

# **Politics of International Aid and the New Asian Donors: Prospects for Reconstruction and Sustainable Peace in Sri Lanka - Part II**

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## **New Asian Donors: China and India in Sri Lanka**

The current international aid configuration in Sri Lanka reflects shifting structural dynamics in the international development architecture in the context of the critique of the Western aid system in the global south, and the emergence of new Asian donors, particularly China and India. These two Asian donors may also be increasingly rendering the established international aid architecture irrelevant.

The traditional OECD-DAC donors have been facing declining influence with the emergence of the new Asian donors that have complicated the aid-trade debate. These Asian donors tend to have a more state-centric approach to aid and do not attach many policy conditionalities. The new Asian donors also tend to be less concerned to pay lip services to human rights conditionalities and have supported the Sri Lanka government in its confrontation with the LTTE. For instance, the Indian government has pledged reconstruction assistance after the conflict and has sent emergency humanitarian assistance to the conflict zones in northern Sri Lanka, including teams of navy doctors. Of course, the Indians have also supplied intelligence assistance to the Sri Lankan government in its confrontation with the LTTE and provided defence equipment of a non-offensive nature, principally radar equipment to detect LTTE planes.

During the years of conflict Sri Lanka has suffered from the syndrome of being a 'donor darling'. 'Donor darlings' tend to suffer from too many aid actors with small sums of money who place a high transaction cost on local institutions and deflect from addressing the pressing problems on the ground. In Sri Lanka, critical civil society groups have, for a while, and certainly since the aid that followed the Asian Tsunami disaster in 2004, have called for less aid and better targeting and monitoring of international development assistance. Another demand has been for clear and time bound aid delivery and exit strategies for the international aid industry.

Given its increased strategic location on major shipping and trade lines linking the Far East to the Middle East, Africa and Europe, the island today counts on China and Pakistan for military and financial assistance to combat the LTTE. In the southern tip of Sri Lanka, 10 miles from one of the world's busiest shipping lines lies a vast construction site. A port funded by the Chinese is being built on this site which is in the electorate of President Rajapaksa. Hambantota is one of the poorest districts in the island and China is building a US\$1 billion port there. In Colombo, it is building an

arts and culture stadium. China says that the Hambantota port is a purely commercial venture but the United States and Indian military analysts regard it as part of a “string of pearls” strategy whereby China is building and/or upgrading ports in Gwadar in Pakistan, Chittagong in Bangladesh and Sittwe in Myanmar as it patrols the India Ocean against pirates and protects its Saudi oil supply route.

On the other hand, India has leased oil terminals in Sri Lanka’s prime and much coveted natural harbour in Trincomalle in the island’s north east coast. China has helped Sri Lanka in other ways, including encouraging Pakistan to sell weapons to Sri Lanka and supporting it diplomatically by blocking attempts to put Sri Lanka on the UN Security Council agenda. China apparently provided free-of-charge six F7 jet fighters last year and according the Stockholm International Peace Research Institute, these planes shot down the LTTE mosquito planes. Chinese aid to Sri Lanka jumped from a few million dollars in 2005 to US\$1 billion last year, replacing Japan as Lanka’s largest aid donor. It also became its biggest arms supplier in the 1990s. As both India and China fish in Sri Lanka’s strategically located troubled waters, the Sri Lankan government seems to be strategically using the rising Asian donors, particularly to defeat the LTTE and counter the western aid lobby that may increasingly face irrelevance in Asia.

### **Reconstruction Aid and Fungibility: Lessons from the Eastern Province**

Elsewhere, I have suggested that the government would win the war but loose the peace. Many have predicted that the LTTE would melt into the people and into South India and continue its guerrilla war until the root causes of the conflict are addressed. A military victory by the government in no way addresses the “root cause” of the conflict in Sri Lanka which can only be addressed by the devolution of power to the north and eastern regions. Indeed, Tamil moderates could argue that now that the LTTE threat is passed, there should be meaningful power sharing rather than the masquerade of democracy that is evident in the east since the government apparently “liberated” the eastern province. What exists in the east at this time is a distortion of democracy even though there were elections held.

The situation in the eastern province which was re-captured by the Sri Lanka military from the LTTE in mid 2007 and which is showcased as a post-conflict development model is instructive. The International Crisis Group (ICG) report on “Development Assistance and Conflict in Sri Lanka: Lessons from the North East” issued on 16 April 2009 notes, “Even now, the eastern province is still not the ‘post-conflict’ situation that development agencies had hoped. Despite the presence of tens of thousands of soldiers and police in the east, the LTTE have proven able to launch attacks on government forces and their rivals, the Tamil Makkal Viduthalai Puligal (TVMP). There have also been violent conflicts between different factions of the pro-government TVMP and impunity for killing and dissapearances, many of them apparently committed by government forces and their allies. The government has still not devolved power to the eastern province as required by the Thirteenth amendment to the Constitution which established the provincial council system in 1987 in response to Tamil demands for regional autonomy. The governor of the province appointed by the President is blocking the councils; initial piece of legislation and development planning and implementation continue to be run from Colombo and the central government ministries. The government has yet to articulate any plans for a fair and lasting distribution of resources and political power that would satisfy all communities”.

The ICG Report further notes that, “In this environment, development of the east remains affected by the conflict and threatens to exacerbate them. Despite the need for development there is a danger of funds being wasted or misused.” The critique of development assistance within the

country has, of course, also remarked that international aid itself has contributed in the past to the conflict scenario both because of poor governance locally, as well as, in the international aid system and bureaucracy due to phantom aid, lack of transparency about the amounts and conditions of aid, as well as, poor monitoring, evaluation and exit-strategies. In the context it is to be hoped that in a post-conflict situation in Sri Lanka, the IMF loan and other international aid would be conditional on a scenario that:

1. Ensures sustainable peace through genuine devolution of power to the conflict affected regions and peoples by the central government: The moderate Tamil voice that had been stifled by the LTTE and para-militaries allied to the government would be heard again and play a central role in the planning, implementation, monitoring and evaluation of reconstruction in the north-east . sustainable peace through genuine devolution of power to the conflict affected regions and peoples by the central government.
2. The military defeat of the LTTE does not mean that its ideology has been defeated. It is when the Sri Lanka state recognises and remembers once again that Sri Lanka is a multicultural and multi-religious and plural country, and ensures that all communities have equal rights and the Tamil people feel like they are treated with respect and decency by the state will the ideology of the LTTE be defeated. The state will need to reach out to the minority community, ensure that displaced people are not held in internment camps but rather are properly resettled, and offer it an acceptable political solution. There also needs to be a process of reconciliation and peace building among the various ethnic and religious communities.
3. Affirmative action hiring of minority community members into government institutions, bureaucracy and the armed forces. Unfortunately, like the LTTE, southern politicians have played the 'ethnic card' and used the conflict and war to win votes and stay in power. At the same time, they have destroyed a history of co-existence between various ethnic and religious communities in Sri Lanka. This political culture must end for bridges to be built and ethnic relations to improve in Sri Lanka.
4. National development experts and civil society monitoring and evaluation of the IMF loan and other reconstruction assistance at the macro-economic and project level would be necessary, given the fact that, in the past, Sri Lanka has been subject to the phenomenon of what a report by Action Aid International titled 'Real Aid' has termed 'phantom aid'. There should be clear time frames and exist strategies for all reconstruction aid.
5. Finally, 'Trade not Aid' is the path forward for sustainable economic recovery and to avoid aid dependency and the related poverty and conflict trap that northeast Sri Lanka has been caught in for the last two decades.

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