

Lessons from the Asian Tsunami

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Throughout 2004 World Council For Corporate Governance has drawn corporate attention to the widening gap between rich and poor and the governance strategies for bridging it. We have repeatedly argued that the socio-economic disparities are a serious threat to the security and sustainability of business. The business should have a vested interest in thinking of radical ways to draw the poor in to the market economy and reassure them that globalisation will equally work for them.

Poor nations are much more disaster prone. The communities hit by tsunami catastrophe in Indonesia, Sri Lanka, Thailand, Maldives, Somalia and India are the poorest in the world. Experts refer to the 'Seismic Gap' between rich and poor countries. It is not that the nature picks on the poor. It is because the poor's habitats have no resilience to absorb nature's shocks. Teheran is a city of the size of Los Angeles with similar thrust faults. While a 7.5 earthquake in Los Angeles might kill 50,000, it would kill a million in Tehran. The tsunami death toll that exceeded 200,000 is the highest in our lifetime for a natural calamity anywhere. This disparity is because of the density of population, shabby construction, poor regulation & even poorer enforcement of existing regulations, lack of early warning systems and corrupt governance practices. Tsunami is an opportunity to use all our might to correct the imbalance.

We need to examine how, with all the scientific and technological advances at our command, we can turn this tragedy into a real opportunity for rebuilding communities. The tragedy is so awesome that financial aid will not be a problem. Ability lies in thinking of innovative ways how this aid can be used nor so much for immediate relief, which can be managed anyhow, but lasting measures to eradicate poverty in the region. Tsunami challenges us to think and analyse causes of poverty in a wider spectrum and examine why human institutions have failed to address this problem despite investment of vast funds. We must recognize that poor countries like the ones living on the tsunami affected coastline are rich in mineral resources. Why do they continue to be the world's poorest people?

Just as tsunami struck the Asian coast, Dubai witnessed snowfall. The earth is supposed to be at its warmest in 10,000 years. Human excesses have breached the fragility of ecological balance. Despite stupendous advances in science and technology we have to recognise that humans cannot fathom the awesome power and vagaries of nature. Its spasms and contractions can be expressed in myriads of ways. The **first lesson** is that we must hold our planet earth (our only home) in awe and be worshipful to it and do what the scriptures have enjoined:- "Vishnupatni namastubhyam padsparsham kshamasvame-Oh Lord Vishnu's consort, (mother earth)I salute thee; forgive me because my feet have touched you". It has now become clear how mangroves and wetlands have saved coastal communities from the havoc of such disasters. No damage or loss of life has been reported from the habitats around these wetlands. We must, therefore, take environment protection seriously.

The **second lesson** is that nations must have an institutionalized central mechanism for a prompt response to such disasters. According to estimates, 120 to 180 minutes elapsed between the earthquake shocks in Indonesia and the first of the tsunamis waves hitting India's coastline. We should constitute a standing Central Disaster Management Authority comprising major stakeholders selected not only because of their eminence but grass root experience innovation, imagination and commitment. It should come into play as soon as such disasters occur. This should be the body to organise relief and coordinate collection, distribution and administration of all relief and rehabilitation work.

The third lesson of tsunami is that we need greater education and awareness about our environment and its nature. One ten-year-old, British school student, who remembered her geography lecture, saved hundreds of lives. Her intuition raised the alarm and timely evacuation of Phuket's Makhaido beach and a neighbouring hotel before the water came crashing in. Why all schools can't make their geography classes more meaningful and explain such natural phenomena? Had more students been taught such phenomena, the loss of lives certainly would have been far less.

Fourth lesson is that it is the poorest who are the worst sufferers of such calamities. The middle classes have savings, insurance policies and relatives to turn to in an emergency. The poor have no safety net. The coastline of the Indian Ocean is home to millions who eke out a meager living from fishing. They have not only lost relatives, homes but also the only means of sustaining life by the

giant tsunami waves. Our effort, therefore should be to use the tragedy of tsunami as an opportunity to eradicate the poverty of the region and make these communities more resilient to natural calamities.

It should be recognized that aid does not automatically convert into relief and rehabilitation. Disbursing relief is not just giving handouts. It is a highly specialized task and needs proper training and skill. For an agonized mother who has lost her husband and all her children, food may be the last thing on her mind. What is urgently needed is counseling of such psychologically traumatized people. In fact rehabilitation has to be in the following order :

- i) psychological and emotional support
- ii) medical support
- iii) physical and security need – food, shelter and clothing
- iv) economic need – organizing livelihoods

Fifth lesson is that efficient administration of aid is far more important than receiving aid.

Currently while a legion of ships and planes have been waiting at the ports and air fields aid is not reaching where it is needed most. The dead bodies are still littering the streets of Banda Aceh and beaches in Thailand & SriLanka. There is plenty of coarse food but no means to cook them. Far more important than even food is clean water, cranes, cookers, cooking utensils, solar stoves, solar lanterns, medical equipment, bamboos, plastic sheets, fishing nets and fishing boats. **Sixth lesson** is that the foremost emphasis has to be on creating the distribution infrastructure. Generosity shown on sending shipments of costly equipments, medicines, IV fluids are wasteful without creating a distribution network.

Many stories of public generosity are being hyped by the media. The biggest danger in such disasters is that everybody who has some agenda chips in. Lots of pledges are made at the height of crises only to be forgotten when the time to implement them. The devastating earthquake in Iran a year ago saw commitments worth \$1.1b, but just \$17 million or less than a quarter of 1 per cent of the pledged amount has materialised so far. Hurricane Mitch swept across Honduras and Nicaragua in 1998, killing thousands and leaving millions homeless, and was followed by pledges of over \$8b. Less than a third of that was ever given. Floods ravaged Mozambique in 2000 and more than \$400m was promised to help in rebuilding affected areas, not even half of which has seen the light of day. **Seventh lesson** is to set up a task force for encashment of these commitments and ensure the donations go beyond PR exercises. This should ideally be done by creating a collective of victims. They are the real stakeholders in any relief effort and with proper training can drive the aid agenda most efficiently.

The **eighth lesson** is that an effective rehabilitation and reconstruction of disaster affected communities, requires public private partnerships of businesses, NGOs, governments. There are huge problems of delivery, which cannot be solved by any other individual agency. Governments are notoriously inefficient in delivering relief in time of such emergencies. Even NGOs are uncoordinated. The spread of the Andaman and Nicobar Islands is vast. Only a few places like Car Nicobar and Campbell Bay have airfields. Ships cannot dock because all the jetties have been destroyed. Most parts around Banda Aceh in Indonesia are mountainous and can be accessed only by motorbikes or on foot. UNICEF's medical equipment, supplies, soaps and plastic sheets are lying at the airport awaiting customs clearance. There are also restrictions against foreigners visiting most parts of the affected areas.

Proactive action by corporates can ensure finance would not be a problem. Corporates can pressure and shame governments to match their contributions. US which has spent \$60 billion on Iraq war came out with only \$35 million aid to tsunami disaster. It was shamed to increase it to \$350 million. It is still peanuts. Although 4 billion dollars of aid has already been pledged, corporate pressure can raise this figure many fold. More importantly corporates have been talking of CSR for a long time. There is an ongoing debate whether the CSR is simply a PR exercise. Here is an opportunity for corporates to prove it is not. Corporates like Unilever, ITC and Proctor & Gamble who have built businesses on the sweat equity of these fishermen have a social duty to rebuild these communities. Tsunami offers a huge opportunity to corporates to touch the hearts and minds of locals by organising delivery systems on scientific basis. Here is an opportunity to build their future markets by innovating practices products/ services to suit the rehabilitation and reconstruction needs of tsunami hit communities. So the **ninth lesson** is that such disasters are an opportunity for

corporates to show that the CSR efforts are for the real and not just PR. Corporates have to be conscious of the fact that public expectations of their response to such tragedies has heightened in this knowledge era. Failure to have their slogans match their commitment can result in tsunami waves hitting their stock.

Time has come to consider disaster insurance for the poor. One of the arguments against private insurance of natural disasters in the past has been that our insurance companies are undercapitalised and would go bankrupt after the first pay out. Thanks to globalisation reinsurance is now possible. Until this happens there is a case for state-mandated disaster insurance. More and more countries are going for it. Each of these insurance programmes emerged following a catastrophe. The well known programmes include TCIP in Turkey, FOUNDON in Mexico, the Florida Hurricane Catastrophe Funda, the Hawaii Hurricane Relief Fund, California Earthquake Authority, EQC in New Zealand and CatNat in France.

In a World Bank paper presented in April 2004 on "Rapid Onset of Natural Disasters: The Role of Financing in Effective Risk Management and Insurance Contributed Savings Practices," the authors estimate that the direct losses from natural disasters from 1996 – 2001 were worth \$14 billion. As India becomes richer, the rehabilitation costs of disasters such as this tsunami, and earthquakes such as of Bhuj and Latur will progressively increase. Disasters cannot be prevented. **Tenth lesson** is to use the opportunity of tsunami to develop an institutional mechanism for insuring the poor against disaster. This will help in immediate rebuilding of better houses and infrastructure without any fiscal burden.

The coastline of the countries, which have suffered the most, is rich in natural resources. So the question arises why do they continue to be the world's poorest people? Why they had to suffer the indignity of being buried with bodies piled up over one another. The fault also lies with opaque, corrupt and callous governance practices. The **eleventh lesson** is establishing good governance systems based on transparency, participation, equity, accountability, integrity, environmental and social responsibility. This requires overhaul of the enforcement and justice system.

The really challenging task, however, is to provide livelihoods to the survivors. 90% of those perished lived on the sea. Businesses have to innovate low cost efficient products and services that these communities would need to generate employment. Further financial aid of billions of dollars is bound to materialise. Finance will not be a problem. What is required is judiciousness in spending it. Financial aid is meaningless if it is to be used simply for surviving the crises after disaster. It should be used to generate employment. This will simultaneously create the much-needed purchasing power of local communities to create a market. This requires a deep focus on POISED (Poor Oriented Innovation for Sustainable and Environment Friendly Development) economy of the poor. Thus **twelfth lesson** is that aid should not be used simply to survive the crisis but to rebuild communities by developing coastal green belts, pisciculture, sea food processing enterprises and other related enterprises that generate employment and create a market economy for them.

A disaster of the magnitude of tsunami is impossible to be tackled effectively by individual nations. Even a nation as mature and experienced in handling such disasters as India will be ill-advised not to accept international assistance for effective rehabilitation of affected communities. Such international aid does not necessarily mean simply financial aid. It also brings in its train a huge amount of international expertise and the technical know-how. UN is the most experienced international agency for coordinating such international aid and relief.

There are other geopolitical reasons to involve UN. The region is highly sensitive politically. In Sri Lanka the rebel Tamil Tigers refuse to cooperate with the government. In Aceh, though, the Free Aceh Movement by the rebels has ordered a ceasefire, there are little signs of concerted effort to cooperate with the government to ensure relief to the neediest and can legitimately be entrusted with the job of ensuring that aid goes to the neediest for involving UN. With Iraq experience fresh in public mind these nations will naturally resent presence of Anglo-US troops in the region. They are wary of the orchestrated effort by the so-called coalition of the willing to discredit UN to justify Iraq holocaust. India's rejection of international aid is partly because of these compulsions. This is also the reason why India has been uneasy about joining the core group with Japan, US & Australia. In this scenario of strife ridden South East Asian continent, UN is the only body, which can command universal allegiance. Admittedly the UN and its agencies are not the most efficient in terms of delivery but we must realize that UN can only do what it is mandated. Its efficiency is dependent on the support it gets from the host nations. **Thirteenth lesson**, therefore, is to ensure that international aid for such extensive calamities is the routed and administered through the UN.

Let tsunami be treated as an opportunity of a life time to lift the communities involved in this tragedy and eradicate poverty from the region. Let us build the best housing, best fishing nets and best catamarans that can withstand future tsunamis. Here is an opportunity for Cola companies. They need to make their bottling plants in all the neighbouring areas work full steam and also consider investing in desalination of sea water. Steel and cement companies have an opportunity to provide material for housing. Bamboos and plastic sheets are the need of the hour to provide immediate shelters followed by houses that can withstand the fury of future tsunamis. Pharma companies need to provide medicines and para-medicals. There is an opportunity for mobile communication providers to provide mobile connectivity to affected communities. Providing relief and rebuilding the affected communities is the best CSR response the corporates can give and a befitting tribute to the dead.

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