment of mechanisms, for which the two conflicting parties had a joint responsibility and which was subject to spoiler interventions.

Donor positions often did not reflect the longer-term trends, resulting in ‘incident-hopping’ and ‘traffic light behaviour’. There was also a lack of institutional memory and of recognition of the historic construction of particular grievances among the protagonists, combined with an insufficient focus on substance, including ‘core political issues’ and the need to work more proactively on ‘conflict transformation’.

The evidence from this study shows that the use of negative conditionalities failed to influence the conflicting parties. This was primarily a reflection of the nature of the LTTE and the government, their political environments and the importance attached to the issues underlying the conflict. There is some evidence that engagement and inducements might have worked better. The degree and number of positive incentives were, however, too low to make the threat of withdrawing them a very serious one in the eyes of the LTTE. Though the influx of aid in LTTE-controlled areas increased, these funds were not given to or handled directly by the movement. They were therefore not perceived to be a sufficient recognition of the position of the movement as a legitimate player and representative.

While the UNP regime was closely allied to donors, the subsequent UPFA government was not very amenable to their pressure. The administration had a different political orientation and a different constituency and could not be seen to be giving in to donor pressure. Aid was altogether not much of an incentive to Sri Lanka, as the country was not significantly aid-dependent.

The use of conditionalities was further complicated by the fact that the conflict is not confined to the LTTE and the government. There are multiple conflicts that involve a broad range of actors. These actors affect the two main parties as well as the donors. Political and religious actors in the South are a key to increasing or decreasing the government’s susceptibility to donor pressure. Ignoring these societal forces can be dangerous, as evidenced by the UNP’s downfall. Increasing Muslim assertiveness, if not incipient militancy, further complicates long-term solutions and has been something that donors have been slow to observe. Donors’ engagement with the LTTE – and their tacit decision to accept the movement as a representative of the Tamil people – provokes politicians and activists that criticise oppression, extortion, assassination and forced recruitment by the LTTE. They advocate an agenda of rights and justice that donors cannot afford to be seen ambivalent to. Yet, in the long history of human rights violations in the Sri Lankan conflict on both sides, donors, afraid of jeopardising the pursuit of peace in the short term, have not made human rights a breaking-point for installing sanctions.

Surveying the picture as a whole, there is the question of even-handedness in the responses of the donor community to the government and the LTTE respectively. The historical state or government bias in international relations was underlined by the donors’ positive reception in 2002 of Wickremesinghe’s government. Seen as a proponent of mainstream neo-liberalism, he also seemed to pursue a peace agenda. Relations between donors and his government were very close, while this was less so between the donor community as a whole and the LTTE. The effect of this, together with the factors mentioned above, was that neither positive nor negative conditionalities had much impact on the movement.

Policy implications

1. Keep your options open

The ill-fated Tokyo Declaration underlines the risk that peace processes often do not lead directly to peace but rather usually require a lengthy process with hiccups, regressions and unforeseen changes. Longer-term policies must stand the test of critical changes of cast, position and context and not be based on a single positive scenario.

2. Leap from strategic analysis to strategic policy

Available analysis and research on the conflict has not filtered through sufficiently to the donors' decision-making level. Strategic thinking with regard to the application of conditionalities has also been limited. Decision-making and policies require strengthening on the basis of available insights and lessons learned.

3. Be realistic about intra-donor politics

Smaller donors in Sri Lanka have influenced other donors through the advocacy of joint principles and statements, the facilitation of intra-donor analysis and discussion, and the secondment of conflict experts. Yet, this may be counter-productive or remain without real follow-up if those other donors are in fact not willing to apply conditionalities or pressurise conflict parties.

4. Be cautious with negative conditions

Negative conditions and coercive approaches may not be effective or could even backfire, as the political stakes of a peace process are high and donor dollars will not tempt the parties from their course. In Sri Lanka, negative conditions have led to ambivalence and occasional annoyance on the part of government and to irritation and withdrawal from the talks by the LTTE. Moreover, the lack of donor follow-up in response to the failure to observe condition has undermined donor credibility.

5. Deal with your state bias

Aid has a state bias and therefore conditionality is not as effective on non-state actors. As a unrecognised entity, the LTTE has not been a direct recipient of aid. Though some donors have attempted to be even-handed, they have ultimately come down on the side of the government. In consequence, strategies vis-à-vis the LTTE have not been very convincing, being divided, wavering and inconsistent in terms of sticks and half-hearted about carrots. Existing discourses in the field of international relations and the war on terror have prevented donors from adopting more daring and imaginative approaches towards the LTTE. In order to apply pressure on and engage with a self-reliant non-state actor, better approaches are required.

6. Optimise relations with broader society

Exclusive engagement with the main conflict actors is problematic, as other domestic actors are equally important drivers of change. Efforts need to be undertaken to understand their discourses and to engage with them. Continuing and expanding inducement programmes in support of societal agents of change may add pressure on the state and promote pro-peace stances of societal leaders and civil society. Also, such initiatives help understand and anticipate potential spoiler behaviour.

7. Be realistic about the nature of the actors you are dealing with

The natures of the LTTE and the state are important constituents of the conflict and they are unlikely to change overnight. A better appreciation of their particularistic characteristics and grievances, their room for manoeuvre and their pathologies would help making longer-term donor policies more effective.

8. Try reaping the fruits of strategic complementarity

Acknowledging the differences in donor positions, whilst emphasising the common interest – a successful peace process – will allow for a more focused political debate and more effective use of the various policy instruments. This would make it possible to optimise strategic complementarity between the donors.

9. Do not let aid replace political pressure

To some extent, donors have been too ‘bullish’ in Sri Lanka, while diplomats have been too ‘timid’. Development assistance can reinforce integrated approaches towards peace, but should not be used as a lame substitute for lack of action on other fronts. If international actors are serious about contributing to peace in Sri Lanka, this should be reflected in the way they employ their instruments.

I. Introduction

As international aid donors and multilateral agencies become increasingly involved in stabilisation operations, reconstruction, peace-building and other conflict-related activities during and after violent conflict, an intense debate is being waged on how these efforts can be made more effective. There is relatively little experience and documented evidence on the effectiveness of conflict-related interventions, as many of them have only been developed and implemented in the last decade, or even the last couple of years (Smith, 2004). Moreover, the response to initial experiences has been fairly critical, while in certain instances interventions have contributed to increasing tensions and violence instead of reducing them. Meanwhile, a broader debate has emerged about the need and desirability to intervene in contemporary conflict and on aid effectiveness in general. In this connection, the question has arisen whether the application of ‘peace conditionalities’ could be helpful to achieve peace in situations of conflict, to implement peace accords once concluded, and to consolidate peacebuilding in post-conflict processes.

However, at the same time serious reservations and doubts about their use have been expressed, also because experiences with conditionality of development aid at large have not been altogether positive. Some members of the donor community argue that by employing conditionalities assistance can be made more effective, while others fear that the application of peace conditionalities could lead to the ‘securitisation’ of development aid, giving prominence to military logic. In addition, more conservative donors and a variety of NGOs resist any further ‘politicisation’ of aid. Finally, agencies such as DFID now tend to embrace ‘post-conditionality’ policies, where conditionalities have been declared to be an anachronism.

Moreover, the use of peace conditionalities also raises issues of fine-tuning to local contexts, matching expectations and resources invested, (long-term) time frames, the political economy of peacebuilding, donor-recipient relationships and ‘good donorship’ *per se*. Finally, the problematic assessment of impact adds to the problem of having an evidence-based and conclusive debate on the issue.

1.1 Research Objectives and Questions

In view of the above issues and uncertainties, the UK Department for International Development (DFID) has asked the Netherlands Institute of International Relations ‘Clingendael’ to carry out a lessons-learned study on peace conditionalities. The *overall study* has three principal objectives:

- To examine the extent to which peace conditionalities applied by donors strengthen or undermine overall peacebuilding efforts in two case-study countries, namely Afghanistan and Sri Lanka;
- To identify specific strategies and approaches to peace conditionalities that are likely to strengthen international efforts to build peace in both countries;
- To highlight the wider lessons about the relevance and potential of peace conditionalities in conflict and post-conflict settings.

The study comprises a conceptual paper, case studies on Afghanistan and Sri Lanka, and a synthesis report. These studies together cover a variety of conflict situations: continuing violence in parts of both Afghanistan and Sri Lanka, a post-ceasefire agreement situation in Sri Lanka that is highly fragile, and a post-peace accord reconstruction effort in Afghanistan that is subject to a wide range of security conditions in the various regions of the country.

The present case-study focuses on the Sri Lankan peace process (December 2001 – December 2005¹) and has been carried out by Prof. Georg Frerks (Centre for Conflict Studies, Utrecht University, Utrecht) and Mr Bart Klem (Bart Klem Research, Amsterdam of the Netherlands). The Sri Lanka case-study deals firstly with the background to the conflict and the current peace process in Sri Lanka (chapter 2). It then outlines international involvement in past and ongoing peace efforts (chapter 3). It examines the specific role of development aid in the current peace process and whether the international community has applied any peace conditionalities. More specifically, it looks into how these peace conditionalities have been implemented and how effective they have been and why (chapter 4). A special effort is made to describe the local responses in Sri Lanka to the use of peace conditionalities by the international community (chapter 5). Finally, in chapter 6 we draw conclusions on the use of peace conditionalities in Sri Lanka's current peace process and indicate the lessons learned and wider policy implications of the Sri Lankan experience.

1.2 Conceptual Aspects²

A wide-ranging body of literature is devoted to the issue of aid conditionality. The issue itself is contested on political and moral grounds, as is the question of whether conditionality is an effective instrument. In this section we briefly review some major concepts and approaches dealt with in the literature and propose a working definition and a conceptual-descriptive framework to deal with the topic.

Conditionality is not an aim in itself, but an *instrument* by which other objectives are pursued (Stokke, 1995:2). This obviously raises the question what these other objectives are. Box 1 gives an overview of the goals and sub-goals that are actually or potentially served by applying conditionalities. The relative emphasis on these (sub)-goals in policy practice evidently coincides with particular 'generations' of conditionality over time, and with fashions apparent in donor discourse. In the case of Sri Lanka, most of these goals and sub-goals are relevant, but from a conflict or peacebuilding perspective the political, humanitarian, governance, security and process goals are the most prominent at present.

¹ These dates do not imply that the process was confined to this period. Important developments clearly preceded the starting date (December 2001) and the process did not stop in December 2005 (but that is when data largely ceased to be collected).

² The conceptual aspects and debates with regard to peace conditionalities are dealt with in greater detail in a separate paper produced for this project: Frerks, Georg (2006) *A framework for the analysis of peace conditionalities in conflict and post-conflict settings*. The Hague: Clingendael Institute.

Box 1: Goals and Sub-Goals of Conditionalities	
Goals	Sub-goals
Political	Democratisation, rule of law, human rights, free media
Economic	Structural adjustment and liberalisation, poverty alleviation, income generation
Social	Gender equity, social sector development, ownership, partnership Humanitarian access, refugee and IDP issues, child soldiers
Humanitarian	Aid effectiveness, transparency, accountability
Governance	Free trade, export promotion, tied procurement
Commercial/Trade	Conflict resolution, DDR, SSR, reconciliation, peacebuilding
Security/Peace	Anti-terrorist policies and collaboration
Counter-terrorism	Transparency, accountability, effectiveness and non-corrupibility of aid
Process	Technical, administrative and legal (donor) issues
Fiduciary	

Though we may all agree now that conditionalities are donor instruments to reach particular goals, the question remains when a particular donor instrument can be called a conditionality and when it is a ‘normal’ aid instrument. According to Stokke (1995: 11-12) “the key element [in the definition] is the use of *pressure*, by the donor, in terms of threatening to terminate aid, or actually terminating or reducing it, if conditions are not met by the recipient. Foreign aid is used as a lever to promote objectives which the recipient government would not otherwise have agreed to.” This definition puts the emphasis in Stokke’s own words on *coercive* aspects i.e. denial of aid in the event of non-compliance on the part of the recipient government. However, other definitions of the concept include the ‘carrot’ as well. Waller (1995: 111) calls the reduction of aid in case of reduced performance ‘negative conditionality’, as opposed to ‘positive conditionality’ when aid is increased as a response to improved performance. This *positive* or *inducement* approach broadens conditionality to include situations in which rewards or incentives are offered in the event of good performance or behaviour. Incentives are all those purposeful uses of aid that favour or encourage a particular positive dynamic or outcome, whereas disincentives aim to weaken or discourage a negative dynamic or outcome.

We believe that in the debate on conditionality sticks and carrots are closely related, as ending a negative sanction may be considered a carrot, while removing a carrot may be seen as a stick. The decision whether to use incentives or disincentives in a given situation depends on the nature of the problem, the donor’s objectives and the donor-recipient relationship. The general advantage of incentives is that they add resources, foster cooperation and goodwill and can be designed to contribute positively towards solving the underlying causes of the problem, while they do not create the negative effects perhaps caused by sanctions. In our *definition* we include both negative and positive approaches to conditionality. Unlike some authors, however, it is not our intention to have our definition cover all donor efforts to achieve peace. For us, the distinguishing element is the promise, potential for or actual implementation of a demonstrable reciprocal follow-up action by a donor in the case of compliance or non-compliance with conditions imposed.

‘Conditionality is the promise or increase of aid in case of compliance by a recipient with conditions set by a donor, or its withdrawal or reduction in case of non-compliance.’

Boyce (2002: 1025-6) defines peace conditionality as “the use of formal performance criteria or informal policy dialogue to encourage the implementation of peace accords and the consolidation of peace.” For our purpose we propose to expand Boyce’s definition in three directions. Firstly, the definition seems to focus mainly on positive conditionalities (‘encourage’), whereas in practice also *negative conditionality* may be at stake. Secondly, formal performance criteria and informal policy dialogue are two of the possible instruments to communicate or effectuate the conditions set (i.e. the *increase* or *withdrawal* of aid). In our view it is helpful to include in the definition the condition itself rather than the instruments. Thirdly, we see that peace conditionalities are also applied *without* having a peace accord in place. In fact, they are used frequently with the aim of reaching one, as the case of Sri Lanka shows. On the basis of these observations, we adopt the following definition:

‘Peace conditionality is the use of aid as a lever to persuade conflicting parties to make peace, to implement the peace accord, and to consolidate peace.’

Whether something is or is not a conditionality is to some extent subject to ‘framing’ and interpretation. There is a lively debate about the way certain objectives are pursued. These normative aspects of aid conditionality refer to the extent to which the various combinations of objectives and (coercive) tools are deemed legitimate in the political dialogue between donor and recipient governments. Donors and recipients, as well as the public and media in both donor and recipient countries, may conduct certain discourses with regard to aid and aid conditionality. Not only the very notions of aid, development and conditionality *per se*, but also concepts such as independence, sovereignty, ownership, partnership, accountability and transparency carry normative connotations and are used to frame particular discourses or counter-discourses. This is a topical issue of study in itself and may tell us something about the relevant actors’ views, perceptions and sensitivities.

Peace conditionality involves and affects a large variety of actors with diverging dynamic interests and interrelationships. As a result of the diverging perspectives, conditionality may work out quite differently for the different parties involved, which may also affect effectiveness. Moreover, as observed by Killick (1997: 488), it is dangerous to presuppose single decision units, as each donor and recipient government is again a fragmented collectivity with varying interests and objectives. All those factors complicate the concerted and effective use of (peace) conditionalities in donor practice.

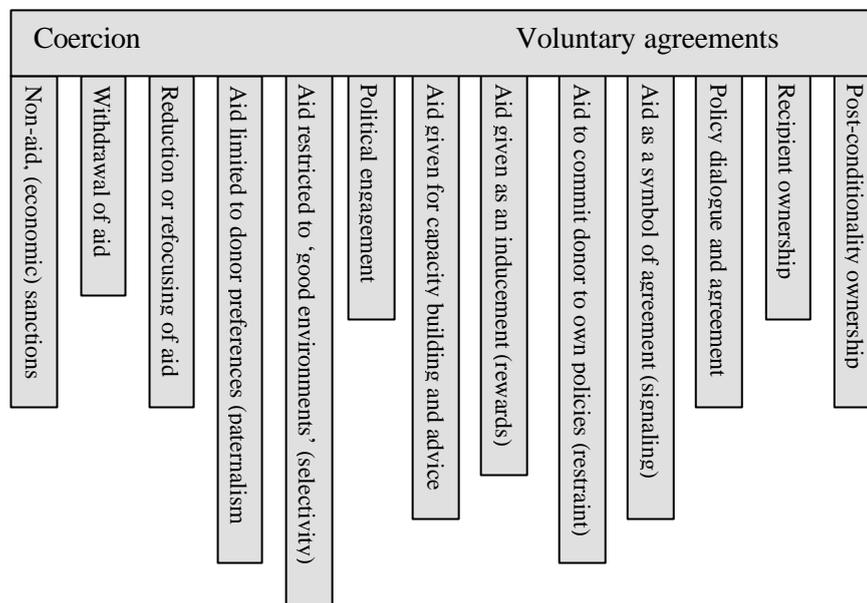
The issue of the mutual relationship and power differential between donor and recipient is the key in the conditionality debate. How symmetrical or asymmetrical are power relations between donor and recipient? Do both parties have the political will and requisite capacities to implement the conditions imposed? The general picture, according to Stokke, is that the aid relationship is highly asymmetric, that foreign aid is by definition an intervention in the recipient country, and that weak, poor and heavily aid-dependent countries are worst-off (1995:33). However, a more fine-tuned analysis shows that there are variations on this general picture on both sides of the equation. It may be helpful to see the discussions on conditionality as a negotiation situation in which the various parties each have their own interests, forms and levels of leverage, capacities and resources, and both strong and weak points.

Elgström distinguishes four major negotiation situations: The first is between a relatively large donor and a small and poor recipient. This is a very asymmetrical situation in which the donor can

more or less impose its conditions. The second is countries that are more developed, have more articulated policies on their own, employ well-trained negotiators, and maintain overall friendly relations with the donor.³ Here, negotiations offer some space for independent demands and reciprocity. As for the third group relations are less friendly, the recipient country being assertive about its independence, culture and traditions, meaning negotiations can be hard and uncompromising. Finally, situations exist in which relationships are (nearly) symmetrical. These usually involve larger countries with highly educated civil servants or countries that are hardly dependent on external aid. Donors have little traction here and have to engage in real negotiations (Elgström, 1992: 156-159).

In situations of extreme or moderate asymmetry, donors probably do not need to use very coercive means and need only to resort to policy dialogue, inducement strategies and softer forms of conditionality. In the third category they may use more coercive instruments, while in the fourth this probably would not work, consensual approaches on the basis of partnership and alignment being more advisable. Hence, for the empirical analysis of negotiations about conditionality, it is necessary to map the characteristics, respective positions and relationships of both donor and recipient countries. Proceeding on this basis, the use of various instruments can be examined. Evidently there is no one-to-one relationship between the power differentials of recipient and donor and the use of more or less coercive instruments, there being many intervening variables, including those at the historical, cultural and perceptive levels. In addition, some instruments, such as a policy dialogue, may be used either hard-handedly or gently.

If we place instruments and approaches to conditionality⁴ in a continuum, ranging from coercive to more voluntary arrangements, we obtain following rough sequence, though the exact order may be subject to some debate (the last three categories are non-conditional or post-conditional forms of engagement):



This chapter has dealt with some definitions, concepts and approaches to (peace) conditionalities, but is not exhaustive, given the variety of notions and approaches found in the academic and policy

³ With particular relevance to peace conditionalities, the donor may have vested interests in the recipient country such as in the fields of security, drugs, migration. This obviously affects negotiating positions.

⁴ Some new terms in this box are explained in annex 1.

literature. Therefore, we have summarised the main elements of the conditionality debate in a conceptual-descriptive framework that is presented in annex 1. The framework contains five components:

- the ‘generations’ of conditionality in the history of aid;
- the rationale, goals and levels of conditionality;
- the actors involved in conditionality negotiations and their mutual relations;
- the (conflict) contexts, and
- implementation modalities, specifying how conditionalities are put into practice.

1.3 Methodology and Approach

The Sri Lanka case-study is based on the following sources:

- Review of existing data, literature, and published documents;
- Perusal of unpublished donor documents and office files;
- Key informant interviewing in Sri Lanka;
- An analysis of newspaper items executed by our Sri Lankan co-researchers (Vasana Wickremasena, S. Dammulla and Ameen Hussein);
- Re-study of data from earlier studies carried out by the team on Sri Lanka.

There were numerous methodological challenges. On the topic of peace conditionality *per se*, little material is available. Information has yet to be extracted from new analysis and data. Moreover, the issue of conditionality is sensitive and several donors were not very forthcoming in explaining whether, or even how, they had applied conditionality on the recipient parties. Moreover, donors’ institutional memories are limited, while several significant decisions were made at the headquarters level and not known in detail by those interviewed. In addition, such decisions were often not recorded in publicly accessible documents.

II. Background to the Conflict

Effective donor conduct requires an adequate understanding of local contexts. As discussed in chapter 5, domestic perceptions and dynamics are particularly important when it comes to peace conditionality. After all, aid conditions essentially seek to accomplish change within these actors or dynamics. In this chapter we first present a brief chronology of the conflict in Sri Lanka and discuss the nature of the conflict. There are many contradictory views about this conflict and it is not easy to arrive at a singular, commonly shared understanding of it. We therefore limit ourselves to presenting some of the major views and making some analytical observations. Box 2 below provides some historic background to the conflict in Sri Lanka

Box 2: A Chronology of Conflict in Sri Lanka

The origins of the conflict

Sri Lanka's conflict has deep historical roots and has evolved through decades of colonial and post-independence developments and government policies. Though Tamil political parties, especially the Federal Party (FP) established by Tamil leader Chelvanayagam, demanded a federal system from 1949 onwards to safeguard Tamil minority rights, no tangible progress in this direction has been made. In fact, several pacts concluded between Chelvanayagam and subsequent Sinhalese Prime Ministers were abrogated due to Sinhalese resistance. In 1972, the various Tamil parties united to form the Tamil United Front (TUF) and started to discuss the idea of a separate state of Tamil Eelam. This was primarily in response to the 1972 constitution, which granted primacy to the Sinhalese language and Buddhist religion though included no provisions for meaningful devolution, let alone a federal solution. In addition, this new constitution also dropped clause 29(2), which had provided protection against legislation that discriminated on grounds of community or religion.

In 1976, the Tamil United Liberation Front (TULF) succeeded the TUF and, at its first national convention held in Vaddukoddai, they resolved "that the restoration and reconstitution of the free sovereign secular socialist state of Tamil Eelam based on the right of self determination inherent to every nation has become inevitable in order to safeguard the very existence of the Tamil nation in this country."

Disillusionment with ineffectual elder Tamil leadership, diminished prospects for education and employment, and grievances originating from discriminatory government measures, led in the meantime to a quick radicalisation of Tamil youth. Militant factions started arming themselves with Indian support. The Liberation Tigers of Tamil Eelam (LTTE) soon overpowered other groups and became the most prominent group in the subsequent armed struggle against the government. The government of president Jayawardena banned the LTTE in 1978 and the Prevention of Terrorism Act 1979 gave extraordinary powers to police and army, which reportedly led to extra-judicial killings and disappearances. Over the years, the LTTE forcefully gained dominance over other Tamil militant groups till the point where it nowadays claims to be the sole representative of the Tamil-speaking population. From the late seventies and early eighties, it started engaging in armed skirmishes with the Sri Lankan army on a significant scale.

The 1983 'riots'

In July 1983, in an attack by the LTTE, thirteen Sinhalese soldiers were ambushed in Tirunelveli in North Sri Lanka. During their funeral in Colombo, tensions escalated into violence against the Tamil population in parts of Colombo. Within days, the violence took a more organised form, showing evidence of planning and direction, the participation of certain politicians and government staff, and the use of government vehicles and buses. The rioters also had voters' lists and the addresses of Tamil owners and occupants of shops and houses (Thambiah: 94-7). This chain of events, which left many Tamils killed as well as their houses and livelihoods destroyed, has been characterised as the definitive turning point in the Sri Lankan conflict. From that point the conflict escalated into a full-blown war that lasted until the conclusion of a Cease-Fire Agreement (CFA) on 22 February 2002.

Indian involvement: From Thimpu to IPKF

India hoped to reach a significant devolution of power within the framework of the unitary state of Sri Lanka as the most desirable solution to the Sri Lankan conflict. In this way, the 'legitimate grievances' of the Tamil population could be addressed, while avoiding the risk of Tamil secessionist tendencies that could easily spill over into Tamil Nadu. To put pressure on the government, India trained and armed Tamil militants, while at the same time trying to mediate between the government and Tamil militancy to reach a durable solution. In 1985, the Tamil militant leaders were summoned to Delhi and a ceasefire was announced. Under heavy Indian pressure, the Sri Lanka government and the militants opened talks in Thimpu in July and August 1985. In these negotiations, the Tamil parties put forward four cardinal principles, the 'Thimpu principles', as a basis for a negotiated settlement of the conflict. The government, however, rejected those principles, after which the conference failed and the ceasefire collapsed. Nevertheless, these principles gained considerable significance, as they continued to inspire Tamil positions in the years to come:

- Recognition of the Tamils of Ceylon as a nation;
- Recognition of the existence of an identified homeland for the Tamils in Ceylon;
- Recognition of the right of self determination of the Tamil nation;
- Recognition of the right to citizenship and the fundamental rights of all Tamils in Ceylon.

After a failed mediation attempt at the South Asian Association for Regional Cooperation SAARC meeting held in Bangalore in 1986, the Indian and Sri Lankan governments concluded the Indo-Lanka Accord in 1987. The Thirteenth Amendment to the Constitution led to the establishment of provincial councils, and the Indian Peace Keeping Force (IPKF) was deployed to enforce the ceasefire. The militant Tamil groups were not, however, party to the Accord, and only reluctantly agreed to it. As soon as the Indian forces started attacking and killing LTTE cadres and tried to disarm them, the Indians came to be seen as enemies by the LTTE and were targeted in turn. Furthermore, civilians were killed by the IPKF, which led to resentment among the Tamil population. The IPKF was unable to formulate an effective response to the LTTE's forms of guerrilla and asymmetric warfare. The LTTE simultaneously eliminated Tamil groups collaborating with the IPKF, or those that were taking part in the provincial council system. While the IPKF was struggling in the Tamil-dominated North, the government was facing an insurrection by the extremist Sinhalese Janatha Vimukhti Peramuna party (JVP) in the South of the country in protest against allowing the IPKF onto Sri Lankan soil. In 1988, Ranasinghe Premadasa was elected president on an anti-IPKF ticket, and he in turn started negotiations with the Indians to leave the country, while secretly arming the Tigers to fight the IPKF. The IPKF ended in failure and the last Indian forces left the country in 1990.

The Premadasa years

Though there were some unconvincing attempts to arrive at a constitutional solution to the conflict, the ceasefire between the LTTE and the government broke down in June 1990, marking the start of 'Eelam War II'. The government started a bloody counter-insurgency campaign, including the bombing of Jaffna. The LTTE increasingly targeted Muslims, the most dramatic incident of this effort being the forced expulsion of about 120,000 Muslims from the Jaffna Peninsula in 1990. The LTTE allegedly killed Indian ex-Prime Minister Rajiv Gandhi in 1991 and assassinated several Sri Lankan ministers and ex-ministers besides. Violence worsened with countless massacres, disappearances and political killings in which both sides appeared to have equal involvement. In 1993, a suicide bomber assassinated President Premadasa. There was no direct foreign involvement in the conflict in those years, though the international community and donors to Sri Lanka expressed their concern about the escalation of violence and human rights violations. Some reviewed their aid policies or modalities. This, however, did not produce any perceptible changes in government or LTTE policies.

The government of Chandrika Bandaranaike Kumaratunga

In 1994, Chandrika Bandaranaike Kumaratunga won the parliamentary elections on a peace agenda. However, in April the following year talks between the government and the LTTE failed and the 'Eelam War III' broke out. The Government responded with its 'War for Peace', including an all-out attack on Jaffna city, which it captured in December, leading to massive displacement of the local population. Though the government had been proposing constitutional reform, it was never able to mobilise the required parliamentary support for its proposals, due to the opposition of the United National Party (UNP) and other parties.

In the meantime, fighting between the parties continued and the LTTE was able to recapture parts of the areas lost in 1995, and succeeded in taking the Elephant Pass after heavy fighting in April 2000. Since then no significant changes have occurred in the military positions, apart from a spectacular attack by the LTTE on Katunayake Airport in 2001 and a strategically significant split-off of the Karuna faction from the LTTE in 2004, affecting the balance of power in the eastern part of the island.

In areas under its control, the LTTE has set up its own administrative structures in key sectors such as police, the judiciary, tax collection etc, while it also allows the continuation of Sri Lanka state government in the fields of general administration and social services. These activities are conducted in close collaboration with, if not under the complete control of the LTTE. In 2002, the Tigers agreed to explore a solution under a federal system, thus seemingly softening their demand for an independent state.

2.1 The Current Peace Process⁵

Having made considerable territorial gains, while at the same time facing international military support for the Sri Lankan government, war-weary constituencies and a generally unfavourable global post-9/11 context, the LTTE declared a unilateral ceasefire in December 2000. With negative economic growth and diminishing popular and political support, the government was also in a vulnerable position, which was further weakened by destabilising LTTE attacks on Southern targets. Eventually, it took a change of government to establish a ceasefire agreement on 22 February 2002. A Nordic monitoring mission – the SLMM – was deployed and the Norwegians prepared themselves for the facilitation of direct peace talks.

⁵ A more elaborate review of the current peace process and international involvement in it is provided in Goodhand and Klem (2005).

UNP leader Wickremesinghe de-proscribed the LTTE and engaged in peace talks with the movement. Within a year, six rounds of peace talks were held in various parts of the world. At the Oslo conference held in December 2002, the parties decided to 'explore federalism', which was seen as a sign that the LTTE might settle for a solution that fell short of establishing a separate state. In the course of the peace process, the parties formed four sub-committees: the Sub-committee on Immediate Humanitarian and Rehabilitation Needs in the North and East (SIHRN), the Sub-committee on De-escalation and Normalisation, the Sub-committee on Political Matters, and the Sub-committee on Gender Issues.

In April 2003, however, the LTTE suspended its participation in the talks, citing three main reasons: the donor meeting in Washington DC (from which the LTTE was excluded due to its proscription in the US), the failure of the government to address the humanitarian issues caused by the High Security Zones (areas occupied by the military) and the development policy of the government (as formulated in the Poverty Reduction Strategy Paper, PRSP), which failed to address the unique grievances of the war-ridden North and East (Tamilnet 2003). In October 2003, in response to various government proposals regarding the functioning of SIHRN, the LTTE presented its own proposal: an Interim Self-Governing Authority (ISGA) for the North-east. The proposal infuriated the Sinhalese, and the president decided to assume control over three key ministries. The shaky UNP government eventually collapsed and lost the subsequent elections. The SLFP recaptured the political lead, but only at the price of allying itself with its radical junior partner, the JVP, thus minimising its political room for manoeuvre. As with the southern polity, infighting prevailed within the LTTE as well. 'Karuna', the Eastern commander, broke away from the movement, resulting in mutual guerrilla warfare between the two factions along the east coast. Added to this, the third population group of the country, the Muslims, faced internal tensions.

In December 2004, amidst protracted violence in the east, political paralysis in Colombo and political fragmentation across the country, Sri Lankan shores were hit by the tsunami. Although the unprecedented disaster had a brief fraternalising effect, politics resurged with a vengeance. Attempts were made to establish a joint government-LTTE mechanism for the administration of tsunami aid in the North and East. An agreement was reached, causing the JVP to withdraw from the coalition and continue its opposition in court. In the end, due to constitutional constraints, the Post-Tsunami Operational Management Structure (P-TOMS) was never implemented.

In 2005, SLFP-candidate Mahinda Rajapakse won the presidential elections. He campaigned on a firm pro-Sinhala standpoint and narrowly defeated UNP candidate Wickremesinghe, who enjoyed the support of most minorities. Many Tamils in the North-east, allegedly under LTTE pressure, refrained from acting as Wickremesinghe's kingmaker by boycotting the elections. However, on martyrs' day, an annual holiday, LTTE leader Prabhakaran tentatively gave Rajapakse the benefit of the doubt. He reserved a year for a meaningful resumption of talks, proclaiming that LTTE had no other alternative than to return to war. However, these hopeful remarks were soon followed by a killing spree. Many people – including numerous government soldiers – died in a quick sequence of attacks. The result was increased security measures and occasional harassment and killings by government forces. The escalation died down as quickly as it erupted, though, when the government and the LTTE agreed to resume direct talks on the ceasefire agreement in Geneva in February 2006.

2.2 The Nature of the Conflict in Sri Lanka

The conflict in Sri Lanka, popularly but incorrectly perceived as a struggle between the Sinhalese and the Tamil inhabitants of the island, defies simple definition. The Sri Lanka conflict is a complex, multi-actor, multi-level, multi-faceted and multi-causal phenomenon that is difficult to delineate according to a uniform description. It is in fact a welter of interconnected conflicts along the lines of caste, class, region, religion, language and ethnicity. Even though the conflict between the Government of Sri Lanka (GoSL) and the LTTE is the predominant one, there are also conflicts between Muslims and the LTTE, between Sinhalese, Muslim and Tamil communities and, in various historical episodes, between the government and the JVP, an extremist Sinhala political party, and between various Tamil militant groups and factions. As for the origin, history and the course of the conflict, many contradictory views and opinions are put forward both in popular and more academic writing on the subject. On the basis of recent studies of the Sri Lankan conflict specifically (and contemporary conflict generally), we highlight a number of pertinent elements that we deem essential for understanding the Sri Lankan conflict.

Firstly, we underline the importance of history. As we have argued elsewhere (2005: 32) “[t]here is a reciprocal relationship between the present and history. History has an impact on the present, but the relationship works the other way around as well. The interpretation of history is strongly affected by present reality”. Kapferer (1997: 170) calls this process ‘the invention of tradition’, while Eriksen (2002: 73) talks about ‘present-day constructions of the past’ in this connection. The historical connotations of the Sri Lankan conflict are shown in debates about the identity of the first settlers in Sri Lanka, the nature of pre-colonial kingdoms, the existence of a Tamil ‘homeland’, the threat of invasions from India, the role of Buddhism, the development of irrigation and associated colonisation schemes, the origin of Sinhala, Tamil and Muslim ‘revival’ movements and their current incarnations and expressions, and the history of constitutional reform and government policy. It is obvious that nearly all these issues are subject to varying levels of controversy, and they also feature in the various discourses that exist on the conflict, as is explained below.

Secondly, the evolution of the state is part of the problem in the Sri Lankan conflict. Though by no means a failed or collapsed state, many analysts point to the failure of the post-independence state to accommodate the various population groups. State policies and practices have created group grievances. Minorities, the Tamils in particular, perceived the policies of Sinhala-dominated governments as discriminatory. Salient examples were the ‘Sinhala-only’ language policies promulgated in 1956, the primacy of Buddhism in the 1972 Constitution, the educational ‘standardisation’ policy of the 1970s, as well as a series of land, employment, settlement and development programs that were largely perceived as favouring the Sinhalese population to the detriment of Tamils and other minorities.

Thirdly, ethnic identities – an important dimension of the conflict – are not static phenomena. As is the case elsewhere, Sri Lankan group identities are fluid: they are subject to a continuous process of construction and reconstruction. The birth and development of Tamil nationalism, for example, is not a merely ‘indigenous’ phenomenon; it is closely related to colonial and post-colonial developments. Similarly, the emergence of a separate political and ‘ethnic’ Muslim identity is a function of the conflict and to a large extent mirrors Tamil nationalism. The exclusion of a Muslim delegation from the peace talks has further fuelled Muslim demands. The emergence of vocal and more extremist,

radical Sinhalese groups is also indicative of what could be termed the ‘ethnicisation’ of the conflict or the ‘playing of the ethnic card’ by society leaders. To some extent, Sri Lanka’s conflict has resulted from core-periphery dynamic – with all its disparities along geographic, class and caste lines – that have taken an ethnic turn.

Fourthly, there are major regional differences within Sri Lanka, both in terms of the nature and impact of the conflict. This implies a differentiated approach with respect to the North, East and South of the country, between war and no-war zones, and between the fighting parties and the major identity groups involved (Sinhalese, Tamils and Muslims respectively). However, such a preliminary analysis is not enough, as within these primordial groups we again see a further differentiation of interests on the basis of regional differences (between Jaffna and Batticaloa Tamils or between Muslims from the Western or the Eastern Provinces). Within these groups, we could make a further differentiation on the basis of caste, residence or socio-economic position, and differences of interest and perception related to political affiliation or education. (Frerks, Klem & De Mel, 2005).

Fifthly, there are major internal conflicts both within the state as well as within Tamil nationalism. Sri Lankan politics have been dominated by a bipolar system of the United National Party (UNP) and the Sri Lanka Freedom Party (SLFP). Both parties have a historic record of undercutting their opponent’s policy on the Tamil issue, which is a major impediment to past and present peace processes. Likewise, the Tamil nationalist struggle has featured a long list of parties and militias. Most of these have been effectively sidelined or annihilated by the LTTE, but some parties (like the Eelam People’s Democratic Party (EPDP) and the TULF) continue to advocate a dissonant stance.

Sixthly, the LTTE-government conflict has evolved throughout alternating phases of warfare and attempts at a negotiated settlement. The protracted suffering caused by the war has raised expectations regarding a settlement, while the failures of earlier peace processes have entrenched mutual distrust. The course of the conflict has moreover affected the main actors. The LTTE developed from a small group of dissatisfied youth into a well-organised military and administrative structure that runs a de facto state in major parts of the north and east. The state has undergone reforms of the constitution, the electoral system and the administrative set-up. The main actors in the conflict are thus far from static, and what could have been a proper solution in the past may no longer be applicable in the present.

Seventhly, at all levels of society, there is a diversity of interpretations with regard to the nature of the conflict and its main causes and actors. Elsewhere (2005a: 146), we have identified nine different discourses that writers, journalists and the population at large in Sri Lanka use when discussing the conflict. An adequate understanding of the contents, language and ‘framing’ of these discourses and the use of power in this connection is not only relevant to grasp conflict dynamics, but offers also an opening for its peaceful transformation. In the endeavour to resolve the conflict, we cannot bypass this diversity of discourses. Somehow, the solutions to conflict must match the diverging diagnoses people make of it.

2.3 The Peace Process in Retrospect

Despite the promising start in 2002, the peace talks broke down in 2003, undergoing further paralysis and fragmentation in 2004 and 2005, while the recent resumption of talks about the cease-fire agreement does not seem to herald a great deal of change. Having acknowledged that Sri Lanka faces a series of interconnected conflicts that involve a wide range of domestic actors, it seems logical that a narrow peace process (comprising only [part of] the government and the LTTE) meets major obstacles

and creates 'spoiler behaviour' (Stedman 2001). The peace process has acted as a lightning rod for broader societal tensions in Sri Lanka (Goodhand and Klem 2005). With reference to the points made above regarding regional differences and intra-Tamil and Sinhalese divisions, it is hardly surprising that the process has been undermined by 'infighting'. The parallel political struggle in Colombo (between the SLFP president and the UNP cabinet) and the military struggle in the East (between the LTTE and Karuna's breakaway faction) have heavily clouded peace prospects. The increasingly amplified Muslim voice has complicated matters further.

Occasionally, fierce Buddhist protest against the peace process bears testimony to the historic roots and mythical interpretations of the conflict. Linked up with Sinhala-nationalist sentiments – such as those propagated by the JVP – these protests have effectively narrowed the political manoeuvring space for the country's leaders. The tendency to mobilise ethnic sentiments, such as in electioneering or in the establishment of ethnicity-based state patronage during the tsunami (Frerks & Klem, 2005c), remains a constant threat to the meaningful transformation of conflict dynamics.

Moreover, Sinhalese extremist groups have found an occasional ally in the constitution, as was evidenced by the shelving of the joint tsunami mechanism (P-TOMS) by the Supreme Court. This, in the eyes of many, underlines the point that the Sri Lankan state itself is part of the problem. So far, no significant reform of the state has been possible, partly due to the difficulty of attaining the required two-third majority for constitutional change. Moreover, memories of abrogated pacts in the past continue to haunt present efforts, raising suspicions about intentions and sincerity among the negotiating partners.

With regard to the design of the peace process, the parties have adopted a phased approach: establish security, thereafter deal with the most pressing socio-economic issues and then grapple with the core political issues. Rather than generating momentum, the phased approach seems to have paralysed the process. This approach has deprived it of its urgency and erroneously tried to circumvent the core political issues. The process has not been very transformative and has not brought about a 'seismic shift' in the 'tectonic plates' underlying the conflict (Goodhand and Klem 2005: 7).

Whether Sri Lanka's peace process will experience a revival, total collapse or continue to hang in the balance, is unpredictable. So far, its success has been limited. Both parties have maintained their commitment to a negotiated solution and the ceasefire agreement – though continuously violated – has survived. Substantive progress on core political issues has been minimal, however, and given the process of political fragmentation, the room for compromise has diminished. The resulting 'no war-no peace' situation features political paralysis and widespread insecurity, particularly in the east.

III. Changes in International Involvement with Sri Lanka

It is important to keep Sri Lanka's global position in perspective. None of the major aid donors to Sri Lanka has any overriding national interests in Sri Lanka. Though Western donors, Japan and multilateral agencies have interests in Sri Lanka in terms of trade, migration, diplomacy, international principles and ideologies as well as a development agenda, none of these are a major primary concern in the regional and global context. For in-country donor missions this leaves a certain level of flexibility for policy and room for manoeuvre, yet it largely pre-empts any persistent political agenda as none of the capitals or head offices is really willing to incur the costs of hard-nose advocacy or pressure.

The evolution of aid policy in Sri Lanka to a large extent reflects global tendencies. The neo-liberal economic policies of some donors are a salient example of these, though it must be added that the 1977 reform and later policies were largely 'indigenous'. More significantly for this study, it is with regard to aid policies in the context of the conflict that international trends have affected donor positions in Sri Lanka. Concerns about 'conflict sensitivity' and the increasing realisation that conflict and development are closely related and thus require an integrated (military, diplomatic, aid, trade) response became manifest in the second half of the 1990s. These developments resonate in donor positions in Sri Lanka, both in the latest stage of the war and in the current peace process.

Given the limited donor presence and the absence of overriding interests, the Sri Lankan government has traditionally been quite effective in resisting foreign political pressure. India is obviously an exception to the rule.⁶ With a combination of political pressure, support for non-state actors, show of force and the deployment of peacekeepers, Sri Lanka's one and only neighbour has managed to exercise great influence. This, however, has not resulted in a resolution of the conflict.

There have been rather drastic changes with regard to international involvement in Sri Lanka's conflict, though Indian predominance is a relatively constant factor. We distinguish four phases: the pre-war period (with a modest aid programme), the 1980s (with salient Indian involvement), the 1990s (with a hands-off stance across the board) and the current peace process (which has been highly internationalised).

3.1 'Classic' International Aid

Sri Lanka is a longstanding aid recipient. Many bilateral development programmes date back to the 1960s (Canadian assistance to Sri Lanka started as far back as 1950!). As was the case elsewhere, aid was mainly provided through multilateral channels and was still fairly modest during the 1950s and 1960s. Disbursements started to increase from the 1970s onwards, reflecting the globally rising concern about poverty and expanding aid budgets. Sri Lanka was, for example, one of the first Asian

⁶ With reference to Elgström's typology discussed in chapter 1, most of Sri Lanka's international relations would belong to the second category (a vocal recipient) or third (an assertive recipient, with strong emphasis on its independence). Indo-Sri Lankan relations – at least in the period that India had a more dominant, higher profile involvement in the country – would possibly fit into the first type (very asymmetrical).

countries to sign a formal cooperation agreement with the EC in 1975. Likewise, around the same time, the programmes of the World Bank and the Asian Development Bank started to grow.

The aid portfolio in the 1970s and 1980s included programme aid (import and budget support), project aid and technical assistance. Relative to foreign loans, the grant component of Official Development Assistance (ODA) to Sri Lanka has gradually increased over the years. Sector-wide development assistance mainly focused on infrastructure, integrated rural development, income-generation and employment creation, and the development of the social sectors. A number of programmes focused on special target groups such as the plantation sector. In the 1980s, environment, women and local capacity building became additional areas of activity. From the 1970s onwards, donor countries used to meet annually at so-called consortium meetings (under the auspices of the World Bank) to pledge development funds and to discuss aid policies. Later, its name changed into the 'Sri Lanka Development Forum'.

Since President Jayawardena's government (1977-1988), Sri Lanka's economic policies have pursued a liberal course, removing import restrictions and stimulating foreign direct investment as well as reducing state involvement in the economy. The earlier model of a centralised, state-led economy with a high outlay for social expenditure and welfare provision was replaced with a model more in line with mainstream economic policy prescriptions emanating from the Bretton Woods organisations. With some differences of emphasis, this orientation has been a point of continuity that has outlasted changes of administration, though it has been more predominant among UNP-led governments than SLFP-led ones. Overall, the donor community has uninterruptedly supported the economic policies of Sri Lankan governments since 1977. Neo-liberal economic reform and resulting disparities have compounded existing ethno-political tensions in Sri Lanka, both within the Sinhala polity and with regard to the Eelamist struggle. Foreign support for these policies has therefore been criticised as conflict-blind.

3.2 In the Absolute Indian Sphere

When the conflict escalated into a full-blown war in the 1980s, it was clear that any major involvement with the conflict and its resolution were an Indian prerogative. Both New Delhi and Madras provided open and secret support to the Tamil 'brethren' across the Palk Strait. The Indian government had aided the emerging rebel groups for some time while simultaneously trying to contain the situation in line with their wider interests. Determined to prevent either a division of the country or the continued slaughtering of Tamils, the Indians imposed themselves on both the government and the Tamil groups in Sri Lanka. This resulted in the Indo-Lankan Accord and the deployment of the Indian Peacekeeping Force (IPKF). At first persuasive, the Indian approach was later coercive, which none of the involved parties appreciated and which eventually led to open resistance by both the government and the LTTE. India's heavy-handedness backfired. The IPKF was forced into the defensive, made heavy losses and ultimately retreated. The failure of India's military and political interventions constituted a major loss of face for the regional superpower. Indian pride was further damaged by the assassination of Rajiv Gandhi by an alleged LTTE suicide bomber. Since its relative withdrawal from Sri Lanka in 1990, India has not openly interfered in the conflict. Yet it is clear to all players, including the Norwegian facilitators, that any definite solution to the Sri Lankan conflict needs the tacit if not explicit consent of India.

Western interference was limited during this period. However, in many countries there was a level of indignation about the fate of the Tamils, especially after the riots of 1983 and the resulting flight of refugees from the island. Donors provided development and humanitarian aid, but shunned political confrontations. Many governments had essentially a double agenda: though they formally protested against human rights violations, they also wanted to avoid the influx of thousands of Tamil refugees from Sri Lanka. Contrasting with this was the steps taken by Human Rights Commission of the UN, which passed various resolutions against Sri Lanka both between 1983 and 1987 and in the early 1990s. These did not, however, lead to any follow-up action. Attempts to raise the issue in the Security Council were barred by Russia, India and China.

3.3 In Relative Isolation

The international vacuum left by India was not immediately filled. Although aid continued to flow at a steady pace and the various UN agencies scaled up their activities, international political and military interventions dealt primarily with the numerous wars of the nineties, particularly in the Balkans and in Africa. To a large extent, the Sri Lankan government managed to confine the war to the North and East. With tourism and business booming in much of the nineties, the Tamil struggle seemed to develop into an 'affordable war'. The international community did little to disturb the status quo or apply pressure on either of the warring parties.

Yet there have been a few examples of a more critical donor stance, both in diplomatic terms and in relation to aid. In the 1990s, themes such as support for civil society, democracy, human rights, and good governance were added to the aid agenda, partly as a reflection of shifts in overall donor agendas and partly in response to the evolving (conflict) situation in Sri Lanka itself. Attempts to persuade the government to engage in serious political negotiations to resolve the conflict and to respect human rights have sometimes been accompanied by threats to condition the amount or type of aid granted. Overall, however, aid has continued to flow irrespective of developments on the ground. Only a few countries have in fact taken concrete measures.

Canada stopped direct government-to-government aid and started channelling its ODA through NGOs in 1989-1990, while Norway decided to fund both government and NGOs. The Dutch, who initially gave strong support to the authorities, probably to facilitate the return of Tamil refugees from their country, became only gradually more concerned about the situation. They lowered the percentage of programme assistance given and in 1991 halted all assistance through the bilateral channel, making it contingent on demonstrable improvements in the human rights situation. Only two years later, in 1993, they felt sufficient progress had been made in this area and accorded Sri Lanka the status of a 'regular cooperation country'. From the early 1990s, the EU has taken an active stance, becoming more critical. In 1996 it rebuked the Sri Lankan government on the basis of principles of international law. Its development programmes shifted from infra-structural investments to rehabilitation aid. The World Bank-led development forum has on several occasions issued declarations condemning the human rights violations in the country, but these have had little impact. For a long time, the World Bank stuck to its conservative policies and encouraged donor countries to continue or expand import and balance-of-payment support. Most donors, however, did not consider this a feasible option in the face of the difficult political situation.

With the election of Chandrika Kumaratunga to the presidency in 1994, a new peace process commenced in Sri Lanka. However, it never moved beyond the exchange of letters between the two

protagonists and there was no major foreign involvement. The process soon broke down, Kumaratunga initiated a 'war for peace' while the rebels resumed their hostilities, and the international community went back to square one: development aid, trade with and tourism in the South, relief to the North-east and little political interference.

By this time, the humanitarian presence in the North-east had become significant. International NGOs and UN agencies had gradually become more prominent in the war-torn parts of the country in the early parts of the 1990s, and with the 'war for peace' their programmes became rather substantial.⁷ These agencies faced severe restrictions in their humanitarian work. Transport of staff and humanitarian supplies to the North and East and the rebel-held Vanni in particular was subject to tight regulations issued by the Ministry of Defence. Since the provision of humanitarian aid was difficult enough already, this left little room for political advocacy by UN agencies. In fact, government leverage over the UN agencies in Sri Lanka may well have been stronger than vice versa. The removal of two Resident Coordinators within the space of just a few years bears further testimony to this. In both cases, the leading UN representative had raised humanitarian concerns and the Sri Lankan representation at the UN successfully advocated their replacement.

The need to work on peace using development instruments gradually came to the fore in the course of the nineties. Although partly the result of changes in international policy, this development also stemmed from an in-country frustration about the provision of relief without any reflection on the causes of the problem. Both implementing agencies and donors adopted notions of conflict sensitivity, and peacebuilding. Canada for example established a peace fund to encourage dialogue between people in conflict by producing educational material and promoting exchanges. Sweden set up a special programme for Peace, Democracy and Human Rights in 1997. Though other actors, such as the development banks and Asian donors have been much slower in adopting such changes, they have also become appreciative of the linkages between development and issues of peace and conflict. Though conflict sensitivity and support for peace advocacy groups have become quite common, this has not been matched by any major changes at the diplomatic level. The common credo seems to have become build peace practically and don't rock the political boat.

Philipson (1999, 25-26) concludes that: "Governments operating on the traditional diplomatic basis of non-intervention and neutrality, combined with the non-strategic position of Sri Lanka and its excellent record of economic growth despite the war, has resulted in the international community largely leaving the warring parties to their own devices. Nevertheless, continued bilateral and multilateral aid to the government of Sri Lanka without any conditionality regarding human rights abuses or negotiations enables the government to utilize a greater percentage of its GDP on the pursuit of war than might be otherwise the case. Furthermore, the drive towards the return of refugees from Europe has tended towards a premature enthusiasm for declaring the situation to be 'normal' or 'safe' and this trend often masks the reality, for example of daily life for Tamils in Colombo."

The gradually expanding efforts of the Diaspora to support the creation and welfare of the 'Tamil homeland' was another main feature of the 1990s. Apart from direct funding to or taxing by the LTTE, large contributions from the international Diaspora flowed to organisations like the Tamils

⁷ UNHCR was the first agency to operate here, initially to repatriate returning Tamil refugees. Later, the agency pushed its mandate by providing assistance to IDPs under the banner of preventing refugee flows. Other UN agencies, such as UNDP, UNICEF and WFP, either ran nation-wide programmes through the government structures or confined themselves to the South or the 'border lands'.

Rehabilitation Organisation (TRO) and similar initiatives, while many in the Diaspora also provided technical assistance and advice to the LTTE and the TRO.

3.4 In the Global Village

It was towards the end of the ‘war for peace’ that foreign powers offered their services in pursuit of peace. The British Foreign Office Undersecretary Liam Fox made an attempt in 1997, but failed to create a breakthrough. A few years later, both the LTTE and the government accepted the assistance of the Norwegian government in seeking opportunities for a political dialogue.

Meanwhile, some countries started to take steps against the LTTE. A number of countries denounced their ‘terrorist’ activities and banned the organisation. Among them were powerful nations such as India and the US as well as some of the main host countries for the Tamil Diaspora, such as the UK and Australia. Though 9/11 and the subsequent ‘war on terror’ did not have many natural links to Sri Lanka, the global international climate ‘has impressed upon the LTTE the importance of being and appearing to be on the right side of this global ideological and military divide. ‘September 11 impacted on the LTTE’s political psyche and its room for manoeuvre internationally in respect of funds, legitimacy, and acquisition of weapons.’ (Saravanamuttu, 2003:131)

When the parties eventually agreed on a ceasefire in 2002, a sea change came about in international involvement in the conflict. A Nordic monitoring mission was deployed throughout the North and East and international aid donors were drawn to the heart of the peace process. The US, EU and Japan joined Norway as co-chairs of the peace process⁸ and Kilinochchi became a ‘hub of diplomatic activity in South Asia’ (Goodhand and Klem 2005: 80). International support was identified as a pre-requisite for successful talks. Both parties were eager to generate a swift peace dividend and they considered international support to be key in that endeavour. The government needed foreign input to get the shrinking economy back on track, while the LTTE needed the urgent humanitarian and rehabilitation needs of its people addressed. The Norwegian facilitator – a small power operating on its own – encouraged broad donor involvement. Direct peace talks between the parties were complemented with donor conferences, spirits being boosted with ceremonial support and unprecedented promises of aid.

Thus, the peace process that commenced with the 2002 ceasefire was markedly different from previous efforts. It represented a coincidence of major domestic and international changes of orientation. At the domestic level, the two main parties – the UNF government and the LTTE – explicitly reached out to the international community for support and cooperation. This change was in tune with global trends in international cooperation. With the rise of integrated policies, development instruments had come to be closely connected to diplomacy and security policies. In the late nineties, the OECD adopted a set of guidelines stating that aid efforts should contribute to conflict resolution, strengthen conflict management capacity, and that development processes be continued where possible (OECD 1997). In line with these global trends was a keenness to position aid as a pillar of the Sri Lankan peace process. Great hope was vested in the potential of ODA to generate a peace dividend, build trust among the parties, and support peace structures at the various levels of society.

⁸ These countries were additionally co-chairs of the Tokyo aid conference. Even after the conference and the demise of the Tokyo Declaration, they continued to act in this role.

Summing up, the current process, contrary to earlier peace processes, is one that has attracted the more willing involvement of donors (due to changing policy), at the same time making it more feasible for them to take part (given to the revised stance of the warring parties). Strategic positioning of aid and various forms of peace conditionality would be logical components of such involvement. Chapter 4 looks more closely into what donors have actually done.

IV. Mapping Peace Conditionalities

The current peace process is unique in Sri Lankan history in terms of international involvement. The direct talks between the government and the LTTE were surrounded by aid initiatives as well as international pressures and inducements. The 2002 ‘peace rush’ soon came to an end, however, and this confronted international actors with their limitations. Four years after the ceasefire, the Sri Lanka peace process hangs in the balance of a fragile no-war-no-peace situation and donors have started to reflect on their policies and positions. It is thus an excellent time to take stock of this interesting ‘experiment’ of peace conditionalities and see what lessons have been drawn. The first section of this chapter surveys the kinds of conditions donors have applied in Sri Lanka’s most recent peace process. The second section looks more closely at the way donors have put these policies into practice.

4.1 Kinds of Conditionality

As we saw in chapter 1, peace conditionalities can take various forms.⁹ Aims, instruments, the level of coercion, the kinds of actors involved and design may differ substantially. Where conditionality stops and simple inducements or ‘normal’ development aid start, depends on whether there is the potential for or actual implementation of a demonstrable reciprocal follow-up action by the donor in the case of compliance or non-compliance with the conditions. Further complicating matters, conditionality is subject to normative debates and framing by stakeholders. In the case of Sri Lanka, we distinguish three clusters of donor interventions, described below under headings 4.1.1, 4.1.2 and 4.1.3. The extent to which they actually became real conditionalities must be discussed in relation to their underlying rationale and practical implementation by the various donors. We attend to this in section 4.2.

4.1.1 *Getting the Parties to the Table and Keeping Them There*

The peace process did not start with the 2002 ceasefire. In fact, the process started as a result of changes in political orientation and a military stalemate that preceded the ceasefire. It is just as important that international actors should not ignore the processes that set the peace talks in motion. Though it was primarily domestic factors that shaped the emergence of the peace process, important international developments have also reinforced it.

As for the government, there is little evidence that international pressure has contributed to a change in its stance. Some inducements, however, may have boosted the government’s willingness and ability to enter into the risky process of peace talks. The security guarantees provided by the US and India are of particular importance in this regard.

For the LTTE, however, international pressure started to mount prior to the peace process. With proscriptions imposed on the movement by India, the US, the UK and a number of other countries besides, Kilinochchi’s prospects for generating money and political support started to look grimmer.

⁹ See Frerks (2006) for a more elaborate discussion.

Though not all countries became staunch supporters of the ‘war on terror’, international rhetoric and policy across the board became less receptive to discourses that would legitimise ‘terrorist’ activity.

Once the peace process commenced, donor countries made it clear to the LTTE, however, that not all doors were closed. The movement was ‘rewarded’ with political access to various agencies, as well as the symbolism that surrounded these diplomatic exchanges. Many donor countries (particularly the Europeans) and multilateral agencies (such as the World Bank) initiated a dialogue with the movement, and the LTTE’s political wing campaigned for support in various parts of the world.

Despite these forms of engagement, the LTTE has continued to receive criticism for its human rights record, in particular with regard to child recruitment, extortion and political assassinations. Though these themes are largely a common denominator in the donor community, the way these messages have been delivered have differed depending on various factors such as the prominence of the ‘war on terror’ on the agenda of the donor in question.

Throughout the peace process, international actors have continued to stress the need for a political resolution of the conflict. Overall foreign pressure on the government, however, has been vaguer and less persistent than it has been on the LTTE. When push comes to shove, ‘sovereignty’ and ‘long-standing friendly relations’ have outweighed the pressure for political reform. The minimal domestic political space that donors enjoy became particularly evident in 2004, when the donor-minded UNP government was replaced by a more sceptical SLFP-JVP regime.

4.1.2 Offering a Peace Dividend and thus Raising the Stakes

Contrary to earlier peace processes in Sri Lanka, development assistance has been positioned as an important ingredient of the pursuit of peace. ‘International financial assistance is important for people to begin to see tangible benefits of peace in their daily lives,’ the donors stated in a joint communiqué at the first major aid conference of the peace process (Oslo, 25 November 2002). The statement went on to argue that ‘[a] lasting peace must be built upon renunciation of violence and respect for the principles of human rights, democracy, rule of law, and recognition of the rights of minorities, and must address the needs of all communities all over Sri Lanka, in order to combat poverty and foster ethnic harmony.’ The three main ingredients of this communiqué – donor support to the peace process, a ‘peace dividend logic’ and a principled approach – would become the common thread running through donor statements in the years to follow.

The donor communiqué in Oslo was essentially a form of positive engagement. It expressed political and financial support for process and principles without laying down any explicit aid conditions. A year later, however, the message went one step further. The Tokyo conference, normally seen as the hallmark of international involvement with the Sri Lankan peace process, took place on 9 June 2003. Just a month and a half before, the LTTE had suspended its participation in the peace process. Despite international attempts to persuade the rebels, they did not attend the conference. With hindsight, the Tiger withdrawal marked the end of the short-lived set of talks, but donors did not seem to realise that at the time. ‘We didn’t really think they would stay away and certainly not for that long,’ one donor said.

Tokyo was a strategic event that involved a more elaborate discussion on the peace process and its future. Aid pledges were made for the four years ahead. Donors pledged an unprecedented US\$ 4.5 bn for this period (§11, Tokyo Declaration). With particular relevance to the LTTE, they stated they would allocate a ‘significant part of their assistance to the North and East’ (§12). However, donors

moved beyond ‘Oslo’ and stated that ‘assistance by the donor community must be closely linked to substantial and parallel progress in the peace process towards fulfilment of the objectives agreed upon by the parties in Oslo [exploring a federal solution to the conflict].’ The statement continued that ‘the international community intends to review and monitor the progress of the peace process closely’ with particular reference to ten ‘objectives and milestones’, which are listed in the table below.

Box 3: Tokyo ‘Objectives and Milestones’

- a. Full compliance with the **ceasefire** agreement by both parties.
- b. Effective **delivery mechanisms** relating to development activity in the North and East.
- c. Participation of a **Muslim delegation** as agreed in the declaration of the fourth session of peace talks in Thailand.
- d. Parallel progress towards a **final political settlement** based on the principles of the Oslo Declaration.
- e. Solutions for those **displaced** due to the armed conflict.
- f. Effective promotion and protection of the **human rights** of all people.
- g. Effective inclusion of **gender equity** and equality in the peacebuilding, the conflict transformation and the reconstruction process, emphasizing the equitable representation of women in political fora and at other decision-making levels.
- h. Implementation of effective measures in accordance with the UNICEF-supported Action Plan to stop **underage recruitment** and to facilitate the release of underage recruits and their rehabilitation and reintegration into society.
- i. Rehabilitation of **former combatants** and civilians in the North and East, who have been disabled physically or psychologically due to the armed conflict.
- j. Agreement by the Government of Sri Lanka and the LTTE on a phased, balanced, and verifiable de-escalation, **de-militarization and normalization process** at an appropriate time in the context of arriving at a political settlement.

Cited from §18 of the Tokyo Declaration. Emphasis added.

Whether §18 constituted a conditionality has been an issue of controversy. Some saw it as a classic case of conditionality, others as a positive inducement and others yet as a mere statement of fact. The coming about of the Tokyo Declaration is important in this respect. Both the government and the LTTE delegation had been eager to address the urgent needs of their constituencies. Because their supply could not meet demand, they approached the international community. Donors reacted positively and made their assessment. Tokyo essentially constituted the presentation of this assessment and the subsequent aid pledges. The process started as a joint exercise of the LTTE, the government and aid donors, but this alliance gradually eroded.

Given that the cracks of the peace process had already become quite visible by the time of the Tokyo Declaration, the event was nevertheless quite striking: all 73 donors to Sri Lanka stood in line making rather firm statements about the peace process, even though on hindsight it had more or less collapsed. The Tigers had suspended their involvement, the co-habitation between the (UNP) Prime Minister and the (SLFP) President was increasingly shaky, the ceasefire agreement was under pressure, and violence between Tamils and Muslims in the East was persistent. With the situation deteriorating so rapidly on the ground, it would be a formidable task for either the government or the LTTE to comply with §18. Likewise, donors would soon have great difficulty actually implementing the clause. ‘[D]onors left Tokyo locked into a declaration they were ill prepared to implement,’ a recent analysis argues (Burke and Mulakala 2005: 18).

The Tokyo declaration ‘linked aid’ to a process (an unprecedented one, given that it was between a state and a rebel group) rather than to the conduct of just one actor. This has complicated monitoring and subsequent decision-making. In the aftermath of the conference, most donors united themselves in the Donor Working Group (DWG). However, monitoring the peace process has proven to be a sensitive and controversial affair for the donor community and it would soon become clear that there is no donor consensus on what monitoring should entail and how to link it to decisions on aid disbursements. Whether or not the peace process has made progress has therefore become a sensitive issue. Even from a purely analytical perspective it is loaded with caveats, but when we look at the milestones stipulated in the Declaration, it is hard to detect progress. Box 4 enlists some basic observations.

Box 4: Tokyo Milestones and Actual Progress¹⁰	
Milestones	Progress
a. Compliance with the ceasefire agreement.	Massive number of violations, the majority by the LTTE as evidenced by SLMM reports.
b. Effective delivery mechanisms for the North and East.	Aid is channelled to the NE, but the envisaged joint mechanisms (SIHRN/NERF, P-TOMS) have been shelved.
c. Participation of a Muslim delegation in the peace talks.	No progress (no peace talks held).
d. Progress towards a final [federalist] political settlement.	No progress. (LTTE suggested an ISGA, which set-off a Southern knee-jerk and toppled the government).
e. Solutions for IDPs;	Some progress, but durable resettlement restrained by structural impediments (like High Security Zones).
f. Promotion and protection of human rights;	Some institutional progress (for example the human rights committee of the LTTE), but no improvement on the ground, as evidenced by reports from Human Rights Watch, UNICEF and other agencies.
g. Inclusion of gender equity and equality in the peace and reconstruction process;	A sub-committee on gender has been created, but no major accomplishments in the absence of broader progress.
h. A halt in underage recruitment;	Continued child recruitment by the LTTE, as evidenced by reports of SLMM, UNICEF and Human Rights Watch.
i. Rehabilitation of former combatants and disabled civilians in the North and East;	Some progress, though no systematic evidence.
j. Agreement by both parties on a de-escalation, de-militarization and normalisation process in the context of arriving at a political settlement.	No progress. Continued military confrontations and disagreement on dismantling the High Security Zones have fed distrust, stalling the talks.

Summing up, donors made rather firm statements in Tokyo. They pledged a massive amount of aid (§11) and made promises for the North-east specifically (§12), thus providing financial incentives for the government and the LTTE respectively. They made these promises conditional on progress in the peace process (§18), but the process went downhill even before the ink had dried. Despite all this,

¹⁰ This table indicates the authors’ assessment based on observations, interviews and various written sources.

many of the Tokyo principles continue to reverberate in donor statements. The guiding principles attached to the tsunami pledges, for example, largely resemble the benchmarks above.

4.1.3 Fostering Cooperation and Recognition

Alongside attempts of the international community to link aid to the peace process at large, efforts have been made to create more specific incentives. In an attempt to turn aid into a bridge-building mechanism rather than a bone of contention, donors have stimulated the establishment of joint government-LTTE aid mechanisms. Such mechanisms could effectively deal with aid administration in the war-torn areas, which have parallel LTTE and government structures of governance. Meanwhile, such forms of limited cooperation would create mutual confidence and a nucleus for more extensive forms of power sharing. By allocating aid promises to this nascent mechanism, donors have tried to stimulate cooperation between the government and the LTTE.

During the peace process, the parties have attempted to create such a mechanism on two occasions: once at the height of the peace talks (establishing the North-East Reconstruction Fund, [NERF]) and once after the tsunami (putting in place the Post-Tsunami Operational Management Structure, [P-TOMS]). In both cases, donors reserved funds for these emerging structures, but neither actually materialised. The mechanisms were shelved and donor money was withheld or diverted.

NERF emerged from the peace process itself. During the second round of talks in Thailand (31 October - 3 November 2002), the parties agreed to create sub-committees, one of which was the Sub-committee on Immediate Humanitarian and Rehabilitation Needs of the North and East (SIHRN). Essentially, SIHRN was a joint initiative by the government and the LTTE for the rehabilitation of areas directly affected by the war. NERF was created as an international fund that would provide SIHRN with a sizable budget. Established in March 2003 with the World Bank as its custodian, it never actually became operational.

In the LTTE's view, the government was dragging its feet on the actual implementation of SIHRN. The perceived government failure to take neither North-eastern humanitarian needs nor the LTTE's administrative demands seriously were a primary reasons for the movement's withdrawal from the peace talks in April 2003. Although the government responded with new promises and proposals, the LTTE was unconvinced and presented its own version of SIHRN: the Interim Self-Governing Authority (ISGA). They felt that a solution could only come about through a broader political framework independent of legal constraints and political divisions in the South (Balasingham 2004). The ISGA thus entailed far-reaching autonomy for the North-east with a key position for the LTTE. Though this proposal did not formally constitute separation, it gave the ISGA authority on practically every relevant issue. In the South, the proposal was perceived as a 'stepping stone to independence' and resulted in political turmoil. The president toppled the UNP regime, a political impasse resulted and the ISGA was never formally discussed.

P-TOMS evolved slightly differently. Following the tsunami disaster, the government and the LTTE felt a renewed impetus to seek a joint mechanism for rehabilitation in the North and East. Negotiations – mediated by Norway – took months, but eventually resulted in an agreement, which in many respects was similar to the proposals discussed in 2003. Like NERF, however, P-TOMS was not implemented. It was held up by a decision pending by the Supreme Court, which at the time of writing is yet to be delivered. With the exception of Norway, donors do not seem to have been involved in the conception of P-TOMS, but they were widely supportive of it.

SIHRN and P-TOMS were not merely technical mechanisms to deal with rehabilitation. Both ended up as *the* pivotal issue in the peace process at their respective moments in time. It was hoped of both mechanisms that they would make the peace, but they eventually came close to breaking it. Though formally confined to basic reconstruction and rehabilitation, these mechanisms were the only tangible outcome of the peace process with regard to power-sharing. For the LTTE they became a litmus test for government commitment to substantial devolution of powers to an autonomous North-eastern administration. For the government, they became a legal and political stumbling block. The negotiations resulting from SIHRN eventually led to the LTTE presenting its ISGA proposal, which precipitated the overthrow of the UNP regime. P-TOMS caused a split in the ruling coalition (with the JVP pulling out), leaving the government paralysed.

Most donors saw both SIHRN and P-TOMS as key initiatives on the road towards peace. They supported the mechanisms, tacitly or even enthusiastically. Specific funding was reserved for these emerging mechanisms. Even donors that were unwilling to pour money into the mechanism voiced their political support. In the greater scheme of things, the sums earmarked for the schemes were rather modest. NERF was dwarfed by the pledges made in Tokyo and the money reserved for P-TOMS was outsized by the influx of tsunami aid. What mattered was not the amount of money involved but the revolutionary design of the mechanisms, i.e. allowing the LTTE to partake in decisions of aid distribution.

Alongside the joint mechanisms, donors have tried to foster cooperation and peacebuilding at a broader level. In most cases this involves support for civil society initiatives. Though this is not a form of peace conditionality per se – influencing government and LTTE conduct is not the main rationale behind these projects – it is important not to ignore these initiatives altogether, since they are closely related to the interventions discussed above. After all, the actors at which civil society programmes have been addressed are not detached from the polity. Support for ‘track 2’ and ‘track 3’¹¹ are particularly relevant, because some donors have chosen to support civil society initiatives for the very reason that they no longer considered direct support for the government a desirable channel. Moreover, track 2 and 3 processes are aimed at transforming constituencies so as to either enable or pressure their leaders to take steps towards peace. Funding these processes is thus a way of providing indirect incentives.

Track 1 donor assistance has consisted of financial and technical support given to the government, LTTE and (at a later stage) Muslim peace secretariats. On Track Two, a range of civil society initiatives have received funds, such as One Text¹², the Berghof Foundation, the Centre for Policy Alternatives, the Foundation for Coexistence, Incore, the National Peace Council and Bradford University. As for Track Three, donors have supported a long list of community initiatives explicitly – or less explicitly – aimed at bringing about peace. Examples include the Peace and Development

¹¹ The three tracks may be defined as follows: track 1 diplomacy is defined as official negotiations between political and military elites; track 2 is defined as non-official mediation, which may be between civil society actors, as well as ‘behind-the-scenes’ communication between political elites. Track 3 encompasses society-level peacebuilding. (See also: Goodhand and Klem, 2005: 30)

¹² One Text is a forum for multi-partisan dialogue between Sinhalese, Tamil, and Muslim political stakeholders in the peace process. All the major political parties in the country participate or have agreed to participate in this dialogue.

Programme of the Consortium for Humanitarian Agencies, FLICT¹³, educational and academic initiatives and activities funded by the Office for Transition Initiatives.

Finally, it is important to acknowledge that donor support at large, though not necessarily labelled as a peace activity, implicates on structures, actors and dynamic, which are relevant to the conflict. Poverty alleviation, strengthening of civil society, support to reform in the fields of governance and political representation, economic reform, initiatives with regard to livelihoods and land issues touch on essential constituents of the conflict in Sri Lanka. If approached in a conflict-sensitive manner, these activities may reinforce the pursuit of sustainable peace in Sri Lanka.

4.2 Donor Practice

Donor involvement with the peace process has been intense, featuring a range of peace conditionalities. The extent to which donors have bought in to the conditionality logic, the ways they have combined the steps described above and turned rhetoric into practice have differed from donor to donor. This section examines their actual actions. One must be cautious not to analyse donor practice at a generic level, given the major differences that exist between the various countries and institutions involved. It is beyond the scope of this study, however, to discuss every donor individually. We have therefore categorised them into five groups: the development banks, the co-chairs, the European bilateral donors, the Asian donors and the United Nations.¹⁴

4.2.1 *The Cash Game: The Development Banks*

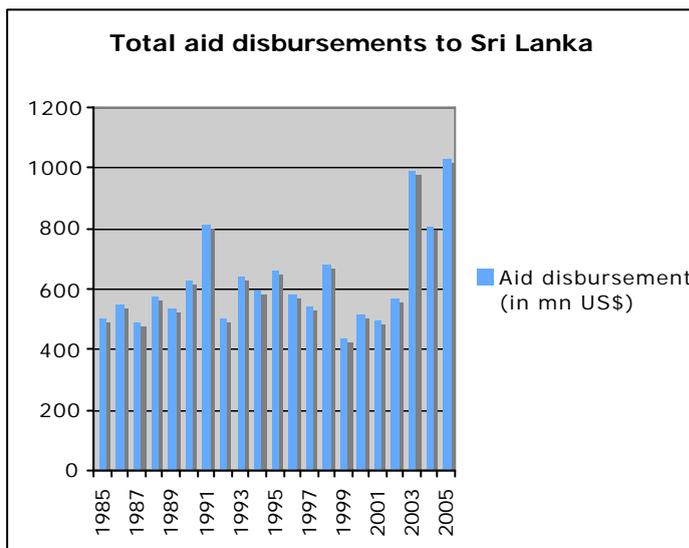
Along with Japan, the World Bank and the Asian Development Bank stand out as the major donors to Sri Lanka. Given that the three agencies provide over two-thirds of the total assistance given to Sri Lanka, we may assume that they are the ones making the difference when it comes to financial incentives. The two development banks (along with the IMF, currently a smaller player) differ from the other donors in the sense that they focus on socio-economic development, while traditionally shying away from political issues other than economic policy. Both banks, however, participated in the Tokyo Declaration and both have shown remarkable courage in dealing with controversial issues and initiating activities in war-prone areas. However, §18 of the Tokyo has not stopped either of the banks from making disbursements. On the whole, aid has increased and along with it, support for the North-east. The graphs below show total aid disbursements to Sri Lanka.¹⁵

¹³ Short for Facilitating Local Initiatives for Conflict Transformation, FLICT is a donor funded initiative that supports civil society groups in their attempts to strengthen conflict transformation capacities and to propagate democratic, pluralistic values.

¹⁴ This categorisation is inevitably imperfect due to overlaps, differentiation within these categories and the fact some countries don't seem to fit into any of them. For example, Japan is both a co-chair and an Asian donor; Norway and the EU are co-chairs as well as are European donors; Canada is not included but is broadly similar to European donors, while New Zealand and Australia have similarities with both European donors (development policy) and Asian donors (geo-political interests).

¹⁵ There are some differences between the figures of the OECD and those of the government. We have chosen the latter. It provides a broader overview and the government's perception matters here. One consequence is that the loans of commercial banks are included as well.

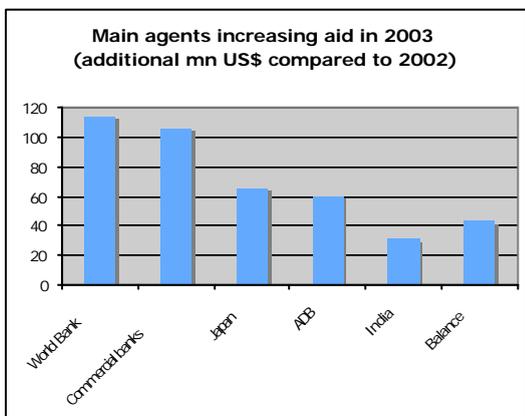
Graph 1: a Chronological Overview of Aid



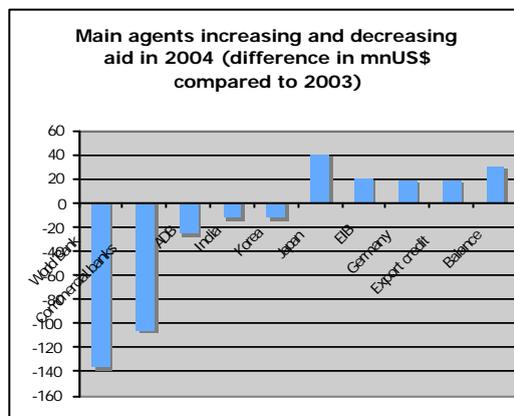
Source: Central Bank Reports and statistics provided by the External Resources Department of the Government of Sri Lanka.

Note: the figure for 2005 is a projection by the External Resources Department based on data available up to August 2005.

Graph 2: Aid changes in 2003



Graph 3: Aid changes in 2004



Source: Central Bank Reports and statistics provided by the External Resources Department of the Government of Sri Lanka.

The figures show that aid inflows to Sri Lanka have been relatively stable in the past twenty years (graph 1). Annual disbursements have hovered around 500 to 600 million dollars, with a remarkable high in 1991 and (to a lesser extent) 1998. In recent years, there has been noticeable change. There was a major increase of aid in 2003, which was due mainly to the World Bank and to a lesser extent

Japan and the ADB (along with commercial banks¹⁶) (graph 2). The influx of aid clearly correlates with the peace talks and the generally peace-minded context that surrounded them. Evidenced by the statements made by the two banks, the aid increase in 2003 indeed reflected a conscious effort to reinforce the peace process and capture the opportunities created by it.

According to the World Bank, peace was a fundamental pillar of its recent involvement in Sri Lanka, along with growth and equity. In providing support, the bank attempted to raise the stakes, hoping this would hold the parties back from a return to war. In its Country Assistance Strategy (CAS), the Bank applauded the efforts of the government and the LTTE to initiate peace talks, explaining that the increase in the Bank's projected aid 'is based on a dramatic change both in the peace prospects and the economic policy framework and is merely a restoration of a "normal" lending program for Sri Lanka in line with its IDA allocations.' (World Bank 2003:22).¹⁷ Though not formulated as a formal condition, both economic policy and the peace process are identified as the two main prerequisites for projected disbursements.

Likewise, for the ADB, '[t]he proposal to increase the overall lending level is a response to the increased degree of economic activity arising from the peace process thus far, the needs of reconstruction and development as peace evolves, and the publication of the new government strategy outlining major reforms and a more intensive effort to reduce poverty. But it is contingent upon the continuation of peace and upon progress in project performance, without either of which the lending level scenario will be reviewed accordingly.' (ADB 2003: ii)

While hopes remained high, the two main donors thus made rather explicit links between their aid and the peace process. They shied away, however, from negative inducements. When the peace talks were suspended and the situation on the ground deteriorated, aid allocations were largely disconnected from the peace process. In 2004, both the ADB and the World Bank cut down their spending (graph 3), but they did not relate this to the poor state of the peace process.

The ADB took note of the 'substantial' changes in the 'political environment' in its country strategy for 2005-2006, published over a year after Tokyo (ADB 2004: 1)¹⁸, but did not specify any direct implications. ADB disbursements fell in 2004, but the bank did not relate this to lack of compliance with the Tokyo Declaration. The strategy refers to the declaration, but observes that '[a]lthough negotiations have not resumed since they were suspended by the LTTE in April 2003, both the Government and the LTTE remain committed to the peace process. The role of the Government of Norway as facilitator has been confirmed. To strengthen the peace process on the ground, projects and programs for poverty reduction and reconstruction will continue and be expanded. This is considered essential: while the absence of war has led to a dramatic return of internally displaced persons to their original homes, the social and economic basis has to be restored to enable people to resume their normal lives.' (ADB 2004: 8). The bank thus continued its positive inducements despite the lack of progress on the ground.

Prior to Tokyo, the World Bank had stated that developments in the peace process could severely affect its ambitious lending projections. In the most negative case, even an exit strategy could not be

¹⁶ The UNP government entered into commercial loans, illustrating the government's eagerness for capital, even at the cost of commercial interest. Such extensive commercial loans were for the most part isolated incidents in 2003.

¹⁷ The CAS was actually published two days after the LTTE decision to suspend their participation in the talks (21 April 2003). Clearly, the strategy was drafted and decided upon prior to that date.

¹⁸ More specifically, the bank mentions the presidential take-over of three ministries, the replacement of the UNP regime by a coalition that rested on a weak power base in parliament and the LTTE split in the east.

ruled out. 'If the peace process were to break down entirely and hostilities were to break out on a national scale, there would be no new lending and in all probability, it would be necessary to suspend all operations.' (World Bank 2003: 24) Looking at the figures, it appears the bank did see reason to downscale its funding. The World Bank was the biggest causer of the fallback in aid in 2004. The first Poverty Reduction Support Credit (PRSC) was granted just after Tokyo, but a year later these funds were withheld. However, this was not because of the deplorable state of the peace process or lack of compliance with §18. The reason was more practical: the newly elected government had not formulated any clear policies, let alone a new PRSP, so the Bank had no programme to which it could channel funds.

What about the LTTE? As was mentioned above, donors did not only promise aid to Sri Lanka as a whole, but specifically to the North and East as well. Though the LTTE rules only part of the North and East, and no specification was made about how funds should be channelled, we may consider this an incentive to the LTTE. Given the lack of progress in the peace process and the LTTE's poor human rights record, §12 of the Tokyo Declaration presaged little or even no spending in the North and East. The figures, however, indicate an opposite trend. Box 3 gives an overview of World Bank and ADB initiatives in the North-east.

Box 5: ADB and World Bank Spending in the North-east				
	Donor	Project	Date of approval	Donated/loaned Amount (in US\$)
Exclusively North and East	World Bank	North East Irrigated Agriculture Programme (NIEAP) 1	02/12/1999	27 mn (32,4 mn incl co-financing)
	ADB	Emergency Rehabilitation of the North-eastern Region (project preparatory technical assistance)	10/11/2000	0,15 mn
	ADB	North East Community Restoration and Development Project (NECORD)	16/10/2001	25 mn (40 mn incl co-financing)
	World Bank	North East Emergency Reconstruction Program (NEERP)	14/11/2002	31 mn
	World Bank	SIHRN (Not implemented) ¹⁹	20/3/2003	100 mn
	ADB	North East Coastal Community Development Project (NECCDP)	28/11/2003	20 mn (28.1 mn incl co-financing)
	ADB	Conflict-Affected Areas Rehabilitation Project (CAARP)	11/12/2003	80 mn (106.9 mn incl co-financing)
	World Bank	North East Irrigated Agriculture Programme (NIEAP) 2	22/6/2004	64,7 mn
	World Bank	North East Housing Reconstruction Programme (NEHRP)	14/12/2004	75 mn
	ADB	North East Community Restoration and Development Project Supplementary	June 2004	10 mn (14.3 incl co-financing)
	ADB	North East Community Restoration and Development Project II (NECORD II)	April 2005	40 mn (55 mn incl co-financing)
	Subtotal			472,85 mn (547,55 mn incl co-financing)
Projects with a significant component for the North and East	World Bank	Renewable Energy for Rural Economic Development	20/6/2002	75 mn (of which some 6 mn to NE)
	World Bank	Community Water Supply and Sanitation project II	6/5/2003	39,8 mn (of which some 6 mn to NE)
	World Bank	Health Sector Reform Project	15/6/2004	60 mn (of which some 6 mn to NE)
	World Bank	Community Water Supply and Sanitation Project (through PCs of NW, NE and Central province)	6/5/2003	39,8 mn
	World Bank	Tsunami Emergency Relief Loan	24/2/2005	75 mn
	ADB	Public Work Restoration and Rehabilitation of Line Drainage Systems in Tsunami-Affected Local Government Roads.	4/10/2005	2 mn
	ADB	Tsunami-Affected Areas Rebuilding Project (TAARP)	April 2005	157 mn (249.3 mn incl co-financing)
	Subtotal			448,60 mn

Source: www.worldbank.org and www.adb.org

¹⁹ The World Bank approved a venture to create a fund (NERF) in support of the Sub-committee on Immediate Humanitarian and Rehabilitation in the Northeast (SIHRN). Due to the breakdown of talks and the collapse of SIHRN, this fund never came about.

Both banks have traditionally shied away from the war-torn areas. In the run-up to the ceasefire that policy changed, a development that gained major significance after Tokyo. From next to no involvement in the region in 2002, specific projects for the north-east skyrocketed to an approved US\$ 200 mn in 2003 and another US\$ 190 mn in 2004 (see box 3). In addition, the war-torn region benefited from a sizable section of countrywide programmes. These loans were extended to the government. Remarkably, some of them were implemented through the North East Provincial Council (NEPC), which has always been a weak, decentralised government body. The Provincial Council system emerged from the Indo-Lankan accord as a favour extended to the minorities, but the NEPC soon proved to be a defunct, empty shell. However, Bank funding provided this previously ‘lame duck’ with a considerable budget, which can be seen as an attempt to reach out to ‘the Tamil cause’.

Though the banks have increased their expenditure in the north-east, they have refrained from making observations about LTTE adherence to the Tokyo principles. There is no critique on child recruitment, while political killings are not mentioned in the policy papers. At a lower level, they continue to convey the message – e.g. each ADB project contract makes explicit reference to the Tokyo Declaration – but violations of the issues stipulated in §18 are not publicised or linked to the approval of projects in the north-east. Both banks have been supportive of the increased collaboration between the LTTE and the government, as was the case with SIHRN. The World Bank extended its support as an international custodian of the joint mechanisms, but could clearly do little when NERF and P-TOMS froze virtually at their inception.

Summing up, the development banks have openly noted the poor state of the peace process and stated their concerns. Such statements, however, have not been reflected in aid disbursements. The banks have been willing to raise the peace stakes, but held back from actually withdrawing their funds if the parties did not comply. The ADB and the World Bank decreased their volumes of funding in 2004, but for other reasons than the peace process. Neither of them has thus used aid as a negative incentive towards the government or the LTTE. Mainly thanks to the two banks and Japan, the promises laid down in §11 and §12 have largely been met, while a blind eye has been turned towards the conditions of §18, despite the near collapse of the peace process. Neither of the banks have stipulated formal conditions in their policy statements, but they have repeatedly emphasised that future spending would depend on political progress. That link has proved to be stronger in rhetoric than in practice.

4.2.2 The Powers’ Game: Co-Chairs

The co-chairs constitute an interesting coalition, comprising a small but crucial country (Norway), the world’s superpower with an abundantly clear position on ‘terrorism’ (the US), a somewhat new kid on the block (the EU), and a major development donor with global political aspirations (Japan). Obviously, the interests and therefore the positions of the co-chairs with regard to the peace process have differed. However, they have continued to speak with one mouth, through periodic (roughly semi-annual) joint statements.

As becomes clear from the review in box 6, the co-chair statements have been closely tuned in with developments in Sri Lanka. Given that these developments have been rather turbulent, it is no surprise that the co-chair statements have been quite dynamic as well. However, two more structural trends have emerged. Firstly, references to aid conditionality and the Tokyo Declaration have

gradually moved to the background and secondly, the language has toughened in response to the escalation of security incidents, but much more so towards the LTTE than towards the government.

Box 6: a sequence of co-chair statements

The periodic co-chair statements have long underlined the Tokyo Declaration, at the same time keeping the door open to sustained aid spending. This ‘hard talk, soft action’ has resulted in rather paradoxical statements, such as one made from Washington (17 Feb, 2004): *‘The co-chairs reiterate their continued determination to implement their assistance pledged at the Tokyo Conference, based on the principles of the Tokyo Declaration, which makes clear that assistance by the donor community must be closely linked to substantial and parallel progress in the peace process. In the meantime, mindful of the Tokyo Declaration, the co-chairs recognise that there are particularly urgent needs for assistance for people in the war-torn areas and throughout Sri Lanka. The co-chairs call on all donors to continue delivering humanitarian relief and rehabilitation assistance to all needy areas of the country.’* (Co-chairs 2004a)

The next statement (Brussels, 1 June 2004) was issued just after the new United People’s Freedom Alliance (UPFA) government assumed office. It carried a tougher message and opened with the following clause: *‘In a world of competing crises, Sri Lanka donor Co-chairs came together today and urged in the strongest possible terms a rapid resumption of the peace negotiations so that Sri Lanka can benefit from the generosity of the international community. They noted that, with so many other demands on donors, donor attention and funding might go elsewhere unless the peace process makes progress.’* (Co-chairs 2004b)

The co-chairs have welcomed a number of positive trends (sustained commitment to peace talks, adherence to the ceasefire, LTTE release of child soldiers) while condemning the killings in the east and re-recruitment of children. In another statement they again underlined their positive inducements, calling on donors *‘to stand ready to accelerate implementation of their Tokyo pledges once properly prepared peace talks have resumed [...]’* (Co-chairs 2004b)

However, the volatility of Sri Lankan events did not allow this statement a long shelf life. The tsunami hit Sri Lanka and overpowered the somewhat threatening tone of the Brussels statement. The pendulum swung back to the ‘positive engagement’ mode and the co-chairs welcomed the efforts of the government and the LTTE, and emphasised that *‘renewed opportunities exist to build confidence and to strengthen the Peace Process’* (Co-chairs 2005a).

Tokyo, at this point, had moved into oblivion and security issues pushed aid issues out of the spotlight. The statement on 21 July 2005 requested the LTTE to stop killing and the government to truly disarm paramilitary groups (such as the Karuna group, though Karuna himself is not mentioned). The subsequent statement (19 September 2005) was dominated by Kadirgamar’s assassination. The co-chairs denounced the event as an act of terrorism and called on the LTTE to *‘demonstrate their commitment to the peace process and their willingness to change’* (Co-chairs 2005b). Meanwhile, they commended the government for its restraint.

The increasingly explicit criticism towards the LTTE climaxed in the most recent statement (Brussels, 19 December 2005): *‘The Co-Chairs condemn the LTTE’s enforced boycott of the Presidential election in parts of the North and East, which deprived Tamil voters of their right to vote. The Co-Chairs also condemn in the strongest terms the recent escalation in violence in the North and East. The Co-Chairs call on the LTTE to put an immediate end to their on-going campaign of violence and again urge the LTTE to demonstrate their commitment to the Ceasefire Agreement and the peace process. Failure to demonstrate a willingness to change would not be without serious consequences.’* (Co-chairs, 2005c)

The United States

The American position has been fairly rigid in Sri Lanka. It essentially consists of three components: pressuring the LTTE, engaging with the government and supporting activities aimed at peaceful transformation.

Sri Lanka is an exception to the rule in the American war on terror. (Original: 'Odd one out' – but why? This is not clear to me from this paragraph.) The US has persistently advocated peace, while pressuring the LTTE to denounce terrorism. Giving up the violent struggle was a condition for US recognition of and engagement with the LTTE. This position was conveyed most clearly at the Washington Seminar on 14 April 2003, which was a preparatory meeting in the run-up to Tokyo and which deliberately excluded the LTTE. Explaining this exclusion, Deputy Secretary of State Richard Armitage said that though 'the United States is encouraged by the recent behaviour of the LTTE, we do not yet see a rationale for lifting the designation as a foreign terrorist organisation. Our position is crystal clear. The LTTE must unequivocally renounce terrorism, in word and in deed, if we are to consider withdrawing the designation.' (US government 2003).

The exclusion from the Washington Seminar was one of the reasons for the LTTE's withdrawal from the peace talks. The Americans maintained their pressure, stating that the movement's reasons to withdraw were 'not convincing' (Asian Tribune 2003). '[I]f the LTTE wants to represent Tamil interests, it has to participate in the negotiations, not walk away from them,' ambassador Ashley Wills commented. 'The LTTE's leadership likes to portray itself as brave. Well, a truly courageous thing would be for that leadership to give up violence and even the threat of violence and push for a permanent peace now.' (Asian Tribune 2003)

The US has continued to reiterate its position on the LTTE throughout the peace process. The American position had implications for the country's stance on a joint mechanism between the LTTE and the government. As with SIHRN, they 'welcomed' the initiative (US Government 2005), but under American law could not fund a mechanism that could benefit a 'terrorist' movement.

American ties with the Sri Lankan government have meanwhile been characterised by engagement. They have supported the government in negotiating with a terrorist movement. One result has been a near trade agreement brokered by the UNP administration, which in the end never materialised because Wickremesinghe's cabinet was toppled at the very moment he was trying to settle the deal in Washington. The bulk of the USAID programme focuses on economic growth and US security guarantees to the government, at the same time comprising a limited amount of military cooperation. The US has used its relations with the Sri Lankan government to wield leverage against the LTTE. In a recent statement (10 January 2006), the American ambassador said: 'If the LTTE chooses to abandon peace, [...] we want it to be clear, they will face a stronger, more capable and more determined Sri Lankan military. [...] 'We want the cost of a return to war to be high.'

American involvement in Sri Lanka is not merely confined to curbing terrorist activities. As evidenced by the various activities funded by USAID, the US acknowledges the need for a complex process of transformation. The aid programme in Sri Lanka has very much been geared towards nurturing democracy, dialogue and peacebuilding, and the scope of these activities was expanded after the ceasefire. The USAID Office of Transitional Initiatives (OTI) has funded the Muslim Peace Secretariat and Track Two activities such as One Text, as well as peace-oriented television dramas and community level dialogue.

Japan

Though an economic superpower, Japan has since the Second World War been somewhat introverted in the global realm of politics and security. Recent years, however, have seen a gradual shift in its international positioning. The propagation of peace and democracy has become a major objective in Japanese development policy. In line with this ambition, trade and development assistance are being complemented by greater diplomatic aspirations and the sending of peacekeeping troops.

Japanese involvement in Sri Lanka reflects this change of orientation. Peace is Japan's key objective in Sri Lanka and it has played a prominent part in the peace process. Former UN envoy Yasushi Akashi was appointed as a special envoy to Sri Lanka, and the Japanese hosted the main donor conference. The fact that Japan is by far the largest bilateral donor to Sri Lanka has clearly been of paramount importance in its notable role in the process. The Japanese were eager to position aid as a major engine of peace, as it was in this realm that Japan could take a leading role. However, Japan did not want to resort to conditionalities or political pressure.

Like Sri Lanka, Japan is a predominantly Buddhist country and it emphasises the long-standing nature of its relations with the Sri Lankan government. 'Even during the civil war we worked with the government,' claims a Japanese representative. 'They know we are a reliable partner.' Japan has a continuing dialogue with the Sri Lankan government. A direct, confidential dialogue tends to be more effective than public statements, and one needs to be hesitant about using financial support as a tool, one informant said. 'The Sri Lankan government seems to be very sensitive to this kind of approach. They have a strong sense of pride and one has to be sensitive to their pride. They don't accept conditionality.'

For Japan, aid is not a means of applying political pressure. Instead, it is a channel for bringing the 'fruits of peace'. This not only involves a peace dividend for the North and East, but the general economic state of the country as a whole. The Japanese argue that there are countrywide connections between peace, economic development and political stability. Economic development (with international support) will help resolve the conflict. 'In Sri Lanka the pie is too small. If it were bigger, many problems would be resolved in a more peaceful manner,' according to one Japanese representative.

This was also the logic behind the Tokyo aid conference. Despite the critical undertone of §18, the Tokyo Declaration was essentially a 'carrot'. In retrospect, the Japanese say that the Tokyo Declaration assumed that the peace process would proceed. In that respect, progress has been disappointing, but this is no reason to turn the carrot into a stick. The Japanese expressed 'deep concern over the current political crisis, which has kept the Sri Lankan peace talks in suspension (Japanese Government 2004a) and continued to refer to the Tokyo Declaration, including §18. 'Japan will have to carefully consider and respond to the substantial progress of the peace process,' argued the Country Assistance Program almost a year after Tokyo (Japanese Government 2004b: 15). However, observations about the poor state of the peace process have never been linked to Japan's actual aid disbursements. Aid continued to flow in an accelerated pace. With US\$ 540 mn disbursed in 2003 and 2004, Japan seems to have stuck to its Tokyo pledges, in spite of §18. Only when the current no-war-no-peace situation develops into a full-blown resumption of hostilities will Japan perhaps have to reconsider its position.

Meanwhile, with Japanese prestige strongly linked to the Tokyo conference, the gradual decay of the Declaration has been unhelpful in this regard. One donor has summarised the Japanese plight as follows: 'It was clear that Japan wants to enter the international arena of peacebuilding and also wants

to keep the money flowing. They were sucked into the Tokyo process but were not very happy about it.’

Japanese ties with Sri Lanka have traditionally been very government focused. Thus, engagement with the LTTE was obviously a new dimension. There are no legal restrictions on the LTTE in Japan. The movement’s legal status does not seem to be an issue of concern to the Japanese government (? Its legal status seems to be ok so what’s the problem?) and they maintain contact with Kilinochchi so long as the Sri Lankan government concurs. However, Japan refrains from making any funds available to the LTTE, or affiliated organisations such as the TRO.²⁰ This, however, is not a result of any political judgement of the LTTE or its behaviour. It stems from a general principle: Japanese aid must flow through governments and, in exceptional cases, through UN agencies or INGOs. Japan did not pledge any funds for either of the proposed joint mechanisms. Again, the reason was not political – they actually applauded these initiatives – but pooled funding would inhibit accountability towards Japan’s taxpayers.

The European Union

Contrary to issues of development and trade, it is only recently that the European Union has aspired to any major role in the arena of international politics and security. Diverging interests between member states have traditionally impeded EU positions. With some exceptions (such as the issue of LTTE proscription), member states have been like-minded on most issues regarding Sri Lanka. However, possibly due to its limited traditional involvement and the absence of major direct interests, the EU has refrained from adopting a dominant or ‘heroic’ role. Though a co-chair to the peace process, the EU has kept its involvement rather low-profile – some even call it ‘largely a passive role’ (Glasius 2005:1) – its main strategy being to ‘stick with the Norwegians’.²¹

However, the EU has stood out in terms of its engagement with the LTTE and its advocacy of human rights. Contrary to the US, the Union has kept the channels with Kilinochchi open, Chris Patten’s visit in November 2003 being the most notable example. Despite Kofi Annan’s decision not to visit the LTTE – allegedly as a result of government pressure – and despite strong political opposition from the JVP and others, the EU Commissioner for External Relations met with LTTE supremo Prabhakaran to discuss the peace process (when?). Rather than ‘denouncing terrorism’, the EU has placed particular emphasis on child recruitment, political killings and other LTTE misconduct. Apart from nuances in tone and substance, this position has remained largely unchanged, despite the rise of human rights violations and numerous breaches of the ceasefire. It was with the assassination of Foreign Minister Lakshman Kadirgamar that the EU began to tighten the screws. In a statement of 27 September 2005, the EU declared it considered proscribing the LTTE and refrained from hosting their delegations pending this decision. This restriction was significant given the numerous working visits to Europe of the LTTE’s political wing.

The EU was a strong supporter of NERF and P-TOMS. ‘The LTTE don’t care much about money,’ a representative said. ‘But they do care about the *administration* of money,’ and it was for this reason that the joint mechanisms were seen as a potential step forward. Commissioner Ferrero-Waldner pleaded for P-TOMS while negotiations were still going on (European Commission 2005a) and the EU pledged to commit ‘substantial funds’ (European Commission 2005b) to the mechanism.

²⁰ If any of their implementing partners collaborate with the LTTE or TRO, the Japanese do not object, though.

²¹ In formal speak: ‘to facilitate the facilitator’.

Because of its modest development budget in Sri Lanka – an average of about US\$ 12 mn a year – the Union’s aid leverage over the government has arguably been very limited. Part of this money has been allocated for relief and rehabilitation in the north-east. However, given that the EU is Sri Lanka’s most important trading partner, Europe has a potential incentive up its sleeve.²² Over the years, however, the EU has refrained from actually wielding this leverage on the government. For the EU policy coherence is a key concept, even though the Union continues to struggle with its diversity of channels and representations.²³ In terms of the peace process and conditionalities, we may conclude that aid and trade instruments have played a limited part (in the peace process).

Norway

Though by no means a super-power, Norway has adopted a powerful role as a facilitator in Sri Lanka’s peace process. The use of incentives and disincentives in direct negotiations is an issue in itself and beyond the scope of this study. The Norwegians have traditionally downplayed their role as mere facilitators and have abstained from ‘power mediation’ or the imposition of conditions. Instead, the facilitators have secured powerful backing through the support of the co-chairs, India and the broader donor community. In addition to its facilitating role, Norway has had a leading role in the Sri Lanka Monitoring Mission and maintained its traditional support for peacebuilding activities.

The Norwegians were instrumental in the entire conception of the peace process, playing an active part in the donor conferences, such as Tokyo, and the attempted creation of joint mechanisms, such as SIHRN and P-TOMS. However, they were not the ones posing conditions. They suspended their involvement at various times pending further steps by the parties, but made it clear from the outset that they were in it for the long haul and would remain committed to co-operating with both parties in an even-handed manner. Due to the state-based nature of international relations, the Norwegian government seems, however, to have struggled with the need to be an even-handed mediator. Without contradicting other donor criticism of the LTTE, the Norwegians have subtly advocated the need for engagement with the movement. Combined with general scepticism about international involvement and the perceived failure of the SLMM to get the LTTE in line, this course has brought about elaborate popular criticism of the Norwegians, particularly from certain Sinhala groups.

The Norwegians have tried to debunk the perception that they are biased against the Sinhalese. The embassy’s website underlines their ODA distribution: 50% to ‘the South’, 20% to the ‘north-east’ and the remainder on country-wide programmes. Compared to other European donors, Norway has a sizable development budget in Sri Lanka, with a gradual expansion from US\$ 15 mn to US\$ 30 mn over the past seven years. Given the delicate Norwegian balancing act, there seems to be little space for conditionality in Norway’s aid portfolio. Norwegian Krona are not primarily useful as leverage, but rather as a means to induce goodwill among all parties concerned and fund peacebuilding at the various levels.

²² In 2000, for example, the EC decided to improve market access for Sri Lankan garments by removing quotas. In return, Sri Lanka installed tariff reductions for European products.

²³ For example, the Ambassador ‘does’ trade, ECHO deals with relief, while the presiding EU member state traditionally takes responsibility for the bulk of political issues.

4.2.3 The 'Likeminded' Game: European Bilateral Donors

A considerable number of small bilateral donors are commonly referred to as 'likeminded'. European countries like the Nordic states, Germany, the Netherlands, Switzerland and the United Kingdom are normally considered part of this group, as is Canada. There are also parallels with New Zealand and Australia, though there are differences when it comes to regional, geo-political interests. Most of these donors have relatively large global development budgets in the light of their national income, but compared to Japan, ADB and the World Bank they are minor spenders in Sri Lanka. They typically have a long-standing development relationship with Sri Lanka and a significant part of their assistance is channelled through NGOs. Some of these donors are considering phasing out ODA to Sri Lanka – or are actually in the process of doing so – primarily because of the country's Middle Income status.²⁴

Given the limited financial support to the government and the limited individual diplomatic might of the countries involved, they arguably have rather limited direct leverage on the parties. Thus these countries tend to join forces when it comes to influencing the peace process. They also tend to try to exert influence on other donors, particularly the development banks and the EU. The likeminded donors were strong advocates of a 'principled approach' to the peace process. To a large extent, §18 of the Tokyo Declaration was a manifestation of this plea for human rights, democratic values and political reform. Similarly, the same donor countries were the driving force behind the Donor Working Group, which was set up to coordinate the follow-up to Tokyo. After the tsunami – when Tokyo had more or less become a lost cause – this plea was reframed in a set of 'guiding principles' for tsunami aid. In both cases, the effect was that the donor community at large agreed – at least formally – to attach a political mindset to their aid packages. We may conclude that this group of smaller donors had some success in influencing other donors and the overall aid agenda around the peace process, but they could not prevent the failure to implement most of this agenda.

In fact none of the likeminded donors have reduced or withdrawn their funds in view of §18 or the 'guiding principles' and the lack of 'progress on the peace process.' Some donors are scaling down or re-orienting their programmes, but this is not attributed to intransigence of the government or the LTTE. Instead, it is a consequence of Sri Lanka's economic progress and the self-perception of these donors that they have little impact on or added value with regard to the peace process.

One strategic complementarity seems to have been the ability and willingness of many European donors to engage with the LTTE. In terms of aid, this has usually taken an indirect form. Money has never been transferred to the LTTE, but rather channelled through government agencies in the North and East, through NGOs, CBOs (some of which may have been LTTE proxies) and UN agencies, or given in the form of direct technical assistance (e.g. GTZ). Most of the donors discussed here have traditionally been involved in relief and rehabilitation efforts in the north-east. These activities are essentially investments in the areas claimed by the LTTE and they provide a context for engagement with the movement. In the case of GTZ, this takes the form of direct aid diplomacy. The Germans refrain from stationing an expatriate in Kilinochchi – though it would be logical from an operational point of view – for reasons of political symbolism. Other donors provide incentives to agencies surrounding the LTTE hierarchy, such as the Planning and Development Secretariat (PDS) and the TRO.

²⁴ Others maintain a limited programme on issues of civil society, human rights and democracy (such as SIDA) or confine its support more strictly to peace and security (such as the UK).

Many of these smaller donors have been strong advocates of channelling aid through a joint LTTE-government mechanism. Most of them have earmarked funds, both for NERF and P-TOMS. Along with the EU and the World Bank, they managed to push both mechanisms a long way. However, they refrained from commenting on the breakdown of either initiative. They continued to plea for 'effective' delivery mechanisms in the north-east and advocated cooperation between both parties, but they did not condemn either the LTTE (for not signing NERF) or the government (for stalling a decision on PTOMS). Most European donors – the UK being the main exception – have also employed political symbolism as an inducement towards the LTTE. In addition to occasional diplomatic visits to Kilinochchi, European countries, such as Germany, Ireland, the Netherlands, Sweden, Switzerland have hosted LTTE delegations, in some cases at senior departmental or even ministerial levels.

Moving beyond high politics, most of these donors support peacebuilding initiatives at the level of civil society. Community-level dialogue as well as activities in the realms of the media, academia or politics are given financing. The likeminded donors have, moreover, been advocates of conflict sensitivity. SIDA, for example, has made Peace and Conflict Impact Assessment (PCIA) a standard requirement for all its projects, while similar developments may be observed among other donors. The United Kingdom has attempted to raise conflict sensitivity among other donors, doing so partly by stimulating policy-oriented research (e.g. conflict assessments) and seconding a 'post-conflict advisor' to ADB. Though acknowledged as an opportunity, voting powers on the boards of the IFIs have not been used by most of these donors to push their conflict policies.

4.2.4 The Neighbours' Game: Asian Donors

India has always been of overriding importance with regard to Sri Lanka's conflict and its resolution. One interesting change is India's perceived bias. India supported Tamil militias in the late 1970s and its government positioned itself in the presumption that it could negotiate on behalf of the Sri Lankan Tamils. Similarly, it was an Indian show of force that prevented the Sri Lankan forces from taking Jaffna in 1987. Though there are many points of continuity, the picture seems now to have reversed. India proscribed the LTTE following the assassination of Rajiv Ghandi, and it has provided security guarantees to the Sri Lankan government. Finally, India is unlikely to accept any solution that moves beyond its own model of federalism, and for this reason it seems that it is the government rather than the LTTE that stands to benefit from Indian involvement.

Many people have suggested – for various and sometimes dubious reasons – that India ought to play a bigger part in the current peace process, either as a co-chair or even as a mediator. The Indians have declined, however, and it is doubtful that the LTTE would applaud a salient Indian role. Despite the ban on the LTTE, the Indian government is supportive of the talks between the LTTE and the government. Support for the peace process has always been placed against the backdrop of Sri Lanka's national unity and political engagement with all 'democratic' forces.

With the demise of exclusive Indian involvement, other regional actors have adopted a more prominent role. Military support from and arms procurement in countries such as Pakistan and China have been of paramount importance to the war effort, and such transactions have continued despite the

ceasefire and the tsunami.²⁵ In course of the peace process, Sri Lanka has continued to strengthen its ties with these countries. The trade agreements with China (allegedly worth US\$ 800 mn) and Pakistan bear testimony to this, as does the tsunami aid recently given by various Asian countries. These developments matter in view of the tense relations of these countries – Pakistan and China in particular – with India. On a broader level, China's coming of age as a global superpower and its selling of military equipment throughout the South Asian region are an issue of concern to many of Sri Lanka's foreign allies, most prominently the US and Japan.

Though Sri Lanka seems to reinforce its diversity of foreign relations in the region, this has not been reflected in any notable involvement by neighbouring countries in the peace process. The long term view applies in relations with neighbouring states. Pressure to decrease or cease support – as was applied in Tokyo – is unlikely to come from countries in the region. This goes not only for South Asian countries, but Japan, New Zealand and Australia as well. Nonetheless, it may well be the case that some South Asian countries employ conditionality, for example with regard to regional geopolitics. Given the somewhat introverted nature of bilateral relations and controversy surrounding some of the issues involved, it is hard to get systematic and reliable evidence on these issues.

4.2.5 The Humanitarian Game: UN Involvement

Globally, much of the current debate on the role of the UN in the establishment and consolidation of peace focuses on (post-)conflict countries in which the UN has been invited to take a leading role.²⁶ The integrated nature of humanitarian, developmental, political and military action is central to interventions in these states. It is important to realise, however, that UN involvement in Sri Lanka is different. Firstly, the UN has no military role on the island. Secondly, the UN has never allowed any political role. Thirdly, UN intervention in Sri Lanka is not the outcome of a comprehensively planned effort. Rather, it has gradually emerged from ad hoc humanitarian interventions which have gradually become consolidated into a more coherent programme, with a UN country team and a Resident Coordinator. Finally, unlike some other countries, Sri Lanka has never been a spotlight country for the UN, thus limiting possibilities for UN agencies to take a partisan role.

As discussed in the previous chapter, UN agencies faced severe operational restrictions in the 1990s, with little room for a political outspokenness. Public opinion in the South as well as the Sinhala press voiced criticism of and blamed UN agencies for supporting the terrorist struggle and violating Sri Lanka's sovereignty. 'The climate was very difficult for the UN to address humanitarian issues,' according to one representative. The inauguration of Wickremesinghe's cabinet in December 2001 was a turning point for UN intervention in Sri Lanka. Straight after assuming office, the PM wrote a letter to UN Secretary General Kofi Annan, requesting socio-economic support from the UN in relation to the peace process. The UN reacted positively and worked in close collaboration with other multilateral donors to reinforce the peace process as well as it could.

Importantly, the UN was not asked to play an explicit political part in the peace process, nor did it assume one. It is important at this stage to distinguish between the implementing UN agencies (which are essentially non-political) and the UN system (which is a political platform). While the former

²⁵ It was in particular the sizable arms procurement in Iran in the immediate wake of the tsunami (when funds came from all over the world to help Sri Lankan victims) that invoked astonishment and, in some cases, irritation.

²⁶ Sierra Leone, Liberia, Kosovo and East Timor are salient examples.

upgraded their programmes in support of the peace process, the latter has never assumed any major role. The UN Security Council has hardly exerted any political pressure on Sri Lanka, or passed any resolutions on it. The Department of Political Affairs summarises the position: ‘Although there has been no entry point for UN *political* involvement in resolving the internal conflict in Sri Lanka in the past, political analysis [...] could, nevertheless, address root causes of the conflict. This in turn could contribute towards effective peace-building and contingency planning programmes by the UN system as a whole.’ (UNDPA 2001:1)

The UN country team – representing the various agencies – have always been reluctant to use aid as a lever. Their mandate has primarily involved humanitarian or developmental work, and their main concern has been to be operational. However, they did see in their programmes a potential to contribute to the success of the peace process. Some UN agencies became active supporters of peacebuilding programmes. UNDP has been closely involved with the peace secretariats that were established in support of the peace process.²⁷ The provision of financial and technical support to the three liaison offices is perceived to suit the expertise and approach of the UN.

The UN was ‘all for increasing engagement, increasing the outcome of the rehabilitation and reconstruction process to promote a sense of normalcy,’ according to a representative. By helping people reap the fruits of the ceasefire and the peace process, UN assistance could generate a peace dividend. Though they never resorted to an instrumentalist logic – raising the stakes, thus increasing the costs of war – the UN has wanted to help people establish as much normalcy as possible. It is thus engagement, not pressure, that has guided the UN response and it is with this logic in mind that the UN supported the Tokyo Declaration. ‘With regard to the Tokyo process, the UN have always insisted they would remain engaged,’ one UN staff member has said. ‘We are here for humanitarian reasons. Why would we punish the people in the north for the unwillingness in the south or vice versa.’

In line with this view, §18 of the Declaration has not had the effect of holding back UN agencies. UN efforts have expanded, both after the ceasefire and after the tsunami. This, however, is not just a result of the desire to deliver a peace dividend, but also a simple reflection of the fact that the government allowed the UN to intervene.

The multilateral needs assessment that culminated into the Tokyo conference was essentially a joint exercise of the government, the LTTE and international agencies such as the UN. Staff present at the various meetings testify that such processes did indeed serve as a breeding ground for cooperation between the LTTE and the government. ‘It has not been highlighted much, but it was a very useful concept allowing the LTTE and the government to exchange their views and collaborate on practical issues,’ according to one person. The UN was closely involved in the establishment of joint aid mechanisms, such as SIHRN.

One notable exception to the UN’s modest political profile is UNICEF’s role in the monitoring of child recruitment by the LTTE. At the peace talks, the LTTE and the government agreed to initiate an Action Plan for Children Affected by War. This was to be the only signed human rights agreement to emerge from the peace process and UNICEF’s support was instrumental in it. The LTTE tried to keep the issue broad, so as to embed the recruitment controversy in the broader structures of marginalisation, exclusion and hardship. UNICEF’s advocacy thus embraced two dimensions: a plea to both parties ‘to re-engage in the peace process in a genuine and meaningful way’ (UNICEF 2005:5)

²⁷ Initially, there were only the government and the LTTE peace secretariat. Later, the Muslim peace secretariat was established as well.

and persistent pressure on the LTTE to live up to its commitment to release underage recruits. UNICEF monitored and supported the demobilisation of child soldiers, but noticed that its successes on this front were undone by an increased (re)recruitment of children. 'The number of children released each month was consistently substantially less than the number of children recruited each month.' (UNICEF 2005: 4) Particularly when the LTTE faced a military risk – after the Karuna split and after the tsunami – forced recruitment orse and demobilisation programmes in effect became a carousel. In response, UNICEF named and shamed the rebels in several public statements while at the same time commending the movement for its stated commitment to the Action Plan.

4.3 Revisiting conditions

This chapter has shown that mapping conditionalities with regard to Sri Lanka's peace process has produced a diversified picture. There have been various kinds of conditions and there are major differences between donors. International actors have used their leverage to push the parties to the table, positioned their aid as a peace dividend and linked its disbursement to progress in the peace process. They have also supported the creation of joint aid mechanisms, which have encompassed nuclei for administrative cooperation between the two parties.

It has been through these interventions that international actors have tried to reinforce the peace process. Despite its turbulent inception, the process made little progress and soon got bogged down in a formidable impasse, with stalled peace talks and widespread fragmentation between and between the various actors. Peace conditionalities have not succeeded in getting the process back on track. In fact, donors have found themselves grappling with turns of events rather than engineering any major change. They entered the process in high spirits with the initial, veritable peace rush that culminated in the Tokyo conference and the first joint mechanism (SIHRN). Just when they had made their commitments, the process collapsed and donors were faced with a change of government. Most of them reverted to their fallback position of providing aid without rocking the boat too much. The tsunami subsequently replaced peace as a leading issue in aid disbursements, but donors soon began to search for opportunities to get back to the peace agenda: the guiding tsunami principles and support for P-TOMS were the result. Political progress was minimal, however, and violence continued to increase. Disappointed with the limited progress on transformation of the LTTE, most donors eventually joined ranks in stepping up the pressure on the rebels.

In retrospect, the turbulent dynamics of the peace process have inhibited donor intervention. Political, military and legal efforts to keep the parties at the table initially seemed successful. With the change of government, however, most donors found their room for manoeuvre very limited, as the UPFA regime knee-jerked against political pressure. LTTE infighting and persistent human rights violations in the East pushed donors into a more critical position on the other side of the table. Strategic complementarity between the various international actors metamorphosed into slightly more uniform agendas: criticism of the LTTE and a milder dialogue with the government.

The second cluster of peace conditionalities – delivering a peace dividend – has witnessed some success, in terms supporting some of the tangible benefits of peace. However, the Tokyo-based attempt to link disbursement to progress in the peace process was 'a nice try, but it failed,' according to a prominent aid donor. Donors overestimated the importance of money as well as their ability and willingness to subordinate aid flow to domestic developments. Even before Tokyo progress had ground to a standstill. Donors dangled the carrot assuming the process was moving in the right

direction, but when this proved to be a false assumption they did not replace the carrot with a stick. Though the declaration was signed by all donors, there was actually little consensus on the issue of conditionality. Other factors, such as concerns about programmatic continuity, the tsunami response and Sri Lanka's graduation to middle income status, proved to have more effect on actual aid spending. Moreover, there was no compliance regime with regard to the benchmarks of §18, while monitoring proved to be fraught with caveats.²⁸

Positions with regard to joint aid mechanisms between the LTTE and the government were diverse. European donors and the World Bank saw SIHRN and P-TOMS as an essential way of using aid to push for peace. Others, such as the US and Japan, supported the mechanisms in word but not in deed. Both mechanisms were eventually shelved without donor consequences. There is no evidence that it had any major effect on the flow of aid and there was no public international political protest at their demise. Meanwhile, direct funding of peace-oriented activities was expanded after the ceasefire. US and European donors in particular used their funds to provide stimuli to the peace process. By supporting the Muslim peace secretariat and the various Track Two initiatives, donors encouraged the inclusion of a broader set of actors in the peace process.

²⁸ To engage in a discussion on what progress in the peace process actually entails, the DWG held a scenario-building exercise. In a later stage the Centre for Policy Alternatives was tasked to provide quarterly reports on trends and developments with regard to the peace process. These efforts raised difficult questions regarding the monitoring progress in the peace process: how is progress defined? And which measures and indicators can be used? Given the non-linear nature of the process, is it possible to discern trends?

V. Local Perspectives and Responses

The key question with regard to the impact of conditionalities is how do domestic actors understand conditionalities and how do they respond to them? The examination of actor interpretations and their subsequent behaviour takes us into the realm of discourse analysis.²⁹ As argued elsewhere (Frerks and Klem 2004), discourses are essential to the understanding of violent conflict. What is difficult and to some extent controversial about a discursive approach is the fact that discourses are inherently constructed. They are versions of reality that result from the interplay between world-views, experiences, social interaction, interests and conscious manipulation. It is for this reason that the interpretations put forward in a discourse must never be taken at face value. Put more bluntly, it is difficult to disentangle genuine viewpoints from propaganda and lies. Discourses must therefore be taken for what they are: subjective interpretations that constitute a social reality.

This chapter is not confined to the viewpoints and responses of the government and the LTTE. The views put forward by the broader Tamil, Sinhala and Muslim constituencies are equally important for an appreciation of the diverse discursive context. It is these views that to a large extent determine the room for manoeuvre of the key negotiating parties. This chapter draws on a study done by Sri Lankan co-researchers (Wickremasena, Dammulla and Hussein 2006).

5.1 Government

One of the main differences between the UNP-led administration (December 2001 – April 2004) and the SLFP-led government (April 2004 – present) was their orientation towards the international community. The UNP's neo-liberal ideology converges naturally with the views and approaches of some foreign actors. The UNP's then Prime Minister Ranil Wickremesinghe deliberately internationalised the peace process by seeking military, political and economic support from foreign powers. The subsequent SLFP regime had a much more reserved stance on foreign interference. Partly due to the Buddhist or nationalist inclinations of segments of the coalition and more moderate concerns regarding sovereignty, the SLFP condemns foreign attempts to apply political pressure or interfere with domestic matters.

During the UNP regime, the peace process was moving along – at least initially – and the government willingly co-operated in a dialogue on donor conditionalities. When the SLFP assumed power, the process had pretty much collapsed and foreign carrots would potentially transform into sticks. Ironically, the SLFP found itself working around the conditions that its predecessor – the UNP – had accepted without objection.

²⁹ Put simply, a discourse is a system of representation, a set of values, knowledge and assumptions that guides the way people interpret reality. 'In its broadest sense, discourse refers to language as a form of social practice. [...] Discourse is thus not merely text or speech, but rather a system of representation. It governs the way that a topic can be meaningfully talked and reasoned about.' (Frerks and Klem 2004: 3)

5.1.1 The UNP period

There was a remarkably close alliance between prominent donors and Wickremesinghe's government. With its close connection to Sri Lanka's business community, its support for the Washington consensus and its pragmatic approach to the peace process, the UNP was a donor darling. As one donor once commented, 'The UNP were much easier to deal with than SLFP; donors fell in love with them.' 'We spoke the same language and there were strong personal links with key figures. If an issue arose, we'd just pick up the phone and speak with the person,' another donor added. There is a some resemblance with the initial period of Kumaratunga's rule. Donors initially applauded her agenda, but later became more critical. It should, however, be noted that not all donors were supportive of the UNP regime. There was criticism on the adverse effects of its economic policy on poverty and the limited efforts made to foster a broad-based approach to the peace process, thereby alienating important political actors and certain segments of the population at large.

During the UNP period, donor conditionalities were not forced upon the government; they were largely a reflection of mutual agreement. The Tokyo Declaration is illustrative here. The government did not oppose §18. In fact, it was actually involved in the drafting of the Declaration. 'The conditionality overtones of the Declaration were accepted by the GoSL, which was clever enough to realise that they implied more pressure on the LTTE than the GoSL, and that they would not impede commitments to the government's economic reform strategy. [...] The GoSL left Tokyo with their pockets full [...]' (Burke and Mulakala 2005:18).

It is interesting to speculate on how the UNP-donor relationship might have developed after the paralysis of the peace process. Wickremesinghe's administration did not last to see the eventual use of negative conditionalities by donors. By that time, president Kumaratunga had toppled his government and subsequent elections brought the SLFP back to power. Donors thus found themselves closely allied with a political course that the electorate disapproved of and with a party that ended up in opposition. Initial relations with the newly elected government were clearly sub-optimal. Donors learnt a lesson from their love affair with the UNP. In retrospect, some donors feel that there was an unhealthy degree of dependency on the UNP administration. According to some, donors tended to 'fool themselves', hearing the language they wanted to hear, while closing their eyes to issues of electoral legitimacy and political power.

5.1.2 The SLFP period

International relations of the SLFP-led administration centred on three basic pillars: the regime welcomed international support and cooperation, it rebuked foreign interference in sensitive political matters, and it made clever use of international criticism of the LTTE in attempts to isolate the rebels.

The SLFP government was critical of the conditions formulated in § 18 of the Tokyo Declaration. It 'stated that benchmarks are *'totally inappropriate, arbitrary and artificial'*, and expressed gladness that they did not hold' (Burke and Mulakala 2005: 35). The government realised peace conditionalities were not decisive for the flow of aid. The disappointing level of aid disbursement was largely due to a lack of absorption capacity. In the words of one bureaucrat, 'The problem is not with the donors. Once they sign, they give.' 'Rather, the problem lies with domestic political or institutional constraints that inhibit the implementation of aid projects,' he added.

Whereas the UNP regime tended to work with most donors simultaneously for reasons of efficiency, the newly elected regime has preferred dealing with each donor individually, thus minimising donor influence. Rajapakse's administration has capitalised on the fact that donors with the strongest political agendas (such as the European bilaterals) are not the ones providing the funds (such as the Banks and Japan). It has made it clear to smaller donors that their meagre aid budgets do not give them enough clout to set the agenda. However, donor positions that suit the government's political course have been quoted openly. In this regard, the BBC's interview with SLFP foreign minister Kadirgamar was illustrative: 'The US has told the LTTE to give up the idea of a separate state and renounce violence. But the LTTE has yet to comply with non-violent politics,' he remarked. (BBC 2005)

Even in instances where the government has given in to donor pressure (or happened to agree with it), the government has made sure it was not perceived as giving in to donor pressure. P-TOMS was a case in point: at the Development Forum after the tsunami (Kandy, 16 May 2005), the president struck the right chord with donors. She thanked them for their generous support, she acknowledged the historic failures of the government and strongly advocated an aid mechanism with the LTTE. In fact, she qualified it as 'one golden opportunity, one little ray of light that has come through the tsunami disaster [...]' (President of Sri Lanka 2005). This speech boosted Kumaratunga's popularity among donors, but invoked fierce criticism from some of the Sinhalese constituencies. 'President sold the country for US\$ 2 billion to whites,' one of the newspaper headlined (Thinakkural 2005). In a letter to *The Island* newspaper, one person argued the president 'ridiculed, belittled and disparaged the stand taken by the great majority of the Sri Lankan population who are against the Joint Mechanism.' (Nandimithra 2005) Much praise was meanwhile expressed for the unexpected, passionate speech by a Buddhist monk at the same donor meeting for his 'courage to convey a strong message to the donors who have become demigods in the developing world, whose leaders cringe and crawl before them. His message to the donors was that they must listen not only to those who are armed but others as well,' according to the editorial of *The Island* (2005).

The government strongly refuted the idea that the government was sensitive to donor pressure. In the interview referred to above on BBC's *Hard Talk* programme, Kadirgamar, reacted fiercely to the remark by the interviewer that it was the EU and other donors who had called for a joint mechanism. 'It doesn't require the EU to tell us that. Before you get to the EU, the Sri Lankan Government is saying that! Sri Lankan government is saying to the LTTE, let's get together and have a joint mechanism,' he said (BBC 2005). Likewise, President Rajapakse made it a point in his election campaign that he would not dance to the tune of donors (Wickremasena, Dammulla & Hussein 2006:6).

5.2 Sinhala constituencies

As is probably the case in most former colonies, international involvement is not a problem-free endeavour in Sri Lanka. As a result of the country's history and particular interpretations of it, the preservation of sovereignty is a sensitive issue. Certain Buddhist and Sinhala nationalist constituencies perceive history as a sequence of threats to Buddhism. From this perspective, Sri Lanka is a unique Buddhist island that needs protection from surrounding by Hindu, Christian and Islamic powers. Buddhist monks ('Sons of the soil') and Sinhala leaders – be they 4th century kings or contemporary presidents – have a special role in warding off these alien threats. Both colonial rule (by the

Portuguese, the Dutch and the British respectively) and Tamil nationalism are interpreted along these lines. From this perspective, donor involvement can be controversial in Sri Lanka, particularly when it is perceived as impinging on the unitary state or supporting the ‘Tamil terrorists’. (Frerks and Klem 2004)

Donor involvement in the peace process has also been interpreted as an unjust foreign attempt to make the government give in to LTTE demands. ‘Protest against the Norwegian facilitators and peace monitors (SLMM) was particularly fierce, but many of these criticisms reflected on the wider donor community’ (Nadarajah 2005: 26). In a particularly outspoken editorial, the *Island* newspaper argued that ‘Norway has laid a peace trap to the Sri Lankan government and donors are supporting that without respecting the majority opinion. Donors support a peace settlement against the wishes of the majority and they are conceding to LTTE demands.’ (Wickremasena, Dammulla & Hussein 2006:9)

The Tokyo Declaration was portrayed as a form of colonialism. As one columnist observed, ‘At the moment the price of our sovereignty is USD 4.5 billion.’ (Appuhami 2003). Newspaper articles have not only criticised §18, they have also pointed out that Tokyo’s promises primarily consist of loans, the effect of which would merely be to increase Sri Lanka’s dependency. Likewise, international support and advocacy for a joint mechanism with the LTTE has been scrutinised, as became clear from the above discussed controversy at the post-tsunami Kandy forum. Within the donor community, the World Bank – which was perceived to legitimise LTTE control in the north-east – has probably been the major butt of Sinhala criticism. Pamphlets spread by the National Patriotic Movement³⁰ have been illustrative: ‘Money-lending white Tiger, our motherland is not your property.’ (Wickremasena, Dammulla & Hussein 2006:10)

Meanwhile, international pressure on the LTTE has been applauded. ‘*Lankadeepa*, like the other Sinhala papers, welcomes U.S. criticism of the LTTE’s actions and defended the organisation’s exclusion from the Washington talks on the basis that it had yet to give up terrorism. They argued the LTTE wouldn’t have to quit the talks if they were seriously concerned about improving the hardships of the Tamils through peace.’ (Nadarajah 2005:34)

Misappropriations by foreign NGOs may have reinforced suspicion and opposition about international involvement. The perceived unethical conversions instigated by some of the Christian NGOs (like World Vision) and the accusations levelled against NGOs (like MSF) about selling their resources to the LTTE are examples of such alleged misconduct. Similar criticism has been targeted at the UN agencies. One author argued (De Silva 2005), ‘If not for the west and their paid servants in the NGOs and the INGOs, the LTTE should have been crushed by now, and, at least, the so-called ethnic problem could have been solved. There is no ethnic problem in Sri Lanka but a problem created by the Europeans by manipulating a ‘minority’ against the majority.’

One must not assume these criticisms are representative of public opinion at large. There is a diversity of views, and radical Buddhist and Sinhala nationalist positions are in the minority when we look at surveys (Centre for Policy Alternatives 2004) and elections. In fact, a review of the media reveals that most newspaper coverage about donors is actually positive. (Wickremasena, Dammulla & Hussein 2006: 5) Though some newspapers criticise donor pressure on the government, the majority argue that the government is not responsive enough to it. (Wickremasena, Dammulla & Hussein 2006: 11-14)

³⁰ A Sinhala nationalist movement associated with the JVP and certain Buddhist actors.

However, as a result of the political dynamic, critics of donor involvement seem to have had a fair amount of influence. The SLFP-JVP coalition has been much more amenable to critical sentiments, for they reflect the thinking of a major segment of its electorate. The president portrayed herself as saving the nation from being squandered when she toppled the UNP regime. The Marxist, Sinhala nationalist JVP has an anti-western position altogether. In such a political context, questions arise with regard to the wisdom of conditional aid. When political leaders are themselves strongly opposed to foreign interference, or can not afford to be seen giving in to foreign pressure, conditionalities may easily have adverse or even inverse effects.

5.3 LTTE

A review of LTTE statements and positions indicates that donor involvement in Sri Lanka's peace process has certainly been relevant. In fact, the movement cited 'excessive internationalisation' of the process as a primary reason for suspending its participation in the talks. This raises questions as to whether donor involvement – and donor conditionalities in particular – have had the desired effect.

Without delving into the rather extensive narrative on Tamil nationalism, one must acknowledge the fact that the movement sees the conflict as a liberation struggle in response to state terrorism and genocide. This struggle was the unfortunate, but inevitable outcome of discriminatory state policies and the failure of subsequent Sinhala dominated governments to acknowledge the existence of a Tamil homeland and the intrinsic right to self-determination. The resulting death, displacement and destruction have not merely been side effects of the struggle, but the consequence of conscious government policies.³¹

5.3.1 Financial incentives

Addressing the immediate humanitarian situation in the north-east has been a top priority of the movement. Relieving the suffering and providing the communities with a 'peace dividend' has been considered essential to the success of the peace process (Balasingham 2004: 395). The movement appealed to the international community for support in this endeavour, but soon found itself confronted with a perceived state bias. The donor preference for channelling money through the government has been particularly problematic, given the view that it was the government itself that caused the humanitarian crisis in the first place. The movement has thus insisted on joint government-LTTE appeals to the international community so as to safeguard their parity and prevent themselves from being dependent on the government for access to foreign funding.

Donors, however, have been reluctant to fund the LTTE directly.³² The joint mechanisms were an attempt to reach out to the movement despite the existing barriers, but neither mechanism was ultimately put in place. As a consequence, the LTTE argues, financial incentives provided have had little leverage over the movement. According to an LTTE representative, 'Without means to deliver aid, talking about conditionalities will not sort any effect. If we comply, there needs to be a structure through which they can give aid. This is not there.' In short, a carrot that requires clearance from the government is not really a carrot. Joint funding mechanisms such as P-TOMS would have been a

³¹ Both the policies preceding the war (such as language rights, university quotas, land colonisation) and the strategies adopted during the 1980s and 1990s, such as the economic embargo imposed on the Northeast.

³² Support for the TRO – generally considered to be an LTTE proxy – has been treated with caution.

solution had it not stranded in legal constraints. In the LTTE view, the – ‘Sinhala’ – constitution is a major part of the problem and the international community should therefore not let itself be hampered by it.

Alternative donor strategies, such as channelling aid through decentralised government structures (World Bank and ADB) or UN agencies (many bilateral donors), are met with milder forms of criticism, the former because they are subject to the whims of the government and the latter because money is unnecessarily lost on expatriate staff and their needs.

The movement has been sceptical of Japanese assistance, ‘because they want to implement all the projects themselves,’ according to one interviewee. Interaction with Japan was a new phenomenon for the movement and was met with little enthusiasm. In their view, intensive Japanese involvement in the peace process was primarily motivated by Japan’s ambitions to raise their political profile. Likewise, Akashi’s pressure on the LTTE to attend the Tokyo conference was perceived as a face-saving exercise, rather than a genuine effort to contribute to the peace process.

5.3.2 Diplomatic pressure

As discussed in the previous chapter, American diplomatic pressure on the LTTE has been particularly severe. Deputy Secretary of State Richard Armitage urged the LTTE in Oslo to make ‘a public renunciation of terrorism and violence to make it clear [...] that the LTTE has abandoned its armed struggle for a separate state [...]’ (Balasingham 2004: 393). ‘These unwarranted provocative comments, made by a senior US official, discrediting the Tamil freedom struggle at an international forum organised to support and encourage the parties in armed conflict to seek peace and negotiated settlement, annoyed me,’ Anton Balasingham³³ writes in his memoirs (2004: 393). ‘I was aware that the American conception of armed struggle was superficial and biased. Operating with the ill-defined category of political violence, America characterises all forms of conflict and popular agitations that manifest all over the world as ‘terrorism’, without taking into account the moral basis, the political context and the history of specific struggles fought against state terror and oppression.’

The US added further pressure by hosting a donor seminar in preparation for Tokyo in Washington on 14 April 2005. Two days prior to the seminar, the LTTE had voiced their objections, arguing that it put an end to the ‘equal and joint partnership’ of the government and the LTTE in soliciting international support. ‘Regrettably, the United States has undermined this joint effort by isolating the LTTE and solely promoting the GoSL [...]’ (Balasingham 2004: 431) The Americans nevertheless went ahead, and Armitage once again emphasised that the LTTE were deliberately excluded until they ‘renounce terrorism’ (US Government 2003). To the LTTE leadership, Washington was a ‘humiliation’ (Balasingham 2004: 430).

The LTTE has appreciative of efforts to influence the movement through positive engagement, such as diplomatic visits and the reception of LTTE delegations. ‘It is through engagement that we have changed. Pressure does not help,’ one person has said. The EU’s strategy (prior to recent considerations about proscribing the LTTE) has been popular with the movement. ‘The EU dealt with us in a much more positive way. They understood we are an important player and that our role in the peace process is crucial.’

³³ Anton Balasingham is considered the theoretician of the LTTE and acted as the chief negotiator in the peace talks.

The dialogue on human rights and child soldiers – traditionally very sensitive issues – has been positive as well, the movement argues. The joint agreement on child soldiers with UNICEF and the opening of a human rights secretariat are the tangible proof that engagement has more effect than pressure, according to the LTTE.

5.3.3 'Excessive' international involvement

None of the foreign powers were able to persuade the movement to participate in the Tokyo conference. With the LTTE effectively out of the loop, the Tokyo declaration fuelled rebel frustration rather than gain traction over the movement. 'The Colombo government, with the active assistance of the facilitator and its international 'tactical allies' has formulated this strategic paper to super-impose its own agenda on the LTTE. This is unacceptable to us.' (Balasingham 2004: 460)

Tokyo compounded the LTTE view that donors have a state bias and that they are unwilling to put pressure on the government. 'The government does not accept conditions from them. They'll simply ask them to leave,' one representative stated. Moreover, donors are seen to be 'risk averse', because they fear the southern media and their parliaments at home.

As a result of the uneven-handedness of the donor community, the movement had little to gain in the international arena. The movement had commenced the peace process with an appeal for foreign support, but when carrots became sticks, the movement rebuffed international involvement. 'Encouraged by Wickremesinghe's grand strategy of mobilising the international community as a 'safety net' to contain the LTTE, international actors began to be more actively involved in imposing constraints and prescribing parameters on one party (the LTTE), which began to shift the strategic equilibrium in Sri Lanka's favour. Apprehensive about this development, the LTTE criticised the 'excessive internationalisation' as having a negative impact on the peace process.' (Balasingham 2004: 400) 'As a non-state actor caught up in the intrigue-ridden network of the international state system, the LTTE was compelled to act to free itself from the over-powering forces of containment.' (Balasingham 2004: 434)

5.4 Tamil constituencies

For Tamils, particularly in north-eastern Sri Lanka but in other parts of the world as well, political space is a scarce commodity among the Tamils. With the emerging dominance of the LTTE and self-proclaimed status as the sole representative of the Tamils, most dissidents have been killed, scared away or hushed into silence. Paradoxically, the post-ceasefire period reduced, rather than increased, political space. Particularly after the Karuna split, political killings became rampant. Many academics, journalists and politicians (both for and against the LTTE) have lost their lives.

It is thus hard to come by public statements with regard to the peace process and donor conditionalities from Tamil sources other than formal LTTE representatives. Tamil newspapers, for example, cover the basic news on donor involvement in the peace process, but editorials, columns or feature stories are rare (Wickremasena, Dammulla & Hussein 2006). When newspapers take a stand, they tend to side with LTTE positions and they are usually 'supportive of the peace process and the Norwegian role.' (Nadarajah 2005: 26) *Suderooli* – a nationalist oriented Tamil newspaper – denounced American 'hypocrisy' for 'deliberately keeping the LTTE out of the aid meeting and then condemning it without taking account of its reasons for withdrawing from the talks.' (Nadarajah 2005: 35)

Thinakkural, however, criticised the LTTE for not attending the Tokyo Conference'. (Nadarajah 2005: 22)

Meanwhile there is criticism that foreign support for the government has remained unaffected. 'There is no substitute for a tough stance on aid disbursements,' a highly placed Tamil official has said. 'People feel betrayed by the international community. Donors took a stance in Tokyo on not disbursing aid, but [after the tsunami] they have put a moratorium on debt relief. That releases 556 million dollar in one year.' Despite the collapse of the peace process, the government benefits from donor funds, he argued, and there are no conditions attached. 'They may spend the money on war.'

Others, on the other hand, are very critical of the perceived leniency of donors towards the LTTE. Dictatorial rule by the LTTE in the north-east, gross human rights abuses and the repression of dissonant voices by the LTTE are normally the key ingredients of these critiques. Rather than appeasing the LTTE, donors should keep their foot down when it comes to human rights and impunity, it is argued.

In a plea to the international community, a leading Tamil critic of the LTTE wrote that '[e]veryone is talking only about Peace and everyone wants to satisfy only the L.T.T.E. by conceding all their demands. The latest edition to this list is the World Bank Country Director Mr. Peter Harrold who wants to release 6 Billion Rupees to the L.T.T.E., recognising it as a legitimate Stakeholder. [...] The time has now come for the International Community to tell the Tigers that they must tame themselves or be tamed. [...] The responsibility of liberating the Tamils from the L.T.T.E. is now in the hands of the International Community.' Accepting the LTTE as a legitimate partner in the distribution is a mistake, this critic argued, because the assets will end up with the movement, rather than with the people in need. For this same reason, he strongly opposed the joint tsunami mechanism.

University Teachers for Human Rights (UTHR) is another well-known opponent of engagement with the LTTE. A recent pamphlet opened with the following statement: 'The killing on 12th August of Lakshman Kadirgamar, Sri Lanka's Foreign Minister and the government's most senior Tamil officeholder, has brought to the world's attention one of many heinous acts carried out by the LTTE over the years. Will the international community once again make rhetorical statements of condemnation and yet close its eyes to the other daily acts of violence that have for so long engulfed our community?' (UTHR 2005)

The Upcountry Tamils are a different constituency altogether.³⁴ Though there has always been some relation between upcountry resentments and the Eelamist cause, their political leadership has traditionally taken a rather opportunistic course. Recent developments – one of which being the rise of the Upcountry People Front – seem to pave the way for a more vocal and principled (ethnic) agenda by the Plantation Tamils.³⁵

Though occasional reference is made to the need to face the plights and rights of the Upcountry Tamils, they have not played a major role in the peace process. Donors have not made much reference to them, nor have Upcountry Tamil leaders sought an international audience for their political pleas. Societal and political leaders draw attention to the Colombo-bias of donor funding and the need for

³⁴ The Upcountry Tamils – also referred to as Plantation Tamils or Indian Tamils – were brought to Sri Lanka during British colonial rule, primarily to work in the plantation sector (coffee, tea, rubber). The roots of this ethnic group lie in Tamil Nadu, India. Disenfranchised after independence and though formally granted citizenship in recent years, they continue to be marginalised.

³⁵ Incidents such as the Bindunuwewa massacre moreover show that the hills are by no means immune to ethnic violence. In October 2000, some 26 Tamil detainees were hacked to death by Sinhalese villagers on the premises of their rehabilitation camp in Bindunuwewa.

greater support for Upcountry Tamils, but outcries from the international community for greater political say in terms of human rights, representation and inclusion are rare.

5.5 Muslim constituencies

Though the various Muslim groups in Sri Lanka have a long history in Sri Lanka and have always had a certain level of distinctness, the emergence of ‘the Muslim issue’ as a major constituent of the ethnic issue and hence of the peace process is a relatively new phenomenon. It was in the course of the war that Muslim identity as a separate ethnic group became strongly manifest. There nevertheless continue to be great differences within the Muslim community based on their geographic location, ethnic origin, political affiliation and differences in terms of socio-economic class. The Muslims in the Eastern Province are of particular importance to the peace process. Constituting the highest Muslim concentration and, though they share the customs, language and history of their Tamil neighbours, their enmity towards the Tamil militants and their demand for recognition is probably greatest.³⁶ Given that the Muslim political leadership tends to be rather moderate and has a long history of making pragmatic deals with the powers that be, it is unsurprising that there is a rift between the Muslim population in the war-torn areas and the political elite.

Since both the LTTE and the government have been hesitant to give in to Muslim demands for recognition, inclusion and autonomy, many Muslims have placed their hope on international actors. ‘The main strategy of the Muslims to get to the table is to reach out to the international community,’ a Muslim community leader has said. ‘The international community has a big responsibility to help the parties solve this problem,’ according to representatives of the Muslim University in Oluvil. ‘The international community *is* powerful. They can withhold money if the talks don’t start. Sovereignty is a pointless concept in the contemporary world. The meeting in Washington [which excluded the LTTE] and the fact that the UK and the US label the LTTE as terrorists also illustrate their relevance. If they can apply pressure on all these issues, why not on the Muslim issue?’ There is thus an explicit Muslim plea to donors for the application of aid conditionalities. ‘Sri Lanka can’t survive without international aid,’ a Muslim leader has argued. ‘The World Bank can enforce a change in economic rules in this country. So they can also pressurise the government.’

Interestingly, there is a convergence between the Sinhala-Buddhist and the Muslim discourse in terms of their suspicions of the underlying motives of international actors. Sri Lankan Muslims point to perceived Indian aggression towards Pakistan and Bangladesh and a pro-Israel bias in Palestine. The Norwegian reputation in the Middle East – and the failure of the Oslo accords in particular – is also perceived as a bad omen (Fazil 2005:179). Historical experiences in Sri Lanka are hardly more inspiring. The exclusion of the Muslims from the Indo-Lankan Accord (1987) is a memory. The accord merged the Northern and Eastern Province, thus diluting the relative Muslim majority (in the Eastern Province) to create a small minority (in the north-eastern Province). In their view, there is a real danger that a new peace deal would once more sacrifice the Muslims to appease the Tamil struggle.

Many Muslims take the view that international actors are biased towards the Tamils. ‘The international community has a soft corner for the LTTE,’ a Muslim from the East has argued. This is also reflected in the distribution of aid, which allegedly favours the Tamils. Another person added,

³⁶ As evidenced among others by the ‘Oluvil Declaration’. See also Frerks and Klem (2005: 151-202).

‘When Kaushalyan [the political leader of the LTTE in the East] was killed, Kofi Annan publicly expressed his condolences. But when Ashraff [the former leader of the SLMC] was killed we didn’t hear anything.’ Contrary to Tamil politicians and the Diaspora, Muslim leaders ‘did not succeed in internationalising the problems of the Muslims.’ (Fazil 2005: 179)

In the current peace process, the Muslim lobby has been more successful. Donors have started to engage with Muslim representatives, having advocated recognition of the Muslim plight and supported the creation of a Muslim peace secretariat. The popular opinion, however, is that these measures don’t amount to much. ‘International representatives come to this place and assure us that they will take our concerns into account,’ a group of respondents has acknowledged. ‘But these are empty promises. Nothing happens in reality. [The Norwegian Special Envoy] Solheim said the Muslims should be included in the joint mechanism, but in Colombo he said it must be consulted with the government and the LTTE. He’s playing a double game.’

A complicating factor with regard to Muslim inclusion in the peace process is their internal divisions, unarticulated substantive agenda and the absence of a broadly supported Muslim representative. However, criticism in this connection is unfair and inconsistent, the Muslims argue. With implicit reference to the LTTE’s authoritarian rule, they argue that pluralism is a virtue. In essence, Tamils and the Sinhalese are no more united than the Muslims. Because of oppressive rule, their diversity is just not reflected in the leadership.

Clearly, there is a field of tension between international efforts to appease the Tamil struggle and at the same time advocate principles such as inclusion, democracy and human rights. Muslim representatives skilfully refer to this paradox. ‘If the international community gives the LTTE what they want, they are sending us the message: you need to fight before you get something,’ one person has argued. Another concurred: ‘Are you expecting us to take up arms before you listen to us and allow us to take part in the negotiations?’

5.6 Implications of varying local perspectives and contradictory expectations

The above views underline the importance of understanding domestic contexts and the need to be sensitive to local discourses. It should now be very clear that international actors matter. Donors get a fair coverage in the Sri Lankan press³⁷ and there are numerous appeals for international actors to apply more pressure, enforce conditionalities, or do precisely the reverse. Ironically, many donors feel they have very little influence on domestic processes, while few Sri Lankans seem to be ambivalent to donor conduct in their country.

International interventions – including conditionalities – get sucked into the Sri Lankan ethno-political dynamic. Donors’ positions are confronted with changes of cast (e.g. the government), changes of position (e.g. LTTE), suspicion or depreciation of foreign interference (e.g. some Sinhala constituencies) and advocacy based on principles that most donors would support (e.g. Muslim and dissident Tamil pleas). The impact of donor pressure and inducements depend to a large extent on local perceptions and the way domestic dynamics play out.

³⁷ As evidenced in Wickremasena, Dammulla and Hussein (2006) reference is usually made to the donor community at large. When mention is made of specific donors, the World Bank, ADB, the US and Japan tend to get the bulk of the attention.

Pressure on the political leadership may have adverse effects, because politicians cannot afford to be perceived as donor puppets. Part of the electorate expects its leaders to stand up to foreign infringements of the country's sovereignty. Moreover, the press and societal leaders are somewhat opportunistic with regard to donor positions. They refer to it when it suits their agendas, while they ignore or even discredit it when it does not confirm their viewpoints.³⁸ Meanwhile, most Sri Lankan actors take adroit advantage of donors' weaknesses. After all, it is hard for international actors to ignore references to human rights (e.g. Tamil dissidents), democracy and representation (e.g. Muslims), state engineered genocide (e.g. LTTE), or respect for sovereignty (e.g. government and certain Sinhala constituencies).³⁹ All in all, it seems the leverage of local actors over donor positions is at least as important as donor traction on domestic actors.

Summing up, donors do matter to domestic actors and their sticks and carrots are perceived to be influential. Given the presence of multiple actors and viewpoints, donor conditionalities have become part of Sri Lanka's political dynamic and as a result they may have mixed or even detrimental effects. War-to-peace transitions are very complex processes that involve tensions between core international principles such as sovereignty, democracy, human rights, the need for inclusion and a successful peace process. Successful advocacy campaigns and domestic pressures may neutralise or even paralyse donor positions. Nevertheless, there is a good deal of domestic support for many issues and principles put forward by donors. Tuning in to domestic discourses and dynamics is key to applying successful pressure or offering effective inducements.

³⁸ The JVP's response to the statement made by the EU Commissioner for External Affairs Ferrero Waldner in March 2005 was illustrative. They slammed her support to the Joint Mechanism, while omitting her many critical remarks of the LTTE (Hettiarachchi n.d.: 4).

³⁹ Nadarajah presents one of the resulting dilemmas very clearly: '[W]hen donor states affirm support for the territorial integrity of Sri Lanka (thereby seeming to support the Sinhala nationalist stance), or call for negotiations with the LTTE (thereby apparently backing the 'dismembering' of the island), or urge 'the Sri Lankan government and the LTTE' to sign a joint mechanism (thereby apparently reducing the peace process to a Tamil-Sinhala project), one nation or the other is seen to be undermined.' (2005: 50)

VI. Conclusions and Policy Implications

6.1 Conclusions

Sri Lanka is an interesting case when it comes to peace conditionalities. The past few years have seen remarkable changes in donor positions. With the exception of Indian interventions, foreign involvement with the island has traditionally been rather limited. In the current peace process, however, the donor community has taken a more high-profile role, including the use of conditionalities in the pursuit of peace.

This change reflects broader international thinking on the role of aid in peacemaking. It was moreover enabled by India's abstinence from high profile involvement as well as the desire of both the government and the LTTE to get donors into the loop. Finally, it matched the desire of the Norwegian facilitators, who on their own had little leverage on the key actors.

6.1.1. Formulating conditions

Donors have employed elements of both negative and positive conditionality as well as non-conditional inducements, directing them at both the LTTE and the government. This study has discussed three major clusters of peace conditionality: getting the parties to the table and keeping them there; offering a peace dividend and thus raising the stakes; and fostering cooperation and recognition. Alongside these clusters, donors have supported the peacebuilding process at various levels and in different ways. Although this is not considered conditional aid, it is an important component of donor conflict-related activity and in a way forms a grey zone in which positive conditionality borders on or sometimes merges with 'normal' development activity, which focuses on the promotion of conflict resolution and peacebuilding.

Though the terminology of conditionality is apt from an analytical point of view, donors themselves rarely use it. As observed earlier, whether something is or is not a conditionality is subject to 'framing'. There are different interpretations about the legitimacy of particular objectives and (coercive) tools in the sensitive relationship between donor and recipient governments. Domestic viewpoints may be equally divergent, as evidenced by some examples given in chapter 5. Alternative discourses usually take preference over the hard talk of conditionality or coercion. In effect, conditionality is 'wrapped' in politically more correct language. The World Bank, for example, talks about the resumption of its 'normal' programmes as soon as conditions on the ground allow. At present there is also a tendency among some donors to refrain from conditionality altogether and seek other forms of donor-recipient relationships, described using words such as partnership, alignment, in-country leadership, and mutual accountability.

Though donors have traditionally stood together at the rhetorical level of declarations and publicly held positions, they have essentially been divided in the case of Sri Lanka. Almost all donors have joined ranks when proposing or discussing peace conditionalities, but have had very different views when it came to implementing them. In terms of interests, culture and approach, there have been major differences between the development banks (which have a long-term development agenda), the

co-chairs (having divergent geo-political interests), the smaller Western donors (who have big ambitions and, according to some observers, big mouths but little money), the Asian donors (which have regional interests) and the UN (which have a primarily humanitarian mandate). Some have obviously had less political room for manoeuvre, but have managed to frame their conditions in such a way that they themselves could accept them. The World Bank, for example, applied its requirements in the name of aid effectiveness, rather than peace.

The uneven application of these conditionalities may also be attributed to differences of view or emphasis between the missions and their headquarters. Somewhat removed from the daily reality and violence in the country, headquarters tend to be less eager to take immediate steps and weigh the doubtful benefits of conditionality against overarching considerations and interests, such as 'friendly relations' with the recipient country, the views of other international players, and geo-political and trade interests. More simply, there could be a desire to avoid rocking the boat and an aversion to the potential difficulty of having to explain and later implement unpopular measures. In certain cases, spending pressure and programmatic continuity have generated their own momentum. At in-country missions, there are differences between conflict and development officers and heads of mission, who tend to have a stronger political focus. The latter tend to be more careful, if not sometimes reluctant to apply more drastic measures. In UN circles in particular, a fear has existed that a tougher, proactive position could endanger the ongoing humanitarian programmes in the war-torn areas. Still fresh in people's memories are the government restrictions of the late 1990s and the dismissal of two Resident Coordinators.

Despite its rapid start, Sri Lanka's peace process soon entered the doldrums. The lack continuing of progress is largely a consequence of domestic actors and processes, such as the fragmented southern polity and its limited political room for concessions towards the LTTE, the split of the LTTE itself, structural insecurity in the North and East, and the nature of the LTTE's rule. Donor conditions came at a time when the peace process was already falling apart.

Clearly, the donors most willing to apply conditions were not the ones with the greatest leverage. So long as the peace process remained buoyant, donors managed to stick together. In fact, they demonstrated in Tokyo that they were willing to take a rather courageous, unanimous decision. However, the apparent alliance quickly unravelled when the peace process collapsed, after which carrots turned into sticks. The protagonist parties have surely noticed this lack of agreement and follow-up of the Tokyo process.

6.1.2 Enforcing conditions

Donors were ambitious in formulating conditions, but when push came to shove they were unwilling to enforce them. Although the peace progress stalled and neither of the joint mechanisms materialised, aid nevertheless continued to flow at an unprecedented pace. Whereas a reciprocally damaging stalemate arguably forced the conflict parties to accept a cease-fire agreement in 2002, the generous flow of funds since, apparently untied to any conditions, has gone some way to dulling the urgency to resolve the actual issues themselves. Institutional momentum, the political desire for stability, Sri Lanka's absorption capacity, its graduation to a Middle Income Country and the tsunami proved to have more impact on determining aid flows than peace conditionalities.

Non-enforcement has further been compounded by the lack of a clearly defined compliance regime specifying measures resulting from the failure to meet specific criteria. Such a regime would

require clear indicators and benchmarks. Though the Tokyo Declaration mentioned criteria as such, they were not accompanied by critical values and thus lacked the desired level of operationalisation as regards follow-up action. Another design weakness was the fact that no clear ‘road map’ had been drawn up, i.e. a set of guidelines dealing with a mixture of progress in certain issues with stagnation or relapse in others. How can one apply peace conditionalities and at the same time be cognisant of the fact that peace processes are ‘rocky roads’, i.e. non-linear, unpredictable processes? Such issues were analysed and discussed inadequately. A last consideration is the wisdom of tying conditions to the progress of a process or to the establishment of mechanisms, for which the two conflict parties had a joint responsibility and which was subject to spoiler behaviour by other stakeholders. A better alternative would perhaps have been to link them to specific tasks or behaviours by the parties individually.

It has been argued elsewhere that donors have been too ‘bullish’ in Sri Lanka, while diplomats have been too ‘timid’ (Klem and Goodhand 2005: 88) and the evidence gathered in this study confirms that conclusion. Donors have erroneously ‘put the development ‘cart’ before the governance and power-sharing ‘horse.’” (Srikandarajah 2003) It has become clear that aid cannot be a substitute for political pressure and that aid flows may not be an effective tool for influencing the volatile processes that naturally precede a peace agreement.

Though there are points of continuity, political statements have fluctuated with the flow of events without any major changes of position. The recent toughening of the EU stance towards the LTTE is an exception to the rule. Depending on what happens after ‘Geneva’, the EU may ban the LTTE, which would constitute a structural change of position. Donor statements and (to a lesser extent) policies have closely tracked developments on the ground. To some extent, this has resulted in ‘incident-hopping’ and ‘traffic light behaviour’: donor positions have reflected the flavour of the day rather than longer-term trends. Statements by the co-chairs are illustrative in this regard. Despite improved analysis, changes in staffing and attempts at an integrated approach, there is still a lack of institutional memory, a lack of recognition of the historic construction of particular grievances by the protagonists, and an insufficient focus on process rather than substance (‘core political issues’ and the need to work more proactively on ‘conflict transformation’ instead of basically having a reactive stance to incidents). This has made donor action more conjunctural than has perhaps been desirable and, therefore, more prone to hijacking by events and incidents. A more fundamental conflict transformation would obviously have required a deeper involvement in the conflict on the basis of proper analysis, proactive and long-term agenda-setting and staying power. It would also have required an appreciation of the fact that peace is largely driven by domestic factors and that the role of external actors, though in certain cases indeed crucial, can basically only follow, strengthen or sometimes discourage local processes.

6.1.3 Little traction

Conditionalities – particularly negative ones – have gained little traction over the two main parties. Though the UNP regime was closely allied to donors, the subsequent UPFA government was not very amenable to their pressure. The administration had a different political orientation and a different constituency, causing the donors to drop their political hard talk. The LTTE meanwhile welcomed international involvement, but when donors got tougher they came to disapprove of extensive foreign involvement and withdrew from the talks. Donor pressure may even have had an adverse impact.

This opens a debate on the relative advantages and disadvantages of respectively positive and negative conditionality or the use of disincentives versus incentives. The evidence from this study shows that the use of negative conditionalities has failed to influence the conflict parties. This has been due partly to inconsistent application by the donor community, but is primarily a reflection of the nature of the LTTE and the government, their political environments and the importance attached to the issues underlying the conflict. There is some evidence that engagement and inducements might have worked better. The fairly limited inducements given to the LTTE seemed to have been received well and have led somehow to a certain level of mutual engagement. Dissatisfaction with the LTTE's human rights record and political limitations have inhibited expansion of these efforts. The degree and amount of positive incentives have, however, been too slight to make the threat of withdrawing them a very serious one in the eyes of the LTTE. Though the influx of aid in LTTE controlled areas has increased, these funds have not been given to or handled directly by the movement. They have therefore not been perceived to reflect sufficient recognition of the position of the movement as a legitimate player and representative. It remains of course an issue for speculation whether further engagement would have resulted in any meaningful change of policy and behaviour on behalf of the LTTE. There may also be differences of understanding in the movement itself, particularly between the leadership and offices that deal with donor representatives: the political wing, the PDS and the peace secretariat. The fact remains that the room for manoeuvre has shrunk considerably in the aftermath of Karuna's defection.

The difficulties donors have experienced in getting leverage over the LTTE and the government have not been sporadic. Reflecting the very natures of both actors, they have wider implications. Dealing with the LTTE has proved a challenging task due to the fact that it is a non-state actor. Yet the movement seeks political parity with the state and functions as a nascent state in parts of the country. The fact that formal recognition or direct channelling of funds has been a 'no go' for donors has constrained their ability to apply workable conditions. In an attempt to circumvent these macro-political barriers, some donors have sought indirect forms of engagement. Examples are the funding channelled through the North-East Provincial Council (a government institution, but more closely affiliated with the rebels), the TRO (an NGO proxy of the movement), support to peace-oriented institutions, and journeys of the movement and direct implementation of programmes in the north-east. The movement has made clever use of these endeavours to boost its political legitimacy. It has attempted to widen its political platform by indicating inconsistencies in donor positions and referring to precedents to advocate recognition.

Dealing with government is difficult, both because it has virtually no dependency on aid and because of regime changes. Sri Lankan governments normally do not pick up affairs where their predecessors left off. Instead, they start from scratch or continue where they themselves left off in a previous term of office. Prior to the ceasefire, the SLFP-led government made some careful attempts towards peaceful change, the most notable example being the 3R framework. The new UNP regime abolished this framework and initiated the peace process as well as a new economic agenda (formulated in the PRSP). Subsequently, the SLFP resumed office and sidelined most of the policies, mechanisms and agreements. The administration discredited the preceding discussions with the LTTE and annulled the PRSP, considering it a revival of 3R. When political leadership and context change so radically, how can one lay down conditions?

The use of conditionalities is further complicated by the fact that the conflict is not confined merely to the LTTE and the government. There are multiple conflicts that involve a much broader range of actors. These actors influence the two main parties as well as the donors. Political and

religious actors in the South are the key to increasing or decreasing the government's susceptibility to donor pressure. Ignoring these societal forces is dangerous, as evidenced by the UNP's downfall. Wickremesinghe's regime was closely tuned in with donor policies, but lacked political legitimacy among major segments of the southern poor. Donors were apparently pleased with the governmental façade of likemindedness, but ended up with an empty shell when a new regime was installed. The donor-critical nature of part of its support base constrained the new government's ability to give in to donor demands, even if it wanted to. When president Kumaratunga signed P-TOMS, it ended up splitting the government. The Muslims rather vehemently criticised the donor community, accusing them of paying only lip-service to their plight while failing to take any firm action to safeguard Muslim interests. Increasing Muslim assertiveness, if not incipient militancy, may complicate long-term solutions even more and has been something that donors have been late to observe let alone actually grapple with. This reflects a general problem with the donor approach to the peace process: it has been not sufficiently inclusive from the start, not only with respect to the Muslim community but also in view of the exclusion of the parliamentary opposition and potential spoilers.

The LTTE is less vulnerable to demands of its constituency, but a donor dilemma exists in the north-east as well. Some donors see engagement with the LTTE as a key factor to success. This, however, unleashes criticism from politicians and activists critical of the LTTE. In their view LTTE oppression, extortion, assassination and forced recruitment defy engagement with the movement. A sustainable peace cannot be built on the foundations of human rights abuses and impunity, they argue. Quite like the poor protesting against the UNP regime, the dissidents have a point to which donors are sensitive. They advocate an agenda of rights and justice to which donors cannot afford to be appear ambivalent. International actors have continued to emphasise human rights and denounce political killings, forced (child) recruitment, extortion and other abuses. Most of these abuses were actually forbidden by the ceasefire agreement and the Action Plan for Children, both of which were signed by the government and the LTTE. However, donors have not attached major consequences to the continued violation of these agreements.

In fact, there is no evidence in the long history of human rights violations in the Sri Lankan conflict on both sides that donors have ever made human rights a breaking-point for installing sanctions. They have mostly gone no further than issuing verbal or written condemnations, the language of such statements toughening towards the LTTE only over the last year. This half-hearted position on human rights violations by both parties, both before and after the ceasefire agreement, reflects the prevailing view that too much emphasis on rights might jeopardise the pursuit of peace in the short term. A similar tendency is to accept the LTTE as a representative of the Tamil people, at least tacitly or implicitly. Based on democratic arguments, this could be considered problematic. Moreover, the Muslims have very clearly expressed the wish to represent themselves, but donors have largely ignored this in order not to further complicate the peace talks.

Surveying the situation as a whole, there is the question of even-handedness in the responses of the donor community to the government and the LTTE respectively. International relations have historically been marked by a state or government bias, extending to development work as compared to relations with non-state actors. This bias was reinforced by the very positive reception to Wickremesinghe's government on the part of donors involved. A proponent of the mainstream neo-liberal discourse, his government also seemed to pursue a peace agenda. Relations between donors and this government were very close, while this was less so between the donor community as a whole and the LTTE. Some donors were admittedly also critical of the government due to its non-egalitarian

policies and a lack of real progress in the peace talks, while a number of donor representatives agreed that the grievances voiced by the LTTE made historical sense. Some also felt that the movement had better organisational capacities than the government, that there was less crime and corruption in the LTTE-controlled areas, and that the movement had progressive policies in the field of women's emancipation, the eradication of the caste system and the dowry, and the environment. Yet, such appreciation was not articulated at the level of official policy, nor did it bring about to a different approach to the LTTE in practice. As observed above, this left the donor community in a position in which both negative and positive conditionalities or inducements failed to have much impact on the movement.

Lastly, the support societal actors promoting change has brought benefits to society and to the donors themselves. It has facilitated a considerable number of peace-related activities at local levels and among civil society, and may have contributed to a change of mind of those involved. It is not easy to say, however, to what degree this has contributed to conflict resolution and peacebuilding at higher levels or what impact it has had on the behaviour of the conflict parties. It is safe to presume, however, that it has brought about a wider debate about on peace and harmony and helped local peace constituencies to organise themselves. For the donors it has meant engagement with a larger set of local stakeholders, access to better information on local realities and debates, and the possibility of supporting pro-peace views and activities.

6.2 Policy implications

Policy implications require careful consideration. Not being the automatic outcome of analysis, they contain an element of subjectivity. Moreover, there are inevitable questions about their validity and applicability to future situations. Nonetheless, we venture to raise a number of policy-related issues.

1. Keep your options open

The ill-fated the Tokyo Declaration underlines the danger of assuming a positive scenario. Peace processes often do not lead to peace and, if they do, it usually require a lengthy process with numerous hiccups, regressions and unforeseen changes. Donors thus need to prepare themselves for a broad range of scenarios. Longer-term policies must stand the test of changes of cast (e.g. elections), position (e.g. the LTTE rejection on internationalisation) or unpredictable changes of context (e.g. the tsunami). Failure to appreciate the possible dynamics or overstepping one's abilities may confront donors with grave consequences. The decision of the Donor Working Group to engage in a strategic scenario analysis is laudable in this regard. It was an effort to move beyond 'incident hopping' and consider a longer time horizon.

2. Leap from strategic analysis to strategic policy

The Sri Lankan case has been studied quite extensively. There is thus little reason to plea for more analysis and research on the country's conflict. However, it is questionable whether these analyses filtered through to donors' decision-making levels. Strategic thinking on the application of conditionalities also seems to have been limited. Donors seemed to assume a positive scenario when they signed the Tokyo Declaration. This is baffling because experience shows that peace processes are never linear processes but rather always involve setbacks and contradictory trends. Moreover, Sri Lanka had shown little progress on core issues, while major issues had arisen in the talks and the

LTTE had withdrawn its participation. In face of these facts, donors should have adopted more realistic scenarios.

3. Be realistic about intra-donor politics

Smaller donors to Sri Lanka – particularly the United Kingdom – rightly realised that a major part of their influence could be indirect. Efforts to persuade other donors to take a more conflict-sensitive stance included the advocacy of joint principles and statements, the facilitation of intra-donor analysis and discussion, and the secondment of conflict experts to other donors. Attempts to influence the boards of multilateral institutions have so far been limited. These combined efforts have been successful to some extent, but a lesson that emerges from experiences over the past few years is that one must not try to overstretch influence on other donors. Convincing donors to adopt a position (e.g. § 18 of the Tokyo Declaration) that they are unwilling to implement may be counter-productive or deprive it of any real follow-up. The analysis of other donors' positions, institutional set-up and internal procedures is as necessary as studying the conflict parties themselves.

4. Be cautious with negative conditions

Negative conditions do not seem to work well in a country where a donor does not have determining influence. Even if you have influence, coercive approaches may not be effective or may backfire, as India saw during the 1980s. Actors recovering from a war have made tremendous sacrifices, and the political stakes of a peace process are high. Donor dollars can reinforce the process, but they will not swerve the parties from their course. Domestic and regional actors tend to have a greater leverage over them than donors. Moreover, it may be detrimental to political leaders to be seen dancing to the tune of donors. In Sri Lanka, negative conditions have led to ambivalence and occasional annoyance on the part of government and to irritation and withdrawal from the talks by the LTTE. Since donors have been unwilling to turn off the aid tap in response to non-compliance with negative conditionalities, their credibility has been undermined, becoming an impediment rather than serving as a tool for leverage. Positive engagement, on the other hand, has its own problems, especially as regards actors accused of human rights abuses (the LTTE, but also to some degree the government) or of being a terrorist organisation (the LTTE).

5. Deal with your state bias

Aid has a state bias and therefore conditionality does not work to the same degree with regard to a non-state actor. Initially, the LTTE not being a recognised official entity, it did not receive aid directly while at the same time it argued that aid it had received indirectly was not very significant. 'No aid, no leverage' was the credo. In the case of the government, aid was and continues to be given, but only comprises a very small percentage of GNP, which means the country is in no way actually dependent on aid. A second aspect is that governments usually have a greater counter-leverage towards donors than do rebel groups.⁴⁰ The state has long-standing diplomatic ties, and the notion of sovereignty helps ward off foreign interference.⁴¹ Though some donors have tried to be even-handed, their tendency has

⁴⁰ This is generally the case unless rebel groups have acquired legitimacy through fighting a government which is widely seen as unrepresentative, undemocratic, dictatorial and illegitimate. This has not been the general donor view of Sri Lanka's government, despite repeated violations of human rights, long episodes of emergency rule, and discrimination against minorities.

⁴¹ Though exceptions to this erstwhile - rather absolute principle - are accepted nowadays.

been to come down on the side of the government. Pressure on the LTTE has gradually increased, while the government has managed to neutralise most foreign pressure. The view generally held is that continued LTTE abuses have outweighed the structural injustices of the state. Child recruitment and the alleged LTTE assassination of Kadirgamar have overshadowed government support to Karuna, attacks on the LTTE and the broader history of Tamil marginalisation. The global terrorism discourse and political scrutiny in donors' capitals has further donor ability to engage with a rebel group. However, since crushing the LTTE seems not to be an option, it is hard to imagine that donor involvement in the peace process will have a positive effect without some concession to the LTTE. Donor strategies vis-à-vis the LTTE have so far have not been very convincing, having been divided, wavering and inconsistent in terms of sticks, and half-hearted as regards carrots. Ongoing discourses in the field of international relations, the prevailing state bias and the war on terror have tied the hands of the donors with regard to the LTTE and prevented them from reflecting on more daring and imaginative approaches, though some exceptional initiatives like the support to the North-East Provincial Council have a step in the right direction. In addition, further thought is clearly required both on how to apply pressure on and engage with a self-reliant non-state actor.

6. Optimise relations with broader society

The key question with regard to the impact of conditionalities is how do local actors understand conditionalities and how do they respond to them? The examination of actor interpretations and (motivation of) their behaviour takes us into the realm of discourse analysis. As argued elsewhere (Frerks and Klem 2005), discourses are essential to the understanding of violent conflict. Our earlier work on discourses in Sri Lanka as well as the media analysis conducted for this study show that the discursive picture is highly diversified. A range of differing conflict-related discourses exists and they are expressed through the media and other channels, influencing the public at large. Both the state and the anti-state (the LTTE) are part of the problem in Sri Lanka. Exclusive engagement with the main conflict actors is therefore problematic. As other domestic actors are equally important engines of change, they are thus relevant to donors. Efforts need to be undertaken to understand them and to engage with them. Pressure on the state may become more effective with support from the electorate of societal leaders and by the activities of civil society. Here lies the rationale for continuing and expanding inducement programmes in support of societal agents of change. Simultaneously, the analysis of prevailing discourses can indicate potential sources of resistance or spoiler behaviour.

7. Be realistic about the nature of the actors you are dealing with

It is questionable whether donor approaches to both the LTTE and the Sri Lankan government have been based on sufficient historical and contemporary analysis of the conflict situation, the actors' particularistic characteristics and grievances, their room for manoeuvre, and their pathologies. With a different approach this may well have led, as pointed out above, to a longer-term view, a less linear and more problematic conceptualisation of possible conflict scenarios and a different design of conditionality. Donors rather tend to repeat themselves and their mistakes, the simple reason being that they do not know enough about the situations they are working in – even with the availability of extensive studies and reporting – and because their institutional set-up prevents them from taking a longer-term view.

8. Try reaping the fruits of strategic complementarity

Despite attempts at joint positioning, international actors have essentially been divided in Sri Lanka. The US has held a tough line on the LTTE while providing guarantees to the government. The Indian government has shunned a high profile role, but is widely accepted as the dominant regional power. The Japanese have had a largely economic role and maintained ties with the government. The EU and European donors have pushed more strongly on certain principles and underlying conflict issues, while engaging with the LTTE. The UN, finally, has had a largely humanitarian role, while making efforts to reinforce the peace process as well. These archetypical roles constitute a level of strategic complementarity. Though both the LTTE and the government are quite adept at playing foreign actors off against each other, it makes sense to further explore and exploit the opportunities of this international division of tasks. So far, the main powers have often downplayed their differences of orientation, thus preventing any minor global issue – such as the Sri Lankan conflict – coming between them. Instead, it may be more effective to acknowledge the differences of position whilst emphasising the common interest – a successful peace process – so as to allow for a sharper political debate and more effective use of the various policy instruments available. Moreover, despite all the grounded concerns about the limited success of transformation and continued human rights violations, a European shift towards the American anti-terrorist position seems to undercut strategic complementarity by preventing the use of inducement.

9. Do not let aid replace political pressure

This study confirms that donors may have been too ‘bullish’ in Sri Lanka, while the diplomats have been too ‘timid’. Development assistance can reinforce integrated approaches towards peace, but should not be used as a substitute for a lack of action on other fronts. It is frequently the case that the statement “‘peace’ is the central objective” does not imply a subordination of other instruments and goals to the pursuit of peace. Rather, it boils down to the fact that peace becomes the overall banner for largely unchanged interests and activities. If international actors are serious about contributing to peace in Sri Lanka, this should be reflected in the way they employ their instruments.

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Annex 1. Conceptual descriptive framework for the analysis of (peace) Conditionalities

I. Generations of conditionality (adapted from Stokke, 1995)			
<i>Generation</i>	<i>Period</i>	<i>Type</i>	<i>Focus</i>
First	1970-1980s	Economic reform	Economic liberalisation, domestic economic reform, structural adjustment loans
Second	1990s	Political and governance reform	Democratisation, rule of law, human rights, 'good governance', economic liberalisation
Third	1995-present	Conflict resolution and peacebuilding	Conflict prevention, peacemaking, reconstruction, SSR, DDR, reconciliation, post-conflict peacebuilding.
Fourth	1999-present	Peace enforcement	'Humanitarian intervention', War on Terror, establishment local democracies, reconstruction and peacebuilding, civil-military cooperation and relations
Fifth	2005-present	Post-conditionality	Symmetric relationship between donor and 'partner countries', partner country leadership and ownership, alignment, transparency and accountability

II. Rationale (adapted from Collier et al 1997), Goals and Levels of Conditionality (adapted from Stokke 1995 and Boyce 2002)	
Rationale	Description
Inducement	Aid as an incentive to change recipient's policies or behaviour
Selectivity	Aid directed only to productive, 'good' policy environments
Paternalism	Aid restricted to what donor considers to be good for recipient
Restraint	Aid used to commit donor to particular policies ('lock-in')
Signalling	Aid offered based on an agreement on donor's conditions
Goals	Sub-goals
Political	Democratisation, rule of law, human rights, free media
Economic	Structural adjustment and liberalization, poverty alleviation, income generation
Social	Gender equity, social sector development, ownership, partnership
Humanitarian	Humanitarian access, refugee and IDP issues, child soldiers

Governance	Aid effectiveness, transparency, accountability
Commercial/Trade	Free trade, export promotion
Security/Peace	Conflict resolution, DDR, SSR, reconciliation, peacebuilding
Counter-terrorism	Anti-terrorist policies and collaboration
Process	Transparency, accountability, non-corruptibility
Fiduciary	Technical, administrative and legal (donor) issues
Levels	Systemic level, national policy level, sectoral or regional level, programme/project level, financial and administrative level

III. Actors	
Donor configuration	Donor-recipient relation
Individual bilateral donor	State-state relations, state-non-actor relations
Multilateral donor	Multilateral agency-state relations, multilateral agency-non-state actor relations
Joint donor group	Donor group-state and donor group- non-state actor relations
Frameworks	Consortia, (I)-PRSPs, Peace Accords, Trust Funds
Ad-hoc meetings or arrangements	Pledging conferences, review meetings
Power relationship	Negotiation characteristics
Symmetric	Reciprocal, agreement-focused
(A)-symmetric, conflictual	Assertive, coercive
Asymmetric, friendly	Dialogue, support, accommodation
Asymmetric, dependent	Paternalistic, acceptance
'Post-conditional'	Alignment, partnership

IV. Contexts	
(Conflict) context	Conflict Post-conflict Fragile states 'Normal' conditions

V. Modalities		
<i>Modality</i>	<i>Types of conditionality</i>	<i>Remarks</i>
Forms	Ultimatum Pro forma Allocative, ex-post	Adapted from Killick, 1997: 487)
Level of formality	Formal Semi-formal Informal	Adapted from Boyce, 2002: 1025-6.
Level of explicitness	Implicit/tacit	

	Explicit/open	
Level of comprehensiveness	Piecemeal, gradualistic ('menu', 'mini-bargains') Comprehensive ('grand bargain')	Adapted from Collier et al 1997: 1402-3.
Level of coerciveness	Positive Negative	Adapted from Waller, 1995: 111
Time horizon	Long, mid and short-term	
Design characteristics	Reactive, ad-hoc Pro-active, pre-meditated	
Compliance regime	Ex post, ex ante Targets, indicators, benchmarking	