Disaster Risk Reduction in Latin America and the Caribbean: A guide for strengthening public-private partnerships

Economic and Technical Cooperation

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This document has been prepared in compliance with Activity II.1.4, Regional Meeting on Public and Private Sector Partnerships for Disaster Risk Reduction in Latin America and the Caribbean, of the activities of the Work Programme of the Permanent Secretariat of SELA for 2016, within the framework of Area II: Economic and Technical Cooperation, and the Project for Strengthening Economic and Technical Cooperation in Latin America and the Caribbean.

Within the context of this activity, the Permanent Secretariat presents this base document, entitled "Disaster Risk Reduction in Latin America and the Caribbean: A guide for strengthening public-private partnerships", aimed at facilitating the necessary basics to encourage reflection and discussion among participants in this meeting, the V Regional Meeting on Private-Public Partnerships for Disaster Risk Reduction in Latin America and the Caribbean.

This document starts by stressing the importance acquired by the public-private partnership approach in disaster risk reduction, on the one hand based on the acceptance of the high human, material and financial costs resulting from disasters, and on the other hand, on the pressing need for adopting mitigating and resilience-creating measures in the face of disasters.

Next, emphasis is made on the fact that the adoption of said measures emerges from a new understanding of risk as a multidimensional factor, that is, of multisectoral origins and cross-cutting consequences for society. In the face of this new reality, a tour around the public-private initiatives that are aimed at disaster risk reduction is presented, including those within the scheme of the Latin American and Caribbean Economic System, the Sendai Framework and the Sustainable Development Agenda for 2030.
Lastly, and given the importance of joint action by the public and private sectors, an extensive approach of their current situation is made for Latin America and the Caribbean, encompassing areas such as investment, public policies, legal outlook, roles and responsibilities for actors playing in any of the two sectors.

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EXECUTIVE SUMMARY

Given the devastating impact of disasters in the last few years, the policies for disaster risk reduction require to be addressed in a multisectoral way. It is the sum of efforts between the public and private sectors what will make infrastructure development (construction, maintenance and operation), as well as service provision, coincide with growth and cover the people’s needs in the region.

The international organizations have already acknowledged the essential role of the private sector – including enterprises and social organizations – as a strategic ally in disaster risk reduction and in building resilient communities.

The works aimed at reducing risk can be addressed from different approaches, the development of public-private partnerships (PPPs) in disaster risk reduction has become a financial tool for projects that contribute to sustainable development and poverty reduction. For many years now, investment in social and economic infrastructure had been one of the main activities of the governments; at present, the combination of coordinated efforts between sectors is resorted to for solving the problems that the governments – with limited budgets – face. The work is done in pursuit of a shared interest to improve the people’s lives and their communities.

The national and regional efforts and initiatives that drive the participation of the private sector are not a few, but it is essential to identify their advantages and disadvantages when pursuing disaster risk reduction.
INTRODUCTION

During the last decade we have seen how the cost of disasters in the region has increased, reaching US$ 35 billion, which accounts for one-fourth of the total amount at the global level. These economic losses affect about 67 million people. Such situation has revealed the need to incorporate a larger number of actors in the actions aimed at reducing disaster risk.

The Global Assessment Report on Disaster Risk Reduction 2015, prepared by the United Nations, considers the opportunity that the private sector – understood as enterprises and society – has to commit itself to ensuring a safer future. We know today that disasters have a negative impact on development; hence the importance of creating resilient and sustainable development.

In many cases, threat, exposure and vulnerability are configured simultaneously through the underlying factors of risk. This also turns risk into an important characteristic of poverty, and poverty as one of the structural causes of disasters. When disasters hit countries or regions considered to be poor, they become an additional threat to their economy and limit their possibilities of development. Today, the objective is that decisions on current development do not affect development in the future.

According to the World Bank, Public-Private Partnerships (PPPs) are joint initiatives between the public sector and the – profit or non-profit – private sector, in which the multiplicity of actors contributes to increase the productivity from available resources. A Public-Private Partnership aimed at making a positive impact on Development (PPPD) of the communities where it operates is understood as a relation of collaboration between the public sector, the private sector and society, which seeks to attain efficiency in its actions while pursuing common goals and interests.

At present, PPPDs in the region have gone from a concern about tackling the response to emergencies or disasters to an approach that favours the efforts for reducing disaster risk and its impact on development, which confirms the acknowledgement about the private sector as an essential actor in the implementation of public policies on this subject, at the local, federal and regional levels.

To promote PPPs or PPPDs that would contribute to sustainable development and equity is an exercise of the social responsibility that understands that nobody can individually do everything, but that everyone can do something; it is the combination of efforts, the shared profits and benefits what marks the difference.

This document explores the actual initiatives undertaken in Latin America and the Caribbean regarding this type of partnerships for disaster risk reduction (DRR) and development, as a result of the dimension of global challenges which make it almost impossible for one single actor to accept responsibility for facing them, and the increasing participation of the private sector and civil society in the provision of goods and services.
I. RECENT PROGRESS IN PUBLIC-PRIVATE RELATIONS FOR DISASTER RISK REDUCTION. REGIONAL AND INTERNATIONAL INITIATIVES

As tools for medium and long-term cooperation between the public and private sectors, public-private partnerships respond to quite varied characteristics and needs, which makes them difficult to define. Understood as agreements (building, operations, transfers) where part of the services for which the public sector is responsible are offered by the private sector, the PPPs are acknowledged as efficient tools for development in which everybody wins, in particular the users or target population.

**CHART 1**
Public-Private Partnerships for Development

Among the most important benefits that PPPs bring along with them are: to encourage the governments’ capacity for developing comprehensive solutions; facilitate creative and innovative approaches; reduce time and costs in project implementation; transfer project risks to the private sector; and draw larger investors to the projects while incorporating competences, experience and technology (Li and Ankitoye, 2003).

Nowadays, private enterprises, beyond being a support for project financing, are actors acknowledged by their new contributions and resources to the solution of the problems traditionally looked after by the public sector. PPPs also have an active role in disaster management and have been present in national and international policies, usually within the recovery and reconstruction processes, although they have increasingly become part of the processes and strategies for disaster risk reduction.

**The Asia-Pacific Forum on Economic Cooperation has identified six (6) best practices (2013)** in the private sector’s participation in disaster risk reduction: (1) building resilience in the economy; (2) partnerships for building resilience in the communities; (3) risk reduction during the reconstruction process (construct better); (4) joint efforts for strengthening organizational resilience; (5) joint efforts for strengthening resilience in infrastructure; and (6) partnerships in risk transfer through insurance.
The private sector seems to take responsibility for the risks being built in the process of its business and products, by increasingly becoming a more common practice that the enterprises adopt standards of the International Organization for Standardization (ISO) related with risk and continuity of operations.

TABLE 1
International Standards

| ISO 31000:2009 Risk Management - Principles and guidelines. It is the international standard that establish principles and guidelines, concepts and terms used in risk management. This standard can be used by any public, private and society institution. It is not specific to any industry or sector. |
| ISO 22301:2012 Societal Security - Business continuity management systems - Requirements. It specifies the requirements to plan, establish, implement, operate, monitor, examine, maintain and improve constantly the document that establish the way in which we protect and prepare ourselves, mitigate the impact, respond and recover in the face of an event causing crisis. |
| ISO/IEC 27031:2011 Information technology - Security techniques - Guidelines for the information and communication technology readiness for business continuity: It describes the concepts and principles of information and communication technology and establishes a methodology to identify and specify the way in which an organization assures business continuity in face of any incident. |

In contrast to what happened a few years ago, we can find now a series of ISO standards exclusively available for the management systems of security and continuity of operations or business. One of them establishing the methodological framework and other additional complementary standards:

| ISO 22313:2012 Societal security - Business continuity management systems – Guidance |
| ISO/TS 22318:2015 Societal security - Business continuity management systems - Guidelines for supply chain continuity |
| ISO/IEC 27005:2011 Information technologies - Security techniques - Information security risk management |

Source: Based on information from the International Organization for Standardization (ISO).
The efforts carried out in the area of DRR in Latin America and the Caribbean are not a few:

- The *Making Cities Resilient* Campaign, led by the United Nations Office for Disaster Risk Reduction (UNISDR), which although aimed at local government leaders, acknowledges that making cities resilient is a responsibility shared by everyone, and because of this there is a permanent invitation extended to the private sector to join in and contribute.

- The public and voluntary commitment of the private sector in DRR and building resilience in response to the private sector partnership for disaster risk reduction, led by the United Nations Office for Disaster Risk Reduction, Regional Office for the Americas (UNISDR).

- The Permanent Secretariat of the Latin American and Caribbean Economic System (SELA) has been working on the issue of partnerships between the public and private sectors for disaster risk management over the last four years, and has become a major regional forum for exchanging successful experiences and lessons learned.

- The Latin American Parliament (Parlatino) recommends the adoption of a protocol for disaster risk management in Latin America and the Caribbean; a protocol that promotes building organizational resilience and the incorporation of a DRR approach in the design of public policies during the planning process for development and implementation of emergency response programmes. Parlatino commits itself to drive the protocol by way of the parliaments, jointly with the domestic executive branches.

- This year, the Community of Latin American and Caribbean States (CELAC) made a commitment to develop a regional action plan on the basis of the progress attained within the framework of the Mechanisms for International Humanitarian Assistance (MfIAH).

Every effort contributes to ensure conditions of security and development in our communities. It is necessary to generate the incentives to add a larger number of actors that acknowledge their commitment with DRR through a social responsibility strategy.

a. **Risk multi-dimension, sectoral considerations**

   When talking about risk multi-dimension we are talking about its importance and need for being addressed from very different views and disciplines, we talked about multiple coordinated (sectors) responses. There is not a single model in its vertical (cross-cutting) or horizontal (government levels) dimension, it is able to address by itself the complex variety of projects and activities in which risk is present and thus there is an impossibility of limiting its area of application.

Whether we talk of risk origin or causes, its prevention, mitigation or reduction, the vulnerability of the people and institutions in the face of threats or danger, risk indicators or measurement, risk resilience, risk management, dealing with or response, there are many actors that intervene and as a result there is a need for addressing it also from a multisectoral approach, which identifies the way in which governments face this problem and how the various sectors share responsibilities. It is important to adopt a systematic approach that allows for complementarity of efforts and favours the shielding of the capacities built, resilience of the institutions and the population facing risks.
b. Models for public-private relations

In spite of the differences that we can find as a result of the special features adopted and the policies implemented regarding PPPs in each one of the countries of the region, we can all coincide in that a PPP is an arrangement between sectors, with clear benefits for the parties. It is a relationship in which part of the obligations (services or public infrastructure) that are the State’s responsibility are provided by the private sector.

There are five types of most widely accepted models for public-private relations in their three levels of government and their three territorial dimensions – local, national and international, respectively – that are presented: service contracts, financial leasing, joint ventures, concessions and privatization (Li and Ankitoye, 2003).

CHART 2
Models for Public-Private Partnerships

- **Service Contracts**: The simplest form of partnerships. The executor chooses to carry out one or specific tasks in order to comply with its obligations.

- **Financial Leasing**: In this model, the service provider is responsible for the operation, maintenance and repair of the assets.

- **Joint Ventures**: They are considered to be the purest model of PPPs. Resources are added up in order to make shared profits, since both the government and the enterprises are responsible for service provision.

- **Concessions**: Perhaps this is the PPP model of choice for the private sector. In this case, the service provider remains as owner of the facilities and is also responsible for their operation, maintenance and repair during the validity term of the contract.

- **Privatization**: A privatization involves the sale of State-owned property through a public auction, the issue of shares or grants, to a private organization, which assumes the responsibility for its financing.

*Source: Prepared by the author, based on information from Akintoye, Beck and Hardcastle, 2003.*

The PPP concept is not new, but it happens that these partnerships have been recently aimed at promoting the sustainable development/growth and poverty reduction at the same time that all those involved obtain benefits. It is about a relationship in which everybody wins.
There are three basic requirements for the ideal functioning of a PPP for Development (Fundación Carolina, 20):

- **Results-oriented.** The adopted projects should consider the attainment of planned results and specific impacts in terms of development with clear goals that would allow for an assessment.

- **Co-responsibility in the management and governance of the partnership.** The relationship between the partners or actors that participate in a PPPD should be one of participative allies coordinated in a horizontal way.

- **Coherence in the management of Corporate Social Responsibility (CSR).** There should be a coincidence between strategies and practice of the enterprises’ CSR and the goals of the partnership for development.

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1 According to the Observatory on Corporate Social Responsibility, this is a way to run enterprises based on management of the impacts that their activity has on their clients, employees, stockholders, local communities, environment and society in general.
c. General comments on continuity of business and operations

The concept of continuity of business and operations in their three conceptual levels of: operations (COOP), government (COG) and development (COD) is considered today as a preventive measure, as an instrument for disaster risk reduction and as a useful tool for mitigation by guaranteeing that the work of the public institutions and society would not be shut off in the event of a disaster.

Continuity of operations is nowadays one of the more attractive incentives of the private sector by becoming its tool of mitigation and best business practice. It is also the natural space for the coordinated work between sectors that share risks and contribute to the stability and development of society. COOP is today not only a responsibility shared between the different public or private organizations, it is already part of a strategy of corporate social responsibility that reflects a direct commitment with society.

CHART 4
Conceptual levels of continuity

The work carried out by the enterprises on continuity of operations is considered to be one of the main collaborative efforts for DRR, because by mitigating the negative impact of disasters, it contributes to diminish the vulnerability of the communities and builds conditions for community resilience.

d. General comments on corporate social responsibility

Corporate Social Responsibility (CSR) is a concept according to which enterprises accept certain responsibilities towards society that complement their business objectives and concerns. To
work with DRR policies and contribute in this way to sustainable development and community empowerment has become for the private sector a best practice and its institutionalization has started through its incorporation into business plans.

**CHART 5**  
Area of common interest among sectors

This commitment that private enterprises make with society, added to the work of coordination among sectors, emerges as an active and voluntary contribution to the economic, social and environmental improvement, while creating a positive link with the community and its surroundings.

II. INITIATIVES FOR PUBLIC-PRIVATE PARTNERSHIPS WITHIN THE FRAMEWORK OF THE LATIN AMERICAN AND CARIBBEAN ECONOMIC SYSTEM (SELA). REGIONAL MEETINGS BETWEEN THE PUBLIC AND PRIVATE SECTORS FOR DISASTER RISK REDUCTION

Since 2010, the Permanent Secretariat of the Latin American and Caribbean Economic System has been fostering the work of the private sector in the area of disaster risk reduction in the region. These efforts are reflected in the following regional meetings:
Today, these regional seminars are an example and a reflection of the importance that the PPPs have gained in the region regarding disaster risk reduction. These meetings have become a natural space for exchanging ideas and best practices by the governments, entrepreneurs and representatives of the organized civil society.
III. PUBLIC-PRIVATE RELATIONS WITHIN THE SENDAI FRAMEWORK FOR DISASTER RISK REDUCTION 2015-2030

With the approval of the Sendai Framework for Disaster Risk Reduction during the Third World Summit for Disaster Risk Reduction held in March 2015, a call is made for the considerable reduction in disaster risk and the losses caused by disasters in lives, means of subsistence and health, as well as in economic, physical, social, cultural and environmental goods of the people, enterprises, communities and countries. Therefore, it is considered necessary to anticipate and prevent the appearance of new disaster risks and reduce the existing ones implementing comprehensive and inclusive measures of an economic, structural, legal, social, sanitary, cultural, educative, environmental, technological, political and institutional nature that would prevent and reduce the degree of exposure to threats and the vulnerability to disasters, increase the preparation for response and recovery and reinforce in this way resilience.
With the purpose of guiding and assessing the efforts made by the countries and other actors involved, the following seven global goals were set out:

1. Reduce global rates of mortality caused by disasters by 2030, and attain the reduction in the global mortality rate caused by disasters per 100,000 people by the decade 2020-2030 compared with the period 2005-2015.

2. Reduce the number of people affected at world level by 2030, and attain the reduction in the world average per 100,000 people by the decade 2020-2030, compared with the period 2005-2015.

3. Reduce the economic losses directly caused by disasters with respect to the world Gross Domestic Product (GDP).

4. Reduce the damages caused by disasters in vital infrastructures and the interruption of basic services, as well as in health and educational facilities, even developing their resilience.

5. Increase the number of countries that have strategies for disaster risk reduction at national and local levels.

6. Improve international cooperation for developing countries through a proper and sustainable support that complements the measures adopted at the national level for the application of the present Framework.

7. Increase the availability of early warning systems on multiple threats, and of the information systems and the assessments on disaster risk.

It was agreed that the States should adopt specific measures in all sectors, at the local, national, regional and global levels with respect to the following four priority spheres:

**Priority 1: Understand disaster risk.** The policies and practices for disaster risk management should be based on an understanding of the risk in all its dimensions, including: vulnerability, capacity, degree of exposure for people and goods, characteristics of the threats, and environment.

**Priority 2: Strengthen disaster risk governance to deal with such risk.** Disaster risk governance at the national, regional and global levels is of great importance for an effective and efficient management at all levels. It is necessary to have clear goals, plans, competences, guidelines and coordination within the sectors and among them, and to ensure the participation of the corresponding actors.

**Priority 3: Invest in disaster risk reduction for resilience.** The public and private investment for disaster risk prevention and the reduction through structural and non-structural measures are essential to increase the economic, social, sanitary and cultural resilience of the people, communities, countries and goods, as well as the environment. These factors can drive innovation, growth and job creation. Those measures are effective to save costs and essential to save lives, prevent and reduce losses, and secure an effective recovery and rehabilitation.

**Priority 4: Increase the preparation in case of disasters, in order to give an effective response and “better rebuild” in the areas of recovery, rehabilitation and reconstruction.** The constant increase of disaster risk, including a rise in the degree of exposure of people and goods, combined with the lessons learned from past disasters, makes evident the need to strengthen even more the preparation for cases of disasters, to adopt measures ahead of events, include disaster risk reduction in the preparation, and ensure that there is enough capacity for efficient response and recovery at all levels.
The Sendai Framework for Disaster Risk Reduction recognizes the importance of the private sector as an actor for development and as a strategic ally in the efforts aimed at disaster risk reduction. Priority 3 underscores the joint participation of the private sector in disaster risk reduction and prevention, and thus contribute to resilience capacity in all its dimensions. This can be done by involving the private sector in structural measures, regarding the construction or strengthening of preventive or mitigation infrastructure, or by means of non-structural measures linked with knowledge and best practices reflected in policies, laws, regulations, dissemination, training and education.

As part of the implementation process and to strengthen the participation of the private sector, several initiatives merged, among them the Private Sector Advisory Group, the Private Sector Partnership (PSP), and the UNISDR Alliance and the Private Sector Alliance for Risk Sensitive Investment (ARISE), in order to create the Private Sector Alliance for Disaster Resilient Societies. The objective is to strengthen such cooperation link with the public and social sectors, to inclusively create a measurable impact on communities, and an impact at the local level, which contribute to reach the goals agreed upon in Sendai. Thus, the private sector has committed itself to:

1. Raise awareness with respect to disaster risk and mobilization of the private sector.
2. Exert influence on its respective spheres of competence.
3. Share knowledge and bring in expertise of the private sector.
4. Become a catalyst to generate innovation and collaboration.
5. Implement tangible projects and activities in order to achieve the goals of the Sendai Framework.

IV. PUBLIC-PRIVATE RELATIONS FOR DISASTER RISK REDUCTION WITHIN THE CONTEXT OF THE WORLD HUMANITARIAN SUMMIT 2016

The First World Humanitarian Summit 2016 was held in May 2016. Since its preparation, it stood out due to its openness and multisectoral participatory nature, which allowed for identifying the knowledge, experiences and resources necessary to respond to the problems that are confronted today. The Summit established a new programme for global humanitarian action aimed at looking after the needs of people in crisis, with actions that seek the efficiency of humanitarian work, the reduction of vulnerability, risk management, and transformation through innovation.

One of the achievements in strengthening the public-private relation was the one made as part of one of the main five commitments: to diversify the resource base and increase profitability looking not only to raise financing for humanitarian aid, but also to incorporate risk and vulnerability reduction. The private sector also assumed commitments aimed at solving – or reducing – the problem of displacement of people as a result of conflicts, considered now as a humanitarian challenge of a political, developmental and human rights nature.

The private sector also joined the Pact for Young People in Humanitarian Action, an effort to contribute to the protection and development of children and young people, in addition to incorporating young people into the process of decision making and resource allocation, and working in strengthening the capacities of young people as humanitarian actors.
In response to a call for solidarity and the addition of efforts through a coordinated work among governments, civil society and people affected by a crisis, the private sector made the following specific commitments:

- **Fund for Education in Emergency Situations.** Education is considered as a subject that cannot be postponed. This fund is proposed to guarantee children education in emergency situations or lengthy emergencies. The first contribution announcements were made by the private sector with an initial amount of US$ 90 million, in addition to US$ 100 million in financial and in-kind contributions by the World Entrepreneurial Coalition for Education.

- **Connecting Business Initiative.** An initiative committed to bind together the abilities and resources of the private sector to all the emergency stages (before, during and after), in addition to gather 11 private sector networks that bring with them a broader support. The telecommunications industry will improve and increase people's connectivity in disaster affected zones.

- New partnerships between humanitarian and financial actors of the private sector and technology enterprises were announced. They will contribute their knowledge on digital payments, digital currency and other areas, in order to quickly and efficiently meet the needs of people in crisis.

V **PUBLIC-PRIVATE RELATIONS, DRR AND HUMANITARIAN AID ON THE 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT**

It was in September 2015 when the United Nations General Assembly approved the 2030 Sustainable Development Objectives (SDOs), replacing what was proposed by the Millennium Development Goals (MDGs). This world agreement considered 17 SDOs and 169 goals, which resume those MDOs that were not attained and includes them in an effort that seeks to eradicate extreme poverty, reduce inequality and promote prosperity. Adopted by 193 member countries, the document *Transform Our World: Agenda 2030 for Sustainable Development* (2015) presents new objectives for sustainable development and proposes a broader agenda whose aim is to fight the structural causes of poverty and inequality from three dimensions: economic, social and environmental.

An important aspect of the new agenda is the incorporation of disasters as a threat to development and the participation of the private sector and the communities as agents of change, co-responsible for the decisions that affect their future, as true agents of development. Hence the need to promote collaboration and partnerships among sectors.

To fight against climate change, reduce disaster risk and improve the quality of life is everybody's responsibility, in the face of these challenges it is important the acknowledgement that is made to the private sector by considering that public-private partnerships allow for attaining institutional strength and obtaining more and better sources of financial and human resources that otherwise could not be generated by any of the actors.
VI RISK MANAGEMENT AND HUMANITARIAN AID WITHIN THE FRAMEWORK OF THE COMMUNITY OF LATIN AMERICAN AND CARIBBEAN STATES (CELAC)

As an intergovernmental mechanism of dialogue and political agreement, the Community of Latin American and Caribbean States (CELAC) emerges with the commitment of moving forward with integration in the region of the 33 Latin American and Caribbean countries. In this manner, apart from being an articulating mechanism working on the basis of consensus, CELAC is also a space that faces the challenges of the region. In this regard, following the commitments made in the Action Plan agreed at the IV Summit of Heads of State and Governments of the Community of Latin American and Caribbean States, held in January 2016, with regard to Humanitarian Cooperation and Comprehensive Disaster Risk Management, CELAC held a meeting with Senior Officials on the comprehensive management of risks in the region, initiating works aimed at developing a regional action plan based on achievements within the framework of the International Mechanisms for Humanitarian Assistance (MIAH), while seeking to improve the implementation process of actions leading to risk reduction to enable exchange of best practices and strengthening capacities against risk or disaster scenarios. Through coordinated work, CELAC seeks commitment by all its member countries to:

a. Foster policies of comprehensive disaster risk management (CDRM), aligned to the Sendai Framework with a long-term vision.

b. Urge CELAC member countries to strengthen legal and institutional frameworks, public policies and planning tools in CDRM.

c. Promote the strengthening of disaster risk awareness in all its dimensions, for adequate decision making in order to reduce risk.

d. Encourage articulation of criteria and agenda between the different mechanisms in the region to avoid duplication of efforts and improve coordination among CELAC member countries.

e. Strengthen governance and capacities of local governments, recognizing their role in the planning processes for sectoral and territorial development.

f. Consolidate equity, gender equality of individuals, families and communities, especially vulnerable groups, promoting women’s empowerment and ensuring their participation in the various stages of GIRD.

g. Foster public-private partnerships, under the leadership of State institutions, to improve emergency response, increase protection and recovery of living standards.

VII RISK MANAGEMENT AS INSTITUTIONAL POLICY: ORGANIZATION OF AMERICAN STATES (OAS)

During the past month of September, the OAS announced the adoption of the Institutional Policy on Disaster Risk Management 2015-2030, in line with the Sendai Framework for Disaster Risk Reduction and the commitment of the Organization to strengthening resilience as a key element in their development agenda. With the adoption of this Policy, the OAS is the first intergovernmental organization in the Americas to undertake a commitment with DRR. The commitment by the OAS, through the inclusion of the chapter “Special Considerations” whereby the Executive Secretariat for Integral Development will monitor the actions undertaken by each and every one of the administrative units of the OAS towards the reduction, prevention and mitigation of disasters.
VIII PRIVATE SECTOR INITIATIVES: VOLUNTARY COMMITMENT BY THE PRIVATE SECTOR AND THE CARIBBEAN TO DISASTER RISK REDUCTION AND RESILIENCE BUILDING

In 2014, the private sector, aware that cooperation with the national authorities is fundamental for sustainability and that the actions through public-private partnerships favour works towards DRR, assumes the Voluntary Commitment by the Private Sector and the Caribbean to Disaster Risk Reduction and Resilience Building seeking to create awareness within the private sector, promoting new membership in the Disaster Risk Reduction Private Sector Partnership (DRR-PSP) promoted by the ISDR and its contribution to the identification and dissemination of a report and adoption of good practices of the private sector in DRR in Latin America and the Caribbean.

IX THE PRIVATE SECTOR IN THE ECONOMIC AND SOCIAL DEVELOPMENT IN LATIN AMERICA AND THE CARIBBEAN, IN HIGH-RISK AREAS

Private sector investment is considered essential for economic and social development in the region as well as for the financing of actions that seek to reduce disaster risk.

Participation by the private sector in the development of high-risk areas can help in the prevention and DRR by means of structural and non-structural measures. It is expected that participation by the private sector will provide solutions to economic, educational and environmental needs that contribute to disaster risk.

Investments in infrastructure promote higher productivity and better income, generate positive changes in health conditions and education of the population. The private sector involvement in high-risk areas requires investment in sustainable infrastructure to address threats while generating economic growth and social stability.

a. Private investment in Latin America and the Caribbean

In January 2016, in the blog of the International Monetary Fund, a projection of negative growth was published for four countries in the region: Venezuela, Brazil, Argentina and Ecuador. This being the result of a sharp decline in private investment, a private initiative that is inhibited by the decline in commodity prices, macroeconomic imbalances and microeconomic distortions. While moderate growth projected at that time aroused the concern to solve internal problems, it was not an overall concern in the region. While South America is affected by the decline in raw materials, other countries such as Mexico, Central America and the Caribbean are beneficiaries of strengthening U.S. economy although Mexico must face negative consequences for the oil price decline.

For ECLAC, in the Economic Survey of Latin America and the Caribbean 2016: the capacity of countries in the region to accelerate economic growth depends on the spaces to adopt policies that support investment, which will be fundamental in reducing the effects of external impacts and

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2 Voluntary Commitment by the Private Sector and the Caribbean towards Disaster Risk Reduction and Resilience Building: http://www.eird.org/pr14/docs/compromiso-sector-privado.pdf

3 According to the United Nations Disaster Risk Reduction Terminology, when we refer to structural measures we speak of any physical construction to reduce or prevent the potential impacts of hazards, or the application of engineering techniques to achieve resistance and resilience of structures or systems against threats. On the other hand, non-structural measures are those that do not involve physical construction and use knowledge, practices or existing agreements to reduce the risk and its impacts, especially through policies and laws, increased public awareness, training and education.
avoid significant consequences in the performance of the economies in the medium and long term. These policies should be accompanied by efforts to strengthen public-private partnerships that favour investment.

In ECLAC’s view, reliance on private financing brings problems to financing for development given that:

1. Not all countries have access to external private financing sources. This access could be attributed to the size of the economy; to risk perceptions to the productive structure; to the state of its infrastructure; and the level of education and specialization of its workforce.
2. Private flows, including foreign direct investment (FDI), are pro-cyclical and can sometimes be highly volatile.
3. The behaviour of private capital flows reveals that its main motivation is the economic benefit, so investment may be insufficient in crucial areas to sustainable development.

We are aware that investment by the private sector often responds to the facilities and fiscal incentives offered, so that getting this investment also adds to risk reduction projects that promote secure future investments in the framework of sustainable development and will require creativity on the part of the government to identify what moves the capital and thus define the appropriate stimuli.

b. Participation of the private sector in the development of prevention and establishment of insurance against disasters

Disasters and DRR are a shared responsibility. The private sector has the opportunity to participate in DRR and ensure that the negative impact of disasters is minimized through the acquisition of instruments for risk transfer or disaster insurance or through mitigation schemes. Each of these prevention, mitigation or risk transfer schemes has identifiable benefits. In the first place, it would seem that the transfer of risks would be more effective economically in the short term, since it enables dealing with the effects caused by a disaster. In the long term, mitigation turns out more profitable economically as it allows optimal management of future disasters.

c. Role of the State and management of public policy incentives to the private sector through lowering of tax charges

Government’s provision of services to society (infrastructure, health, education) is funded by collection of taxes, seeking to ensure public revenue while inhibiting tax evasion by the private sector. With PPPs as an instrument for financing development and service supply, the reduction in tax charges becomes an attractive incentive for investment.

The Sendai Action Framework speaks of the few incentives that exist for private sector incorporation in DRR and, actually, there is little evidence that lowering tax charges would function as economic measure for prevention and DRR. There are few studies on the impact of investment and economic growth through tax incentives. However, it is believed that there is a compensation; by attracting more investment, a multiplier effect on employment and economic growth is expected.
d. Investment in high-risk, vulnerable areas

It is important to note that there are no risk-free areas. Any place in the territory of a country can be affected by a threat at some point of time. However, when speaking of high-risk areas, these usually refer to those that are most vulnerable to hydro-meteorological or geological phenomena. From the first group it is relatively easy to identify the areas that are most vulnerable to floods and drought while, from the second, current technology enables identification of those that are more likely to experience earthquakes, massive landslide processes and even those that may be affected by tsunamis.

A non-structural type of measure to prevent human settlements in these areas are urban development plans or programs, given that they register the permitted land uses based not only on its economic vocation, but also on the risks that these may materialize. When these plans exist and, above all, the local authorities are willing to enforce them, progress is made. However, the main problem is related to human settlements that are already in areas now identified as high-risk areas. In these cases, social pressure on local, sub-national and national governments usually focuses on receiving housing elsewhere. However, these solutions face both a restriction of budgetary resources for relocations and resistance to relocation by the communities.

From the governments’ point of view, investment should not be made in public services in those high-risk areas. On the part of the private sector, as the contracting of insurance for infrastructure and real estate is enforced, its investments are incentivized to focus on safer areas, since insurance company premiums should vary according to the risk they face. In this way, insurance costs become a good indicator of high, medium and low risk areas. It is fundamental to break the cycle of: investment in areas of high risk-phenomenon impact-reconstruction in the same area.

X ELEMENTS TO BE CONSIDERED IN THE CREATION OF A GUIDELINE TO ASSIST IN THE PROMOTION OF PARTNERSHIPS BETWEEN THE PUBLIC AND PRIVATE SECTORS FOR DISASTER RISK REDUCTION IN LATIN AMERICA AND THE CARIBBEAN

The incorporation of new actors to meet the needs of the population responds directly to the lack of government resources, sufficient resources to solve common problems. The establishment of a PPP will require the identification of common interests, prioritizing the needs of risk mitigation, and designing a scheme of this relationship, a sustainable relationship through the identification of needs, the setting of goals and assignment in task performance (Hamner et al, 2015).
### TABLE 1
Types and characteristics of participation by the private sector (CSR) in disaster reduction

<table>
<thead>
<tr>
<th>Participation</th>
<th>Examples</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philanthropic</td>
<td>Donations and grants, in cash or in kind (goods, services, facilities) to other organizations and groups working in disaster reduction, or directly to beneficiaries.</td>
<td>Altruistic Business controls the agenda: it decides what to do, whom to assist, and how to assist. May be formal, based on grant agreement or informal. Short-term projects, but may be long-term.</td>
</tr>
<tr>
<td>Contractual</td>
<td>Contracting other organizations or groups to carry out work for public benefit.</td>
<td>Business controls the agenda and manages the resources. Based on formal, legal contract for work. Typically short-term or one-off initiatives. Typically one-to-one relationships; other stakeholders not involved.</td>
</tr>
<tr>
<td>Collaborative</td>
<td>Working partnerships with other organizations and groups for public benefit.</td>
<td>Greater emphasis on dialogue, shared aims, mutual respect. More likely to involve a range of stakeholders. Ideas can originate from any of the stakeholders. Diversity of partnership arrangements can be formal and informal. All stakeholders should benefit from partnership (‘win-win’ scenario). Control of resources can give some partners greater control over the partnership. Better opportunities for longer-term interventions.</td>
</tr>
<tr>
<td>Adversarial</td>
<td>Business response to lobbying about human and environmental impact on business activities.</td>
<td>Responsive: agenda driven by other organizations and groups. Public relations more important than public benefits.</td>
</tr>
<tr>
<td>Unilateral</td>
<td>Enterprises undertake their own non-commercial actions independently of other actors.</td>
<td>More likely to be short-term, one-off initiatives driven by urgent need and compassion (e.g. emergency relief).</td>
</tr>
</tbody>
</table>

### a. Defining roles and responsibilities

The role and responsibilities of the actors in a public-private partnership can vary depending on the type of project. However, it is expected that the State is the one who plays the role of facilitator in the processes. The State assumes the responsibility of monitoring and controlling the project by defining the nature of the services, the quality standards and performance, and the mechanisms or corrective measures in case the private sector fails in its commitment. It is important to note that the State does not abandon its responsibility to ensure that public interests are protected. On the other hand, we have a much more committed private sector with the public, regardless of the participation model adopted in the PPP.

One of the fundamental aspects of a PPP is a clear understanding of the respective roles and responsibilities and of the expectations placed on each one of the actors involved.
The legal perspective of public-private relations

The success of a PPP is often linked to the clarity contemplated in the existing legal framework. While differences can be seen in the legal treatment that countries in the region grant to APPs, where a country does not have specific laws, PPPs take on a different legal form, finding their legal origin in the constitution, the legislation, in codes, in legal decisions and agreements and it does not necessarily mean that they are not carried out. Whatever the case may be, it is necessary that all aspects of this strategic partnership are clear to all involved: public contract or concession, assignments, biddings, restricted invitation or assignment, regulatory enforcement and compliance, obligations and penalties, authorizations, mechanisms of dialogue between levels of government and between sectors.

TABLE 2
Legislations on PPPs in Latin America

<table>
<thead>
<tr>
<th>Country</th>
<th>Legislation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>Regime for the Promotion of Private Participation in Infrastructure Development <a href="https://microjurisar.files.wordpress.com/2014/06/rc3a9gimen-para-la-promocic3b3n-de-la-participacic3b3n-privada-en-el-desarrollo-de-infraestructura.pdf">https://microjurisar.files.wordpress.com/2014/06/rc3a9gimen-para-la-promocic3b3n-de-la-participacic3b3n-privada-en-el-desarrollo-de-infraestructura.pdf</a></td>
</tr>
<tr>
<td>Colombia</td>
<td>Law 1508 of Public-Private Associations of Colombia <a href="http://wsp.presidencia.gov.co/Normativa/Leyes/Documents/Ley150810012012.pdf">http://wsp.presidencia.gov.co/Normativa/Leyes/Documents/Ley150810012012.pdf</a></td>
</tr>
<tr>
<td>Nicaragua</td>
<td>Law of Public-Private Associations</td>
</tr>
</tbody>
</table>
Disaster Risk Reduction in Latin America and the Caribbean: A guide for strengthening public-private partnerships

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<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Uruguay</td>
<td>Law nº 18.786 Public-Private participation contracts for the realization of infrastructure works and the provision of connected services <a href="https://legislativo.parlamento.gub.uy/temporales/leytemp7413248.htm">https://legislativo.parlamento.gub.uy/temporales/leytemp7413248.htm</a></td>
</tr>
<tr>
<td>Venezuela</td>
<td>Law of Concessions for Public Works and Public Service</td>
</tr>
</tbody>
</table>

Source: Taken from the World Bank.

According to the World Bank, in order to ensure optimum performance of a partnership, it is important to know certain characteristics of the existing legal framework before developing the PPPs, among them: aspects related to the limitations to free contract, dispute settlement systems, the administrative governmental dynamics for approval and adjudication of projects, health and safety laws, issues related to economic insolvency, transfer of risks through insurances, labour laws, use and rights of land and the social problems attached to them, environmental rights, purchasing systems, restrictions on private and foreign investment, mechanisms of accountability, taxation, mechanisms to respond to legal challenges against PPPs and the limitations in the Law on the scope of the project.

c. **Transversal issues in Public-Private relations**

Transversality is the way we see different aspects of reality, with a guideline that is a transversal issue and which by definition is important for development. Transversal issues are those aspects that connect and link, and are important for development. Many are the examples of transversal issues, but the most common are gender, environment, poverty and human rights. As a transversal issue, DRR is defined as a process of interdisciplinary approach and multi-sectoral and multi-level articulation that adds the skills, knowledge and resources of the actors in development planning. Through structural or non-structural measures, DRR and PPPs acquire a transversal character in order to find specific solutions to common problems under a scheme in which all interests are being attended with gains and expected benefits for all the actors involved.

- **From the financial perspective.** The PPPs benefit from additional resources from different sectors and actors, by mobilizing financial resources and donations. We are not talking about speculative or strictly financial investments but rather of financing options for the government which, by transferring to public-private collaborations the responsibility of managing productive, infrastructure or social projects, expecting the generation of more efficient and better designed projects. The PPPs enable us to access cheaper financing where we approach a private financing scheme for development. From the financial perspective, the PPPs complement the development efforts, achieving a greater impact in the reduction of poverty and structural causes of disasters.

- **From the perspective of critical infrastructure and basic services.** It allows the different actors involved to identify, evaluate and reduce risks, allocate resources and ensure the permanence of critical infrastructure and provision of basic services necessary for the functioning of our economies and governments. PPPs emphasize special benefits in terms of safety and resilience of critical infrastructure and essential services, especially in those
countries where the private sector appears as owner or administrator of critical infrastructure or as service providers. The private sector, through PPPs, contributes to the modernization of infrastructure and improvement in the provision of services.

- **From the housing perspective.** The PPPs are seen as an instrument for financing housing development programmes. Participation by the private sector in the housing sector offers governments the necessary finance to develop social housing, contributing also to an organized urban development and to building communities with better health services, access to education and work opportunities.

- **Transparency and accountability.** Speaking of PPPs, schemes of transparency and accountability, it is not enough that the public is aware of the government’s actions; for tranquility and harmony in the relationship of the sectors involved, it is essential that a system of transparency and accountability be established enabling each of them to know the actions taken, the investment amounts and the projected periods.

- Accountability, as the mechanism in which the citizen observes the public doing, is understood in two dimensions; the horizontal that refers to the mechanisms of internal control and the vertical that refers to the form in which civil servants respond to the citizens, the social being which refers to the mechanisms of pressure used by citizens and the transversal that refers to the citizenship of public institutions. Ensuring the transparency of information and the project implementation processes contributes to all the parties involved – directly or indirectly – to support the project.
XI CONCLUSIONS AND RECOMMENDATIONS

Public policies aimed at reducing disaster risk require resources, which are not always available or within reach of government institutions, making it necessary to seek the participation of the private sector, through the figure of a PPP between sectors, to solve the problems of lack of budget. By incorporating the private sector in actions for DRR, two important benefits are achieved: to begin, 1) that the government is free to allocate limited resources to other government tasks that require its attention and 2) that the private sector brings its own experts and technological resources required for the project (Jerrolleman and Kiefer, 2016).

TABLE 3
Level for the development of PPPs in Latin America and the Caribbean

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>LEVEL OF DEVELOPMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile, Peru, Mexico, Colombia.</td>
<td>Developed</td>
</tr>
<tr>
<td>Uruguay, Guatemala, Jamaica, El Salvador, Costa Rica, Honduras, Paraguay, Trinidad and Tobago, Panama.</td>
<td>Emerging</td>
</tr>
<tr>
<td>Dominican Republic, Ecuador, Nicaragua, Argentina, Venezuela.</td>
<td>Nascent</td>
</tr>
</tbody>
</table>

Source: Infrascope 2014.

According to the Infrascope Report 2014, the disposition for PPPs in the region has improved over recent years. However, no country in the region has achieved a level of maturity. Chile, Mexico and Columbia are at the top.

There are six categories evaluated according to qualitative and quantitative variables: Regulatory and legal framework, institutional framework, operational maturity, climate for investments, financial facilities and sub-national adjustment factor. From the evaluation, each country is assigned the level and facilities that countries have in order to attract private investment and for the development of PPPs. Four levels are assigned: nascent, emerging, developed and matured.

CHART 6
Hierarchy of objectives in Public-Private Partnerships

Source: Based on information from Akintoye, Beck and Hardcastle, 2003.
Without a doubt, experience in the implementation of PPPs offers direct benefits by adding and contributing to the achievement of national objectives linked to sustainable development and to the reduction of poverty while working on projects aimed at reducing disaster risk, as well as increasing capacities and resilience of communities. According to the World Bank, other PPP benefits comprise the incorporation of technology and innovation to improve the provision of public services, in the complementary effect of capacity limitations of the public sector and in the transfer of risk to the private sector during the project period—from its design and construction to its maintenance and during its operation.

**CHART 7**
**Contributions and benefits by sector**

<table>
<thead>
<tr>
<th>Public Sector</th>
<th>Private Sector</th>
<th>Civil Society</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contributions</strong>: Public Policy Objectives, Regulations, Human Resources, Financial Resources</td>
<td><strong>Contributions</strong>: Specific capacities, human resources, technology and innovation, inclusive businesses, financial resources</td>
<td><strong>Contributions</strong>: Knowledge and experience, social legitimacy, technical capacities in the management of development interventions</td>
</tr>
<tr>
<td><strong>Benefits</strong>: Increase in available and granted financing, legitimacy in its performance, increase in working capacities and techniques</td>
<td><strong>Benefits</strong>: Access to markets, social legitimacy, access to public administration, increased dialogue, better corporate image, sustainable value chains, regulations and insurance, sources of public financing, enhancement of client base</td>
<td><strong>Benefits</strong>: Diversify financial sources, broaden areas of incidence, increase the impact of strategies</td>
</tr>
</tbody>
</table>

*Source: CIDEAL and Social Promotor Mexico, 2013.*

There are successful experiences from the involvement of the private sector in actions aimed at promoting disaster risk reduction and showing us very different opportunities for the development of PPPs in the region:
Case 1. The Insurance Development Forum (2016). The announcement of the initiation of the Partnership between the United Nations, the World Bank and the insurance industry in the figure of the Insurance Development (IDF) announced, in early October, the launching and promotion of an insurance-based risk management strategy to ensure economic recovery and strengthen resilience to climate events and natural disasters in vulnerable regions on the planet. The Forum, with growing natural disaster losses, acknowledges the essentiality of governments incorporating risk management fundamentals into their planning, budgeting and governing processes so that their communities and citizens can be better protected.


Case 2. Experiences in Central America and the Caribbean (2008). *Initiative Project Impact.* Under the auspices of the United States Government, the initiative presented the objective of involving the private sector in mitigation projects in five countries: Honduras, Nicaragua, El Salvador, Haiti and the Dominican Republic. It was a tripartite effort involving the public sector, civil society organizations and representatives from the private sector. Some aspects that contributed to the success of this initiative comprise recognizing communities exposed to different disaster scenarios, backgrounds in disaster impact, committed and involved local leadership, committed civil society organizations and participation by well-established enterprises.


Case 3. Mexico (2016). Acknowledging that Civil Protection is a shared responsibility, on 23 August, the Government of the Republic of Mexico signed the “Collaboration Agreement with Civil Society and the Private Sector”. This seeks to strengthen the institutional performance framework in order to encourage the participation and collaboration of social organizations in the tasks of prevention and response to natural phenomena that affect infrastructure, communications and transportation. The signing of this agreement will also seek to support the population in risk areas, generate coordination mechanisms for prevention, rehabilitation and reconstruction of infrastructure, establish a training program in these areas, develop, update and implement protocols for emergency or disaster situations.

Source: [https://www.gob.mx/sct/prensa/proteccion-civil-responsabilidad-compartida-entre-el-gobierno-de-la-republica-la-sociedad-y-el-sector-privado-osorio-chong-59458](https://www.gob.mx/sct/prensa/proteccion-civil-responsabilidad-compartida-entre-el-gobierno-de-la-republica-la-sociedad-y-el-sector-privado-osorio-chong-59458)
In the international level, best practices are identified by private sector participation in DRR (Izumi and Shaw, 2015):

a. Efforts for the construction of economic resilience at a national level.

b. Partnerships for community resilience improvement.

c. Contribution to risk reduction through rebuilding – rebuild better.

d. Efforts to strengthen resilience in companies.

e. Efforts to strengthen resilience in infrastructure.

f. Pre-Disaster partnerships through financing of insurance.

While a PPP for disaster risk reduction that promotes development is not necessarily of interest to the private sector, it is because there are no obvious gains beyond preventing future losses (Abou-Bakr, 2013). We will recall that the interest of the private sector revolves around the economic gains, while the interest of the public sector seeks general welfare. Beyond fiscal benefit, promoting development of PPPs in the region reflects a vocation for DRR, sustainable development and better living conditions for all, it is necessary to generate interest to ensure that this is possible.

In spite of the advantages that the PPPs are believed to have on development, many are of the opinion that these have difficulties in providing more than a small portion of the world investment in infrastructure and that public financing continues to be the absolutely predominant world model (Hall, 2014). However, despite this pessimistic view of the PPPs, success of these partnerships can be achieved as long as there is full understanding of the capacities that the public and private sectors contribute to this issue.

As a result, the first success factor of a PPP is that everyone, public and private sector (company and society), acknowledge that success as a country in the face of risk scenarios, is based on cooperation. The second is the identification and acknowledgement of areas of responsibility. Here it is important that attributions and authority are always kept in the hands of those legally and legitimately responsible. A PPP should never incorporate transfer of public servants authority to representatives of private companies as the link that allows accountability to authorities would be lost. The third is the realistic and adequate analysis in the legal framework of each country, of what the private sector can contribute to DRR matters. While contributions from the private sector are very important, PPPs should not be converted into a transfer of responsibilities of the State. The fourth success factor is commitment. As it is internalized on the part of all the actors that DRR is
not the responsibility of just one sector, it will be easier for the parties to honour their commitments.

The fact is that the development of PPPs has advantages and disadvantages. In the first place, it enables us to distribute all types of costs (financial, human resources, knowledge) among a number of actors; knowledge and experience are obtained from individuals and organizations that are outside the bureaucratic scope and therefore benefit from the latest improvements of processes and products; exchanges of experiences on better practices are generated and lessons learnt that can be internalized in the other sectors and this legitimizes the actions of government and of the private sector in the community. On the other hand, a PPP creates confusion about the scope of responsibility of each sector which hinders achievement of objectives and of public policy as a whole, the search of disproportioned benefits for those economic units that decide to integrate into PPP scheme, possible non-compliance of contributions or commitments by any of the parties that, in time of crisis, can increase human or material losses during an emergency or disaster.

How to promote PPPs and generate interest in projects for DRR? If the interest is to work in establishing or strengthening PPPs for development, we must, we deserve to be more creative and go beyond fiscal incentives offered by the government. We should find that point where interests are converged among sectors. We should stimulate interest and promote the transfer of our fiscal commitments to specific and concrete projects for risk prevention and reduction. The private sector does not seek to evade its fiscal responsibility; it seeks clarity on the destination of its taxes. One option, a fiscal attraction, is the creation of funds for disaster risk reduction. This is a fiscal incentive that allows individuals, persons and entities, to make contributions to an investment project for DRR, thereby reducing the amount of their tax payment. It is not a new idea; there are projects in other sectors and we can use and learn from their experience.
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