

THE PEACE PROCESS

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Peace Process

Since the assuming of office of the new UPFA government in April 2004, the peace process has been characterized by a hurting stalemate despite strenuous efforts by the Government and the Norwegian facilitators to get the negotiations between the Government and the LTTE re-opened after the LTTE left the table in April 2003. The problem has been in relation to developing an agenda acceptable to both sides. The LTTE has taken the stance that the next round of negotiations must be based only on the ISGA proposals put forward by the LTTE in October 2003, whereas the GOSL is ready to commence the next round of negotiations on all available proposals for an Interim Authority (IA), as a prelude to discussing a final settlement, provided the IA as well as the final settlement is based on the Oslo decision of December 5th 2002.

In December 2004, the GOSL in a fresh attempt to restart the peace talks, conveyed to the LTTE through Mr. Solheim, a slightly modified version of a previous Norwegian text for the resumption of peace talks. This was rejected by the LTTE. The LTTE in its formal response to the government, expressed its displeasure with the 'structure and contents' of the Agenda, and questions the sincerity of the President.

Post-Tsunami Operational Management Structure (P-TOMS)

In the post-tsunami period, there has however been an opportunity to engage in a dialogue with the LTTE on tsunami relief. In the immediate aftermath of the tsunami, on the 28th of December, 2004, the Secretary to the President in a letter to Mr. Tamilselvam invited the LTTE to participate in the high level coordinating committee set up by the President to ensure prompt and effective delivery of services to the North and East and to discuss common problems faced by both sides. It also invited them to play a role in the district task forces that were being established.

In response, the LTTE requested for an opportunity to discuss the establishment of an effective structure capable of delivering relief, rehabilitation and reconstruction needs. The President agreed and the GOSL and the LTTE have since early January been engaged in discussions regarding the establishment of P-TOMS to effectively and equitably allocate and implement post tsunami aid.

Negotiations on P-TOMS are still continuing with the Norwegian facilitators.

Implementation of the CFA

The third anniversary of the Ceasefire Agreement (CFA) signed by the GOSL and the LTTE was observed on the 23rd of February 2005. It is the longest ceasefire in the history of the conflict in Sri Lanka, with no direct military confrontations between the two parties during this period. This is a significant achievement given the number of lives saved and the destruction of property that has been prevented. The ceasefire has also facilitated the free movement of persons and goods and the opening up of the North and East, both at a physical and emotional level. It is however a fragile ceasefire given the number of violations recorded by the SLMM. According to SLMM statistics, as at 30th January 2005, there have been 2752 violations by LTTE and 119 by the GOSL. Most of the violations by the LTTE are in the category of child recruitment and abduction of killings. Most of the violations by the GOSL have been in the category of harassment.

National Advisory Council on Peace and Reconciliation

A National Advisory Council on Peace and Reconciliation (NACPR), comprising political, religious and civil society leaders, was convened by the President in October 2004. The NACPR has been envisaged as a forum;

- For consultation on the peace process between the government and the citizenry, mainly through their elected representatives and also through religious and civil society leaders;
- For the government to inform the public of the progress of the negotiations process, as well as measures undertaken for ethnic reconciliation and for reconstruction and development of the North and East;
- For its members to inform the government of their views and concerns, with regard to the peace process, and also for them to suggest approaches to move the peace process forward.

The inaugural meeting of the NACPR was held on 4th October 2004. The three separate committees (Political, Religious, and Civil Society) of the NACPR, met for the first time on 1st, 2nd and 4th of November respectively. In the post tsunami period it has not been able to function as effectively as envisaged, but plans are being made to revive it. The Civil Society Committee, however, has been very active and engaged in a number of useful discussions.

Other Issues

- Muslim Peace Secretariat

Further to a Memorandum of Understanding between the Sri Lanka Muslim Congress (SLMC) and the National Unity Alliance (NUA) a Muslim Peace Secretariat has been established. The MPC has been established with the objectives of:

- Facilitating consensus building amongst Muslim political parties on matters relating to the peace process
 - Developing an advisory forum
 - Establishing formal relations with other peace structures such as SCOPP, the LTTE peace secretariat, the SLMM, the Norwegian facilitators, etc.
 - Establishing a peace resource and research center
- Confidence Building Measures

GOSL continued to fulfill confidence-building measures by providing helicopter transport for LTTE Commanders to move from different places for departure abroad and for medical treatment when necessary.

De-mining has continued and the Sri Lankan Army has received additional equipment, which will help them in the task.

Multilateral Investment Guarantee Agency (MIGA)

The Peace Secretariat is seeking to establish a mechanism like MIGA for attracting local, foreign and Diaspora investment to the North and East during the transitional period. Such investment will enhance the prospects of a lasting peace. The possibility of extending this mechanism to the tsunami-affected areas will also be explored.

MIGA is the political risk insurance arm of the World Bank. It promotes FDI in developing countries by (a) insuring political risk and (b) providing technical assistance. MIGA has been active in creating special projects for post conflict countries and under the Agency's new management, there has been increasing emphasis on economic development in post conflict states, such as West Bank and Gaza, Bosnia and Afghanistan. In all three programs the investment guarantee facility, which was created is around \$10 MN on average with contributions from various sources, including IDA of the World Bank. The foundation for stability gets stronger with MIGA involvement.

The investment guarantee facility (to be administered by MIGA) comes in the form of an IDA (soft) loan to the host country and is underwritten by MIGA. The Agency issues guarantee contracts against political risks. The Government becomes the borrower of the IDA funds and the aim of the Fund is to promote transfer of critical technology to the conflict-ridden areas. Local investors who have foreign accounts could also access the Fund. MIGA is the final arbiter on payment of a claim. All funds underwritten against but not claimed on are returned to the Government after a specified period. Sometimes the Guarantee facilities are supplemented by funds from other sponsors.

The premium rate on a MIGA insurance policy ranges from 0.3% to 1.5%, depending on the level of risk. The Sri Lanka Export Credit Insurance Corporation (SLECIC) could provide the insurance cover and MIGA could reinsure against the Fund. This could be an appropriate model for Sri Lanka.

The Peace Secretariat has requested the World Bank to schedule a MIGA mission to Sri Lanka in the second or third quarter of 2005.

North East Donor Coordination Cluster (NEDCO)

NEDCO, which is one of the clusters established under the National Council for Economic Development (NCED), is chaired by the Secretary General of the Peace Secretariat and meets with the donor community on a quarterly basis to address implementation bottlenecks and policy issues affecting donor-funded projects in the North and East. Towards the end of 2004, NEDCO was merged with the Donor Working Group sub-committee on RRR and governance.

NEDCO, based on the quarterly meetings, has developed an Action Plan, which is periodically updated. Some progress has been made with resolving issues identified in the Action Plan to date. There is considerable focus in the Action Plan on policies relating to resettlement of IDPs, land and property dispute resolution, upgrading of welfare camps, and manpower development in the health and education sectors.

Government's Development Policy for the North and East

The Rehabilitation and reconstruction policy of the Government is aimed at assisting the internally displaced people to resettle in their original places or in alternate locations and resume normal economic activities. In keeping with this policy, reconstruction activities are being carried out equitably in all parts of the North & East. The opening and consequent rehabilitation of the A-9 highway to Jaffna has substantially increased mobility and facilitated trade between the North and South

of the country. At the same time, launching of a massive program for restoration of infrastructure such as roads, electricity, irrigation and capacity building has paved the way for increased economic activity. Total loan and grant assistance committed by donors to ongoing projects in the North and East (pre-tsunami) is about US\$ 615 million, of which roughly 30% has been spent (as of January 31, 2005).

