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Contact:  
Ken Bacon

## **Pakistan: Quick Cash Payments Speed Earthquake Repair**

Shortly after the Oct 8 earthquake that killed 73,000 people and left 3.3 million homeless, mainly in Pakistan, the government in Islamabad made an immediate and inspired decision to pay cash to earthquake victims.

The quick infusion of cash is enabling people to start rebuilding their houses and their lives as soon as possible. “The compensation is flowing like water,” Prime Minister Shaukat Aziz says. Payments are being made for loss of shelter, death of a family member and injury. Because the earthquake destroyed about 450,000 dwellings, shelter is the top priority.

The payments have strengthened the natural resiliency of the survivors, who live a hard life at high altitudes in the steep, rugged area damaged by the earthquake. Since many survivors are getting money quickly, the payments give people a sense of independence. The money has also cushioned the economy by giving victims money to spend, thus encouraging the quick resumption of commerce in damaged areas. When analysts draw lessons from Pakistan’s response to the earthquake, the decision to make quick and generous compensation payments is likely to stand out.

Shortly after the earthquake, Pakistan’s president, Pervez Musharraf, decided to give every family that lost a house 25,000 rupees, or about \$440, so that people would have money to cover some of the costs of displacement, as well as start work on rebuilding their houses. Army teams traveled throughout the country, even climbing into remote areas, to deliver checks for the first installment. “We achieved our mission to protect our people with these small payments,” a government official said.

The program has a few problems. First, people had to be in their villages to get payment, meaning that those who had moved to camps didn’t get paid. Since many vulnerable

people, including widows and orphans, have moved to camps, the neediest may not be getting payment for shelter reconstruction, although they would get compensation for deaths in the family or injury. Second, many earthquake victims live in remote locations, far from banks where they must cash the checks. While traveling with the UN to isolated locations to deliver food and supplies, Refugees International encountered a man who said he would have to walk five or six hours to the nearest bank in Muzaffarabad and then stand in line for most of a day to cash his check. Thus, getting his money would be a two day trip.

Worse, there have been reports that landlords are collecting a lot of the money, rather than their tenant farmers who were displaced and must rebuild their old homes or find new places to live. Still, government and UN officials call the shelter payment program a success.

A few days after the November 19 donors conference that generated U\$6 billion in pledges for relief and reconstruction, President Musharraf dramatically expanded the housing payments to a total of 175,000 rupees, or about \$3,100, a large amount of money in a country where the per capita gross domestic product is \$2,200. The result is an “owner driven” strategy for rebuilding houses. The payments come on top of aggressive deliveries of food, blankets, tents and metal roofing sheets to prepare people for winter.

The remaining payments will come in three installments as recipients reach reconstruction bench marks. The money will be deposited directly into banks, meaning that every recipient will have to open an account. Pakistan is a notoriously

corrupt country, but the direct deposit of money into individual bank accounts is one way to minimize the chances that the money will end up in the wrong pockets. However, there are early reports of price gouging by those selling construction materials; the government has vowed to crack down hard on profiteering, although it's unclear how effective government price policing will be. The large amount of building materials in relief packages provides downward pressure on prices.

Payments for death and injury have also started. Each family that suffered a death of a next of kin is getting 100,000 rupees. Although many families suffered multiple deaths, the maximum any family can get is 100,000 rupees or about \$1,760. Compensation for injuries ranges from 15,000 to 50,000 rupees, with the top payments going to amputees. RI met with a large group of injured people waiting to be screened for payment in Muzaffarabad. One said the payments were important because injuries had reduced his ability to work.

The payments have had an obvious impact on the economy. In Muzaffarabad, formerly a city of 450,000 where 80% of the buildings were destroyed, markets have risen from the rubble. They are filled with corrugated steel sheets for roofing and other building materials, along with clothing and other supplies.

Pakistan's hope is to have many homes rebuilt quickly and to have all homes rebuilt within two years. If this happens, the pace of reconstruction will be much faster than in many areas hit by the tsunami last Dec. 26. Oxfam, the relief and reconstruction charity, just issued a report on the pace of housing reconstruction in Indonesia, Sri Lanka, Thailand and India. According to the report, "By 26 December 2005, Oxfam estimates that around 20% of the people made homeless a year earlier will be in satisfactory permanent accommodations."

There are many reasons for the relatively slow rebuilding after the tsunami, including government decisions to require new dwellings to be set back from the sea and the loss of documentation confirming land ownership. But a lack of immediate and generous aid is one factor that has slowed reconstruction. In Indonesia just two weeks after the tsunami, survivors were already expressing to RI their desire for immediate cash grants to rebuild their homes, but the Indonesian government has chosen an approach to

community reconstruction that is centrally planned and controlled. A draft report for the Asian Development Bank on Sri Lanka's response to the tsunami criticizes the government there for its parsimonious cash grants to maintain livelihoods and rebuild housing. One of the fundamental lessons of the tsunami response is the need to "provide immediate cash payments to victims," the Asian Development Bank says.

This the path Pakistan is taking. The strategy is right, but the key to its success will be the speed and fairness of its implementation.

## REFUGEES INTERNATIONAL RECOMMENDS:

### The government of Pakistan

- ❑ Consider the establishment of mobile banks or other changes that will make it easier for people to cash their compensation checks or draw down their compensation accounts.
- ❑ Work with local governments to make sure that landlords use their compensation to rebuild housing or pass the money on to tenants so they can rebuild.
- ❑ Work with local governments to get shelter payments to widows, orphans and other vulnerable people who moved from villages to camps.
- ❑ Rely on market mechanisms, such as incentives to provide adequate construction supplies, to hold down prices.

### Other Countries and The International Community

- ❑ Carefully study the response to Pakistan's use of rapid and generous cash advances, which offer great promise in jump-starting reconstruction and economic activity following a natural disaster.

*RI president Ken Bacon recently surveyed the response to earthquake damage in Pakistan.*