

Tsunami Relief

The Long Road to Recovery

With the help of the international credit union movement, Sri Lanka's credit unions are picking up the pieces following one of the world's worst natural disasters.

It was the day after Christmas and J.K. Reginold was relaxing with family in his home near the coast when the rumbling started. The noise continued to grow as friends and neighbors ran to the beach for a better look.

"The wave came in from the sea and kept coming. The water even came bubbling up through the ground," said Reginold, a regional program coordinator for Sri Lanka's credit union league, SANASA. "I ran as fast as I could and only barely escaped with my life."

Reginold survived the tsunami. Tens of thousands of his fellow Sri Lankans, however, did not. The deadly tsunami, triggered by a powerful earthquake off the coast of Indonesia, decimated nearly the entire coastline of this small, pearl-shaped island near

India. Almost as devastating as the death toll, however, has been the impact of the disaster on Sri Lanka's still fragile economy, battered by years of civil war between the government and Tamil separatists in the north.

With a total membership of over 1 million, SANASA is an important part of Sri Lanka's financial sector, and was badly affected by the tsunami. With assistance from World Council of Credit Unions, SANASA is currently finishing a nationwide survey of the impact of the tsunami on coastal credit unions. Final results are pending, but initial reports suggest that total losses could be in the millions of dollars.

Credit union members in the interior and the capital city Colombo responded swiftly to the tsunami. Members quickly gathered clothing, food and other supplies, shipping over 200 truckloads to the coast.

"We are not providing large scale humanitarian relief like the Red Cross," said Dr. P.A. Kiriwandeniya, chairman of the SANASA Development Bank, which functions like a second-tier institution for Sri Lanka's credit unions. "But we have an obligation to our members as fellow human beings."

Now, as the relief workers and journalists move on, the reconstruction begins. Through WOCCU's Worldwide Foundation for Credit Unions and the National Credit Union Foundation (United States), the international credit union movement has pledged over \$500,000 to help rebuild credit unions in Sri Lanka.

The task ahead of Sri Lanka's credit unions is daunting. According to L.B. Dasanayake, general manager for SANASA, experts are beginning only now to understand the full scope of damage. Reports from regional managers continue to come in, says Dasanayake. With the vast majority of the country living within a few miles of the coastline, 90% of which was affected by the tsunami, the impact has been devastating.

Initial reports, which have been hampered by the difficulties of working in the Tamil-controlled northern regions, suggest that several hundred credit unions have been completely or partially damaged by the tsunami, and will require extensive repair, as well as new equipment and furniture.

Further complicating the reconstruction process is a newly enforced law prohibiting new construction within 100 meters of the coastline. Although the law has been in place for several decades, political realities have prevented it from ever being enforced. As of mid-February, however, 152 credit unions are known to be within this 100-meter area. Managers do not expect to know for some time if or when they can rebuild in the same area.

Although reconstructing these buildings will be a challenge, it will be an even greater struggle to rebuild accounting systems and assess loan portfolios.

Few of the country's credit unions are computerized, says Dasanayake, making reconstruction an extremely difficult process. For some, such as Matara District Union, the process will be easier. The district office has long had a requirement that local credit unions send summary data monthly. From this data, district officers have already begun reconstructing balance sheets.

Those who did not have such requirements are finding reconstruction even more difficult. The Kaburugamawa Epitamulla Godakanola credit union building, for example, was completely destroyed by the tsunami, leaving little more than a pile of rubble on the beach. Managers are asking families to bring in their passbooks to attempt to rebuild records. For many members, however, this is an impossible task. Some are living in camps or temples miles away, and many have lost all their possessions, including passbooks. A few members have even begun claiming to have had extremely large deposits or are misreporting loan sizes. At nearby Modara Patuwatha credit union, near the colonial town of Galle, accounting records were less seriously damaged, although the credit union's building was flooded at one point. E. Benat, chairman of the credit union, explains, "We put the records out in the sun to dry and have been able to recover much of the data."

As for Kaburugamawa, some managers believe that a partial record can be created from their 2004 audit report, but say that it may take months to accomplish this.

The loss of safes, cash and furniture is another challenge for credit unions attempting to rebuild after the tsunami. For many, their entire store of cash has been swept into the sea. So much cash has been lost by coastal credit unions, other financial institutions and individuals that the Central Bank of Sri Lanka has begun printing additional currency to compensate.

The greatest risk to fragile credit unions, however, may not be from the physical damage they have sustained. Already, local government officials and borrowers are asking the credit unions to completely forgive all loans to coastal residents.

Pressure from some donors to create large-scale grant or subsidized credit programs and write off loan portfolios threatens to destabilize credit markets in Sri Lanka and undermine sustainable financial institutions. Most development experts believe that institutions should be trying to restructure loans in response to



Workers near the town of Ambalangoda on the Southern coast of Sri Lanka work to clear piles of rubble from the former site of a credit union.



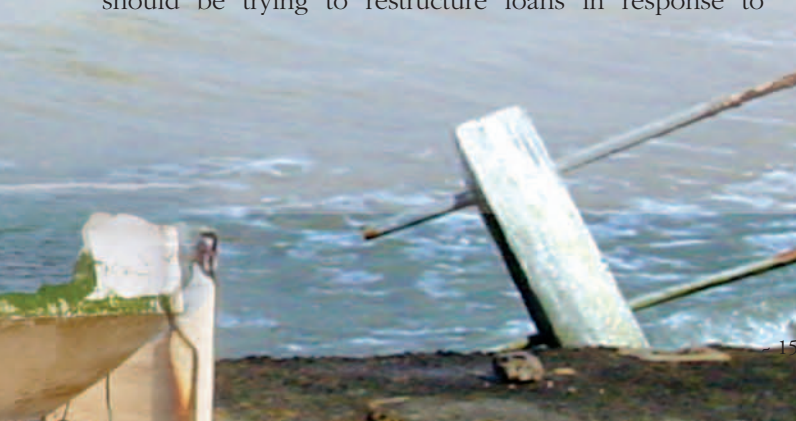
Pealiya credit union manager D.M.G. Pathama discusses the impact of the tsunami on her credit union with the WOCCU assessment team.



Onlookers survey a passenger train near the town of Abalangoda which was swept from its tracks by the force of the wave. Over 1,400 people are believed to have perished after climbing into the train to seek safety from the wave.



Hambantota credit union member G.S.P. Prithivirath and all that remains of his small grocery store.



the needs of their clients, but the loans should not be written off, as doing so would hurt the sustainability of these credit unions in the long run. Meanwhile, many victims of the tsunami continue to be frustrated by the slow pace of foreign aid, which has been hampered by a lack of coordination between international donors, as well as bureaucratic wrangling in the Sri Lankan government.

SANASA, however, plans to weather these challenges through the strength of its members and with the help of the international credit union movement.

WOCCU's Worldwide Foundation for Credit Unions, which provides for credit union development throughout the world, and the National Credit Union Foundation, reacted immediately by creating the Tsunami Disaster Relief Fund to channel credit union donations to affected credit unions.

Although Indonesia's Aceh province and several other countries sustained severe damage from the tsunami relative to credit unions throughout southeast Asia, Sri Lanka's credit unions bore the brunt of the damage. In mid-January, as the immediate relief effort began to stabilize, WOCCU sent an assessment team to Sri Lanka to measure the impact of the disaster and help SANASA develop a strategy for rebuilding.

Money from the fund will be transferred to SANASA in several stages, as field officers complete the damage survey, and the funds will be used to reconstruct buildings and purchase equipment and furniture. The first disbursement is set to cover credit unions outside of the 100-meter coastal zone, and repairs are slated to be completed within two months. Subsequent disbursements will continue based on access to the Tamil-controlled northern region of Sri Lanka, and further clarification on the moratorium on building within the coastal zone.

The strength of Sri Lanka's credit unions is built on the power and resilience of its members—members such as G.S.P. Jayaratna of Kudawalla West Credit Union, located in a small town on the southeast coast, which lost nearly half of its members to the tsunami.

Jayaratna, a fisherman and credit union member for over 13 years, lost several members of his family, his house and boat. His friends and neighbors, many also fishermen, saw their boats scattered across the small harbor and washed onto the beach. The force of the wave was so strong that the hull of one boat was swept to the top of a hill several hundred yards away. Weeks later, bodies continue to wash onto the beach and are hastily buried in an unmarked mass grave behind the local school. Many in the village have taken shelter in a nearby Buddhist temple, one of the few buildings not damaged by the giant wave.

Undeterred by the tragedy, Jayaratna plans to reform his shattered business. "Now will be a difficult time to rebuild, but I hope to do so with help from my credit union."

Fellow credit union member G.S.P. Prithivirath agrees. The owner of a small grocery store in the village, Prithivirath says that all that remains of his shop is the foundation. The building and his entire inventory were swept out to sea. Despite the setback, Prithivirath hopes his credit union will assist him in reconstructing the business.

V.V. Roshan, fellow fisherman and vice chairman of Kudawalla West Credit Union, hopes to see his credit union return even stronger than before. Said Roshan, "The credit union is here for its members, and it will always be here for them." 🇱🇰

—by John Ikeda

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