

The Honorable Hillary Rodham Clinton
Secretary of State
U.S. Department of State
2201 C Street NW
Washington, DC 20520

26 February 2010

Dear Madam Secretary:

The Tamil American Peace Initiative (TAPI) writes to thank you for placing a hold on funding from the International Monetary Fund (IMF) going to Sri Lanka and to express our strong concern about the direction of Sri Lanka following the January presidential election. Since the civil war in Sri Lanka ended in May 2009, we believe that the Government of Sri Lanka has squandered countless opportunities to make real progress towards building a lasting peace and advancing reconciliation. We, like many watching Sri Lanka, understood that the presidential election was a hurdle to be crossed before the much-needed change on the island could be advanced. We were hopeful that some elements of the reconciliation that were promised to the United States and the international community by the Government of Sri Lanka would come to pass once their mandate was endorsed.

But it is now clear to us that the re-elected Rajapaksa government is still fighting a war instead of building a peace. We strongly believe that the United States should suspend its support for any further installments of the \$2.6 billion IMF loan to Sri Lanka until such a time as the benchmarks for good governance and transformation agreed to with the United States are met, and additionally that the US should work to ensure that other voting members are aligned behind the same objective and message to Sri Lanka. To this end, we would also encourage the Department of State to work with counter parts in India and Japan to pursue a more active regional approach to the situation taking place.

Since President Rajapaksa's re-election, a pattern of behavior has established facts on the ground that cannot be ignored. Our specific concerns include the following:

- Hundreds of thousands of internally displaced persons (IDPs) and other Tamils lacking government-issued IDs were excluded from the voting for the presidential election and will similarly be excluded for the upcoming parliamentary elections.
- The Government of Sri Lanka has made no moves to address any of the voting problems in advance of the parliamentary voting, including the lack of ability to register, lack of access to polling places, and lack of government-issued identification, among other issues. If the parliamentary elections are held in this climate, the Tamils and Sri Lanka's minorities will be further, and more severely, disenfranchised precisely when the difficult work that will determine their futures is begun.
- The continued arrest and detainment of journalists and members civil society, as well as a crackdown on the use of the internet, has reinforced the government's lack of respect for free speech and dissent in the post-conflict period.
- The status of hundreds of ex-combatants is still uncertain, and no process has been formally established to either levy charges against them or see them tried, which establishes a poor precedent for justice in a volatile environment.
- The lack of access to the former conflict areas by international observers and the media continues to raise concerns about the status of IDPs and basic rights and freedoms.

- Rather than developing a framework to resolve the substantial land disputes in the former conflict areas, the Government of Sri Lanka has pursued commercial contracts leasing this land to foreign agricultural and tourism conglomerates.
- The February 8th arrest and detainment of defeated presidential candidate Sarath Fonseka and his subsequent treatment and lack of access to due process indicate the beginning of a new wave of crackdowns against those the government perceives as their challengers.
- The Government of Sri Lanka has not met the requirements of the IMF loan, and has failed to detail steps that will be taken to reduce the budget, reform taxes, or restructure key state-owned enterprises.
- Despite a pending debt crisis that it is unprepared to address and clearly expects outside aid to offset, the Sri Lankan government continues to expand its non-civilian military capabilities, including a new \$300 million loan from Russia to purchase new weapons systems. This raises concerns about the prioritization of peace, and exactly who the government believes it is still fighting against.

With these recent developments in mind, we would urge the Department of State to spearhead a coordinated effort within the US government and other voting parties to vote against the approval of the next tranche of approximately \$330 million of IMF loan funds to Sri Lanka, and to suspend further support for this loan until key benchmarks are met. As described by the IMF, the loan would support Sri Lanka's "ambitious program...to restore fiscal and external viability and address the significant reconstruction needs of the conflict-affected areas, thereby laying the basis for future higher economic growth." The IMF funding is essential to the budget of the Sri Lankan government and but this funding has yet to visibly address reconstruction and reconciliation activities within the country.

A December 2007 report from the Senate Committee on Foreign Relations (entitled "Sri Lanka: Re-charting U.S. Strategy After the War") notes Senate concerns regarding IMF funding and its lack of consideration regarding the conflict. The report states, "the IMF does not officially consider conflict sensitivity at all and almost prides itself on its tunnel focus on financial indicators, although the IMF's mandate is macroeconomic stability – and a key factor to economic stability is resolution of war and conflict...The IMF did not examine the possible impact of its program on the conflict in Sri Lanka...and received no input from civil society." TAPI is very concerned by these findings and the potentially harmful impact IMF funding could have without taking into consideration the post-conflict situation in Sri Lanka.

We urge the Department of State to take action regarding the IMF loan in order to hold the Government of Sri Lanka accountable for their promises of change and their duties of reconciliation and good governance. All the people of Sri Lanka have suffered much from the war, and they equally now deserve the opportunity for peace and prosperity. TAPI believes a measure of accountability can be achieved through the restriction of IMF funds until the government meets the basic benchmarks they laid out for themselves.

We appreciate your consideration of our recommendations and look forward to working with you in the coming months.

Sincerely,