



IBLF
THE PRINCE OF WALES
INTERNATIONAL BUSINESS
LEADERS FORUM

IBLF was involved in the local and international business response to the tsunami from the outset, advising its business supporters and partners from 26th December, particularly those engaged in tourism and with local production and investment.

IBLF provided a strategic framework guideline published by the UN Global Compact and communications advisors soon after the disaster on how to meet the immediate demands of rescue, relief and recovery and to help companies review how they could analyse the impact and assess their most effective contribution. 'After the Flood', a briefing paper sponsored by Pfizer was then published, with a comprehensive framework for disaster response and examples of business actions.

In August 2005 IBLF formed the Tsunami Recovery Business Task Force of 15 business executives visiting Thailand, India and Sri Lanka, led by Mike Garrett of Nestlé and Robert Davies of IBLF, to see at first hand the role that business played and the needs of recovery. The Task Force reported conclusions and recommendations in September. This report was produced with the support of Hasbro and the Hassenfeld Foundation.

The Task Force's conclusions have been extensively debated with companies, agencies and partners, and conclusions on the role of business in humanitarian relief following disasters have been further shaped by early observations of responses to Central American mudslides, US Hurricane Katrina and the devastating Pakistan earthquake which have raised some relevant issues and questions.



BEST INTENTIONS, COMPLEX REALITIES

Business and lessons from the tsunami

Making business goodwill and resources an effective contribution to sustainable humanitarian relief and disaster recovery

The Asian tsunami on 26th December 2004 was a disaster that affected and moved the world on an unprecedented scale. Over 230,000 were dead or missing and some 1.8 million people were displaced in over six nations spread thousands of kilometres around the Indian Ocean. Many poor coastal communities, towns and tourism resorts were devastated. Worldwide TV audiences were shocked and many could relate to the communities, beaches and resorts where tourists also perished alongside poor villagers.

In the subsequent days and months the international community pledged as much as US\$11 billion, and there was an unprecedented response from private individuals and corporations around the world of over US1 billion. No other disaster in recent history got to within a tenth of that total. Disaster responses are setting new expectations which business needs to think about with some urgency.

Local people backed up by civil society organisations, local government and the military, followed by international humanitarian charities, agencies and governments, moved fast to help in the rescue and relief effort. The outbreak of health epidemics was avoided, many got access to essential commodities of water and food, found medical aid and temporary shelter. Peace broke out in many locations where there had previously been conflict. There were many success stories and heroics.

*There are no accurate aggregated figures available for totals pledged, donated or spent from all sources for tsunami relief and recovery. This statement is based on estimates drawn by IBLF from key organisations and is thought to overstate actual expenditure at the end of 2005 that may be nearer to between one third to one quarter of totals pledged with other funds set aside or not yet drawn down or otherwise collected following official pledges. While IBLF highlights concerns about financial reporting and accountability in a very difficult context, IBLF has no direct or indirect evidence that 'funds have gone missing'.

But one year later 80% of the displaced people from poor communities affected are still in temporary shelter. Between 80% (in Indonesia), 60% (Sri Lanka) and 40% (India) continue to suffer over 50% loss in income and remain substantially unemployed. Transition from relief to recovery and reconstruction is proving slow and difficult.

Less than half of the donated funds have been spent*. In the view of IBLF this is entirely to be expected as money from appeals cannot be spent effectively within a year, and recovery needs are long-term. Oxfam, for example, reports that it will phase spending over four years. But in general there were greatly different expectations between donors and international appeals that has led to questions and scepticism. Many donors simply had different expectations – of what they could expect by way of reports, of how specific the receiving agencies could be and how it would be spent – and appear surprised that large proportions remain unspent.

The high level of global media attention and wide scale response has led to many questions being asked about effectiveness of the response in dealing with the consequences of the disaster and assisting recovery of the people and communities whose lives were devastated. Donors including businesses and their employees acted with the best of intentions. But the realities of disaster recovery and aid to poor communities in less developed countries are enormously complex. Business support and skills proved vital and are still needed – but it is important to learn lessons so that business can contribute to sustainable recovery and to future disasters where they will need to or continue to be expected to help.

THERE IS A NEED TO LEARN LESSONS FROM THE DISASTER RESPONSE

Over the year since the tsunami we can benefit from lessons arising from the tragedy, and also from early evaluations undertaken by some key organisations such as Fritz Institute, Oxfam and Tourism Concern. The International Business Leaders Forum (IBLF) was involved from the start and organised a business task force to visit Sri Lanka, Thailand and India in August. We have also witnessed the response to subsequent disasters. Amongst the disasters were the Central American mudslides, Hurricanes Katrina and Rita in the Gulf Coast (in which 1,300 are thought to have perished, and to which US business is estimated to have contributed more than US\$1 billion) and the Pakistan border earthquake from which 80,000 people may have been killed, and 3.3 million are estimated to be homeless. Many other health and hunger emergencies, described by some agencies as 'the silent tsunamis', have continued in Africa.

The sheer scale and nature of the tsunami response and the stories of lack of coordination, unspent aid and of problems in transition to recovery started to provoke some serious questions and discomfort. Amongst the public and corporate donors there may have been a misplaced belief that recovery could be accomplished quickly. Concerns have been raised about the skills and delivery capacity of the many international and local organisations involved, as well as their accountability and suitability for sustained recovery activity. A central concern has been the reports of poor co-ordination, even chaos and rivalry. The sudden rush of many organisations to poor countries which lack effective coordination, even in the good times, may be inevitable and few can envisage the complexity of operations.

Questions were raised more privately by corporate leaders about the value of the massive contribution made by business and employees across the world in terms of effectiveness and priorities, as well as the media pressures that led to such a rapid call for donations. What are the longer-term implications to business

and private donors of disasters and emergencies? Some answers and better understandings are needed to get things better in the future.

"Our hearts were in the right place, but there are a lot of lessons we can learn, and it's urgent – what will we do next time?"

Alan Hassenfeld, chairman,
Hasbro Inc

It is clear from the conclusions of the IBLF Task Force which visited the areas, a field visit to Aceh, and close monitoring of action with partners and supporters in Thailand, Sri Lanka and India, that the local, national and international business sector made an early and amazing response. Some of this has proven effective and sustainable.

Humanitarian organisations and local initiatives offer some good examples, but in the main the good intentions have not yet converted into sustained recovery support because of the complex realities on the ground.

This fourth report from IBLF follows from immediate guidance to business issued in the week following the tsunami, an IBLF framework for disaster response "After the Flood" published by IBLF in March 2005 with support from Pfizer, and the report of the IBLF Task Force 'Rebuilding from the Tsunami', published in September 2005 which together with this report was made possible with the support of Hasbro and the Hassenfeld Foundation.

Business and post-tsunami reconstruction and recovery: the unfinished agenda

Disaster aid cannot be seen as completed until reconstruction and recovery are addressed. Some NGOs and the UN Tsunami Envoy describe the challenge as "Reconstruction Plus" which means that affected poor communities should end up with better conditions that address poverty, long-term housing, livelihoods and human rights. One year on after the tsunami, 80% of the displaced people from poor communities affected are still in temporary shelter. According to the Fritz Institute survey, between 80% (Indonesia), 60% (Sri Lanka) and 40% (India) continue to suffer over 50% loss in income and remain substantially unemployed.

Reconstruction and recovery can benefit from critical business sector skills and resources such as:

- Logistical skills
- Management skills for local and international humanitarian organisations focussing on accounting and project management
- Livelihood recovery – varying from business counselling skills via local business organisations and NGOs, to microfinance
- Water infrastructure and water purification
- Housing and business premises reconstruction
- Land reclamation
- Transport
- Tourism development support
- Provision of employment training and life skills for alternative livelihoods

As successive high profile disasters such as hurricanes and earthquakes have affected communities around the world during 2005, each followed by appeals for greatly needed help, there are risks that the important lessons from the tsunami and other disasters will go unheeded. Other less high profile emergencies have continued affecting millions of people – what some have called “the silent tsunamis” of starvation, drought, rampant disease, civil conflict, refugees, poverty, road accidents and chronic disease, many of which can be preventable.

Business has clearly played a key role in relief and recovery alongside the authorities and NGOs in these tsunami hit countries – the challenge now is to ensure a transition to recovery underpinned by economic development where business skills and resources will be vital.”

Michael Garrett
(board director Nestlé India and former Nestlé regional director Asia, Oceania & Africa),
co-leader of IBLF Task Force.

Those involved also have to live with the dual impact of the media. On the one hand the media instantly and usefully shines the spotlight on the emergency, personal suffering, problems and needs and vitally holds governments and emergency services to account. On the other hand, media saturation can lead to responses that are more focussed on the demands of publicity and media management than substance and effectiveness: the understandable need to be seen to be doing something. In fact it is widely felt that the media define the disaster. Media presence gives high emphasis to the dramatic and immediate rescue and recovery and less to the long-term task of recovery. When media interest fades, the effort, urgency and scrutiny slows. This was as evident with the tsunami, which had unprecedented coverage, as with other disasters.

This report addresses some key questions and offers some recommendations and conclusions reinforced by the IBLF Task Force.

The central conclusions are:

- the need for advance thought and planning for disaster responses
- the importance of understanding the complexity of disaster relief and the vital need of communities for sustainable economic recovery
- the importance of backing local effort and experience
- the need to ensure that humanitarian partners can make a transition from relief to recovery through accountable local partnerships

Key issues from which business and others should learn are:

- understanding better the actual and potential roles, responsibilities and capacities of different sectors (local communities and small businesses, larger and international companies, public sector, military, national and local NGOs and humanitarian organisations).
- understanding the impact of emergencies on government management capacities and competencies in the countries where they happen
- understanding the behaviour of the media
- understanding the impact on neighbouring areas and wider priorities and how this may pre-empt demand for resources for other emergencies
- understanding issues around ecology and disaster prevention

IBLF has contributed several guidelines on how to manage the business response, and many companies and organisations have made use of these. But we still need to address the need for far better preparation by companies for the impact that disasters and emergencies have on them, due to extensive media coverage and employee concern. Included on page 9 are critical questions that CEOs and top managers must ask themselves.

INSIGHTS FROM THE TSUNAMI

What insights have been drawn from the IBLF Task Force and observations of responses to subsequent disasters?

INSIGHT 1: Local people and organisations are the first line of response

It is clear that local people and local organisations and businesses are overwhelmingly the first line of response to rescue and relief. This was confirmed by our anecdotal evidence from the task force and also from the revealing surveys undertaken by the Fritz Institute in Indonesia, Sri Lanka and India. Media reports may give a different impression as they tend to focus on disaster communities as victims and favour spokespersons from official agencies and NGOs.

The second line of response tends to be the military, local government and local health workers. But this varies from country to country. It is clear that in India where local government is strong and locally rooted they were seen as playing a key role. In Thailand and parts of Aceh this role was played by the military.

Where there are larger local businesses they engage very quickly and effectively as we saw in Thailand, Tamil Nadu and Sri Lanka, and can be backed up by international business partners. Some locations, such as Aceh and the East of Sri Lanka, have no significant larger business and hardly surprisingly they were not reported as making noticeable contributions compared with private individuals and local organisations.

The international humanitarian organisations that have a local presence or local partners tend to engage but later, and in many cases end up being critical providers of temporary shelter, water and medical aid. A few are successful at livelihoods and housing, but in general are less skilled in this area. Many lack the local experience and skills to engage effectively in economic recovery, and have to operate within the framework of the government. In Thailand, Sri Lanka and Tamil Nadu, international humanitarian organisations had difficulty in effectively spending donor funds on recovery activity. In the early weeks there is often poor coordination between these new arrivals.

The conclusions from this are that assistance strategies need to recognise the importance of local responses, the value of local people and organisations being prepared and the importance of backing their efforts.

INSIGHT 2: Immediate needs are in a hierarchy and follow phases

The early priorities are rescue, water, medical supplies, food and shelter. These change quite soon to the need for more sustainable elements including cooking utensils, equipment, temporary shelter and child facilities. At all times people need to be informed and consulted and not patronised.

Relatively soon, particularly in poor communities without social safety nets, there is an urgent need for livelihoods and return to employment. Displaced people often take a long time to be found homes. While clothing and blankets are often needed there are countless tales of provision of clothing that is wholly inappropriate, stockpiles building up at ports and also unsuitable tents being shipped.

The conclusion is that cash and commodities are needed first and care should be taken to avoid shipping inappropriate in-kind gifts.

INSIGHT 3: Logistics and communications get tested very early

A critical early need is access, logistics and communications, where business can make a vital contribution in many cases. Evidence suggests that most relief and humanitarian organisations lack logistical skills in managing logistics, supply chains, cost effective procurement and management of supplies including tracking. A survey by the Fritz Institute with KPMG and MIT elaborated on this issue.

The conclusion is that this is an area where business can make a unique contribution in backing up humanitarian efforts where strong partnerships exist in advance.

INSIGHT 4: Media define the disaster

World attention to a disaster is shaped by the media and the tone and extent of coverage. More recently, the media has played a role in adding pressure for financial contributions, and exposing companies that appear to be reluctant donors. Public relations demands and business organisations, whether in the name of publicising good practice or directly promoting action, also induce companies to respond. Somewhat inevitably, the media focuses more on the damage rather than survivors, and tends to portray people as victims. Media coverage will always be partial and reflect the news element as well as ease of access to the disaster zone and to pictures. The impact of disasters will also continue long after the media changes focus or loses interest in the news angle.

The conclusions from this are that in planning for disaster responses, companies need to factor in the PR and media issues and how these may influence pressures to respond. The media can in effect run the agenda unless companies have clearly thought through positions on how to respond and how to balance sympathy and public and employee expectations with weighing the business relevance.

“What was becoming sick, was that competitive bidding was starting. We were being asked how much we had given, why wasn't it as much or more than another company? I am afraid that hasty decisions were made...”

Corporate CEO

“In the end it was almost obscene, what started as goodwill and supporting our employees, soon became a contest. It was out of control...”

Corporate CEO

“We were under pressure to act quick. We announced a large cheque to an international humanitarian organisation. We didn't know then where exactly it was going. We didn't have any control of it. We don't even know whether or not it was spent, where and on what...” Senior HQ Executive

“Businesses have management, logistical and economic development skills that are vital for effective relief and recovery”

INSIGHT 5: International humanitarian organisations need access to wider skill sets

Many humanitarian organisations lack management skills suitable for the logistical demands of relief and to mount reconstruction and recovery efforts. A few organisations such as World Vision, Habitat for Humanity as well as Oxfam and local organisations have been complimented on livelihood and recovery projects. However, this area is generally seen as a weakness of those engaged in relief activity.

The conclusion is that business can provide a vital role here in backing up organisations with a range of business skills through short-term management assistance, professional volunteers or secondments.

“Pre-tsunami business was not seen as being engaged – more an exploiter of resources than a good corporate citizen – tsunami has created a response from business...”

CEO of NGO Sarvodaya,
Sri Lanka

“We were really no more than a small NGO, then in the space of two weeks we were a \$480M business – but without the management skills of a business. Even spending part of the money has not been easy. We would value getting access to business and project skills.....”

Humanitarian NGO country leader

INSIGHT 6: Local organisations are best placed to engage in recovery activity

The most successful relief and recovery efforts are those that engage with local organisations and local people as well as local businesses. This is the conclusion of several NGOs, such as Oxfam and Mercy Corps, which have strategies of adopting local partners and self-help groups. Local organisations have good local knowledge, but donors are reluctant to support them without vetting. These local organisations often have capacity building needs. Some organisations can help to vet the credibility and capacity of local organisations. In India the ‘Credibility Project’ is attempting to rate local NGOs.

The conclusion is that as far as possible local organisations should be used as partners, and donors should encourage international organisations to work with local organisations. Businesses should also seek and take the advice of their local units. NGOs with resources should be more willing to support business led local initiatives in livelihood recovery, housing and economic development.

“We suggested to our company that we knew the region well and we wanted to support some local efforts. But they said that all donations should be centralised back in the US, and that a big donation was to be made to [a US humanitarian organisation]. In hindsight they think it should have been better to support the local organisations we knew of.....”

Senior regional executive

“We have been operating in these countries for many years and it was natural to rely on the advice of our local managers who knew what was happening on the ground. We made a commitment, but decided to work through our people....”

Senior HQ Executive

INSIGHT 7: Business skills are vital to relief and recovery

Both local and international businesses have management, logistical and economic development skills that are vital for effective relief and recovery. This offers scope for partnership where relationships can be built prior to emergencies. A major hurdle to business engagement is a lack of understanding by agencies, governments and NGOs of the business contribution, as well as lack of trust between sectors.

Business skills and resources for disaster management and recovery

- Logistical skills – managing supply chains, procurement, storage, tracking, import/export, distribution, transport and security
- Communications – telecommunications, IT based networks, transport, setting up IT systems, digital records
- Employee teams – employees can operate as local recovery or assistance teams
- Finance – managing finance and accounting, administering loans, credit management, insurance issues
- Business recovery – re-establishing business networks and distribution including cold chains and subcontracting
- Construction – sourcing materials, heavy equipment, project management of construction, clearance, engineering
- Specialist skills – medical, forensic, tourism, boat-building etc.

The conclusion is that business has a part to play where there is a local presence or where specialist assistance can be offered. Business contributions in terms of cash and in-kind support could be significantly more effective if combined with the contribution of management and employee skills.

However, there is ample evidence that business development and reconstruction pressures can also pose threats to poor local communities. Examples are land speculation, clearance and threats of displacement and land seizure, and industrialising traditional local businesses such as fishing at the expense of small local producers.

Tourism development is a particularly sensitive area as it has the potential to make a major contribution to rapid recovery, but can also threaten traditional and poor local communities. The IBLF's International Tourism Partnership has developed unique and comprehensive guidelines for sustainable siting and design of hotels, which can be applied to this context.

INSIGHTS FROM THE TSUNAMI *continued*

“Many private donors are concerned about where their money went in terms of both accountability and

INSIGHT 8: Disasters replicate the weaknesses and strengths of governments and key organisations

In responding to disasters and emergencies, the strengths and weakness of organisations emerge. For example, in India local government is strong and clearly played an important role in relief, as did the military in Thailand. Where local companies exist with strong management systems, as we saw in the countries the IBLF Task Force visited, they played some critical roles in relief and recovery. However, where local governments have a tendency for corruption, poor management, lack of capacity for fair regulation of land use or upholding property rights, it can be expected that this may be replicated in the context of the disaster. In most cases emergencies do not lead to improved management and cooperation, but the situation amplifies the behaviour and capacity of the government and local administration and the key organisations involved, in the absence of a strong catalyst for local coordination.

A particular problem in post-tsunami countries has been the delays and uncertainties caused by local government proposals for exclusion or buffer zones (not rebuilding within 100 or 300 metres of the water front), inability to manage the threat of land speculation, fair administration of compensation, and proposals for master plans in spite of a lack of capacity to deliver even basic planning frameworks. In some places, particularly in Aceh, the wholesale loss of land exacerbated the problem of land entitlements and property ownership. In many countries poor communities exist in a world of informal development – squatters rights, unlicensed businesses and fishing boats and lack of collateral for loans – that are difficult to manage in the absence of property rights.

The conclusion is that the response to a disaster needs to factor in these issues and recognise that these can only be addressed by working with local organisations and partners, and that capacity building is often required for effective recovery.

INSIGHT 9: Coordination is often poor and conflict apparent

There is often poor coordination, duplication and rivalry between agencies, and lack of experience of engaging with the business sector. We found significant local confusion and poor coordination in the areas we visited which is borne out by other reports. Many outside NGOs and organisations arrive on the scene some time later. Key organisations and local leaders reported to us that coordination in recovery effort has been particularly badly coordinated for some of the reasons stated elsewhere, but is slowly improving. There is often a false assumption that the government or the UN ‘are in charge’ which is seldom the case and ad hoc arrangements emerge amongst the more willing partners and NGOs who ultimately contribute to better coordination. This results in duplication and rivalry and an initial lack of effectiveness. International organisations often bring their own public relations agenda. Many lack experience of how to engage effectively with business and draw in vital business skills and are suspicious of business motives. Local business organisations are often too weak to play an effective coordinating role, although we found some good exceptions providing business recovery assistance.

The conclusion is that cooperation and collaboration must be encouraged but cannot be relied upon, and the good practice codes of NGOs should be promoted. These issues should be the subject of advance planning and training with larger NGOs which can be influential in disaster management.

INSIGHT 10: Accountability and transparency are vital for confidence

Organisations involved in emergencies and disasters need to make considerable efforts to feed back and account to donors, or risk loss of future confidence. Many private donors are concerned about where their money went in terms of both accountability and effectiveness. Some NGOs, such as Oxfam and Mercy Corps, have developed good practices and have been careful to explain how funds have been phased for long-term recovery.

The conclusion is that companies and NGOs might address these issues as part of a longer term partnership, including addressing issues of skills gaps and expectations. The inevitable tension between serial emergency appeals and long-term recovery needs must be addressed and a clearer sense of ‘where will the money go’ be given. International humanitarian NGOs that have local partners can often provide greater reassurance that assistance will be effective.

INSIGHT 11: Prevention is better than relief

Much can be done to prevent the impact of disasters, including safer building, better early warning and reduction of ecological damage, which is less expensive than managing the impact of the disaster. The US Chamber of Commerce says that for every \$1 spent on prevention, \$7 can be saved in reconstruction. The response of some international and larger regional companies has recently improved due to the emergency planning procedures being put into place as a result of pressures from insurers, and post 9/11 emergency procedures.

We also heard many stories of how exploitation of the coastal resources, clearance of mangroves, draining of wetlands and mining of coral had removed natural protection and amplified the disaster impact. Equally, we were told how vital biodiversity and marine life are to sustainable livelihoods and tourism.

The conclusion is that business should become stronger advocates of prevention, ecological conservation, risk assessment, emergency warning and disaster planning in areas where they do business, as well as capacity building of emergency services. Building partnerships with NGOs and institutions involved in disaster anticipation is an important strategy.

“In responding to disasters donors and companies must ensure that support for future incidents is not pre-empted, and that development priorities with less drama in neighbouring areas are not neglected.”

INSIGHT 12: Disaster relief can impact on wider priorities in development

Emergencies and disasters can absorb attention and resources and deflect from other pressing priorities in the country or region. There is daily suffering on a far greater scale than that caused by natural disasters – including the continuing death and suffering linked to civil conflicts, disease, hunger, lack of access to safe water, road accidents and industrial accidents. There is also the continuing impact of poverty. In responding to disasters donors and companies must ensure that support for future incidents is not pre-empted, and that development priorities with less drama in neighbouring areas are not neglected.

The conclusion is that businesses and donors need to place disaster response planning alongside their contribution to the broader health and development agenda. Business organisations including IBLF can assist companies in this planning process.

The dilemma and capacity of the humanitarian aid agencies is all too apparent, pressed in multiple directions by their own desire for rapid response, need for public funding and multiple demands.

“Aid agencies are being overwhelmed by the need to respond to increasing numbers of natural disasters and the devastating consequences they bring to entire communities who have the misfortune to stand in the path of the storm or the epicentre of the earthquake..... But if three national appeals in 10 months push to the limits the generosity of the public, what should an aid agency do when three new emergencies occur in the same week ? It is not just Pakistan and Guatemala. We are also desperately concerned about millions of people affected by hunger across southern Africa...”

Toby Porter, Emergencies Director, Save the Children UK

ILLUSTRATION

Business Action: Thailand

8,000 killed or missing and extensive damage to tourism infrastructure.

The local hotel and tourism sector contributed to rescue and relief and private donations were channelled to local initiatives and a network of community self-help groups engaged in children’s projects, trauma counseling, schools health centres and clinics. Many local businesses contributed to relief.

Businesses contributed specialised skills to forensic testing and death verification. Thai media company ITV provided a mechanism for Thais to donate funds and exceeded the government’s own appeal. ITV was instrumental in moving people from camps to newly constructed temporary shelters, building new villages and community centres. Nestlé also built villages with local NGO partners. ThaiBev rebuilt villages, schools and the first football stadium in the worst hit areas. Company volunteers have supported Habitat for Humanity housing projects.

Critical challenges are environmental improvement and tree planting, housing, job creation in basic services, small business recovery and invigorating tourism. Schools and community projects are in need of equipment. With relatively few NGOs operating, local groups and volunteers are fulfilling key functions.

IBLF is setting up the Thai Business Partnership for Tsunami Recovery and Development as a focus for business collaboration in recovery projects, supported by Thai and international companies. Priorities will be business recovery and support of livelihood projects.

ILLUSTRATION

Business Action: Sri Lanka

35,000 killed or missing, 0.5m left homeless

Many local businesses assisted in rescue and relief. A group of local business leaders in Galle formed ‘Adopt Sri Lanka’ focusing on social projects, tourism facility restoration, boatyards, housing, trauma counselling and livelihoods. www.adoptsrilanka.com

Adopt Sri Lanka organised recovery and livelihood projects such as boat building and small guest house rebuilding when little else was happening and most humanitarian agencies were still focused on relief, and demonstrated that local decision making could cut through bureaucracy and an entrepreneurial approach was more appropriate to the challenge of employment. The programme also focussed on strategic measures such as reopening markets.

The Loadstar company near Galle launched a relief programme using its business and logistical skills. A major focus has been on rehousing, house building and employment generation.

Companies such as Standard Chartered, Nestlé and Unilever have provided extensive local support for projects.

MAS Holdings, a clothing sub-contractor, initiated a housing project and supported employees engaged in relief programmes. Banks provided micro-lending assistance.

Logistics companies assisted in improving the flow of relief at Colombo airport.

ILLUSTRATION

Business Action: India - Tamil Nadu

18,000 killed or missing, 3.2 million affected

Major hotels and local businesses assisted in rescue and relief on an extensive scale. Companies such as Coca-Cola and Nestlé provided extensive supplies of bottled water and food. Cadbury Schweppes and Diageo have been adopting clusters of villages. Phone companies provided emergency communications.

Tata Group provided extensive support through its businesses and timely assistance for relief and long-term recovery. Short-term action included the distribution of family kits with personal care and household items to 42 villages, water filters and a desalination plant, deployment of earth-moving equipment and construction materials. Long-term support

focussed on boat and fishing net provision, rural knowledge centres, education and counselling centres, community centre rebuilding and extensive housing. The rural knowledge centres were computer linked.

Livelihood programmes supported by Tata Group included local projects such as seaweed farming. Coastal rehabilitation programmes were also initiated to provide cyclone protection.

THE ROLE AND BOUNDARIES OF BUSINESS IN DISASTERS

What drives business to respond to disasters?

Many national and international businesses and their employees have shown great responsiveness and generosity in responding to disasters over the past year. There now appears to be higher expectations that business should play a part both in logistics and as donors in cash and kind. How does this square with shareholder interests, and how far should businesses and business leaders be expected to go? Following wide consultations with business and other stakeholders, IBLF summarises the relevant issues as follows:

- **Direct involvement** - there is a clear case for business engagement in response to a specific emergency where employees, business assets, local business partners and supply or distribution chains involved are directly affected or active in the region, or where it is a national emergency in a country where it does business. Such involvement through the business and employees is often spontaneous, and is based on the need to be a good citizen in the country and community.
- **Employee concern** – there is also a case for engagement where individual or groups of employees and their wider families are otherwise moved to assist, and where the company can back up employee efforts in measured and strategic ways.
- **Media and public expectation and perception** – public and media expectation has grown in many countries including Europe, America and Australia that large, high profile and public companies should respond in generous ways to misfortune, and to hold back is seen as 'mean'. Companies need to think through the public relations environment in which they do business, and have credible answers to the relevance of their response and perception of the company as a responsible corporate citizen, and the scale of their response.
- **Expertise, capacity and effectiveness** – the scale of response may also be influenced by the special expertise and relevant resource that the company has to offer (such as water purification, logistical skills, communications devices, medical supplies and dried foods) and availability of reliable delivery partners.
- **Avoidance of harm** – an element of planning for disasters will also entail ensuring that the company does not do harm that contributes to disasters

Companies can and do make vital responses to disasters and there will be increasing and continued pressure to respond in line with changed perceptions and expectations of the role of responsible companies in society. The strong recommendation from IBLF is that companies need to think this through and we have suggested a series of questions for CEOs and Board level executives to consider.



10 Questions for CEOs on Business Response to Disasters

CEOs and top corporate executives want to do the right thing. They will wish to exercise leadership and ensure a timely corporate response to disasters, and to public and employee concern.

These will be familiar demands yet likely to be unfamiliar circumstances - often in far away places where immediate information to evaluate a response is lacking, other than media reports. Emergencies need fast action – but they need rational action based on forethought. Here are 10 questions that CEOs should ask themselves and their management teams to ensure they are prepared and respond effectively:

- 1 Are we prepared?** are we ready to anticipate the demands and pressures and to evaluate effectively and rapidly the impact on our business?
- 2 Do we know enough to respond?** what information from reliable sources, including local managers, units and business partners on the ground, do we have to hand to evaluate the emergency?
- 3 How directly relevant is it to our business?** do we have assets, employees, business activities in the area? What are the likely expectations from employees, public and media?
- 4 How can we best contribute?** direct local engagement through business units or arms length support? What scale is appropriate for our response? What form of response is most effective – cash, in-kind, logistics, expertise?
- 5 Do we have effective partners?** do the partners we may choose to work with or direct our support to have real local knowledge, local experience and capacity on the ground to be effective partners in relief and recovery?
- 6 Will our contribution assist the long-term?** do these partners have experience and capacity to manage longer term support and recovery, or do they have local partners who do?
- 7 Can we ensure accountability?** can these partners account and report for what contribution we may make to them, and how and when it is used? If in doubt, make conditional commitments.
- 8 How do we manage our own contribution?** who manages the interface, who monitors it, how are local units or employees involved, are contributions phased, what happens if contributions cannot be used?
- 9 How do we manage publicity demands?** how are we communicating, how do we manage the public relations and media aspects from the start, and how do we manage media expectations at a time of high profile coverage?
- 10 Are we managing priorities in a rational way?** are we sure that contributions and actions are not having detrimental effects on other priorities and flexibility for future action in the location of the emergency, the country, region and other pressing priorities now or in the future?

Action from IBLF

A key objective of IBLF has been to convert relationships emerging in disasters into enduring partnerships. IBLF continues to be active in brokering partnerships in Thailand, Sri Lanka, India and Indonesia.

IBLF is assisting companies to develop frameworks to contribute to disaster prevention and recovery aligned to their business operations and concerns. This includes facilitating in-company senior management workshops on site and via videoconference. IBLF helps companies to engage in dialogue with NGOs and others and also to plan their contribution to development in poorer countries and communities, including acting collectively with other companies. We will also continue our IBLF programme of learning from INSIGHT visits and business task forces focusing on development challenges through the IBLF Crossing Borders programme.

IBLF is also establishing a London based Emergency Rapid Response Desk to provide timely advice to companies on disaster preparedness, strategic partners and suitable local partners and support strategies. Sponsors are being sought for this initiative.

In Thailand, where very few aid and humanitarian organisations continue to work in post-tsunami recovery, IBLF is forming with local business support and the Bangkok based Population and Community Development Association, the Thai Business Partnership for Tsunami Recovery and Development as a focus for collaboration in recovery projects, building on an existing volunteer and business network coordinated through IBLF and IBLF's International Tourism Partnership.

In Sri Lanka IBLF is promoting support for existing organisations including the Adopt Sri Lanka business partnership, and is seeking business support and secondments to work strategically to provide management support for key humanitarian NGOs and the chambers of commerce engaged in business recovery.

In Indonesia, IBLF is in consultations in Aceh with a view to offering business support and partnership building services for businesses engaged in long-term post-tsunami reconstruction.

IBLF can broker partnerships in Tamil Nadu India with local NGOs engaged in recovery.

ANNEX: PRELIMINARY REPORT OF THE TSUNAMI RECOVERY BUSINESS TASK FORCE. 14TH SEPTEMBER 2005

The Tsunami Recovery Business Task Force

An IBLF international business Task Force visited Sri Lanka, Thailand and India eight months after the disaster (29 August to 3 September 2005). It comprised managers and executives from 15 companies, all of which do business in the region and supported post-tsunami relief. The Task Force met with local IBLF partners and business contacts to assess what lessons could be learned and how business can contribute to rebuilding and recovery.

Participants visited over 30 projects and met with representatives from NGOs, agencies, businesses and the media, including many local people in tsunami-affected communities and villages. Projects and initiatives included refugee and displaced persons camps, house reconstruction, guesthouse and tourism facility rehabilitation, boat building, livelihoods, business recovery advice, environmental restoration, schools, health and trauma centres and emergency facilities.

There is a unique opportunity to rebuild communities and livelihoods following the December 2004 tsunami. Business has a major stake in maintaining the momentum for transition from the relief phase, and can play a critical role in recovery. Local and international businesses contributed significantly and in many unrecognised ways to rescue and relief. Businesses and their employees made massive donations and in-kind contributions - IBLF corporate supporters alone committing over US\$60 million. Business is a welcome and necessary partner in sustainable recovery and development.

New skills and resources needed in the recovery phase

The IBLF Task Force and its local contacts agreed that business can offer new approaches and skill sets to recovery efforts that complement those of governments, agencies and NGOs, as well as play a key role in partnerships for recovery. These conclusions are of wider relevance to business action on disasters and development.

Tsunami-affected countries share many common relief and recovery needs. Business at all levels - small local businesses, large national and international companies as well as 'social entrepreneurs' - made a timely, significant and complementary contribution to rescue and relief following the tsunami in Sri Lanka, Thailand and India.

Remarkable success stories from immediate relief

We were deeply struck by how communities were proving resilient and had 'got back on their feet' in spite of continuing poverty and need. Progress on the ground in terms of immediate rescue and relief efforts - eg avoiding post-disaster deaths and health epidemics, overcoming fears of break down in law and order, re-opening schools and re-provisioning boats - has been remarkable, as have some of the early stabilisation and recovery projects. There was clearly an extraordinary additional effort by external emergency and military services and volunteers.

In some countries the response to the tsunami also had the effect of reducing tensions and conflicts.

"The tsunami's one redeeming feature was that all over the world it encouraged people to reach out across lines of conflict to succour and rebuild."

The Economist, August 20, 2005

Among the most enduring contributions is where businesses and business people supported locally-based organisations, or those with partners on the ground with local knowledge, providing expertise, skills, project management assistance and vital business resources beyond cash. In a sense, the tsunami appeared to have kindled a greater sense of corporate citizenship among national and local business.

"Business has clearly played a key role in relief and recovery alongside the authorities and NGOs in these tsunami-hit countries - the key challenge now is to ensure a transition to recovery underpinned by economic development where business skills and resources will be vital."

Michael Garrett, Task Force co-leader, Nestlé

"Pre-tsunami business was not seen as being engaged - more an exploiter of resources than a good corporate citizen - the tsunami has created a response from business..."

CEO of NGO Sarvodaya, Sri Lanka

New needs emerge with the recovery phase

The critical need now is to support longer-term local recovery efforts that demand different approaches, skills and resources, and where enduring partnerships can make a real impact on communities and countries affected and their prospects for sustainable recovery and development.

It is equally important to have improved communications and transparency, and some humble learning of the vital lessons to ensure that the business contribution is more focused and effective in future disasters and development initiatives.

Support for disaster-affected communities must take account of the wider adjoining area and hinterlands to the disaster area, which must be seen as an entire entity when addressing development needs. It is essential that development priorities in countries and communities are not distorted by unintended consequences of well-meaning gestures of support.

For example, recovery efforts need to include surrounding villages and infrastructure bordering those affected by the tsunami. Fishing communities usually rely on the functional support of the surrounding villages for repairs, produce, supplies and markets. Investment should be made also in the schools that fishing village children would attend, especially secondary schools, as these are not normally situated in the coastal areas.

Task Force's 10 headline messages for business

- 1 Recovery is about much more than cash donations** - business skills and resources are vital contributions to relief and sustainable recovery.
- 2 It is essential to understand the context** - for aid to be effective there continues to be an urgent need for donors and their international partners to understand the context of emergencies in a particular location and the specific development challenges presented, not least the conditions of poverty and ecology, but also political, cultural and governance issues.
- 3 Local knowledge is essential to ensure relevant action** - donors and others offering assistance should support local organisations (or international organisations that work with local organisations) which have sound local knowledge, and companies should consult where possible with their local units that have contacts on the ground.
- 4 Relationships matter** - it is useful for those responding to emergencies to have on-the-ground relationships in advance, or work with organisations that have sound local contacts and trusted relationships.
- 5 Access to business management skills is vital** - NGOs, governments and international agencies have vital roles in managing the political complexity for which they have strong skills, but they also need access to project management and business skills to be effective.
- 6 Partnerships are the key mechanism for effective action** - there are often organisations, and others who will make effective partners and hosts for expertise and other resources, and can ensure adequate local consultation and sense of local ownership that is vital for success.
- 7 Individual leaders matter** - the most effective partners on the ground are those led by social entrepreneurs and effective leaders within organisations, agencies and businesses.
- 8 Recognise there are two distinct phases** - the initial RELIEF phase (I) changes to RECOVERY phase (II) where significantly different skills, resources and approaches are needed with recovery focusing far more on business and management skills; making an effective transition and continuing the momentum of support is the ultimate test of success.
- 9 Economic development underpins social recovery** - economic recovery must have high priority and business is clearly the most effective institution to help restore and promote local markets, financing for goods and services and restoration of enterprise and employment.
- 10 Transparency and accountability are vital** - it is essential to inform and retain the confidence of donors, communities and the public that resources are being effectively applied and accounted for, and to manage expectations.

ANNEX: CONTINUED

It is vital for businesses that are currently engaged, or wish to engage further, to take these messages into account. The Task Force advises national and international business to consider the following:

- Engage and maintain the momentum, committing business skills and resources
- Listen to local units with on-the-ground contacts and knowledge
- Build back the local economy and markets
- Support capacity building and project management for chambers of commerce and business recovery activity.
- Facilitate microfinance for local entrepreneurs, accompanied by mentoring
- Examine and facilitate local supplier infrastructure for the core business
- Involve young managers
- Offer business skills (finance, project management, logistics etc) to NGOs, governments and agencies
- Focus donations on those NGOs that have demonstrable local knowledge, experience and resources, either directly or through partnerships with local NGOs that do
- Recognise the key role played by 'social entrepreneurs' within communities, businesses and organisations that can facilitate growth and change
- Encourage other companies to become involved.
- Monitor and communicate results to ensure continuing learning and improvement
- Ensure that the motivation for involvement and support is clearly articulated and transparent
- Develop a process and plan to enable the company to respond anywhere, quickly and effectively, in the future.
- Recognise that anything built has to be allowed for the 'soft infrastructure' and has to be maintained and sustained – one-off donations need to be accompanied by a plan for the 'soft infrastructure', ie building or equipping a school should also include training for the teachers and supplying building materials should be accompanied by vocational training

The IBLF Tsunami Recovery Business Task Force visited over 30 projects and organisations with the assistance of local authorities, humanitarian agencies and NGOs in Phuket and Phi Phi Island in Thailand and the Tamil Nadu region of South India culminating in Sri Lanka, and extensive consultations were held with leading business, community leaders and officials from governments and aid agencies.

The Task Force participants were business executives drawn from companies with an active engagement in the region and in tsunami relief including Abbott Laboratories, Accenture, Alcan Inc, Cadbury Schweppes, Deloitte, ERM Group, InterMatrix Group, Manpower, Nestlé and Standard Chartered together with the Disaster Resource Network and IBLF staff supplemented by local management of the Taj Group, Adopt Sri Lanka and local advisers.

The Task Force was led by Michael Garrett (board director Nestlé India/Nestlé Japan and retired Nestlé Executive Vice President Asia-Oceania-Africa and Middle East) and Robert Davies, CEO of the International Business Leaders Forum.

All travel for the Task Force is Climate Neutral through 'Climate Care UK' who will offset the carbon emissions produced from land and air travel to Sri Lanka, India and Thailand.

14th September 2005



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CREDITS

This report is the product of submissions from many sources, including Mike Garrett, Jan Dauman, Lyndall De Marco, Chris Leung, Geoffrey Dobbs, Alan Hassenfeld, Richard Edelman, Linda Cruse and Henk Campher.

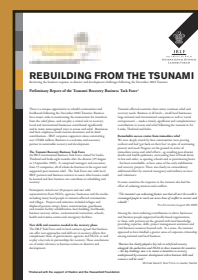
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The International Business Leaders Forum (IBLF) is a non-profit organisation that promotes responsible business practices internationally that benefit business and society, and which help to achieve socially, economically and environmentally sustainable development, particularly in new and emerging market economies.

The IBLF has a number of reports, frameworks and policy papers on the role of business in disaster response.



See:
www.iblf.org/disaster

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