

Workshop: The Role of the Private Sector in Reducing Risk and Preventing Disasters

REPORT

Beirut: October 21, 2011

Introduction

On October 21, 2011, the Disaster Risk Reduction Unit at the Prime Minister's Office and the UN held a one-day workshop on the role of the private sector in disaster risk reduction (DRR) and prevention. **33 stakeholders and representatives** from private enterprises, insurance companies, international organizations, NGOs and the public sector participated in the workshop, which was facilitated by the United Nations International Strategy for Disaster Reduction (UNISDR), Regional Office for the Arab States. The workshop was under the patronage of the Prime Minister who was represented by a Minister of State. The Special Representative of the Secretary General for DRR, Margareta Wahlstrom, and the Resident Coordinator of the UN both participated in the workshop. Mr. Philip Verges, founder of the Small Equity Initiative and member of the Private Sector Advisory Group (PSAG) of the UNISDR has presented his experience in engaging the private sector in DRR efforts and engaged the participants in a dialogue on the role of the private sector in DRR.

Globally, social and economic losses stemming from natural disasters are on the rise. The accumulation of risks outreaches the GDP of any country in the world, the consequence being that disasters are constantly undermining efforts of development. And while the public sector holds the key for preventing and mitigating the consequences of disasters, it requires the **collaboration of both, public and private actors**, to design and implement effective strategies on disaster risk reduction. The **private sector is strategically placed to address the challenges** stemming from natural risks as it has the know-how, organization, resources and capacity to contribute to risk management, mitigation, and disaster prevention. Additionally, growing demands for risk mitigation strategies create **new business opportunities** for various branches of the private sector. In view of this, the UNISDR has recently created a **Disaster Risk Reduction Private Sector Partnership (DRR-PSP)** to mobilize resources and coordinate joint action.

Against this background, the one-day workshop in Beirut was dedicated to **bringing together** members of key syndicates and associations as well as representatives from the public sector and relevant organizations to discuss prospects and potentials of private sector involvement in DRR in Lebanon.

Specifically, the workshop aimed at:

- **Developing a shared understanding** of concept, approach, and methods of disaster risk management and risk reduction
- Exploring, promoting and developing possibilities of **public-private-partnership** in disaster risk reduction
- **Learning from best-practices** in private sector engagement in DRR

- Exploring the **role of the private sector in advancing DRR** within various economic branches in Lebanon
- Exploring **steps forward**

The role of the private sector in DRR: key findings of the workshop

a) Economic impacts of disaster risks: overall perspective and country-specific challenges

The workshop established that:

1. **Disasters** occur when several factors convene: Natural hazards hit an area, where social, economic, geographic, physical, or environmental factors contribute to an increased **vulnerability** of the habitat. Better preparedness of a community and prevention measures **mitigate these risks** and lead to higher **resilience** of people and property.
2. **Urban spaces** are particularly vulnerable and face a higher risk as the density of population, infrastructure and construction add to the severity of disasters.
3. Globally, disasters have a devastating impact and create tremendous **human and economic losses**. 3.3 Million people have died from natural disasters since 1970 and the 10-year average of economic losses since 2000 totaled USD 110 billion worldwide. In Lebanon, economic losses stemming from disasters **exceed USD 5 Million per annum**. The economic fallout is further aggravated as the **ratio between insured and uninsured costs** in Lebanon is about 1:10.
4. Natural disasters pose a severe **business risk** on several levels: disasters may **interrupt supply chains** due to infrastructure destruction; they may bring to naught existent **marketplaces**, e.g. by affecting distributors, costumers, consumers and credit institutes. Moreover, disasters may have a **negative influence** on basic security, foreign investment attraction, and the overall stability of the country.
5. The workshop participants discussed that in Lebanon, certain **country-specific challenges** add to the vulnerability of the country's economy to natural disasters. These include:
 - The **dense population of urban spaces** and the **lack of standards regarding construction work** make these environments particularly vulnerable. This applies foremost to the nation's capital **Beirut**.
 - The **lack of a national plan** and a comprehensive **legal framework** for DRR impedes systematic coordination and collaboration of public and private sectors. The **frequent change of the country's government and relevant ministries** was identified to further contribute to the problem as it continuously undermines efforts to establish a long-term and sustainable national framework for action.

- **Lack of awareness** and the widely spread **misconception of disasters** as presenting no imminent danger lead to a **limited action** on the part of policymakers and **the lack of engagement with issues of disaster prevention**, including **property insurance** on part of the private sector.
- While Lebanon has achieved several improvements in the assessment of risks and the development of response plans in the course of the past years, the country still stays behind in relevant pro-active and preventive measures. There **has as yet not been a clear shift of focus from reaction to preparedness and prevention**. This is true for all: public and private sectors, as well as the general public in its function as consumers, landowners, workforce etc.
- Many branches of the private sector **lack clear programs, plans and procedures** for preventing and reacting to disasters. For example, no efficient health, safety and environment (HSE) or chemical, biological, radiological and nuclear (CBRN) plans are established so that, even in the event of locally confined hazards like fires or explosions, a large number of people is potentially at risk.

b) Imperatives and opportunities of private sector engagement in DRR

The workshop concluded that:

1. Private sector enterprises such as private schools, hospitals, banks or the oil- and gas industry have a substantive **imperative** to engage in DRR as in the event of a disaster, they face exceedingly **high numbers of human losses due to high building occupation**, they run the risk of **business disruption, loss of reputation** or might be **confronted with lawsuits**.
2. On the other hand, private sector businesses might benefit from their **engagement with DRR** as it **reduces losses** and ameliorates **business and income continuity** in the event of natural hazards and it contributes to the strengthening of **customer loyalty and business reputation**.
3. **Public private partnership (PPP)** refers to a public service which is funded or operated through a partnership between the public sector and private sector enterprises. The following areas were outlined as holding a particular potential for such partnerships with regards to DRR: engineering, planning, risk assessment and monitoring, construction, utilities distribution, communications, transportation, emergency and hospital services. The **private sector may benefit** from participating in the funding of such projects as they help to **protect emerging markets** and may open up private **investment opportunities**.
4. In Lebanon, **small and medium enterprises** are strategically placed to engage in DRR and PPP as they are most familiar with the local socio-ecological context, can assure local ownership, provide cost efficient infrastructure and can trigger local economic benefit.

c) Suggestions for future action

The workshop produced several recommendations for future action in DRR with regards to the private sector:

1. Disaster risk reduction measures must be framed as a **long-term endeavor** so as to assure that the **plans are comprehensive** and the assigned **budget is realistic**. Organizing disaster risk strategies as a long-term projects helps to **cut the necessary spending and budget needs** as, for instance, disaster adaption measures on public and private buildings can be integrated into regular building retrofitting processes and can be adjusted in accordance with the general life-cycle of the property, etc.
2. It was proposed that a **certification system** (e.g. similar to an ISO certification in risk reduction and/or management) may be developed in order to increase incentives for businesses to engage in disaster risk reduction measures and ensure the involvement of the micro level.
3. It was added for consideration, that a more collaborative and comprehensive **partnership between private and public sectors** in Lebanon must be established and possibly nurtured through the engagement of the Prime Minister's office and the established DRM unit.
4. In order to improve local risk reduction capacities and **learn from best practices, international cooperation** with UNISDR, private enterprises (e.g. from the insurance sector) or national governments (e.g. Turkey) must be promoted.
5. As in Lebanon many of the local infrastructures, like schools and hospitals, are run by private enterprises, the private sector **should make use of its influence** in order to **start a dialogue and push the public sector** to undertake more efficient disaster risk reduction efforts. The private sector may also **influence behavioral change and establish a culture of resilience** with regards to its customers and clients.
6. It was pointed out that principles and **standards of disaster risk reduction** should be established and **integrated in construction standards of buildings**. In order to ensure compliance, these standards shall rest on the **agreement of various stakeholders** such as the government, insurance companies, banks, and professional associations and shall be backed by relevant **government policies**.
7. Additionally, it was recommended, that private sector spending on DRR and the integration of DRR standards in private businesses should be reflected in **lower insurance premiums and tax reduction**.
8. **Insurance of properties should be made compulsory** for every enterprise in order to **lower the premiums for everyone**, increase incentives for insurance and, by means of this, **improve the ratio of insured/uninsured costs** in the event of disaster. It was further emphasized that a convention of **shared responsibilities between the government and the insurance companies** was necessary in order to cap the latter's coverage at a certain amount and ensure reasonable insurance premiums for businesses and private citizen.

Appendix 1: Workshop Agenda

Friday 21 October	
9:00	Registration
9:30	Workshop Opening : <ul style="list-style-type: none"> - Robert Watkin's Speech, UN Resident Coordinator - Mrs. Margareta Wahlström's Speech, SRSG for DRR - H.E. Marwan Kheireddine's Speech, On Behalf of the Prime Minister
10:15	Coffee Break
10:30	Introduction and Workshop Objectives – UNISDR, Mrs. Luna Abu Sweireh
10:45	What is Disaster Risk Reduction – UNISDR, Mrs. Luna Abu Sweireh
11:30	Lebanese Disaster Risk Profile – Dr. Fadi Hamdan
12:15	Importance of the Private Sector's Role in DRR – Mr. Philippe Verges
13:15	Future Plans, Public-Private Partnerships in Lebanon to reduce Risk, Vulnerabilities and Disaster Losses
14:00	Lunch Break

Appendix 2: List of Participants

Name	Title	Organization
Maroun Chammas	President	APIC
Jad Assili	APIC	APIC
Assaad Mirza	President	Association of Insurance Companies in Lebanon
Iyad Sfeir	Project Manager	Audi Bank sal
Andraos Bacha	Advisor	CCIAS
Edmond Jreissati	President	Chamber of Commerce Zahle
P. Michel Eliane	General Director	CHUNDS
Toufic Dabboussi	Chairman	Dabboussi Group
Tony Menhem		Engineer's Syndicate Tripoli
Nabil Maalouf	Managing Director	EuroRSCG Beirut
Nacib Hoteit	Government Commisioner	IDAL
Nassif Karam	Chairman	Karam Group
Sharbel Salameh		La Phenicienne Insurnace
Elie Abdel Sater		La Phenicienne Insurnace
Gaby Reaidy	General - HEAD of CBRN	Lebanese Army Forces
Lena Dargham	Acting Director General	LIBNOR
Karina Al Nakkash	Supervisor for Youth Department	Makkassed Association
Nabil Baydoun		Makkassed Association
Michele Garzouzi	Sales/Green	Medco SAL
Roula Gharios Zahar	Deputy General Director	Mount Lebanon Hospital
Ali Saad	Coordinator	Red Cross
Rita Delage	DRR Focal Point	SDC

Philip Verges	Founder	Small Equity
Richard Azouri	Director	Solidere
Jean Claude Khoury	Marketing Director	TOTAL
Ali Kalakesh		Tripoli Port
Celine Moyroud	UNDP	UNDP
Mirna Sabbagh	UNDP	UNDP
Nathalie Zaarour	UNDP	UNDP
Dania Nakad	General Manager	Wardieh Holdings Inc
Farouk Rizk	Al Mabarrat	