

Remarks by Mr. Yasushi Negishi,
Country Director, Thailand Resident Mission, Asian Development Bank

DAY 1: (Wednesday), 20 April 2016
Duration: 15 Minutes (10:10-10:25)

Introductory Remarks

Honorable Minister Anupong Paojinda, Honorable Minister Dr. Pichet Durongkaveroj, Ambassador Philip Calvert, Ambassador Peter Prugel, Mr. Krasae Chanawongse, Mr. Isara Vongkusolkit, distinguished guests, ladies and gentlemen:

A warm welcome and good morning to all of you.

I. Impacts of Disasters and SMEs

Asia and the Pacific region, while endowed with rich natural resources, is also subjected to all major types of natural hazards such as earthquakes, volcanic eruptions, cyclones, tsunamis, droughts, floods, and typhoons.

Natural hazards present one of the most serious threats to inclusive sustainable socio-economic development in Asia and the Pacific. They cause significant loss of life, disrupt millions of lives, and undermine development gains across the region.

Over the 10-year period 2005 to 2014, 426,991 lives were lost in the region as a consequence of natural hazards, 52% of the global total. An estimated 1.4 billion people were affected by natural hazard events, representing 85% of the global total. Reported direct physical losses reached over \$0.7 trillion, equivalent to an average \$198 million loss per day. The region accounted for 49% of total global

losses over the same period, far higher than the region's share in global gross domestic product (GDP).¹

These rising losses reflect increases in exposure and vulnerability to natural hazards as countries expand and develop with insufficient regard to disaster risk. Climate change is potentially set to exacerbate this trend, resulting in even higher losses in the region in the future.

Small and medium enterprises or SMEs are the largest group of businesses in the Asia and the Pacific region. They represent over 97% of all enterprises in the region and employ over half of the workforce. Hence, when disasters strike, it is the SME sector that is often most seriously affected. In Thailand, 90% of the damage and losses incurred due to the 2011 floods was borne by the private sector, particularly the manufacturing sector. Similarly, in the Philippines, more than 90% of the damage and losses from Typhoon Yolanda in 2013 was felt by the private sector, including manufacturers, service providers, cottage industries, and informal businesses.

Disruption in the operations of SMEs affects not only the SMEs but also their employees, their host communities, the other businesses that depend on them, and ultimately, the economy of the country. The impact of disasters on private businesses includes destruction of property and equipment, damage to stocks, loss of revenue due to business interruption, increases in operational cost, and the occurrence of other unexpected expenses. Disasters can affect the long-term economic sustainability of a business, potentially resulting in loss in market share due to the transfer of clients to competitors, the movement of skilled workers, and severed connectivity with suppliers and retailers. Disasters can

¹ ADB. 2016. *Promoting Sustainable Development through Disaster Risk Management*. Manila.

also result in loss of livelihoods while SMEs are recovering, with adverse consequences for dependent households.

In the aftermath of Typhoon Yolanda, only 40% of SMEs were able to resume operations after three months. Until now, many of the affected businesses have remained semi-operational and are still recovering from the impacts of the typhoon. For example, around 33 million coconut trees were reported to have been damaged by the typhoon. This means that the coconut industry will need about 6 to 7 years to recover.

II. What Can We Do

In order for SMEs to achieve sustainability and resilience, we need to enhance their capacities. We need to provide them with tools to help them better manage disaster risk. We need to educate and assist SMEs in adopting disaster risk reduction measures. While access to financing is extremely valuable to SMEs after a disaster, if SMEs continue to be located in hazard prone areas, if disaster risk considerations are not factored in their business plans, if their supply chains are not resilient to disasters, it will only be a continuous cycle of debt for them.

The key challenges for businesses is to reduce the risk they face from impacts of disasters and when a disaster strikes, how to revive economic activity relate to (i) replacement and repair of damaged assets, and (ii) working capital to reverse and recover losses. A wide range of instruments is potentially available for this purpose, including contingency reserves; contingent loans; indemnity and parametric insurance tools, including property, crop, business interruption and sovereign cover.

By enhancing the knowledge of SMEs on how disaster risk considerations can be incorporated into their business decisions, SMEs can play a central role in strengthening a country's disaster resilience. At the same time, governments should be able to embed disaster risk considerations into legislation, policies and regulations, institutional set-up, and programs related to promoting SMEs, especially those supporting women-owned businesses. Governments should be able to design incentives for SMEs to invest in disaster risk reduction; and provide technical support to help SMEs assess risk, reduce risk and manage the residual risk from natural hazards.

III. Conclusion

The continuing trend of rising disaster losses point to one clear message: much greater action is required to help strengthen the disaster resilience of SMEs. Action to assess risk, to reduce risk and to ensure that residual risk is managed as efficiently as possible. It requires commitments of finance, know-how, and human resources on the part of governments, the private sector, civil society, and the international community in a wide array of, legislative, regulatory, policy, planning, institutional, financial and capacity-building instruments and mechanisms.

Given the supply chain network and economic interdependency in Asia and the Pacific, we need to strengthen regional disaster risk management partnerships. Planning for resilience needs to be a greater part of our development initiatives and investments. Given the impacts of natural hazards, leaders must give credibility to disaster risk management by legitimizing it as a major building block for sustainable development and resilient growth.

I urge the private sector to look at disaster risk management as an innovative and cost effective investment; and to make risk-informed investment decisions to achieve business sustainability and resilience.



Before I end, I would like to acknowledge the support from the Government of Canada through the Integrated Disaster Risk Management Fund being administered by ADB and the Government of Germany through its Global Initiative on Disaster Risk Management for partnering with ADB in providing a regional technical assistance to selected Southeast Asian countries to strengthen the disaster resilience of SMEs.

To all, let us use this forum to enhance knowledge sharing and better coordination among us to support SMEs in their efforts to effectively and efficiently integrate and implement disaster risk management practices in their investment decisions and business continuity management.

Thank you.