

Research Focus

Lessons for economic policy-makers from the Asian tsunami

*Sisira Jayasuriya & Peter McCawley**

Over three years have passed since an earthquake in deep waters off the coast of Indonesia caused the tsunami that brought devastation to countries from Indonesia to Africa on 26 December 2004. The damage, most of which occurred in just a few short minutes, was immense. Almost 230,000 people were either killed or are missing, officially presumed dead, following the tsunami. More than 1.7 million people were displaced. Over \$10 billion in damage was caused to infrastructure, houses and other property.

Country	People lost
Indonesia	167,540
Sri Lanka	35,322
India	16,269
Thailand	8,212
Other (10 countries)	555
TOTAL	227,898

Source: USAID (estimates).

The first news of the scale of the disaster took time to spread. The worst-affected area, in Aceh at the northern tip of Indonesia, was hard to reach so it took time for accurate reports to reach the outside world. Following the urgent allocation of emergency funding in the first few days both local and international aid teams began to arrive to provide immediate help. At the global level, major appeals for

large-scale financial assistance were launched with the result that individuals, national governments and others throughout the world pledged a total of over \$14 billion to assist with relief and reconstruction.

Raising \$14 billion is one thing—but spending it well is another. In the weeks and months that followed, numerous official agencies and hundreds of non-government organisations supported thousands of different activities in the tsunami-ravaged countries to help local communities rebuild their lives. But how effective has all of this work been? What lessons have been learned so far?

Useful answers to these key questions were provided in a valuable study released in 2006 by the Tsunami Evaluation Coalition (TEC) based in London. Summarising the report, former U.S. President Bill Clinton, who was appointed UN Special Envoy for Tsunami Recovery, noted that the document contained an 'honesty of analysis' which 'includes both praise and uncomfortable reading'. He listed three main messages:

- The first message was that 'we must do better at utilising and working alongside local structures'. This, really, was a diplomatic way of saying that, too often, international agencies (and some non-government organisations as well) arrive to provide

assistance after a disaster, but fail to work closely with local communities. This approach sometimes leads to sharp disagreements.

- The second main message emphasised the importance of investing in risk reduction and programs to support risk preparedness, especially at the local level. Unfortunately, many developing countries are often unable to set aside funds to prepare for disasters and are thus unable to cope when a disaster strikes.

- The third message was 'the need to translate good intentions into meaningful reform'. The same conclusion was expressed more directly by Jan Egeland, UN Emergency Relief Coordinator, when he spoke at the launch of the TEC report. Egeland recalled that a similar major report had been prepared after the humanitarian emergency in Rwanda ten years earlier but that, too often, many of the same mistakes continued to be made again and again when new emergencies arose.

The Asian Development Bank Institute based in Tokyo sponsored three Asian region studies into the effectiveness of the post-tsunami recovery programs. The first set of results for Sri Lanka was prepared in cooperation with the Institute of Policy Studies in Colombo. Other studies were prepared for Indonesia and Thailand. These result from these studies reinforced the conclusions from the TEC report,

pointing to both important successes and useful lessons.

One of the most encouraging successes in Sri Lanka was that despite the fact that Sri Lanka had no previous experience of such a devastating tsunami, local institutions responded well when the crisis struck. Medical aid, food, and other relief supplies were mobilised at the local level within a day. Communities joined together to work across social barriers that had divided them for decades.

Three other key lessons emerged from Asian regional studies. One is the overriding need for a fast response when disasters strike. Too often, relief and rehabilitation programs take months, and sometimes years, to be drawn up and implemented. Delays of this sort are unacceptable.

Another lesson is that valuable time is often lost if donor and relief agencies try to over-plan their assistance activities. Often the fastest and most effective way of helping with relief is the simplest—following the provision

of essential emergency supplies such as food and medical relief, immediate cash payments can be very effective. Payments of this kind provide survivors with immediate support and cuts through bureaucratic tape. ADBI's Sri Lanka study concluded that particularly for poorer victims in an emergency situation, 'cash grants are vital'.

A third is that reconstruction costs are likely to soar. If there is a building boom in a local area, which is often the case after a disaster when houses, schools, roads and bridges need to be repaired, local building costs can rise rapidly. In Sri Lanka, construction costs often rose by 40-60 per cent or more. The same thing happened in Aceh in Indonesia after the tsunami, and in the Yogyakarta area in Central Java after the earthquake in 2006 when even bamboo poles quickly doubled in prices in some places.

The result is that unless planners allow for substantial increases in building costs, preliminary estimates of the funds needed for reconstruction after disasters are likely to be too low.

The memories of the terror of the tsunami of December 2004 still haunt hundreds of thousands of people across Asia. But if governments and communities across the world at least learn lessons from the relief efforts in the region, Asian countries will be better prepared to cope with future disasters.

Note:

The TEC report can be found at <http://www.tsunami-evaluation.org/>. The ADBI report on Sri Lanka with links to the Indonesian and Thai studies are at <http://www.adbi.org/research-paper/2006/06/06/1888.tsunami.sri.lanka/>.

(*) Respectively Professor of Economics, LaTrobe University, and Visiting Fellow, Arndt-Corden Division of Economics, Research School of Pacific & Asian Studies, Australian National University. A presentation on this topic was given by Peter McCawley on 1 April 2008 in the RSPAS Economics Division Seminar series.

Events

7, 14, 21, 28 May, 4 June, Conflict and peace-building in the Pacific Island states, GDLN Forums

30 May, PNG Update, Sydney

4 June, PNG Update, Canberra

*Crawford Seminars**

13 May, *Managing risk in the Murray Darling Basin*, Daniel Connell, Crawford School

20 May, *Political engineering and ethnic politics in the Asia Pacific*, Benjamin Reilly, Centre for Democratic Institutions, Crawford School

27 May, *The education revolution and the universities*, Glenn Withers, Universities Australia.

3 June, *The new integrity warriors: international campaigns against corruption*, Peter Larmour, Crawford School

*Seminars are held at 12.30pm in Seminar Room 4, Crawford Building

Publications

Asia Pacific Economic Papers

371, *Tax law asymmetries and income shifting: evidence from Japanese capital 'keiretsu'*, Kazuki Onji and David Vera

New Books from Asia Pacific Press

Politics and State-Building in Solomon Islands, Sinclair Dinnen and Stewart Firth (eds)

ISBN 978-0-7315-3818-8, A\$32

Co-published by Asia Pacific Press and ANU E Press

Available online at www.asiapacificpress.com

Asia Pacific Press publications can be ordered online at <http://www.asiapacificpress.com>, or by contacting Landmark Educational Supplies, Ph: 03 5625 4290, Fax: 03 5625 3756, book.distribution@elandmark.com.au

APEC Economies newsletter mailing list
Enquiries: Australia-Japan Research Centre
Tel: (61-2) 6125 3780
Fax: (61-2) 6125 0767
Email: ajrc@anu.edu.au