

Development as a Precursor to Conflict Resolution: A Critical Review of the Fifth Peace Process in Sri Lanka

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Abstract

There is growing interest in the links between development and peace in low and middle-income countries, and in particular between international development assistance and conflict resolution. This chapter analyses these links in the context of Sri Lanka's fifth peace process (2002-2004), by examining the unconventional approach of using the development of the war-torn areas stepping stone towards conflict resolution. While showing the convergence between the government and the Liberation Tigers of Tamil Eelam (LTTE or Tamil Tigers) on development policy and the role of international donors, the article highlights the divergence between the protagonists on the politically charged issue of an 'interim administration' for the war-torn region where the Tamil Tigers controlled territory and had established their own structures of administration.

The government, holding only a small majority in parliament and facing strong opposition to the peace process, was trying to find an interim arrangement within the limits of the unitary constitution. In the LTTE's view, such an arrangement would inevitably reduce the LTTE to a junior partner with little or no formal power. Instead, the Tigers sought a legally constituted interim body in which they would play the lead role. The powerful Sinhalese opposition perceived an interim authority proposed by LTTE as a first step towards secession and hence as a threat to the sovereignty of the unitary state. Although the fifth peace process showed that addressing development needs may provide meeting points for the protagonists, it also demonstrated that the approach would inevitably raise the political question of power-sharing in the interim phase and beyond.

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Introduction

Since the end of the Cold War, the links between intra-state armed conflicts and development in low and middle-income countries have received an increasing amount of attention from researchers, Western governments and aid agencies. Scholars have explored the causal relations between underdevelopment and internal wars by focusing on the effects of uneven access to social and economic resources, opportunities and political power. The importance of ethno-nationalist movements and elites in constructing, transforming and politicising these inequalities in order to mobilise support for armed struggle in multi-ethnic societies has also been a major focus of several studies. At the same time, development aid has undergone a partial shift from ‘working around conflict’ (i.e. providing development aid without taking conflicts into account), through ‘working in conflict’ (i.e. offering humanitarian relief and development aid in a conflict-sensitive manner), to ‘working on conflict’ (i.e. providing development assistance which aims to reduce and manage conflicts) (Goodhand 2000, Japan Bank for International Cooperation 2003). Multilateral agencies and major donor nations are increasingly concerned with crafting transitions from war to peace in order to mainstream ‘post-conflict’ development. Peace, understood in the minimalist sense as ‘absence of warfare’ (Uyangoda and Perera 2003), has been added to the conditionalities of development assistance to countries with internal wars.

The peace conditionality, which links development assistance with conflict resolution, has opened up spaces for donors to be active stakeholders in peace processes in aid-dependent countries. There is no doubt that this external imperative has induced if not compelled governments to seek political solutions to intra-state armed conflicts. However, the dynamics of a peace process and the likelihood of it succeeding in linking development to peace-building would seem to be primarily dependent on internal factors. Dominant discourses on conflict resolution focus on the willingness of the protagonists to jointly explore mutually acceptable compromises, and on the level of trust they have been able to build between them. Going beyond this focus on trust and peace agreements between different political elites, we will emphasise the interests, strategies and relative strengths of the political forces supporting or opposing the peace process and their changes over time as being particularly critical. It can reasonably be assumed that using development (in the form of rehabilitation and

reconstruction) as a forerunner of conflict resolution alters the interests and relative strengths of stakeholders in the peace process. A common expectation is that normalisation of everyday life will moderate the views and strategies of nationalist forces on both sides of a conflict. However, this use of development as a means of facilitating conflict resolution could also precipitate problems which endanger the continuity of a peace process. Such risks are likely to be high where the negotiating protagonists are unable to agree on the priorities of development or the extent of power-sharing and its modalities in the interim phase. This situation can lead to an irreversible impasse in an environment in which the forces opposed to the peace process have gained the upper hand.

Sri Lanka's fifth peace process, which began shortly after the general elections in December 2001 and ended with the change of government at the general elections of April 2004, provides a relevant case to examine this new approach to peace-building. The peace process materialised in a conjuncture characterised by a combination of external imperatives and internal compulsions. The internal compulsions set the stage for a change of government in favour of a new peace process in 2001. This was followed by a Ceasefire Agreement (CFA) between the newly elected United National Front (UNF) government and the Liberation Tigers of Tamil Eelam (LTTE) in February 2002. The LTTE has been fighting for a separate Tamil state in the north-east (NE) of the country since 1983, but was now willing to consider a federal alternative to secession. The ceasefire was facilitated by the government of Norway, which also undertook the main responsibility of setting up a monitoring mission consisting of Nordic and Lankan members. The peace process had the blessings of the US, Japan, India, the European Union and other countries which have provided development assistance to Sri Lanka. The World Bank and the IMF, whose development policy prescriptions successive Sri Lankan governments have been following since August 1977, also welcomed the peace process.

One major achievement of the fifth peace process was the agreement reached between the government of Sri Lanka (GOSL) and the LTTE at the first round of talks in Thailand in September 2002 to jointly address the immediate humanitarian and rehabilitation needs in the war-torn NE of the country, while pursuing a negotiated political solution to the national question. The protagonists also agreed to jointly establish an appropriate interim mechanism to plan and implement development projects in the NE. The decision to take concrete steps towards normalising civilian life was endorsed by the donors who participated in the

emergency donor conference in Oslo on 2 December 2002. The Oslo conference gained special significance due to another noteworthy achievement: the agreement between the protagonists to explore a federal solution based on the concept of 'internal self-determination' of the Tamils of the NE. This was a clear indication that the LTTE was prepared to give up its demand for secession ('external self-determination') and that the GOSL was willing to consider constitutional reforms to accommodate a federal system of devolution and power-sharing.¹

However, in the talks that followed, the search for a mutually acceptable interim administration turned out to be problematic, in that it served as a source of new differences between the two sides. The situation was further complicated when the LTTE was excluded from a donor conference held in Washington in April 2003 because it remained banned by the US as a 'terrorist' organisation. On 21 April, the LTTE's chief negotiator Anton Balasingham wrote to the Prime Minister that his organisation was temporarily withdrawing from the peace talks because of its exclusion from the donor conference, the non-implementation of agreed-upon measures and the continued sufferings of the displaced Tamils. He also informed the government that the LTTE would not be participating in the major donor conference on Sri Lanka to be held on 8-9 June 2003 in Tokyo.

While the peace process stalled, the ceasefire continued to hold. After rejecting three government proposals for an interim administration as inadequate, the LTTE forwarded its own proposal for an interim self-governing authority (ISGA) in October 2003. However, the Tigers' initiative failed to revive negotiations, as the president used her constitutional powers to dismiss three key ministers (defence, media and internal security) a few days after the ISGA proposal was submitted and to dissolve parliament in February 2004, thereby bringing the stalled fifth peace process to an abrupt end. Before that, the president had accused the UNF of conceding too much to the LTTE and jeopardising national security and sovereignty. The president's actions reflected the culmination of what came to be known in Sri Lanka as the 'crisis of cohabitation' between the president and the prime minister.

This article critically examines the peace process with reference to the rather unconventional approach of beginning with the development of the war-torn areas before addressing the core issues of the conflict. While showing the close convergence between the government and the LTTE on basic premises of development policy and the role of the donors, we examine the

divergence between the two parties on the politically charged issue of interim administration. The government, while expressing a willingness to be flexible, was trying to find an interim arrangement within the limits of the unitary constitution of Sri Lanka. In the LTTE's view, such an arrangement would inevitably privilege the GOSL and reduce the LTTE to a junior partner with little or no formal power. Instead, the LTTE sought a legally constituted body in which it would enjoy adequate power and authority to play a leading role, relying mainly on its own organisational structures while drawing on the technical capacities of state institutions. The Sri Lankan constitution did not seem to have the flexibility to meet this demand, and the government did not seem to be prepared to consider any possible extra-constitutional options. Moreover, the president was totally opposed to the idea of an interim administration for the NE. Another factor that seriously affected the relationship between the negotiating parties was the LTTE's perception of being internationally marginalized by the government. Threatened by a widening rift between the government and the Tigers and by the opposition forces at home, the peace process seemed to be ineluctably sliding towards an impasse. The dynamics of domestic politics, considerably influenced by the peace process itself, were transforming the conjuncture that enabled it. The international stakeholders, dangling the carrot of development aid, tried in vain to get the protagonists back to the negotiating table. In the meantime, the humanitarian and development challenges in the NE escalated due to the voluntary return of thousands of displaced people and the rising needs of livelihood revival by the non-displaced and the returnees.

The Fifth Peace Process in Context

Sri Lanka's recent peace process followed on the heels of four previous unsuccessful attempts at conflict resolution through negotiations: the Thimpu Talks in 1985, the Indo-Lanka Accord in 1987, the Premadasa-LTTE talks in 1989-90 and the Kumaratunga-LTTE talks in 1994-95. The fifth peace process was characterised by four distinct features: (1) the existence of dual power with a certain parity of status in the NE; (2) the recognition of the LTTE as the representative of the Tamil people, (3) the internationalisation of the peace process, and (4) the sequencing of developmental, administrative and constitutional issues.

First and foremost, the fifth peace process was based on a degree of military parity of status between the LTTE and the GOSL and the existence of dual power in NE Sri Lanka.² The war

that resumed after the collapse of the fourth peace process in April 1995 developed as a conventional war for territorial control. The LTTE had emerged from their guerrilla background to become an efficient military machine capable of inflicting substantial damages on the government in both economic and military terms. After the successful capture of Jaffna from the LTTE in October 1995, all major military operations launched by the government were disastrous failures. Demoralisation was high within the state's armed forces, as evidenced by the high rates of desertion. The government's efforts to recruit new soldiers since 1997 were also not successful, in spite of the offers of increased salaries and fringe benefits.³ An opportunity for a new peace process did arise towards the end of 2000, when the LTTE leader Velupillai Pirapaharan announced in his Martyr's Day speech in November that the LTTE was prepared for unconditional talks. At the same time, Norway had just taken up its role as facilitator at the invitation of President Kumaratunge. The LTTE unilaterally declared a ceasefire in December 2000 and extended it up to April 2001, but the government was not prepared to reciprocate this gesture. On the contrary, the President declared on 24 April that the government was determined to pursue the military option and continue the war against the Tigers. However, by the latter half of 2001, the LTTE had won a series of major victories, brought large (though not contiguous) areas under its control and restored a military balance of power. Having enhanced their bargaining position through these military victories and through consolidation of their political and administrative structures in the captured areas and beyond, the Tigers announced that they were ready for unconditional talks. Indeed, it was a situation of dual power in the NE, with the LTTE being able to extend its power by indirect means beyond the areas under its direct control into government-held territory.

However, the war had been very costly for the LTTE as well, mainly in terms of its fighting cadres, which it was finding harder to replenish than before. It appeared that both sides were fighting an unwinnable and costly war. Further, the LTTE felt compelled to pay attention to the deprivations suffered by the Tamil people due to the impact of the war on their livelihoods. In the south, several civil society organisations were actively campaigning for an end to the war, focusing on the costs of the war and the lost development opportunities.⁴ All of these factors contributed to a new political conjuncture which favoured the initiation of a peace process. Ranil Wickremasinghe, the leader of the UNF and the opposition, seized the moment and launched a 'peace offensive' in the electoral campaign in 2001, followed by peace diplomacy through the Norwegian facilitators after the general elections.

Second, the fifth peace process has also been characterised by the recognition of the LTTE as the only negotiating partner representing the Tamils of the NE. The process has been constructed as bilateral talks between the LTTE and the UNF-government, organised as rounds of negotiations in Thailand and Oslo and followed by donor conferences in Oslo, Washington and Tokyo. The peace process institutionalised the LTTE as the de facto 'sole representative of the Tamil people'. This followed the precedent set by the third and fourth peace processes of involving the LTTE as the principal Tamil stakeholder,⁵ but the military and territorial position of the LTTE meant that the earlier asymmetry of power was replaced with a certain parity of status. However, the LTTE's position also meant that other Tamil forces in political and civil society were excluded from the negotiations. Most significantly, the Muslims – a largely Tamil-speaking community with a strong presence in the NE and an ambivalent relationship with the struggle for Tamil self-determination – were not granted any independent representation in the negotiations.

On the other side of the negotiating table, government representation turned out to be highly contentious. The presidential and parliamentary elections in 2000 and 2001 had created an unprecedented challenge of cohabitation between the UNF-government led by Prime Minister Ranil Wickremasinghe, and President Chandrika B. Kumaratunga, the leader of the Sri Lanka Freedom Party (SLFP), the main parliamentary opposition group. Although the president had formed her first government in 1994 on a promise to 'solve the ethnic conflict', had sought a negotiated solution to the conflict in 1995 and had proposed a constitutional reform for devolution of power to all provinces in 2000, intense personal and party rivalry for political power meant that the president and her party could create obstacles to the peace process. In addition to this came strong opposition from Sinhalese nationalist forces to negotiations with the LTTE, and especially to any substantial devolution of power to the Tamil-dominated areas. Foremost among these forces was the Janatha Vimukthi Peramuna (JVP), a radical nationalist party which had established itself as a third force in Sinhalese politics. Finally, the UNF-government itself had a weak political mandate, as it was forced to rely on minority parties to form a majority government and on the political opposition to pass any constitutional reform through Parliament. This meant that the government negotiators represented a weak government from a fragmented polity rather than a strong coalition for peace.

Third, the fifth peace process has been characterised by a significant involvement of a wide range of international actors. India played a key role in the first (1985) and second (1987) peace processes, as both mediator and patron to the Tamil organisations. These peace processes took place at the behest of India and without any serious commitment from the parties to the conflict. The second peace process, which produced the Indo-Lanka Accord and brought about the temporary merger of the Northern and Eastern Provinces into a single predominantly Tamil-speaking unit for the purposes of devolution of power, turned into an armed conflict between the LTTE and the Indian Peace Keeping Force (IPKF). Following this failed external mediation, no third parties were involved in the third (1989-90) and fourth (1994-95) peace processes.⁶ The third attempt arose out of an anti-IPKF strategic alliance between the LTTE and the GOSL, but failed to yield any common understanding on devolution and power-sharing. The fourth peace process was a result of an anti-war political conjuncture, which paved the way for the People's Alliance (PA) led by Ms Kumaratunge to win the Parliamentary and Presidential elections of 1994 on a peace platform. The fourth peace process began in a peace-friendly atmosphere but failed to make any substantial progress. One of the fundamental differences that could not be resolved was over the LTTE's demand for 'restoration of normal civilian life'⁷ as a prerequisite for negotiations on core issues. The talks broke down amid growing mutual distrust and hostilities resumed.

Before the actual negotiations and between the different meetings in the fifth peace process, the Norwegians facilitated communication between the GOSL and LTTE and held consultations with other stakeholders in Sri Lanka (e.g. President Kumaratunga) and abroad (e.g. the government of India). The international actors, especially the main donors, were pushing the government to seek a political settlement since 1998 and the fifth peace process enabled some of them to play an active role as stakeholders. International pressure on the LTTE to seek a negotiated settlement was also mounting indirectly through the effects of it being banned by the US, Canada, Britain, India and Australia.⁸ Post-9/11 developments in the policies of powerful Western countries and the UN on intra-state armed conflicts and terrorism might have had an impact on the LTTE too. Harsh anti-terrorist policies imposed by Western governments in particular threatened to criminalize transnational diasporic political networks, with great significance for the LTTE.

Fourth, the fifth peace process has been characterised by an unprecedented sequencing of the negotiation process. The fourth peace process was marked by a divergence between the

LTTE's emphasis on immediate humanitarian needs and the government's concern with the 'core issues' of conflict resolution. As the process failed to address humanitarian needs, there was a growing sense within the LTTE that the government was conducting a politics of duplicity that involved making symbolic gestures to appease the international community while maintaining the pressure on the LTTE and preparing for war (Balasingham 2000). Against this background, the agreement between the UNF government and the LTTE to jointly address the immediate humanitarian and rehabilitation needs of the people in the NE represented a major breakthrough. The UNP's approach was that solving the ethnic problem through political and constitutional means was simply not possible within Sri Lanka's fragmented polity (Uyangoda and Perera 2003). As a result, the UNP held that it might be more fruitful to manage the conflict in the short term, invest resources in economic development that would depoliticise nationalist demands in the intermediate term, and thereby contribute to conflict resolution in the long run. In his election campaigning, Wickremasinghe had offered to take two immediate steps once elected to power: to establish an interim council in the NE and to implement an economic package for reconstruction. These were to be done in collaboration with the LTTE, with which he had developed a sustained informal exchange of views. This had helped the UNF in building rapport and trust with the LTTE. At the same time the UNF was banking on donors to finance reconstruction. In this regard, the new government was optimistic, as it was prepared to meet the donors' peace conditionality. While the two sides agreed on the importance of meeting immediate humanitarian needs, the problematic implementation of reconstruction and rehabilitation and the aborted negotiations over the interim administration undermined the peace process.

Bringing Development in

Development entered the fifth peace process in the form of meeting immediate humanitarian and rehabilitation needs in the NE. Both parties identified three priority areas:⁹ resettling and rehabilitating internally displaced persons (IDPs); rehabilitating war-affected women and children; and providing livelihoods for war-affected people in the NE. The importance of these areas should be self-evident when viewed against the background of two decades of devastation and four failed peace processes. Over a period of two decades, the Lankan war had claimed the lives of over 65,000 people, and had left 800,000 people from the NE and bordering areas internally displaced. Aerial bombardments, land mines, constant clashes

between the state's armed forces and the LTTE, economic blockades, restrictions on people's physical mobility and bans on fishing had had crippling effects on the livelihoods and personal security of large sections of the people living in the North-East. The damage to the transportation, health, education and irrigation infrastructures was heavy albeit uneven. Thus the region's need for humanitarian assistance and rehabilitation was unquestionable.

This is not to say that relief and rehabilitation were nonexistent prior to the CFA. There were government ministries and authorities dealing with rehabilitation in limited ways in government-controlled areas. Humanitarian relief had been extended to war-affected people in both government-controlled and LTTE-controlled areas, and some international and local NGOs were also involved in relief and rehabilitation.¹⁰ However, wartime relief and rehabilitation were subject to the government's military priority of weakening the LTTE.

The CFA changed this situation for the better. When it came into force and the peace talks followed, the prospects of moving beyond wartime humanitarian relief and rehabilitation towards more comprehensive reconstruction seemed enhanced. Indeed, the government and the LTTE chose to begin with development first and move towards conflict resolution later. Along with the decision to work towards an interim arrangement, they also agreed to jointly appeal for support from foreign governments and multilateral agencies for the reconstruction of the NE. The Oslo donor conference served as a platform to launch this joint appeal. Two sessions of talks had been completed in Thailand before the December 2002 conference in Oslo. At the first session, the two parties agreed to set up a joint task force for the purpose of reconstruction. This idea was changed in favour of a joint subcommittee on immediate humanitarian and rehabilitation needs in the NE (SIHRN) at the second session in October-November 2002. The SIHRN was set up with a secretariat in Kilinochchi, which had become the administrative centre of the LTTE.

Significantly, the decision to make a joint appeal for financial support was not preceded by a dialogue between the two parties on a basic policy framework. Hence there was considerable discussion and speculation in some Lankan intellectual circles about whether the LTTE would subscribe to the neoliberal development policy to which the GOSL was fully committed. In informal discussions, some opined that being 'statist' in nature, the LTTE would not opt for an economic policy based on free markets and privatisation; they argued further that the Tigers' nationalist ideology and need to consolidate a popular base in the NE were not

compatible with the politics and economics of neo-liberal globalisation. Pointing at the rising social inequalities, inter-regional disparities and unemployment as consequences of 25 years of neo-liberalisation in the south of the country, some asserted that the Tigers would not opt for such a policy in the NE. Some pointed to past statements by Pirapaharan on economic policy, particularly to the leader's emphasis on 'self-reliance' and 'economic equality', and believed that there would be open disagreements between the government and the LTTE on the neo-liberal economic policy for reconstruction and development of the NE.¹¹ However, nothing of that sort happened at or outside the talks, where the LTTE made no statements critical of the neoliberal premises of the government's economic policy.

The first sign of the Tamil Tigers' position on economic development came in April 2002 at Pirapaharan's international press conference in Kilinochchi, when Balasingham stated that they supported 'an open market economy'. Even though he did not elaborate on this statement, it appeared that he had said enough for the government and the donors to know the LTTE's basic stand on the economy. Balasingham returned to the subject in April 2003, in his quick response to doubts raised by the US Ambassador in Colombo regarding the LTTE's stand on the economy. In an interview with Tamilnet, he stated that the LTTE was 'in favour of an open market economy based on liberal democratic values. Specific economic policies and fiscal arrangements have to be worked out in more detail in the final framework of a system of federal government at a later stage'.¹² The statement was a response to matters raised by the US ambassador in an interview about Balasingham's letter to the Prime Minister on 21 April 2000. In that letter, Balasingham had complained that the government's development policy document (titled 'Regaining Sri Lanka') and the Poverty Reduction Strategy Paper (PRSP) did not pay attention to the particularities of the war-ravaged NE. He charged that 'Regaining Sri Lanka' totally ignored the NE and concentrated on the South, while the PRSP failed to address the poverty of the NE as distinct from the rest of the country. He used the interview to clarify the LTTE's position and to make a distinction between the immediate problems faced by the Tamil people and the long-term economic development of the Tamil areas. He said that the LTTE's concern at that point was to 'pressure the government to realise the urgency of the existential issues faced by the people'. This clarification must have allayed the American ambassador's doubts about the LTTE's view of the future development of the NE as Balasingham, while calling particular attention to the problems of the war-torn NE and reiterating his organisation's commitment to the fundamentals of mainstream policy. It must have been comforting to the government too, as

'Regaining Sri Lanka' and the PRSP had provoked widespread criticism and opposition from trade unions and social movements in the South. The World Bank had become a major target of sustained campaigns against these policy documents.¹³ The LTTE, however, was cooperating with the World Bank, the Asian Development Bank and other donors in field investigations and project identification in the NE. The donors were moulding the reconstruction policy.

Donor-driven Reconstruction

Regarding policy, the government's position was transparent. It was a matter of extending the neo-liberal approach followed since 1977 to the NE, but with due consideration given to the transitional needs of integrating a hitherto excluded war-torn area into the mainstream. The World Bank, which had formulated a global framework for 'post-conflict reconstruction', was willing to provide professional assistance in this regard (World Bank, 1998). The Bank's policy, which is also shared by other donors, is to intervene early in the peace process in order to 'support' post-conflict development. The Bank had already had a long and conspicuous presence in Sri Lanka, and was already funding the ongoing North-East Irrigated Agriculture Project (NEIAP), which involved the rehabilitation of small tanks and farming communities dependent upon them in the more secure areas of the NE. Bank officials had also developed contacts with the LTTE's political and rehabilitation wings. The Bank, therefore, was well placed to intervene at the very beginning of the peace process when reconstruction was at the top of the agenda.

The Bank's 'framework' sets out the tasks of reconstruction in technocratic, apolitical terms. Invoking the Bank's articles of agreement, the framework states that 'the Bank is not in charge of peacemaking or peacekeeping' and it 'does not question the political character of a member and should not interfere in the domestic political affairs of a member' (World Bank, 1998: 3-4). The disclaimer and the depoliticised technocratic language notwithstanding, the tasks of reconstruction, which the Bank and other donors were addressing, had much to do with domestic politics involving diverse forces. In the first place, reconstruction was inseparably linked to the LTTE's political demand for an interim administration for the NE. This was a controversial political issue in the country, with the opposition parties condemning the government for even entertaining the idea. The Bank and other donors were in favour of

an interim arrangement to deal with reconstruction. In addition, reconstruction never takes place in a policy and institutional vacuum. The Bank's framework speaks of, among other things, 'governance' and 'restoring law and order and enabling the organizations of civil society to work effectively' (World Bank , 1998: 4). These are political statements under normal social-science reasoning, but the Bank presents them as parts of its economic conditionalities.¹⁴

From the point of view of the World Bank and other international financial institutions (IFIs), the chief task in the Sri Lankan transition phase was to direct interventions into the war-torn region in order to integrate it into the mainstream development process. This transition from war to peace was actually a transition from a state of pre-structural adjustment towards one of structural adjustment. The NE had missed the 'adjustment' the rest of the country had been going through since August 1977. By December 2001, when the UNF was returned as the ruling party in parliament, Sri Lanka's largest donors (Japan, the Asian Development Bank and the World Bank) had included peace as a condition for future aid and reconstruction/rehabilitation of the NE as a priority. Until the late 1990s, these donors had regarded the war as an internal problem and chose to leave it out of the negotiations on development assistance (Ofstad 2002). In practice, their aid policies amounted to an endorsement of the government's military strategy and the exclusion of the NE from major development programmes.¹⁵ The government's strategy was one of geographically containing the armed conflict in the Tamil-speaking NE while implementing economic liberalisation in the rest of the country. For years IMF and the World Bank were indifferent to this approach and the rising defence expenditure it entailed, while insisting on overall cutbacks on public expenditure. Prior to 1998, the main concerns expressed by the IFIs had been about the slow progress in privatisation and other aspects of the prescribed economic reforms, poor implementation of projects funded by them and the excessive budget deficit.¹⁶

In the late 1990s, however, the attention of the donors turned towards the armed conflict and its impact on the economy and the government's capacity to implement economic programmes. The need to find a peaceful resolution of the conflict began to be stressed by the donors at the annual Sri Lanka Development Forums. At the 1998 Forum, the World Bank and other donors expressed great concern about the lack of progress towards a political solution (Ofstad 2002). The donors stated their position more candidly at the 2000 Forum in Paris, where they declared that 'social exclusion driven by ethnicity, language and religion

had resulted in reduced opportunities over decades and created the extreme tensions which drove the conflict'¹⁷ and told the government to develop a proper strategy for peace-building within the donor-funded programmes.¹⁸ Prior to this forum, the World Bank had more explicitly stated the 'peace conditionality' when it declared that 'realizing Sri Lanka's enormous potential will first require an end to the war', before going on to remind the government of the need for a 'second wave of reforms' aimed at 'accelerating privatisation and strengthening public institutions' (World Bank, 2000). The donors were pleased to see the UNF with its 'peace and economy first' manifesto returned as the ruling party in December 2001. The United National Party (UNP), the leading partner in the UNF, initiated the 'open economy' policy and followed it for 17 years before losing the 1994 general elections to the People's Alliance (PA). Compared with the PA, it has always had a good working relationship with the World Bank and IMF.¹⁹ From the donors' viewpoint, the PA government scored badly in running the economy as well as handling the conflict.

The UNF government, however, was not in a position to reduce defence expenditure, as demobilisation was out of the question in the short run. This made the government even more dependent on foreign aid for its peace and reconstruction projects. The CFA led to an unrealistic expectation regarding defence expenditure in the country, especially in the NE. The Lankan media reported speeches by the Prime Minister and other government leaders that a 'peace dividend' was in the making and the people would benefit from new investments. This raised the expectation that the new government would drastically reduce military expenditure and divert the funds thus saved to support resettlement and rehabilitation. This move was in turn expected to induce the LTTE to move away from preparing for war and result in a supportive environment for private investment, reconciliation and peace-building.

However, the first budget (2002) of the UNF government put a damper on such expectations, as the allocation for defence constituted the single largest public expenditure.²⁰ The government countered that it was simply maintaining the defence system and not spending money to buy new weapons, and the donors did not object. They were engaging the government and the LTTE on matters pertaining to resettlement, development and peace-building, hoping that their peace conditionality and involvement in development would increase the incentive for the protagonists to reach a negotiated settlement (Sriskandarajah 2003). In close collaboration with the government's bureaucracy and in consultation with the LTTE, the donors produced reports and commissioned special studies on various aspects of

development of the NE and peace-building in Sri Lanka.²¹ The whole exercise of information gathering and needs assessment became donor-driven, in anticipation of the major donor conference scheduled for June 2003 in Tokyo. Regarding 'needs assessment', the main document for the Tokyo donor conference was prepared by the Multilateral Group, which consisted of the World Bank, the Asian Development Bank and the UN, with the participation of the government and the LTTE (Asian Development Bank, United Nations, World Bank 2003). By this time, the SIHRN had run into legal and operational hitches, to the disappointment of the LTTE. It lacked the legal status to receive and disburse funds and, moreover, there were no clear procedures regarding its relationship to government's line ministries and other institutions dealing with development; the SIHRN was virtually crippled as a result. It did make an effort to prepare a rehabilitation programme for the NE, but was unable to make much progress due to the lack of financial and professional resources.

The Tokyo conference on 'Reconstruction and Development of Sri Lanka' took place on June 9-10 without the LTTE's participation and with Japan, Norway, the US and the EU as co-chairs. The participants included representatives from 52 countries and 21 international agencies. It was a major international event in the Lankan peace process, although not all the countries represented were among Sri Lanka's donors. The GOSL, Norway and Japan worked until the last minute to persuade the LTTE to send a delegation to the conference but did not bear fruit. The Tigers were firm and reiterated their position that 'in view of the upcoming donor conference in Japan, the LTTE leadership is of the view that an efficient, radically new administrative mechanism should be instituted immediately, without delay, with wide powers to expedite the resettlement, rehabilitation and reconstruction works in the Northeast'.²² Furthermore, the LTTE also wanted the newly proposed North-East Development Fund (NERF) to be legally constituted without delay so that funds could be channelled through it for projects. With the assent of the GOSL, the LTTE had proposed the World Bank as the custodian of NERF. The Bank was willing to take on the role, and representatives of the Bank and the SIHRN signed a letter of intent on 28 February 2003.

In Tokyo, the donors collectively pledged foreign aid of approximately USD 4.5 billion over the four-year period 2003-2006 and closely linked it to 'substantial and parallel progress in the peace process towards fulfilment of the objectives agreed upon by the parties in Oslo'.²³ They called upon both parties 'to enter into discussions as early as possible on a provisional administrative structure to manage the reconstruction and development aspects of the

transition process'. They wanted the peace process to follow an expeditiously developed 'roadmap with clear milestones indicating the path towards a mutually acceptable final political solution',²⁴ and further stated that the international community intended to review and monitor the progress of the peace process closely.

The Government-LTTE Rift

The government declared that the Tokyo conference was a success because of the large amount of aid pledged. In his concluding speech at the conference, the Lankan Prime Minister confessed that even the most optimistic among his delegates would not have expected the 'massive, overwhelming indication of support from the donors'. He spoke of the 'uniqueness of the international community's support' and its 'uncommon faith' in his government's ability to move forward.²⁵ Not surprisingly, the Tamil Tigers had a different view of the Tokyo conference, rejecting the 'Tokyo Declaration' as 'totally unacceptable' as they were not a party to the deliberations, and accusing the GOSL of trying to 'superimpose' on them its own agenda with the support of international donors. They further charged that the government had shifted from third party facilitation to forming an 'international safety net' in order to pressure the LTTE into accepting unacceptable conditions. They repeated their position that an interim administrative arrangement in which the LTTE had a key role should be established.²⁶ The LTTE saw no point in international fund-raising when it did not have a legally constituted instrument under its control to receive the funds for reconstruction. So the inability of the government and the LTTE to jointly deal with the 'immediate' humanitarian and rehabilitation needs was not due to any difference in economic policy or lack of funds. The 'immediate needs' of the war-torn NE could not be met due to the lack of appropriate administrative mechanisms acceptable to both parties.

However, there are other developments which must also be taken into account if we are to obtain a more complete understanding of the emerging GOSL-LTTE tension. The LTTE was increasingly unhappy with the way the peace process was internationalised, as it felt that it was given a far lesser status than the government (and was not even recognised by countries such as the US and Britain, which had banned the organisation). As a signatory to the bilateral CFA, and the only party representing the Tamils of the NE at the peace talks²⁷, the LTTE

regarded itself as an equal of the government, which it saw as the representative of the rest of the island. The LTTE, therefore, had expected the international actors to treat it on equal terms with the government. However, the experience in practice was rather different, and the reaction from the Tigers was to reiterate their demand for a legally constituted interim administration under their control.

From the beginning of the peace process, the LTTE endeavoured to gain international recognition as the legitimate representative of the Tamil people. Its well-organised international network of expatriate Tamils in Western countries lobbied governments, political parties, NGOs and individuals to gain political recognition for the organisation. The LTTE's political wing became more active and adapted to receive and entertain a flow of foreign politicians, diplomats and representatives of donor organisations. With financial support from Norway and Japan they established a Peace Secretariat in Kilinochchi as a counterpart to the government's Peace Secretariat in Colombo. The leader of their political wing kept assuring the foreign visitors that they were fully committed to peace and a negotiated settlement based on internal self-determination. Although the Tigers made use of the opportunities opened up by the peace process to develop channels of communication with American and British officials, the proscription by the US, Britain and India remained a major obstacle to their endeavours. The government, on the other hand, had good relations with these countries and claimed that they constituted an 'international safety net'. The Prime Minister used this as a propaganda point in the South, to counter criticism from Sinhala nationalists that he had conceded too much to the Tigers who, it was argued, were taking advantage of the ceasefire to amass weapons and recruit fighters. The Sinhala critics were told that the world's superpower (the US) and the regional power (India) were behind the GOSL in the event that the LTTE ended the cease-fire and returned to military operations.

The Tigers took the Prime Minister's move as an open display of distrust and, perhaps, a hostile act at a time when they felt that they had shown their willingness to work towards a political solution. The refusal of the US to lift the ban on the LTTE, and the regular admonitions from Washington and its ambassador in Colombo to the Tigers to renounce violence, were taken as clear signs that the US was backing the government and not prepared to treat the LTTE as an equal partner in the peace process.²⁸ Finally, the government's decision to attend the Washington meeting on the peace process without the LTTE compounded the latter's exasperation. In his letter of 21 April to the Prime Minister,

Balasingham pointed out that the government and the Norwegian facilitators, being fully aware that the US had legal constraints which prevented the invitation of the LTTE's representatives to the Washington meeting, should have chosen a different venue in order to enable them to participate. Thus, he accused the government of marginalizing his organisation 'in approaching the international community for economic assistance' and thereby committing 'a grave breach of good faith'.²⁹

Resettlement and Livelihood Development

In the meantime, resettlement and livelihood construction needs expanded with the voluntary return of over 300,000 internally displaced persons as well as some of those who had sought refuge in India to their original residences in the northern districts of Jaffna, Mannar, Vavuniya and Mullaitivu. The returnees were encouraged by the CFA and the much-publicised news that the resettlement of the displaced people was to be addressed as an immediate priority. However, the return of the displaced was too rapid and large-scale for the institutional, logistical and physical conditions existing in the northern districts. The SIHRN was a non-starter, and the peace talks had stalled without any prospect of institutionalising the NERF. The 'immediate needs' which the two sides set out to meet had increased by leaps and bounds even before they could establish any organisational arrangements or the financial needs. In April 2003, a needs assessment study reported that conditions were not yet conducive to large-scale resettlement of the displaced. It highlighted obstacles to resettlement such as the High Security Zones (HSZs), land mines, lack of infrastructure and services, unresolved land and property rights issues including landlessness and the continued uncertainty over security (Asian Development Bank, United Nations, World Bank 2003). In addition, there was the long-felt need for assistance to poor non-displaced families to rebuild their livelihoods.

Most of the voluntary returnees were poor, and they had expected immediate financial and other forms of assistance from the government to resettle in their homes and rebuild their livelihoods. They were aware that they were entitled to a resettlement package known as the 'Unified Assistance Scheme', but the government's agencies in the NE had neither the capacity nor the funds to extend this assistance to the vast majority of the returnees. According to an official responsible for rehabilitation in Jaffna, the lack of funds was a

serious problem that threatened to undermine durable solutions for the returning population and raised the risk of the peace process losing what popular support it had. However, this was part of a much larger problem, involving the LTTE's demand for interim power-sharing on one hand and the lack of capacity to handle resettlement and livelihood needs on the scale they reached within the first year of the CFA on the other. But the two sides were unable to resolve the first problem in order to address the others.

In these circumstances, resettlement and livelihood revival depended largely on the resourcefulness of the individuals and families concerned. The CFA had opened up some opportunities for individual initiatives to rebuild dwellings and livelihoods in the NE. Families that had their own savings or received remittances from relatives and friends abroad were able to re-establish themselves more easily. The poorer families, especially those who did not receive any support from the state or NGOs, were worse off. It should be noted, however, that even though the peace process was stalled, the LTTE's political and rehabilitation wings collaborated with NGOs and informally with governmental agencies in resettlement and rehabilitation. So it is not correct to say that rehabilitation and resettlement were at a complete standstill in the NE due to the failure of the negotiations to produce a mutually acceptable interim administration.

However, there were major problems due both to the impasse in the peace process and to logistical constraints. The government's refusal to dismantle or minimize the HSZs in Jaffna denied the evicted people the right to return to their homes and means of livelihood if they were located in these zones. This refusal became a major issue leading to a standoff between the LTTE and the Government. The Sri Lankan military leadership was opposed to any move to dismantle or shift the HSZs in Jaffna as that would alter the pre-CFA balance of military power in favour of the LTTE. They suggested that dismantling might be considered if the Tigers were willing to decommission. This was rejected by the LTTE. Finally both sides agreed to postpone the matter, as they were unable to reach a compromise. The displaced families had no option but to stay in camps or find alternative housing on their own.

The Interim Administration Controversy

The major reason for the stalling of the fifth peace process is to be found in the controversies surrounding the interim administration for the Northeast. The LTTE saw an interim administration with a fair degree of autonomy and a guaranteed position for the LTTE as an absolute necessity to ensure the fulfilment of both short-term development needs and long-term demands for internal self-determination. The Sinhalese opposition (including the president) feared that the interim administration would constitute a first step towards secession and hence saw it as a threat to the sovereignty of the unitary Sri Lankan state. The GOSL was able to propose only minimalist institutional reforms within the framework of the existing constitution. The UNF government's approach to the peace process was to normalise development as a step towards a permanent peace agreement. The assumption was that normal development would depoliticise Tamil nationalism and transform secessionist politics into a demand for autonomy which would be compatible with the unitary state. Alternatively, the positive impacts of peace and the related scaling-down of LTTE demands would attract sufficient political support from the opposition to ensure modest constitutional reforms. If these were the expected results, the strategy had failed to yield them. Instead there was a revitalisation of the stand taken by the LTTE.

From the LTTE's point of view, the government was unable or unwilling to offer an acceptable interim administrative arrangement. The SIHRN became defunct due to lack of legal authority to receive and disburse funds. The NERF was prevented from functioning as a result of similar legal obstacles, even though the World Bank had agreed to be its custodian and Norway had offered a direct grant of 1 million Norwegian crowns to the Fund. The LTTE rejected the alternative proposals put forward by the government on the grounds that they were limited in scope and failed to provide for 'greater participation of the LTTE in both decision-making and delivery of the tasks of rebuilding the war-damaged economy and restoring normalcy in the Tamil-speaking homeland'.³⁰ Framed within the existing laws of the land, the mechanisms proposed by the government were limited to advisory, planning and coordinating functions regarding development projects in the interim phase. Moreover, the Lankan constitution is too centralist to allow the establishment of an interim authority in the NE with autonomy in financial matters, and in particular the kind of autonomy which the LTTE was pursuing (i.e. for the LTTE or its appointees to have authority to make decisions). Thus the LTTE's interim demand appeared to impinge on the core issue of constitutional reform for power-sharing. However, the Tamil Tigers rejected the constitutionalist reasoning as they considered the constitution to be part of the problem. A Tamil member of parliament

argued for an extra-constitutional interim mechanism in June 2003, pointing to the fact that the CFA had no basis in the laws of Sri Lanka but had held for 15 months. The government should in the same way 'look beyond the constricting parameters of the constitution' to set up an interim mechanism for rebuilding the NE, he proposed. He argued further that since the Tamils were not a party to the unitary constitution and had steadfastly refused to endorse it, they were justified in seeking an extra-constitutional interim mechanism.³¹

The UNF government found itself severely constrained by constitutional as well as political factors in its attempts to satisfy the LTTE's demand. It had only a thin majority in parliament, insufficient to enable it to pass an amendment to the constitution. It appeared to be unwilling to adopt an extra-constitutional approach in the face of mounting opposition from the executive president, the Sri Lanka Freedom party (SLFP) which she led, the populist JVP, which had become an ally of the SLFP, and the other Sinhala nationalist groups. However, Wickremasinghe tried to downplay the growing rift between his government and the LTTE on the issue. On the eve of the Tokyo conference, he told Reuters that the differences between the two sides were not large, and that his government was prepared to work around the constitution's restrictions.³² The turn of events proved him wrong.

The controversial issue of an interim administration in the NE needs to be contextualised with reference to the LTTE's conception of Tamil nationhood and the politico-military realities of the NE. The legitimacy of the LTTE's demands cannot be understood without reference to the outcome of the armed struggle and the alternative power structures which the Tigers had so labouriously created. The Tigers have always insisted on the recognition of three basic principles as a condition for talks with any Sri Lankan government:³³ Tamils are a nation; they have an identifiable homeland; and hence they have the right to self-determination. Subsequently, prior to the fifth peace process, the LTTE added the condition that it should be recognised as the sole representative of the Tamil people. While the two-party character of the CFA and the negotiations which followed recognised the LTTE as the sole representative of the Tamil people, the Tigers regarded the ISGA as a necessary step towards the fulfilment of the three principles. The LTTE did not want an interim arrangement that would pave the way for the bureaucratic structures of the Lankan state to take over rehabilitation and development tasks in the NE, thereby undermining or marginalising the LTTE's own structures, including their administrative arms in the NE. The Tigers were not prepared to agree to any arrangement which would revitalise and lend legitimacy to the weakened institutions of the

unitary state in the name of meeting immediate humanitarian and rehabilitation needs. They demanded a legitimate instrument to direct development in the interim phase, principally through their own structures, while minimising the role of the existing state institutions in the NE. In a hard-hitting letter to the prime minister concerning the latter's proposal of an interim structure in May 2003, the LTTE's chief theoretician Balasingham wrote:

‘Situating the development structure within the parameters of the constitution you have effectively placed the proposed institution under the authority of your office and Parliament. Having completely rejected our suggestion for an interim administrative structure with significant role for the LTTE, your proposal clearly states that the ‘administration of the Northeast is the responsibility both of the Northeast Provincial Council and the central government’. *In this context you have conveniently ignored the stark reality that the LTTE runs a de-facto administration of its own vast tracts of territories under its control in the Northeast.*

As you are aware we have been critical of the functions of multiple government structures and agencies that work at cross purposes at various levels of administration and have created serious impediments for rehabilitation and development activities. We are of the opinion that the proposed new structure for rehabilitation and development will turn out to be a new apex bureaucracy administratively linked to several other inefficient and defunct state agencies and mechanisms and will not be able to carry out the immense humanitarian tasks efficiently (Balasingham 2004: 453, emphasis added)

The tone suggests that the LTTE was speaking from a position of strength. Balasingham also makes plain the Tigers' lack of faith in state agencies such as the North-East Provincial Council (NEPC). Unlike other such entities in the country, the NEPC is not an elected body, and is instead headed by a governor appointed by the president; the provincial ministries and departments operate under the direction of the governor, who is answerable only to the president. Elections to the Council have not been held for many years. The LTTE had long ago rejected the Provincial Council as an inadequate arrangement for devolution as it was subject to decisions by parliament (part of the central government), which could at any time with a simple majority choose to curtail the autonomy of the Council.³⁴ Moreover, in its present form the NEPC is directly under the control of the executive president, an arrangement that the LTTE regards as even more unacceptable.

The stark reality in the NE was that there were two structures of power, which had been locked in armed conflict prior to the CFA of February 2002. In fact, this situation of dual

power was an outcome of the armed conflict that began in 1983. The LTTE today runs a de facto state, which has military, administrative, policing, judicial and revenue-raising structures, as well as political, development, social welfare, environment and cultural wings. Even though it is located in the areas controlled by the LTTE, the power of the de facto rebel state permeates society and institutions throughout the entire NE, including those of the Sri Lankan state. The LTTE uses a range of practices, including persuasion and intimidation of government officials, to informally control the administrative structures of the Lankan state in the NE. The state's administrative structures in the NE have been seriously weakened during the past two decades due to loss of personnel, lack of capacity building, subordination of the civil administration to the state's military command and its priorities and the dominance of the LTTE's structures in the region. The presence of the LTTE in the government-controlled areas has increased dramatically since the signing of the CFA, under which its unarmed members could move freely and carry out political work in government-controlled areas. The Tigers have set up political offices in most areas of the NE. They have brought most of the local NGOs under a coordinating centre which they control. They organize meetings and discussion groups on different aspects of development of the Jaffna peninsula, Vanni and the east. Their tax collection system functions throughout the NE, and make no apologies for the taxes they impose on goods already taxed by the government, even though people resent the double taxation. It is common to hear government officials in the NE say that they worked for 'two masters', their formal superior and the LTTE, which is often the 'real boss', as a field officer put it. Such statements reflect not only the existence of a dual power structure but also the greater power wielded by the LTTE on the ground.

For the LTTE, an interim administration would have represented a measure of political and legal recognition of its de facto status as the pre-eminent power in the NE. The ISGA proposed in October 2003 gives a clear idea of the extent of power the LTTE wished to have in the interim phase (LTTE 2003). Under this proposal, the ISGA would have consisted of members appointed by the LTTE, the government of Sri Lanka and the Muslim community in the NE, with the LTTE appointees forming an absolute majority. The chief executive would have served as the chairperson, elected by a majority vote of the ISGA. The authority's jurisdiction is spelled out clearly:

'The ISGA shall have plenary power for the governance of the NorthEast including powers in relation to resettlement, rehabilitation, reconstruction, and development including improvement and upgrading of existing services and facilities...raising

revenue including imposition of taxes, revenue, levies and duties, law and order, and over land. ... These powers shall include all powers and functions in relation to regional administration exercised by the GOSL' (LTTE 2003: 5).

Regarding natural resources 'the ISGA shall have the power to alienate and determine the appropriate use of all land in the Northeast that is not privately owned' and 'control over the marine and offshore resources of the adjacent seas and power to regulate access thereto' (LTTE 2003: 7). The proposed ISGA would have its funds in three institutions, NERF, the North-East General Fund and the Special Fund.

The proposal reflects the LTTE's conception of internal self-determination and power-sharing founded on its claim to be the sole representative of the Tamils of the NE. The place given to Muslim representation was probably intended to placate that community with which the Tigers have had a bad relationship for many years. The attacks on Muslims in the East (in retaliation for attacks by Muslim home guards on Tamils) and the expulsion of the northern Muslims in October 1990 by the LTTE had damaged the centuries-old harmonious coexistence of Tamils and Muslims, who shared a common language and a homeland in the NE. Tamil-Muslim tensions had turned violent in the east after the commencement of the peace process, in part due to the machinations of forces opposed to the peace process (Japan Bank for International Cooperation 2003). The Sri Lanka Muslim Congress and other Muslim organisations in the NE had been demanding a place for Muslim representatives in negotiations. The representatives of the government in the proposed ISGA were assumed to be representatives of the Sinhalese living in the NE. The LTTE seemed to have realised that any proposal for an administration for the NE under its control had little or no chance of being considered at the negotiating table if it failed to recognise the region's multi-ethnic composition and the significance of the Muslim population.

The ISGA proposal is useful as an authentic statement of the LTTE's view of power-sharing in the interim phase and beyond. While providing the LTTE's answers to the shortcomings of the SIHRN and the proposals offered by the government, it goes farther, specifying the principles that the Interim Administration would have to be based on in order to be acceptable to the Tamil Tigers. The immediate reaction of the government to the proposal was not positive, while the president rejected it outright, and proceeded to dismiss three key ministers and dissolve parliament. One of the justifications given by the LTTE for an interim administration as an initial step was that the UNF government's parliamentary position was

too weak to enable it to make the necessary constitutional changes that would lead to a final political settlement. Pirapaharan himself made this point at his press conference in April 2002. However, it proved impossible even to begin the interim phase, as the controversy over an interim administration came to centre on constitutional issues and the alternatives put forward by the LTTE provoked drastic presidential intervention in the name of protecting national sovereignty. To understand this, some final remarks about the dynamics of Sri Lankan politics are necessary.

Political Dynamics and Transformations

Sinhalese politics have evolved as an intra-elite rivalry between two main forces: UNP and SLFP. Historically, the former has been ideologically right-wing and leaning towards market-led strategies of development, while the latter has been left of centre and state-oriented in terms of the development strategies it supports. Both have had to rely on other parties to form government coalitions: typically the UNP would work with ethnic minority parties (Tamil and Muslim), while the SLFP would cooperate with leftist parties such as the Lanka Sama Samaja Party (LSSP), the Communist Party (CP), and more recently the JVP (and intermittently in the past with Muslim and upcountry Tamil parties). With the rise to hegemony of ethnic identities in Sri Lankan politics and market-led development strategies, the ideological differences between the two parties have been reduced.

In the absence of political differences, the symbolic capital which political leaders possess has become more important. This capital originates in the personal fame and status of individual leaders, the use of ethno-nationalist discourse for mass mobilisation, and the ability of individual political patrons and networks to extend patronage. This system has generated intense rivalry between individuals, factions and parties within Sinhalese politics. Indeed, it can be argued that the dynamics of this rivalry have played an important role in creating and furthering conflicts in post-colonial Sri Lanka (Stokke 1997, 1998).

This constellation of political forces has important implications for any attempt at conflict resolution in Sri Lanka. An important recurrent pattern has been that attempts to create workable peace arrangements with the LTTE based on a degree of power-sharing have been opportunistically challenged by the political opposition in the South. Moreover, the opposition

has always used majoritarian Sinhalese nationalism to mobilise popular support against any step towards power-sharing or regional autonomy. This has been especially clearly illustrated through President Kumaratunga's interventions in the fifth peace process, but the UNP's opposition to the fourth peace process followed the same pattern. On the one hand, this political practice undermines any government peace initiative, given that recent governments have been based on relatively weak coalitions in Parliament, falling short of the required two-thirds majority to make constitutional changes. On the other hand, it has also contributed to reinforcing Tamil nationalism and demands for Tamil nationhood.

In an environment of intra-elite rivalry and political fragmentation in the south, any coalition which comes to power will seek to depoliticise Tamil demands and bring Tamil areas and organisations into 'normal' politics and development. The experiences of the fourth and fifth peace processes illustrate this. For the Kumaratunga government, the means for achieving this was a constitutional devolution of power to all provinces without granting any special status to the NE as the 'traditional homeland of the Tamil nation', as claimed by the LTTE and other Tamil parties. The UNF strategy has been to bring the NE into mainstream development with the assistance of international aid. Both have been met with firm resistance from the LTTE, which insists that the basic principles of Tamil nationhood, homeland and self-determination must be recognised.

The UNF lost the general elections of April 2004 to the United Peoples' Freedom Alliance (UPFA), a coalition formed by the SLFP and the JVP. This means that political forces that were strongly opposed to the fifth peace process, in particular the JVP, now hold positions of power which may be used to prevent or divert new peace initiatives. However, the new UPFA government does not have an absolute majority in parliament. Its survival depends on winning the support of some of the smaller parties in parliament. Having lost the election of the speaker of the house to the opposition, the president and other senior leaders of the SLFP began talking to Muslim and Tamil parties to garner support to reach an absolute majority and ensure the survival of the UPFA government. This move necessitated a shift in the UPFA's stand on the peace process. At the time of writing (May 2004), the new GOSL has taken steps to re-start the peace process, despite continuing tension within the UPFA and deep distrust between the present government and the LTTE. The president made a formal request to the government of Norway to resume its role as facilitator while her foreign minister announced that the new government was prepared to recognise the LTTE as the sole representative of the

Tamils and to discuss the ISGA proposal. These decisions amounted to a dramatic rebuttal of the stand taken by the president and the UPFA against the fifth peace process. The main plank of the UPFA's election campaign was that the UNF had mishandled the peace process and compromised the country's sovereignty. UPFA leaders accused the Norwegian facilitators and ceasefire monitors of being partial to the LTTE and wanted them sent home. They refused to accept the LTTE as the sole representative of the Tamils and rejected the ISGA proposal. However, soon after the elections, the UPFA reversed its stance on all of these campaign positions and was desperate to re-start the peace process. The new government has also indicated that there would be no basic change in economic policy.

Although the fifth peace process failed to achieve functional mechanisms for interim administration and development in the NE, it still constitutes an important point of departure for this new initiative. The significance of the external imperative, i.e. the peace conditionality of the donors, and the indispensability of international facilitation are quite apparent. The President's post-election moves were signals to the international stakeholders that the government would do whatever it could to 'jump start' the peace process and find an interim arrangement to meet the immediate development needs in the NE, in return for receiving the much-needed foreign aid. They also met the LTTE's conditions for returning to the negotiations. The fifth peace process has set the stage for the internationalisation of conflict resolution in Sri Lanka. The donors' peace conditionality and international facilitation have become parameters that cannot be ignored by any government of Sri Lanka in the current context. However, uncertainties remain regarding the internal context. Already, there are signs that the JVP is unhappy with the UPFA's peace initiative. The other more extreme nationalist formations, including the Buddhist clergy, have condemned the new initiative as a repetition of the UNF's approach. The UNF, now in opposition, has called the UPFA's call for peace talks a sham which is merely aimed at pleasing the donors enough to persuade them to release urgently needed funds. The relations between the UPFA and LTTE leave much to be desired in terms of the rapport and mutual trust required to sustain negotiations that are likely to be tough and protracted. The LTTE has said that the talks should be based on the ISGA proposal and should focus on the immediate humanitarian and rehabilitation needs. The two are inseparable for the LTTE, which has dismissed the President's proposal to conduct parallel talks on core issues to find a permanent solution as pointless, since the government does not have sufficient votes in Parliament to bring about constitutional changes. But the ISGA proposal had already raised constitutional issues. The question is whether the new initiative

will be sufficiently far-reaching and thus capable of yielding tangible results. There are no signs yet of a realignment of political forces which would create an environment capable of sustaining a peace process long enough to produce a viable outcome in Sri Lanka. In the meantime, the 'immediate' humanitarian and rehabilitation needs of the people in the NE will remain a secondary issue.

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¹ Encouraged by this political breakthrough, donors at this conference made an initial commitment of USD 70 million for rehabilitation. Even though this was a small amount in comparison with the total rehabilitation needs of the NE, the government and the Tamil Tigers interpreted it as a positive gesture from the donors, understanding that they wanted to see progress in the peace process before making major commitments.

² A situation of dual power was already in existence when the fourth peace process began. However, in the years preceding the fifth peace process, the LTTE had expanded the areas under its direct and indirect control, and developed more elaborate and formalised organs of power.

³ Throughout the late 1990s and after 2000, Sri Lankan and foreign media frequently reported on the increasing numbers of deserters from the armed forces and the failure of the government's recruitment drives to achieve their targets.

⁴ The National Peace Council took the initiative in this regard together with the Marga Institute (a non-governmental research organisation in Colombo). The study, entitled 'The Cost of War', was used by peace groups in their campaigns and also received wide publicity in the local media (National Peace Council 1998).

⁵ Indeed, it can be argued that the negotiations were de facto conducted between the governments of India and Sri Lanka, while the Tamil organisations had their influence severely curtailed.

⁶ For detailed treatment of Sri Lanka's ethnic conflict and past peace processes, see Bose (1994), De Silva (1998) and Loganathan (1996). See also Chapter 4 (Peace Processes: Past and Present) in Japan Bank for International Cooperation (2003).

⁷ 'Restoration of normal civilian life' was one of the phrases used in the official communications from the LTTE leader Pirapaharan to President Kumaratunge. For a documentation of the correspondence between Pirapaharan and Kumaratunga prior to and during the abortive peace talks of 1995, and the LTTE's assessment of the peace process, see Balasingham (2000).

⁸ The bans in the US (1997), Canada (2001), Britain (2001) and Australia (2001) had serious implications for the LTTE's international fund-raising and political campaigns conducted by the large numbers of its Lankan Tamil supporters living in these countries. During 1995-2001, the Kumaratunge government actively lobbied the

governments of these and other Western countries, where resident Lankan Tamils were engaged in fund raising and campaigning for the LTTE, to ban the organisation as 'terrorist'. The US was the first to respond. India banned the LTTE in 1992 after the assassination of Rajiv Gandhi by a female suicide bomber from the LTTE. The bans internationally disadvantaged the LTTE vis-à-vis the government.

⁹ Statement of the Royal Norwegian Embassy, Colombo, 3 November 2002.

¹⁰ The international NGOs include CARE, World University Service (WUS)-Canada, Forut (Norway) and Save the Children (UK and Norway). GTZ, an agency funded by the German government, was involved in rehabilitation of local infrastructure and clean drinking water projects. Domestic NGOs such as Sarvodaya, Sewa Lanka and several smaller organisations were also involved in rehabilitation work in the NE.

¹¹ The first author refers here to discussions with academics and political observers in Colombo and Jaffna. He had also carried out fieldwork in the NE on war and rural livelihood recovery at different times in 2001-2002 and had many opportunities to join informal discussion groups and also speak at seminars and workshops in Colombo on the peace process and development of the NE in 2002-2003.

¹² Tamilnet, <http://www.tamilnet.com/> (last visited April 25, 2003). For the interview with the Ambassador, see *The Lanka Academic* <http://www.theacademic.org> (last visited April 24, 2003).

¹³ The Movement for National Land and Agricultural Reform (MONLAR) spearheaded a million-signature campaign against Regaining Sri Lanka and the PRSP. The Alliance for the Protection of National Resources and Human Rights, a coalition of 130 trade unions, farmers', fishermen's and women's organisations and left-leaning and environmental groups, has conducted sustained campaigns throughout the country outside the NE against 'Regaining Sri Lanka' and the PRSP. For relevant information see: <http://www.geocities.com/monlarsrilanka/publications/documentsandstatements/documentsandstatements.htm>

¹⁴ In the early 1990s the Bank added the notion of 'good governance', covering public sector management, transparency, accountability and the legal framework (rule of law) to the 'economic' conditionalities of structural adjustment. This addition was expected to facilitate more successful implementation of structural adjustment programmes in countries in which they failed to show expected results in the 1980s. The 'good governance agenda', as noted by Uvin (2002) 'was explicitly designed to be the complement, the political extension, of structural adjustment'.

¹⁵ In fact, donors had supported development projects that had adverse effects on ethnic relations even before the advent of the war. The massive Accelerated Mahaweli Project launched by the UNP government soon after it came to power in 1977 was a case in point. Originally this project had a time horizon of 30 years and included Tamil majority areas. However, the Accelerated version telescoped the time horizon to five years and excluded the Tamil majority areas.

The project created inter-ethnic tensions and a deep feeling of exclusion among Tamil farmers in the border areas (Bush 1999, Shanmugaratnam 2002). In its 'Country Assistance Evaluation' of January 2001, the World Bank admitted that its assistance 'had not been sufficiently supportive of ethnic harmony' and stated that the 'conflict areas of the North and East, where the Tamil-speaking population lives, however, did not benefit from Bank-supported projects (in fact, through the early 1980s, the Bank actually supported unbalanced resettlement and irrigation investments)' (World Bank, Sri Lanka 2001: 9 para 2.17).

¹⁶ Regarding the budget deficit, the IMF had advised that it should be kept below 8.5 per cent of GDP. The government had to set out the budget in light of this constraint and the overall conditionality of the IFIs that public expenditure should be reduced. As a result, it continued to allocate large proportions of domestic resources to defence while more severely cutting down on public expenditure in other sectors. The IFIs did not object to the rising defence expenditure at this stage but were not happy with the lack of 'fiscal discipline' as during 1994-2001 the budget deficit exceeded the set limit more often than not. This behaviour of the IFIs was not unique to the Sri Lankan case in the 1990s. It has been pointed out that in countries affected by civil war, the IFIs were too rigorous in public expenditure reduction but not rigorous enough on the reallocation of domestic resources from the military to programmes which would promote peace and democracy (Carbonnier 1998).

¹⁷ *Sri Lanka Monitor*, December 2000, 1.

¹⁸ The phraseology was obviously inspired by the *Development Assistance Committee Guidelines on Conflict, Peace and Development Cooperation*, OECD Paris (1997). The Forum was attended by representatives from 12 countries, including Japan, the US, Britain and Norway, the European Commission and OECD, and several institutions including the World bank, Asian Development Bank, IMF and the UNDP.

¹⁹ The economy was in deep trouble when the UNF took over the government in December 2001. It recorded a negative growth rate (-1.4%) in 2001 for the first time since the country's independence in 1948. In the same year, the budget deficit reached an all time high of 10.9 per cent of GDP, largely due to high levels of defence spending, public debt exceeded the GDP and investments fell in comparison with previous years. Furthermore, the IMF, dissatisfied with the PA government's handling of the economy, had refused to release the second tranche of funds due in accordance with the stand-by arrangement agreed in July 2001. It was also an exceptionally bad year for the government in its war against the LTTE, which launched a daring attack on the

central air force base and the country's only international airport adjoining it. The damage was severe in terms of direct losses of military and passenger aircraft and the impact on international trade, investment and tourism.

²⁰ The allocation for the Ministry of Rehabilitation, Resettlement and Refugees was a mere LKR 2.8 billion compared with the 67.4 billion (or 20% of the total budget) appropriated for the Ministries of Defence and Interior. A major reduction in defence expenditure was not a realistic option as long as the size of the security forces could not be reduced. In fact, recurrent costs accounted for 86 per cent of the defence budget in 2002 (Shanmugaratnam 2002, 2003).

²¹ Several reports on peace and development were prepared and released in 2002-2003. The government produced a set of proposals for 'Quick Impact Projects for the Rehabilitation and Reconstruction of the North-East Region' for donor funding. The Inter-Agency Needs Assessment Mission to Sri Lanka prepared a brief report entitled *Creating the Dividends of Peace* in May 2002. The Asian Development Bank, the UN and the World Bank jointly sponsored an *Assessment of Needs in the Conflict Affected Areas of the North East* which was released in April 2003. The Japan Bank for International Cooperation (JBIC) commissioned a study on peace-building and reconstruction in Sri Lanka, which was published in 2003 (*Inter-Agency Needs Assessment Mission 2002*, Asian Development Bank, United Nations, World Bank 2003, Japan Bank for International Cooperation 2003).

²² Letter dated 21 May 2003 sent by Chief Negotiator Anton Balasingham to Norway's Deputy Foreign Minister (LTTE Head Quarters, Kilinochchi).

²³ 'Tokyo Declaration on Reconstruction and Development of Sri Lanka' June 10 published in *The Lanka Academic*, <http://www.theacademic.org/feature/055225369008476/index.shtml> -

²⁴ *ibid.*

²⁵ Speech reported in Tamilnet <http://www.tamilnet.com/> (visited on 10 June 2003).

²⁶ *Daily Mirror*, 12 June 2003, Colombo.

²⁷ In fact, the LTTE claimed to be the 'sole representative' of the NE Tamils, a claim hotly disputed by some Tamil political groups.

²⁸ Peter Burleigh, a former US ambassador to Sri Lanka, had said that his country took the lead internationally to isolate and weaken the LTTE by including it in the US government's list of terrorist groups. This step, he said, made illegal the supply of financial and other support from US citizens to the LTTE, while also having an impact on similar actions taken by other governments in the West. He also claimed that the 'psychological and practical impact' of his government's decision on the LTTE was perhaps even more important, as it arguably made the Tiger leadership 'more inclined to seek a negotiated settlement'. (Burleigh's speech at a conference on the role of the US in South Asia, Colombo, 20 March 2004, reported by Bandula Jayasekera in the *Lanka Academic*, <http://www.theacademic.org>, last visited on 21 March 2004.)

²⁹ Tamilnet, <http://www.tamilnet.com/>, visited on 21 April 2003.

³⁰ Balasingham's reply to the Prime Minister regarding the government's second proposal forwarded on 1 June 2003 (*Daily Mirror*, 5 June 2003, Colombo).

³¹ Parliamentarian Joseph Pararajasingham interviewed by Tamilnet, <http://www.tamilnet.com/>, visited on 3 June 2003.

³² Tamilnet, <http://www.tamilnet.com/>, visited on 7 June 2003

³³ These principles have come to be known as the 'Thimpu Principles', since they were first stated by the Tamil parties as the premises for negotiations at the Thimpu talks in 1985.

³⁴ Provincial Councils were introduced under the 13th Amendment to the constitution in 1987 after the Indo-Lanka Accord signed by President Jayawardena of Sri Lanka and Prime Minister Rajiv Gandhi of India. The accord was expected to resolve the ethnic problem by providing for devolution of power to the province. The accord enabled the (temporary) merger of the predominantly Tamil-speaking northern and eastern provinces into a single province to meet the long-standing Tamil demand for a unified traditional homeland. However, the implementation of the Accord ran into major problems, eventually resulting in a war between the Indian Peace Keeping Force (IPKF) and the LTTE. The NE Provincial Council formed by pro-Indian non-LTTE groups after the signing of the Accord in 1987 collapsed as the IPKF-LTTE conflict escalated. Reviewing the case of the Provincial Council (and the 13th Amendment) as a means of devolving power to the NE, constitutional expert Rohan Edrisinha identified three major flaws that prevented any substantive devolution: the extent of the division of power between the centre and the provinces was not made clear; the powers of provincial councils could unilaterally be controlled, reduced or abolished; and the provincial council had nothing over which it could claim to exercise exclusive competence or jurisdiction (Edrisinha 1998).