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Private sector and disaster risk reduction: The Cases of Bogota, Miami, Kingston, San Jose, Santiago, and Vancouver

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ABSTRACT

A study on the private sector and disaster risk reduction (DRR) was conducted in six cities of the Americas: Bogotá (Colombia), Miami, Florida (United States), San José (Costa Rica), Santiago (Chile), Kingston (Jamaica), and Vancouver (Canada). The study was led by FIU and supported by USAID/OFDA and the UNISDR, with collaboration from researchers of INCAE Business School (Costa Rica), the University of Chile, Ohio University, and York University (Canada). Based on responses to nearly 1200 surveys, the key findings indicated that (1) 56% of respondents do not have a business continuity plan (BCP) in place; (2) 36.5% of businesses considered a BCP desirable, but stated that other priorities take precedence; (3) the lack of protection in the private sector is caused by not only financial constraints, but also the still not well-understood problems of avoidance, the competing priorities excuse, narrow decision making, and concerns about accountability; (4) small businesses show the least progress in establishing BCPs (14%) compared to larger businesses (44.9%); (5) there are insufficient incentives for DRR strategies to have practical impacts on business vulnerabilities and lack of resilience; (6) the implementation of regulations and enforcement mechanisms are weak to non-existent; and (7) little progress has been made in social responsibility and a sustained commitment to reducing the vulnerabilities of populations at risk. The current study offers recommendations to deepen the analysis, better understand the factors that intervene in the observed "risk indifference," and identify possible interventions in order to move away from the status quo.

1. Introduction

Risk management has traditionally been understood by many as solely the responsibility of the government, a perception that is changing only gradually. Without undervaluing the central and non-delegable responsibility that governments have, we must begin to recognize the critical co-responsibilities of the private sector, civil society, and individuals who make up society to address risks. As conservative and defensive approaches to business development and economic growth become more common while opportunities for territorial and sectorial market expansion dwindle, a hallmark of sustainable investment and competitive business in the future might well include disaster risk reduction.

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1.1. Understanding disaster risk management

The way disaster risk has been approached by practitioners and academics has significantly evolved over the past half century. Cuny [1] described a pendulum-like movement, from an emphasis on preparedness in the 1950s to prevention in the 1960s and mitigation in the 1970s. In the mid-1990s, he perceived the pendulum to move back to preparedness. The approach promoted in the early 1990s focused on disaster management as a cycle based on actions before, during, and after disasters strike. In the first decade of the 21st century, the attention shifted again, this time toward risk management instead of disaster management. A decade later, Lavell [2] identified two components of this newly emergent disaster risk management: (1) corrective risk management, considered a conservative method, oriented to controlling or correcting existing risk, particularly through an emphasis on the built environment and (2) prospective risk management, focused on avoiding future risk or controlling acceptable risk and its impact on future investments, highlighting future development processes and adequate planning as the main instruments for dealing with the causes of risk. In more recent literature [3], a third component was added—namely, reactive risk management, which includes preparedness, response, and recovery actions that characterize "disaster and emergency management." A comprehensive approach includes all three components.

1.2. Private sector role in development

According to Johnson (2005), the private sector is "the part of an economy in which goods and services are produced and distributed by individuals and organizations that are not part of the government or state bureaucracy."[1] In this paper, we refer to the private sector as the for-profit sector, distinguishing between it and non-profit organizations, which we consider as the voluntary sector within our study. According to the World Bank,[2]

> We live in "a world out of balance" where one billion of the earth's six billion people own 80% of global GDP, more than a billion struggle to survive on less than a dollar a day and another three billion live on less than two dollars per day. By 2050 there will be 9 billion people living in this planet; 8 billion of these residing in the developing world with access to only 40% of global GDP.[3]

The combined sales of the top 200 corporations are 18 times the size of the combined income of 24% of the total world population—namely, those living in "severe" poverty. Many developing countries currently receive much more private sector foreign investment than they do foreign aid. This represents a challenge and an opportunity for the developing world.[4] As the world, society, and business change rapidly and with great intensity, certain consequences are to be expected, particularly new risks and responsibilities.[5]

In this scenario, the IADB analyzed the role of the private sector in the Latin American and Caribbean region,[6] concluding that the private sector provides essential support for achieving the goal of sustained economic growth and poverty reduction in the region. According to the IADB, "90 percent of all economic activity is created by the private sector in the region, as are nine out of every 10 jobs… [The private sector is] an essential ally for providing basic services such as infrastructures, as well as investment and innovation."[7] However, the road ahead is not easy. Companies must face a number of challenges associated with regulatory frameworks, existing financial mechanisms, and special incentives to promote greater investment in these fields, thereby facilitating the continued creation of wealth and employment and, ultimately, sustainable economic growth.

1.3. Private sector role in disaster risk reduction

The relationship between private investments and disaster risks has two sides. Private investments can (1) be affected by disasters and (2) generate or increase disaster risks. For private investments affected by disasters, two types of damage can be identified: direct damage, with impacts on industrial facilities and services, infrastructure, equipment, farming areas, loss of stocks of raw materials and finished products, and indirect losses, which may cause access problems, disruption of supply chains, labor, and energy supplies, changes in markets due to shifting priorities, and loss of purchasing capacity.

Meanwhile, private investments may contribute to or create risks in two different ways: directly, through actions such as the construction of unsafe facilities and/or in areas at risk; degradation and environmental pollution; and production, use, storage and distribution of hazardous materials; and indirectly, where there is increased exposure to risks in their own production processes and supply chain and distribution, as well as in the generation of productive activities that result in relocation of workers to risk-prone areas.

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