Adam Burke and Anthea Mulakala

2000 – 2005

Part of the Sri Lanka Strategic Conflict Assessment 2005

DONORS AND PEACEBUILDING
Acknowledgements

All views expressed in this study are those of the authors and do not represent those of the commissioning agencies.

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Acknowledgements
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Anthea Mulakala has worked in the development field in Canada, the Caribbean and South Asia for over 15 years. Her engagement in Sri Lanka extends back to 1991 when she managed a Canadian NGO support program. Since 2001, she has worked for DfID in Sri Lanka as a conflict adviser. She was involved in the implementation of the recommendations of the first Strategic Conflict Assessment (SCA1) and has worked as a core member of the donor community in Sri Lanka over the past five years. In late 2005 she will begin working for the World Bank in Indonesia on harmonizing donor efforts around government decentralization.

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<tr>
<th>Acronyms</th>
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<td>ADB</td>
<td>Asian Development Bank</td>
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<td>CFA</td>
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<td>CPA</td>
<td>Centre for Policy Alternatives</td>
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<td>DACC</td>
<td>Development Assistance Coordinating Committee</td>
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<td>DFID</td>
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<td>Donor Working Group on the Peace Process</td>
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CHANGING DONOR POSITIONS

This report is a contribution to a broader study entitled "Aid, Conflict and Peacebuilding in Sri Lanka" (Goodhand and Klem, 2005), which examines the peace process in Sri Lanka with a particular focus on international engagement.

Donors have provided development assistance to Sri Lanka for decades, although its significance in the national economy is decreasing. Severe conflict has affected Sri Lanka since the early 1980s, although in more recent years a ceasefire has brought some degree of peace.

Various donors - especially European bilateral organizations adopting newer ideas on aid provision - have become increasingly sensitive to conflict issues and how they relate to aid programming. Donors have more relevant knowledge, are better able to work together on conflict, and are better at drawing links between the conflict and their own financial support. These shifts reflect first and foremost changing political circumstances in Sri Lanka. They also reflect shifting patterns of aid provision globally, and a tendency among some donors to consider the local political or social context as increasingly significant factors in aid allocation, especially in extreme conditions such as conflict. Smaller donors have shifted more than larger donors in this direction, although recognition of the importance of conflict reduction in achieving the aims of aid provision is increasing across the board.

A continuing ceasefire in Sri Lanka has made it possible to assist on the ground, and government measures to promote peace and encourage international involvement have facilitated approaches with a more explicit focus on peacebuilding. In terms of sensitivity to conflict, the following donor trends have occurred since 2000:

- More specialist staff dedicated to conflict issues.
- Increased awareness of conflict issues in mainstream support.
- More and increasingly sensitive support for civil society.
- Increased engagement with the LTTE.
- Increased attention to "transformative" processes that aim to tackle underlying problems, especially if they coincide with an economic reform agenda.
- Increased collaboration and shared analysis.
- More support to the conflict-affected North-East region.
- Support for government - LTTE collaboration.
- Increased political awareness, enabling more nuanced engagement and understanding of the linkages between aid programs and conflict.
- Increased awareness of conflict issues in mainstream support.
- More and increasingly sensitive support for civil society.
- Increased attention to "transformative" processes that aim to tackle underlying problems, especially if they coincide with an economic reform agenda.
- Increased collaboration and shared analysis.
- More support to the conflict-affected North-East region.
- Support for government - LTTE collaboration.

AID'S LIMITED ROLE IN PEACEBUILDING

The notion that aid provision can in itself act as a significant catalyst or lever to promote peace in a context of conflict is seductive, but risks overlooking a set of limiting factors.

The executive summary of the report, "Aid, Conflict and Peacebuilding in Sri Lanka," can be found on page 5.
Donors and Peacebuilding in Sri Lanka 2000 - 2005

Most aid provision is dependent on diplomatic and political considerations; aid agencies rarely have the scope to act independently, meaning that on-the-ground actions are less significant than wider trends or political developments.

Aid agencies respond to internal incentives and priorities that are often geared toward ensuring smooth disbursement of aid and efficient allocation of resources. This means that in many cases, common ground will be found only when a conflict-aware approach eases resource transfers, as opposed to limiting expenditures or creating obstacles in the aid pipeline.

The aid organizations at the forefront of peacebuilding approaches are financially insignificant actors in the Sri Lankan economy. While this does not render them useless, and there are many valid exercises that they can engage in, their approaches will probably not become common currency across the aid community in Sri Lanka. A straightforward look at the ways in which the larger donors work demonstrates that while aid can be made more conflict-aware, there are serious barriers to a fully cooperative approach.

Most importantly, aid is not, for the most part, very effective as a vehicle for transformation. It is a relatively minor factor in the politics and mechanics of conflict in Sri Lanka and in most other countries. This means that while aid can support dominant tendencies or political imperatives, it can rarely change them. The viability of aid as a supporting factor in the peace process depends entirely on progress in the peace process itself. In most cases, aid is the cart and not the horse.

The drivers of change in Sri Lanka are political actors, not donors. The international community is not without influence, however. Donor countries can optimize their many types of engagement in Sri Lanka, each with different implications. However, donors’ influence is less significant than wider trends or political developments, as opposed to making direct contributions to the peace process.

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**Implications for Donors’ Policy and Practice**

- **Working toward greater donor understanding:** Donors should work with a higher-level understanding of conflict-sensitive aid provision, recognizing the nature of political imperatives. This could involve the recruitment of higher-level Sri Lankan staff, further linkages between aid and diplomatic, commercial (and, on occasion, military) ties, to encourage well-grounded and cooperative approaches.

- **Considering withdrawal carefully:** Donors looking to withdraw from Sri Lanka should factor into their calculations the amount they have invested in building a conflict-sensitive approach. Withdrawal would waste this asset, and for smaller donors it would send no real signal to the government.

- **Seeing pragmatic common ground:** Efforts should support positive aid provision where it can back government policy and help produce a peace dividend. Yet in terms of donor coordination, donors must appreciate that consensus-based approaches may result in lowest-common-denominator strategies, and should strive instead to make donor strengths more complementary.

- **More information is not enough:** Donors need to understand conditions under which aid is not very effective as a vehicle for transformation. They need to consider what is going on in Sri Lanka, not just what aid is doing. Donors need to understand the political process and the drivers of change, not just the aid process.

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Supporting alternative channels for discussion, debate, and negotiation on conflict issues within Sri Lanka.

Focusing more strongly on domestic capacity-building—whether through projects, funding, or policy-based research initiatives—that is always within the framework of a sound institutional analysis to ensure that any capacity development initiatives remain sensitive to structural factors.

Working to maintain pragmatic and appropriate contact with LTTE bodies.

Considering the resentment of the lack of attention to the South, and how to provide ways of addressing this shortfall. Rapid economic reform is likely to further derail the peace process, if it helps build perceptions that the poor Southern majority is being ignored.

Continuing to support the North-East even if a political settlement remains elusive.

Expanding civil society funding where it is already politically sustainable remains elusive.

Continuing to support the North-East even if a虹桥 approach that the poor Southern majority is likely to further derail the peace process, it helps address short-term, policy-based economic reform is key to the South's and how to provide ways of addressing the resentment of the lack of attention with LTTE bodies.

Working to maintain pragmatic and appropriate initiatives are not constrained by structural factors, and initiatives to ensure that any capacity development within the framework of a sound institutional building and evidence-based research initiatives share is always focusing more strongly on domestic capacity.

Launching and coordination on conflict issues within the negotiation and discussion channels for discussion.
Introduction

This report is a contribution to a broader study entitled “Aid, Conflict and Peacebuilding in Sri Lanka” (Goodhand and Klem, 2005), which examines the peace process in Sri Lanka with a particular focus on international engagement. This report provides an “insider” view of donor engagement with Sri Lanka, focusing on the role of donor assistance and recent experiences of particular perspectives on conflict in Sri Lanka. The report is a background study to the earlier Strategic Conflict Assessment (SCA) conducted during 2000. The authors, along with other research and additional work, support the background studies and additional work, to support the preparation of the multi-donor Strategic Conflict Assessment (known as the “Lanka Strategic Conflict Assessment”).

This report was compiled using information gathered through the authors’ professional engagement in Sri Lanka dating back to 1991. Further interviews and a review of literature conducted in February 2005 provided updated and more detailed sources. The report aims to provide useful and succinct information that can be used for the SCA2, and for other purposes. All errors, omissions, or inaccuracies are the fault of the authors. 

This report is a contribution to a broader study entitled “Aid, Conflict and Peacebuilding in Sri Lanka” (Goodhand and Klem, 2005), which examines the peace process in Sri Lanka with a particular focus on international engagement. It is one of several background studies prepared for the multi-donor Strategic Conflict Assessment (known as the SCA). This report was conducted primarily in Sri Lanka during 2000, and Part Three delves more deeply into the role of donors and donor assistance in the peace process. It also includes interviews with donors and other stakeholders, providing a comprehensive understanding of the role of donors in the peace process.

The purpose of this report is to provide a detailed perspective on donor engagement in Sri Lanka, focusing on the role of donor assistance and recent experiences of particular perspectives on conflict in Sri Lanka. The report provides an “insider” view of donor engagement with Sri Lanka, focusing on the role of donor assistance and recent experiences of particular perspectives on conflict in Sri Lanka. This report was compiled using information gathered through the authors’ professional engagement in Sri Lanka dating back to 1991. Further interviews and a review of literature conducted in February 2005 provided updated and more detailed sources. The report aims to provide useful and succinct information that can be used for the SCA2, and for other purposes. All errors, omissions, or inaccuracies are the fault of the authors.

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Support for the Khawliya Pahin Development Scheme, a population project to increase cereal crop production, has been hindered by political wrangling over the scheme's funding and implementation. This has led to delays in project progress and reduced effectiveness. The scheme aims to improve food security by increasing cereal production, but political interference has caused delays and reduced its impact.

Another example is the development of the Mahaweli basin, a comprehensive agricultural development project. Despite initial success, the project faced opposition from local communities due to concerns over land displacement and environmental impacts. This led to delays and financial difficulties, ultimately reducing the project's effectiveness.

In recent years, there has been a shift towards more participatory and inclusive development approaches. These approaches aim to involve local communities in project planning and implementation, ensuring that their needs and perspectives are taken into account. This has led to more sustainable and effective development strategies.

Despite these efforts, however, political interference and lack of coordination remain significant challenges. This highlights the need for stronger mechanisms to ensure the effective and equitable implementation of development projects.
More holistic approaches also make disbursement of large sums of money more challenging. While this is not much of a problem for donors whose budgets are limited, it is a real issue for bodies that need to spend at a rapid rate. For development banks, which need to provide loans to sovereign governments, there are further limits on what can be achieved. Loans must flow to central government, in large quantities.

**CONDITIONALITY IN SRI LANKA - CHANGING THE STATE**

An awareness that aid alone was often ineffective in bringing about economic growth encouraged donors to attach conditions to their support. This enabled donors and governments to keep the funding pipeline flowing, while attempting to use aid as a lever for reforms. As in other countries, the strings attached to aid for Sri Lanka became tighter in the 1970s, and starting in 1977, aid was used to promote concerted liberalization of the Sri Lankan economy.

Starting in the late 1980s, donors widened their scope, recognizing that reform of government structures was required as well as economic liberalization. Repeated efforts have been made to slim down the civil service, improve planning and budgetary mechanisms, and change the form or function of a range of line ministries. Finally, and most recently, a range of peace conditionalities has involved a more explicit focus on conflict-related issues.

Donors have adopted a range of ways of providing assistance, including "building capacity," "transformative approaches," and "working outside the state." A number of donors became engaged in providing assistance to non-governmental organizations, which were often more effective in reaching marginalized groups. The USAID, for example, funded a range of programs to promote economic growth and poverty reduction, including support for local NGOs and community organizations.

**CONDITIONALITY IN SRI LANKA - WORKING OUTSIDE THE STATE**

As the Sri Lankan government struggled to respond to the challenges of economic liberalization, donors began to provide assistance to civil society organizations and community groups. These organizations were often more effective in reaching marginalized groups and promoting economic growth and poverty reduction. The USAID, for example, funded a range of programs to support local NGOs and community organizations.

**CONDITIONALITY IN SRI LANKA - CHANGING THE STATE**

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Aid to Sri Lanka, Past and Present

The World Bank, the Asian Development Bank (ADB), and the World Bank group are the largest donors. Other donors, especially the large donor countries, contribute to conflict-related issues as part of their overall assistance to Sri Lanka.

By 2000, some bilateral organizations were already working with the government to ensure that their aid was directed toward the conflict. This was another aspect of donor policy, for some countries, a fairly vocal local media and civil society movement, especially in conflict zones, drew attention to the conflict.

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Donors and Peacebuilding in Sri Lanka 2000 - 2005

In recent years, while peacebuilding has gained prominence, the provision of development assistance has continued. Often, it was not in the interests of some donors, or the government, to recognize issues that would complicate provision of substantial funds.

The Strategic Conflict Assessment of 2000 (SCA1) summarized the general situation regarding donors in Sri Lanka as follows:

"There are basically three types of aid to Sri Lanka: (1) Conventional development assistance channelled through government, with primary focuses on structural adjustment, liberalization, government reform, and infrastructure investment. (2) Humanitarian assistance provided to the North-East, most of which comes out of separate, short-term humanitarian budget lines and aims to address the social costs of the conflict. (3) A number of smaller bilateral donors, such as Norway, Canada, Netherlands, and Germany provide assistance to civil society organizations focusing on areas such as human rights, conflict resolution, capacity building, and judicial reform."

(Goodhand 2000).

The assessment continues:

"Broadly, donors have responded to conflict in three ways: (1) The predominant approach has been to work around conflict i.e., conflict is a disruptive factor to be avoided. Therefore donors avoid working in conflict-affected areas and development aid is put on hold in the North-East. If a link between conflict and development is put into question, the donors working in the North-East are forced to become more cognizant of the links between their programs and conflict. As a result, they have adapted programs so that they can work conflict-related risks and ensure that aid does no harm. International NGOs such as OXFAM and CARE have analyzed their programs in relation to the conflict dynamics, while UNHCR has avoided making heavy investments that may be vulnerable to the ebb and flow of conflict. (2) A small group of bilateral donors recognize the link between development and conflict. Norway, Canada, Netherlands, Germany, Sweden, and Switzerland have all begun to identify programming opportunities for conflict. A number of smaller donors, such as Norway, Canada, Netherlands, and Germany, have an explicit focus of working on conflict-affected areas, but their programs and conflict have not always been explicit. They have adapted programs so that they can work conflict-related risks and ensure that aid does no harm. International NGOs such as OXFAM and CARE have analyzed their programs in relation to the conflict dynamics, while UNHCR has avoided making heavy investments that may be vulnerable to the ebb and flow of conflict. (3) The predominant approach has been to work around conflict i.e., conflict is a disruptive factor to be avoided. Therefore donors avoid working in conflict-affected areas and development aid is put on hold in the North-East. If a link between conflict and development is put into question, the donors working in the North-East are forced to become more cognizant of the links between their programs and conflict. As a result, they have adapted programs so that they can work conflict-related risks and ensure that aid does no harm. International NGOs such as OXFAM and CARE have analyzed their programs in relation to the conflict dynamics, while UNHCR has avoided making heavy investments that may be vulnerable to the ebb and flow of conflict. (4) There are a small group of bilateral donors who recognize the link between development and conflict. Norway, Canada, Netherlands, and Germany, have an explicit focus of working on conflict-affected areas, but their programs and conflict have not always been explicit. They have adapted programs so that they can work conflict-related risks and ensure that aid does no harm. International NGOs such as OXFAM and CARE have analyzed their programs in relation to the conflict dynamics, while UNHCR has avoided making heavy investments that may be vulnerable to the ebb and flow of conflict. (5) The predominant approach has been to work around conflict i.e., conflict is a disruptive factor to be avoided. Therefore donors avoid working in conflict-affected areas and development aid is put on hold in the North-East. If a link between conflict and development is put into question, the donors working in the North-East are forced to become more cognizant of the links between their programs and conflict. As a result, they have adapted programs so that they can work conflict-related risks and ensure that aid does no harm. International NGOs such as OXFAM and CARE have analyzed their programs in relation to the conflict dynamics, while UNHCR has avoided making heavy investments that may be vulnerable to the ebb and flow of conflict."
In the five years following the first Strategic Conflict Assessment of 2000, the political and institutional contexts in Sri Lanka have challenged, tested, and called into question the extent to which donors in Sri Lanka can effectively support peace. This section analyses donor attitudes and practices over three defined periods that correspond with shifts in the political environment. It also considers donor engagement with the Liberation Tigers of Tamil Eelam (LTTE) and the impact of the tsunami on the international community’s role. Lastly, it reflects on whether donor strategies over this five-year period have been effective in strengthening the prospects for peace.

THE WAR FOR PEACE PERIOD: INCREASING DONOR DISILLUSIONMENT

As the Sri Lankan economy weakened in 2000 and 2001, military deadlock continued in the North. The LTTE managed to inflict major casualties on the armed forces and pursue terrorist tactics in the South. The spectacular attack on Sri Lanka’s only international airport, near Colombo, made it still more apparent that winning the war in order to create peace was an impossible task, and damaged the economy widely. Over time, more small bilateral donors began to move across the line, shifting support away from the People Alliance (PA) government. The numbers of donors joining the lead shown by the Netherlands; Germany (through the German Technical Cooperation, GTZ); Canada; and others in earlier years increased. Many NGOs also increased their support away from the PA. Over time, more small bilateral donors began to move away from the PA.

Donor disillusionment

By this point, a range of smaller donors was actively engaged in peacebuilding measures as a key aspect of their programs. Larger donors, including the World Bank and the World Bank Group, were increasingly committing resources on peace in their programming, and in practice, the World Bank and its sister agencies were engaged in peacebuilding measures as a key aspect of their programs. By this point, a range of smaller donors was actively engaged in peacebuilding measures as a key aspect of their programs. Larger donors, including the World Bank and its sister agencies, were increasingly committing resources on peace in their programming, and in practice, the World Bank and its sister agencies were engaged in peacebuilding measures as a key aspect of their programs.

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international community. Donors were discouraged from proactively working on conflict or expressing political viewpoints.

DONORS GET COMFORTABLE WITH THE UNP AND LTTE

The UNP electoral victory over the PA government in December 2001 led to a wholesale change in the environment. The new government signed a ceasefire agreement with the LTTE in February 2002, launched peace talks soon after, and opened the doors for international engagement and support. While the previous PA government had maintained through the 1990s that the conflict was an internal matter, the UNP saw opportunities in internationalizing the peace process. Norway played the role of the official facilitator to the peace process and appointed a special envoy for the peace process and was proactive in reaching out to political parties and encouraged support among these bodies. Japan, who had played a significant role of the period was the peace architecture (such as peace secretariats and the co-chair/conference mechanism) was rapidly put in place and donors eagerly to play a constructive role channelled support toward these bodies. Japan, who had been cautious previously, appointed a special envoy and assumed the leading role. Other donors also appointed special envoys and deployed countless missions to launch reconstruction programs in what was mistakenly perceived as a post-conflict environment.

Between late 2002 and early 2003, the government and LTTE held six rounds of peace talks. The government also pushed forward on developing its economic plan, while the multilateral agencies (IFIs and the UN) led a needs assessment for reconstruction in the North-East. In parallel with the formal peace talks, international donor conferences were planned to mobilize and leverage international support and mobilize the international community to the peace process. Between the end of 2002 and early 2003, the government and LTTE held six rounds of peace talks. The government and LTTE made provision for the World Bank to exchange technical assistance and develop a program to exchange technical assistance and develop a program. The CFA was established and the UNDP encouraged donors to contribute and cooperate with the UNDP.

The UNDP encouraged donors to contribute and cooperate with the UNDP in post-conflict reconstruction on conditions of the LTTE peace process. Donors were encouraged to contribute and cooperate with the UNDP in post-conflict reconstruction on conditions of the LTTE peace process. Donors were encouraged to contribute and cooperate with the UNDP in post-conflict reconstruction on conditions of the LTTE peace process. Donors were encouraged to contribute and cooperate with the UNDP in post-conflict reconstruction on conditions of the LTTE peace process.

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Donors Get Comfortable With The UNP And LTTE
undermining the basic principles of parity between parties. That the conference was the first to take place without the LTTE was an indication of the government and LTTE's commitment to a political solution based on parity and good faith. Nevertheless, the LTTE's absence was evident in the discussions, which were conducted in a manner that suggested a growing gulf between the two sides. The LTTE's refusal to participate in the conference was a clear indication of its unwillingness to engage in a political process based on parity.

When access to the North-East improved (repairing of the A9 road and resumption of commercial flights), donor traffic to the Vanni increased, as did meetings with the LTTE. The LTTE expanded its infrastructure to deal with the international community with the creation of the Planning and Development Secretariat, a peace secretariat, and even donor-friendly guesthouses and restaurants.

The donor response following the ceasefire was in many ways remarkable, given the absence of a political settlement. In some respects they treated a no-war, no-peace environment as though it were a post-conflict setting. Donors hoped that peace would create more opportunities for investment and development assistance in Sri Lanka, leading to a substantial peace dividend. Based on progress in the formal talks, donors increased short-term (2-3 year) budget allocations in anticipation of the major reconstruction needs of the North-East.

Though many donors were aware that the North-East’s reconstruction would be a long-term challenge, they were confident that progress was being made and that the LTTE was committed to a political solution. Donors believed that a successful political process would lead to a lasting peace in Sri Lanka. However, the LTTE’s continued intransigence and the lack of progress in the formal talks raised concerns about the feasibility of a political solution.

The LTTE’s rejection of the draft cease-fire agreement was a clear indication of its unwillingness to engage in a political process based on parity. The LTTE’s refusal to participate in the conference was a clear indication of its unwillingness to engage in a political process based on parity.

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Donors and Peacebuilding in Sri Lanka 2000 - 2005

4.5 billion was pledged overall, 20% in the form of grants and the remaining 80% as concessional loans (maturity over 30-40 years; most with a 10-year grace period; interest rate 1-1.5%). Adjusted on an annual basis, the $4.5 billion works out to be about $1.25 billion a year - compared to Sri Lanka’s normal aid level of around $750 million a year. The three largest pledges came from Japan, the ADB, and the World Bank, with significant contributions from other countries.

The linkage between these funds and the peace process was articulated in paragraph 18 of the Tokyo Conference Declaration (see Figure Three below).

The language of the Tokyo Declaration struck most observers as donor conditionality rather than a looser linkage. The former suggests “No aid unless peace,” while the latter suggests, “If peace, then increased prospects and opportunities for aid.” There is a qualitative distinction between the two. The latter position was the actual position of most donors while the former was the unfortunate misinterpretation. The result: confusion and ambiguity as viewed from the contradaid view of unconditional misrepresentation. The result: confusion and uncertainty, misrepresentation.

The government of the Lankan government felt that their position of more donors was the result of the position of donors. The Tokyo meeting was a gathering of nations who were members of the Lankan government. “It was clear that there were no sanctions on the Tokyo declaration, and especially the Tokyo meeting were intended to for the international community, the conference process had become a means to an end rather than a process that supported a positive peace process. When the peace talks went off track in April 2003, the conferences continued, partly out of their own momentum as plans had been made, but also because donors hoped and felt that peace was near. The former member of the Lankan government’s economic reform steering committee, the government was involved in the final drafting of the declaration. The government continues to implement the declaration, and with more pressure on the LTTE when the government accepted the conditionality overtones of the declaration, realizing that they put more pressure on the LTTE than the government, and this would not impede commitments to the government’s economic reform strategy. The government was involved in the final drafting of the declaration. The government was involved in the final drafting of the declaration. The LTTE Declaration (see Figure Three below).

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<th>Top Ten Donors of Gross ODA (2002-3 average in U.S.$)</th>
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<td>Japan</td>
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remained on ice, the NERF never evolved beyond a piece of paper, and there was little progress on agreeing on administrative structures for the North-East. The ambiguity of the Tokyo Declaration led to ad hoc responses, with some donors holding off on their assistance to the North-East while continuing their assistance to the government for the South. An extreme example was one donor's delay in financing the

In view of the linkage between donor support and progress in the peace process, the international community intends to review and monitor the progress of the peace process closely, with particular reference to milestones and achievements. 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. The Conference encourages the Government of Sri Lanka and the LTTE to enter into discussions as early as possible on a phased, balanced, and verifiable demilitarization and de-escalation process, to include the release of under-age combatants and their rehabilitation and reintegration. The Conference also encourages the parties to agree on a comprehensive political settlement based on the principles of the Oslo Declaration, and the consistent upholding of the commitments made by both parties. The Conference also encourages the government to take immediate steps to ensure the effective implementation of the UNICEF-supported Action Plan to stop the recruitment and release of under-age combatants and to facilitate their rehabilitation and reintegration.

In paragraph 20 stated: “In view of the linkage between donor support and progress in the peace process, the international community will monitor and review the progress in the peace process. In implementing its own assistance programmes, the donor community intends to take into careful consideration the results of these periodic reviews.”
Donors face their limitations

FROM CENTER STAGE BACK TO THE SIDELINES:

The elections of April 2004 led to a solid defeat of the UNP and a return to a government headed by a UFPA coalition (SLFP, JVP, and others). The defeat demonstrated the southern polity’s rejection of the UNP economic reform package and their concessions to the LTTE in order to secure it. To ensure a sufficient majority, the SLFP formed a coalition with the JVP and JHU, who had made headway in the elections. These changes reduced government support for the internationalized peace process and put donors squarely back into their pre-2001 box. Whereas the UNP government had welcomed donor proposals, including much of the wording of the Tokyo agreement, the new government was less amenable. Aware of the international community’s tilt toward the UNP, the UFPA pursued a cooler strategy with donors. In common with earlier PA-led governments, it resisted efforts by donors to form common positions and reject the perceived conditions of the Tokyo Declaration. Instead, the UFPA pursued a cooler strategy with donors. In common with earlier PA-led governments, it resisted efforts by donors to form common positions and reject the perceived conditions of the Tokyo Declaration.
The DWG adopted an approach that encouraged and facilitated shared analysis, provided regular robust information for collective or individual donor assessment, but left decisions on aid allocation and conditionality up to the discretion of individual donors. This approach won the support of a wider range of donors, some of who had felt constrained by the conditionalities of the Tokyo Declaration. A scenario-planning exercise for donors was held in July 2004 that identified significant factors affecting progress on peace in Sri Lanka. The factors went beyond the narrow indicators of the Tokyo Declaration to include issues such as political fragmentation, economic growth or decline, and cultural values - all of which had affected the dynamics of peace over the previous three years. Interestingly, the international community - particularly donors - was not identified as a critical factor. A local organization, Centre for Policy Alternatives, was hired to provide quarterly reports analyzing trends against these critical factors with the aim of helping donors make more informed programming and funding decisions.

The first report produced on April 30, 2005 reported generally that the trend toward peace was negative and consistent with the findings of SCA2.

The tsunami

The wave that struck countries bordering the Indian Ocean on December 26, 2004 killed some 30,000 people in Sri Lanka, and left a far greater number homeless. It affected areas along the coast in the North, East, and South, in both government and LTTE-controlled areas. In the immediate aftermath, cooperation between government and LTTE bodies was unprecedented. However, after a short period, the cooperation between government and LTTE bodies was considered more the cause of problems. A subsequent report showed the causal in the North, East, and South. The tsunami hit some 300,000 people in Sri Lanka, and left a far greater number homeless. It affected areas along the coast in the North, East, and South, in both government and LTTE-controlled areas.

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manner and an opportunity to press ahead with its plans. Some donors feel that it reduces still further the scope to promote the principles outlined in Tokyo.

There was now a willingness to provide support among donors who had previously been reluctant to do so, given the lack of adherence to Tokyo’s principles. For example, the U.K. offered to pay a proportion of Sri Lanka’s debts to multilateral institutions following the tsunami, in a gesture that is likely to amount to considerably more than the U.K.’s annual bilateral aid budget for the country.

Prior to the tsunami, most donors felt that they had limited influence in Sri Lanka. With the influx of enormous sums of unconditional tsunami relief and reconstruction funds and the added bonus of debt relief, Sri Lanka (and especially the government) is awash with money and the power these funds bring. Any opportunity the international community had to exert leverage through these funds in support of conflict resolution or peacebuilding principles has been effectively missed. Furthermore, the stronger positions that some donors were pondering prior to the tsunami may prove more difficult to pursue in the present context.

One aspect of the international community’s role in the situation has been to advocate balance, equity, and conflict sensitivity, particularly since there is an overlap between conflict-affected areas and tsunami-affected areas. A set of guiding principles for tsunami response, developed collaboratively with government, civil society, and donors, provides a common framework around which donors can harmonize their efforts.

One significant positive outcome of the tsunami disaster was the successful signing of the P-TOMS was the Post-Tsunami Operational Management Structure (P-TOMS), a mechanism that allows representatives from the government, LTTE, and the Muslim community to decide jointly on priorities for post-tsunami reconstruction in the affected areas. More than 20 international organizations, including the UN, NDRR, and NHEP, have already signed up to this mechanism, which provides a practical mechanism forunami recovery, reconstruction, and resettlement. The P-TOMS is a practical mechanism for donors to follow up on their commitments, to ensure that the funds are used effectively and efficiently, and to monitor the progress of the reconstruction process.

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The successful signing of the P-TOMS was somewhat of a surprise for donors who remember the endless negotiations over NERF that ultimately failed. Though a practical mechanism for tsunami reconstruction, the international community recognizes that the P-TOMS is one of the few positive indicators of progress on peace in recent times. If it successfully proceeds from agreement to implementation (always a challenge in Sri Lanka), it may provide an opportunity for dispirited donors to re-engage in the peace process.

However, donors must be careful to heed the lessons of the past. Experience has shown that donors cannot simply throw money at the problem and expect positive results. The P-TOMS provides a long-awaited vehicle, but the road to success will not be easy. The international community must work closely with the government, LTTE, and the Muslim community to ensure that the reconstruction process is transparent, accountable, and sustainable. Only then can donors expect to see positive results.
This section builds on the findings of research carried out by the authors in early 2005. Based on key informant interviews, unpublished donor and NGO reports, group discussions, and personal experience, the authors appraise how donors are engaging in peacebuilding. In spite of the fluctuations in the political dynamics in Sri Lanka and the resulting changes in donor behavior, there have been some consistent trends in donor practice during the five-year period since the initial strategic conflict assessment.

**Broader Development Trends**

Donor policies toward Sri Lanka have generally been driven by international interests and agendas as much as, or more than, by the needs and concerns of the country itself. As a relatively small country to which donors dedicate few in-country staff, this tendency is even more pronounced than in a larger state such as Indonesia or Bangladesh, where large aid offices have been established, and national dialogue is more dominant.

**Donor Bureaucracies**

Each donor body works differently. Each has its own specific procedures, modes of providing aid, priorities, and decision-making processes; and the motivations of individuals working in donor institutions tend to be based more around internal incentives than the external working environment in the country of operation. For the larger donors, a key imperative involves ensuring a strong "pipeline" of aid projects that disburse money smoothly and effectively according to set policy priorities. In the context of peacebuilding, donors are often perceived as limited by their ability to address the underlying political context of conflict, the prevalence of conflict resolution mechanisms, and the lack of donor coordination and focus. The emphasis on local working practices, the movement of project finances to support local initiatives, and the prioritization of local organizations are factors that shape the development of donor policies.

**Global Policies Implemented Locally**

Donor organizations may be informed by technical staff on the ground, but policymaking is rarely a bottom-up process. Cooperative in-country efforts (such as the Donor Working Group in Sri Lanka) can have a significant impact on local working practices, but is unlikely to affect the over-riding policy-based priorities of most donors. In spite of the serious challenges, there have been some successes in moving donors to a better understanding of the context and the need for a more focused and coordinated approach to donors, and the lack of progress toward peace has led to the possible departure of some smaller donors. Outcomes of 9/11 have significantly affected development policies by placing increased emphasis on issues of global security and counter-terrorism. This has had an impact on the way some donors engage in the LTTE. In the case of donors operating from dominant nations in the case of global operations, the political environment from the government of the donor's country can be a significant influence on the level and effectiveness of the support provided.

**Outcomes of 9/11**

- Political involvement from the government of the donor agency or from dominant nations in the case of global operations.
- Donor agencies have reduced funding to Sri Lanka due to the increased emphasis on global security and counter-terrorism.
- The focus on peacebuilding is lower due to these changes.
- The lack of progress toward peace has led to the possible departure of some smaller donors.
- Outcomes of 9/11 have affected development policies by placing increased emphasis on issues of global security and counter-terrorism.

**3. Key Trends Emerging**

This section builds on the findings of research carried out by the authors in early 2005.
also led to the creation of special reconstruction and stabilization programs and units within some donor countries (e.g., the U.S. and the U.K.) that focus on failed and fragile states. Even before 9/11, donor staff and academic consultants who focus on conflicts were attracted to Sri Lanka as a potentially successful experiment in liberal peacebuilding.

Increased Emphasis on Coordination and Harmonization

This affects donors in two ways: first, it means donors have increased emphasis on coordination and harmonization of their approaches, which is reflected in the need for donors to align their efforts more closely with the government’s priorities and overall strategic framework. Second, it means donors are more likely to undertake joint ventures or initiatives that involve multiple donor agencies working together on common projects.

Sri Lanka-Specific Trends-Summary

Donor assistance remains the same. However, donor engagement has increased, particularly in the areas of conflict sensitivity and evidence-based programming. Donors are more likely to work in partnership with local organizations and communities, and they are paying closer attention to the impact of their interventions. This has led to a greater focus on long-term strategic engagement.

To summarize, the experience in Sri Lanka has led to a greater recognition of the importance of conflict sensitivity and evidence-based programming. Donors are more likely to work in partnership with local organizations and communities, and they are paying closer attention to the impact of their interventions. This has led to a greater focus on long-term strategic engagement.
Large donors like the ADB and Japan now consider issues of equity in monitoring and appraisal of projects. This is a departure from earlier practices. Other smaller donors try to align all of their assistance around peacebuilding priorities. Some donors - the ADB, the U.K., and Switzerland for example - have created new posts. This makes a considerable difference in their ability to engage in issues on the ground, and to generate common positions. It may also have an impact on diplomatic initiatives, as specialist staff might improve institutional knowledge and understanding of the complexities of the conflict.

More Support to the North-East

Although the frozen peace talks mean that no interim authority has emerged, many donors have found ways of working in the North-East. These methods generally build on existing mechanisms, with donors operating either through international NGOs or their own peacekeeping operations. Donors may also political issues an integral part of their work, although the frozen peace talks mean that no interim authority has emerged. Donors have found creative and effective means of ensuring LTTE cooperation and consultation.

POLITICAL AWARENESS

Engaging with the peace process has improved donors’ knowledge of the dynamics of the conflict and of shorter-term political imperatives. Specialist staff, cooperative efforts, and learning exercises such as the scenario planning process of 2004 have increased knowledge and understanding across a wider range of actors. Whereas in 2000, the number of engaged donor staff was limited, a greater number of informed actors and understanding of issues has emerged. Donors may now political issues an integral part of their work, although there is still room for improvement in that area.

Figure Six: North East Housing Reconstruction Programme

NEHRP (North East Housing Reconstruction Programme) is a GLF/Wold Bank project aiming to provide assistance to the posts of owners of damaged housing. The project is intended to provide assistance to the poorer communities. ADB funds the project, which aims to address the needs of those affected by the conflict. The project is expected to benefit 100,000 households, providing them with improved housing. The project is expected to provide assistance to the posts of owners of damaged housing. The project is intended to provide assistance to the poorer communities.
Donors and Peacebuilding in Sri Lanka 2000 - 2005

Donors have a range of positions on working with the LTTE or other groups, and support for development actions is currently appreciated. Organizations have increased engagement with the LTTE, but their understanding of the conflict has been limited.

Donor support for economic liberalization may demonstrate a long-standing lack of political understanding. Given the patronage-based structures of Sri Lankan political systems, a rapid liberalization program is challenging - it attacks vested interests and undermines grassroots support. While many may agree that Sri Lanka needs reforms, the sequencing of these reforms is a careful political balancing act. Some argue that donor promotion of rapid change under the UNP government undermined grassroots support for the peace process. While a peace dividend was promised, the reality for many in the South was rising prices as subsidies were removed. Given that popular support for the peace process was Iosing, prospects for the future seemed bleak.

More and Increasingly Sensitive Support for Civil Society

A range of donors support civil bodies working on conflict-related issues. Various donors have made a conscious effort to move beyond support for an elite group of NGOs in Colombo, and find indigenous bodies that might be able to build a more general support for peace. The U.K., Germany, the U.S., U.N. bodies, and various other donors are engaged in this work. The World Bank has also done work on some exploration in this area. In some places, the World Bank has been cautious in its work. The World Bank has also done some exploration of the role of more civil groups within the donor community. Donors are engaging with civil groups and trying to build a more general support for peace. However, some feel that civil society support in general still tends to be carried out clumsily, reaching just a few high profile groups.

Increased Engagement with the LTTE

Donors have a range of positions on working with the LTTE or other groups, and support for development actions is currently appreciated. Organizations have increased engagement with the LTTE, but their understanding of the conflict has been limited.

Figure Seven: Civil Society Support

FLICT: Facilitating Local Initiatives in Conflict Transformation is a joint GTZ (Germany) and DFID (U.K.) financed project. The overall goal is to strengthen - through a national approach - incentives for conflict transformation in Sri Lanka by encouraging and supporting civil society to play a more effective and influential role in contributing to a lasting and positive peace. FLICT expects to achieve this through local initiatives and support for local organizations.

The FLICT project concentrates its efforts on different focus areas:

- Media and information transfer for building peace
- Strengthening democratic space in the North-East
- Conflict transformation in civil society
- Good local governance
- Multi-ethnic towns as focal points for integration
- Conflicts in youth organizations
- Conflicts in academia
- Conflicts in civil society

The implementation of FLICT started in 2003 and should be seen as a process. Throughout the duration of the project, FLICT will develop a network of partners-strengthening and engaging a body of intermediaries with local initiatives in the medium and long term. FLICT also includes authorities and provides strategic support to organizations in its work.

Other focus areas are linked to longer-term issues. Crucial issues are the support of local authorities and the private sector. FLICT aims to contribute to a positive peace process in Sri Lanka by encouraging and supporting civil society to play a more effective and influential role in contributing to a lasting and positive peace. FLICT expects to achieve this through local initiatives and support for local organizations.

Figure Seven: Civil Society Support
Recognizing that the economic, political, and security interests of the LTTE are inseparable from the LTTE's power base, and that both the LTTE and the GoSL are interdependent, some donors have sought to support and encourage practical collaboration between the parties. The most recent example is the P-TOMS. International support, patience, and strategically targeted assistance will be critical for the success of P-TOMS. The P-TOMS framework provides an opportunity for donors to support capacity development and practical collaboration between the parties at the implementation level, as well as for the international community to observe and assess the progress of the implementation. The mechanism also provides an opportunity for donors to support capacity development and collaboration around essential service provision. This could lead to positive development and political outcomes.

Support for GO/GO-LTTE Collaboration

While donors have seen clear signs of improvement in the implementation of the government's governance reforms, there is a recognition among donors that more needs to be done to ensure that the reforms are effective and sustainable. The LTTE and the GoSL are interdependent, and both have incentives to cooperate. However, the LTTE's incentives are driven by its desire to maintain control and its desire to use the government's resources to support its activities. The GoSL's incentives are driven by its desire to stabilize the country and improve its capacity to govern.

Some Increased Attention to "Transformative" Processes

Some donors feel that mainstream development support to the government of Sri Lanka should be used to promote fundamental governance changes. The aim of this is to change the structures and political systems that form part of the background of the conflict: a sense of injustice at the perceived unequal treatment of the minority population. Skewed resource allocation, language, and education policy, etc., will arguably not disappear until there is pronounced institutional change. Additionally, a sustainable peace may hinge upon decentralization processes, given the need to find some form of local power-sharing structure. However, while some donors maintain such aims, others—especially the three largest donors (Japan, the ADB, and the World Bank)—do not build the bulk of their support around them. Given the financial dominance of these three, the greater part of donor assistance to Sri Lanka is not designed to promote such changes. There is some evidence of change, however, as donors like the ADB and the World Bank try to work more closely with provincial and local administrations, particularly in the North-East. The ADB's approach involves a more participatory approach to planning and implementation, with some donor support for the development of local-level governance structures. However, some donors have expressed concern that the implementation of the ADB's programs may be hampered by the political and security challenges facing the region.
COORDINATION AND LONG-TERM ENGAGEMENT

There have been improvements in coordination with government and other harmonization initiatives with bilateral and multilateral donors. Sri Lanka is a center for donors, and much of the planning for peacebuilding support is common. The World Bank, the EU, and UNICEF have been at the forefront of such coordination. The 2000 SCA comments: “The crux of the problem is that short-term thinking, short-term mandates, and short-term funding are driving aid efforts. This is a short-term thinking, short-term mandate, and short-term funding agenda. The donors have not been able to commit a longer timeframe of assistance over a longer timeframe. Short-term thinking is driving decisions and programs.”

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The UNICEF Action Plan (see boxes) promotes a common approach to addressing the needs of vulnerable children. UNICEF launched a common approach to address the needs of vulnerable children in the North-East through the UNICEF Action Plan (see boxes). UNICEF launched a common approach to address the needs of vulnerable children in the North-East through the UNICEF Action Plan (see boxes).
In Sri Lanka, donors have shifted in approach since 2000. Donors are far more aware of conflict-related issues, more able to work together on conflict, and better at drawing links between the conflict and their own financial support. Disagreements persist over whether aid can be a lever for peacebuilding.

Donor policies have varied, partly in response to changing political circumstances in Sri Lanka and partly because of shifting patterns of aid provision globally. Smaller donors have shifted more than larger donors, although recognition of the centrality of conflict to aid provision and the need to consider the links are increasing across the board. Agencies not included in these groups are aligned somewhere close to these actors, with the U.N. agencies and Western donors tending toward the European perspective, and Asian donors tending toward the “big three” position. There are, of course, many shades of grey. While the “big three” could have better integrated conflict as a central concern within their programs of support, smaller “European” donors could perhaps have acted at times with more understanding of the realities of aid provision. The notion that aid provision can act as a significant catalyst or lever to promote peace is interesting, but perhaps overlooks a set of limiting factors:

- Most aid provision is dependent on diplomatic and political considerations; aid agencies rarely have the scope to act independently, meaning that on-the-ground actions are less significant than wider trends or political developments. While many bilateral aid agencies do link effectively with diplomatic and political developments, they may be caught in a bind in which terms of reference and donor considerations conflict with one another, making it hard to find common ground.
- Aid agencies respond to internal incentives and priorities that are often geared toward ensuring smooth disbursement of aid and efficient allocation of resources. This means that in many cases, common ground will be found only when a conflict-aware approach to aid provision is adopted, rather than when donors impose strict and direct conditions on aid disbursement.
- Donor policies have evolved over time, with some donors placing more emphasis on conflict-related links between aid and peacebuilding, while others have shifted more toward economic development.
- Despite these changes, there remains a need for greater integration of conflict into donor policies and programs, particularly in the case of larger donors like Japan, the ADB, and the World Bank.

Although every donor is different and each approach to aid provision and peacebuilding is unique, a coherent and integrated approach that considers the links between aid and conflict is crucial for promoting peace in Sri Lanka. This requires a fundamental shift in donor policies, with greater attention paid to conflict-related links between aid and peacebuilding.
currency across the aid community in Sri Lanka. A straightforward look at the ways in which the larger donors work demonstrates that while aid can be made more conflict-aware, there are serious barriers to a fully cooperative approach. Most importantly, aid is not, for the most part, very effective as a vehicle for transformation. It is a relatively minor issue in the politics and mechanics of conflict in Sri Lanka and in most other countries. This means that while aid can support dominant tendencies or political imperatives, it can rarely change them. The viability of aid as a supporting factor to the peace process depends entirely on progress in the peace process itself. In most cases, aid is the cart and not the horse.

DIPLOMACY, POLITICS, AND AID

An increased political awareness on the part of aid donors has enabled more nuanced engagement and understanding of the linkages between aid programs and conflict. Better informed experts have ensured that a range of aid agencies aims to work more intelligently. Recent experience links prospects for peace with prospects for greater donor involvement. These donors recognize the pragmatic reality of aid provision as a political act, and have aimed to use assistance for valuable ends. Political engagement with aid flows is not always beneficial, however. A close alliance of aid donors with the previous UNP-led government may have made it harder to engage with the current government. While understanding political realities of aid provision and Sri Lanka, aid agencies need to take a long-term view. While political awareness is important and linkages between aid and political realities are enhanced by political and diplomatic engagement, political recognition of the need for political and diplomatic engagement with the government may have made it harder to engage with the UNP-led government. While all the donors may have been part of the fix, the government has also been part of the problem. A close alliance of donors with the UNP-led government also means that donors and aid organizations must align with their political ambition and not just with the political reality. This is not to say that the international community is without influence. Donor countries must optimize the many types of engagement that they bring to Sri Lanka: trade, military, security, diplomatic, and aid. Donors can provide a variety of incentives and supportive measures for peace, but these are generally not the tools of engagement that donors are able to use. Decentralization of political structures, civil society, and aid agencies is not easy to achieve or sustain. Donors tend to be more ideologically and institutionally committed to change than to new ways of looking at things. The ability of donors to support changes in political structures, civil society, and aid agencies is limited, and the results of such efforts are often more nuanced than expected. Donors and aid organizations must work to understand the political and social context of the situations in which they work and the challenges that aid agencies face in implementing their programs. 

TRANSFORMATIVE MEASURES

Donor involvement in studying peace and conflict in Sri Lanka has led to increased awareness among some donors of the need for political, social, and cultural change. Many of the proposed solutions to these problems - decentralization, political reform, multi-ethnic representation, etc. - have weak or contested domestic purchase and appear at present unlikely to make much headway. The key issue - political marginalization of minority groups - is not likely to be tackled in the near future. This has led to a degree of despondency among some donors, but it has also led to increased awareness among some donors of the need for political and structural change and conflict. Donor involvement in monitoring peace and conflict in Sri Lanka has led to increased awareness among some donors of the need for political and structural change and conflict.

AID AS A CATALYST FOR CHANGE

In the aftermath of the Tokyo Declaration, donors have come to the general consensus that aid can be used to drive peace. However, aid cannot be used as a lever for peace. Peace is not something that can be driven by aid. Peace is something that must be driven by political processes. While aid can provide incentives and supportive measures for peace, it cannot be used as a lever for peace. Donors and aid organizations must work to understand the political and social context of the situations in which they work and the challenges that aid agencies face in implementing their programs.
in Sri Lanka. While the dynamics of conflict over the past five years have been fluid, the underlying structures remain largely intact. Political, economic, or social change is consequently less feasible; radical transformations are unlikely given the stability and continuity across the South.

It is rare for donor agencies to have the capacity to successfully challenge domestic political or social obstacles. Indeed, it is rare for donors to be as aware of these problems as many of them are in Sri Lanka. While international support can help in myriad ways, the solutions to such difficulties are likely to be found in Sri Lanka. The donors themselves face obstacles in building more direct engagements with donor bodies, especially where political obstacles to aid are significant.

Some donors are still trying to support “transformative” approaches. But the only field where the major donors are aiming to do so in a committed way is in economic reform. While there is some discussion and open analysis of the underlying factors behind the conflict, large aid bureaucracies tend to promote technocratic solutions supportive of government policies similar to those used across the globe. General awareness of such issues is fairly limited, and incentives are generally against action to address underlying political or social problems. There is little evidence that donors can continue to provide economic reform programs in Sri Lanka without addressing the underlying political problems.

However, there are nuances within this picture. Some major loans deal fairly sensitively with on-the-ground problems and with background inequalities or the scope for transformative measures. There is the potential to find ways of engaging on these issues, and to encourage building smarter, longer-term solutions for discussion, debate, and action.

POSSIBLE STEPS

Sri Lanka faces fundamental governance challenges that are intractable in the short term, such that there will be continuing obstacles in the search for lasting peace.

While donors may rarely be able to tackle such issues directly, they can still be involved in addressing underlying problems. For example, donors could support the search for solutions to underlying political problems and help in developing strategies to address them. They could also support the search for solutions to underlying economic problems, such as poverty reduction and growth, and help in developing strategies to address them. Donors could also support the search for solutions to underlying social problems, such as education and health, and help in developing strategies to address them.

Better Analysis

Factoring in the influence of geopolitical factors on the key actors in Sri Lanka. This suggests a better understanding of the role of India and even China in regional political and economic affairs. Aid donors should pursue a more inclusive approach with these countries to ensure that aid is effectively targeted to the poorest and most vulnerable communities.

Working toward greater donor understanding of Sri Lankan politics, society, and economics within donor bodies, especially by facilitating regular exchanges between actors in the South and North. This could include regular discussions between donor agencies and the Sri Lankan government to better understand the context in which aid is being provided.

Participating in the influence of geopolitical factors on donor actions.

Focusing more on domestic capacity building, whether through projects, funding, or policy-based research initiatives, to ensure that any aid is effectively targeted to those most in need. Donors could also support the search for solutions to underlying political problems and help in developing strategies to address them. They could also support the search for solutions to underlying economic problems, such as poverty reduction and growth, and help in developing strategies to address them. Donors could also support the search for solutions to underlying social problems, such as education and health, and help in developing strategies to address them.

Sri Lanka is a complex country with a long history of conflict and ethnic tensions. While aid donors may rarely be able to tackle such issues directly, they can still be involved in addressing underlying problems. For example, they could support the search for solutions to underlying political problems and help in developing strategies to address them. They could also support the search for solutions to underlying economic problems, such as poverty reduction and growth, and help in developing strategies to address them. Donors could also support the search for solutions to underlying social problems, such as education and health, and help in developing strategies to address them.

In conclusion, donor agencies have a critical role to play in helping to address the challenges facing Sri Lanka. By working together and sharing knowledge and expertise, they can help to ensure that aid is effectively targeted to those most in need and that the underlying problems are addressed.
capacity development initiatives are not constrained by structural factors. An immediate opportunity is capacity building through the P-TOMS, enabling local governance actors to manage tsunami reconstruction.

Working to maintain contact with LTTE bodies, pragmatically and appropriately. This varies between donors - no one solution is right.

Continuing to support the North-East. Overcoming the challenges posed by interim authorities and decentralized structures would be desirable, but it may be a long time coming. In the interim, there are proven methods of engagement that all sides are content with. Given that such engagement can promote conditions for peace by opening up the North-East to national and international expertise, efforts should continue to strengthen interdependency and promote an array of local bodies. Smaller donors with more sensitivity to local level issues may be able to partner with larger funders in order to assist in sensitive programming in the North-East.

Expanding civil society funding: this is already under way, but donors should continue to look more widely at a broader range of actors.

Engaging the diaspora: some donors have engaged the diaspora community in efforts to increase understanding and reduce support for extremism. It is not clear whether this has succeeded, but continued efforts might be helpful.

Pragmatic common ground: finding areas where there is both government interest in pushing through reforms and large donor interest in pursuing work that will support peacebuilding (e.g. promoting economic and fiscal reforms and improving public service delivery) can discourage community in offers to increase donor community in offers to increase economic reform is likely to further derail the peace process if it helps build perception that the poor economic reform is likely to further derail the peace process if it helps build perception that the poor equitable distribution of spending in the North-East, rather than in the South.

Continued linkage between aid and diplomatic (or on occasion military) ties, to encourage grounded and cooperative approaches, but with a longer-term perspective. Capitalize on the complementary roles of development, political, and military departments. For example, political or diplomatic leverage may be more effective than aid in influencing national policies.

Donors thinking about withdrawing from Sri Lanka should consider the amount they have invested in building up a conflict-sensitive approach. Withdrawal would waste this asset, and for smaller donors--given the limited amounts involved as a percentage of aid flows--would send no real signal to government. A more conflict-sensitive approach may be to shift gears and continue to provide aid in a similar form, but with a longer-term perspective. Building in a conflict-sensitive approach towards the donor community and promoting sustainable development options may also be effective in influencing national policies. Some donors may wish to consider the amount they have invested in building up a conflict-sensitive approach towards the donor community and promoting sustainable development options.

Recognize the differences between individual donors and groups of donors. Appreciate the constraints placed on donors in assessing the effectiveness of their interventions without the presence of their own staff on the ground. Build partnerships with local organizations to provide background information that will strengthen the advice given to donor counterparts. Consider the amount they have invested in building up a conflict-sensitive approach towards the donor community and promoting sustainable development options.

Continued support of the donor community is important to ensure that the peace process continues to make progress. The donor community can play a crucial role in providing technical assistance and expertise to support the implementation of the peace process. Donors should consider how they can support the donor community to ensure that the peace process continues to make progress.

The ability to implement such work depends on maintaining good relations with all sides. Within the donor community, effective coordination and cooperation are crucial. Donors should work closely with the government and local communities to ensure that aid programs are effective and sustainable. This is particularly important in the North-East, where donors have had limited success in implementing development projects.

Harmonization, Coordination, Complementarity

Chosen options must be defendable. No clear winners will be successful. The continued coordination and coherence of programs is crucial.

Engaging the donor community is critical to increasing donor commitment.
provide a means for supporting the shift when it
occurs where any significant shift will be internally and
their desire to support peace donors must continue to
be transformed dramatically. In
the peace process, structurally the underpinnings of the
peace process, structurally the underpinnings of the
recommendations of SCAI. Despite dynamic swings in
the past five years have reaffirmed the validity of the

Here’s
where there is common ground to work along these
comparative advantages in supporting larger donors,
donor assistance. Smaller donors may have a
helpful steps are still possible and should form a part of
impact is probably in any case minimal. Smaller
or longer term background conditions, but in an
bring about a radical shift in short-term peacebuilding
be scope for envisaging a variety of ways. None will
concern of a „no harm” approach there does seem to
The following section covers some of the actors involved in development assistance to Sri Lanka. It is not a complete list, and only provides some information, since there is insufficient space for a more comprehensive assessment. Some donors are not covered simply for lack of space.

**Perspectives on Aid and Conflict**

**GOVERNMENT PEACE SECRETARIAT**

Perspectives on Aid and Conflict

Recognizes that military solution is nonviable. But maintains austere line on LTTE as a terrorist body.

India is emerging as a significant donor as well as a diplomatic force. There is recognition that different donors have different approaches.

Government is strongly promoting unified solutions, integrating economies in the North and South, and promoting investment and interdependence.

Hopes tsunami will still lead to common implementation mechanisms.

National Council for Economic Development includes sub-committees that donors can be involved in. North East Donor Coordinating Cluster (one subcommittee) deals with North-East.

In terms of donors support to transform structures, there should be scope to make some progress.

Projects can be more innovative in terms of connecting different parts of the country. For example, the Mahaweli Project should have helped the North. There should be opportunities in certain areas to help with reforms.

Tokyo and Subsequent Common Indicators

Feels that donors should have fewer "legitimizing" linkages with LTTE; such linkages have "absolutely no impact on LTTE's transgressions." Donors need to distance themselves more from them and refuse to approach TRO; instead, they should work through mainstream government structures in which the LTTE can continue to practice in and engage with.

Views on Donors

Strong opposition to common donor positions. More comfortable with standard individual donor projects than with pooled funds, in the North-East or elsewhere. Welcomes support to the North-East, through channels that have been proven to work, including NGOs or U.N. agencies. Welcomes support to the North-East.

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**LTTE PEACE SECRETARIAT**

Perspectives on Aid and Conflict

Encouraged by efforts on the part of the World Bank and the ADB to work in the North-East. Breaks down donors as follows: EU bilaterals, India, China, Japan, and the USA.

In terms of donors support to transform structures, donors have different approaches.

Donors are too close in practice. There is recognition that different donors have different approaches.

Japan is emerging as a significant donor as well as a diplomatic force. There is recognition that different donors have different approaches.

Media asserts that a military solution is not possible. But

Perspectives on Aid and Conflict

There may be scope in selected fields. Government structures, donors, and NGOs all agree on LTTE's role in North-East. There is recognition that different donors have different approaches.

Donors should work through mechanisms that have been proven to work, including NGOs or U.N. agencies. Welcomes support to the North-East.

More comfortable with standard individual donor projects than with pooled funds. Welcomes support to the North-East, through channels that have been proven to work, including NGOs or U.N. agencies. Welcomes support to the North-East.

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**Appendix: A Sample of Development Actors**
China collectively represent over 80% of funds promised. Multilateral banks are also important. Recognizes that EU bilaterals are not overly significant financially, but development of common positions has a useful impact—especially given the EU’s role as co-chair.

The LTTE are content with the different ways that donors can provide support. The U.S., for example, can work through NGOs, keeping awareness of agreed guiding principles; Japan has been asked by the LTTE to ensure equitable allocation of funds along ethnic/religious lines in all of its programs.

With India, low-interest loans to the government are provided: it is not certain that any expectations of equity are placed on the loans.

With China, planned investment in 16 harbors will need to address ethnic issues.

Donor forums and common donor positions are welcomed; but in reality are less significant than individual aspirations of key players.

Tokyo and Subsequent Common Indicators

Generally supportive of what is termed “EU” donor position (referring to common positions taken by a range of bilaterals). At one level, expresses support for principle frameworks, donor coordination efforts, and wider application of international human rights law, and sees the government as trying to avoid these EU principles. Yet at another level, is resistant to such “foreign interference.”

Views on Donors

More supportive of all donors than might be expected. Appears to send mixed messages about the value of “principled” approaches advocated by many bilaterals. Is willing to consider a variety of mechanisms to support development in the North-East; this means that the political deadlock on an interim authority does not necessarily need to hold up development assistance to the North-East. While reminiscent assistance to the North-East does not necessarily need to hold up donors’ overall support for development in the North-East, this means that the political deadlock on an interim authority does not necessarily need to hold up donors’ overall support for development in the North-East. While

Japan

Cooperation necessary for successful interventions. Western donors must accept the government’s role in delivering aid (concessional loans); the government has played a critical role in delivering aid (concessional loans); the government has played a critical role.

With China, plan investment in 16 harbors will do.

Donors feel that there are many opportunities to address the issue of equity, but China’s planned investment in 16 harbors will do.

With India, low-interest loans to the government are provided: it is not certain that any expectations of equity are placed on the loans.

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Comments

Donor forums and common donor positions are welcomed; but in reality are less significant than individual aspirations of key players. Donors feel that there are many opportunities to address the issue of equity, but China’s planned investment in 16 harbors will do.}

views on donors
project appraisal. This is a change from the situation pre-ceasefire, when such issues were not considered. This change reflects awareness of the need to reduce tension. It is clearly stated by Japan at the 2003 Tokyo meeting that: “the ‘peace dividend’ should be evenly distributed, taking into account the balance between the north-eastern part and the southern part of the country, and the equally sensitive balance between Sinhalese, Tamils, and Muslims.”

Japan has less experience of integrating transformative issues (i.e., promotion of fundamental governance changes relating to peacebuilding) into aid support. This is of potential interest but not a basis of current project formulation or policy.

Conflict Sensitive Approach

Japan supports post-conflict governance reform, but is wary of promoting post-conflict governance reform which could be perceived as conditionality. This is a change from the situation pre-ceasefire, when such issues were not significantly considered.

Tokyo and Subsequent Common Indicators

Role in political peace process: facilitated the 2003 Tokyo meeting, further quarterly monitoring visits from senior envoy.

Participation in DWG and Tokyo Declaration was reluctant; accepts loose principles but not a framework or set of restrictions on aid provision. Paragraph 18 of the Tokyo Declaration should be seen as positive efforts to encourage a good background environment for the peace process, rather than conditionality of any kind. Efforts to use background principles to formulate guidelines leading to indicators will not work effectively and are not welcomed. Simple principles for engagement are welcomed, however.

Comments

The Japanese approach, along with that of major constituencies within multilateral banks (and most significantly within Sri Lanka), does not perceive societal transformation as a role for aid. Such concepts are more prevalent with Western donors and civil society. Additionally, such change is regarded by many as counterproductive or external Western impositions on domestic structures. Moreover, the Japanese development model is different from contemporary Western approaches: strong emphasis on state-led development with a capitalist economy, but also with heavy investment in human development, infrastructure, and other redistributive measures such as land reform and reallocating property.

Asian Development Bank

The aim to support Sri Lanka by disbursing funds in a timely fashion, board members that are broadly supportive of government in the first instance, and an approach that prioritizes economic or engineering-based solutions, means that peacebuilding issues do not fall naturally into the ADB’s line of work. However, the ADB has a strong commitment to peacebuilding, and its peacebuilding agenda is reflected in post-conflict development settings. The ADB provides more support to the North-East.

Programs/Policies

The Japanese development model is different from contemporary Western approaches: strong emphasis on state-led development with a capitalist economy, but also with heavy investment in human development, infrastructure, and other redistributive measures such as land reform and reallocating property. This is a change from the situation pre-ceasefire, when such issues were not significantly considered. Participation in DWG and Tokyo Declaration was reluctant; accepts loose principles but not a framework or set of restrictions on aid provision. Paragraph 18 of the Tokyo Declaration should be seen as positive efforts to encourage a good background environment for the peace process, rather than conditionality of any kind. Efforts to use background principles to formulate guidelines leading to indicators will not work effectively and are not welcomed. Simple principles for engagement are welcomed, however.

Do not support processes that might lead to conditionality and associated stipulations: Views these as unnecessary and unwelcome.

The Japanese approach, along with that of major constituencies within multilateral banks (and most significantly within Sri Lanka), does not perceive societal transformation as a role for aid. Such concepts are more prevalent with Western donors and civil society. Additionally, such change is regarded by many as counterproductive or external Western impositions on domestic structures. More practically, ideas of transformation through more nuanced aid provision do not support the type of human rights, participation, and political change that place far greater stress on human rights, participation, and improved governance rather than top-down support.
CFA, the ADB rapidly offered support and sought practical ways of providing assistance in the North-East.

Informally, conflict understanding/awareness is growing, as well as an awareness of the links between project success and maintaining peace both in Colombo and the head office in Manila. There is increasing attention to equity and ethnicity related issues, with growing focus on ethnic balance and transparency as a key aspect of poverty analysis. The ADB has also been able to work increasingly in the North-East following the Ceasefire Agreement. A conflict specialist, seconded from a bilateral, works in the Colombo Resident Mission.

The Northeast Coastal Community Development Project, approved in mid-December 2004, is a $26 million, four-year loan targeting three Eastern provinces. Under a standard poverty/vulnerability index, Tamil populations would have emerged as the principle beneficiaries (given their status as the poorest groups). In order to avoid an allocation that might have led to tension given the lack of inclusion of other ethnic groups, the vulnerability index was amended to address diversity issues. Subsequent redesign allowed for support to other (chiefly Muslim) groups, with the majority of funds still going to the poorest communities.

NECORD - an earlier project now being extended - also aims to track ethnicity issues in monitoring and evaluation.

Through their democracy, governance and conflict programs, the U.S. is involved in a range of initiatives. Following three "tracks" of the process-political, diplomatic, and aid approaches: Track One through co-chair mechanisms; Track Two through engaging in parallel political/civil society processes; Track Three through support for civil initiatives.

Involved in a range of initiatives: "One Text initiative" to bring second-tier political players into discussions; local government support through The Asia Foundation; people's forums in a range of locations; annual peace perception surveys, etc.

Future initiatives: Possible direct support (through U.S. NGOs) to enhance political party awareness of peacebuilding issues; possible work with civil bodies like trade unions, etc.; possible work on youth and civic education.

The U.S. has: 1) a clear understanding of the political challenges involved, 2) awareness of the need for transformative approaches and governance-related issues, and 3) the organizational capacity to engage accordingly.

Awareness of a range of second-order conflicts that could arise in coming years: complexities of peacebuilding issues, possible work with civil bodies like The Asia Foundation, people's forums in a range of locations, annual peace perception surveys, etc.

Perspectives on Aid and Conflict

Common Indicators

Evaluation

Post-tsunami reconstruction support is unlikely to be linked to the peace process. There are a number of comments that disaster could lead to a large allocation of resources to the North-East, with the ADB rapidly offering support and counter-programming support.

The tsunami has led to a large allocation of resources to the North-East, with the ADB rapidly offering support and counter-programming support.

Program/Policy

USA (USAID)

Tsunami

Perspectives on Aid and Conflict

Common Indicators

Evaluation

Post-tsunami reconstruction support is unlikely to be linked to the peace process. There are a number of comments that disaster could lead to a large allocation of resources to the North-East, with the ADB rapidly offering support and counter-programming support.

The tsunami has led to a large allocation of resources to the North-East, with the ADB rapidly offering support and counter-programming support.

Program/Policy

USA (USAID)
can select from a wide range of donors if objections are raised. Flow of reconstruction funds is likely to exacerbate “patronage” networks that are not equitable and could well enhance tensions.

Comment

There is programmatic support for multiple actors engaging with a range of issues, generally through civil society bodies of different descriptions. But this is tempered by recognition of the LTTE as a terrorist body, and a global environment that encourages support for government rather than non-state actors.

SWEDEN (Sida)

Programs/Policies

Sida has been working in Sri Lanka since 1958. Integration of conflict into programming began in earnest in 1998. Prior to that, there were programs in conflict areas, and peacebuilding was a focus of some NGO/civil society support, but it did not occupy the central position of the country strategy.

Since 1998, there has been a two-pronged approach to Sida support: 1) Peace, Democracy, and Human Rights and 2) Pro-poor economic development. The embassy in Colombo is fully delegated with a country plan, annually approved by the Asia Department. The embassy has the right to steer funds and enter into agreements with the GoSL and civil society organizations in keeping with the country plan.

The internal Local Project Appraisal Committee ensures the quality of projects/programs/sector support and also ensures that cross-cutting issues such as democratic governance, conflict sensitivity, support for the judiciary, and cross-cutting issues are mainstreamed.

Common Indicators

Sida subscribes to paragraph 18 of the Tokyo Declaration. The clauses are interpreted as “If peace, then increased prospects and opportunities for aid,” rather than as “No aid unless peace.” Sida has been an active promoter and participant in the Donor Working Group in the efforts by donors to find common indicators in monitoring the peace process and support in Sri Lanka.

Sida supports harmonization and alignment of support together with the IFIs and like-minded donors. Sida prefers sector cooperation reflected through core funding and increased harmonization, even in peace and tsunami related interventions (for example: core support to UNICEF’s Country Plan; core support to the ADB’s Sri Lanka Education Sector Development Credit; and increased funding for the Health Sector Cooperation Project).

Conflict Sensitivity

Conflict is viewed in a broader light than merely the ethnic conflict in the country, and is inclusive of all potential conflicts (for example, religious conflict and buffer zone issues). Hence, Sida actively promotes a “do no harm” approach.

Conflict sensitivity is essential, but should also be balanced in support to the North-East and South. UNICEF

UNICEF

Programs/Policies

UNICEF has been working in the North-East for a long time.

Conflict

Peace and Development Fund managed by CHA.

Development and cooperation support to the Donor Working Group in the education sector. The World Bank has been present.

Common Interests

Gender equality, HIV/AIDS, and environmental education.
A 2002 DFID/SIDA evaluation recommended that a more integrated management structure provide a uniform countrywide approach. This enabled work with similar government structures island-wide, reducing the amount of NGO engagement.

This reorganization and the ceasefire enabled UNICEF to engage in policy issues relating to children. Originally through an Action Plan for Children, agreed to by the LTTE and GoSL in late 2002/early 2003, a common approach was launched. The suspension of peace talks suspended common working, but UNICEF managed to secure signatures of both sides. However, suspension of talks meant that there was no mechanism for discussing or solving arising problems.

UNICEF pioneered approaches that promoted interchange between the two sides and managed to broker the only human rights agreement. UNICEF still practices “shuttle dialogue.” There is still space through provincial structures for interchange between the two sides, such as education policy. Work on some key issues, notably on child soldiers, has been hard going.

Common Indicators

Benchmarks on progress toward peace as an incentive. These have not been put into practice; the only funds that have been withheld have been as a result of economic, not peace-related, issues.

Perspectives on Aid

In the North-East, there are still options for engagement. These options have involved interchange with all parties for decades, and can continue in this manner. Without peace talks, and more recently with the LTTE split in the East, the likelihood of concerted demobilization is slim. This has an impact on UNICEF’s work in the North-East. There is limited scope for UNICEF to continue its current work.

Programmes/Policies

UNDP

Institutional change: UNDP has shifted considerably in the last 3-4 years. Traditionally, staff members focused on traditional development issues rather than conflict. Now, staff are prioritizing a more conflict-aware and conflict-affected approach. Newer staff are often conflict-focused, leading to more capacity in the UNDP office. This office is a focal point for conflict-related issues and provides support to other UN agencies and NGOs. It has also become a voice for development issues that are not conflict-related.

Peace Secretariat: Supported peace secretariats on both sides of the conflict. Also linked Muslims into the process, before the establishment of a Muslim secretariat. This was a slow process, but perseverance finally paid off.

Other work includes small grants through peace secretariats, including grants to non-Tamil local bodies in the North. This is regarded as a successful, if small, effort to promote democratic elections and the rule of law. However, there is still room for improvement.
have not been taken fully into account.

UNDP activities and diplomatic operations. Studies on aid are mainstreamed throughout the country. German GTZ’s involvement in

- Aid-diplomacy linking donor and government.
- Programs on conflict transformation.
- Economic promotion work through micro-finance.
- Projects in conflict areas.

Common Indicators

- Post-Tokyo development of principles is seen as
  a key driver.
- Scenario planning exercise of 2004: aiming to
  answer questions of what peace would look like,
  what principles would be viable, and what are the
  drivers of peace. Concluded that bilateral relations
  are still open doors to working collaboratively with
  other donors.
- More domestic capacity building within projects
  leads to increased dialogue with all sides.

Perspectives on Aid

- Influential than others. Considered that bilateral relations are
  less set a priority. Considered that bilateral relations are
  less

Programs/Polices

GERMANY (GTZ)

- Building an understanding of principles.
- Assessment’s influence on donor agencies.
- The UNDP has been responsible for
  strengthening the government’s ability to address
  its peacekeeping needs. This has been seen as
  a key driver.
- Post-Tokyo development of principles is seen by
  donors as an imperative.

Common Indicators

Post-Tokyo development of principles is seen by

- Post-Tokyo development of principles is seen by
  donors as an imperative.
Switzerland has no real development program. Previously, they had only a small program with some school reconstruction in Jaffna. Since 2002, they have been involved in study tours by the LTTE, GoSL, parliamentarians, and the media to study federalism in Switzerland.

Switzerland has had a new post as Adviser for Peacebuilding since 2003, who focuses on human security, peacebuilding, and human rights.

The Swiss provide support to the Berghof Foundation for peacebuilding related work. Support also was provided to the "One Text Initiative," along with USAID.

Switzerland has regular contact with the LTTE. The Tamil expatriate community in Switzerland is quite prominent. The Swiss are conducting work with the diaspora in Switzerland and encouraging insight into Sri Lankan affairs through stimulating debates and exchanges.

The concern that aid flows might spoil the peace process is widely held.

Common Indicators

Scenario planning: Clingendael facilitated a process that developed 20 issues most relevant to the conflict.

A like-minded approach can lead to joint statements that produce a common diplomatic stance of strength. There is a common desire to ensure even-handedness, and an intelligent donor response is positive. Conditionality: valid on issues of human rights - for example, child soldiers.

Tsunami

Since the tsunami there has been a major Swiss aid presence.

Programs/policies

U.K. (DFID)
with an enhanced joint political and development section dedicated to peacebuilding.

Common Indicators

DFID has never advocated conditionality as a means of supporting peace. It did encourage efforts to support the negotiating parties in achieving their agreed principles. DFID encourages common approaches, trying to gain support for common approaches from other, larger donors. They also support a range of partnerships including secondments, support to trust funds, etc. As with other European bilaterals, prioritization of donor coordination has led to such approaches in Sri Lanka.

This prioritization of donor partnerships may reduce involvement of Sri Lankan institutions in programs. This covers staffing, capacity building, etc.

DFID encourages shared analysis and joint approaches among donors where possible.

NETHERLANDS

Programs/policies

Joint diplomatic and aid operations.

Conflict has been firmly on the Dutch aid agenda since the early-mid 1990s.

Involvement of the Clingendael Institute for many years has provided analysis on conflict in Sri Lanka. More recently, the Dutch have promoted joint working processes.

The Dutch are planning to withdraw from Sri Lanka. Current program of support totals approximately Euros 10m. The funds are earmarked for environmental work with GoSL and the ADB, peacebuilding with civil society, the Consortium of Humanitarian Agencies, and the NECORD (ADB) project. There is also some work with chambers of commerce.

A presence in the North-East, through NGOs or otherwise, gradually results in shifting attitudes in some areas.

Section dedicated to peacebuilding:

with an enhanced joint political and development
Award winning photographs by Annuruddha Lokuhapuarachchi, Dominic Sansoni and Gemunu Amarasinghe.

DONORS AND PEACEBUILDING

2000 – 2005