

Transformation of a Conflict via an Economic Dividend: The Sri Lankan Experience

Saman Kelegama

Abstract

Sri Lanka's post-war period provides a good example of using an economic lever (economic dividend, reconstruction, and development) for consolidation of the peace process and conflict resolution. Although optimistic at the start of the peace process, a noteworthy economic dividend was not visible in Southern Sri Lanka (no-conflict areas) because a costly structural adjustment programme of the IMF coincided with the peace process. The prevalent complex institutional and military structure in the war-torn North/East (N/E) (conflict area) and multiplicity of factors relating to the progress of the peace package prevented an economic dividend fully taking shape in the area. Furthermore, the government's institutional structure delayed aid disbursement and reconstruction in the N/E. And aid donors' 'tool kit' approach and bias towards large infrastructure projects in the N/E contributed to slowing the economic dividend. Among other factors, the lack of a peace dividend in the N/E halted the peace talks and lack of the same in Southern Sri Lanka led to a rejection of the government at the April 2004 polls. An international safety net that was devised to rescue the peace process did work in the sense of preventing the rebels from going back to war, however, it did not revive the peace talks or expedite the economic dividend. The Sri Lankan experience highlights some important lessons for the government and donors on making use of an economic lever for consolidating a peace process and conflict resolution.