CONCEPT NOTE
Private Sector Workshop for Disaster Risk Reduction equals Resilient Investment
Mumbai, India | 27 February2014

1. Background

Asia accounts for half of the world's estimated economic cost of disasters over the past 20 years.[1] Most of India is a highly disaster prone region with natural disasters ranging from floods, droughts, cyclones, earthquakes, landslides avalanches to forest fires. Few home truths: A large share of these financial losses found their ways in private company's balance sheets operating in the region. Of the total of economic disaster losses, less than 5% is insured.[2] These basic figures sketch the foundation of a challenging business environment. At the same time, it holds a huge potential for growth.

With the expectation that the economies in countries such as India will continue to grow, the following questions are crucial for sustainability in a disaster prone environment. How do businesses reduce their disaster risk and build resilient business structures? And, how can businesses optimize incentives for resilient investment?

Currently, the main incentive for companies to reduce their risks and improve business resilience lies in business continuity: mitigation of reputational damage and loss of brand penetration. Through risk transfer, insurance can facilitate effective response when a disaster has an impact on companies. The most resilient and agile companies will gain in market share while competitors are out of business.

However, research shows that even businesses with matured disaster risk management strategies are often reactive rather than proactive.[3] The incentives mentioned above have a post-disaster benefit. In times of stability, resilient investment does not directly pay off - especially when it comes to high-impact, low-probability events. And, companies which have a pro-active approach towards disaster risk management in order to deliver on their corporate responsibility of protecting assets, operations and employees do often not receive adequate recognition for their efforts.

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1 http://www.adb.org/documents/special-evaluation-study-adbs-response-natural-disasters-and-disaster-risks

2 http://www.adb.org/news/risk-financing-key-building-resilience-against-disasters-study

3 UNISDR Global Assessment Report (GAR) on Disaster Risk Reduction 2013: http://www.preventionweb.net/english/hyogo/gar/2013/en/home/index.html

Hence, there is a need to identify and develop incentives that have an immediate benefit to directly stimulate resilient investment. When the resilience of business operations and their infrastructures would be measured and made tangible, companies can communicate their success through sustainability reporting and market their maturity of resilience to increase shareholder confidence. Resilience metrics can inform negotiations around risk sensitive insurance pricing and provide evidence for a business as a safe investment, stable and sustainable partner, client and supplier.

2. Objective and expected outcomes

Increase private sector resilience by creating awareness, optimizing and developing incentives for risk informed business practices and resilient investments.

1. Advocacy and Awareness about existing Disaster Risk Reduction strategy at UNISDR and National Level.
2. Raising Partnerships with a focus on the engaging private sector partners with the government
3. Including Disaster Risk in current Risk Management practices.
    - Pro-active Business Continuity Planning: taking natural disaster risk into account;
4. The potential of sustainability reporting: Communicating your success.
    - Increased understanding of the benefits of better sustainability reporting on risk management and business continuity planning;
    - Practical information of how to include risk management, corporate risk and resilience can be incorporated in sustainability reporting;