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Strengthening resilience of Small and Medium-sized Enterprises



GI:DRM
Global Initiative on
Disaster Risk Management

Strengthening resilience of Small and Medium-sized Enterprises

The Challenge

In recent years, extreme natural events have caused significant damage and economic losses worldwide. In the Asia-Pacific region, the impact of those events on the private sector are severe and can entail destruction of property and equipment, damage to stock, loss of revenue from business interruptions and rising operational costs. The loss in market share due to clients changing to competitors, movement of skilled workers and impaired relationships with suppliers and retailers can affect long-term profitability or even lead to the closing of businesses.

Especially small and medium-sized enterprises (SMEs) are vulnerable to the impacts of natural hazards as they often lack investments in disaster resilience or business continuity management.

In several countries in South East Asia, SMEs represent more than 95% of all businesses, which illustrates their key role for sustainable development. SMEs are often linked with regional and international supply chains, which means that business interruptions of SMEs due to local disasters can have an impact on markets and enterprises in other regions. The risks for the private sector are hence not limited to single enterprises, sectors or industries, but can have serious impacts on entire economies.

Disaster risks have increasingly been perceived as decisive competitive factors by international investors in search of suppliers or production sites. Investments in disaster risk management reduce the damage and losses by SMEs, strengthen business competitiveness and secure work places in the long term.

Our Objectives

The overall objective of the initiative is to **increase the capacity and awareness on disaster and climate resilience of small and medium enterprises and to unlock private sector investments for enhanced resilience**. In order to reach this objective, five intermediate targets have been identified:

1. Identifying the private sector investment needs and demand for disaster and climate resilience;
2. Providing demand-driven technical assistance to SMEs along the process of prioritisation, cost-benefit analysis and the implementation of in-house risk reduction measures;
3. Supporting governments in strengthening an enabling environment that promotes risk informed investments and increase access to risk financing and insurance products;
4. Raising risk awareness among the private sector by facilitating knowledge sharing at the regional level;
5. Up-scaling and formalizing business resilience and capacity development tools.

Our Approach

The approach used by the initiative is based on a study that has been carried out by the project “Mobilising the Private Sector for Disaster Preventive Adaption to Climate Change” implemented by GIZ. It was carried out in 2011 and commissioned by the Federal Ministry for Economic Cooperation and Development (BMZ). The study provided a first assessment and guidelines for selected partner countries towards an improved disaster resilient adaption to climate change for SMEs.



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Within the framework of GIDRM, the outcomes were reviewed and resulted in the use of a partnership approach for the initiative. GIDRM acted as a catalyst, bringing together various partners from the public and private sector to ensure ready-to-be used tools, access to partners as well as technical and financial support. Highlight of this approach is the close cooperation with the *iPrepare Business* facility at the Asian Disaster Preparedness Center (ADPC) in cooperation with the Asian Development Bank (ADB) since December 2014. The *iPrepare Business* facility for engaging the private sector in Disaster Risk Management is a joint initiative by ADPC, ADB through the Integrated Disaster Risk Management (IDRM) Fund and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH within the framework of GIDRM.

In order to develop specific solutions and to analyse policies, legislations and operational factors in Indonesia, Philippines, Thailand and Vietnam, surveys have been conducted in all four with more than 400 respondents per country. In addition, country context analyses have been carried out which were supported by national consultations. A thorough analysis of the data led to country specific roadmaps, which include detailed recommendations and action points to increase disaster and climate resilience of SMEs in the respective country.

A specific example from Thailand shows the success of this partnership approach in

strengthening disaster and climate resilience of SMEs. Under the Resilient Champion approach for Thailand, Isuzu Motors Co. (Thailand) Ltd. engaged the *iPrepare Business* facility to provide direct technical support to nine selected SMEs, which have been provided a series of in-house trainings to prepare for and respond to disasters induced by technical or natural hazards, e.g. by developing business continuity plans (BCP). After the success of the first partnership, Isuzu cooperated with GIDRM and the *iPrepare Business* facility to support supply chain resilience. The second partnership focused on building capacities of Isuzu's Tier-1 suppliers in Thailand on risk assessment and business continuity management with a disaster and climate risk lens. In order to promote upscaling of such initiatives, standardised training packages are developed that can be used to increase disaster and climate resilience of SMEs in the future.

The Asian Business Forum on Risk Reduction and Resilience Building has become a key regional knowledge sharing and networking event. The Asian Business Forum 2016 was jointly organized and financially supported by ADPC, ADB, GIZ, Global Disaster Preparedness Center (GDPC) and The Asia Foundation. The event brought together key actors and stakeholders concerned with



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engaging the private sector in more integrated efforts for business resilience. The forum's objective was to create an effective platform for reflection and stocktaking on risk reduction efforts for the private sector and to consider the specific challenges, lessons learned, and good practices identified by relevant stakeholders.

Our Partners

GIDRM partners with a variety of different actors from both the private and public sector to engage the private sector and especially SMEs in disaster and climate resilience approaches. In the current focus countries of Indonesia, Philippines, Thailand and Vietnam, GIDRM is working with national government agencies for the promotion of SMEs as well as with chambers of commerce and respective national stakeholders in disaster risk management.

Furthermore, the SME resilience initiative was developed and is being implemented in close partnership with the *iPrepare Business* facility at ADPC, ADB and Isuzu Motors Co. (Thailand) Ltd.

In the Philippines, GIDRM is a partner of the MSME Resiliency Core Group. The primary working group is made up of the Bureau of Small and Medium Enterprise Development Department of Trade and Industry (DTI-BSMED); Office of Civil Defense (OCD); Philippine Chamber of Commerce and Industry (PCCI); Philippine Disaster Resilience Foundation (PDRF); Asia-Pacific Alliance for Disaster Management Philippines (A-PAD); Philippine Exporters Confederation (PHILEXPORT); Employers Confederation of the Philippines (ECOP) and the ADPC.

Find the survey "Strengthening disaster and climate resilience of small and medium enterprises in Asia" on the ADPC website [here](#).

Published by **Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH**
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