Disaster prevention: a role for business?

An exploration of the business case for reducing natural disaster risk in developing countries and for establishing networks of disaster prevention partnerships

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This study was commissioned by the ProVention Consortium to examine the business case for reducing natural disaster risks in developing countries. The study explores a corporate social responsibility (CSR) perspective on disaster prevention and addresses, in particular, the potential for establishing partnerships between the private sector and the humanitarian system. It is intended to stimulate dialogue and help catalyse new ideas and collaborative initiatives involving the business community.

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Foreword

Over the past two years, our collective attention as a world community has been transfixed by a series of extremely high-profile disasters – from the Indian Ocean tsunami of December 2004 to the hunger crisis in Niger in summer 2005, from the 2005 Atlantic hurricane season and the wrath of Hurricane Katrina to the devastating October 2005 earthquake in South Asia. In responding to these disasters, the international community has come together like never before, making use of the technological revolution to deliver assistance within days, if not hours, of a disaster striking.

Stepping forward to be part of the expanding pool of humanitarian first-responders, individual corporations have partnered with the UN humanitarian and development agencies to make available the business community's expertise for our common efforts. While welcoming and encouraging more such partnerships, I would equally stress the importance of establishing effective public-private partnerships for disaster prevention and preparedness, as well as response.

The severity and impact of disasters are on the rise. As we develop a shared understanding of the mutual benefits of working jointly to reduce our exposure to risk, pooling resources and developing creative partnerships between the public and private sectors are sure to become more and more attractive. Successful business leaders are increasingly taking a leadership role in promoting effective collaboration between the public and private spheres. Let us not forget that all enterprises – whether commercial or state – not only benefit from economic growth, but also from mitigating risk due to the combination of natural hazards and vulnerability.

I welcome the ProVention Consortium's timely initiative in commissioning this study to examine the business case for natural disaster risk reduction in developing countries. By working together as envisaged in the Hyogo Framework for Action (2005-2015), we can build our resilience to disasters and reduce the risks that affect us all -- as individual people and companies, communities and industries, nations and economies.

Jan Egeland

Under-Secretary-General for Humanitarian Affairs
and Emergency Relief Coordinator

Executive summary – Disaster prevention: a role for business?

Each year, natural disasters cause thousands of deaths and injuries, huge damage and displacement, as well as substantive economic losses – nearly $350bn in 2004 and 2005 – and the costs are growing. While there are well-developed programmes that swing into action after a disaster, the need for preventive action to reduce the impact of natural hazards is less well established. The impact of disasters is related to the degree of exposure to a particular hazard and the vulnerability of those affected. It should come as no surprise, therefore, that the poor suffer most in natural disasters. The World Bank estimates that 97% of disaster-related deaths occur in developing countries and disasters are seen as a serious threat to the Millennium Development Goal of halving extreme poverty by 2015. Environmental damage caused by natural disasters can further impact livelihoods and reduce community recovery rates.

The key to the case for disaster prevention is that it can make target communities less vulnerable to natural hazards (or the impacts of disasters) and better able to cope during and recover after the event. The challenge this paper addresses is to persuade business to go beyond post-disaster philanthropy and support prevention activities through work that is undertaken in partnership with the disaster reduction community and is efficient, accountable and transparent.

Humanitarian organisations have a widespread network of expertise they can mobilise rapidly for the purposes of disaster relief. Nonetheless, according to the Tsunami Evaluation Coalition (TEC), there is room for improvement in engagement with local communities and business, as well as in transparency. Background funding is often inadequate, leading to an over-reliance on emergency funds for response rather than prior investment in prevention, or even preparedness – which remains low on the radar screen in spite of the commitment to “build back better”, the establishment of emergency funds and the move to pre-position emergency supplies. With a range of factors increasing levels of disaster risk, including urbanisation, poverty and climate change, the case for business involvement in disaster prevention merits exploration.

The evolving concept of Corporate Social Responsibility (CSR) provides a good vehicle to encourage business participation, even though there are obstacles and risks to getting business involved. From a business perspective, successful prevention activity will reduce natural disaster risks to operations, suppliers, trading and customers and reinforce a company’s “social licence to operate”. It is also “the right thing to do” as a good corporate citizen – regardless of where the business operates. Employees and boards alike increasingly feel empowered to act upon such values, which in turn improves employee morale and generates pride in one’s company.

One of the most important ways business can help is by reducing vulnerability among at-risk populations within their sphere of influence. Business contributions are not just about philanthropy. Responsible business practice includes putting in place measures to protect employees and operations in disaster prone areas, as well as social justice in the workplace – which contributes to reduce poverty and vulnerability – and ethical sourcing. Long-term business relationships with suppliers are crucial and business continuity should not mean expediency – dropping suppliers if supplies are temporarily disrupted.

Business involvement in prevention activity should be welcomed by humanitarian organisations for a number of reasons. Business assets include well-organised workforces, financial resources, influence, creativity, expertise and the ability to learn fast. They can also facilitate innovative approaches to micro-credit and micro-insurance in collaboration with development and humanitarian organisations. Communities themselves are often too poor to invest in reducing risks of disasters that might never happen. So, imaginative incentives and assistance are needed.

> *"In every community businesses, both small and large, act in vital roles as employers, neighbours, producers of goods and services, consumers of public and other private sector services, taxpayers, and many more. As this report outlines, looking beyond philanthropy, organisations like the Red Cross / Red Crescent need to build more effective partnerships with businesses to ensure that we are adequately protecting our communities as joint stakeholders in disaster prevention and risk reduction. This includes working with businesses to better protect their own operations and ensuring that those operations also do not add to the vulnerability of other members of the community."*
>
> Markku Niskala, Secretary-General, International Federation of Red Cross and Red Crescent Societies

The CSR case for disaster prevention is currently held back by a lack of empirical evidence, so assessment – of the impacts of disasters on business, of the contribution business involvement can make to disaster prevention, and of the costs and benefits of that involvement – is needed to establish the most effective actions businesses can take. One lesson emerging, however, is the benefits of partnerships. Those companies whose partnerships with humanitarian agencies are more mature are more aligned to supporting prevention rather than disaster response – logic and learning dictates.

Moving forwards, this paper calls for more dialogue – between business and humanitarian organisations and the breaking down of walls of suspicion based on fears of reputation damage. It also argues for more research – more case studies that examine how partnerships that begin with ad hoc emergency relief evolve into mutually beneficial partnerships that have prevention at heart. We need living proof that prevention works and evidence from commitments to implement business-humanitarian organisation partnerships – in clusters that bring the core competences of each group together.

There is also a case to be made for institutional capacity building and imaginative partnerships that engage the corporate sector at different levels with an awareness of what both business and humanitarian organisations can and cannot do. Policies, ground rules and governance will be crucial to build trust.

Business means SMEs as well as global corporations and the latter have a responsibility to work though their supply chain to reduce the potential impact of disasters, proactively. There is also a strong case for building codes, responsible urban planning and minimum requirements in disaster prone areas.

The insurance and reinsurance industry, along with the financial sector, could be encouraged to develop innovative products – risk maps, catastrophe bonds, weather derivatives etc. in the spirit of the “co-operative principle of insurance”, where risk is shared for the benefit of those unfortunate enough to live and work in disaster prone regions, with corresponding discounts or lower deductibles for preventative measures and fair returns for those taking the risk and making the investment.

The media also has a responsibility. How it reports a disaster and comments on business and humanitarian organisations’ efforts can have a major impact on fund raising and where money can be spent with a need to focus on getting money direct to prevention and the building of resilience.

In summary, it is both the right thing to do and in the enlightened best interest of business and humanitarian organisations to work with renewed efforts towards disaster prevention. This will require greater cooperation, and new partnerships, focused specifically on disaster prevention between business and both humanitarian and development organisations. There has been significant progress recently in increasing and enhancing the contributions of companies engaged in disaster response. It will be a huge achievement to see business equally engaged in disaster prevention.

Introduction – from hazard to disaster

Wherever they occur, the common feature of natural disasters is that the poor suffer most. An estimated 97% of natural disaster-related deaths occur in developing countries (see Figure 1).[1] The Indian Ocean tsunami on 26 December 2004 killed 226,000; in October 2005, Hurricane Stan killed 1,500 in Central America, while 80,000 died in the South Asia earthquake. The loss of life in New Orleans following Hurricane Katrina was also greatest amongst poorer communities.

Natural disasters have taken a particularly heavy toll in the last two years – hundreds of thousands of people were killed, while millions more lost their homes, their livelihoods and their communities. These catastrophes cost nearly $350bn in 2004 and 2005 and economic and social losses from such events are growing. In the decade 1984-1993, 1.6bn people were affected by natural disasters, compared with 2.6bn in the following decade (1994-2003). In constant dollars, disaster costs between 1990 and 1999 were more than 15 times higher ($652bn in material losses) than they were between 1950 and 1959 ($38bn at 1998 values).[2]

It is difficult to calculate the longer-term costs of natural disasters. For example, in Indonesia, more than one year after the tsunami, 80% of the communities affected are still in temporary housing and few have been able to re-establish previous livelihoods. Credit for repairs is hard to come by and markets are still depressed. So in the tsunami-affected regions, even if fishing vessels and nets have now been repaired, sustainable livelihoods cannot be re-established if sanitation, refrigeration and port facilities are not working efficiently. Even the smallest of enterprises needs stable infrastructure and markets.

The main types of natural hazard are geological (volcanoes and earthquakes) and meteorological (droughts, tropical storms and floods). Different parts of the world are prone to different types of natural hazards. For example, Asia is most commonly affected by earthquakes, tropical storms and floods, Central and South America suffers most as a result of tropical storms, floods and volcanoes, while African countries are more susceptible to droughts, epidemics and floods. Disasters can be classified as fast onset (e.g. earthquakes) and slow onset (e.g. drought), although both types can be equally destructive.

Disasters have two causes:[3] first, the degree of exposure of people, infrastructure and economic activities to a physical event or hazard; and secondly, the vulnerability of those exposed to the hazard or shock. Thus high levels of vulnerability in Niger, the world's poorest country, turned relatively minor and routine shocks during 2004 (including below average rainfall, locusts and instability in regional markets) into a critical situation.

The business of disasters: critical services

Services like water and electricity are crucial to business operations. Natural disasters lead to disruption of infrastructure, including water and sanitation networks and electricity and gas supplies. Lack of clean water and sanitation facilities may lead to the spread of disease in the aftermath of disasters. Disruption to electricity and communications networks may hinder the work of rescue and medical teams and gas leaks cause fires resulting in further loss of life. Working in partnership with development and humanitarian organisations, local governments and communities, companies can help strengthen existing infrastructure before disaster strikes, help restore services after a disaster, and contribute to longer term rebuilding and preparedness.

Disaster prevention can both reduce the degree of exposure to hazards and reduce the vulnerability of those affected. It can therefore reduce the impacts of emergencies caused by natural disasters, allowing those affected to make a faster return to normal life and work. This paper focuses on the case for private sector involvement in disaster prevention, exploring why business would want to get involved and why the humanitarian community might welcome that involvement.

In spite of the agreement by the international community at the 2005 World Conference for Disaster Reduction, in Kobe, Japan, to make disaster risk management an integral part of the development

1 World Bank. 2001. Disaster Risk Management Series – Working Paper 1: Doing more for those made homeless by natural disasters. World Bank, Washington D.C.

2 World Bank. 2006. Hazards of Nature, Risks to Development: An IEG Evaluation of World Bank Assistance for Natural Disasters. World Bank, Washington D.C.

3 UK Department for International Development. 2006. Reducing the Risk of Disasters. DFID, London.

agenda, disaster prevention has received little attention, particularly in regions affected recently. A recent evaluation of the tsunami response across the 14 affected countries still bemoans the difficult transition from relief to rehabilitation, recovery and development, and the failure to adhere to "build back better". Reconstruction was delayed by several issues, including difficulties surrounding land ownership and the time taken to formulate policy on where it was safe to rebuild. Some donor governments, however, are committed to giving a higher priority to disaster risk reduction. The UK's Department for International Development (DFID), for instance, recently announced that 10 per cent of funds spent on disaster relief will from now on be invested in initiatives to reduce the impact of disasters.

Poverty kills

According to the United Nations Development Program (UNDP),[4] poverty is a key component of vulnerability to natural disasters and recent disasters have measurably reduced opportunities on the part of those affected to meet the 2015 Millennium Development Goal of reducing poverty by half. As well as destroying livelihoods and infrastructure, disaster losses can aggravate other financial, political, social and environmental problems, making it difficult for many countries to meet development goals. For example, during the October 2005 earthquake in Pakistan, around 8,000 schools were destroyed – massively impacting the prospects for improved educational attainment and associated development benefits.

For some countries, especially those affected by drought or seasonal storms, such as Ethiopia and Bangladesh, the cumulative impact of natural disasters can generate levels of death and destruction as great as those experienced in major, one-off disasters. The relief efforts for these disasters, being less widely reported, have passed largely unnoticed by the general public and international business and, as such, are hampered by a lack of funds. Certain disasters make the headlines and the tsunami, striking as it did during the holiday season and affecting tourist areas frequented by Europeans and Americans, received more media attention than the South Asia quake, and certainly more than the ongoing drought in the Horn of Africa. This paper also aims to address that challenge.

The business of disasters: construction

The construction sector can play a major role in disaster risk management. Most importantly, responsible construction and sound urban planning can reduce loss of lives and infrastructure in disaster-prone regions. Moreover, in the aftermath of natural disasters, construction companies can provide vital expertise and equipment to assess building damage and later help rebuilding, ensuring improvements in construction to mitigate future potential impacts from repeat disasters. For example, in the wake of the Indian Ocean tsunami, Lafarge launched a programme to rebuild homes to higher standards than before and to withstand future damage, near its factory in Aceh, Indonesia.

The costs mount up

Economic losses from natural catastrophes in 2004 were more than twice the 2003 level, at US$145bn, according to Munich Re. However, 2005, with the world still reeling from the tsunami and the high levels of insured losses for Katrina and other hurricanes, as well as the South Asia earthquake, saw the highest costs ever for natural disasters – $210bn.[5] Although the bulk of those costs were incurred in the developed world (losses for Katrina were $125bn), in terms of share of GDP, developing countries suffer most. Indeed, the economic losses to developing countries are often underestimated or simply not captured in statistics because only few properties and businesses are covered by insurance or get rebuilt in ways where costs are systematically accounted for.

Many of the most severe one-off disasters have been caused by earthquakes – from San Francisco in 1906 to the tsunami in 2004. The risks posed by these and other natural phenomena are exacerbated by urban development. This is particularly the case in developing countries, which cannot afford to invest in costly mitigation measures. In 2003, the city of Bam in Iran was destroyed

[4] United Nations Development Program. 2004. Reducing Disaster Risk: A challenge for Development. UNDP, New York.
[5] Munich Re. 2006. Topics Geo — Annual review: Natural catastrophes 2005.

by an earthquake and 27,000 died. An earthquake of similar magnitude and depth struck in California about the same time with the loss of only two lives. Cities such as San Francisco, Mexico City, Lima, Lisbon, Santiago de Chile, New York, Beijing and Tokyo create mega-risks. A concentrated effort is needed to improve risk prevention and control, especially in such cities. Potential losses must be modelled in advance if we are to cut economic and development losses from natural disasters. We also need to understand the real costs of disasters to make a better case for prevention. Most of these costs are "externalities" – absorbed individually by the majority, who in turn are poor. They are rarely articulated within the financial accounts of affected countries or in investment terms.

Moreover, our knowledge of risk is fast improving. Swiss Re, the re-insurance company, is clear that there is an increased likelihood of greater number of deaths and costs from natural disasters in the future – by virtue of the growing concentration of urban populations and business activity and greater levels of insured wealth in property and business. The Intergovernmental Panel on Climate Change has also suggested that rainfall intensity is 90% likely to increase in the future due to climate change, generating increased risk of flooding in vulnerable areas. Munich Re concurs that the scale of disasters will continue to grow due to: increases in world population; higher potentials for loss as living standards rise; the concentration of people and material assets due to urbanisation; the settlement and industrialisation of exposed areas such as coasts and fluvial plains; the greater vulnerability of modern societies and technologies; and climate change.

Disasters have the devastating potential to set back the development of entire regions or countries. Every year, thousands of people in emerging countries fall victim to natural disasters, the resultant damage placing very heavy burdens on the economies of such countries. What might this mean for businesses? They regularly support disaster response through fund raising and donating in-kind goods and services and, to a lesser extent, support disaster prevention. They have, however, often shown themselves to be poor at planning for business continuity in times of crisis.

An example of the benefits of disaster prevention – The Caribbean Disaster Mitigation Project

The CDMP was a joint effort of the Organization of American States and the US Agency for International Development. The project ran from 1993 to 1999.

Project Objectives:

- To promote sustainable development by reducing vulnerability to natural hazards in existing and planned development;
- To improve public awareness and development decisions by mapping hazard-prone areas;
- To improve hazard risk management by the insurance industry and to help maintain adequate catastrophe protection;
- To promote community-based disaster preparedness and prevention activities.

Project Achievements:

- Retrofitted homes in Dominica survived the 1995 hurricanes while neighbouring homes were seriously damaged.
- Hoteliers in Bahamas credit the Hurricane Procedures Manual with reducing losses during Hurricane Floyd (1999).
- Firefighters in Haiti say that their training was invaluable during Hurricane Georges.
- CDMP activities reduced the impact of flooding due to heavy rains of Hurricane Georges in the Dominican Republic.
- Threatened by the powerful Hurricane Mitch, the Government of Belize used the CDMP coastal storm hazard assessment tools to plan the evacuation of residents.

Dealing with disasters – the global agenda

International involvement in disaster reduction is co-ordinated by the United Nations International Strategy for Disaster Reduction (UNISDR). The chief focus of the **international community** is to reduce the impacts of disasters on development – the UNDP, in its publication 'Reducing Disaster Risk: A challenge for development',[6] describes the 'enormous toll' that natural disasters exert on development.

[6] United Nations Development Program. 2004. Reducing Disaster Risk: A challenge for Development. UNDP, New York.

2005 saw major new international commitments to disaster risk reduction, according to DFID.[7] In January 2005, 168 **governments** adopted a 10-year plan to make the world safer from natural hazards at the Word Conference on Disaster Reduction, held in Hyogo, Japan. The Hyogo Framework for Action (HFA) is a global blueprint for disaster risk reduction efforts during the next decade. Its goal is to substantially reduce disaster losses by 2015 – in lives, and in the social, economic, and environmental assets of communities and countries. At the Gleneagles Summit in 2005, G8 leaders stated that the aim of the international community should be to reduce the vulnerability of populations to disasters and that this could be addressed, in part, through better prioritisation of disaster risk reduction in development policies and programmes and the development of early warning systems.

Humanitarian organisations have a widespread network of staff and volunteers, who can mobilise communities to address preparedness and safety measures, assist in rapid assessment of damage, organise initial first aid and rescue efforts, and assist in relief distribution. But according to the Tsunami Evaluation Coalition (TEC):[8] "While initial needs of communities hit by the tsunami were broadly met, in main part by local actors, there is room for improvement in the way that agencies meet ongoing needs." Despite the generous response by the public to the tsunami – almost US$2bn, "background funding" for disasters in general is inadequate, says the TEC, leading to a lack of aid workers with key capabilities such as management and coordination skills. It adds: "Agencies focus too much on protecting their brand from negative publicity and not enough on the needs of the affected populations. Agencies are still not transparent or accountable enough to the people they are trying to assist. In some cases agencies are also not sufficiently accountable to those providing the funding."

The International Federation of Red Cross and Red Crescent Societies (IFRC), at the World Conference on Disaster Reduction 2005, suggested NGOs focus on four aspects of disaster reduction: community awareness and public education, strengthening disaster preparedness plans, building effective response mechanisms, using post-disaster periods to advocate for and improve the reduction of disaster risk.

The business of disasters: logistics and transportation

The sector is taking a particular interest in natural disaster response. Logistics companies have identified a match between their skills and the humanitarian aid agencies that specialise in preparedness and emergency relief. Logistics plays a substantial role in delivering aid in emergencies and the circumstances and settings involved present attractive learning opportunities for private sector partners. One of the more visible partnerships between the logistics sector and humanitarian agencies is that between TNT and the World Food Program (WFP), known as Moving the World.

TNT, along with other logistics and transport companies involved in humanitarian response to natural disasters, including DHL, UPS, Exel (now DHL Logistics) and PWC Logistics, are developing Logistics Emergency Teams (LETS). Under the auspices of the World Economic Forum and advised by Professor Alyson Warhurst, these teams, in collaboration with the logistics arms of relevant humanitarian organisations, are combining expertise, with the aim of developing a globally coordinated capacity to support emergency response in disaster prone areas of the world.

Some of these companies have also worked with regional logistics and transportation companies as part of the World Economic Forum's Disaster Resource Network, another partnership that is working to make more efficient in-kind donations by business in response to humanitarian disasters.

Local communities stand to lose most as a result of natural disasters. The IFRC states that local capacity is also key to saving lives. There are a number of ways communities can prepare for catastrophes, including making use of local knowledge, education programmes, low cost mitigation measures and preparedness plans. The evidence is that the more organised a community is, the more resilient it is when disaster strikes.

Companies – whether large, medium or small – are key actors in the societies in which they operate and are therefore ideally placed to begin preventative action. The private sector can be involved in disaster reduction on a number of levels. First, business stands to lose a great deal when catastrophe strikes. Their capital assets – their buildings, plant and equipment – can be damaged and their supply chains disrupted by loss of infrastructure or transportation. They can lose their

[7] UK Department for International Development. 2006. Reducing the Risk of Disasters. DFID, London.

[8] Telford, J. and Cosgrave, J. 2006. Joint evaluation of the international response to the Indian Ocean tsunami: Synthesis Report. Tsunami Evaluation Coalition, London.

customers through death and displacement, or simply because customers can no longer afford their products or services. However, while it may seem obvious that companies have an interest in effective disaster reduction, particularly in areas affected regularly by hurricanes for example, taking preventative action is costly. In areas affected irregularly by events such as earthquakes, it can be difficult to argue for expenditure on disaster prevention when the probability that disaster might strike in the next five years is very low – even if it can be shown that the impacts might be high.

While it may appear logical to invest in preventative measures to ensure business continuity, this means different things to different businesses depending on where they are in the value chain. For a multi-national, it might mean having in place plans to switch to alternative suppliers away from a disaster hit region; for the suppliers themselves – which may already be working with narrow profit margins – planning for the possibility of a disaster might present too heavy a burden on costs. All businesses need to balance the risks they face with the resources available for preparedness. It must also be acknowledged that poorly managed business interests can contribute to rising vulnerability to natural hazards – for example, land use developments that increase the risk of landslides or flooding. It is therefore important that natural hazard risk management is factored into the design of business projects, especially in high risk areas.

Notwithstanding the complexity of disaster prevention, and who should pay for it, it is clear that the private sector has a lot to offer in dealing with disasters, particularly when working in partnership with development and humanitarian organisations or stakeholders such as government agencies or the military in developing countries. Although in-kind goods and cash donations from companies and their employees are important to respond to disasters, it is essential to harness the particular capabilities of certain sectors at the right time and in the best ways to address the problems at hand. There are numerous examples of this happening in relation to disaster relief (see boxes), but the field of disaster preparedness and mitigation is less well developed. This is partly because the case for businesses getting involved in prevention is less obvious than the case for disaster relief. Moreover, even if the awareness existed about the difference business could make, there are fewer incentives for business to play a role – the challenge is to make a "corporate social responsibility" (CSR) case for business involvement in disaster prevention.

When disasters strike, pre-planned relief operations are set in motion, mobilising the various stakeholders outlined above. Effective as these operations mostly are, they often do little to address the root causes of disasters. DFID warns: "Over-reliance on relief results in a perpetuation of existing risks and a cycle of recurrent disasters."[9] If business is serious about contributing to the MDGs and the reduction of poverty, investment in disaster prevention is crucial.

CSR – the right vehicle for disaster prevention

The roles and responsibilities of business in society, in particular global business, are being defined more broadly by an expanding range of stakeholders, leading companies to set new standards of responsible business practice within the workplace and beyond, within supply chains and the societies within which they operate. The boundaries of responsibility are expanding both internally and externally.

Internally, corporations are increasingly responsible to their direct and indirect internal stakeholders, particularly in respect of enhanced social justice in the workplace in both their own operations and those of suppliers, as well as business integrity. There exists a raft of emerging international law, guidelines and voluntary initiatives, as well as regulatory frameworks and risk review procedures that increasingly seek to redefine corporate responsibility by establishing new norms of best practice behaviour and accountability to stakeholders, not just shareholders.

Externally, society increasingly expects global business to work with others to provide solutions to humanitarian crises and endemic problems such as disease, poverty, climate change, violations of human rights and the impacts of natural disasters. Business must increasingly be seen to address these shared problems, not just talk about them, in order to obtain a "social licence to operate". Some companies do this by applying core skills in ways that integrate social development and

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[9] UK Department for International Development. 2006. Reducing the Risk of Disasters. DFID, London.

business goals. This obliges business to adopt the role of a "force for positive good" in society, which is different from the 1990s operating paradigm of "doing no harm". The most significant institutional innovation that captures this new business climate is the UN Global Compact, in which the Secretary General of the UN asks business to work in partnership to protect human rights and avoid complicity, to respect labour standards in operations and supply chains, to protect the environment and to avoid corruption.

Wise companies recognise that they cannot be this positive force alone and are fulfilling this wider role by working in partnership with others.[10] So in recent years, we have seen TNT and Citigroup working in partnership with the World Food Programme, Nike and Microsoft in partnership with the UNHCR and IFRC, UPS in partnership with CARE, FedEx in partnership with the American Red Cross, Ericsson in partnership with the UN and IFRC, and DHL in partnership with OCHA and UNDP. Small- and medium-sized businesses are also becoming involved, often through their local chamber of commerce or other local business associations.

This change in the relationship between businesses and stakeholders is also related to a fundamental change in the operating landscape, broadly associated with globalisation and deregulation, information generation and access, and consumer power and influence. The business case for corporate responsibility is a blend of concerns about reputation management, risk management, employee recruitment, motivation and retention, investor relations and access to capital, brought about by the rising influence of institutional investors, new rules of competitiveness, the links between operational efficiency and resource use efficiency and co-operative relationships with local communities.

Because of the relative infancy of the disaster prevention concept for the business community, justification to get involved in prevention activities is currently based on logic rather than empirical evidence. In fact, it remains to be seen whether the highly critical approach to appraising disaster relief efforts dissuades business from risking its reputation through involvement. The TEC reports that the global humanitarian organisations responding to the tsunami were overly concerned about brand image and the costs to organisations (businesses and others) of reputation damage are high. It might be argued that the crisis of confidence that ensues from poor publicity leads the public to donate less or to place conditions on donations – usually that money must go directly to those affected. Prevention remains a challenging concept for a more discerning yet impressionable public and education and awareness building is paramount. Nonetheless, a business case for disaster prevention can be made.

The business case for disaster prevention

Some drivers of disaster prevention are internally generated by business as a response to the need to manage risk; and other drivers are the result of external requirements or expectations of stakeholders that form the company's "social licence to operate". These are supply and demand drivers respectively.

On the **supply** side, as the reach of multinational companies spreads ever wider, they will inevitably find themselves operating in hazard-prone developing markets, making it important that they plan to minimise risks to the operations of their business. In a corporate risk survey conducted on behalf of the insurer Swiss Re, senior executives from top tier global corporations ranked natural disasters as eighth in the top ten risks faced by business leaders. Operational/facility risk was fourth, terrorism was tenth.[11] Natural disasters were identified as the most significant "emerging risk", based on the increase in perceived risk in comparison to the previous year. The insurer Marsh notes on its website that losses from business interruption due to natural disasters are often far greater than other losses, such as property damage, and these are more likely to be uninsured.[12] Figures relating to uninsured business losses are extremely difficult to gather, however Munich Re estimates that less than half ($90bn of $210bn) of total disaster losses in 2005 were insured.

[10] Warhurst, A. 2006. Logistics companies and Asian tsunami relief. Ethical Corporation Magazine, January 2006.
[11] Swiss Re. 2006. Swiss Re Corporate Risk Survey: A Global Perspective.
[12] Marsh. 2006. Business Interruption Insurance. Accessed August 2006.

Natural disasters can seriously affect local communities, causing significant disruption to trading conditions. Businesses can reduce their disaster-related costs by taking out insurance, but insurance will not cover all costs and premiums in certain areas can be prohibitive – some Florida residents are facing insurance premium rises of more than 90 per cent, while premium rates in Asia for reinsurance rose by 60 per cent in April.[13] An increase is likely in the use of innovative policies that offer lower premiums if businesses take effective disaster prevention measures. One example is United Insurance, which provides incentives and discounts to vulnerable clients in the Caribbean that invest in hazard resistant structures. There is an obvious rationale for business working in disaster prone areas to map risk, predict impacts and invest in business continuity measures for the eventuality of a disaster. Business continuity measures could also feed into the broader process of disaster contingency planning involving governments, civil society actors and at-risk communities.

On the **demand** side, businesses are most successful when they meet the expectations of their stakeholders, including customers, suppliers and local communities as well as those public interest groups that have an interest in their operations and impacts. It is no longer enough to “do no harm”, or even to “do positive good”. Business must also be seen to “do the right thing” in their every day operations.

The stakeholders likely to be most influential in this regard are a company’s own employees. The rising tide of corporate involvement in recent natural disasters has been in large part due to individual employees – from boardrooms to shop floors – feeling helpless as disasters unfold on television in their homes, and empowered to respond through fund raising, volunteering and donations. Increasingly employees wish to work in companies that expound and live by such values. They have pride in their company’s response to humanitarian relief and if they understand it, which may require awareness building and education, they will see disaster prevention too, as a logical goal. As external stakeholders become more aware of the need for disaster prevention, businesses will be expected to get involved in prevention measures if they want their broader CSR efforts to be credible.

A challenge remains however to engage with SMEs that traditionally have argued that they have insufficient resources to engage in CSR activities. In this regard the argument is based more on the business case for continuity and responsibility to employees. In fact – since local businesses in low-income countries can be greatly affected by disasters – many SMEs are concerned with and indeed some actively involved in disaster risk reduction. This might indicate that SMEs may well be the most easy to persuade to invest in prevention, since they have most to lose during a disaster.

It is important at this juncture, when we see a growing risk of natural disaster and an increase in the number of people vulnerable to risk, to step back and not take the moral high ground over whose right it is to try to make a difference. There is a stronger case than ever on humanitarian grounds, to explore the roles that business might play in both increasing the effectiveness of disaster response, even if only indirectly through providing support to humanitarian organisations while respecting their primary role, and in preventing and reducing disaster risk. The first step must be to start a dialogue with that goal in mind.

If only it was that easy...

Looking at the supply side argument above, while there is a compelling case for prevention measures, obstacles remain. The overwhelming emphasis on cost-cutting, share prices and short-term quarterly targets makes it a hard sell for many companies to invest in preventing a disaster that might not happen. Nor will it be obvious to many CEOs that money spent on prevention will be more beneficial for the company than more PR-friendly, tangible disaster relief operations. One reason for this is that there has been little evaluation of business involvement in either disaster relief or prevention initiatives, so it is difficult to point to the most effective action to take. Plus such research would need to be undertaken from different stakeholder perspectives to understand the quite different impacts and implications. Moreover, where does disaster prevention stop and development start? The two are linked. Development projects are long-term interventions and notoriously difficult to get right.

[13] Financial Times (London). 2006. Reinsurers push through big price rises. Published 3 April, 2006.

Humanitarian agencies often find it difficult to allocate funds for disaster mitigation efforts, in part because their remit might not allow it and in part because of the way they are funded through donations. At present about 90% of spending by humanitarian organisations occurs in the immediate aftermath of disasters. It is used largely to procure relief supplies and transportation, which may be subsequently charged at a premium due to scarcity.

Donations are often conditional on money being channelled directly to those affected. Due to public desire to address disaster impacts and partly because of a lack of understanding about alternative ways that humanitarian organisations might invest funds – for example forgotten crises or investment in disaster reduction – people understandably like to know exactly how their money is being spent. Accordingly, donors are increasingly asking for a more rigorous level of accountability from humanitarian organisations. Funds for substantive investment in mitigating the impacts of both sudden and slow onset disasters, and for making future responses more efficient through infrastructure investment and prevention measures, are therefore in short supply. Funds to provide training in management and co-ordination skills are particularly short in supply. Both TNT and Citigroup are training World Food Programme logistics and management experts in business skills, to support the latter's growing role in disaster response. The TNT – WFP partnership, which is more mature, in particular demonstrates a fast learning curve on the part of both partners.

The business of disasters: healthcare

For every person who dies as a result of natural disasters, many more are injured. In many cases the injured may remain untreated for days after the event because of lack of infrastructure, transport, qualified medical staff, and medical supplies. Major disasters often lead to drastic shortages of medical equipment as local stocks are quickly consumed. Companies in the healthcare sector can assist by providing staff to oversee locally run clinics and by donating basic medical supplies such as bandages and drugs.

Henry Schein, a distributor of healthcare products and services in North America and Europe, lent its expertise to support the deployment of two Medical Action Network emergency teams of the World Economic Forum's Disaster Response Network to the region hit by the Pakistan earthquake. Over the course of their 10-day rotation, the teams treated some 1,000 people at hospitals and mobile clinics in Islamabad, Ghari Dupatta, Kashmir and Muzaffarabad. Emergency medical kits supplied by Henry Schein were supplemented by pharmaceuticals and equipment contributed by Direct Relief International.

There is a need for more impact assessments offering empirical evidence of good practice. Such tools are widely used by humanitarian agencies and the extractive sector, as well as a range of multilateral agencies, including the World Bank, IFRC and WHO.[14] A further reason for business reluctance to get involved in prevention is that prevention initiatives take them into the realm of public policy. Companies are understandably reluctant to take the lead on public policy issues, so government and NGOs must offer support for business involvement.

There is no better way to achieve co-operation between business and humanitarian organisations in both response and prevention than through partnerships that take the long term view and build up collective core competence to work in both response and prevention at appropriate times – as directed by the lead humanitarian partner.

Why humanitarian organisations should welcome business involvement

Most companies and business organisations can play a role in disaster risk management, from small and medium enterprises to large multinational companies, and from local chambers of commerce to international business organisations. Trade and industry associations, chambers of commerce and other types of coalitions can play a particularly important role in helping tackle the challenges that are beyond the scope, capacity or mandate of any individual company.

Responsible companies can greatly contribute to **mitigating disaster risk** by helping to reduce poverty (and therefore vulnerability) in regions in which they operate. They can do this by the very act of doing business – providing jobs and paying suppliers and taxes, but also by going beyond legal

[14] Macfarlane, M. 1999. Assessing the assessors: an evaluation of socio-economic impact assessment in the extractive sector. PhD thesis, University of Bath, UK.

requirements (e.g. building codes) and engaging in community investment in areas such as education, health and the environment. For example, the TNT “Moving the World” partnership with the World Food Programme is now tackling leading edge issues such as pre-positioning of emergency supplies, development initiatives to improve the resilience of communities in Africa susceptible to drought (e.g. school feeding programmes), and mobile HIV/AIDS clinics. Business can also play a significant role in reducing disaster risk by collaborating with local actors to assess disaster risk, engage in mitigation and preparedness activities, train their staff on first aid and disaster management and contribute to disaster risk awareness-raising.

Businesses may have specific resources and expertise that can be useful in **preparedness for disaster response**. The type of support that business can offer will vary from company to company but can include making products or services available, especially communications and transport. Businesses should consider if their products could be useful in disaster response and put in place plans to pre-position or transport those products (together with any necessary special facilities or expertise) to disaster-hit areas. Companies may also have skilled personnel that could help with disaster response – especially in the fields of health, water and sanitation, logistics, IT, construction and public affairs. However, relief agencies often have difficulty incorporating volunteers into emergency response operations and companies that are interested in providing employees should discuss any special training needs in advance with the appropriate agencies. Successful relief operations also depend on less skilled workers to undertake activities such as handling cargo, driving trucks etc. Finally, business can provide a multitude of services and equipment and companies should consider how physical assets like conference rooms, offices, warehousing, vehicles and computer equipment might be employed by aid agencies.

In **responding to natural disasters**, cash donations are often the most useful business response because disaster relief professionals can obtain what is most appropriate and cash does not use scarce resources, such as transport and warehousing. Cash can also be used to buy relief supplies locally, thereby supporting and rebuilding the economy. After both the tsunami and Katrina, business demonstrated efficient and considerable fund raising capacity – employees can generate significant amounts of money in fast and organised ways and companies often match employee giving. There have also been examples of large corporate donations being approved by CEOs and boards, as the examples below illustrate.

Business generous – but focused on disaster response

US companies pledge $528m for post-tsunami aid:

The GE family pledged more than $10m in cash, products and services to the relief efforts, including employee donations of $2.4m, which was matched by the GE Foundation.

Microsoft committed $3.5m in financial support for relief and recovery efforts, including $2m in immediate corporate contributions to relief agencies. The company provided an additional $1.5m in matching employee charitable contributions worldwide.

Exxon Mobil employees, retirees, surviving spouses, dealers and distributors around the world combined their contributions with corporate donations to give a total of $11m to relief and reconstruction. Donations went to UNICEF, Save the Children, UNHCR, the American Red Cross and UpLift International.

Business, particularly local business, also often has good local connections that can be extremely useful in responding to disasters. These might include good knowledge of networks, geography, risks, customs and other local government or regulatory requirements – for example customs regulations, which have been known to cause delays in the delivery of emergency relief. Companies may also know where to go for help and be able to draw on local suppliers. They may be able to negotiate better deals or simply widen the scope of an existing business relationship, reducing the “barriers to entry” that humanitarian organisations might come across when they are searching for warehousing and transportation services after disasters strike.

The key point here is that many humanitarian organisations do not have a mandate to operate until disaster strikes, while business is already operating in disaster prone regions and therefore has the associated local knowledge and decision-making capability. Well-coordinated business decision-making and logistics expertise in co-operation with established respected humanitarian agency recipients can deliver high quality, appropriate and properly targeted relief.

In the aftermath of the Indian Ocean tsunami, the pharmaceutical company Pfizer – in support of a joint programme between UNICEF and the WHO – seconded members of its staff, such as supply chain specialists, for postings in tsunami-affected countries. Technology company Ericsson has formed a partnership with UN agencies addressing disaster response and mitigation, called "First on the Ground", to provide in-kind mobile communications equipment and expertise for humanitarian relief efforts. The partnership began in 2001 and is facilitated by the UN Fund for International Partnerships (UNFIP). The capacity was used for the first time in Afghanistan in 2001 and in 2005 Ericsson helped the UN respond to the tsunami in Indonesia and to the earthquake in Pakistan.

Business can also effectively support communities **recovering from natural disasters** by helping to ensure that – in the process of rebuilding – vulnerability is reduced through responsible planning and construction, therefore mitigating the risk of future natural hazards. In many ways, this is the most critical phase for the long term health of the region and global businesses are well positioned to make powerful and lasting contributions here.

> *"The UN Mission [in rebuilding after the tsunami] has been to **build back better**, to ensure that these recovery efforts do not simply restore communities to their pre-tsunami vulnerability, but instead leave the survivors of the disaster safer than before, including with effective early warning systems."*
>
> Bill Clinton – UN Special Envoy for Tsunami Recovery speaking at the Third International Conference on Early Warning, March, 2006 in Bonn, Germany.

In the early stages of disaster relief, making financial contributions of cash, goods and services to reputable aid agencies is considered by relief professionals to be the most effective business response. However, it is through the longer-term contribution of technical expertise, infrastructure redevelopment and economic investment that a company can make the most effective commitments, through which it also affirms its commitment to corporate social responsibility and sustainable development. The challenge of sustaining livelihoods of small business and industry employees must be addressed as the crucial link to long-term self-help and building back better.[15]

Core business activities that can be undertaken during the recovery phase include: standing by local suppliers who may face temporary interruptions to operations, disruption to staffing and other challenges in the immediate aftermath of disasters; restocking small businesses supplied by the company that lost stock and are uninsured; providing affordable products and services (especially financial services) to local communities; engaging in coordinated business action at community level to address long-term development challenges; and helping to re-establish essential services and increase access to clean water, energy and communications. For example, the Coca-Cola Company is working in partnership with the UN Foundation, UNDP and UNICEF to identify ways to integrate the partners' combined capacities behind long-term water infrastructure redevelopment and recovery needs in tsunami affected regions.

The way forward

Disaster prevention programmes work best when they bring together co-ordinated, well-funded **partnerships** with a clear vision of what they are trying to achieve. The businesses that will best serve these partnerships are those whose core competencies are relevant to prevention, preparedness, and relief and long term recovery efforts. These include construction, logistics and transport, engineering, healthcare, water and sanitation, insurance and finance. Other sectors that might be involved are those that have identified natural disasters as a threat to their business operations, for example travel and tourism. Businesses in other sectors could be encouraged to offer in-kind goods, cash or expertise to help communities mitigate or prepare for natural disasters. It will be critical to pick partners with local knowledge and here business can help by leveraging its supply chain, customer and distribution networks, as well as its political influence.

[15] Business for Social Responsibility. 2004. Business Brief: Response to the Indian Ocean Tsunami.

The business of disasters: finance and insurance

The finance and insurance sector, in particular reinsurance, has a large interest in the process of disaster risk management, specifically risk transfer and response to disaster losses. Reinsurance companies play an important role in the assessment of risk from natural disasters, in particular the economic aspects of potential losses. Much of this information is in the public domain and makes an important contribution to the knowledge we need to better prepare for and respond to natural disasters.

The annual reports published by reinsurance companies assess recent losses caused by natural disasters, look at trends and analyse future risk. Examples are Munich Re's 'Annual Review of Natural Catastrophes' and Swiss Re's 'Natural catastrophes and reinsurance'. In the latest of these reports, both companies warn of the potential of climate change to affect the patterns of climate and weather. Global climate models predict increased and more frequent seasonal rainfall in some regions of the world. Insurers fear this might lead to more frequent and/or extreme flood events. A general increase in temperature might also aggravate storm activity and the frequency of hurricanes in North American and cyclones in the Pacific.

A new investment product: disaster derivatives

Disasters are a function both of natural hazards and the vulnerability of local communities. One very important way to reduce the vulnerability of the population is by increasing access to micro-finance and micro-insurance initiatives, within a framework of disaster prevention.

Bangladeshi and Indian micro-finance institutions have introduced innovative credit and savings products that help the poor to maintain and restore their livelihoods in the face of shocks, according to DFID. Research in Bangladesh also shows that micro-finance beneficiaries were significantly more able to recover from the 1998 floods. Of the four billion people on earth today who live on less than two dollars a day, fewer than 10 million currently have access to insurance. The large insurers already play a key role in providing information on the economic impacts of disasters and encouraging disaster prevention measures. In March 2006, for example, the Munich Re Foundation awarded a €50,000 grant to help the Kingdom of Tonga develop a storm warning system.[16] This raises a challenge for the re-insurance companies, which are starting to suggest innovative schemes to reinsure the providers of micro-finance and micro-insurance.

The Consultative Group to Assist the Poor estimates that micro-finance initiatives have already reached more than 80 million people but that the potential market is about three billion. IT advances are lowering the cost and risk of providing micro-finance to the poor, and there is clearly further scope for the big insurers to provide backing for micro-insurance initiatives and play a major role in reducing the vulnerability of disaster-prone communities.

For micro-finance to have the maximum effect, borrowers must be made aware of the positive long-term benefits of prevention. That requires a massive public information exercise. As part of its long term partnership with UNDP, DPWN/DHL is planning to use its core competences in postal delivery to support large scale public information campaigns on disaster prevention amongst the rural poor in disaster prone regions, supporting their ability to build shelters and stock essential supplies. However, many poor and vulnerable people are already aware of the multiple risks they face but lack the capacity to manage them. They consciously choose to focus on day to day survival rather than the more remote threat of natural disaster,

Disaster or weather derivatives on first consideration appear to be controversial but supported by a well framed information campaign on the part of the stakeholders involved – humanitarian organisations and business, plus local NGOs and local business, they could be beneficial instruments. It would need the financial service companies to assess the risk and define insurance products to which a significant number of interested parties in disaster prone regions would subscribe. The finance company would then take its cut on transactions that sell slices of that fund – the derivatives – to investors who get a return on their risk. This would better cater for slow onset disasters or weather-related disasters than mega-disasters, since the risks of the former occurring

[16] Munich Re Foundation. 2006. Press Release: Early Warning has its Rewards.

are easier to calculate than the more complex low probability disasters, such as the tsunami. Micro-insurance can also be used to stimulate and incentivise mitigation activities. For example, health insurance is often linked to preventive and primary health care programmes run by the insurer concerned (if a NGO) or a partner organisation, and policyholders may be expected to use such services.[17]

The case for partnerships and learning journeys

There is a strong case for long-term five-year bilateral partnerships, of the sort that TNT and Citigroup have formed with the World Food Programme, Ericsson has formed with the UN and IFRC, Microsoft has formed with the IFRC, and DHL/DPWN has formed with OCHA/UNDP. These sorts of partnerships could be considered “learning journeys”. The oldest partnership – that between TNT and WFP – shows that, as relationships are built, activities move towards a greater focus on prevention and development – because it makes sense. It is unreasonable to expect business to jump straight into prevention without that awareness building and experience, but humanitarian organisations can help accelerate that learning.

Moreover, there is some evidence that sector initiatives can generate concrete results through the sharing of best practice and the eventual pooling of resources to make a difference. The logistics and transportation community of the World Economic Forum has invested in developing a partnership amongst competitors to develop cooperative “Logistics Emergency Teams” (LETs), with the underlying principle of “never competing to save lives”.

Bilateral partnerships are crucial and the formation of clusters of partnerships within different industry groups could provide very powerful ways for business to contribute to disaster prevention over time. Roundtables, Chambers of Commerce initiatives and industry associations have made recent efforts to promote coordinated business responses to disasters, including through simulation and planning exercises (see box). For instance, the Turkish Chamber of Civil Engineers participated as a key partner in the RADIUS project with the UN and other partners to develop a new seismically safe master plan for the city of Izmir, Turkey. The Association of American Chambers of Commerce in Latin America and The Pan American Development Foundation have also formed a strategic alliance that builds upon the strengths of each organisation for disaster reduction, preparedness and response.

Promoting coordinated business action

On July 11, 2005, the U.S. Chamber of Commerce Center for Corporate Citizenship and Booz Allen Hamilton brought together 70 government, business, and non-profit leaders to work on a simulation exercise in public-private-non-profit coordination. Participants found that by building cross-sector dialogue and understanding, by encouraging disaster preparedness and contingency planning at the local and international levels, and by developing multiple disaster relief coordination mechanisms, challenges to coordination could be overcome.[18]

Another example is the Rim Sim role play exercise, coordinated by the US Geological Survey, which brings together participants from Pacific Rim countries to discuss approaches to disaster-preparedness, planning, and reconstruction efforts – with emphasis on face-to-face dialogue and multinational cooperation.[19]

It is in the enlightened best interest of business to work towards disaster prevention under the leadership of the humanitarian organisations. However, it is also recognised that poverty above all other factors provides the biggest constraint to disaster prevention and that goal being achieved. There is a strong argument for business to work in partnership with development agencies on poverty reduction and disaster prevention, particularly in vulnerable communities in disaster prone

[17] Twigg, John. 2004. Humanitarian Practice Network Good Practice Review: Disaster Risk Reduction: Mitigation and preparedness in development and emergency programming. Overseas Development Institute, London.

[18] US Chamber of Commerce and Booz Allen Hamilton. 2005. Disaster Relief Improving Response and Long-Term Recovery.

[19] Barrett, R. C. *et al*. 2003. Rim Sim: A Role Play Simulation. United States Geological Survey Bulletin, 2212. USGS, Menlo Park, California.

areas of developing countries. There is also a strong case for focusing concerted business efforts on strengthening or rebuilding vulnerable areas of infrastructure in disaster prone regions – especially schools and hospitals. Such activities should also be undertaken in consultation with local communities, since it is increasingly understood that local ownership is an important component of successful partnerships.[20]

While it is a major advance to see an increasing number of companies engaged in disaster response, it will be a huge achievement to see business engaged in disaster prevention, with a concerted focus on poverty reduction in disaster prone regions and the development of disaster proof essential infrastructure.

Ten recommendations

1. Disaster prevention should be discussed in the context of the UN Global Compact, requesting business to integrate disaster prevention into business decision making throughout the value chains, including in relationships with suppliers in disaster prone regions.

2. Humanitarian organisations could invest more in management training specifically focused on capacity building in corporate engagement. With appropriate screening tools and systems to help humanitarian agencies identify appropriate partners, they could be encouraged to work together with business, with specific objectives relating to different areas of core competence in respect of different humanitarian needs and geographical presence.

3. Business and humanitarian organisations could form bilateral partnerships and on that basis work together under the guidance of humanitarian organisations to form clusters of partnerships of common interest; for example, in logistics, health care, IT, water services etc. encouraging business to share expertise and lessons learnt, to make intervention effective.

4. The insurance and reinsurance industry, along with the financial sector, could be encouraged to develop innovative products – risk maps, catastrophe bonds, weather derivatives etc. in the spirit of the "co-operative principle of insurance", where risk is shared for the benefit of those unfortunate enough to live and work in disaster prone regions, with corresponding discounts for preventative measures and fair returns for those taking the risk and making the investment. There could be products for individuals, local businesses, communities or indeed humanitarian organisations – to be marketed with sensitivity.

5. Comprehensive financial incentives could be provided for prevention and innovative approaches to support or subsidise investment in insurance by the poor, or on behalf of the poor. The re-insurance industry could play a role here. This will need consultation and a careful public education exercise but it could bring important efficiencies to disaster management and side-step inefficiencies such as corruption linked to aid to government and non governmental agencies. If managed appropriately by the financial services sector, "disaster derivatives" could herald new socially responsible investment vehicles and investors would know that fair pay-outs in the case of disaster would go straight to those affected.

6. It is important that local companies be supported to stay in business after disasters. They should be seen as part of the solution through their superior strengths in organisation, local capacity and networks. Decision making should be sensitive to the impacts of global business activity on local business as the latter are engines for growth in the reconstruction phase. It is important that local companies be supported – through training and awareness raising, as well as through micro-insurance schemes, to stay in business in the aftermath of disasters.

7. A climate of constructive peer review rather than a "blame culture" could be engendered to encourage business and humanitarian organisations to approach their partnerships as learning journeys and to allow mistakes, if they are made, to be rectified and learnt from. Sensitive communication skills are important and PR ground rules will be key for business.

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[20] Global Public Policy Institute/UN Global Compact. 2005. Business Unusual: Facilitating United Nations Reform through Partnerships. United Nations, New York.

8. Regular dialogue is crucial. There are few opportunities for dialogue between business and humanitarian organisations, particularly on the subject of disaster prevention. A regular quarterly dialogue between business and humanitarian organisations to share experience would be helpful.

9. The media has a responsibility. How it reports a disaster and comments on business and humanitarian organisations' relief efforts can have a major impact on fund raising and where money can be spent with a need to focus on getting money direct to prevention and the building of resilience.

10. Cooperation on disaster prevention between business and humanitarian organisations must be based on respect for the good intentions of others and rooted in humanitarian principles.

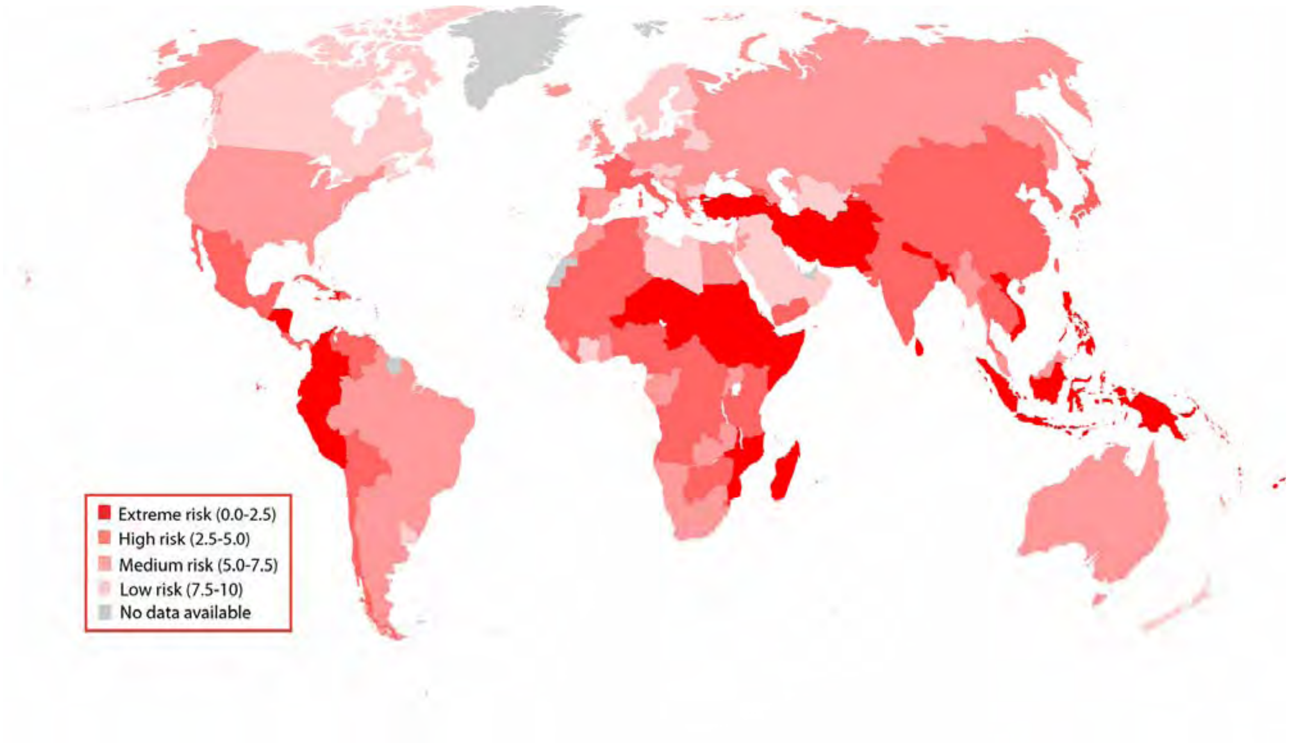

Figure 1: Global map of natural disaster risk. Source: http://maps.maplecroft.com.

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