

Resilient Industries

Strengthening Climate and Disaster Resilience of
Industries through Business Continuity Planning

*Bangkok, Thailand - November 25, 2011: Flooded factory in Nava Nakorn
Industrial Estate at Pathumthani, Bangkok, @photoneyman*

BACKGROUND

Government support for industrial activities and the private sector is critical for sustainable economic development and achievement of the World Bank Group (WBG)'s twin goals—eliminating extreme poverty and boosting shared prosperity. Industries and their supporting infrastructure (e.g. industrial zones, ports, roads, power, water supply, and sewerage) have long been used to promote industrial competitiveness and trade, create jobs, catalyze investments and bring technological advancement into the country.

However, a range of disasters threatens these industrial activities and the economic benefits they confer. Lack of preparedness, poor industrial infrastructure and increased frequency and intensity of extreme weather events due to climate change all worsen these harmful impacts. The 2011 floods in Thailand caused a total of

US\$ 45.7 billion—approximately 5% of GDP—damage to the national economy and US\$ 32 billion of loss and damage in the manufacturing sector alone (World Bank, 2011). In many emerging economies and developing countries, productivity loss from rising temperatures and heat waves may be also substantial, albeit uncertain.

To mitigate or minimize these impacts, governments and their industries must mainstream disaster risk management and build greater resiliency. Doing so will lower operational risks, attract investment and promote competitiveness of industries against the increasing impacts of climate change. While progress has been made in advanced economies like Japan, a gap still exists in developing and applying practical and integrated solutions for developing countries.

RESILIENT INDUSTRIES AND COMPETITIVENESS

The WBG has recently launched a program to promote industry resilience and competitiveness through a partnership with its Finance, Competitiveness and Innovation Global Practice (FCI GP) and the Global Facility for Disaster Reduction and Recovery's (GFDRR) Japan-World Bank Program for Mainstreaming Disaster Risk Management (DRM) in Developing Countries Program (Tokyo DRM Hub), which is in line with WBG's efforts to increase mitigation and adaptation co-benefits and new operational requirements that demonstrate growing importance of DRM in the industry sector.

The partnership will support developing country governments to increase resilience of their key industries to climate-related and other natural disasters through a focus on business continuity planning (BCP). The program aims to:

1. Develop a Resilient Industries Framework to design and operationalize country projects focused on BCP. This will look at policies, regulations, infrastructure and financial mechanisms that can be optimized to promote resilient industries.

2. Conduct Resilient Industries case studies that highlight the link between BCP and competitiveness. The in-depth study of the lessons learned in Japan will provide insights into actions developing countries can take in order to promote BCP. They will be complemented by additional case studies for Thailand, Haiti, Kenya and India.

3. Develop Resilient Industries projects in selected countries that are both rapidly industrializing and highly vulnerable to natural disasters including extreme weather events. The project will conduct two scoping missions in these countries (e.g. Vietnam and Bangladesh).

4. Convene and engage a range of stakeholders and partners around the globe that could provide support to deliver technical assistance. Raise the profile of resilient industries and bring together partners to develop knowledge and awareness.

Leveraging the extensive experience and expertise of Japan on BCP to strengthen its industrial sectors, the partnership will work with national and subnational governments to identify and mitigate risks from disasters that disrupt their industries and the domestic and international value chains they rely on. This increased industrial resilience will maximize the economic benefits countries derive from their industries and boost international competitiveness.



OUR APPROACH

Adaptation & Resilience is one of the five main focus areas for WBG assistance to achieve global sustainable development goals highlighted by WBG President Jim Yong Kim. Through the partnership across the WBG, Resilient Industries contribute to this core commitment by providing client governments our technical assistance on the following:

- Assess climate change risks faced by key industry sectors
- Design and implement adaptation measures for the industrial zones and their supply chains
- Enhance the resilience of industrial zones in coping with the adverse effects of climate change and natural disasters.

A woman irons fabric at a garments factory at the Sihanoukville Special Economic Zone. The Cambodia Trade Development Support Program Project of the World Bank aims to help the government in formulating and implementing effective trade policies and increasing efficiency. Phnom Penh, Cambodia. Photo: Chhor Sokunthea, World Bank



Cars swept together by a tsunami then caught fire after in Hitachi City, Ibaraki Prefecture March 12, 2011, Kyodo News



Garment factory in Haiti, Etienne Kechichian, World Bank

Learning from Japan: Enhancing Industry Resilience through Business Continuity Planning

Through its long history of recovering from numerous mega disasters and its acute exposure to future risks, Japan has developed various tools and know-how on how to minimize damages from, and sustain and develop their industries, in face of disaster risks. Japan is implementing a range of policies, technical and financial tools and mechanisms that improve the continuity and quick recovery of business operations, supply chains, and utilities that support them.

Business Continuity Planning (BCP) is an industrial resilience measure in Japan that has advanced rapidly by incorporating lessons gained from various disaster events. More than 50% of large companies and 45% of small and medium enterprises (SMEs) in Japan were reported to have BCPs in place in 2013 (METI, 2013). This is made possible due to policy guidelines established by the national government, technical support and awareness raising provided by organizations, critical analysis of the effectiveness and impacts of BCPs to DRM studied by academia, and incentives for adoption established by some financial institutions. Further efforts are underway to expand and deepen these efforts for further application in industrial zones in Japan and in developing countries.

Ensuring Business Continuity and Industrial Resilience in Haiti

On January 12, 2010, a 7.0 magnitude earthquake hit Haiti, causing excessive damage on the critical infrastructure, industry sectors, and communities. The apparel sector, one of the key industries of Haiti, was under threat due to an increase in orders being canceled. To ensure business continuity, Finance, Competitiveness and Innovation Global Practice (FCI GP) acted fast and partnered with various stakeholders to coordinate port access to export markets while there was downtime for humanitarian relief. This helped coordinate with international buyers and secure investment.

The garment sector, which stood at 80 percent of its capacity in April 2010, had increased to 92 percent by September, creating more than 2,000 new jobs despite the detrimental effects of the earthquake.

OUR GLOBAL PARTNERS

Resilient Industries build on in-depth consultations with key partners, including the Government of Japan and Japan International Cooperation Agency (JICA), along with other prominent partners such as UNIDO, GIZ, academic institutions, and the private sector.

ADDITIONAL RESOURCES

- Knowledge Note 2-4 Cluster 2: Nonstructural Measures Business Continuity Plan.
https://www.gfdr.org/sites/default/files/publication/knowledge-note-japan-earthquake-2-4_0.pdf
- UNISDR. 2013. Private Sector Strengths Applied: Good Practices in Disaster Risk Reduction from Japan.
<http://www.unisdr.org/files/33594privatesectorstrengthsapplied2013di.pdf>
- AHA Centre and JICA. 2015. Planning Guide for Area Business Continuity.
http://open_jicareport.jica.go.jp/pdf/1000023389.pdf

FOR FURTHER INFORMATION

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Quay cranes on docks. Sri Lanka. Photo © Dominic Sansoni, World Bank

The **Japan-World Bank Program for Mainstreaming Disaster Risk Management (DRM)** helps developing countries drive large-scale investments to increase their disaster resilience. Through the Global Facility for Disaster Reduction and Recovery, the Tokyo DRM Hub connects government officials, practitioners, academia, private sector and civil society from World Bank client countries and World Bank task teams with Japanese and global DRM expertise and solutions.
Website: <http://www.worldbank.org/drmhubtokyo>

The **Finance, Competitiveness and Innovation Global Practice (FCI GP) of the WBG**, a joint World Bank-International Finance Corporation (IFC) team, provides client governments solutions that help boost industrial activities and private sector with increased volume and value of trade, enhance investment climate, improve competitiveness in sectors, and foster innovation and entrepreneurship.
Website: <http://www.worldbank.org/en/topic/competitiveness>