

Tsunami Relief: Challenges and Opportunities

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Thank you for that kind introduction. To say the least, I have mixed feelings about being here today. On the one hand, it's an honor to have been asked to speak to this conference. I couldn't agree more with its goals and objectives. Also, it's always a pleasure to get together with friends and colleagues and to have a chance to work together on an important issue of mutual interest and concern. As you may know, I'm a big believer in partnering for progress.

On the other hand, let's face it. The reason we're here today is because of one of the worst natural disasters in modern times. The earthquake and tsunami that struck on December 26 affected not just a single city or a single province but an entire region, from Indonesia to India and from Sri Lanka to Somalia.

So far, nearly 300,000 people are either dead or missing, and we'll probably never know the final number. Another million or more people are believed to be homeless. To put things into perspective, the deadly tidal waves produced by the eruption of Krakatoa in 1883 are estimated to have killed fewer than 40,000 people.

I want to offer my personal condolences to the victims and their families throughout the region. I realize that we can't change the past, but I'm convinced that by working together we can make a difference in the future.

The real issue for this conference is where do we go from here. In my view, the ongoing tsunami relief efforts present national governments, relief organizations, and the international community—including supreme audit institutions—with both challenges and opportunities. Clearly, the main challenges are to deliver the relief aid to its intended recipients, to reconstruct roads, bridges, and other life-sustaining infrastructure, and to assure donors that their money has been well spent.

People and governments around the world have dug deeply into their pockets to support the tsunami recovery and rebuilding efforts. So far, the aid total is somewhere around three billion U.S. dollars. On both a per capita and aggregate basis, major contributions have poured in every part of the world. The list includes Austria, Australia, Canada, China, the European Commission, France, Germany, Japan, the Netherlands, New Zealand, Norway, Qatar, Saudi Arabia, Sweden, the United Kingdom, and the United States. And that list goes on and on. Many nongovernmental organizations, such as CARE, the Red Cross, and the Red Crescent, have also played an important role in channeling assistance.

The U.S. government has provided help both in the form of cash pledges and the rapid deployments of U.S. military forces and equipment immediately after the disaster. During a six-week stint, the U.S. Navy hospital ship *Mercy* provided medical assistance to thousands of sick and injured people. At about the same time, the carrier U.S.S. *Abraham Lincoln*, also known as the “grey angel,” was sent to the northwestern coast of Sumatra to deliver food, water, and other aid to some of the worst stricken areas. Helicopter crews flew more than 1,700 missions to deliver relief up and down the island.

I should point out that my son Andy is a captain in the U.S. Marine Corps. Andy served in Iraq, and while he hasn’t been deployed to Indonesia, I would have been extremely proud had he been sent here to lend a helping hand.

Understandably, much of the tsunami relief so far has targeted the most urgent problems. Right now, aid workers are focused on assessing and repairing damaged buildings and infrastructure, addressing shortages of basic necessities, and combating illness and disease.

But the tsunami also produced a number of long-term challenges that must be addressed. For example, some of the heaviest damage occurred at coastal fishing villages. Their residents are among the poorest in the region. With their boats and other equipment destroyed, many of them have no way to earn a living. We’re going to have to help get these folks get back on their feet so that they can support themselves and their families. After all, idle hands and minds can also be a source of discontent and instability.

We’re also going to need to address the tsunami’s enormous environmental impact. The surge of saltwater damaged fragile ecosystems, poisoned wells and fields, and destroyed sewage treatment plants. Reversing this damage will take time and money.

The effort to rebuild Banda Aceh and reconnect it with the rest of Indonesia also offers a chance to strengthen ties within Indonesia, among nations, and between cultures—particularly the industrialized West and the Islamic world. Today, I sense a greater willingness to overcome past differences and a greater appreciation for the need to partner across geographic, institutional, political, and other lines to achieve a common purpose. After all, we’re all God’s children and co-inhabitants of planet Earth.

A good example is the joint effort by former U.S. Presidents Bill Clinton and George Bush to raise funds for tsunami relief. These two former political rivals have set aside past differences to journey far from home to work together for the greater good. Former President Clinton has committed to help the U.N. convert these pledges from words into cash, and from cash into action.

Partnering for progress across institutional and geographic lines will be essential to better leverage resources that, while significant, are not unlimited. New alliances will be essential to achieving lasting and positive results.

For example, my agency, the U.S. Government Accountability Office (GAO), regularly coordinates with the Offices of Inspector General at various federal agencies, with our counterparts at supreme audit institutions in other countries, and with various private-sector public accounting firms. The objective is to tap into each organization's experience and expertise to leverage resources, maximize value, and reduce risk.

Given INTOSAI's new strategic plan and its remarkable progress in other areas, I believe that supreme audit institutions are well positioned to join forces to ensure the best possible use of tsunami relief funds. In fact, the principles laid out in INTOSAI's new strategic plan could serve as a useful roadmap to guide international oversight efforts. I look forward to working with my INTOSAI colleagues to help harness the experience and expertise of the many supreme audit institutions that are represented here today.

The challenge before us is how best to oversee the billions of dollars in relief money and ensure that it provides the maximum return on investment. As I just mentioned, partnering will be essential, but it'll take partnering based on three key principles. These principles are incentives, transparency, and accountability. We'll have a chance to talk about these principles in greater detail in the break-out sessions, but a few related thoughts are appropriate at this time.

More and more governments are applying these principles to their day-to-day operations. I should point out that Indonesia recently adopted the government auditing standards issued by GAO, which are better known as the "yellow book." But if the tsunami relief efforts are to truly succeed, aid accountability needs to extend beyond individual governments and supreme audit institutions. The key principles of incentives, transparency, and accountability must also apply to all major systems and initiatives, including international relief and reconstruction projects.

The first key principle I'm going to talk about is the need for incentives. Whenever large amounts of money are at stake, it's essential to have mechanisms in place to ensure that public officials follow prescribed procedures and spend funds appropriately. At a minimum, this requires segregating relief funds from normal accounts, creating an appropriate governance structure, and establishing strong internal controls.

In the case of the continuing tsunami relief and reconstruction efforts, I would also strongly encourage the use of ongoing risk assessments to monitor and test various activities. GAO has done considerable work on disaster assistance both in the United States and other countries. Following Hurricane Mitch in 1998 and a powerful earthquake in El Salvador in 2001, GAO sent in teams periodically to observe first-hand the recovery efforts. To measure progress, GAO staff visited facilities, interviewed aid beneficiaries, and audited records. Our agency then issued interim reports that described what worked well and what needed improving.

Real-time financial and performance auditing has the advantage of spotting mistakes as they occur. This helps to correct mistakes before they get out of hand and prevents similar mistakes from happening in the future. For example, in one country in Central America, GAO found that health clinics were being built without plans on how to staff

the clinics or stock them with medicine. Because of GAO's work, the government took steps to correct the problem.

In areas devastated by the tsunami, it's essential to have strong controls over the quality of building reconstruction and repair. An often overlooked factor in the level of the devastation is that many towns and villages were built with little regard for construction codes and standards. For example, I've heard that in the past concrete was often mixed with salt water, which significantly weakens a building's structural integrity.

When it comes to the ongoing rebuilding efforts, we can't afford to repeat these practices. It's not just a waste of precious aid dollars. The real problem is that it's putting the people who live and work in the buildings at serious risk. Because as we all know, the so-called Ring of Fire is still very active, and another major earthquake and another major tsunami are likely only a matter of time.

Government agencies and donor organizations may want to arrange for technical expertise to maintain quality control over materials and construction techniques. Such vigilance can make a difference. Following the earthquake in Central America, GAO's work brought attention to the need to rebuild houses, schools, and other structures using high-quality materials that can withstand tremors.

But the reality is that even the best auditor can only do so much. An auditor can only review so many documents. An auditor can only visit so many clinics, schools, and other reconstruction projects. It's going to take the widespread dedication of players in many organizations from many countries to ensure that tsunami relief funds are spent effectively and efficiently. It's going to take skilled workers with energy and commitment and leaders with courage, integrity, and the ability to innovate.

I should stress that those at the top need to set the tone and lead by example. By insisting on ethical behavior that's backed up with strong internal controls, leaders can communicate a message of zero tolerance for waste, fraud, abuse, and mismanagement. This is a message that employees in any organization will hear and, in most cases, heed.

The second key principle is transparency. Whether we're talking about public aid money or private donations, it's essential to have periodic public reporting on the receipt, obligation, and spending of funds. In monitoring other disaster reconstruction efforts, GAO has made it a point to periodically brief the United States Congress and relevant federal agency officials. GAO has also published progress reports and delivered congressional testimony to keep the public informed about the status of various pledge, relief and reconstruction activities.

As I often say, with light comes heat, and with heat comes action. For instance, GAO's efforts to publicize delays in the completion of 26,000 houses in El Salvador helped to put the project back on schedule and within budget.

The Internet is a particularly powerful tool to enhance transparency. For example, in El Salvador, a multilateral development bank launched a pilot website listing donor-funded

projects by sponsor, by sector, and by region. These simple measures can enhance oversight of resources, prevent duplication of effort, and help to target funds where they're needed most. Given the large amounts of aid money that have been pledged, the nations affected by the tsunami may want to consider a similar approach.

The third key principle is accountability. It's essential to carry out both financial and performance audits of disaster assistance efforts. These audits provide a complementary perspective on whether funds are being used economically, efficiently, and effectively. Accountability is easier to achieve if host government agencies have a clear plan and strategic direction with specific goals, point persons, and time frames. Aid workers need to consistently follow procurement standards and regulations. The rules may need to be modified immediately following a disaster when help is urgently needed, but procurement standards, particularly competitive bidding requirements for major contracts, are integral to preventing corruption, enhancing economy, and ensuring accountability.

In the case of tsunami relief funds, oversight by both national and local accounting firms can be helpful in providing access, institutional knowledge, and insights into local languages and business practices. These accounting firms can also be called on to provide additional financial and management oversight of high-risk reconstruction efforts. In this category, I'd include things like road and bridge projects, which can easily run into the millions of dollars.

Lastly, inviting local citizens' groups and non-government organizations to attend public meetings can be another way to monitor spending and enhance accountability. In the end, accountability depends in part on informed and engaged citizens who take an active interest in their communities. It also requires effective law enforcement coupled with timely civil and criminal sanctions following the rule of law to hold those who breach the public trust accountable.

Beyond the three key principles of incentives, transparency, and accountability, I think the tsunami relief efforts could also benefit from one of the central lessons of the reconstruction effort in Iraq. That lesson is that it's crucial to identify your security needs and establish a stable and secure environment for reconstruction efforts. Through advance planning and a strategic approach, you can avoid spending a significant share of your budget on security costs. Otherwise, as our colleagues from the Netherlands can tell you, there's a real chance you'll end up like the little Dutch boy, who faced the impossible job of plugging more and more holes in a leaking dike.

It's vital not to breach the public trust. In my country and elsewhere, we've seen accountability failures in the private sector. Corrupt practices at companies like Enron and Worldcom caused countless people to lose their investments, their jobs, and their pensions. We've also seen accountability failures in the nonprofit sector. At some charities, funds intended for the most vulnerable members of society instead ended up in the pockets of unethical executives and other players. Recently, we've also seen accountability failures in the international sector, most notably the oil-for-food scandal at the United Nations.

Beyond the obvious moral and ethical issues, it's important to point out that betrayals of the public trust have serious real-life consequences. In all the cases I just mentioned, public confidence in the institutions and key players in question took a big hit. These institutions could no longer count on public support for their missions or, in some instances, their continuing existence. In the case of charities, growing public distrust often led to dwindling donations. Sadly, it was the poor who usually suffered the most.

When it comes to the tsunami relief and reconstruction effort, it's crucial that we get it right. Supreme audit institutions from both donor and recipient countries have an important role to play in ensuring that we do so. This is one of the main reasons we're here today.

The continued willingness of people around the world to open their hearts and their wallets depends in part on what happens to the money they've already given for tsunami relief and reconstruction. Today's donors have high expectations. We cannot afford to squander this remarkable reservoir of generosity and good will. I believe that the economical, efficient, and effective distribution of tsunami aid money is the best way to affirm the world's trust. Supreme audit institutions and others can help to ensure that this happens.

We can't stop natural disasters from happening again, but by working together we can set a positive example for disaster relief and related accountability efforts. By working together, I'm confident we can develop a framework of appropriate incentives, transparency, and accountability mechanisms to help ensure that every dollar of tsunami aid is a dollar that's well spent.