

## SOCIAL DEVELOPMENT NOTES

## CONFLICT PREVENTION &amp; RECONSTRUCTION

No. 23 / February 2006

### The Dynamics of Conflict, Development Assistance and Peace-building: Sri Lanka 2000-05

*Significant transformations in the socio-political and economic landscape of Sri Lanka in recent years encouraged five development partners—World Bank, Asia Foundation, and the governments of the United Kingdom, Netherlands and Sweden to collaborate on a conflict assessment in 2005. This reflects a growing trend in the development partner community of combining efforts, pooling resources, and taking advantage of comparative strengths to engage in conflict analysis exercises.<sup>1</sup> The multi-donor conflict assessment revisits the underlying structures of conflict, identified in the previous conflict assessment,<sup>2</sup> and explores the current dynamics of conflict factors with a particular focus on the peace process and international engagement.<sup>3</sup> This note presents key findings of the assessment, in particular, the approaches supported by development partners in Sri Lanka. While this is drawn solely from the Sri Lanka experience, it is likely to have a broad relevance to many such countries.*

#### The State of the Conflict

In spite of the ceasefire agreement and peace negotiations, the structural dimensions of the conflict within Sri Lanka have remained relatively stable. There has been no ‘seismic shift’ in the ‘tectonic plates’ underpinning conflict in Sri Lanka. The constellation of factors that contributed to the outbreak and sustenance of violent conflict—including the nature of the state, its political culture, the institutional framework of policy, uneven development patterns and competing nationalisms (including Tamil perceptions of inequalities vis-à-vis the Sinhalese)—remain largely unaffected by the peace process. In many respects the ‘peace’ that followed the signing of the Cease Fire Agreement (CFA) has had the effect of freezing the structural impediments to conflict resolution.

On the other hand there has been a significant change in the external context at both the regional and international levels. The global ‘war on terror’, growing international engagement in ‘post conflict’ contexts and Sri Lanka’s integration into a dynamic and increasingly assertive wider Asian region have together created new (and sometimes competing) incentives for domestic actors. Although these changes in the external context may have helped

create the preconditions for peace talks, they have not as yet led to a radical reordering of political forces inside the country.

The peace negotiations of 2002-03 followed a phased approach, which involved first ending the violence, second creating a peace dividend, and third dealing with the core political issues that are at the root of the conflict. International actors, central to this three-phased strategy, facilitated peace negotiations, and provided security guarantees and reconstruction assistance. Although this strategy was a success in the sense that the ceasefire has outlasted the peace talks, it has so far failed to deliver a lasting or even interim settlement.

First, although ‘no-war, no-peace’ has meant an end to large-scale militarized conflict, there have been high levels of political violence, including over 3,000 ceasefire violations. Second, although there was a peace dividend of sorts, it has been unevenly distributed and its impacts have attenuated over time. Reconstruction funding was caught up in the politics of the peace process, thus limiting the peace dividend in the North-East. Third, the step-by-step approach was based on the assumption that a limited

peace could ultimately lead to a transformative peace. In hindsight, however, it is clear that a return to complete ‘normalization’ would not have been possible until the core political issues were addressed. It proved impossible to circumnavigate or deal indirectly with the pivotal questions of power sharing and nature of future governance for the North-East. Moreover without a clear road map for peace talks, the nature of the end goal was always unclear, which created anxieties among external and internal stakeholders. The peace process acted as a ‘lightening rod’ for wider political and societal tensions in Sri Lanka.

Alongside the formal peace process, there was also the pursuit of so-called Track II initiatives, such as visits of the LTTE, government representatives, and parliamentarians to countries like Switzerland with potential solution models. Such confidence-building measures were seen to have the potential to contribute to an increased commitment to peace on both sides but the extent of their positive externalities is uncertain.

### **Development Partner Engagement: Where It Stands vis-à-vis Conflict**

One of the most salient recent changes in the political landscape has been the “internationalization” of peacebuilding. Although the policies and practices of different international actors varied significantly, two broad trends can be identified. First, in Sri Lanka there has been a more robust and multi-faceted international response to conflict and peace dynamics than has historically been the case. This has included security guarantees, ceasefire monitoring, facilitation of peace negotiations (Tracks I and II) and humanitarian/development aid provision (Track III). Second, there have been changes in the division of roles between various policy instruments and actors. Reflecting contemporary trends in ‘liberal peacebuilding’, there has been a blurring of the traditional distinction between the conflict resolution and the economic aspects of peacebuilding.

In the past, aid agency involvement and development programming focused on working “around” conflict and political concerns. In recent years however, the aversion to stay away from conflict areas has been replaced by a greater willingness to work “on” and “in” conflict, and to explicitly engage in programs that take account of

the peace and conflict dynamics. Development partners have increasingly calibrated their policies and programs according to conflict and peace dynamics within Sri Lanka. Their attempts to do this can be divided into three areas of engagement: (i) applying peace conditionalities to reconstruction and development aid;<sup>4</sup> (ii) dealing with the consequences of conflict; and (iii) addressing the underlying causes of conflict.

In the 2003 Tokyo conference, donors pledged \$4.5 billion in reconstruction and development aid but linked it to progress in the peace process. The application of peace conditionalities was a new development but did not have the desired outcomes mainly because of an inflated view of the importance of aid. Furthermore, no mechanisms were established to ensure compliance and some development partners did not follow through on linking peace with their assistance. Where the two main recipient actors were concerned, the LTTE, not a participant in Tokyo, believed that conditionalities were yet another form of punitive action that undermined them; whereas nationalist elements in the South used conditionalities as a pretext to launch a tirade against international involvement in the peace process, articulating them as a threat to national sovereignty.

Development partners have recognized the importance of addressing the consequences of the war and embarked on large-scale humanitarian and reconstruction assistance. Prior to the CFA, the World Bank and the ADB in particular decided to initiate programs in the North-East rather than wait for a peace agreement. Their assistance for rehabilitation programs for the North-East, however, was definitely scaled up after the CFA. About one third of the program supported by the World Bank is located in the North-East. With the increased flow of aid funds for reconstruction, the North-East Reconstruction Fund was established with the World Bank serving as custodian, although sadly this Fund was a victim of the abandoned peace talks in April 2003, and was never fully activated. It is apparent that donor-supported programs for the North-East are sensitive to the current conflict challenges, although support for programs and projects in the South, which still receives the majority of development assistance, appear to carry on regardless of the state of the conflict.

## **The Role Development Partners: Some Pointers for Future Focus**

If development partners are to work more effectively in or on conflict they must develop a more realistic assessment of their role and impacts. By attempting to stand on the same ground as the diplomats, aid agencies have not been playing to their comparative advantages. The implications of our analysis in relation to the ‘three C’s’ (conditionalities, consequences and causes) are as follows:

- First, the lesson about peace conditionalities is that applied crudely and without a strong political process to back them up, they have limited or even perverse impacts. Since the tsunami, the aid landscape has changed substantially. The threat of withholding aid in an ‘over-aided’ environment will have very little effect. Therefore the debate should now shift toward thinking about positive conditions on aid and gaining influence through engagement. It is extremely important that development partners invest the requisite political and financial capital to support the practical implementation of joint mechanisms that bring the parties together in post-conflict reconstruction work (or post-disaster reconstruction, as was tried in the case of the abortive “Post-Tsunami Operation Management Structure,” P-TOMS, the mechanism that almost became the framework to oversee the management of post-tsunami assistance in the North-East).
- Second, in order to address the consequences of conflict, there is scope (and a need) to substantially scale up assistance to the North-East to build a visible peace dividend. This will help meet immediate humanitarian needs and also boost confidence in the peace process. Reconstruction programs may simultaneously contribute to the de-escalation of conflict and address its underlying causes by tackling the problem of chronic poverty in the North-East. This may involve developing pragmatic institutional arrangements in order to deliver such programs and to build capacities at the local level.
- Third, there is potential for development partners to do more to address the underlying causes of conflict, particularly in the South. The larger development partners in particular can have a significant impact on the structural

dimensions of conflict by working in conflict sensitive ways on areas like governance, economic reform and poverty.

This implies that development partners should address the underlying issues of conflict by working in conflict-sensitive ways in areas such as governance, economic reform, and poverty, i.e. their support should be designed such that it does not contribute to conflict escalation but instead, if possible, contributes to conflict de-escalation. This can be illustrated with a few examples.

The quality of *governance*, manifested in an ethnicized education system and minority exclusion in the political process, has contributed to exacerbating conflict. While there have been several internationally-supported programs of good governance, evidence demonstrates that they have had limited positive impacts. Development partners and NGOs have succeeded at initiatives such as promoting discussions on decentralization and federalism, supporting work with provincial and local level governments, involving parliament, to mention a few. It might be equally useful however for development partners to conduct careful analysis of the actual political realities and the key drivers of change to develop conflict-sensitive governance programs. Governance issues can be dealt with more imaginatively by exploring Asian models which may be more suited to Sri Lanka; by entering into dialogue with diverse political groups and actors particularly the “unlike-minded” and; by engaging with lower levels of government to understand their challenges to ensure better social service delivery.

*Poverty eradication* is a top priority for Sri Lanka as identified in national development strategy documents and aid agency statements. However, vertical and horizontal inequalities between and among Sinhalese and Tamils have grown, and pockets of exclusion and chronic poverty have expanded in the South and North-East. Impoverishment has increased animosities towards the government in the North-East but higher poverty levels have undermined faith in the government and development programs in the South as well. It would be valuable if development partners would support efforts that target social exclusion, since it could have positive spin-offs vis-à-vis the peace process. Interestingly, the Marxist Party (JVP), which holds almost one-fifth of the seats in Parliament, and supported the President in the last

elections, has always given social exclusion a vital position in its agenda. Development partners—and perhaps this applies in particular to the World Bank—and the JVP have seemingly been suspicious of each other, but they could potentially use this area of common concern as an opportunity to collaborate.

In some cases, development partners have treated *civil society* as an alternative to the state and used it as their interface with the state. It is wrong, however, to view civil society as an apolitical space, more responsive and efficient than the state, and determined to bring about change. Instead, civil society in Sri Lanka tends to mirror the state—both are centralized, polarized, and characterized by client-patron relationships. Still, donor engagement with civil society has flourished in recent years, especially in peace-building but this has mainly been with Colombo-based civil society groups whose influence in rural areas is limited. Donors need to continue their engagement with civil society but need to go beyond viewing it as a mechanism of social service delivery. They could enable civil society to be politically active and independent, and forge partnerships beyond Colombo. Civil society could be encouraged to take on a host of roles including educator, policy advocate, watchdog, service provider, and conflict manager.

## Moving Forward

As development partners continue to engage in Sri Lanka, it will be helpful for them to consider key principles to guide their involvement:

- *Shared analysis*: Since 2003, international aid agencies have focused on strengthening harmonization and sharing analysis in order to contribute to development and a durable peace. This is a positive development and efforts on knowledge sharing and joint collaboration should continue to be prioritized, e.g., the current work on joint monitoring of conflict trends.
- *Mainstreaming inclusiveness*: Exclusion generates resentments and hostile sentiments. This does not suggest that every stakeholder needs to be included. Rather an inclusive approach should be established that carefully thinks about intra- and inter- ethnic and religious divisions, different constituencies, civil society actors, and mid-level

representatives, in structuring consultations and incorporating diverse views.

- *Long-term commitment*: To transform the situation, donors need to be committed and engaged for the long run. They should not be guided by short-term imperatives and quick-fixes. They need to encourage programs that address the underlying causes of conflict and on strategies that incorporate conflict-sensitive thinking in endeavors like tsunami aid and development projects in the South. These programs include those that fight unemployment especially among youth, support cross-ethnic programs to build bridges between groups, and encourage activities that break down negative perceptions and stereotypes.
- *Complementarity*: Development partners should move toward strategic complementarity whereby their distinctive approaches complement and reinforce, rather than undermine, each other. It would also help if the current “western-centric” approach to peace is complemented by incorporating perspectives and concerns of Asian countries.

---

<sup>1</sup> The need for conflict analysis is based on the recognition that there is a strong link between development assistance and the factors affecting the trajectory of conflicts. Thus development assistance and program effectiveness will be strengthened if the factors that escalate and de-escalate conflict are systematically examined.

<sup>2</sup> Jonathan Goodhand, “Aid, Conflict and Peacebuilding in Sri Lanka,” 2001.

<sup>3</sup> For details, see Jonathan Goodhand, Bart Klem with Dilrukshi Fonseka, S.I. Keethaponcalan and Shonali Sardesai, “Aid, Conflict and Peacebuilding in Sri Lanka, 2000-2005”, Netherlands Ministry of Foreign Affairs, Swedish International Development Cooperation Agency, The Asia Foundation, The Government of the United Kingdom of Great Britain and Northern Ireland, and The World Bank, 2005.

<sup>4</sup> For example, the World Bank’s recent Country Assistance Strategy Progress Report explicitly links the level and nature of the Bank’s support to Sri Lanka to progress in the peace process, as measured in a peace monitoring framework prepared on a quarterly basis by a Sri Lankan NGO.

---

This note was prepared by Peter Harrold (Country Director, Sri Lanka) and Shonali Sardesai (Conflict Prevention and Reconstruction Unit).

This Note was also published as Social Development Note No. 103 and is part of a series intending to disseminate good practice and key findings on conflict prevention and reconstruction. This series is edited by the CPR Unit in the Social Development Department of the Environmentally and Socially Sustainable Development Network of the World Bank. CPR Dissemination Notes are distributed widely to Bank staff and are available on the CPR website <http://www.worldbank.org/conflict> and can also be requested via e-mail at [cpr@worldbank.org](mailto:cpr@worldbank.org)