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## **International Aid, Peace-building and Conflict: Lessons from Aceh and Sri Lanka**

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### **Executive Summary**

Global attention generated after the December 2004 Asian Tsunami disaster catalysed one of the most successful internationally-mediated peace processes in the world in Aceh, Indonesia, but it did not save the peace process in Sri Lanka. Rather, international aid contributed to a “no-war, no-peace” equilibrium in Sri Lanka that was brought to an end by the military victory of the government.

This paper compares these two highly internationalised peace processes in Southeast Asia and South Asia, particularly the role of international actors in reconstruction, and analyses the reasons for their different outcomes. Based on ethnographic fieldwork, the paper traces how transnational aid networks, discourses and practices may become endogenous over time in local or internal conflict as well as peace dynamics.

Finally, it is clear that inclusive and comprehensive peace-building, as well as space for the transformation of conflicting groups, are the key to successful peace processes.

### **Introduction**

When huge tsunami waves hit some of Thailand's and Sri Lanka's most beautiful beaches the day after Christmas in December 2004, the global response to visually-powerful aid appeals in the international media was the largest in the history of humanitarian giving. In an age of instant messaging, internet-giving and global philanthropy, many international non-governmental organisations (INGOs), the International Federation of the Red Cross, and United Nations agencies raised significant funds for relief work.<sup>2</sup> Aceh and north-east Sri Lanka, the two regions most affected by the Asian Tsunami disaster, had experienced cycles of low-intensity armed conflict and an uncertain peace for decades. Over 500 INGOs arrived

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<sup>2</sup> The Red Cross partners under the umbrella of the International Federation of the Red Cross for instance proceeded to raise 2.4 billion Swiss Francs (about US\$2 billion) for the Asian Tsunami recovery even though the Red Cross' mandate is for relief, and the organisation had little expertise at long-term reconstruction and development. Medecins sans Frontiers, on the other hand, stopped fundraising when it had received what it sought for its relief operation.

in Aceh and Sri Lanka, and US\$13.5 billion was pledged and delivered for recovery by the international community.<sup>3</sup> These funds exceeded the needs assessment of the multilateral agencies (the United Nations, World Bank and Asian Development Bank [ADB]) for recovery in the disaster-affected countries, especially since India and Thailand, the third and fourth most affected countries refused much of the external aid.

The unprecedented flow of international donor assistance into Aceh helped catalyse the Helsinki Memorandum of Understanding and the Aceh peace process that came into effect six months after the tsunami disaster. Of course, initial contact between the Susilo Bambang Yudhoyono-Jusuf Kalla government in Indonesia and the separatist *Gerekan Aceh Merdeka* (GAM), or the Free Aceh Movement, had commenced prior to the disaster via Finnish mediators. On the other hand, in Sri Lanka, while the tsunami disaster and international assistance contributed to the initial rapprochement between the Sri Lankan government and the Liberation Tigers of Tamil Eelam (LTTE) fighting for autonomy against the state, the fraying Norwegian-brokered peace process (2001-08) proved unsustainable.

The discussion here seeks to uncover the reasons for the different outcomes of the international community's peace-building efforts in Aceh and Sri Lanka. The Finnish-mediated Aceh peace process is currently regarded as one of the most successful internationally mediated peace accords in the world. On the other hand, the collapse of the Norwegian-facilitated peace process in Sri Lanka saw renewed fighting, which was brought to an end by the military defeat of the LTTE in May 2009. In the second week of May 2009, the LTTE was defeated by Sri Lankan armed forces and its leadership killed. The root causes of the ethno-national conflict in Sri Lanka remain largely unresolved and the sustainability of peace in Sri Lanka remains a question since it is likely that militants may regroup and return in the absence of redress of the demand for power-sharing by the Tamil minority in northeast Sri Lanka.

The peace process in Aceh has notched up significant achievements, including the demobilisation of the GAM and the withdrawal of troops by the Indonesian government, while the passing of the Law on the Governance of Aceh has enabled local political parties to develop, thereby ensuring greater decentralisation and democracy. In the 2006 elections, Irwandi Yusuf, a former member of the GAM, was elected the Governor of the autonomous province of Aceh. Of course, concerns remain regarding the peace process, given sporadic conflict among ex-GAM members as well as the Indonesian state and the military in transition. The Aceh agreement would have implications for other conflict-affected parts of the country (Ambon, West Papua and East Kalimantan) now that East Timor is independent. However, the victory by Yudhoyono's *Partaquin Demokrat* and *Partai Aceh* (which represents the defunct GAM) in the 2009 Indonesian elections augurs well for the continuity, stability and institutionalisation of the Aceh peace and Indonesian democratisation process. One of the principle reasons for the failure of the peace process in Sri Lanka was that the government which signed the peace process was voted out of office and the new government abrogated the peace agreement.

This paper analyses the role of the international community in peace-building and reconstruction, taking into account similarities and differences in the underlying structures of

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<sup>3</sup> The finance review of the official donor evaluation conducted one year after the disaster in 2005-2006 by the Tsunami Evaluation Coalition (Active Learning Network for Accountability and Performance in Humanitarian Action) and coordinated by the Overseas Development Institute, London indicated that each victim had in excess of US\$7,000 per head.

conflicts in Aceh and Sri Lanka, and the divergent peace outcomes. Both conflicts presented formidable challenges with regard to transformation of the conflicting parties, devolution of power, minority rights and autonomy to the contested regions given highly centralised post-colonial state structures (cf. Robinson, G 2001; Nordstrom, C 1992). Both peace processes had external mediators, monitors, extensive funding and international expertise for post-disaster recovery and reconstruction from bilateral and multilateral donors. At the same time, there are significant differences between the conflicts in Sri Lanka and Aceh such as the role of the diaspora which in the case of the LTTE was far more significant than that of Aceh, despite Hasan di Tiro, the soul of the GAM, being based in Sweden.

In past decades, Aceh and Sri Lanka had several attempts and rounds of peace negotiations and cycles of violence between centralised post-colonial states and ethno-national groups (Acehnese and Tamils), fighting for autonomy and self-determination in the northern region.<sup>4</sup> An extensive literature on the causes of and the dynamics of the main internal parties in the conflicts in Aceh and Sri Lanka already exists, although there is little comparative work on these two cases. Hence, this paper focuses on the role of international actors in peace-building – the paradigm, processes, approaches and practices of different aid actors evident in these two places, as well as the socio-political and economic dynamics that contributed to the divergent outcomes of these two recent, internationally-facilitated peace and reconstruction processes in the South Asian and Southeast Asian region. Of particular interest here is the role of international actors and transnational aid and trade networks, discourses and practices in conflict transformation and peace-building. The manner in which international aid actors may impact and transform power (im)balances and socio-cultural dynamics between and within the main parties to the conflicts will also be examined.

Comparative research on conflict transformation in Aceh and Sri Lanka has tended to focus on internal actors and factors rather than the international actors in conflict, peace-building, and reconstruction (for example, Kingsbury 2007). Hence, this paper makes the case for the analysis of the internal and external conflict and peace dynamics in the same frame. It also critiques culturalist explanations of conflict, which tend to focus almost exclusively on internal ethno-religious causes and solutions to violence. The discussion focuses on the history and role of international actors and transnational networks in the peace processes in Aceh and Sri Lanka, and the manner in which external actors may become endogenous over time. Drawing from recent analyses of the global dynamics of local identity conflicts (Bowen 2007 Duffield 2001; Kaldor, M 2000), the argument brings an international political economy perspective to the analysis of peace processes and conflicts that are usually glossed over as culture- or ethno-religious identity-based and, thus, tries to broaden a dominant analytic frame of ethnic conflict and peace studies. It traces the interplay of global and local dynamics in sustaining conflict and peace over time, including how international aid may contribute to the prolonged conflict in Sri Lanka, whereas it had the opposite effect in Aceh. Particular attention is paid in the paper to the history and extent of the presence of international aid actors in Sri Lanka and Aceh, and the substance and processes of peace-building, including which actors may exert greater control of the peace-building agenda and related issues of local ownership. In particular, the paper examines the international aid paradigm and processes manifest in the two contexts. The wide range and contradictory roles that international actors (bilateral donors, and international financial institutions), United agencies, INGOs, regional organisations, relief and development agencies and their macroeconomic policies) may play in internal conflict transformation is also recognised.

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<sup>4</sup> For an account of why the previous peace negotiations in Aceh failed, see Aspinall and Crouch (2003).

A second objective of this paper is to present a structural analysis of conflict and peace equilibriums that move beyond the external-internal binary and show how apparently internal conflicts and peace equilibrium may be more or less globally networked through transnational networks of aid, trade, culture and commerce, whether diaspora, developmental, criminal, military-intelligence and humanitarian. There has been a tendency to explain the conflicts in Aceh and Sri Lanka as ‘internal conflicts’ in primarily culturalist terms of ethno-religious and linguistic differences. Acehnese cultural distinctiveness and the ethno-religious differences between Acehnese and Javanese and other Indonesian communities are often cited as the cause of conflict. The fact that Aceh is considered the *verandah* or entry point of Islam in Indonesia and is more religiously conservative than other regions of Indonesia is often proffered to explain the conflict even though the GAM is primarily secular (Reid 2006). Similarly, in Sri Lanka, the conflict has been often glossed over as an ethnic war between the Tamils fighting for autonomy and minority rights against the state dominated by the Sinhala Buddhist linguistic community (Tambiah 1996), rather than a problem of post-colonial nation-state building.

What ethno-religious explanations of violence tend to elide is that diverse religious and ethnic communities had co-existed, mixed and mingled for centuries in Aceh and Sri Lanka, giving rise to plural and multicultural societies. The dominant culturalist and ethnic explanation of conflict tends to overlook the manner in which ethno-religious identity conflicts derive from post-colonial state building and may come to be complexly structured in transnational networks of aid, trade, culture and commerce. The conflicts in Aceh and Sri Lanka were long-sustaining, low-intensity armed conflicts with multiple elements of ethnic identity politics, including demands for minority and cultural rights and political self-determination. In Aceh, there was also the local demand for a higher proportion of oil and natural gas revenues and fiscal devolution. The conflicts in Sri Lanka and Aceh included both ethno-religious identity and resource conflicts in highly centralised post-colonial states. On the other hand, there has been a tendency to explain conflicts with significant resource elements, in narrowly economic terms, while treating cultural dynamics as more or less exogenous to the conflict (Bardel and Malon 2000; Collier and Hoeffler 1998; World Bank 2001).

Finally, the paper suggests that such complex conflicts which have a mix of elements of ethno-religious identity and resource conflict need multi-dimensional solutions and inclusive peace-building. The analysis draws from ethnographic fieldwork in Aceh and Jakarta in 2007. It also draws from over a decade of ethnographic study of identity politics, multiculturalism and conflict, as well as the war economy and peace-building in Sri Lanka (Rajasingham-Senanayake 1999a; 1999b; 1999c; 2001; 2004).<sup>5</sup> Interviews were conducted with representatives of the conflicting groups as well as international aid actors and local communities. Particular attention was paid to mapping the aid architecture and governance structures in Aceh and Sri Lanka. The paper analyses the international aid paradigm, architecture, institutional structures, conflict transformation, peace-building culture, practice and processes in Aceh and Sri Lanka, including the manner in which tsunami recovery was linked to local level peace-building. The paper first assesses similarities and differences between the Aceh and Sri Lanka conflicts, the history of conflict transformation attempts, and the role of external actors in conflict transformation and peace-building transformation (or lack thereof) of the state and the armed groups as well as the role of civil society. Simultaneously, the paper maps and compares key processes of transformation (or lack

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<sup>5</sup> In Aceh, I was a visiting fellow at Syiah Kuala University, Banda Aceh, and the Aceh Institute.

thereof) during the peace-building effort (the GAM and the LTTE, and the state/military). For instance, while the GAM disarmed and demobilised to a great extent and there was a significant withdrawal of troops by *Tentata Nasional Indonesia* (TNI) [Indonesian Armed Forces] under the gaze of the European Union and the Association of Southeast Asian Nations (ASEAN) monitors in Aceh, there was no demobilisation or demilitarisation during the peace process in Sri Lanka in the period 2002-08. Where necessary, the research compares the different social movements, as well as the trajectories and culture of the state, military and civil society in Indonesia and Sri Lanka during the peace processes.

### **The International Community in Aceh and Sri Lanka**

It is now fairly established that international assistance in low-intensity internal armed conflicts and peace processes may either ameliorate or become part of a renewed conflict cycle as several analysts have noted (Anderson, 1999).<sup>6</sup> Research at the United States Institute for Peace has also indicated that, of the 38 peace processes that took place with international assistance in the decade 1989-99, 33 returned to conflict within the first three years (Darby 2002). The study of how transnational networks of aid and trade, whether diaspora, developmental, humanitarian, military and intelligence or criminal structure forms and patterns of violence and peace-making in the global south may help us rethink some of the causes and solutions to interlinked identity and resource conflicts.

The role of the international community in conflict transformation may shift over time in protracted conflicts and even morph into the conflict dynamic given processes of aid bureaucratisation. Over time, certain actors in the international community, through a set of apparently external, neutral and objective observers, may tend to become intertwined in the conflict processes, given the nature of the evolving international political economy of peace-building and reconstruction. In situations such as Aceh after the tsunami and Sri Lanka, there appeared to be three principal actors in highly-internationalised peace and conflict equilibriums – the two main parties to the conflict, usually the state and a group(s) opposed to it, as well as the international aid community. Of course, the civil society constitutes a fourth and often excluded actor in peace processes, which may be one of the reasons for the lack of inclusive and durable peace processes, as was the case in Sri Lanka. A corollary of over-internationalisation would be the lack of inclusive peace-building as well as local ownership of reconstruction policy and paradigm.

The levels of engagement of the international community in both peace processes were very high as indexed in the available funds and numbers of international agencies and staff present. Prior to the tsunami disaster the Aceh conflict had been a “silent war”, isolated from the rest of the world because of the Indonesian government’s unwillingness to internationalise the conflict, especially after East Timor’s independence from Indonesia. In Sri Lanka, however, throughout the conflict years, there had been a long sustaining international presence in the conflict areas where the United Nations High Commissioner for Refugees and various INGOs had been active for years because of the situation of displacement and the humanitarian emergency. On the other hand, the Indonesian government had a strict policy of discouraging international organisations from working in the conflict areas in Aceh. It was only after visiting Aceh on 27 December 2004 after the

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<sup>6</sup> There is an extensive literature on this subject. See, particularly, Mary B. Anderson (1999), “Do No Harm: How Aid can support Peace or War”. The Post-Tsunami Operational Mechanism in Sri Lanka was an indicator of the fact that aid can become a source for conflict even when consciously linked to peace processes.

tsunami disaster that Indonesian Vice President Kalla, upon seeing the devastation in the province, called for international assistance to a province that had been deliberately kept isolated throughout the years of the conflict. The Indonesian government's mistrust of international intervention was the result of the events in East Timor. On the other hand, in Sri Lanka, successive governments had an open door policy towards the international aid industry and, throughout the conflict, there had been a number of United Nations and international organisations working in the conflict-affected regions. This international presence and aid bureaucracy grew during the peace process with the promise of US\$4.5 billion and grew even further after the tsunami. Sri Lanka had a reputation in all these years as a safe and easy "hardship" post among aid workers. This was to change during the post-tsunami years when a general disaffection with the international aid industry grew.

There were substantive differences in the international aid architecture developed to support the peace processes in these two countries. In Aceh, there was the Aceh Monitoring Mission (AMM) set up with a clear time frame and mandate. The AMM comprised monitors from the European Union and ASEAN. In Sri Lanka, there was a Scandinavian monitoring group that was headed by a Norwegian who had direct access to the mediators. Early on in the peace process, human rights groups pointed out the fact that the Sri Lankan Monitoring System (SLMM) needed to be independent from the peace process facilitators because the facilitators would not be effective monitors, since they wielded the carrot rather than the stick at the conflicting parties. Ceasefire violations would have to be handled by an independent group and the fact that the monitors from the European Union and ASEAN were more independent in Aceh helped. In Sri Lanka, the SLMM suffered a loss of independence and credibility because of its proximity to the mediators, and when the parties to the conflict engaged in violations, it could do little to address them independently from the 'Track-One' or high-level negotiation process.

The tsunami opened a window for peace in Aceh because of the scale of the disaster that killed almost 200,000 people and the influx of international community that followed. The tsunami disaster provided the psychological impetus for a GAM, already weakened by the *Daerah Operasi Militer* (DOM), or the Military Operations Area, to seek peace. In Sri Lanka, on the other hand, the peace process was already frayed at the edges when the tsunami struck. Aid became a cause for multiple conflicts in Sri Lanka after the tsunami partly because of the institutional framework put in place for post-disaster recovery and the linking of tsunami aid to a stalling peace process. In Aceh, in contrast, there were two separate agencies for tsunami and conflict recovery and rehabilitation with the two disaster recovery operations not linked.

In Sri Lanka, funds for tsunami recovery were linked to the peace process by donors; this also meant that many of the victims who were from the Muslim community and not part of the main conflict did not receive adequate recovery assistance in a timely fashion. In Aceh, the *Badan Rehabilitasi dan Rekonsultasi* operated directly under the President and expedited the tsunami recovery operation, while post-conflict recovery was carried out by *Badan Reintegrasi*. The de-linking of tsunami recovery assistance from post-conflict recovery enabled a smoother recovery operation in Aceh. In Sri Lanka, the emphasis on linking the tsunami recovery assistance with the peace process meant that the tsunami recovery operation was held hostage to a stalled peace process. The year-long negotiations for a Post Tsunami Operation Mechanism (P-TOM) process which was later rejected by the Supreme Court, effectively exacerbated the situation on the ground by delaying the post-conflict and tsunami recovery operations in the northeast.

Both the LTTE and the GAM had wished to internationalise their struggle to receive international legitimacy and validation for their claims vis-à-vis the state. The important point, however, is that in Aceh the peace process was not over-internationalised like the post-conflict and later tsunami recovery operation in Sri Lanka. Hence, there was better local ownership of the peace process, including by civil society groups. In Sri Lanka, both the peace process and tsunami recovery operation were highly internationalised; moreover, the international engagement put a high transaction cost on the peace process itself to the point that there was little local ownership and civil society input into the latter. In Indonesia, the separation and de-linking of post-conflict reintegration and reconstruction from post-tsunami recovery activities was one of the key reasons for the relative success of peace-building. Clearly, international actors may play contradictory roles in post-conflict situations despite attempts to coordinate interventions.

### **Substantive versus Legal Bureaucratic Culture of Peace-building: Aceh and Sri Lanka**

After the Norwegian-brokered Ceasefire Agreement (CFA) in 2002, three different international pledging conferences for Sri Lanka were held in Oslo, Washington and Tokyo. The conferences gleaned the promise of US\$4.5 billion for post-conflict reconstruction. Four co-chairs were appointed to Sri Lanka's peace process – Norway, the European Union, the United States and Japan, the latter being the island's largest aid donor. The World Bank, which had positioned itself to lead the expanding international reconstruction industry and bureaucracy in the island, was appointed custodian of the North East Reconstruction Fund (NERF) which was to channel and monitor international aid for post-conflict reconstruction. However in the two years after the agreement, peace had increasingly become an international legal fiction – an assumption contrary to ground realities. Locally, it was called a “no-war, no-peace” process among the talking classes.

The ebb of peace in the palm-fringed, tourist-friendly island was indexed in the return of a ‘dirty war’ in the northeast, a rising body count, trickle of refugees to South India, as well as suicide bombings and barricades in the capital, Colombo. As the head of the Scandinavian SLMM noted in October 2007, there was an ongoing low-scale, low-intensity war for two years while the peace process was officially ongoing. Even though neither the LTTE nor the government had formally withdrawn from the CFA, the new war (or Eelam War 4) continued the spiral of the (para)militarisation of civil society, with a “war economy” sustained by terror, taxation and international post-conflict and post-tsunami reconstruction assistance. At this point, for the first time in the history of the almost 25 years of armed conflict in the island, there were coordinated attacks on international aid agencies, opening up another front, as it were, in the conflict. The LTTE called for a boycott of some INGOs, and women staff were urged to leave in the Batticaloa District back in 2005. There were also attacks on the Halo De-mining group's compound in Jaffna, but there were no human casualties although equipment was damaged. This trend seemed to reach a bloody culmination with the murder of 12 *Action Contre le Faim* workers in Trincomallee in 2007, credibly blamed on the military. Attacks on the staff of international aid agencies was a new development in the conflict dynamic that also signalled the fact that, over time, external actors had somehow become enmeshed in a deeper way in the conflict dynamics in Sri Lanka. Prior to this, Sri Lanka was in high demand among international aid workers, who found it a very salubrious place to be engaged in aid work. It was seen as a safe place to carry out aid work as the parties to the conflict had never endangered or threatened international organisation staff, unlike in some other conflict situations in long-term low-intensity conflicts where aid workers had been kidnapped or killed.

But after the first year, the peace process in Sri Lanka was called “a no-war, no-peace” process by many locals and in the local media. A formalistic and “legal-bureaucratic” approach of international peace-building and reconstruction largely accounts for this phenomenon, which put the “development cart before the conflict resolution horse” as a local academic noted (Srikandarajah, D 2005). Consider, for instance, the resources, energy and experts spent on three international donor pledging conferences in Oslo, Washington D. C., and Tokyo, the legal drafts and re-drafts of an Interim Governing Authority for the North and East, the World Bank’s NERF and P-TOM. Additionally there was the Multilateral Needs Assessments and hundreds of memoranda of understanding for large infrastructure reconstruction projects. The international bureaucracy for peace and reconstruction placed a transaction cost on local institutions and the peace process. It resulted in too much time spent on international development agendas, conferences and donor time frames that were often at odds with the needs and priorities of those affected by the conflict.

Throughout the US\$4.5 billion peace process in Sri Lanka, the north and east coastal fisheries communities continued a subsistence economy, despite the fact that the island’s two main donors for the peace process, Japan and Norway, had highly industrialised fisheries sectors. The most influential number of combatants in the LTTE hailed from impoverished coastal fisheries communities (*Karaya* caste) and rural agricultural communities in the northeast. In fact, the LTTE sank a Chinese fishing trawler perceived to be poaching on local fishing grounds in 2003. Yet little attempt was made to develop and industrialise the fisheries sector which might have provided alternative livelihoods for combatants who were recruited from poor fisheries communities. Several local experts rather noted the bias towards big business and tourism in the post conflict and tsunami needs assessments of the multilateral agencies (ADB, World Bank and United Nations agencies), whereas the upscaling of fisheries infrastructure was ignored.

The international community along with the main actors deferred the core social, political and economic issues that structure the dynamics of the conflict, even as they promoted a neo-liberal economic reconstruction agenda that was at odds with the reconstruction needs and priorities of local communities. On hindsight, this approach undermined the Norwegian-brokered CFA due to a perceived lack of local ownership of the peace process. The promise of US\$4.5 billion for reconstruction came with a policy requirement of structural adjustments and privatisation of public corporations, liberalisation and de-structuring of the welfare state that were required by the World Bank. Very little of the funds reached the communities affected by the disasters, and from which the majority of combatants were recruited. A SLMM Report notes on the subject of child recruitment: “some underage children freely volunteer to leave their families due to economic reasons to join the LTTE”. Mismatched aid translated into an economic bubble, a dramatic rise in the cost of living, increased inequality and poverty in the communities from which fighters were recruited. In a very short time, the government that signed the peace agreement with the LTTE was voted out of power, and the rest is history. Hence, the tide in the affairs of men that may have led to fortune, even to peace in Sri Lanka, had turned.

### **Phantom Aid and the Question of Local Ownership**

In Sri Lanka, much of the international assistance for post-conflict reconstruction was in the form of loans rather than grants, whereas in Aceh most international assistance after the tsunami disaster was in the form of grants. This was due to the fact that reconstruction and peace-building in Aceh started after the tsunami when there were substantial funds available,



whereas in Sri Lanka, the peace process had started two years prior to the tsunami disaster when aid was not available at that time. Moreover in Sri Lanka, the disbursement of donor assistance was through the World Bank's NERF which took a long time to get off the ground because of the legalisation process, and meanwhile not very much was done for communities affected by the conflict.

Given donor emphasis on the privatisation of development assistance, international consultants, multinational corporations and private companies, United Nations agencies and INGOs competed for lucrative reconstruction contracts in Sri Lanka (as in Aceh after the tsunami) in the peace interregnum – from de-mining and road building to peace education and advertising. More recently, the December 2004 Asian Tsunami disaster also drew a large number of volunteers and technical experts unfamiliar with local languages, institutional structure and culture. Despite this, reconstruction was slow primarily because of the fact that the international aid industry and bureaucracy seemed to trump local initiative and ownership of the recovery operation.

A report on aid effectiveness by Action Aid International titled "Real Aid: Making Aid More Effective" estimated that 61 percent of all international donor assistance is "phantom aid". Phantom aid, as opposed to real aid, includes funds that are: a) tied to goods and services from the donor country; b) overpriced and ineffective technical assistance (this is, by far the largest category of phantom aid, accounting for US\$13.8 billion); c) spent on excess administration; d) poorly coordinated and require high transaction costs; e) double counted as debt relief; f) not targeted for poverty reduction; and, g) spent on immigration-related costs in donor countries. Phantom aid in disaster situations, where the usual development project safeguards are waived because of an emergency situation, may be as high as 80-85 percent of donor assistance.

In some conflict situations, international humanitarian aid has become, as an academic termed it, "a means without end". It tends to lack an exit strategy until the money runs out, is often mistargeted, tends to distort the local economy, and aggravates inequality, poverty and the underlying structures of a conflict. In the long run, aid dependency aggravates conflict. The conflicting parties often blame each other for aid that never materialised. At the same time, the international aid bureaucracy and agencies may disable local ownership of the peace-building agenda and erode local institutions resulting in aid-induced Dutch disease that fuels the poverty and conflict trap.

Given the new political economy of the international aid industry, including the trend to privatise development assistance to a range of corporations and consultancy companies and the investment by donors in peace-building, it is arguable that the converse of 'aid dependency' in parts of the developing world is induced 'conflict dependency' of a northern-based aid industry dominated by the Organisation for Economic Co-operation and Development (Development Assistance Committee) countries. Thus, in as many cases, peace-building may be seen as an integral aspect of cycles of war and the war economy in some aid-receiving countries. This is in no way to suggest that aid is a cause of conflict, but rather to say that it may be an exacerbating and cumulative factor in making conflicts more intractable and durable (conflict trap), when inadequately targeted, or as in Afghanistan, the aid system generates a parallel government, usually in the capital. Yet much of the commentary and evaluations of the role of international actors tends to be naïve (or unaware of the vibrant southern critique of aid as colonialism by other means), and about the fact that peace-building is not politically innocent and that different types of peace are possible (for

example, repressive peace, “no-war, no-peace”, sustainable peace and neo-liberal peace). Thus the current international aid paradigm and process may contribute to aid dependency among recipient countries, on the one hand, even as the international aid bureaucracy becomes dependent on cycles of conflict and peace-building on the other.

The passage below reflects some of the ways that the international aid paradigm and processes appeared to have contributed to the conflict in Sri Lanka and to a lesser extent in Aceh, where there was better oversight and regulation. In Sri Lanka, phantom aid and the related lack of transparency regarding disbursement appeared to contribute to conflict and the erosion of the peace process, as the two domestic parties to conflict tended to be suspicious and accuse each other of misappropriating aid that was primarily consumed by the international aid industry itself. The aid paradigm which consisted of the application of neo-liberal economic policies and structural adjustments (privatisation of welfare state services, performing and under-performing public corporations and public goods) may exacerbate regional, social and economic inequalities in an already distorted war economy.

Owing to the coordinating burden, accountability of government agencies was upwards and outwards towards donors. This, therefore, eroded the social compacts and the already weak democracy and democratic institutions in fragile states. There was also the problem of short-term aid-induced Dutch disease, erosion of local capacities, and civil institutions because of competition from international aid agencies and INGOs given the free market aid model and the “poaching” of staff from local institutions by INGOs. Finally, the unprecedented “hot aid flow” after the tsunami demonstrated some of the transaction costs of aid given the current trend toward an unregulated free market aid delivery model with a proliferation of northern consultancy companies. Local governments and institutions in developing countries spend more time attending to the needs of aid agencies than their affected citizens and publics. The logic of the system may promote greater competition, turf battles and flag flying than coordination among aid agencies which explains the irrelevance of the Paris Declaration on Aid Effectiveness on the ground in the disaster affected countries.

As mentioned earlier in Aceh, there was better local ownership of the post-tsunami policy and peace-building agenda since the Indonesian government refused to link post-conflict and post-tsunami recovery. There were also two separate agencies to handle the post-tsunami and post-conflict recovery. In Sri Lanka, there was a bias towards donor-accountability rather than accountability to disaster-affected communities. The result was a marginalisation of in-country development expertise as well as a lack of decentralisation and accountability to local communities in the reconstruction phase. In Sri Lanka, the Task Force on Reconstructing the Nation (TAFREN), tasked with development and reconstruction policy and its monitoring and evaluation functions, was based in Colombo, far from the disaster affected districts, and predominantly run by international “experts” and “advisors” who lacked knowledge of the island’s society, politics and institutional culture. This was partly due to the Sri Lankan government’s failure to appoint strong leadership and, in some instances, lack of transparency regarding tsunami funds and failure to appoint a strong and qualified leadership to TAFREN. This was not the case in Aceh where the post-tsunami recovery and peace process was more inclusive, with many groups feeding into it. As Drexler (2008, p. 208) notes:

There was a strong sense that all components of Acehnese society had come together in countless meetings and agreed on a version of the law (Law on the Governance of Aceh) to submit to Jakarta. They had to lobby for what came to be called the “All-Aceh draft”. The case of Sri Lanka shows that both the

international aid paradigm and delivery process may require reform to ensure inclusive and locally-owned peace-building, which is likely to be more sustainable.

### **Trajectories of the State, the GAM and the LTTE**

One of the reasons for the failure of the peace process in Sri Lanka was the fact that the government that signed the peace process was a minority government and, therefore, unable to bring a constitutional arrangement for power-sharing since it did not control the all-powerful presidency and judiciary whose consent was necessary for power-sharing. In Indonesia, on the other hand, the new Yudhoyono government was far stronger and cohesive on the issue of peacemaking in Aceh. The Yudhoyono-Kalla government controlled the key institutions necessary to ensure passage of the Law on the Governance of Aceh. The closing of the window for peace in Sri Lanka was, therefore, partly due to the inability of the government to offer substantive devolution to the LTTE-held regions, as well as the intransigence, impatience and inability of the LTTE to transform itself into a more democratic organisation. This also contributed to the fact that the peace dividend was not forthcoming to the people due to the role of the international aid industry. These factors resulted in the fall of the government that signed the peace process in Sri Lanka and brought into power a regime bent on war and militarism as a solution to the conflict. It could then be said at this time that the Indonesian and Sri Lankan states are on reverse trajectories, one moving towards greater democratisation out of dictatorship and, the other, towards greater militarisation and centralisation moving away from a more democratic institutional framework.

Unlike the GAM which has not lost its links to the people and its social movement qualities, the LTTE was a highly centralised and hierarchical organisation. While it is possible to talk of several generations of the GAM leadership, with the LTTE there was only Vellupillai Prabhakaran, a man wanted by the Government of India for the assassination of former Prime Minister Rajiv Gandhi. In this context, the peace process was to see the emergence of internal strife and fragmentation. The GAM, although fragmented during the peace process, was a more flexible organisation to begin with. The GAM structure was a looser organisation. During interviews with former GAM members, I was told that fighters joined and left the organisation in a relatively fluid manner; this was not permitted by the organisational culture of the LTTE which was very rigid. For instance, as a leading GAM woman said, “GAM members would be farmers by day and fighters by night”. The GAM in a sense was more of a social movement, whereas the LTTE had morphed into a transnationally-networked war machine with a cadre of highly disciplined, trained and dedicated suicide bombers, sustained by diaspora funds. The LTTE also assassinated many moderate Tamils, including human rights and constitutional lawyer Dr Neelan Tiruchelvam, who was negotiating with the government for devolution of power for the minorities.

To understand the differences between the GAM and LTTE and their differential abilities to transform themselves during a peace process, Michel Wievioka's (2000) characterisation of terrorist and liberation fighters may be useful. Wievioka suggests that a terrorist group may lose its original links to the original (ethno-national) cause and/or interests of the local community it is fighting for, over time, and evolve into a transnational terror network or globally-networked war machine. It is inevitable that such organisations would fragment during a transition to peace and democracy. Both the GAM and the LTTE have been through a process of fragmentation during the peace processes. In Aceh, the Aceh Transitional

Committee, the body established to represent former GAM combatants and other groups have emerged. Conflicts have occurred between ex-GAM groups and between the TNI-backed paramilitaries, particularly in Aceh Tengah, where the hegemony of the GAM is limited because other ethnic groups (Gayo, for example) desire their autonomy from Aceh. In the northeast of Sri Lanka, the Muslims have a similar ambivalence towards autonomy.

The timing of the tsunami in relation to the peace processes in Aceh and Sri Lanka also partly explains the different peace-building outcomes. The tsunami had a significant psychological impact which opened the space for the GAM to think of disarming and demobilising – a process that is very difficult of any armed guerrilla movement. In Sri Lanka, the peace process was already two years old *sans* demilitarisation or decommissioning; by the time the tsunami hit, there was no reason at that time to talk of disarmament because it was not on the agenda in the first instance. The tsunami provided a considerably DOM weakened GAM with a face-saving exit from violence. However in Sri Lanka, there was a notion that there was a parity of parties between the LTTE and the Sri Lankan government and neither party would lay down weapons. The tsunami also brought down barriers of hostility and seemed to dispel stereotypes between Aceh and the rest of Indonesia and Java. During the war years, there was a perception that Java and the Jakarta government and the rest of the country did not care about Aceh and were antagonistic towards the Acehnese, but the overwhelming help that came from fellow Indonesians in the aftermath of the tsunami eradicated some of these perceptions since many Javanese came to help the province in its hour of need. More importantly, this kind of aid also broke down the Indonesian government's reluctance to internationalise the Aceh situation.

## **Conclusion**

The Helsinki Agreement that established the peace process in Aceh was a more comprehensive document that was built on previous rounds of negotiation and addressed core issues in the conflict, including the sharing of oil and gas revenues between Jakarta and Aceh. It was viewed by the conflicting parties as the first in a series of clearly-defined and time-bound steps towards substantive and inclusive peace-building. In Sri Lanka, on the other hand, the Norwegian-mediated CFA appeared to become an end in itself – it merely established on the ground for what came to be known locally as a “no-war, no-peace” process and the legal fiction of the “parity of parties” that conventional conflict resolution theory prescribes as a confidence building measure.

It is well known that Marti Atissari, former Prime Minister of Finland and chief mediator in the Aceh peace processes, had called for a time-bound process. At the same time, Attisari's famous phrase was “nothing is agreed until everything is agreed” which established the need for a comprehensive agreement that addressed all outstanding issues within a clear time frame. In Sri Lanka, however, there was neither a time frame granted for the negotiations nor the address of core issues, aside from the LTTE's dropping of the demand for a separate state in exchange for substantial devolution of power within a federal constitution. The Norwegian State Secretary Vidar Helgesen had said, “If the parties get an interim solution it will still have a way to go to a final settlement. In that sense, I think we're talking of years rather than months”. The Norwegian approach to peace in Sri Lanka seemed idealistic and flexible, whereas the Finnish approach was pragmatic and more assertive. In short, it may be that the Norwegian mediators were ‘taken for a ride’ by the parties to the conflict in Sri Lanka due to a lack of adequate preparation and clear agenda.

The different outcomes of international peace-building in Aceh and Sri Lanka are also due to different histories of international engagement in these two places, as well as the approach of the peace facilitators and character of the two non-state actors. This paper has suggested that during peace-building, there was inadequate engagement with the complexity of the conflict in Sri Lanka. There was a failure to look beyond the culturalism or “ethnic” narrative, understand the embedded social and economic inequalities (intra-group dynamics of inter-group conflicts), and address these issues as part of an inclusive and, hence, sustainable peace process. This was partly due to the large number of international actors and the tendency for international facilitators to collaborate with the parties in the conflict to keep the peace agenda narrow rather than broaden it to make it more inclusive of local communities. In short, there is a need to de-ethnicise conflict analysis and move beyond the culturalist framing of conflict.

This paper has suggested that the conflicts in Aceh and Sri Lanka cannot be adequately explained either in narrowly “economic” nor “ethno-religious” terms nor could sustainable peace be achieved within frameworks that derive from such analyses of war.<sup>7</sup> A second reason for the success of the peace process in Aceh was that it addressed economic and identity issues in a comprehensive manner. Both the conflicts in Aceh and Sri Lanka were struggles of marginalised ethno-religious groups for equal rights to economic development and self-determination in the post-colonial state building project. The Aceh conflict has a substantial resources element insofar as Aceh is Indonesia’s third richest province and fourth poorest because of the concentration of oil and gas revenue generated in the province, finding its way to the central government in Jakarta. In Sri Lanka, the resources dimension of the conflict stems from the under-development of minority regions in the post-colonial state building period and the marginalisation of Tamils from state-sector jobs, and the economic travails of a community whose traders have been under siege during periodic anti-Tamil urban riots.

Peace mediators and international development and reconstruction actors will need to be attentive to the discourse on economic inequality and poverty, and link Track-One discussions to deeper social conflicts and intra-group inequalities. The need for deeper analysis, however, should not be used as a legitimacy clause for extending aid project delivery time frames that often make for aid dependency among beneficiaries in aid-receiving countries and the entrenchment of an expensive international aid bureaucracy. The result may be an emergence of a “no-war, no-peace” process and structures that sustain the international aid industry with diminished accountability to conflict-affected communities while expensive aid contracts are extended.

In conclusion, it is hoped that the lessons that may be drawn from the peace processes in Aceh and Sri Lanka may serve as a turning point for a structural adjustment of the international peace and development industry in order to ensure accountability to the communities affected by disasters, as well as inclusive peace-building. This requires getting beyond the currently popular international ‘toolkit’ approach to post-conflict reconstruction, and ensuring inclusive peace-building with civil society actors and disaster-affected

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<sup>7</sup> While ethnic explanations of armed conflict view violence as the inevitable outcome of more or less trans-historical cultural identities, arguments that violence is economically rational instrumentalise conflict and obscure the modern and transnational social and political dynamics of conflict. Also elided in the claim that grievance arguments merely mask greed is the modern *institutional* processes (nation-state building, military and paramilitary apparatus, development politics and practices) that form and shape the dynamics of violence in escalating cycles.

communities. Moreover, the need for strong Asian regional institutions that are familiar with the culture of post-colonial Asian state building, development and conflict processes, as well as the intra-group dynamics of inter-group conflict to contribute to effective regional conflict transformation and peace-building initiatives is apparent. Finally, it is increasingly clear that different approaches are necessary in situations of intra-state conflict and there may be a need to rethink conventional conflict resolution frameworks that are based on inter-state rather than intra-state peace-building.

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