International Strategy for **Disaster Reduction**

Statement of Commitment by the Private Sector for Disaster Prevention, Resilience and Risk Reduction

Preamble

Major disasters triggered by natural hazards impact the lives and livelihoods of millions of people around the world, both in developed and developing countries. While the devastating earthquake in Haiti and floods in Pakistan in 2010 highlighted the vulnerability of poverty stricken nations to natural hazards, the 2011 floods in Australia, earthquake in New Zealand, and earthquake and tsunami in Japan showed wealthy nations are not immune to disaster risks.

Across the globe the economic and insured losses from these events are rapidly rising in line with the frequency and severity of major natural catastrophes. This is due in part to a combination of rapid simultaneous global economic and population growth. According to the World Economic Forum, between 1950 and 2010, world population grew from 2.5 to 6.9 billion, with much of that growth occurring in areas more prone to the impact of natural disasters, such as coastal areas and riverbanks. Existing limitations in public and private sector disaster risk prevention management and planning, globalisation, and a growing concentration of assets and people in urban centres and high exposure areas are also contributing to the rise in disaster-related losses.

- The 10-year average of economic losses since 2000 totaled US$110 bn, while average insured losses totaled US$35 bn. In 2010 alone, disasters cost the global economy US$130 bn. [Source Munich Re 3 January, 2011]. That figure has nearly doubled this year. Economic losses of selected 2011 disasters, including January's landslides in Rio de Janeiro, the February New Zealand earthquake and the earthquake and tsunami in Japan on 11 March, will exceed US$200 bn.

Natural catastrophes affect all sectors of business, both directly and indirectly. Disasters can cause operational and supply chain disruptions through the physical damage to property and/or loss of critical resources and infrastructure, such as energy supplies and transmission, public infrastructure and distribution networks.

Disasters also affect businesses' staff and customers, both economically and physically, especially those living in the affected areas. In developing countries, disasters pose grave consequences for the survival, dignity and livelihoods of all people, particularly the poor. At the same time, increasing disaster risks threaten hard-won development gains and future sustainable development in all countries. The World Bank reports there have been 3.3 million deaths from natural hazards since 1970, or about 82,500 a year, with large year-to-year fluctuations and no pronounced time trends. Droughts are the deadliest of the four hazard categories (earthquakes, floods, and storms are the others) and poor

countries suffer disproportionately - almost 1 million people died in Africa's droughts alone. Between 1980 and 2009, 84 % (865,000) of people killed by weather disasters lived in poor countries [Source: Global, aber gerecht (2010), Munich, ISBN 978 3 406 60656 4]. According to CRED (University of Louvain, Brussels) the annual average death toll for the 2000 decade was 78,000, which is considerably higher than the previous decade. [Source: Press Release UNISDR 2010/01, 28 January 2010]

While the primary responsibility for protecting communities is vested in national and local governments, the private sector plays a crucial role in managing disaster risks and building resilience.

The private sector shares both the consequences of these risks and a responsibility to act in reducing them. In most countries, the private sector is the primary generator of GDP, employs the majority of the population and is the dominant vehicle for innovation and investment. It also has the know-how, organization, resources and capacity to provide solutions. Ensuring a safer and more sustainable future requires coordinated action by multiple actors worldwide through partnerships at multiple levels in politics, technology, economy, civic/community groups and the public that combine resources and expertise.

The economic case for ex-ante disaster risk reduction and management is compelling:

- For every US$1 invested in resilience and prevention, between US$4 and US$7 are saved in response (Source: California Emergency Management Agency/UNDP).

- Multi-national companies with best practices in managing their property risks produced earnings on average 40% less volatile than those with less advanced risk management plans. [Source: Dr Deborah Pretty, Oxford Metrica Risk Financing Strategies: The Impact on Shareholder Value for FM Global].

- Average property loss is 20 times larger for companies with weak physical risk management practices, while the average loss per location exceeds US$3 million versus US$620,000 for companies with robust disaster scenario management plans. [Source: Dr Deborah Pretty, Oxford Metrica Risk Financing Strategies: The Impact on Shareholder Value for FM Global].

- Large businesses with strong risk management programmes compared with those with weak risk management practices, experience, on average, catastrophe losses that are seven times less costly—an average of US$478,000 per loss compared with US$3.4 million. [Source: Dr Deborah Pretty, Oxford Metrica Risk Financing Strategies: The Impact on Shareholder Value for FM Global]

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In recent decades the sustainability movement has demonstrated tremendous energy and progress focused on the humanitarian and environmental dimensions, including climate change control. The same level of energy and commitment is now needed for disaster risk reduction and climate change adaptation. Sustainability cannot be achieved unless societies both reduce their environmental impacts and become more resilient against natural catastrophes.

In 2005 the United Nations (UN) brought this issue to the global forefront by initiating the International Strategy for Disaster Reduction (ISDR) and adopting the Hyogo Framework for Action 2005-2015: 'Building the resilience of nations and communities to disasters'.

Through these initiatives, the UN recognizes that disaster response and humanitarian relief efforts alone will not suffice. Unless the root causes of disaster impacts are recognized and addressed, adaptation is improved, and public awareness is elevated, the risks will impact beyond all possible humanitarian response and resources. Raising disaster risk awareness, promoting a culture of prevention and mobilizing adequate resources to build resilience are both an imperative and an investment in the future, with substantial returns for all.

Recognizing the importance of the above, the undersigned member of the private sector commits to the following:

1. We acknowledge the threat posed by disasters and the importance of building resilience and recognize our role and responsibility in encouraging, supporting and acting on the reduction of disaster risks. We commit voluntarily and to the best of our abilities to create awareness within and outside our organizations, identify vulnerability and their root causes in our areas of activity and influence, invest in functional resilience and apply risk reduction and management principles in our decisions within our businesses, and, to the extent possible, in our sectors, supply chains, client bases, and global networks. We commit to make disaster risk reduction and resilience building an integral part of our sustainable development strategy, goals and programs.

2. We recognize the leading role of the ISDR and the importance of the Hyogo Framework for Action[1] as a guiding reference for global disaster risk reduction.

3. We commit voluntarily and to the best of our abilities to embrace, support and enact, within our spheres of influence and capacities, the following Five Essentials for Business in Disaster Risk Reduction, and to partner with the public

[1] Hyogo Framework for Action link: http://www.unisdr.org/we/coordinate/hfa

sector with a focus on local action, taking into account the most vulnerable population groups, such as women, children, elderly and the poor. We acknowledge that at any point in time we may be most active in a subset of the below action items.

Call for Action: Five Essentials for Business in Disaster Risk Reduction

Countries that develop policy, legislative and institutional frameworks for disaster risk reduction and that are able to develop and track progress through specific and measurable indicators have greater capacity to manage risks and to achieve widespread consensus for, engagement in and compliance with disaster risk reduction measures across all sectors of society. In an effort to support the three aforementioned commitments, we agree to the following Five Essentials:

1. **Promote and develop public-private partnerships** for disaster risk reduction to analyze the root causes of continued non-resilient activity, such as in the urban built environment and related infrastructure, and develop frameworks and policies to change these causes. Encourage, develop and use financial risk-sharing mechanisms to ensure the resilience of facilities and communities to hazards and allocate adequate resources for these.
2. **Leverage sectoral private sector expertise and strengths** to advance disaster risk reduction and mitigation activities, including enhanced resilience and effective response. For instance, the Engineering and Construction industry can drive safer land use planning and construction standards, while the Information, Communications and Telecoms sector could play an essential role in hazard monitoring, disaster warning, and communications. Likewise, the insurance industry can lend its expertise in risk assessment and evaluation and promote the widespread use of risk transfer tools, including micro insurance/ insurance pools to enable faster recovery and reconstruction, as well as provide fast liquidity in times of crisis. Utilities and Transport industries can influence water management (dams/sea walls, irrigation, desalinization, flood management, sewerage draining) and business continuity activities, including contingency service plans and supply chain resilience.
3. **Foster a collaborative exchange and dissemination of data**: Share information on assessment, monitoring, prediction, forecasting and early warning purposes and action between the public and private sectors, including through cooperation with UNISDR, ISDR System partners and other international, regional and national actors. Likewise, encourage staff, suppliers, individuals/people, clients, their families and communities to take action to reduce risks and build resilience using communications, awareness-raising events, training and recognition, and conduct regular disaster preparedness exercises with a view to ensuring rapid and

effective disaster response and access to essential food and non-food relief supplies, as appropriate, to local needs.

4. **Support national and local risk assessments and** socio-economic cost-benefit analyses and capacity-building, and demonstrate opportunities where resilience building and disaster risk reduction is a sound economic strategy, with attractive returns and competitive advantages.

5. **Support the development and strengthening of national and local laws, regulations, policies and programmes** that enhance disaster risk reduction and improve resilience. Develop, apply and implement internal codes of conduct, standards and procedures through the active engagement in national and regional mechanisms and platforms, and the allocation of adequate financial and other resources.

Signature:

_____
Organization

_____
Representative

_____
Location

_____
Date