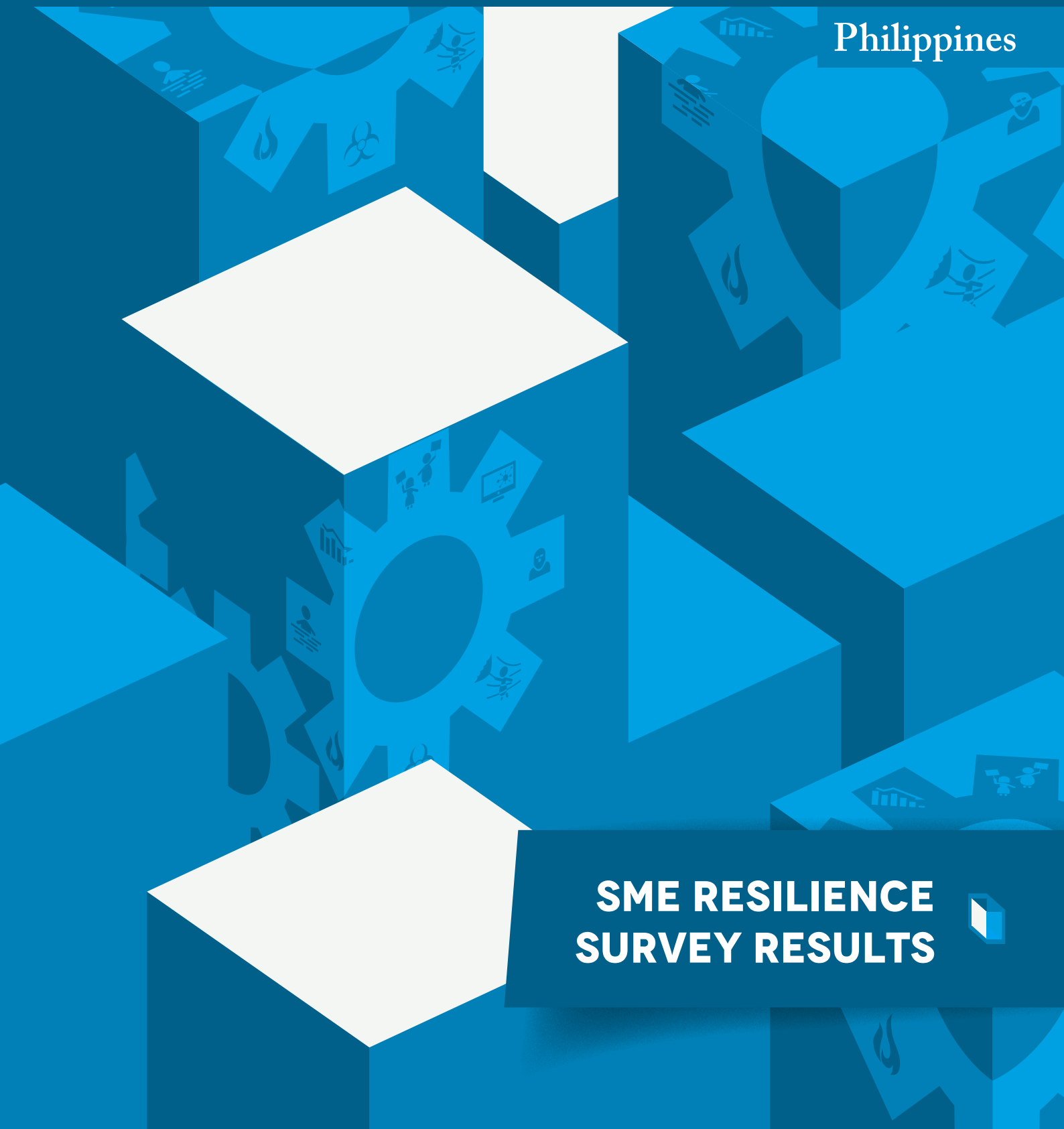
prepare BUSINESS

STRENGTHENING DISASTER AND CLIMATE RESILIENCE OF SMALL & MEDIUM ENTERPRISES IN ASIA

Philippines



SME RESILIENCE SURVEY RESULTS

The iPrepare Business facility for engaging the private sector in Disaster Risk Management is a joint initiative by the Asian Disaster Preparedness Center (ADPC), the Asian Development Bank (ADB) through the Integrated Disaster Risk Management (IDRM) Fund and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH within the framework of the Global Initiative on Disaster Risk Management (GIDRM). It focuses on building disaster-resilient businesses in the region through partnerships to strengthen the resilience of the private sector, particularly SMEs; providing technical assistance in strengthening resilience on a demand-driven basis; supporting governments in strengthening the enabling environment that promotes risk sensitive and informed investments by private sector; and facilitating knowledge sharing at the regional and national levels.

The Asian Disaster Preparedness Center (ADPC) is an independent regional non-profit organization that works to build the resilience of people, communities and institutions to disasters and climate change impacts in Asia-Pacific. Over the past 30-years, ADPC has expanded its scope and diversified its operations for a programmatic approach that offers long-term and sustainable solutions to addressing the underlying causes of disasters and climate change risks.

The Asian Development Bank (ADB) is a multilateral development finance institution dedicated to reducing poverty in Asia and the Pacific. ADB assists its members, and partners, by providing loans, technical assistance, grants, guarantees, and equity investments to promote social and economic development. With support from the Government of Canada, ADB established the Integrated Disaster Risk Management (IDRM) Fund in 2013, to assist the development of proactive IDRM solutions on a regional basis within ADB's developing member countries in Southeast Asia, including Cambodia, Indonesia, Laos, Myanmar, Philippines, Thailand and Viet Nam. The Fund provides a strong mechanism for supporting ex ante investment in IDRM and complements the existing financing modalities of ADB for supporting ex post relief and recovery activities.

In order to respond more effectively to the global challenges posed by disaster risks, the German Government, led by the Federal Ministry for Economic Cooperation and Development (BMZ), has founded the Global Initiative on Disaster Risk Management (GIDRM). The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ GmbH) has been commissioned to manage the GIDRM. The aim of the Global Initiative is to bring together German and regional experts from the public and private sectors, civil society and the academic and research community, to facilitate mutual learning across national boundaries as well as to develop and pilot innovative disaster risk management solutions. The Global Initiative focuses on three priority areas including Disaster Response Preparedness and Civil Protection; Critical Infrastructure and Risk-sensitive Economic Cycles; and Early Warning Systems.

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This survey report was prepared by Ross de Leon, ADB National Consultant, with editorial and technical support from Glenn Fernandez, ADPC, and Mary Picard, ADB International Consultant.

Executive Summary

Disaster occurrences cause losses and disruption in business operations among small and medium enterprises. The iPrepare Business facility intends to address this through the Strengthening the Disaster Resilience of Small and Medium Enterprises in Asia Project. One of the activities under the project is conducting of a survey among SMEs to understand the state of their disaster resilience, including capacity gaps and needs. Specifically, the survey covered questions risk exposure, experiences from previous disaster, Business Continuity Plan adoption, incentives and training needs. A total of 513 enterprises responded to the survey which was done through email, Survey Monkey, mail and events.

The results of the survey indicate that actual disaster experiences that have impacted their business operation influence the perception of SMEs on the potential occurrences of hazards. Considering this, past disaster experiences can be used in awareness campaigns to promote SME disaster resiliency. The survey findings show the need to raise awareness particularly in Business Continuity Planning (BCP). While there are recent efforts from government to promote BCP, these have to be intensified and expanded to reach wider stakeholders. The possibility of providing support for BCP preparation and adoption must also be explored. This can be in the form of incentives such as tax credits and soft loans, or in the form of training. The results also point to the need for more coordinated initiatives in SME development and disaster risk reduction and management (DRRM). Most of the respondents had no previous DRRM-related training or written disaster preparedness plans. Access to formal risk financing for SMEs must also be enhanced. In terms of support, greater attention to micro enterprises should be considered since they were the respondents reporting the longest period business of disruption, no disaster preparedness plan and no existing formal risk financing mechanisms.

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Project Background

The "Strengthening the Disaster Resilience of Small and Medium Enterprises in Asia" Project is being implemented by the iPrepare Business facility. It is supported by the Asian Development Bank's Integrated Disaster Risk Management Fund, financed by the Government of Canada, and the German Ministry for Economic Development and Cooperation (BMZ) through the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) within the framework of the Global Initiative on Disaster Risk Management (GIDRM). The Project covers the countries of Indonesia, the Philippines, Thailand, and Vietnam. It aims to build disaster-resilient enterprises by: 1) identifying actions to strengthen resilience of SMEs; 2) providing technical assistance in strengthening resilience to selected SMEs on a demand-driven basis; 3) supporting governments in strengthening the enabling environment that promotes risk sensitive and informed investments by SMEs; and 4) facilitating knowledge sharing at the regional level.

In the Philippines, ADPC works with partners from the government and private sector in project implementation. The main government partner is the Department of Trade and Industry (DTI), particularly the Bureau of Small and Medium Enterprise Development (BSMED). Other DTI offices involved are the Philippine Trade Training Center (PTTC), Resource Generation and Management Services, and DTI Regional and Provincial Offices. Partner government financing institutions include the Land Bank of the Philippines, Development Bank of the Philippines, and the Small Business Corporation. Private sector partners are the Philippine Chamber of Commerce and Industries (PCCI) and the Philippine Disaster Resilience Foundation (PDRF). These partners provide inputs in tailoring the project activities to the Philippine setting and act as a consultative group for the project, as well as assisting in different aspects of project implementation.

SME Survey and Methodology

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Purpose of the Survey

One of the project components is the conducting of a survey on SME resilience. The survey aims to gather information that will contribute to a deeper understanding of the current state of disaster resilience amongst SMEs. It also aims to assess the status of the adoption of Business Continuity Plans (BCP) among SMEs and to identify capacity gaps and training needs. Aside from gathering information, the survey is also meant as an advocacy tool to encourage reflection and self-assessment amongst the survey respondents about the various risks they face, their preparedness plans, and their current and intended future level of disaster resilience. The survey findings will serve as inputs in the formulation of a national roadmap for strengthening SME resilience and identification of good practices that will be showcased in the Business Forum on Risk Reduction and Resilience Building in February 2016.

Survey Questions

The survey questions were grouped into seven parts.

Part 1	Basic information about the survey respondent
Part 2	Risk exposure and previous disaster experience
Part 3	BCP adoption
Part 4	Incentives and training needs
Part 5	Additional DRR information
Part 6	Contact information
Part 7	BCP implementation

The first set of questions sought basic information about the business operations of the respondents, such as type of the business, gender of owner, year of establishment, location, number of employees and value of assets. These questions make it possible to classify the respondents according to sector and enterprise size (i.e., micro, small, medium, or large). Then, there were questions about perceptions of risk exposure and actual disaster experiences. The intent was to identify which among the many potential natural and human-made hazards are of concern to SMEs, including those which have actually affected them in the past including the extent of damages and how it impacted their businesses. The next category of questions sought to assess the status of BCP adoption and implementation by identifying by respondents. The questions also solicited inputs from respondents on what government can do to promote BCP amongst SMEs. The last group of questions dealt with existing risk reduction measures, previous relevant training and current training needs. These provide additional information on the level of resilience of respondents and their capacity to the mitigate impacts of future disasters.

Survey Respondents

The survey was conducted through four modes with the help of project partners. The respondents were reached through email, Survey Monkey and at events like conferences, trainings and seminars. A total of 513 enterprises responded to the survey, coming from the following sources: email, 31%; Survey Monkey, 28%; mail 23%; and events 18%.

There was also a conscious effort to get representation across the country. To do this, DTI regional and provincial offices provided assistance in order to gather respondents from different parts of the country. Out of the 18 regions, 17 are represented. There is no respondent from the Autonomous Region of Muslim Mindanao (ARMM). The majority of respondents came from Cordillera Autonomous Region (CAR), National Capital Region (NCR) and Region V.[1]

Figure 2 shows the number of respondents according to sector. Most of the of the respondents came from the sectors of manufacturing, wholesale and retail, agriculture, forestry and fishery, and food service activities.

1 There are 18 regions in the Philippines. Out of these, 8 are in Luzon: CAR, NCR, Regions I, II, III, IV-A, IV-B, V. Visayas includes Regions VI, VII, VIII and NIR. Mindanao has Regions IX, X, XI, XII, XIII, and ARMM.

Figure 1 Geographic distribution of respondents according to region.

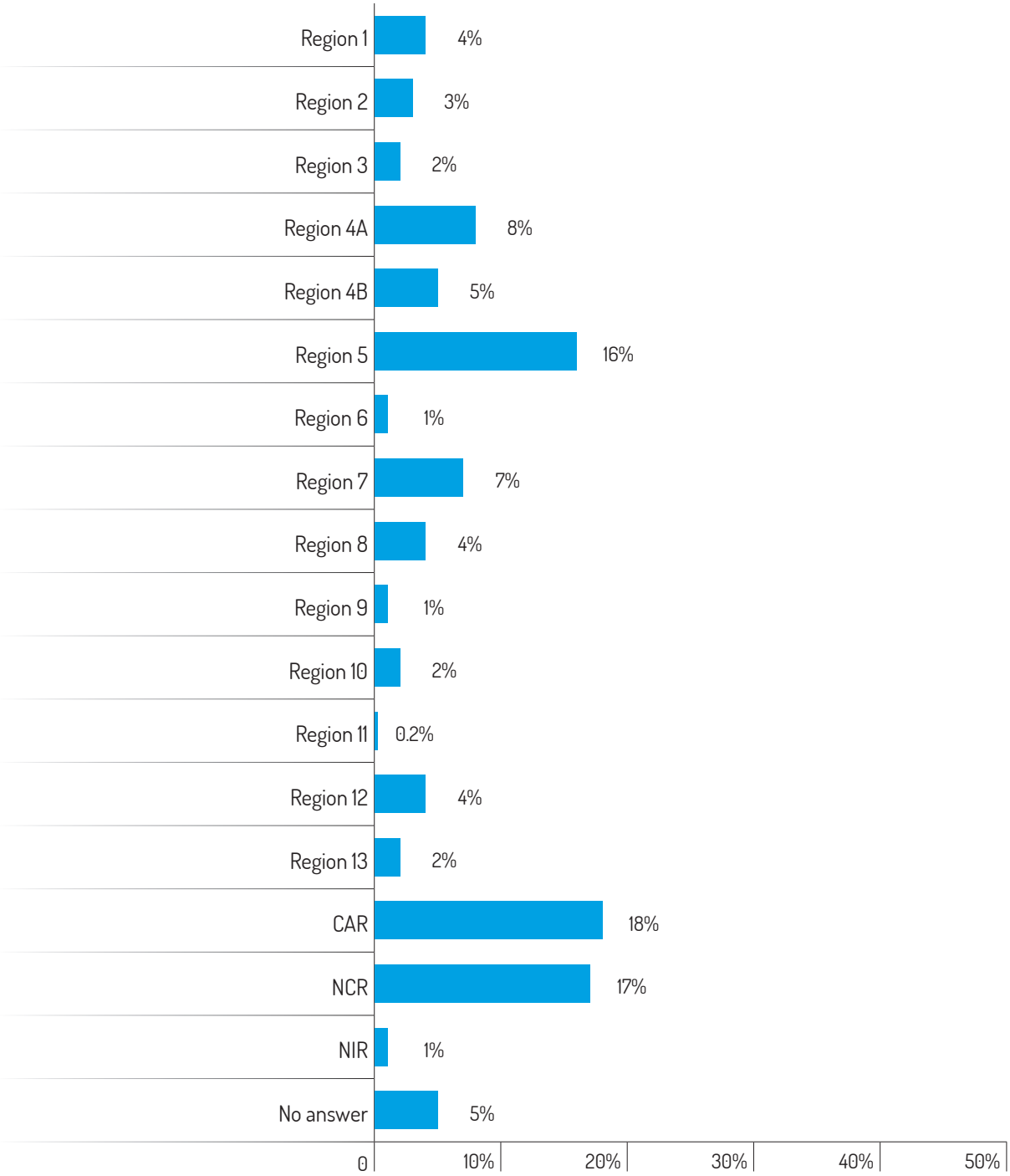
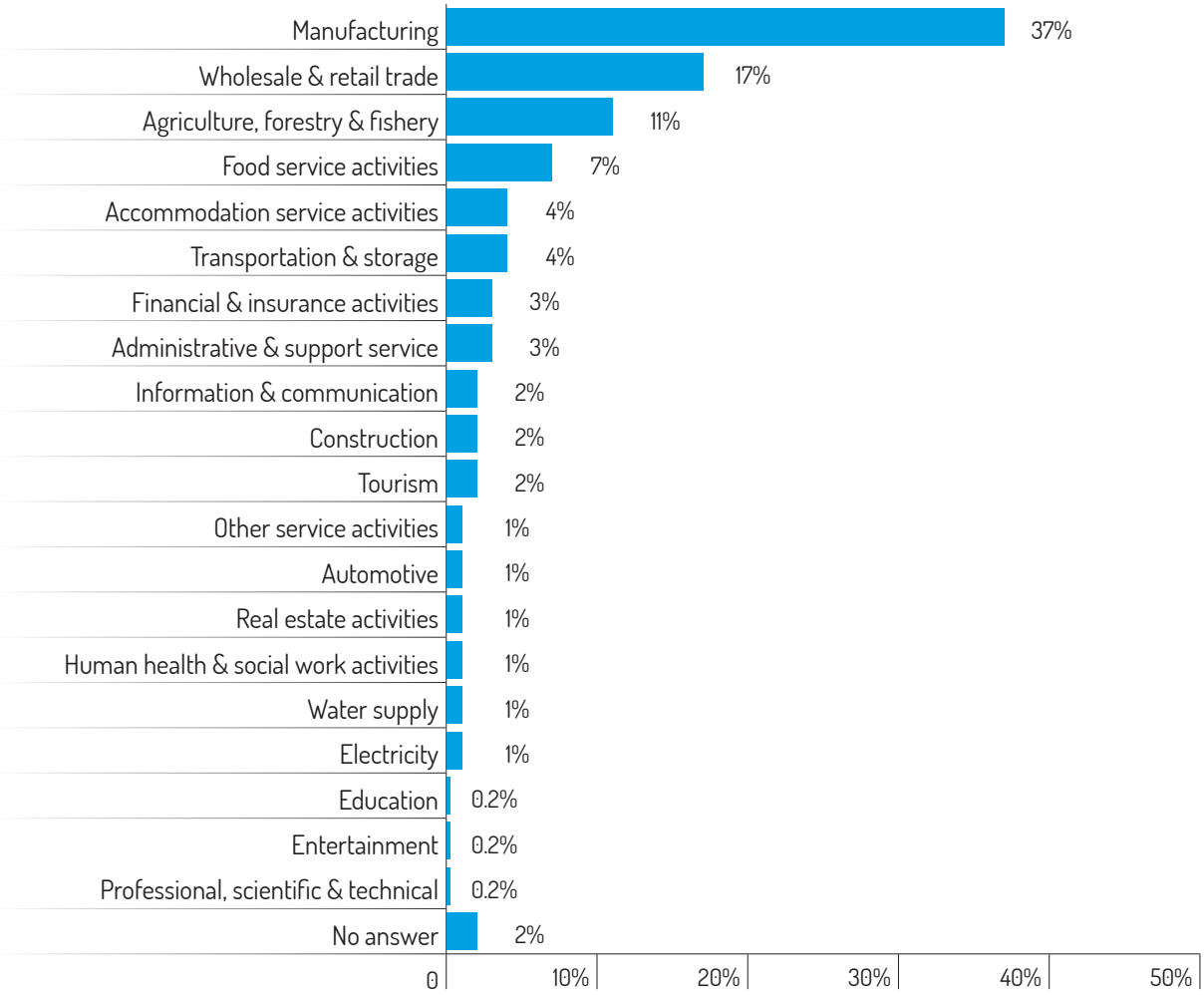
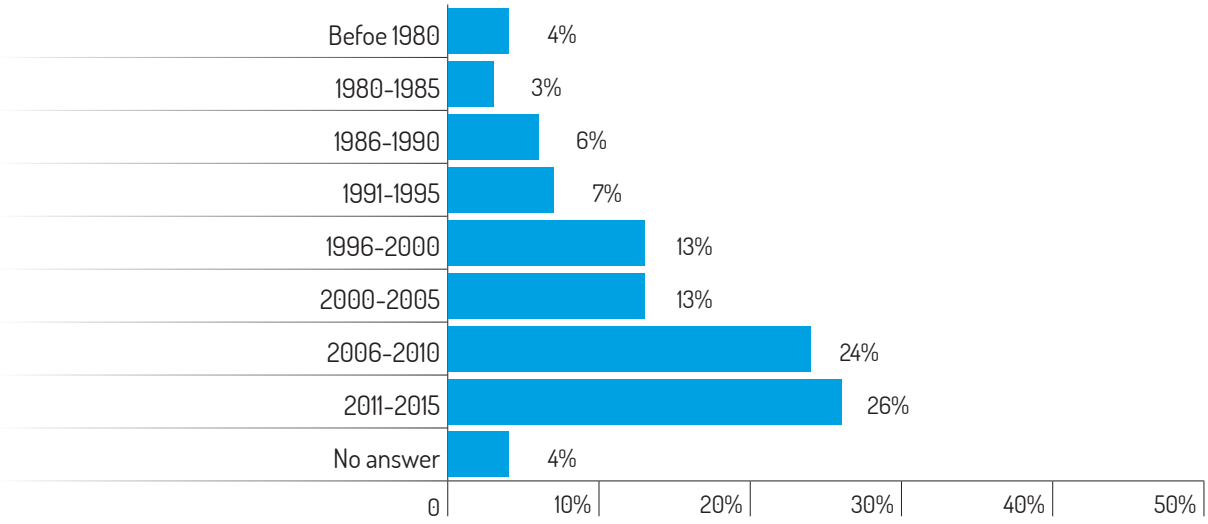


Figure 2 Distribution of respondents according to industry



In terms of year of establishment, most of the enterprises surveyed commenced between 2006 - 2015. Around 4% were established before 1980.

Figure 3 Distribution of respondents according to year of establishment



There was a balanced distribution of respondents in terms of gender (men 48%, women 51%, no answer 1%)

In terms of enterprise size, the respondents can be categorized according to either number of employees or asset value. Figure 4, immediately below, shows the summary of classification of enterprise size according to the number of employees and Figure 5 shows the classification according to asset value. In terms of number of employees and asset value, a 65% majority of the respondents were micro-enterprises, with 25% being small, 4% medium and 5% large.

Figure 4 Distribution of respondents according to number of employees

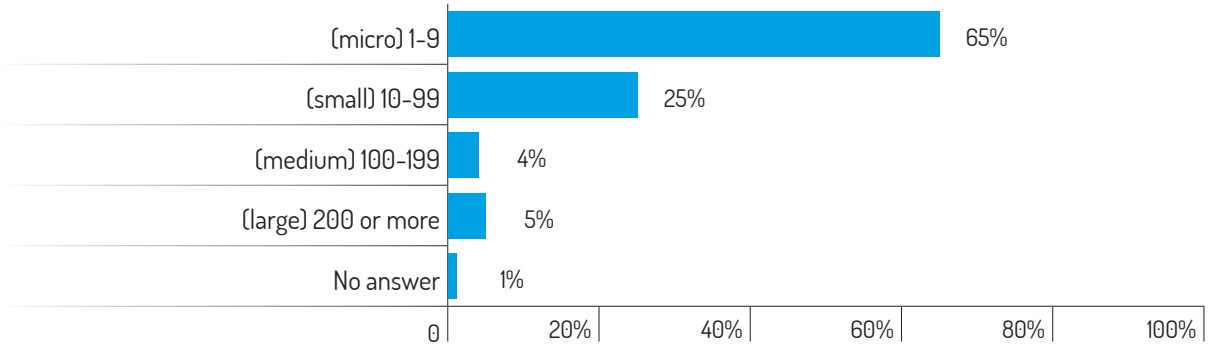
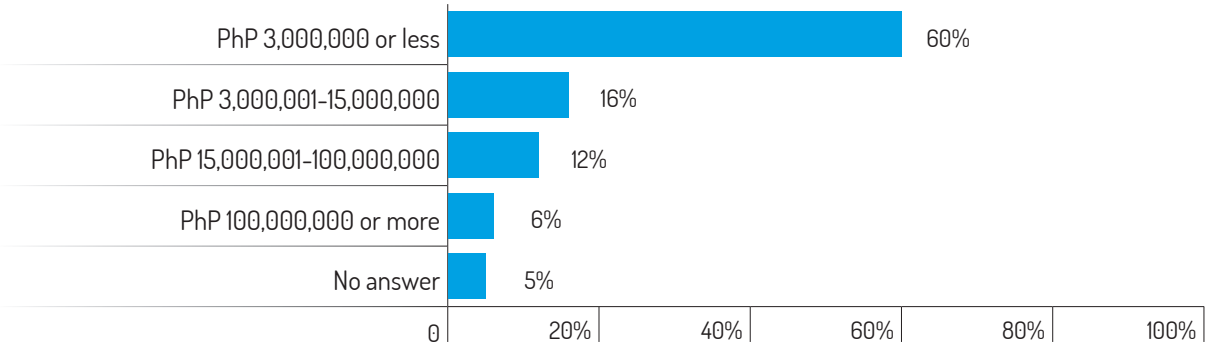


Figure 5 Distribution of respondents according to asset value



Comparing the above figures on distribution of respondents against the national figures, it is not surprising that micro enterprises have the highest representation in the survey sample.[2] The 2012 national SME statistics show that micro enterprises overwhelmingly dominate the MSMEs in the country, accounting for 89.78% of national total. Small enterprises account for 9.78% and medium for 0.44% (Source: SME statistics, DTI). Proportionally, the sample actually represents more small, medium and large enterprises than the statistical average.

2 Republic Act No.9501, Magna Carta for Micro, Small and Medium Enterprises categorizes enterprises as: (a)micro, with P3,000,000 or less worth of assets; (b) small, with P3,000,001-P15,000,000 assets; and (c) medium, with P15,000,001 –P100,000,000 assets. Enterprises with more than P100,000,000 asset value are categorized as large.

Findings

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Risk Exposure and Previous Disaster Experience

On the hazards that can potentially affect their business, the top six responses were typhoon, power blackout, fire, flood, accidents and earthquake. Four of these are natural hazards and the other two are technological hazards, although power blackouts in particular are often a consequence of natural hazards like typhoons, and these effects can last well beyond the event that caused them, affecting business activity. Based on these responses, the survey respondents perceive natural hazards as a very major risk for business disruption.

The distribution of respondents who consider typhoon a threat is shown in Figure 7. Regions V, CAR and NCR, where most of the respondents are from, are also the top sources of the answer: typhoon. This results typifies the typhoon tracks in the country which often hits Luzon (Regions I, II, III, IVA, IVB, V, CAR and NCR). There are least typhoon responses from Mindanao (Regions XII and XIII) with 2.4%. Mindanao, being the part of the country closest to the equator, is also the area least visited by typhoon.[3] Visayas (Regions VI, VII, VIII and NIR), the middle part of the country, accounted for 15%. From these it can be inferred that actual experiences contribute to how respondents identify potential risk.

3 Other Hazards* refers to the following hazards which got rating of 2% or less: Terrorism (2%); Lightning (2%); Foreign currency fluctuations (2%); Cyber attacks (2%); Tsunami (2%); Civil unrest (2%); Wildfire (1%); Volcanic eruption (1%); and Tornado (1%)

Figure 6 Hazards that can potentially affect business operations[3]

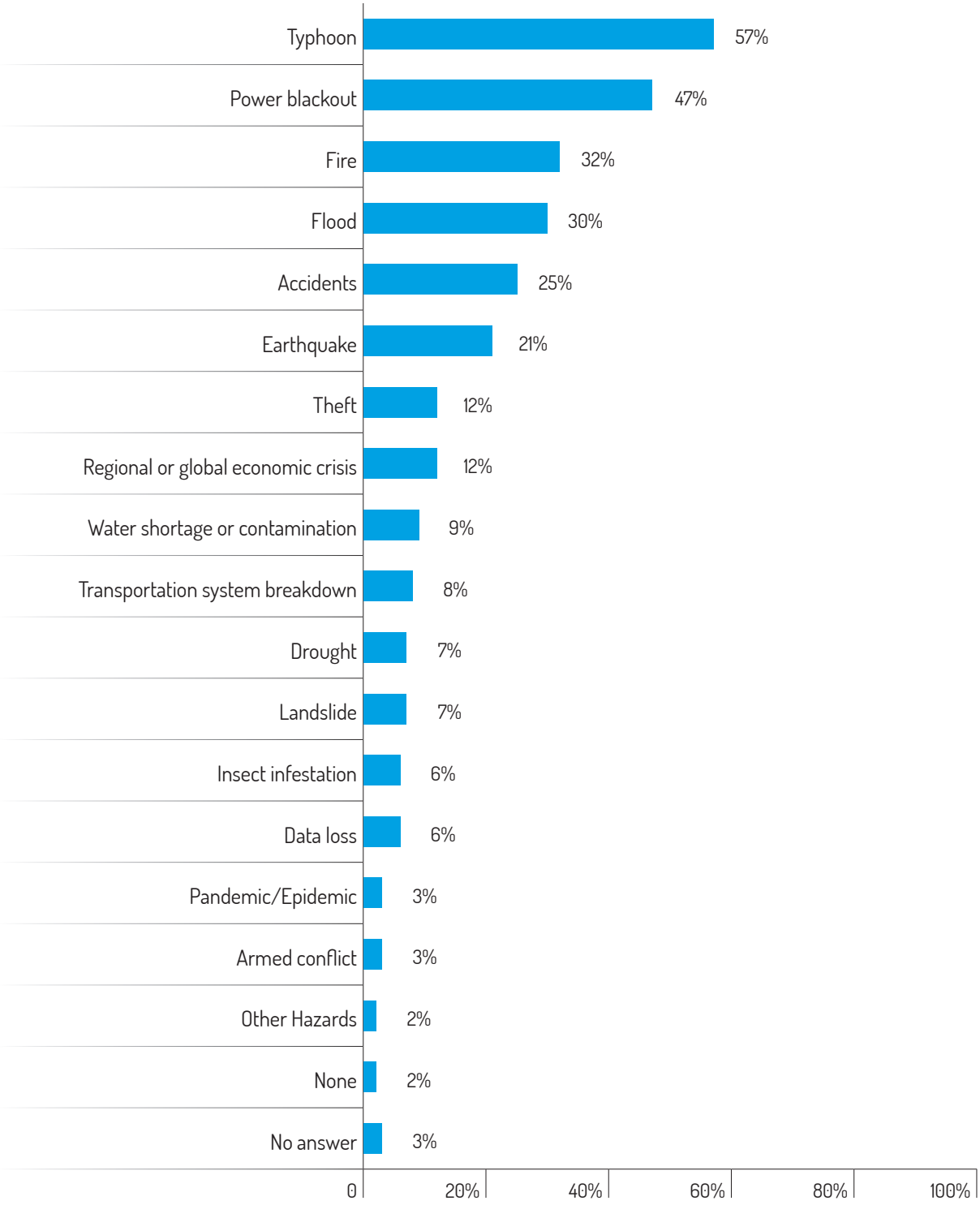
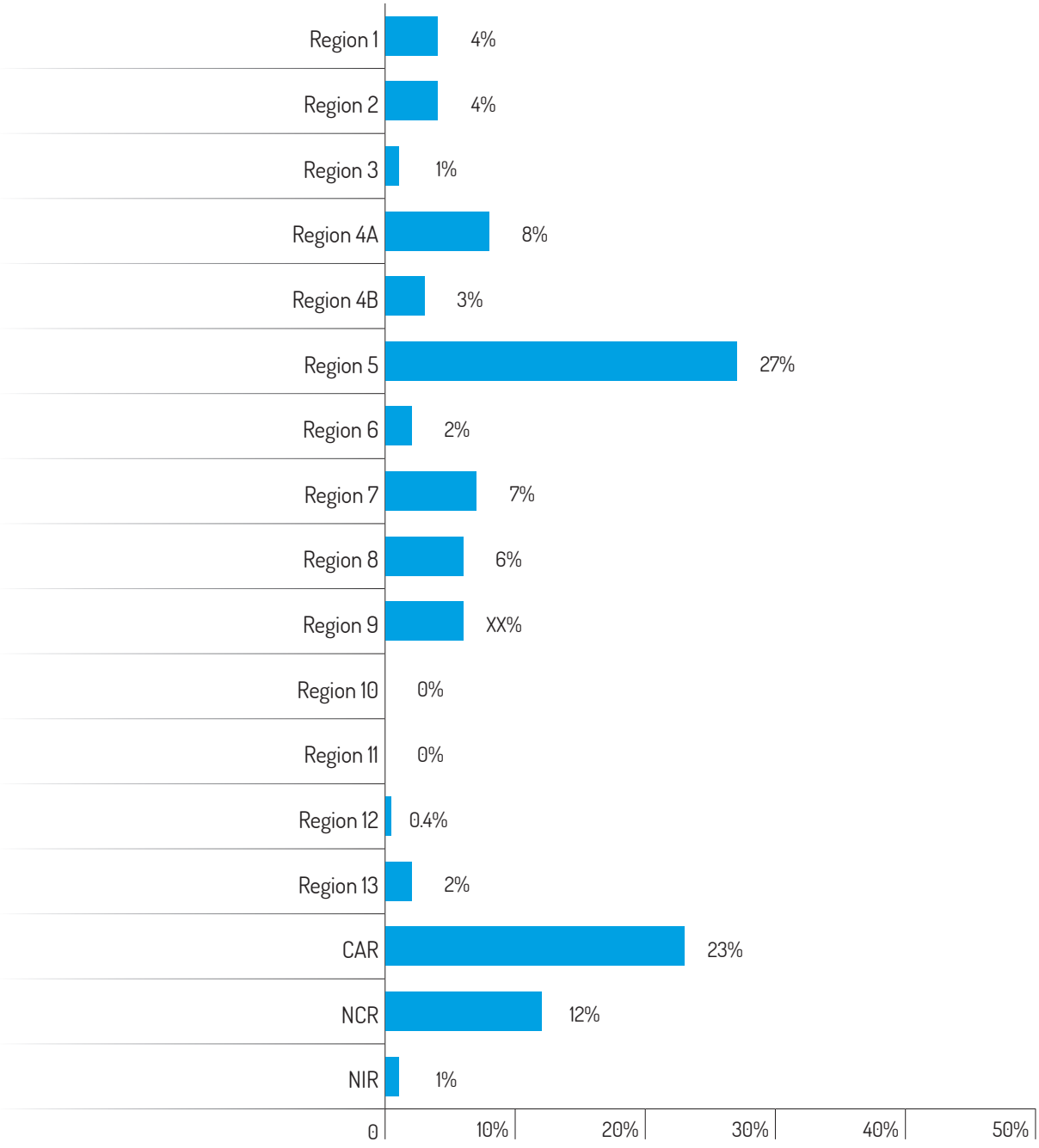
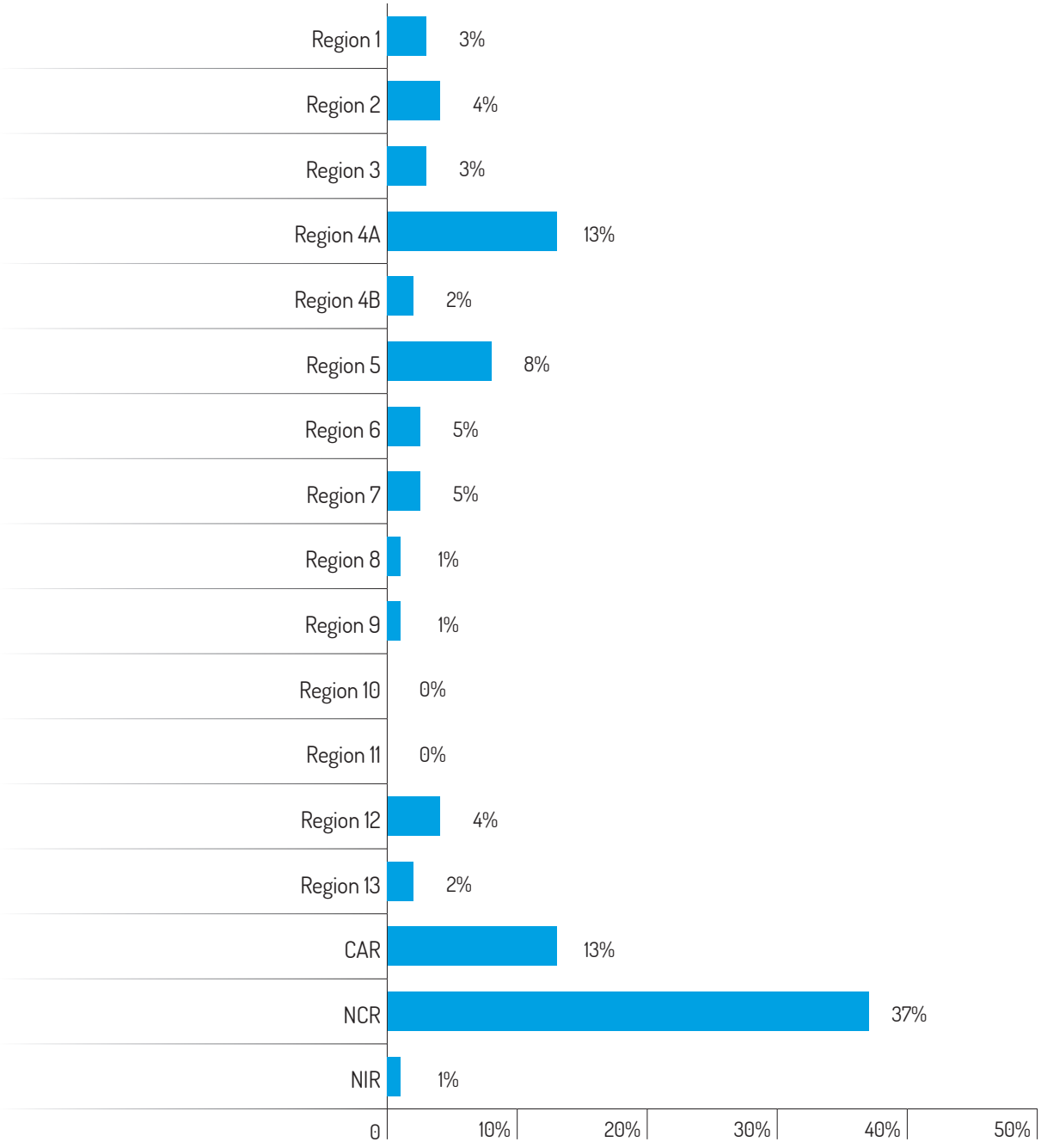


Figure 7 Regional distribution of respondents who answered typhoon as potential threat



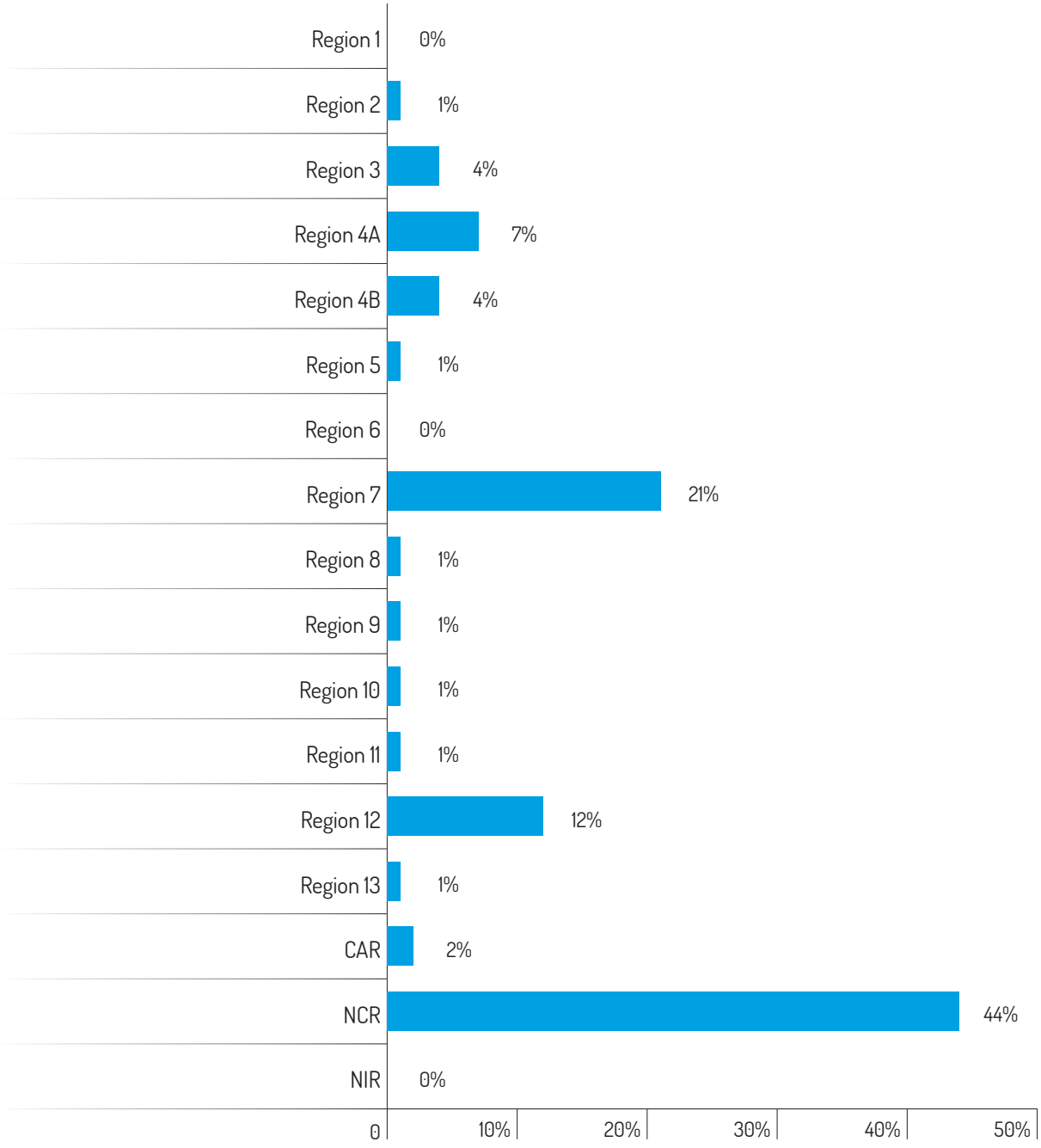
For flood, most of the responses came from establishments in the NCR. Some of the more massive flood events in NCR are those from Tropical Storm Ondoy in 2009 and southwest monsoon rains in 2012.

Figure 8 Regional distribution of respondents who answered flood as threat



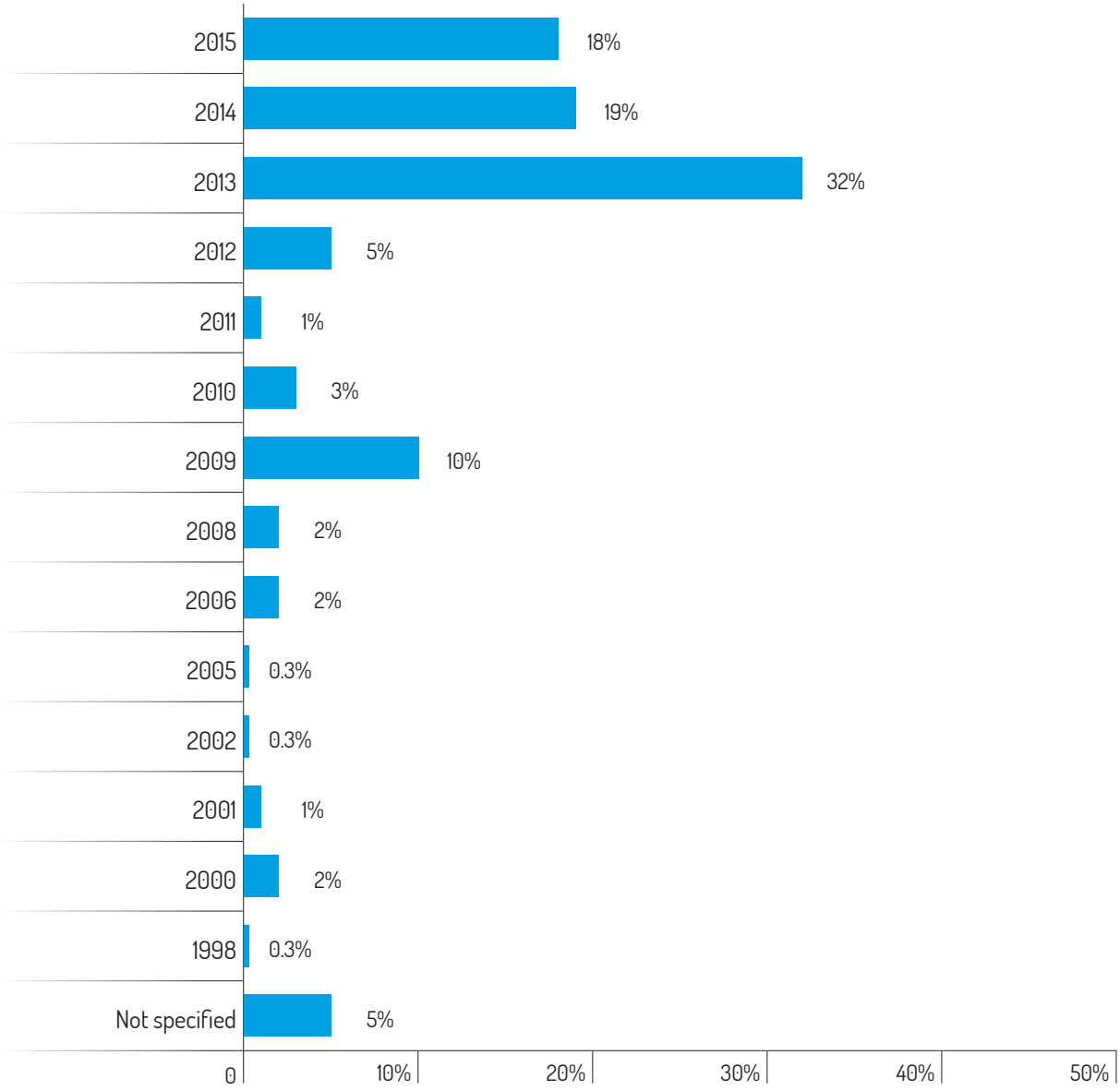
For earthquake NCR also accounts for most of the responses. The heightened awareness in the NCR for potential occurrence of a big earthquake may also be attributed to wide information campaigns and recently conducted earthquake drills. Region 7, which includes the provinces of Bohol and Cebu that were affected by the 2013 Earthquake, has the second most number of responses.

Figure 9 Regional distribution of respondents who answered flood as threat



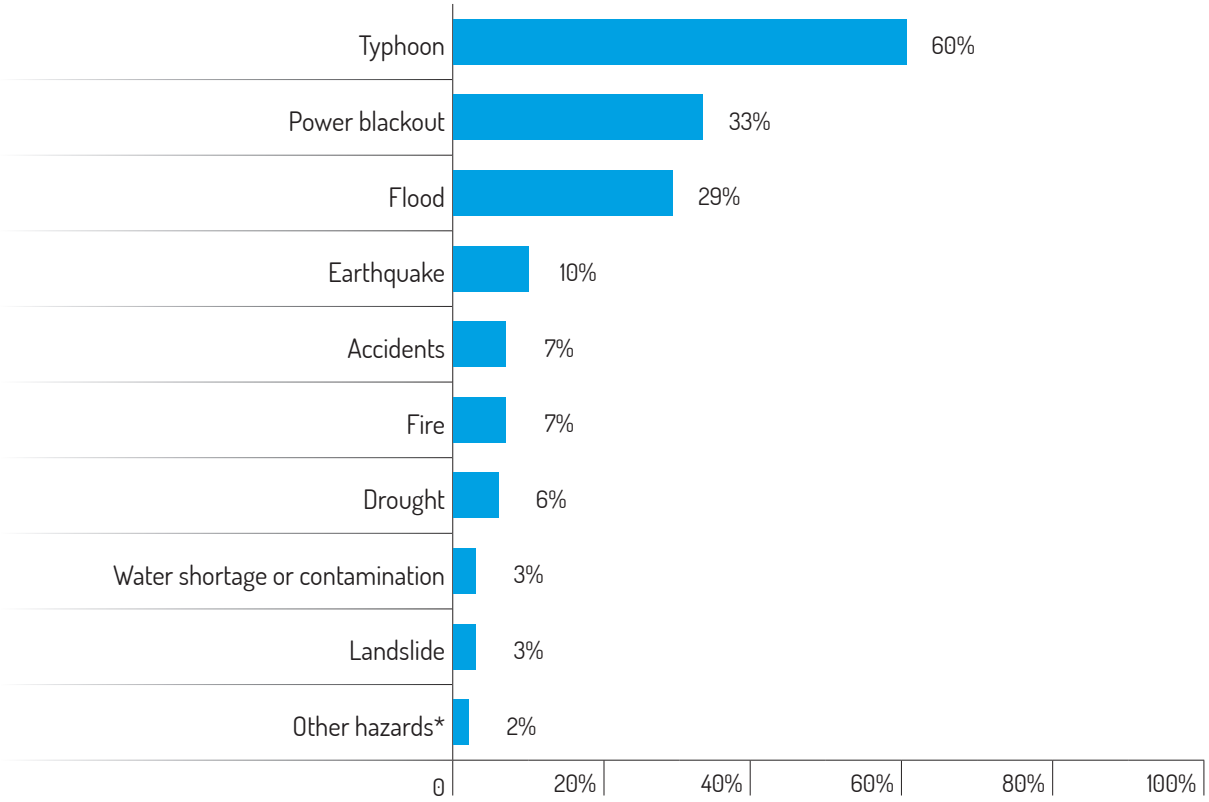
In the year when the last disruption in business occurred the top answer was 2013 with 32%. Based on record, there were 25 tropical storms/typhoons that passed the Philippine Area of Responsibility (PAR) in that year. The most notable was Typhoon Yolanda, which affected the Visayas. The Bohol earthquake also occurred in the same year. The next top answers were 2014 and 2015. For typhoon, which is the top response to cause of disruption, there were 19 tropical storms/typhoons that entered PAR in 2014 and 13 as of October 2015.

Figure 10 Year in which last major disruption to business operations occurred



On the hazards that have actually affected their operation in the past, the top answers are typhoon, power blackout, flood, earthquake, fire and accidents. These results show an overall consistency between the hazards that survey respondents fear will affect business continuity and the hazards to which they report being exposed. However, it is notable that concern about earthquakes is much higher than respondents' experience of them, suggesting that factors other than personal experience have impacted perceptions of risk. In this case the perception of earthquake risk could have been affected by public education and awareness campaigns focused on Manila following the 2015 Kathmandu Valley earthquake in Nepal.

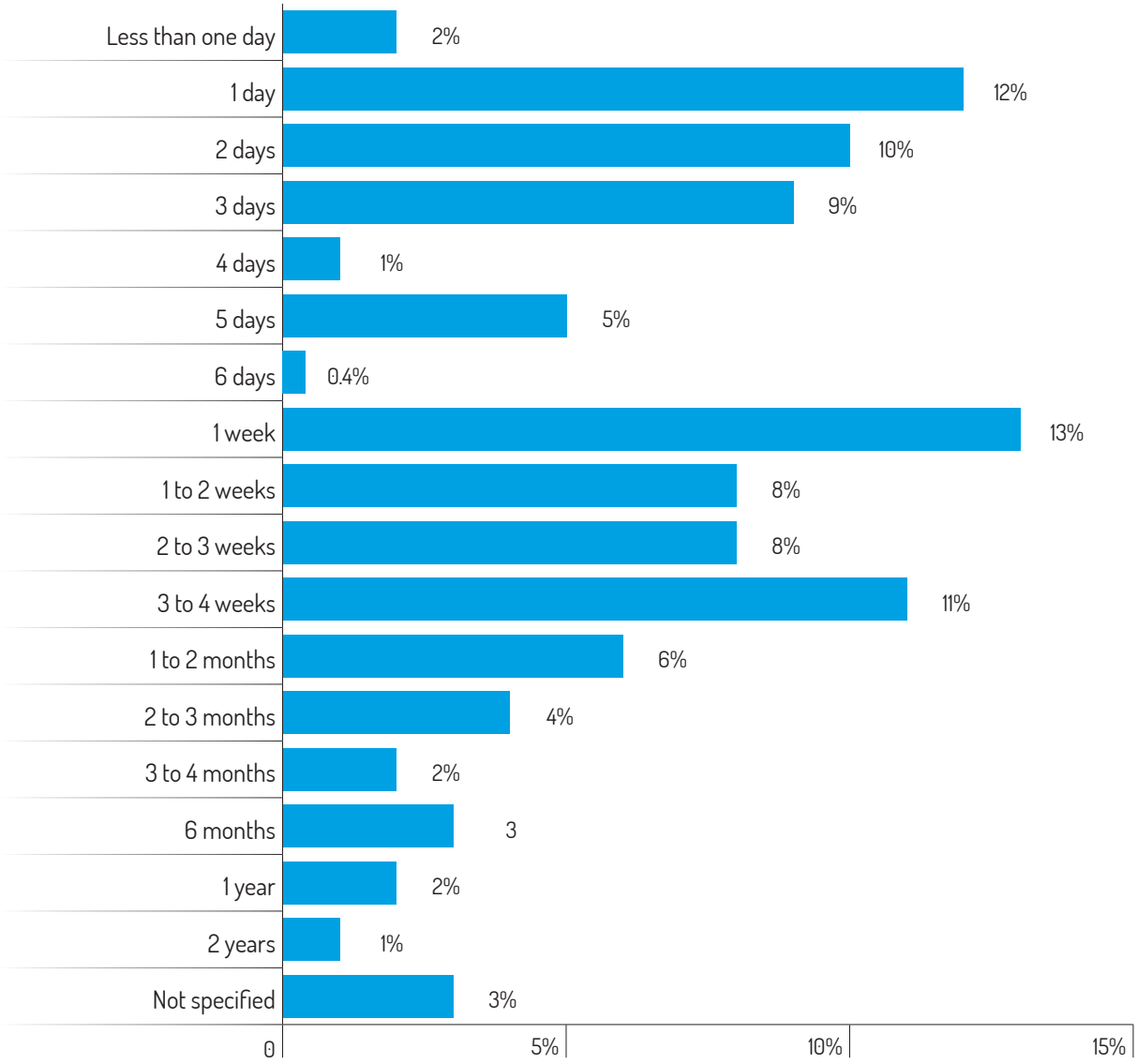
Figure 11 Hazard that caused the disruption experienced by survey respondents[4]



On the number of days they had to shut down or stop operations, a significant number of respondents did not provide any answer, while many indicated no days or not applicable. This suggests that, for many, disasters did not cause them to cease operating, even if, based on the previous question, they worked with reduced employee numbers and supply chain interruptions. For those who actually stopped operations the answers varied widely, from the top answer of 1 day or less, to the next most common answer of 16-30 days, with most reporting somewhere between these two extremes. However, a significant number – 28 - did report ceasing operation from between 31 to more than 90 days.

4 Other hazards* refers to the following hazards which got rating of 2% or less: Theft (2%); Data loss (2%); Transportation system breakdown (2%); Armed conflict (2%); Regional or Global crises (2%); Terrorism (1%); Lightning (1%); Insect infestation (1%); Civil unrest (1%); Pandemic/Epidemic (1%); Foreign currency fluctuation (1%) and Tornado (1%)

Figure 12 Period business operations stopped due to the disruption



For respondents that reported 1 week or less stoppage in operation due to disruption, the majority of these were micro enterprises with 54%. For those that reported more than a week to one month stoppage in operation due to disruption, 64% are also micro enterprises.

Micro enterprises dominate the respondents that reported more than one month stoppage in operation due to disruption. Specifically, micro enterprises comprise 71% and 86% of those who reported more than 1 month to 3 months and more than 3 months stoppage, respectively. From these figures it can be generalized that micro enterprises are more likely to have extended disruption period.

There are no medium and large enterprises that reported more than 3 months period of stoppage. These figure may be a reflection that larger enterprises (i.e., medium and large) are better able to recover from disruption in terms of resuming operations as compared to micro and small enterprises.

For respondents that reported more than one month stoppage in operation due to disruption, majority of the responses came from the manufacturing sector followed by agriculture, forestry and fishery, and wholesale retail trade.

Figure 13 Distribution of respondents that stopped business operation for more than three months according enterprise size

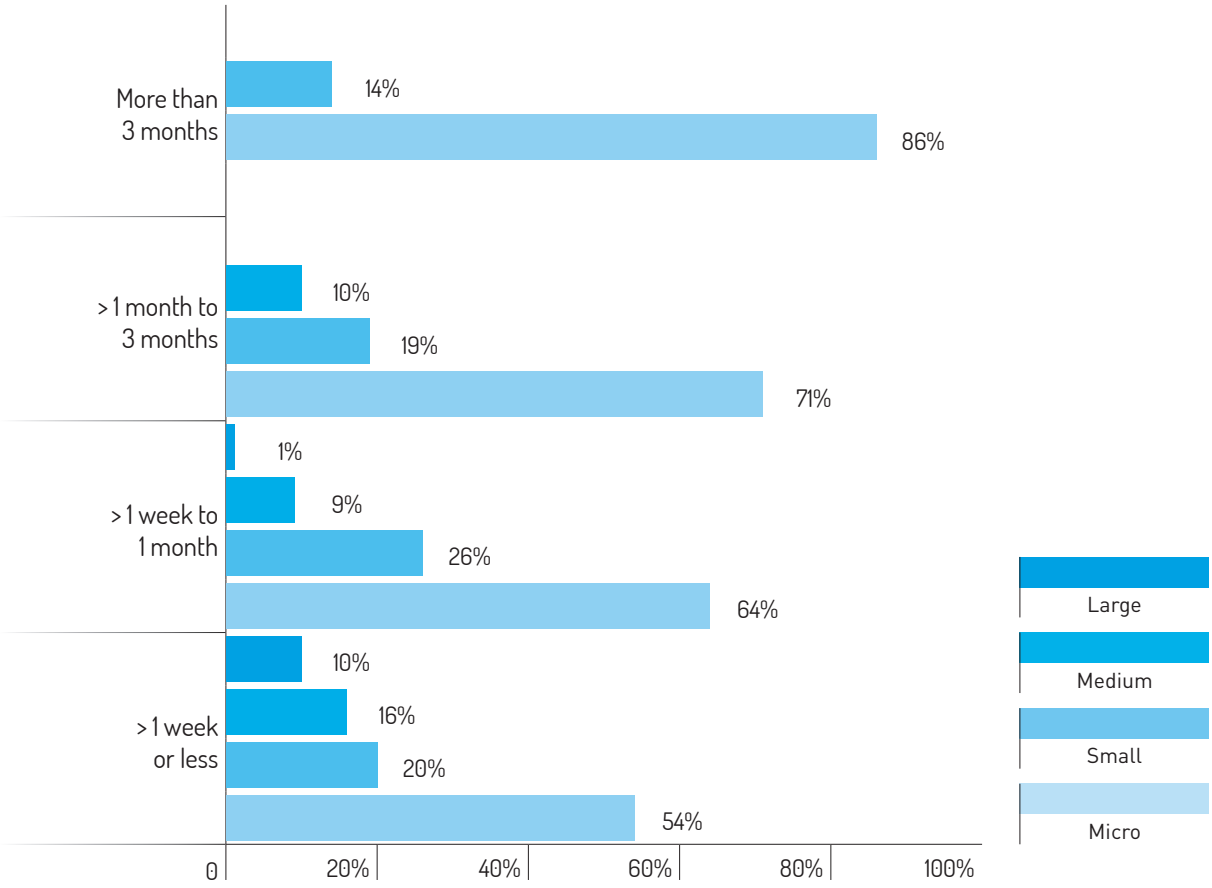


Figure 14 Distribution of respondents that stopped business operation for more than one month according industry

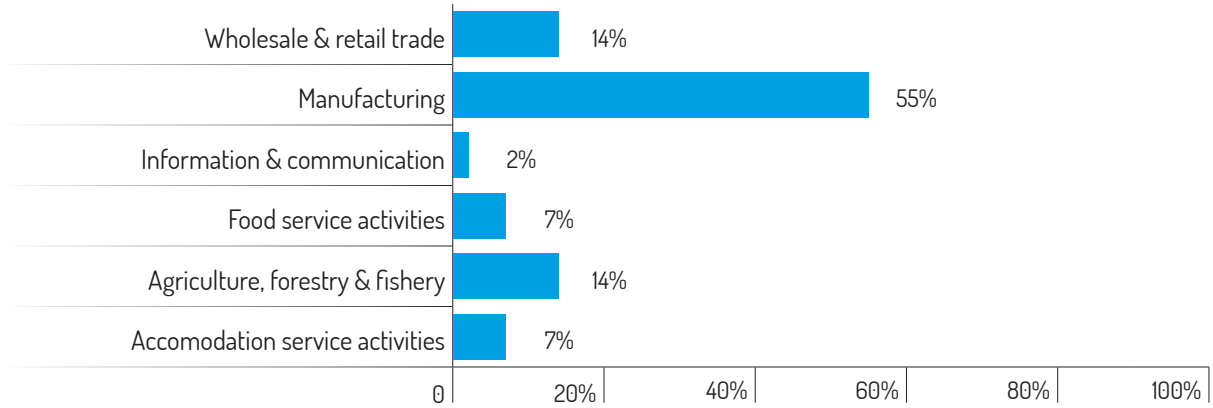
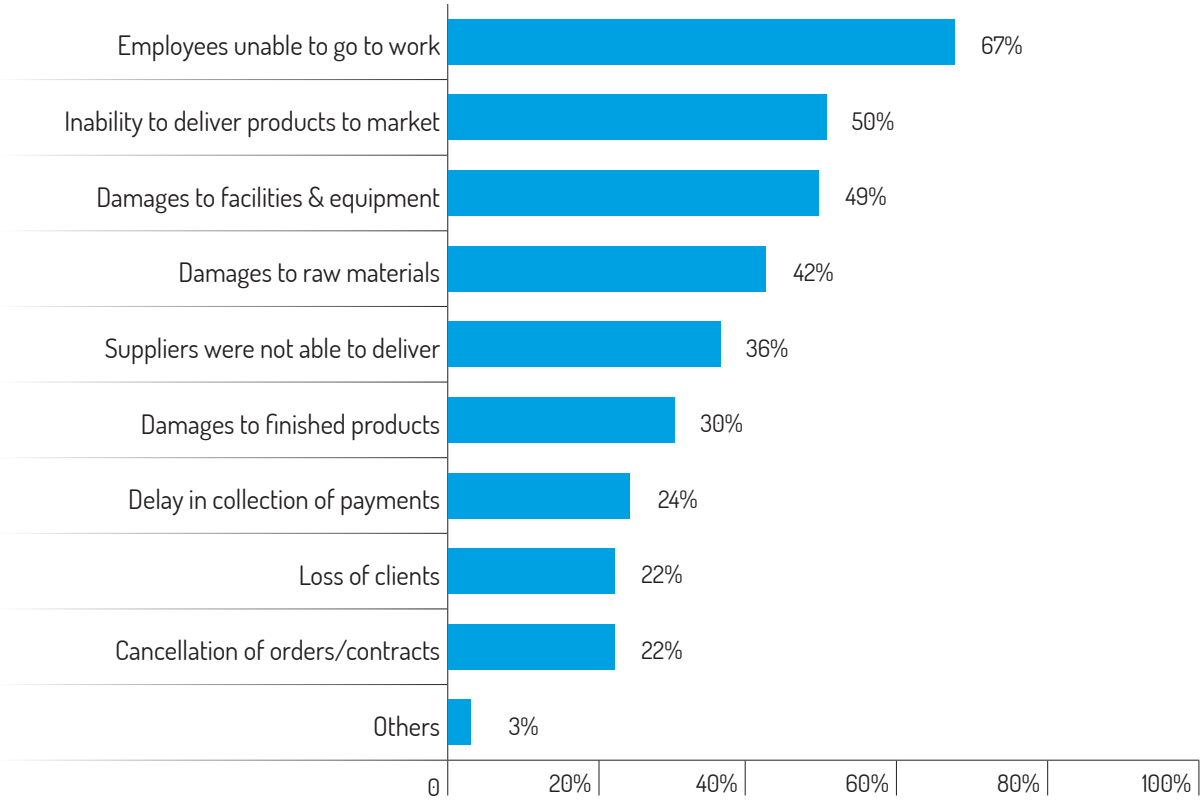


Figure 15 Disaster impacts on business (385 respondents)



In terms of how past disasters impacted their business, the top responses were: (1) employees were unable to go to work; (2) inability to deliver products to market/customers; and (3) damages to facilities and equipment. However, other impacts that rated highly were that raw materials and finished product were damaged, and that suppliers were unable to deliver materials or services. That is, in addition to the specific interruptions to production or service delivery during the worst period of past disasters, respondents reported significant interruptions in the supply chain to their businesses, and from their businesses to their markets.

In terms of the cost of damage caused by previous hazards, the top response overall was below P50,000. This possibly reflects that most of the respondents were micro-enterprises with relatively lower value assets.

5 The enterprises were categorized according to asset value: (a)micro, with P3,000,000 or less worth of assets; (b) small, with P3,000,001-P15,000,000 assets; (c) medium, with P15,000,001 –P100,000,000 assets; and (d) large, more than P100,000,000 asset value.

Figure 16 Cost of damages caused by previous hazards

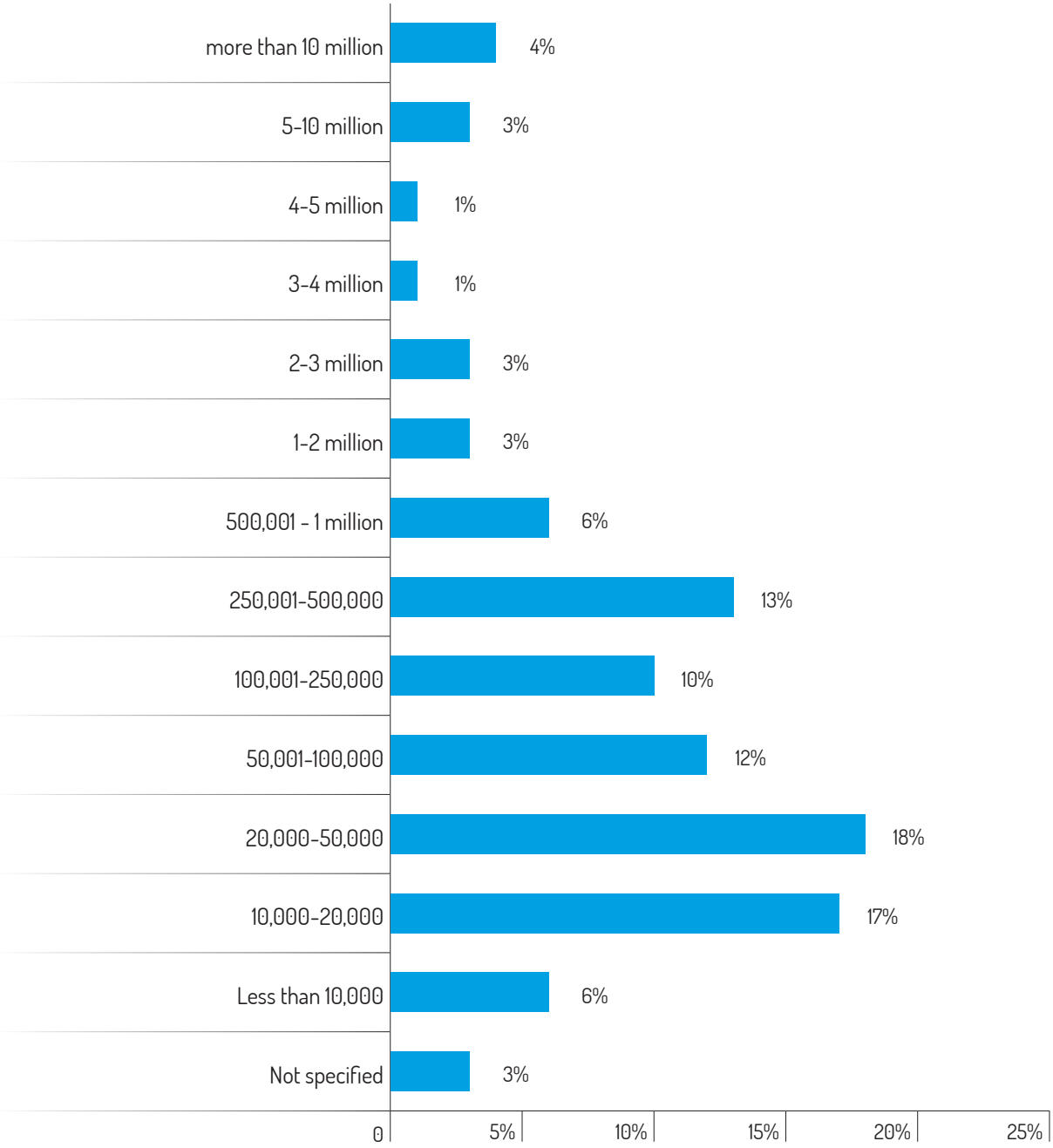


Figure 17 Cost of damages according to enterprise size[5]

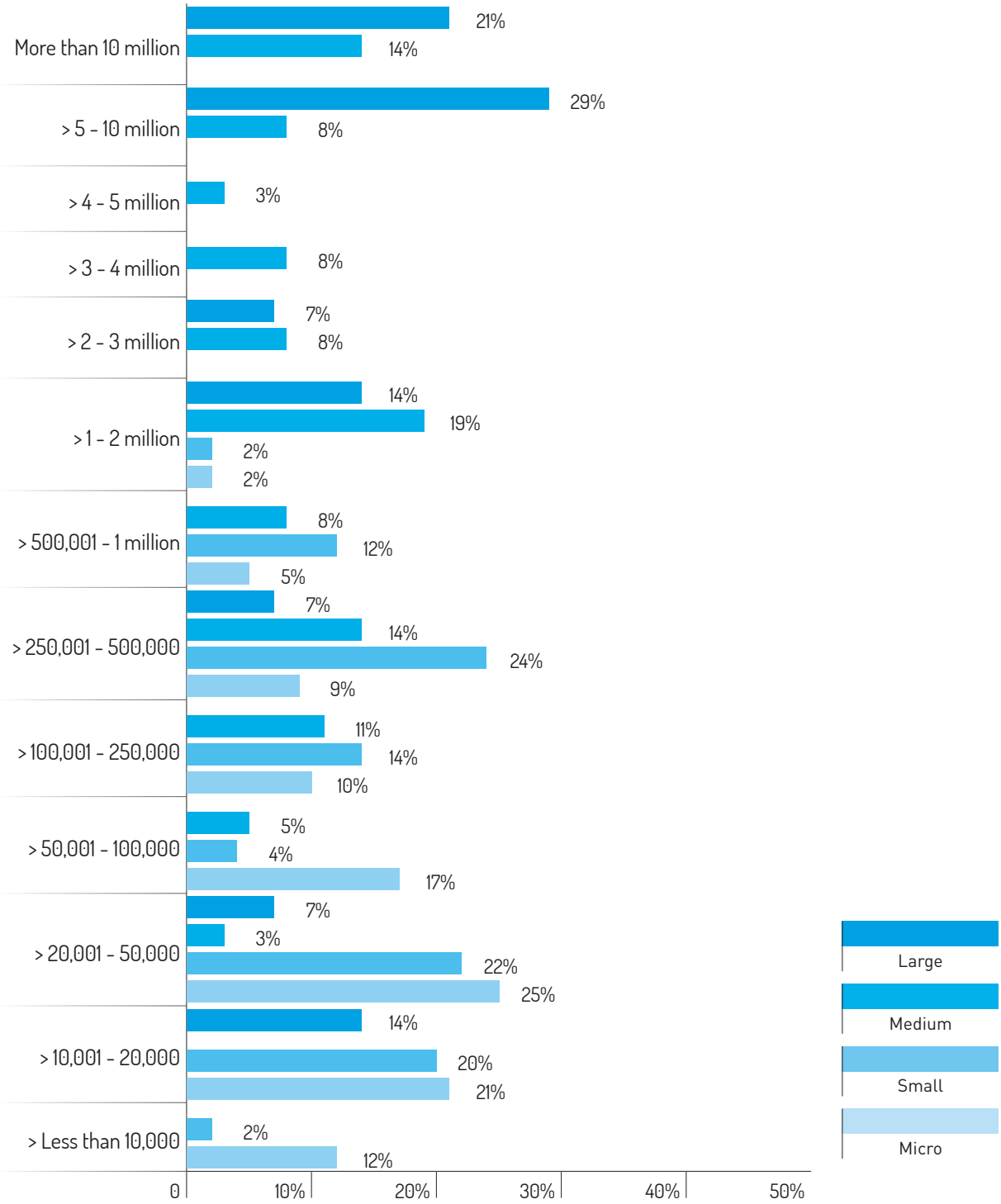


Figure 18 Cost of damages by previous hazards among micro enterprises

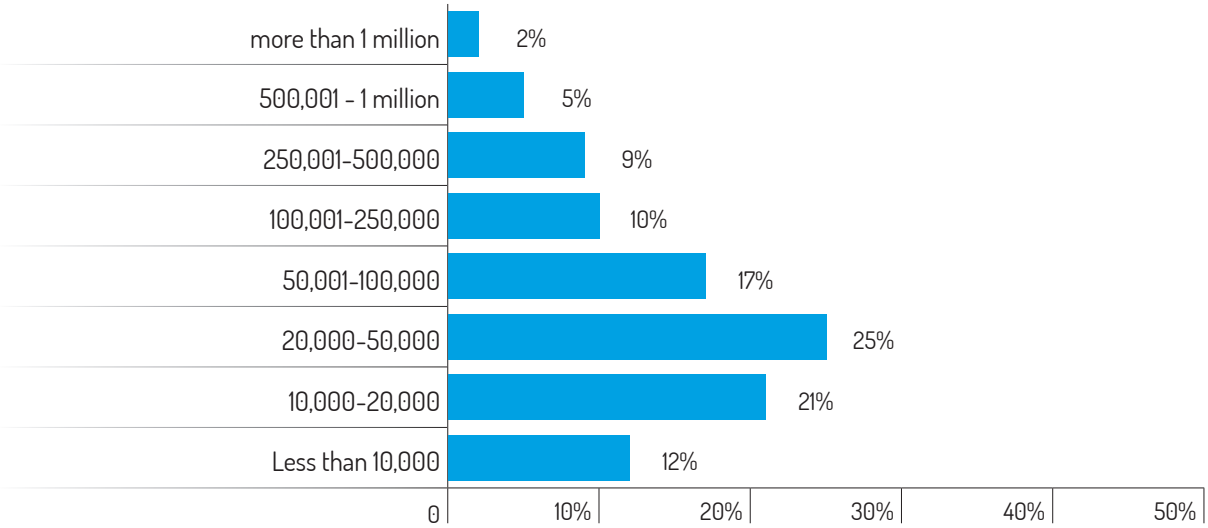


Figure 19 Distribution of respondents according to industry

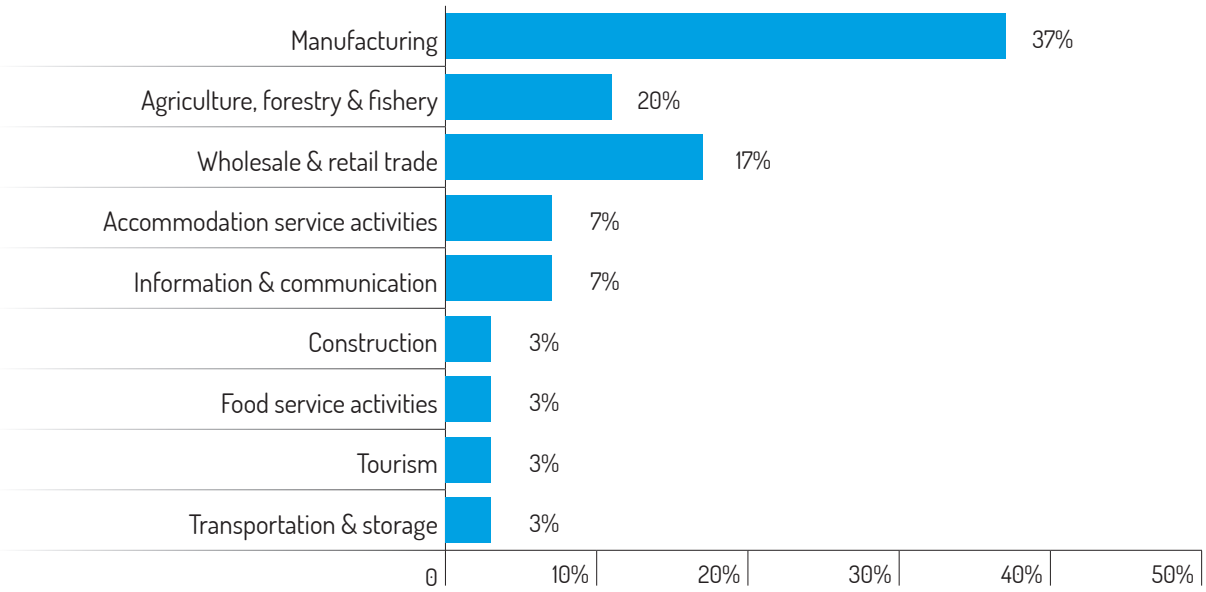
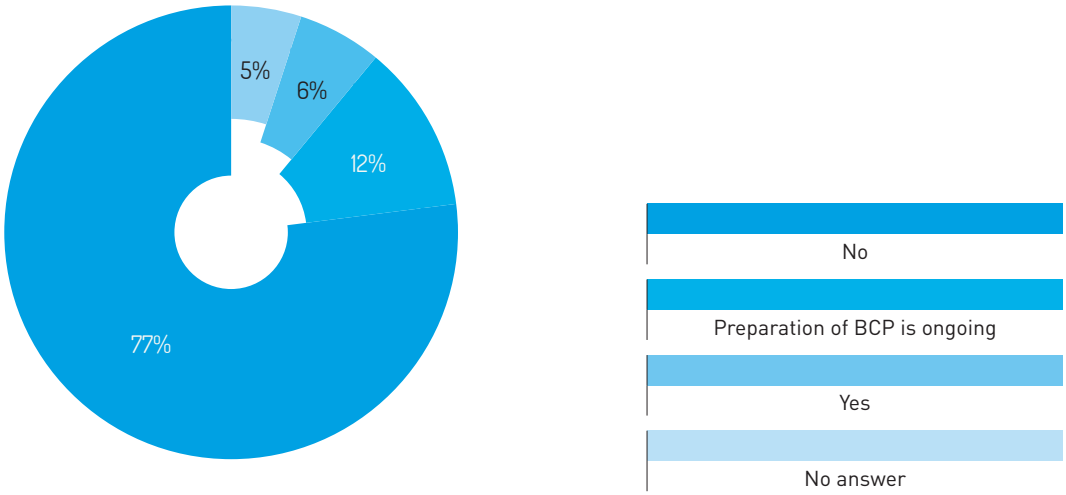


Figure 17 summarizes the cost of damage caused by previous hazards according to the enterprise size. Considering their asset value (i.e., P300,000 or less), it is notable that 26% of micro enterprises incurred damages of more than P100,000. (See Figure 16 for the separate summary for micro enterprises). Micro enterprises which reported said amount are those in the sectors of manufacturing, agriculture (37%), forestry and fishery (20%), and wholesale and retail trade (17%) (See Figure 19). Notably, these are also the top three sectors among enterprises that had more than one month disruption due to a disaster (See Figure 14).

BCP Adoption

On BCP adoption, 77% of respondents had no written BCP, 12% were currently preparing a BCP, and only 6% already had a BCP. These figures are close to those of a two smaller studies on BPC adoption in the Philippines undertaken in 2012, by DTI-Negros Oriental and APEC respectively.[6] As BCP is increasingly viewed as a key component in building disaster resilience, the low percentage of enterprises that have BCP suggest a need for greater efforts in promoting BCP and other forms of business continuity management (BCM).

Figure 20 Enterprises and written BCP



Enterprises without written BCP

The results show that most of the businesses that do not have a written BCP were micro enterprises with 67%. The top reasons given for not preparing a BCP (all respondents) were: (1st) they had not heard of BCP before; (2nd) they lacked information on how to prepare a BCP; and (3rd) management's awareness was low. All three top answers indicate a need for increased dissemination of information, training on BCP preparation, and general awareness on the need for BCP. The 4th and 5th top responses also related to expertise/human resources, including lack of knowledge and expertise and lack of human resources to handle BCP.

It should be noted that there are ongoing efforts to promote BCP amongst SMEs. The DTI includes BCP preparation as one of the courses in their SME Roving Academy program. The Philippine Trade Training Institute, an office under the DTI, also conducted a BCP orientation/seminar as part of the SMED Week celebration for 2015. There are also ongoing efforts from the private sector and academe particularly the Philippine Disaster Resilience Foundation and the University of the Philippines-Institute of Small-Scale Industries, respectively, to provide BCP training. But if the survey results indicate a need to further expand these initiatives in the future.

6 DTI-Negros Oriental study to assess BCP adoption in the Philippines, which covered 50 respondents: 73%15% 12%. In another survey done by APEC in 2012 with 40 respondents, the results showed that 70% don't have BCP, 8% are in the process of preparation and 22% have BCP.

Figure 21 Distribution of enterprises with no written BCP

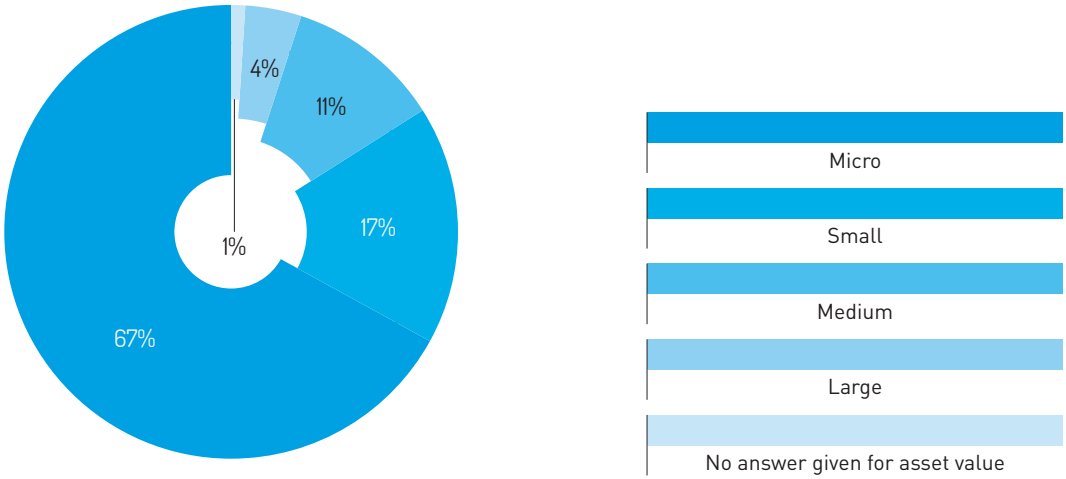
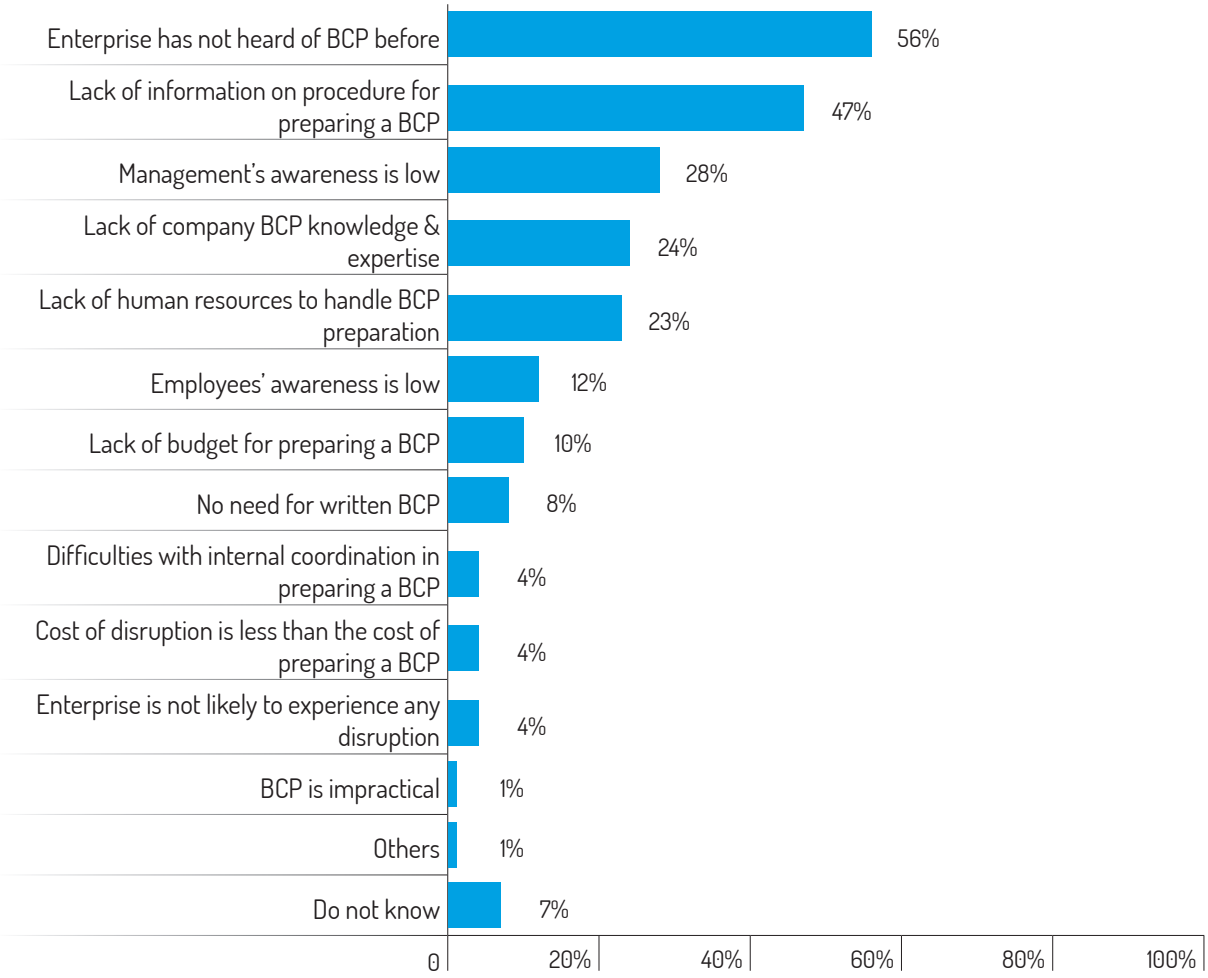
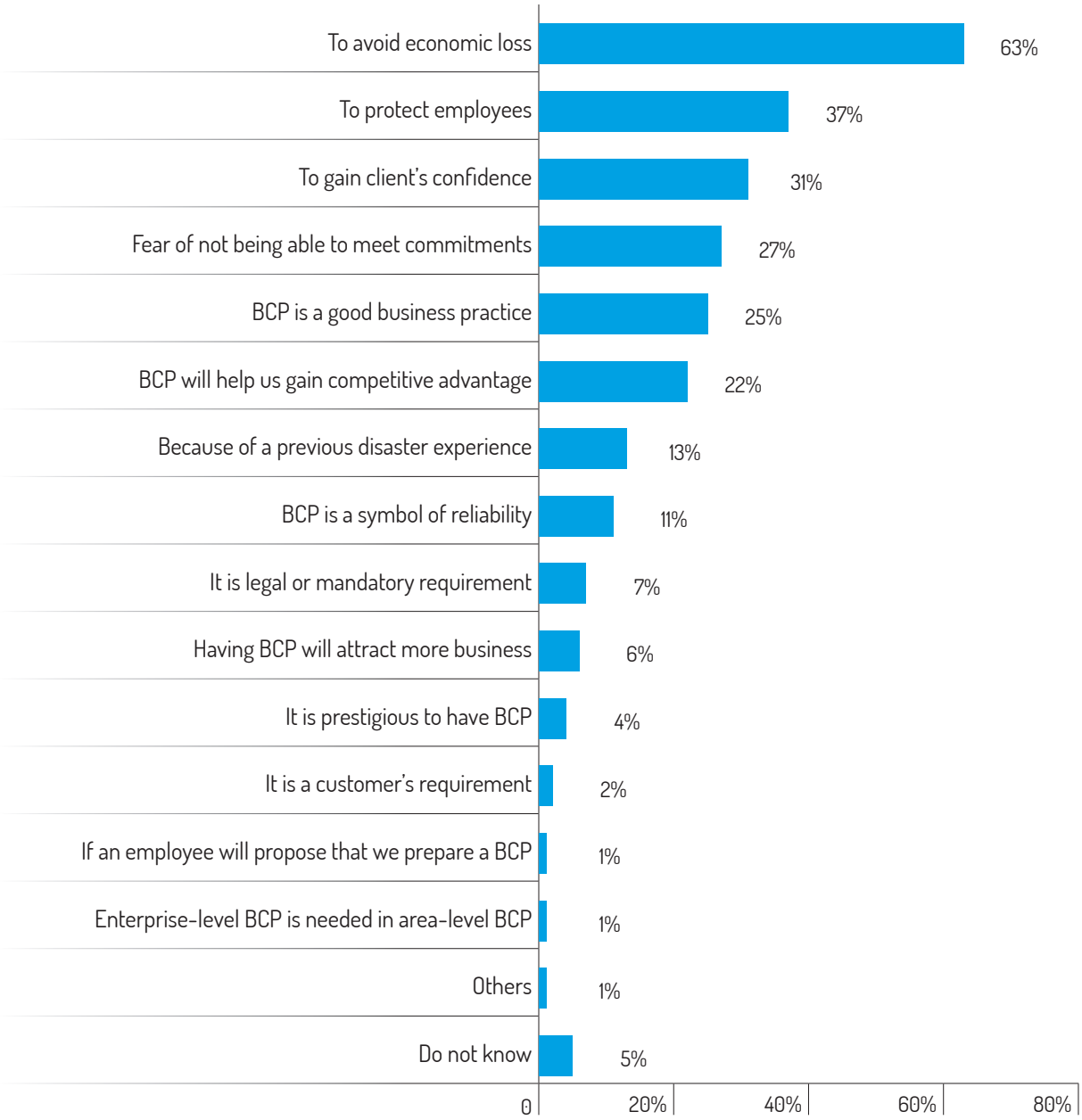


Figure 22 Top reasons for not preparing a BCP



In terms of reasons that would encourage them to prepare a BCP, the top answer was to avoid economic losses. Other responses of high frequency were: to protect employees; to gain clients' confidence; and fear of not being able to meet orders.

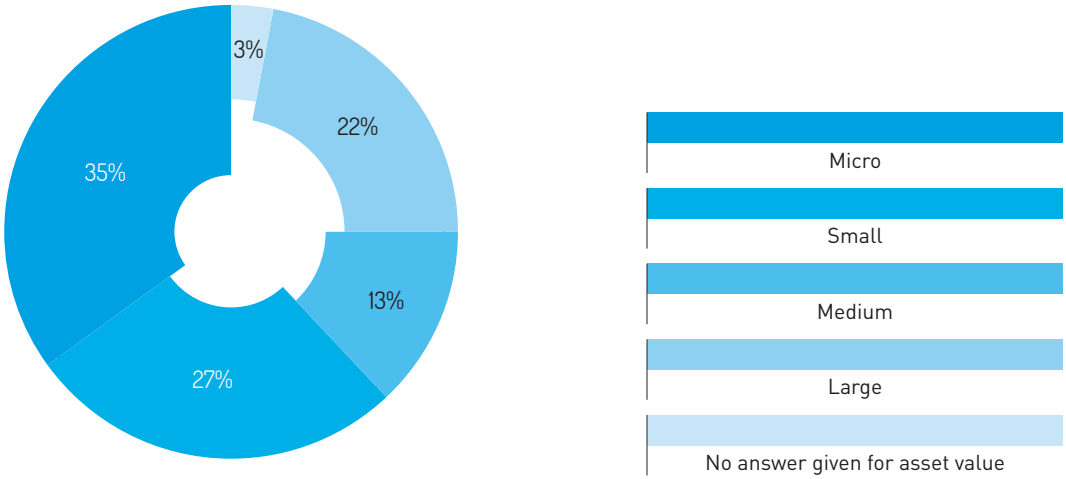
Figure 23 Top reasons that would motivate or compel you to develop a BCP



Enterprises with written BCP

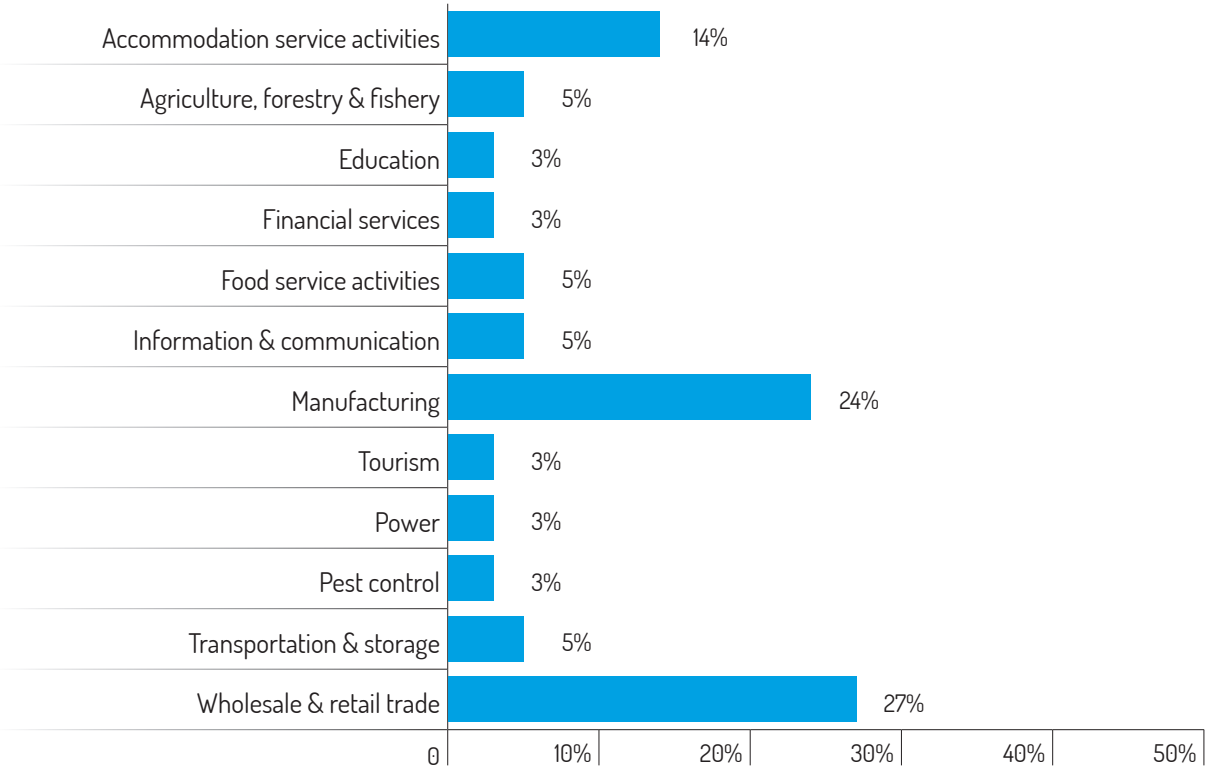
As presented earlier, only 6% of the respondents have a written BCP. Of this percentage, and in line with the sample group, the majority of those with BCP are micro enterprises. However, for enterprises with BCP (Figure 21), there are proportionally many fewer micro enterprises and many more large enterprises.

Figure 24 Distribution of enterprises with no written BCP



In terms of sectoral distribution, enterprises with written BCP mostly came from sectors of wholesale and retail, manufacturing and accommodation services.

Figure 25 Distribution of enterprises with written BCP according to sector



On the year of first of BCP preparation, more than a third of the respondents did not provide an answer. For those who did, their BCP were mostly prepared very recently, in between 2010 and 2015.

Figure 26 Year when BCP was first prepared

Year	Number of Respondents (n=32)	Year	Number of Respondents (n=32)
2000	1	2012	3
2001	1	2013	2
2005	1	2014	2
2006	1	2015	3
2010	6	No answer	12

For top hazards addressed by BCP, the most common answers were fire, typhoon, accidents, earthquake, flood, theft and power blackout. These results generally resemble the responses on the hazards that can potentially affect business operation shown in section III.A.

Figure 27 Top hazards being addressed by BCP

Top hazards addressed by BCP	Number of Respondents (n=32)	Top hazards addressed by BCP	Number of Respondents (n=32)
Fire	12	Drought	2
Typhoon	11	Civil unrest	2
Accidents	9	Transportation system breakdown	1
Earthquake	8		
Flood	7	Terrorism	1
Theft	6	Tsunami	1
Power blackout	5	Wild fire	1
Regional or global economic crises	4	Data loss	1
		Armed conflict	1
Water shortage or contamination	2	Cyber attacks	1
		Insect Infestation	1
Pandemic / Epidemic	2	Landslide	1

The top reasons that motivated the firms to prepare a BCP were to avoid economic losses and protect their employees. These responses are the same as the top answers for what would motivate those without BCP to prepare one (shown in Figure 16).

Figure 28 Reasons that motivated or compelled you to develop a BCP

Reasons for Developing BCP	Number of Respondents (n=32)
To avoid economic losses	15
To protect employees	15
BCP is a good business practice	12
Fear of not being able to meet supply or service commitments if business is interrupted	8
To gain our clients' confidence	5
BCP is a symbol of reliability	4
BCP will help us gain competitive advantage	4
It is a legal or mandatory requirement	4
Having a BCP will attract more business	2
Because of a previous disaster experience	2
It is a customer's requirement	1
An enterprise-level BCP is needed to participate in area-level BCP	1
If an will employee propose that we prepare a BCP	1
It is prestigious to have a BCP	1

Out of the 32 respondents with written BCP, there were 9 enterprises which had already used their BCP during an actual disruption and 6 of them found their BCP very useful. Although a very small sample group, these results support the viability of BCP as a tool for building disaster resilience for business enterprises.

Figure 29 Usefulness of BCP in actual disruption

Have Used the BCP?	Number of Respondents (n=32)
Yes	9
No	13
No answer	10

Was the BCP useful in the actual disruption?	Number of Respondents (n=9)
Useful	2
Very Useful	6
No answer	1

There were 7 businesses that received government support in preparing their BCP. The top responses for the type of assistance given by the government in the form training support (5), provision of disaster risk information, and funding support/subsidy (2).

Figure 30 Presence of government support in BCP preparation

Received Government Support in Developing BCP?	Number of Respondents (n=32)
Yes	7
No	15
No answer	10

Figure 31 Type of support that government provided

Government Support in Developing BCP	Number of Respondents (n=7)
Training support	5
Providing disaster risk information	4
Funding support / subsidy	2
Providing BCP guidebook or toolkit	1
Sending experts / consultants	1

In terms of the methods, most of the firms referred to guidelines published by government. It should be noted that DTI uses the APEC 10-step BCP preparation guidebook in their BCP seminars. This is also being used by the UP-Institute of Small Scale Industries (ISSI) which the organization tapped by the Philippine Disaster Resilience Foundation to conduct lectures and workshops on BCP.

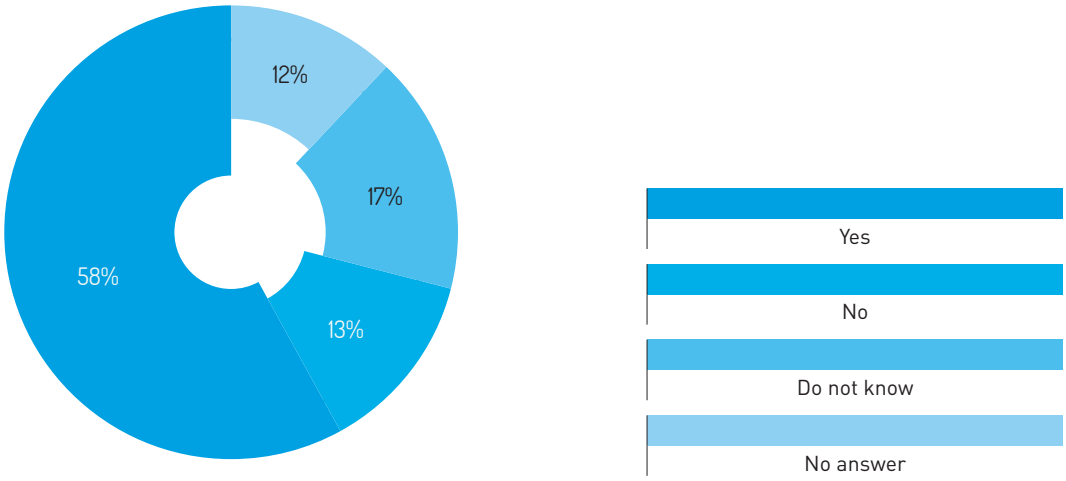
Figure 32 Method used in preparing BCP

Preparing a BCP	Number of Respondents (n=32)
Refer to guidelines published by the government	10
Hired consultants	5
Refer to guidelines published by NGOs	5
Searched the Internet for BCP procedure	3
Refer to guidelines published by the industry association	3
Hired full-time employees with BCP experience or expertise	2
Refer to textbooks	2
Refer to guidelines of BCP standards, e.g., ISO 22301, BS25999, NFPA1600, etc.	1
Provided by franchiser	1
By doing simulation	1

Incentives and Training Needs

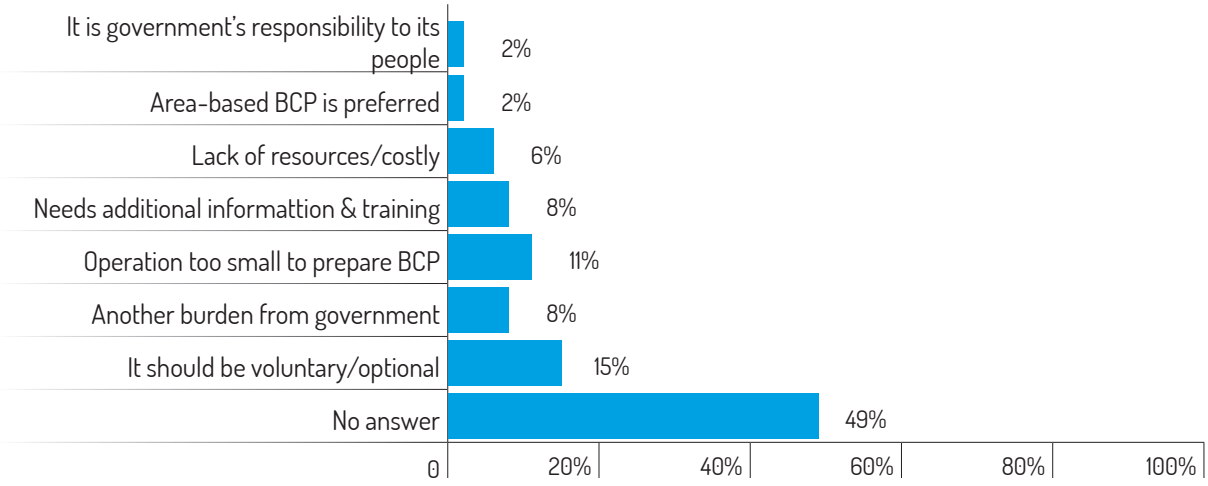
On whether the government should make BCP compulsory, the majority of the respondents answered yes. For those who answered yes, the top reasons cited include (a) increasing readiness for disasters, (b) preventing losses and (c) improving coping abilities. For those who answered that they did not know, the main reason given was their lack of information on BCP.

Figure 33 Should the national government make it compulsory for SMEs to prepare a BCP?



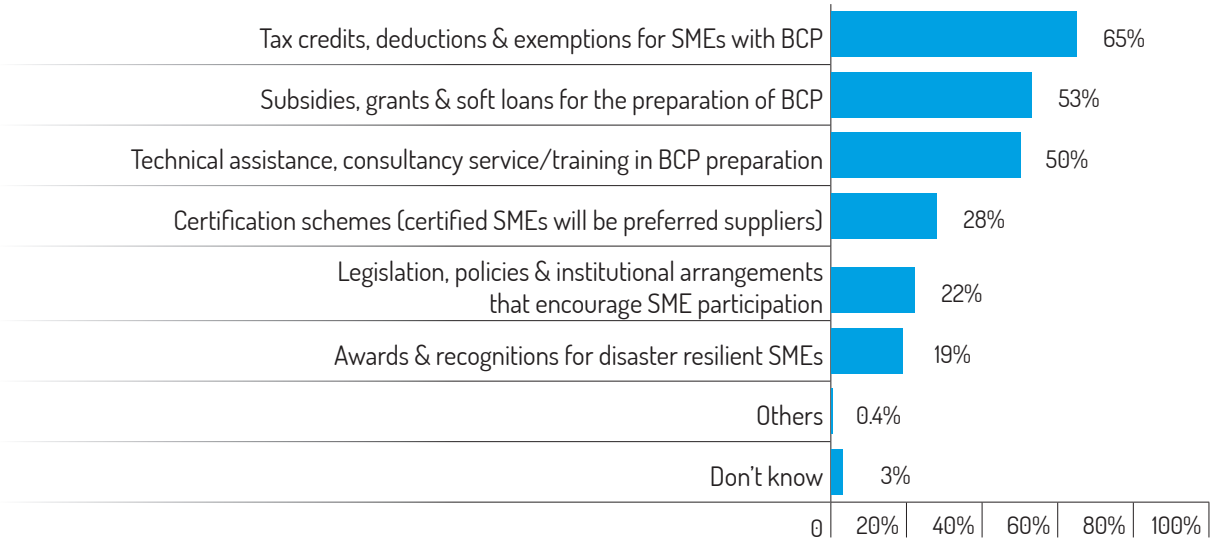
For the 13% of respondents that answered "no" on making BCP compulsory, the top reasons indicated included (a) BCP should be optional/voluntary, (b) their operation is too small to prepare BCP (c) it would be another burden imposed by government and (d) more information and training is needed for them to prepare BCP. It is notable that almost half of the respondents (49%) did not provide any reason for answering "no".

Figure 34 Reasons cited on not making BCP compulsory



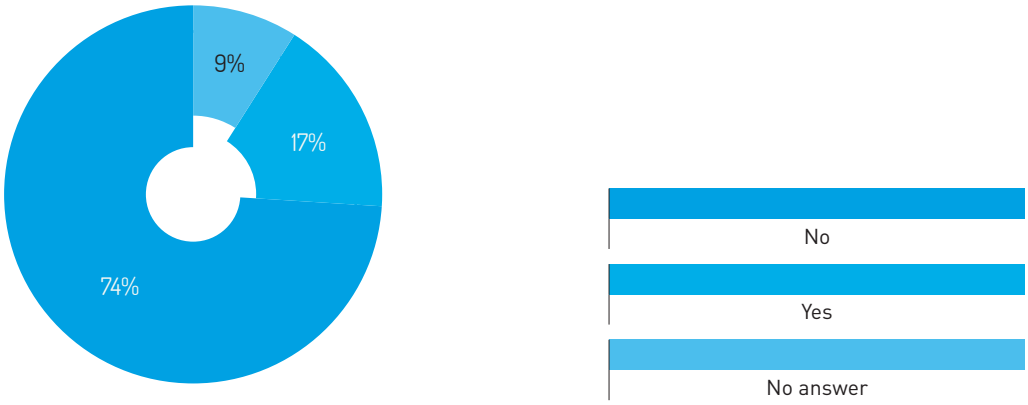
On the support needed from the government to promote disaster resilience amongst SMEs, the top answers were (1st) tax credits/incentives for SMEs with BCP; (2nd) subsidies and grants for SMEs for BCP preparation; and (3rd) provision of technical assistance, consultancy services, or training in BCP preparation and disaster preparedness.

Figure 35 Incentives that respondents felt the government should provide to MSMEs to encourage them to be disaster resilient



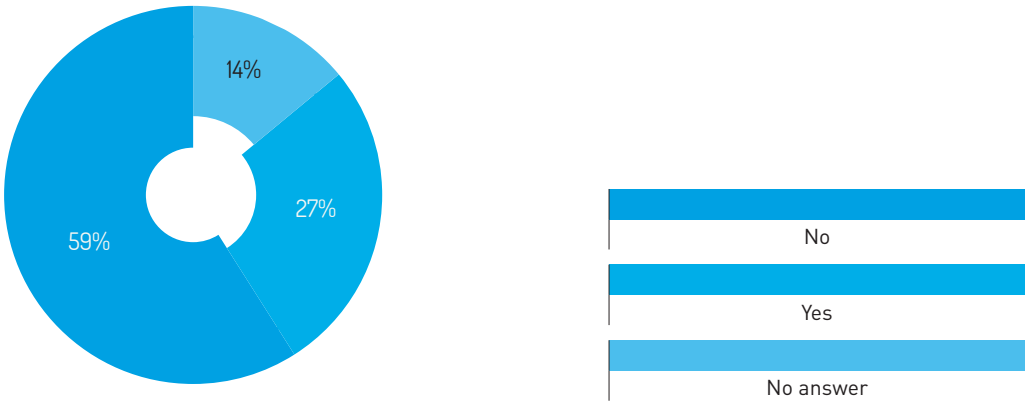
On trainings attended, most of the respondents (74%) had not attended BCP training. While this figure is low, there are already ongoing efforts from government to promote BCP. The DTI SME Roving Academy and Philippine Trade Training Center have recently conducted BCP training courses. Also, the Philippine Disaster Resilience Foundation is conducting a series of BCP training for earthquake risk in Metropolitan Manila.

Figure 36 Attendance to BCP-related training



For general DRM training, 59% had not attended any relevant training and 14% did not provide an answer. These figures suggest a need to have more DRM-related training targeted towards SMEs.

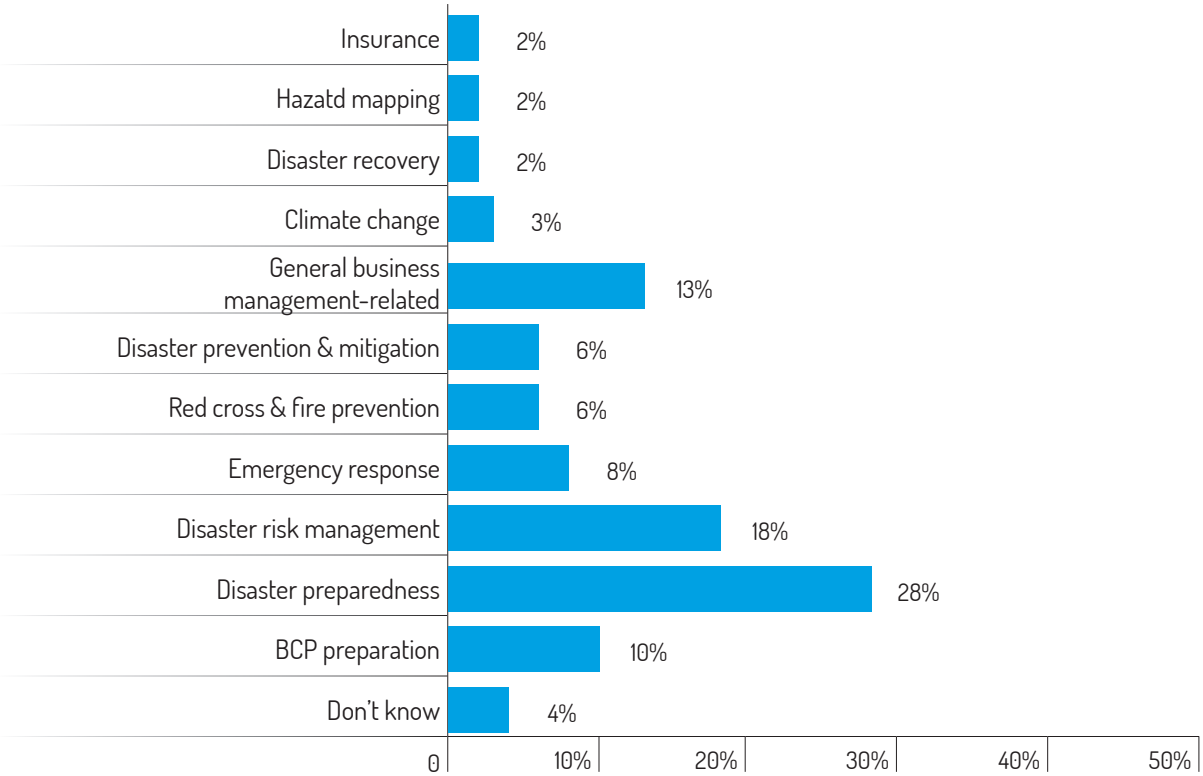
Figure 37 Attendance to a DRM-related training



For what type of training related to BCP or DRM is most needed to improve their business, the top answer was disaster preparedness (including conduct of drills for various hazards). The other training topics cited are disaster risk management, BCP preparation and emergency response. There are also a number of respondents who indicated general business management-related topics such as accounting, improving competitiveness and marketing.

These results affirm the projects objectives enhance the DRM capacities of the SMEs through trainings, including BCP. If the figures are to be considered in the designing trainings for SMEs, BCP should be discussed within the general context DRM and disaster preparedness.

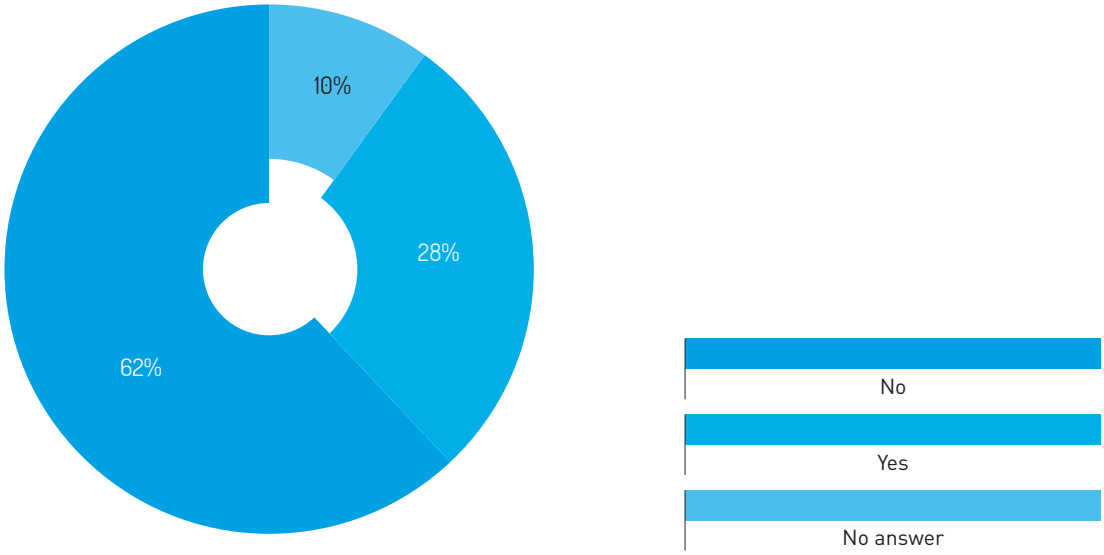
Figure 38 BCP and DRM-related training needed to improve their business



Additional DRR Concerns

On participation in a Barangay or Local Disaster Risk Reduction and Management Council, 28% of respondents answered yes. The NDRRM Law provides for private sector participation in Barangay and LDRRMCs, however there are no published figures on the number of Barangay and LDRRMCs with official private sector representative.

Figure 39 Participation in a *Barangay* or LDRRMC



On the question of whether respondents had established a mutual aid agreement with another organization to help each other during and after emergencies (such as privately-run emergency teams, fire brigades, search and rescue teams and mutual help associations), the majority (63%) responded that they did not have such an agreement, but a significant minority (24%) reported that they did have such a support mechanism.

Concerning their existing use of risk finance mechanisms, the top responses were motor and vehicle insurance, fire insurance, insurance for employees and natural catastrophe insurance. However, 24% of respondents answered none. Among those that do not have any existing risk finance mechanism, 74% are micro enterprises.

Figure 40 Risk finance mechanisms

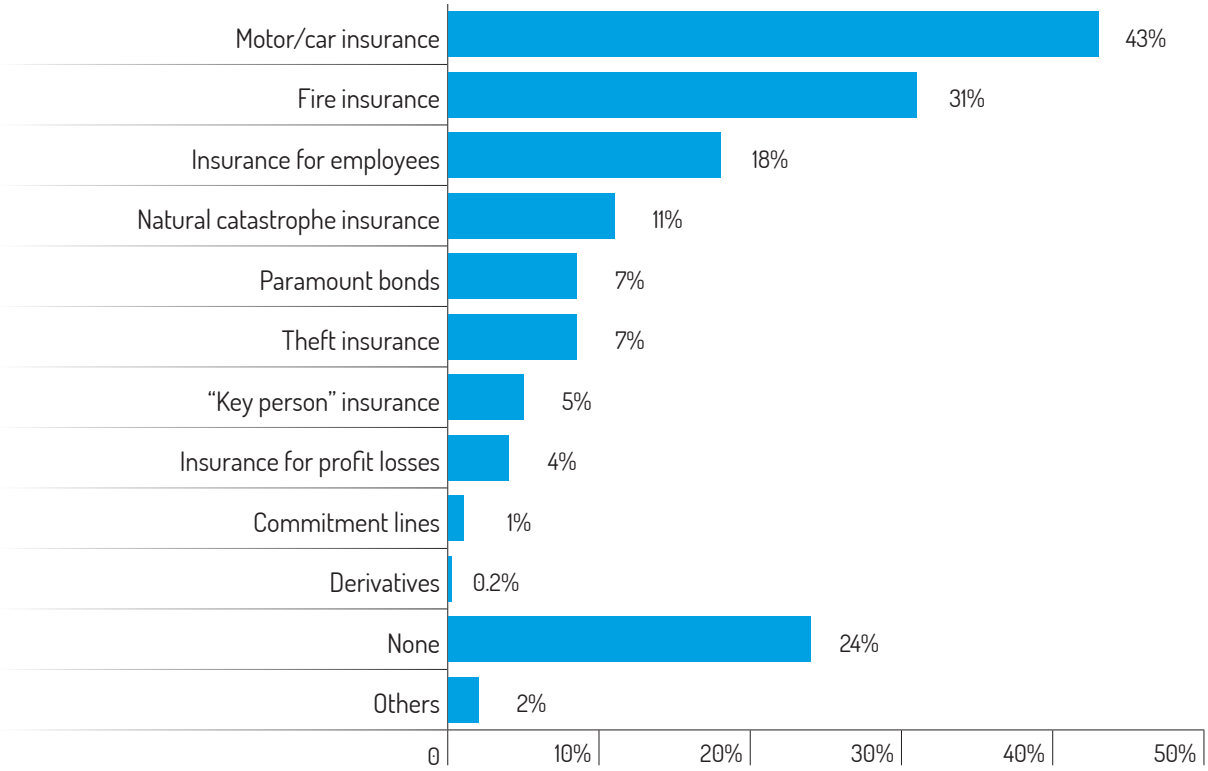
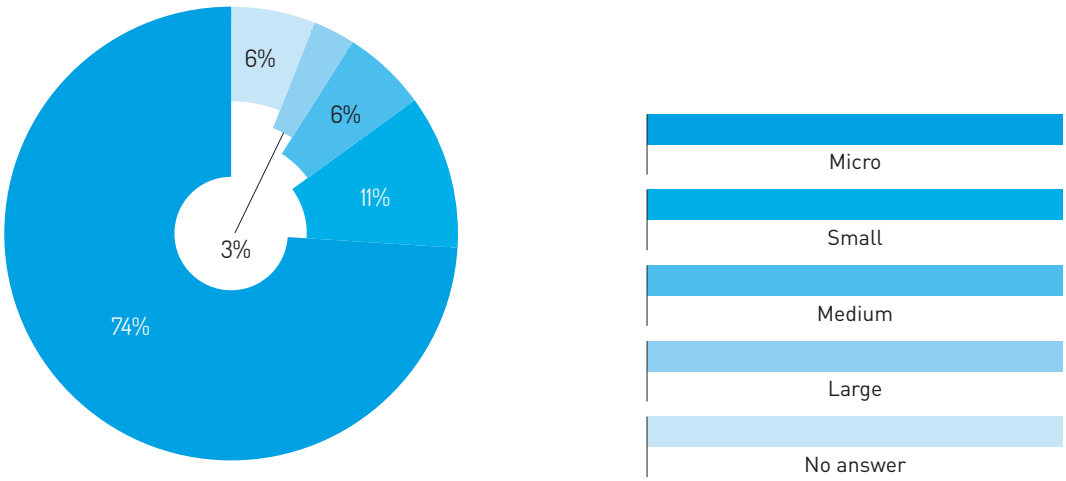


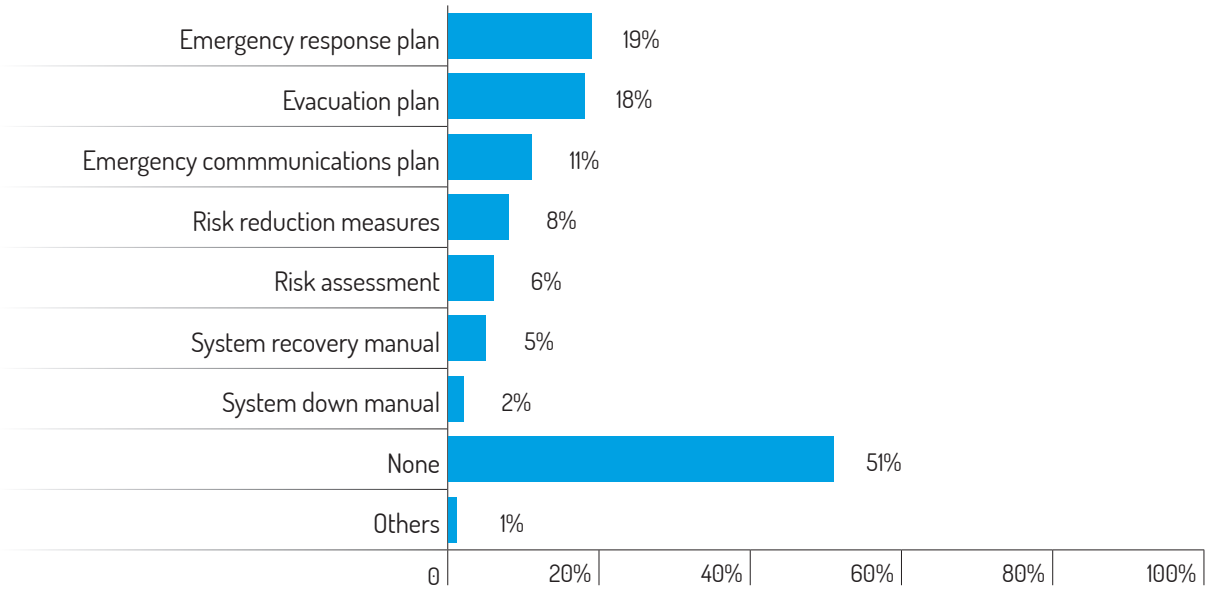
Figure 41 Distribution of respondents without existing risk finance mechanisms



The majority of the respondents replied that they don't have any written disaster preparedness plans. For those who have a written plan, the top answers as to the types of plans were emergency response plans, evacuation plans and emergency communications plans. For those that did not have a written disaster preparedness plan, the vast majority of them (74%) were micro enterprises. These results,

however, should not be construed as total absence of a disaster preparedness plan since the survey asked for a written plan. It could be that the disaster preparedness plan of these micro enterprises is simply not written in an actual document. Their disaster preparedness plan could just be a set of actions that they customarily do with an impending hazard event based on recollections and lessons from previous disaster experiences. But while acting from memory may be sufficient at times, putting the plan still have its merits. With a written plan, necessary actions are clearly enumerated, plan of actions can be reviewed and information can easily be shared with all employees.

Figure 42 Written disaster preparedness plans



Concerning their top three mechanisms for coping with business disruptions and emergencies, the top answer by a large margin was using their own savings (Figure 44). The other most common responses were support from family and friends, reducing expenses, working more to generate additional income and loans with interest.

Figure 43 Distribution of respondents without written preparedness plans

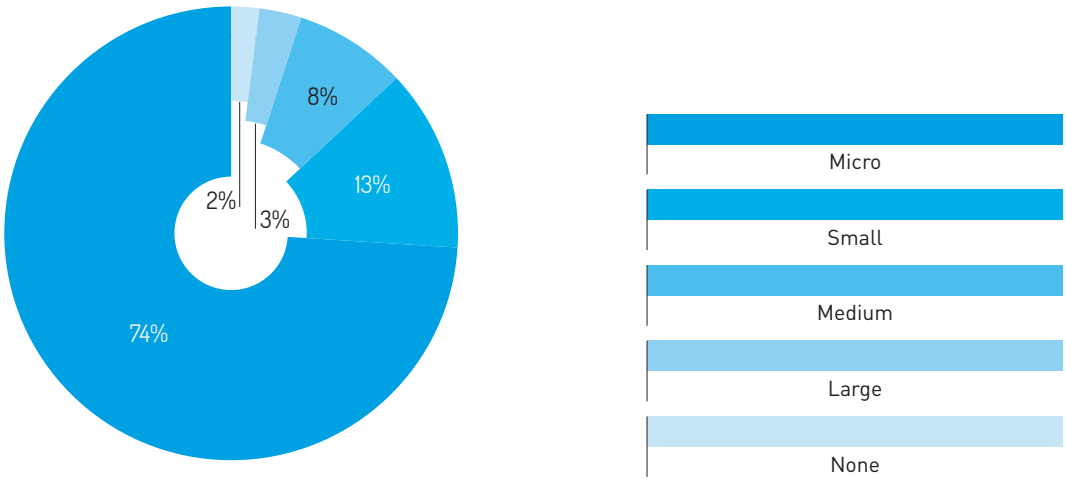
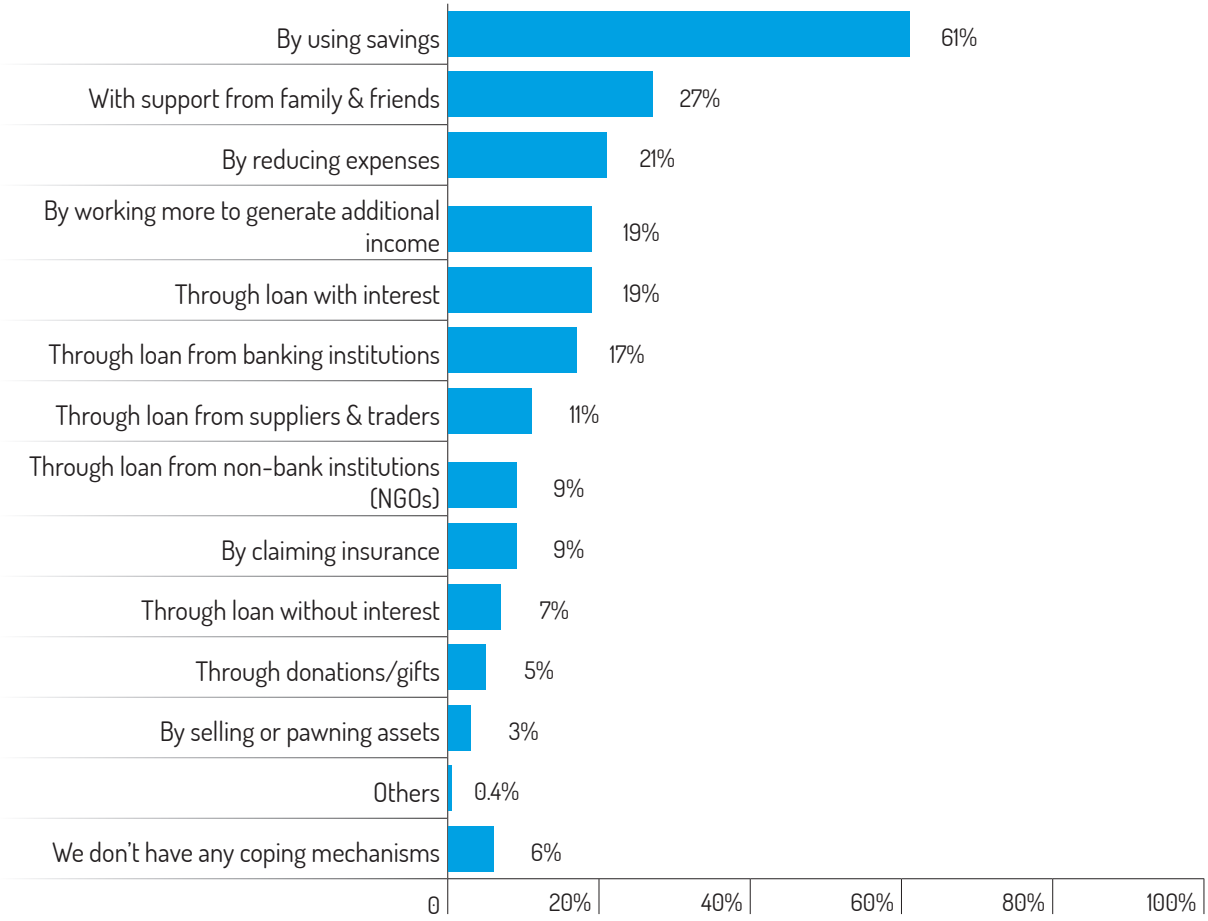


Figure 44 Coping mechanisms that you use in dealing with business disruptions and emergencies



Most respondents (74%) expressed a willingness to participate in a national planning process to support SMEs to prepare for and recover from disaster. Some respondents provided their contact information for the purpose of participating in future consultations in such a process.

Conclusion

04

Understanding hazards and their potential impacts

SMEs have to deal with both natural and human-made hazards. In terms of risk perception, actual experience influences the views of responders. Typhoon, which occurs frequently in the country, is the top response for both potential and actually experienced hazards. Incidentally, typhoons can also cause power failures, floods, disruption of transport systems/networks and interruptions in communication systems which were also identified as both potential threats and hazards experienced by respondents. The well-publicized recent earthquake in the Kathmandu Valley in Nepal and the intensified awareness campaigns on earthquake may also have been a factor for the significant difference between the figures for respondents that see earthquake as a potential hazard and those that had actually experienced it. These results indicate that SMEs in the Philippines have a high level of awareness of natural hazard risks, as well as technological risks, that affect their ability to continue business. A large part of this awareness may be attributable to their actual recent, personal experience of such hazards, but there is also an indication that awareness raising on earthquake risk may have had an impact on risk awareness.

In terms of impacts, disaster affects almost all aspects of business operations. Actual disruptions experienced include the inability of employees to go to work, not being able to deliver products to customers, damages to facilities, equipment and raw materials, and delayed deliveries from suppliers. The scope of these impacts justifies the need to strengthen disaster resilience.

BCP promotion for SMEs

The findings show that most respondents that have used BCP in an actual disruption found it very useful. This supports the intention of the project to promote BCP as a viable tool for strengthening disaster resilience of SMEs. BCP promotion amongst SMEs should start with information campaigns. The results of the survey show that lack of awareness of tools such as BCP was the primary reason for enterprises not having a written BCP. As mentioned earlier, the top reason cited for not having a BCP was that the respondent had not heard of BCPs. While there have been recent efforts from DTI and others to promote BCP, there appears to be a large unmet need for BCP awareness as a primary mechanism for strengthening disaster resilience of SMEs.

On the other hand, it can be deduced that the majority of survey respondents were interested in BCP preparation and adoption, as was viewed by respondents as an instrument for minimizing economic losses and protecting employees. Both those with and without written BCP see these as the top reasons for BCP preparation. Communication plans for BCP promotion could center on these two perceived potential benefits from BCP adoption as well as other risks respondents did not consider. It was interesting that the majority of the respondents thought the government should make BCPs compulsory; while these results cannot be used a basis to recommend a policy requiring BCPs, this level of interest by respondents could be used in designing and conducting BCP awareness campaigns.

Considering also that most respondents without written BCP are micro enterprises, they can be prioritized in promotion activities. The participation and contribution from large firms, particularly those with BCP, in promotion activities should also be explored.

Extending support to SMEs on BCP preparation

The survey indicates that it would be worthwhile to explore forms of government incentives to encourage BCP preparation that takes into account natural hazard risks, as respondents were concerned about disaster risk as well as broader business continuity management. Respondents also felt that incentives such as tax credits, resource provision or technical assistance/training services would be effective motivators and assist their financial and knowledge capacity to develop BCPs. In the case of training assistance, the DTI has started including BCP as part of the seminar packages for SMEs, but the survey findings show that most of the respondents have not yet attended any BCP training, so there is a large unmet need. Another form of government support cited by enterprises which already have BCP is the provision of hazard information. There are ongoing extensive government efforts in hazard mapping and risk assessment, but there may need to be a more conscious efforts to target SMEs as participants and recipients of this information.

Coordinating DRM and SME development efforts

The results showed that most SMEs had not attended either BCP or DRM-related training. Although a large minority of respondents reported direct engagement with Local DRRM councils, an encouraging figure at 28%, there is still room for broader engagement of SMEs in such local DRM structures. It is of concern that most of the respondents had no disaster preparedness plan, indicating that awareness and local participation does not necessarily translate into SME contingency planning for disasters. These findings call for more coordination from agencies that promote SME development and those involved in DRRM in order to bridge the gap and improve SME disaster resilience.

Training needs on DRM

The findings call for DRM training targeted towards SMEs. Based on the responses, there is strong interest in topics related to disaster preparedness, including the conduct of drills for various hazards, and DRM. Topics related to general business management such as marketing and competiveness are also amongst the top responses for training needs. While these topics have no direct link to DRM, improved business operations practices may contribute to disaster resilience, and this identified need for business development training also provides a vehicle into which DRRM awareness and risk assessments can be integrated.

Access to formal coping mechanisms for emergencies and business disruptions

Improving SMEs access to formal risk financing institutions may also be explored to contribute to resilience building. The survey shows that emergencies and business disruptions are commonly dealt with by using savings, borrowing from family and friends, reducing expenses, and working more. Though these coping mechanisms worked in the past, they may not be sufficient to recover from large magnitude or successive hazard events, even for micro enterprises. For those with more assets, more employees and more complex business operations, reliance on such informal coping mechanisms may leave them vulnerable to very significant losses in a single large scale event, from which they may have difficulty recovering.

Vulnerability of micro enterprises

It was noted that micro enterprises constitute most of those that do not have written BCP, formal risk financing mechanism and written disaster preparedness plans. The results also show that those that had business disruption for more than one month are mostly micro enterprises. In terms of damage cost from previous disaster, cost of damage from past disasters incurred by micro enterprises relative to their asset value is of significance. Following these findings, there is a need to give priority to micro enterprises in extending government support toward disaster resilience.

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This publication is an output of the regional project "Strengthening the Disaster Resilience of Small and Medium Enterprises in Asia". The overall objective of the project is to build disaster-resilient capacities in SMEs in Indonesia, the Philippines, Thailand and Viet Nam by undertaking the following activities: 1) Identifying actions to strengthen resilience of SMEs; 2) Providing technical assistance in strengthening resilience to selected SMEs on a demand-driven basis; 3) Supporting governments in strengthening the enabling environment that promotes risk sensitive and informed investments by SMEs; 4) Facilitating knowledge sharing; 5) Up-scaling, leveraging and formalizing business resilience tools, platforms and initiatives.

National Partners

Indonesia
- Ministry of Cooperatives and SMEs (MoCSME)
- Indonesian National Board for Disaster Management (BNPB)

Philippines
- Department of Trade and Industry (DTI)
- National Disaster Risk Reduction and Management Council (NDRRMC)

Thailand
- Office of Small and Medium Enterprises Promotion (OSMEP)
- Department of Disaster Prevention and Mitigation (DDPM)

Viet Nam
- The Ministry of Planning and Investment (MPI)
- The Disaster Management Center (DMC)

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