

The Role of the Business Sector in Disaster Preparedness and Response

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The Formation of the corporate network for disaster response-a private sector initiative in the Philippines.

The July 16, 1990 Magnitude 7.2 Luzon earthquake was a catalyst for the deeper involvement of the private-business sector in disaster management. There were 1,666 deaths, about 1,000 persons were reported missing and over 3,000 were injured. Most casualties occurred in Baguio City and surroundings. The rainy season, which began soon after the tremor, produced new casualties, some as the result of reactivation of earthquake induced slides. Nearly 100,000 houses were damaged, 40% of them were completely destroyed. All these happened in a wide area including Baguio, the coastal area south of San Fernando in La Union, along the Lingayen Gulf and in the area between Dagupan and Tarlac where intense liquefaction occurred. Seven bridges collapsed, eight others were seriously damaged and about 20 were affected by various types of lesser damage. The road network of Central Luzon and the Baguio region was significantly damaged.

Business sector role in 1990 Luzon Earthquake.

The business sector mobilized relief and rehabilitation resources. The resources mobilized went beyond cash, medicine, blankets and old clothes. Corporate aircraft as well as ten-wheelers and communication facilities were deployed free of charge. Search and rescue groups from among the mining companies were pressed into service. Teams of psychiatrist-trained groups were organized to handle psychosocial needs. In the succeeding months, after an assessment of the economic and infrastructural damages, the private sector again dug into its collective pocket to fund rehabilitation activities, including resettlement projects and programs to rehabilitate livelihood, schools and other community lifelines.

Two months after the earthquake, the Philippine Business for Social Progress (PBSP), a leading social development NGO whose members are philanthropic corporations, organized a meeting of

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several companies who had responded to review the lessons from the earthquake which include:

- the value of an effective relief delivery system
- the proper role of the media
- the importance of timeliness and appropriateness of response

These learnings laid the foundation for the creation of the Corporate Network for Disaster Response (CNDR). CNDR is today a formal voluntary alliance of private corporations, business associations and corporate foundations operating in the Philippines. Since its creation, the business sector's involvement in mobilization of relief and response resources has been institutionalized. Disaster response is now regarded as an extension of its corporate philanthropy. CNDR is a regular member of the Technical Working Group and Relief and Rehabilitation Committee of the National Disaster Coordinating Council of the Philippines (or NDCC).

As a matter of fact, NDCC has suggested the following roles for CNDR:

- Provision of telecommunications equipment during disasters.
- Utilization of aircraft for emergency response and rapid damage assessment.
- Provision of warning advisories, billboards and other signboards in pre-identified hazardous areas.
- Designation of fund raising and donation centers in banks, and shopping malls.
- Extension of rehabilitation efforts to include income generating projects and

household livelihood programs.

- Production and dissemination of advocacy messages on emergency preparedness and public safety.

Industry and business sector at risk

Munich Reinsurance reports that the cost of disasters have increased by fourteen (14) times between the 1950's and the 1990's. Record damage of US\$190 billion worldwide was recorded in 1995, the year of the Kobe earthquake. This was equivalent to 0.7% of global gross domestic product (GDP)!

Prior to 1987, there was only one occasion when insured losses from a natural disaster exceeded \$ 1 billion; since then there have been 18 more occasions (as of 2001), of which 16 have occurred since 1990. Since 1994, global losses from natural disasters either approach, or more recently exceed the annual amount of overseas assistance for economic and social development programmes.

Individual countries are now regularly assessing their losses from disasters. The Subcommittee of Natural Disaster Reduction in the United States of America estimates that for each of the three years from 1995 to 1997, natural hazards cost the country at least \$50 billion a year, or the equivalent of about a billion dollars every week. The floods suffered by China in 1991, 1994-95, and 1998 caused losses ranging from \$20 billion to \$35 billion, and the Chinese National Academy of Sciences estimates that annual losses from natural disasters during the period from 1989 to 1996 have been the equivalent of from 3 to 6 per cent of the Chinese Gross Domestic Product, with an average of 3.9 per cent for the period.

Losses associated with the earthquake that destroyed parts of Kobe in 1995 exceeded \$120 billion . In Honduras, Hurricane Mitch (1998) set back the country's development 20 years. Estimates of losses associated with the Izmit earthquake near Istanbul, Turkey in 1999 was equivalent to 9 percent of their annual GDP. When figures of this magnitude are considered in relation to national economies, or the potential exposure of markets to such losses, the reality of potential risks begins to attract the attention of business decision-makers.

Current perspective: what humanitarian assistance means

Currently, humanitarian assistance largely means the mobilization of relief goods and assistance in rehabilitation. This is where the business sector has been active, that is, in the mobilization of response and rehabilitation resources to help affected communities to cope and recover from the effects of disasters. It is based on the belief that economic development will not be as stable or as robust if equity issues are not addressed. It is in the corporations' self interest that the economy is strong. And the economy is strong if income distribution issues are addressed especially after a disaster in which the poor are the most affected.

According to the Citizens Disaster Response Center, 96,978,387 Filipinos were affected by disasters during the years 1991 to 2001. Note that this number is larger than the total population of the country, indicating that many have been victimized more than once. Most likely, the multiple victimization occurs at the lowest income level.

CNDR and its partner networks were able to mobilize ₱ 95.6 million worth of relief goods in those eleven years, which were distributed to 1.2 million families. The three years when the donations were highest were in 1991 and 1992 as a result of the Mt. Pinatubo eruption and the subsequent lahar flooding of Pampanga and Tarlac, and in 1999 after the 1998 El Niño episode which created drought conditions in Mindanao.

In light of the tremendous resources expended to "cure," it must be asked whether the bottom line would have been better had equivalent resources been committed to reduce the risks of these disasters. As the general public is constantly exposed to media's coverage of large earthquakes

around the world, there is a growing realization of the public value of reducing these risks. For example, following the Turkish earthquake, the excitement of dramatic rescue shifted to more political inquiries about sub-standard buildings.

Shift in perspective: humanitarian assistance should mean risk management

From the figures cited earlier, there is abundant evidence that disasters impact not only lives and health, but increasingly the local and international economy on which businesses and the community depend. Following the news about the Taiwan earthquake in September 1999, multinational business interests focused their attention on the possible interruption to the production schedules of the Taiwanese computer chip manufacturers. The effect of the delayed delivery of chips created ripples at the New York Stock Exchange as high tech stocks dropped in value. With increasing interdependence in a global economy, the potential loss from a natural calamity and the greater difficulty in making urgent repairs, has attracted more attention to disaster mitigation.

Initiatives must shift in order to prevent natural hazards from becoming social and economic disasters. This view would require a much greater involvement of people more immediately at risk to hazards, and their engagement in new forms of partnership motivated by perceived self-interest. Societies are changing from a culture of fatalism to a culture of participation. Governments will then have to shift from a reactive response to preventive and mitigative responses to disaster.

It is acknowledged that the humanitarian community has performed a remarkable job in responding to disasters. But the most important task in the medium and long term is to strengthen and broaden programmes that reduce the number and cost of disasters. Prevention is not only more humane than cure; it is also more cost effective. So this message should sit well with the business sector.

Emerging perspectives: what the corporate network for disaster response learned

The Corporate Network for Disaster Response believes that the business sector should assume a risk management posture as an extension of their business strategy, which also include corporate social responsibility. CNDR has thus been involved in roles which are considered pioneering in this part of the world. These are:

1. Testing New Approaches: The Bayanihan Program of Prevention, Mitigation, Preparedness (PMP)

The business sector constantly seeks opportunities for innovation. The four year Bayanihan Program implemented by CNDR with support from USAID is a successful prototype on prevention-mitigation and preparedness where various sectors (government, NGOs, business sector, the academe and local communities) are involved. It was implemented in the provinces of Negros Occidental, Pampanga, Davao del Norte and Compostela Valley. One of its project sites Guagua, Pampanga was awarded the prestigious "Galing Pook" Award for excellence in disaster management. It demonstrated the benefits of prevention-mitigation and preparedness by showing how under the PMP program, the municipality saved 9.5 billion Pesos in potential damage. The evidence of the success is so clear especially when contrasted with the outcome in the adjoining municipality of Bacolor where damage was nearly 100%.

Earlier this year, CNDR concerned itself with the ability of Metropolitan Manila's hospitals to cope with mass casualty events. This time we decided to focus on the more complex, human-induced disasters like radiological, biological and chemical events. These would require special handling by our hospitals, half of which are owned and operated by the private sector.

By coincidence, as we were undertaking the planning, these events became all too real. Within a few weeks span, there was a reported theft of some active radiological material, the SARS pandemic broke out, and a chemical plant located in a dense urban neighborhood in Metro Manila had an explosion which resulted in a number of casualties.

2. Stakeholders Networking and Advocacy

As an extension of its corporate practices, the business sector is adept at networking, alliance building, lobbying and advocacy. In the Philippines, CNDR has established partnership with non-government organizations, local government units, the leagues of local governments (municipalities, cities, and provinces) and the National Disaster Coordinating Council. One important role that the private sector performs is advocating improvements on disaster management policies and actions. Happily, the receptiveness of policy makers to proposed reforms, has been gratifying.

3. Public Education: Support to Hazard Awareness

The Corporate Network For Disaster Response also performs a public education role through the media, some of whom are also members of CNDR. It had worked with the Philippine Institute of Volcanology and Seismology (PHIVOLCS), PAGASA and the National Disaster Coordinating Council in several public awareness programs such as the Science and Technology Caravan and various seminars on earthquake preparedness.

4. Building Disaster Resistant Communities

Encouraged by the success of the Bayanihan PMP, CNDR would like to be engaged in new programs to build disaster resistant communities. CNDR and its partner NGOs and local government units have agreed to continue working at the village level. This time the focus would be reducing vulnerability of livelihood on which the community depends. The business sector will provide the technical advisory role on livelihood risk management. It is envisioned that approaches would be tested and documented and when successful, the experiences could be replicated.

Conclusion: risk management makes \$ and sense

The uncertainty of predicting the occurrence of large earthquakes should not be taken as an excuse for inaction. The growing involvement of the business sector in disaster response is a measure of the broadening areas of pursuit of corporate social responsibility. As we have attempted to prove, to any effective business leader, risk management makes \$ and sense.