

A LONG-TERM COMMITMENT TO THE TSUNAMI'S VICTIMS

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The South Asian tsunami disaster has produced an outpouring of humanitarian assistance for the victims who are beginning to rebuild their shattered lives and communities. Aid commitments from governments, in international agencies, voluntary groups and private citizens are certainly very heartening and welcome. But now comes the hard part.

As the headlines fade and the cameras move on, the international community must meet its commitments for assistance well into the future. Only if promises are honoured can we meet the tremendous demands of reconstruction. At the same time, it is essential that donor countries are not diverted from addressing the undiminished needs of other developing nations that face the daily ravages of poverty, hunger and disease.

The international community's responsibility to the tsunami victims was clearly recognized at the January 6 gathering of heads of state and other senior officials in Jakarta. For those of us in attendance, the enormity of the task ahead was daunting. The recovery will be no doubt take time. Thus, it is extraordinary to witness the unprecedented support of governments and international organizations. The United Nations in particular deserves plaudits for its work coordinating the aid effort.

Although it is too soon to calculate the financial cost of rehabilitation and reconstruction, there can be no doubt that it will be high. Governments and international organizations already have pledged some US\$4 billion in the form of grants and soft loans, and several donors have indicated that their contributions could rise. UN Secretary General Kofi Annan has announced that US\$970 million is available immediately to meet the immediate needs of the relief effort.

In addition, a number of participants have called for debt relief to the affected countries. In the first instance, a temporary moratorium on payments of up to one year has been offered to affected countries by Paris Club creditors. The need for any additional relief will be

considered at a later stage once the financial implications and needs of the affected countries become clearer.

The affected countries have widely varying needs and capacities, but it is extremely important that given the devastating losses as much assistance as possible be provided as grants. In some cases concessional loans and debt relief also may have a role to play.

The International Monetary Fund is prepared to offer all assistance at its disposal. The Fund can provide advice and technical assistance in assessing the macro-economic impact and budgetary and balance of payments needs stemming from the disaster. In this regard, we are prepared to send IMF teams to help as soon as countries are ready. The Maldives has already requested such assistance and a team will arrive there shortly.

The Fund is also prepared to quickly make available sizable loans under our emergency assistance policy. This financing, which could be on the order of US\$1 billion for the most affected countries, could be made available without an IMF program. We are also taking steps to make assistance available on concessional terms for low-income countries. The Fund is also willing to consider requests to defer debt repayments. Sri Lanka has already been granted a deferral of its repayments, and taken together with a request for new funding, the Fund could provide Sri Lanka with the equivalent of US\$250 million of assistance.

It is too early to fully assess the overall economic impact of the disaster. Some of the countries hit by the tsunami enjoy solid overall economic fundamentals, and they also will continue to benefit from the strong growth currently being experienced by the world economy. However, it is clear that the impact on specific sectors in individual countries especially fishing and tourism will be major, and in some smaller countries this will have a significant macroeconomic impact. We must all work together now and in the long run to help those affected by the tsunami rebuild their lives as quickly as possible. ■

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