Humanitarian crises, emergency preparedness and response: the role of business and the private sector

Indonesia case study

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Acronyms

AADB  Asian Development Bank
APEC  Asia-Pacific Economic Cooperation forum
ASEAN Association of South-East Asian Nations
BNPB National Disaster Management Agency
BPBD District Disaster Management Agency
CCA Climate Change Adaptation
CSR corporate social responsibility
DFID UK Department for International Development
DRM Disaster Risk Management
DRP Disaster Resource Partnership
DRR Disaster Risk Reduction
GDP gross domestic product
GFDRR Global Facility for Disaster Risk Reduction (World Bank)
HAP Humanitarian Accountability Partnership
HCT Humanitarian Country Team
HFA Hyogo Framework for Action
ICT Information and communications technology
IFRC International Federation of Red Cross and Red Crescent Societies
ILO International Labour Organisation
INGO International Non-Governmental Organisation
MDGs Millenium Development Goals
OCHA UN Office for the Coordination of Humanitarian Affairs
UNICEF UN Children’s Fund
UNISDR UN Office for Disaster Risk Reduction (UNISDR)
UNPDF UN Partnership for Development Framework
USAID US Agency for International Development
WEF World Economic Forum
WFP World Food Programme
WHS World Humanitarian Summit
Executive summary

This paper addresses the role of the private sector in humanitarian action in Indonesia and broad patterns of engagement between the humanitarian and the private sectors. In analysing these issues, the paper identifies the barriers to, and opportunities for, more systematic engagement between humanitarian actors and the private sector, and puts forward practical measures to make collaboration more consistent and successful.

Forms of humanitarian–private-sector engagement

Already ranked as the 16th largest economy in the world, with middle-income status, Indonesia is projected to be the seventh largest by 2030, with an annual growth rate of 7%. In recent years Indonesia has steadily sought to create a favorable economic and investment climate for growth and a dynamic private sector, particularly small and medium-sized enterprises (SMEs). As such, the private sector is an important player in Indonesian society, with a well-established role in disaster response. Generally, engagement takes the form of short-term disaster relief through philanthropic contributions, under the umbrella of corporate social responsibility (CSR). Businesses also engage in crisis issues in the context of a specific programme. These initiatives may involve collaboration with national and local government authorities or with international NGOs (INGOs), but generally, with the latter, this is through a pre-established agreement. The private sector in Indonesia has also been a long-standing contractor providing goods and services to humanitarian actors in times of emergency. Other examples of engagement relate more to how the private sector seeks to manage its core business in a socially responsible way, integrating social and environmental concerns into their operations, complemented by investment in communities for business reasons. While this type of engagement may also fall under the umbrella of CSR, it is distinguished from CSR in that the motive for engagement is linked more to core business concerns, not necessarily charity (Baker, 2004; Oglesby and Burke, 2012).

The study identified some promising examples of the private sector engaging in humanitarian action as part of its core business (see Annex 3). One example is the private sector partnering with humanitarian agencies in ways that tap into its core competencies and skills to assist humanitarian actors to improve the quality of their own activities. Platforms or intermediary mechanisms also help tap into the private sector’s core competencies for humanitarian purposes, both in times of disaster and for recovery.

Barriers to engagement

One overarching barrier to engagement is the lack of a clear business case for the private sector to involve itself in crisis matters in a way that goes beyond philanthropy. The interface of the private sector’s own resilience needs and concerns with humanitarian action has not yet been fully explored or explicitly articulated. Core business resilience has not yet been put forward as the proposition value and driver for the private sector’s future engagement in humanitarian issues. Consequently, the private sector may not necessarily understand how these issues may affect their business competitiveness or how they can reduce their vulnerability to disaster risks.

Other barriers relate to a lack of understanding and trust between the private and public sectors and between international humanitarian actors and the private sector. Private sector actors reported that they had limited engagement with UN agencies due to difficulties in distinguishing one organisation from another and unclear entry points for engagement. Humanitarian and private sector actors recognise the importance of understanding each other’s capabilities and needs. However, the guidance that has been developed on national and international humanitarian protocols and arrangements has not been customised for the private sector. Furthermore, there is a lack of accessible information on the private sector and regular fora that the private sector and humanitarian actors can use to foster the exchange of good practice and for matchmaking. Hence, neither side always knows whom to approach.
A field visit to Aceh Province undertaken as part of the study highlighted the need for a more inclusive and comprehensive approach to disaster planning and management at the sub-national level in the context of a decentralisation process that has devolved a high degree of responsibility for public service delivery to the district level. As the economy grows and Indonesia consolidates its emerging status as a middle-income country, the government is increasingly seeking to demonstrate that it has the capability to manage disasters, and that it knows best how to respond to the needs of its people. This increasing capacity and leadership, alongside Indonesia’s growing ability to help its neighbours, is very positive. Yet it also poses challenges for the international community. How do international humanitarian actors define their role and demonstrate their added value in a way that is complementary to and supports the national architecture and the government’s increasing capability? Discussions about the future role of the UN highlighted the need for the organisation to be able to demonstrate its clear comparative advantage. This will require a more coherent approach to engaging with the private sector in disaster prevention, preparedness, response and recovery.

Assumptions that underpin private sector and humanitarian collaboration also restrict engagement. The terms of engagement are often defined more from the perspective of what is on offer or individual actors’ interests, and less from a clear understanding of each other’s added value or what the two sides can create together. Other constraining factors include the short-term nature of relationships, which does not encourage investment in building trust or evaluating the impact of a particular joint initiative. The current lack of incentives to reduce the barriers noted above is in itself an obstacle to better engagement.

Opportunities and options

Opportunities should be created to engage the private sector in preparedness. A starting point could be an initiative to ensure the government’s readiness for an event on the magnitude of Typhoon Haiyan (Yolanda) in the Philippines in November 2013. The collaboration should call for humanitarian actors and the government to work with the private sector and to tap into the private sector’s innovative business practices and capacity for strategic thinking to help solve humanitarian challenges and problems, e.g. connectivity, delivering cash, infrastructure resilience. The private sector’s resources and expertise should also be brought to bear to address preparedness challenges at the sub-national level. The UN, the government and the private sector should consider building a scalable model for enhancing sub-national preparedness. The private sector should also be brought into sub-national planning frameworks.

As the next phase of the UN Partnership for Development Framework 2016–2020 is conceived, the UN should review how it can make private sector engagement a more prominent component of its humanitarian work and what would be required for that to occur, including how to articulate the UN’s own comparative advantage as a partner to the private sector. At the time of the study the government was developing a preparedness and response framework which could provide an opportunity to include the private sector and better define its role. On the part of humanitarian actors, the policies, guidance and tools that have been developed need to be customised for the private sector, taking into account differences in terminology and making the information easily accessible and regularly updated. Indonesia has a plethora of business platforms whose resources and expertise could be used to promote and support private sector engagement in disaster issues.

Indonesia would also benefit from a better body of knowledge about the private sector. A starting place could be a mapping exercise of the private sector (a ‘who’s who’) in a particular province, and research on practical case examples on the theme of private sector engagement, including state-owned enterprises and SMEs, in disasters. The creation of a technology-based platform and matching service for private sector engagement for preparedness and response should also be considered. On a more global level, the UN Office for the Coordination of Humanitarian Affairs (OCHA) should seek to incorporate a private sector dimension into consultations for the World Humanitarian Summit (WHS) 2016 to ensure that the agenda includes a clear role for the private sector in crises.
1 Introduction

This paper is part of a larger research study on ‘Humanitarian Crises, Emergency Preparedness and Response: The Roles of Business and the Private Sector’, developed in collaboration with the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) and funded by the UK Department for International Development (DFID), and undertaken by the Humanitarian Futures Programme at King’s College London, the Humanitarian Policy Group at the Overseas Development Institute and Vantage Partners, a private consulting firm. Indonesia was selected as one of four country case studies, alongside Haiti, Jordan and Kenya, due to its disaster risk profile, its middle-income status, its dynamic business sector – particularly small and medium enterprises (SMEs) – and its evolving capacity at the national level to manage disasters.

1.1 Methodology, data collection and limitations

Annex 1 provides a list of those contacted in the study, while Annex 2 provides a full summary of the methodology and data collection process, including the limitations of the study. The annex also provides a list of key terms and definitions used in this report. Corporate social responsibility (CSR) was the most commonly referred to entry point and modality for private sector engagement in humanitarian action, primarily in the form of short-term disaster relief. Yet the researchers did not assume that there was a shared concept of what the term CSR means. Nor was the concept of CSR specifically examined in regard to whether it is perceived to be synonymous with other related concepts for businesses’ role in addressing sustainability challenges, such as ‘corporate sustainability’, ‘corporate responsibility’ or ‘business sustainability’, or how humanitarian action interacts with those different concepts. The scope of the research did not support an in-depth analysis of issues related to how the private sector currently incorporates disaster risk issues into its business planning, nor did the study examine the economic impact of disasters on businesses or the financial contribution of the private sector to crisis-related matters through its CSR activities or otherwise. All these themes, however, could serve as the basis for a research agenda for the future.

1.2 Contextual overview

Indonesia is the world’s fourth most populous country and the largest economy in Southeast Asia. It has been undergoing profound change in recent years, with significant advances in both its economic and its political development, transforming the country into one of Asia’s most vibrant democracies and one of the region’s most dynamic economies. Already ranked as the 16th largest economy in the world, Indonesia is projected to be the seventh biggest by 2030, with an annual growth rate of 7% (Oberman, 2012). Indonesia’s economy has remained resilient through recent global and regional financial crises, with the country’s gross domestic product (GDP) rising from $2,200 in 2000 to $3,563 in 2012 (World Bank, n.d.). This growth has been driven primarily by investment, private consumption by a growing middle class and public spending. Even so, more than 120 million Indonesians (over half of the population) live on less than $2 a day, and the country faces a challenge in ensuring that its future development is both equitable and inclusive.

Indonesia is also playing an increasingly important role regionally and internationally. The country’s leadership role within the Association of South-East Asian Nations (ASEAN) and the Asia-Pacific Economic Cooperation (APEC) forum is widely recognised, while at the global level it is a member of the G-20, and President Susilo Bambang Yudhoyono served as one of the co-chairs of the High Level Panel for the Post-2015 Millennium Development Goals (MDGs) Agenda.

Due to its location along major tectonic plate boundaries, Indonesia experiences earthquakes and volcanic eruptions, as well as frequent floods and landslides, droughts and fires. New threats are also projected in light of the rapid expansion of urban areas.
In recent years the country has strengthened its disaster risk management policy framework and disaster management capacity. This commitment to disaster management has been reflected in the creation of a new national law and national-level disaster management agency (Badan Nasional Penanggulangan Bencana), as well as in increased public investment in reducing risk. The national budget allocated for disaster management has nearly doubled, from 0.38% of the total budget to 0.69% between 2006 and 2012. The budget for the central disaster management authority also doubled as the allocations grew from 0.58% to 1.02%.

Indonesia began a decentralisation process in 2001 devolving authority to the district level. The policy also saw the introduction of new special autonomy arrangements in the provinces of Aceh and Papua (and, more recently, West Papua). Levels of socio-economic development, natural resource endowments, infrastructure, government capacity and human capital vary greatly across the country’s 34 provinces and 405 districts. Disaster response capacity and coordination between government, civil society and private sector actors also vary widely between sub-national authorities, with some districts, such as Yogyakarta, more effective in disaster response and preparedness than others, such as Aceh Tengah, where capacity is weak and there is a legacy of distrust between government and the private sector.

1.2.1 The state and the business sector
The relationship between the Indonesian state and the business sector has undergone many stages of evolution since the country’s independence from the Dutch in 1945. In the 1950s, the government introduced affirmative action measures to support the emergence of an indigenous class of entrepreneurs. Later, during the period of Sukarno’s ‘Guided Democracy’, it pursued the development of a national industrial economy based on state-owned enterprises. Under Suharto’s ‘New Order’ administration private sector development was emphasised and new laws for foreign and domestic investment were introduced. In the 1970s, Indonesia profited from two oil booms, enabling the government to begin an ambitious state-led industrialisation plan, which led to the establishment of many large-scale, capital-intensive industries. When oil prices fell in the early 1980s, the government again sought to promote the development of the private sector, embarking on a process of deregulation to improve the investment climate.

Indonesia was seriously affected by the Asian financial crisis of 1997, and private enterprises, burdened by huge external debts, were badly hit. In 1998, Indonesia lost 13.5% of its GDP as a result of the crisis, and public pressure led to Suharto stepping down from power in May 1998. The recovery of the private sector from the financial crisis took a number of years, and it was not until 2004 that foreign direct investment recovered to pre-crisis levels (Thorbecke, 2010). Over the past decade the private sector has strengthened; the business environment for investors has improved steadily and, supported by a booming domestic market and a sound financial sector, Indonesia withstood the recent global economic crisis and outperformed its neighbours.
2 Private sector engagement in humanitarian action in Indonesia

2.1 Forms of private sector engagement in humanitarian action

Since the Indian Ocean tsunami in 2004, the private sector’s role in disaster response has grown dramatically. In 2010, the private sector played a significant role in responding to the Mount Merapi eruption and in the response to an earthquake and tsunami in the Mentawai islands. In 2013, the private sector also provided emergency relief following floods in Jakarta. For the most part, engagement is in short-term disaster relief in the form of philanthropy, under the broader umbrella of CSR. This generally involves donating funds or goods and services, or it can be a pro-bono contribution, i.e. the transport or delivery of food and non-food items, delivered through a local civil society organisation or international NGO. The key business sectors that engage in humanitarian action are logistics and transport, consumer goods and services, banking, water and sanitation, agribusiness and engineering and construction. This engagement reflects a more traditional concept of CSR, often characterised as a philanthropic exercise which may or may not be considered peripheral to a company’s main business, with the private sector seeking to enhance its brand and visibility as a result of its contribution, which can also be tax deductible.

Businesses may also engage in crises in the context of a specific programme. This may involve collaboration with national and local government authorities or with international NGOs. The private sector has also had a long-standing engagement in humanitarian action as a contractor providing goods and services to humanitarian actors. This study also identified examples of the private sector engaging in humanitarian action as part of its core business (see Annex 3), for instance by partnering with humanitarian agencies to tap into the private sector’s core competencies and skills to improve the quality of humanitarian activities. Initiatives may include business secondments to humanitarian agencies, joint training or the provision of technical services to humanitarian partners in sectors such as transport, logistics and supply chain management, water and sanitation, shelter and communications. Such initiatives may involve collaboration with national and local government authorities or with INGOs, but generally, with the latter, this is through a pre-established agreement. Other examples of engagement relate more to how the private sector seeks to manage its core business in a socially responsible way, integrating social and environmental concerns into their operations complemented by investment in communities for business reasons. While this type of engagement may also fall under the umbrella of CSR, it is also referred to as socially responsible business or corporate citizenship. What distinguishes this engagement from CSR is that the motive for engagement is linked more to core business concerns, not necessarily charity.

Platforms or intermediary mechanisms help tap into the private sector’s core competencies for humanitarian purposes, both in times of disasters and for recovery. Platforms were also reported to serve as useful forums to help the private sector understand the international humanitarian architecture. They also help the private sector to explore issues with respect to its own business sustainability, including how the private sector can best incorporate readiness measures to protect its investment, staff and operations in times of disaster.

These examples suggest that a broader concept for private sector engagement in humanitarian action may be emerging. This concept includes, but goes beyond, philanthropic involvement when something happens, and calls for the private sector to engage with disaster issues in the context of its own business, as partner to humanitarian agencies but also an actor in its own right. More research is needed to understand what this means and involves.
While the National Disaster Management Agency (BNPB) has a mandate for coordinating all stakeholders involved in disaster management, including relevant government agencies, NGOs and the private sector, in reality coordination with the private sector has proved challenging, with many private actors still operating independently from both the government and humanitarian agencies. This is particularly the case at the sub-national level, where local authorities often face the dual task of managing complicated policy and fiscal relations with the central government and coordinating with non-governmental actors. Research in Aceh Province revealed that, while the private sector was engaged in disaster relief, this was largely conducted in an ad hoc manner and contributions were poorly documented. In addition, cooperation and coordination between the private sector, the government and civil society was poorly structured and difficult to sustain. This was partly due to the weak capacity of the local disaster management agencies, as well as differences in how the respective roles of the government and the private sector were perceived. Challenges in financial and administrative coordination between district and central and provincial authorities made consistent communication with non-governmental actors even more difficult.

2.2 Barriers to private sector engagement in humanitarian action

2.2.1 The overarching constraint: lack of a clear business case

The key overarching constraint to private sector engagement in humanitarian action is that a clear and convincing business case for such engagement has not been articulated.

The private sector can do more and can engage in ways that go beyond being a donor in times of disaster. Given the government’s plans to increasingly decentralise the economy and for SMEs to serve as the engine of Indonesia’s growth, making such companies more resilient to disasters is a precondition for meeting the country’s macroeconomic projections. A more explicit link needs to be established between the private sector’s core business and resilience to disaster risks, and where these interests and needs interface with humanitarian action, encompassing prevention, preparedness, response and recovery.

‘CSR is not much more than a voluntary mechanism, but we can consider this a shifting point – part of a broader shift in humanitarian profiling on the part of the Government. First, get the capacity and experience in food, water and show they can handle this and then evolve to private sector involvement in a role more expansive than CSR. The private sector is explicitly mentioned in the legislation for CSR and for Public-Private Partnerships (PPP). But, the business case has yet to be made. It is still emerging. Now, the private sector gets involved ad hoc when they are directly affected. But it needs to shift to being part of core business and there needs to be a clear business case.’

– Humanitarian respondent

With the lack of business case as the overarching constraint, the study also identifies a number of other barriers that hold back or undermine private sector engagement in humanitarian action. Prior research by HFP on barriers to private sector engagement in humanitarian action identified three broad categories of constraints: information and understanding, cultural differences and capacity and resources. The barriers outlined in Figure 1 correlate with many of those that emerged in the study. Those presented below are a useful starting point for understanding specific focus areas for enhancing engagement and collaboration.

Constraints due to motives, lack of trust and differences in terminology and timeframes for engagement

Humanitarian and private sector actors indicate that they face issues related to trust, terminology and timeframes for engagement when seeking to engage with one another. In relation to terminology, for example, the concept of resilience is now widely used in the development and humanitarian sectors and business resilience is a common concept. Yet depending on where one sits, the term can have very different meanings; the same applies to the concept of sustainability. Additionally, as Figure 1 notes, the private sector does not always understand the international humanitarian architecture or its terminology.

Two focus group meetings, one with INGOs and one with national NGOs, affirmed the importance of building trust and transparency: ‘NGOs have learned to
take the time to build the relationships with the private sector and to do so before an event occurs’. Levels of trust are perceived to be low between the private and public sectors, at both the national and sub-national levels, and among NGOs, due to competition with one another. Lack of trust between private sector actors can also be a barrier as they are more accustomed to competing than collaborating.

Differences in timeframes for engagement were also noted. Humanitarians indicated that the private sector sees itself as decisive and action-oriented; companies want results and expect visibility to come from their contributions. The public sector and the humanitarian community see themselves as process- and consensus-oriented, and as working to open-ended timeframes. Both sides indicated that these differences needed to be acknowledged and negotiated between the two groups.

<table>
<thead>
<tr>
<th>Information and understanding</th>
<th>Cultural differences</th>
<th>Capacity and resources</th>
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<tbody>
<tr>
<td>• Lack of evidence of the humanitarian impact of collaboration</td>
<td>• Differences in how the private sector and humanitarian sector measure success, assess impact and approach accountability and visibility</td>
<td>• Difference in timescales (e.g. duration of involvement or interest), operating methods (e.g. success measures, accountability) and decision-making processes (e.g. different organisational cultures)</td>
</tr>
<tr>
<td>• Much of the private sector is not familiar with the structures and institutions of the humanitarian sector and thus struggles to negotiate the complex environment</td>
<td>• Suspicion and distrust of the motivations of the private sector</td>
<td>• Problems of scale as partnerships are often small scale and ad hoc rather than strategic</td>
</tr>
<tr>
<td>• Perceived differences in motives and drivers for engagement in humanitarian action</td>
<td>• Perception of humanitarians as ineffective or aspiring to impractical outcomes</td>
<td>• Transaction costs in time and resources required to build a partnership</td>
</tr>
<tr>
<td>• Lack of common language and terminology</td>
<td>• Lack of mutual understanding and trust</td>
<td>• Limited absorption and interface capacity within humanitarian organisations and the private sector for partnerships</td>
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<td>• Lack of understanding among private sector actors of the principles and standards that the humanitarian sector seeks to abide by</td>
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<td>• Imbalance between the time and resources that can be committed by humanitarian organisations and private sector counterparts</td>
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<tr>
<td>• Lack of clarity and understanding about competencies, entry points for the private sector’s engagement, its contribution and areas where the private sector has expertise and added value</td>
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<td>• External factors, such as economic downturns and changing leadership, can jeopardise arrangements</td>
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<tr>
<td>• Concerns about sharing proprietary information</td>
<td></td>
<td>• Challenges of coordination with new actors</td>
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* Compiled from various sources: Wassenhove, 2006; Thomas and Fritz, 2006; Raish et al., 2007; Shamir, 2004; Utting, 2000; Lukas, 2002; Binder and Witte, 2007; IBLF/Harvard, n.d.; Nelson and Prescott, 2005; Bridges et al., 2010; Wassenhove et al., 2006; Kent and Burke, 2011.

The private sector is very influential – it is the markets and taxes of the private sector that powers the economy and the Government. The private sector has been involved in disaster relief – whether in-kind goods, funding, even sending staff – and this should be encouraged. But there are challenges. The motives are different. They may not always respond to areas that are outside their business interests or where the markets are. The bigger question is how can the development and humanitarian community work together to be part of this process?’

– Humanitarian respondent
Lack of practical guidance to help the private sector to engage more easily and systematically with humanitarian actors

Respondents from the private sector stated that they are not always clear how to access information about the UN or know where to go to identify a suitable NGO collaborator. Consequently, in times of disaster, when they have something to offer, they are more inclined to coordinate with the government, either the BNPB or the District Disaster Management Agency (BPBD), or with actors with which they already have a relationship, e.g. their own personnel. The BNPB reportedly has a coordination mechanism with the private sector in the form of regular meetings, and is thought to be drafting legislation governing private sector engagement in humanitarian action.

The government has a vast array of policy guidance and tools, including the National Act for Disaster Management and various regulatory frameworks. It also has a set of Guidelines on the Role of International Organizations and Foreign NGOs during Emergency Response. There are also plans to develop guidelines for disaster risk financing and insurance as a follow-up to the Yogyakarta Declaration at the Fifth Ministerial Conference on Disaster Risk Reduction. On the part of the international community there is also a wide array of guidance, notably the Code of Conduct for the Red Cross Movement and NGOs in Disaster Relief, the Sphere Standards, the Humanitarian Accountability Partnership (HAP) Standards in Disaster Relief, as well as guidance on needs assessment and humanitarian principles. In their current form, however, these resources are neither readily accessible nor understandable to the private sector as these materials are not tailored to their needs.

Assumptions underpinning private sector and humanitarian collaboration

Assumptions underpinning private sector and humanitarian collaboration also restrict engagement. This study found that the terms of engagement are often defined based more on what is on offer or the individual actors’ interests rather than any clear understanding of each other’s added value or what each can create together. This is not to infer that there is no good practice or examples of private sector–humanitarian collaboration; either the collaboration is not well documented or the information is not widely disseminated. In addition, the absence of any common reference or benchmarks for what constitutes ‘good practice’ for different types of cross-sector collaborative relationship makes it hard to distinguish one from another. Other constraining factors include the short-term nature of relationships, which does not encourage investment in building trust or evaluating the impact of a particular joint initiative. The current lack of incentives to reduce these collaboration barriers is itself a barrier to better engagement.

Lack of accessible information on the private sector in disasters

Beyond their established relationships with the private sector, humanitarian actors face challenges identifying who to approach, and in undertaking due diligence. Currently there is no centralised registry or information repository that provides details of, for example, the value that business brings to humanitarian action by sector, disaster type, business type or location. Nor is there a specific helpdesk or matchmaking service to foster more systematic engagement in times of disaster. This dearth of information extends to a lack of documentation on what the private sector currently does to risk- or disaster-proof businesses, and the extent to which such investment improves revenue and business continuity in disasters. Consequently, humanitarian actors do not have a good understanding of the diversity of the private sector, including how it understands or addresses the issue of business resilience.
This section identifies a number of options for improving humanitarian–private sector engagement. All will require more in-depth analysis on the part of interested stakeholders in order to arrive at a set of priority actions. These actors include the Indonesian government, the private sector, the UN system in Indonesia, civil society, national as well as regional platforms, donor governments and the UN system at headquarters level.

3 Opportunities and options for taking the agenda forward

3.1 Overarching opportunities

3.1.1 Harness the private sector’s innovative capacity and practices to improve humanitarian effectiveness

One opportunity to foster greater engagement of the private sector in humanitarian action could be to tap into the innovative talent and practices that drive business competitiveness and sustainability. The private sector’s propensity for risk-taking, creativity, anticipation, adaptation and entrepreneurship can be more effectively exploited to address problems and challenges posed by risks from disasters, climate change and environmental challenges. A number of preparedness and response issues would benefit from the private sector’s innovative practices and expertise, e.g. in finance and banking, telecoms and urban planning. Opportunities could be created to partner with the private sector to help ensure effective readiness for large-scale disaster events and to help resolve response challenges.

Two promising examples of private sector engagement in preparedness warrant further study. CSR Asia used its Inaugural Forum on Disaster Preparedness (21 November 2013, Jakarta) to launch a White Paper on Business and Disaster Preparedness: Helping Communities Prepare for Effective Response. The paper highlights the need to invest in preparedness throughout the Asia region, as well as the opportunities for businesses to engage in and enhance preparedness through skills-based volunteering, leveraging business assets and networks, supporting the adoption of new technologies and innovative solutions and helping to advance advocacy efforts.

DRP Indonesia’s work after the 2013 Aceh earthquake included a needs and resource assessment in the affected area for reconstruction, including an assessment of the capabilities of local builders and the vocational schools where they trained. This led to the development of a training initiative for local builders on construction quality and earthquake-resistant housing design.

3.1.2 Review the UN’s comparative advantage

Diverse perspectives were offered on how the ‘rules of engagement’ for international humanitarian actors is changing in Indonesia, and the implications of this change for the UN system. As the Jakarta Commitment on Aid for Development Effectiveness notes: ‘External assistance is not simply a financial supplement to domestic resources, but complementary to these resources, playing a catalytic role in allowing Indonesia to access international knowledge and best practices, provide capacity development support, and bring about strategic systems improvements’. Thus, as the government increasingly seeks to demonstrate that it has the capability to manage disasters, international humanitarian actors and organisations, including the UN system, are finding themselves having to redefine their role and their place.

‘Firms will have to be strategically engaged and able to co-create innovative solutions for preparedness and response. Besides co-creation, business can play a role in enabling the wider use of such solutions by helping provide the necessary resources and building technical expertise.’

– White Paper, p. 18
Many respondents commented on the solid relationship between the UN and the government, its valued role as a catalyst, convener and facilitator and its expertise in norms and standard setting and advocacy. Some suggested that the UN’s role could be to enable better relations with business, serving as a neutral focal point for the humanitarian community and the private sector to foster engagement and help build the business case for the private sector’s role in humanitarian action.

‘The UN should operate as a strategic partner serving as bridge between the community, NGOs and the private sector. The branding of the UN has a value for the private sector and they would be receptive to support from the UN if it is perceived to help them engage.’

– Humanitarian respondent

While this can be considered a promising opportunity, at issue is whether the UN can or wishes to define its comparative advantage and its role as providing leadership to foster private sector engagement in a way that the private sector, as well as members of the humanitarian community, will perceive to be of benefit to them and in their mutual interest. The UN Global Pulse Initiative offers a possible entry point for the UN to engage with businesses to make sense of the mass of information that emerges through social media, so that this information can be better used for business, development and humanitarian assistance planning by the UN, the private sector and the government.

Others noted that the UN would need to demonstrate that it has the right mindset, the right skills set and an appropriate internal structure to play this role. Staff from some UN agencies discussed how they are seeking to align their mandates and services more closely with the government’s development priorities and to demonstrate what they could bring to that agenda. UNICEF, for example, noted that it had undergone a significant rebranding and staff restructuring exercise in order ‘to be able to recruit and develop the best talent possible’ on the basis that working in middle-income countries such as Indonesia calls for new competencies, new approaches and new types of partnerships.

Start to build a body of knowledge on the private sector’s role and contribution to humanitarian action

The wide range and diversity of private sector actors in Indonesia suggests that, for engagement to expand, humanitarian actors need a better understanding of this diversity. This includes who’s who and what different sectors and types of industries can contribute to preparedness and response. Existing CSR approaches in the country should also be captured on the basis that a wealth of experience has been built up over the years and needs to be systematised and understood so that it can help inform the development of a forward-looking agenda.

Information will also be required in order to make the business case for the private sector to go beyond its current engagement in crisis issues. Research and studies need to be undertaken on themes related to the business case for private sector engagement, for example an analysis of the economic opportunities for SMEs to provide services and goods in times of disaster, or research on the economic impact of recent disasters on private sector business continuity and productivity. Documenting good practice on the part of private sector actors by business type,
e.g. telecommunications, agriculture, financing, information and communications technology (ICT), would also be beneficial.

### 3.2 Specific recommendations

#### 3.2.1 Recommendations to expand private sector engagement in preparedness

*Include the private sector in the government’s and the UN’s Preparedness and Response Frameworks*

OCHA’s participation in the BNPB’s Steering Committee to develop a national preparedness and response framework provides a good opportunity to advocate for the inclusion of the private sector in the framework, including SMEs. To do so, OCHA may want to draw on the UN’s experience at the global and regional levels of similar processes that have been undertaken in other middle-income countries.

The inclusion of the private sector in the government’s framework could logically lend itself to incorporating the private sector into the UN’s preparedness and coordination mechanisms, such as the Humanitarian Country Team (HCT) or frameworks like the Inter-Agency Contingency Planning or the Cluster Framework. That said, it could take time to find the right ‘fit’ on the basis that there needs to be a clear rationale and terms for collaboration, including how engaging with the UN will benefit the private sector.

On this basis, a few ‘scoping’-type activities could help the UN explore different engagement possibilities and understand the requirements for greater collaboration with the private sector for preparedness within the UN’s Coordination Mechanisms. One activity could be a mapping of the UN’s current relationships with private sector actors to provide a more coherent body of knowledge on how the UN currently engages with the private sector and to identify areas where there is currently an interface with humanitarian action and/or where opportunities could be created. Another activity could be to forge links between the Shelter Cluster and the engineering and construction sector, with support from the Disaster Resource Partnership (DRP), with which OCHA has an excellent working relationship, or between the Logistics Cluster (WFP) and logistics firms, where relationships are already well established.

*Develop a scalable model/approach for preparedness planning at the sub-national level*

A 2012 review of Indonesia’s progress and challenges in implementing the Hyogo Framework for Action (HFA) notes that Law number 24/2007 on decentralisation recognises the need for a comprehensive reduction of risks, shared responsibility between national and local governments as well as the importance of the roles of non-government actors (internationally or nationally) and the communities. Another significant shift brought by the law was a shift of responsibility in disaster management from the national to the local governments’. The report notes that impediments to progress include a lack of capacity and capability for Disaster Risk Reduction (DRR) at the local government level and a lack of effort to include the integration of DRR and Climate Change Adaptation (CCA) in urban risk governance. A subsequent report from the Indonesia National Consultation on HFA2 and the Post-2015 Development Agenda notes the difficulties in implementing DRR and disaster management due to the decentralisation regime, and the challenges at the local level with respect to low awareness, regulatory and budget constraints and lack of human resource capacity.

This study calls for the UN, the private sector and the Indonesian government to collaborate to develop and test a model for sub-national preparedness, to be launched in a limited number of high-risk provinces/districts and cities, perhaps where UN agencies are already working and where there is private sector engagement in humanitarian action. The project concept should call for developing and testing a comprehensive planning and preparedness approach. The initiative should seek to bring together issues related to inclusive disaster preparedness, including insurance, business continuity and preparedness, with a focus on business sustainability for SMEs. The UN Office for Disaster Risk Reduction (UNISDR)’s 2013 Global Assessment Report (GAR) (p. 184)

*Launch a readiness exercise to prepare for a ‘mega’ national level disaster*

The UN, the private sector and the Indonesian government should consider collaborating to prepare for an event on the scale of Typhoon Haiyan in the Philippines. The initiative should seek to identify potential gaps and needs for which the private sector’s innovative capacity and practices could be brought in to help improve the efficiency and effectiveness of humanitarian assistance. These could be problems that not only undermine the government and the humanitarian sector’s ability to provide effective humanitarian assistance, but also disrupt business operations, e.g. connectivity and communications, supply chain resilience and urban infrastructure.
notes that ‘Many smaller businesses face a challenge in addressing disaster risk. In particular, small and medium enterprises (SMEs) are more likely to lack risk awareness or struggle to find the capacity to manage disaster risks, mainly owing to financial, human resource and technical limitations. They usually do not participate in hazard management programmes and lack financial resources for recovery. Having an emergency plan in place is a key in explaining business performance after major events’.

The initiative should take into account and build on prior work undertaken on this theme, e.g. a 2012 workshop organised by OCHA, the International Labour Organisation (ILO), the World Bank and the Indonesian Chamber of Commerce (KADIN); the World Bank Global Facility for Disaster Risk Reduction (GFDRR)’s InSAFE scenarios software and its Disaster and Climate Risk Review initiative, UNDP’s Safer Communities Project and ILO’s business continuity training for SMEs for pandemics. The initiative could be designed as a series of pilots but with scale built into the design so it can be adapted to other regional and provincial contexts. Links with CSR Asia’s Initiative on Business in Community Preparedness should also be explored. Perspectives gathered during the research cautioned against thinking along the lines of a one-off training or workshop on the basis that a longer-term commitment is needed in order to show results. Others suggested that UN personnel could be positioned at the local level to provide facilitation and coordination services.

The selection of provinces and the levels to target could be demand-driven or made on a competitive basis, to ensure that there is need, motivation and ownership by local actors. The work could be undertaken as a public–private partnership with the participation of UN agencies, national government and the private sector, including SMEs, and link with NGOs working on poverty reduction, community-based preparedness and disaster risk reduction.

3.2.2 Recommendations to build an understanding of the private sector’s role in humanitarian action

Map and document the private sector’s role, contribution and the impact of its work in humanitarian action

It is far too ambitious to capture the full range of interventions that the private sector in Indonesia has already undertaken that have had a positive humanitarian impact. Yet, in the absence of examples of good practice at different levels, by business type and disaster function, it will be hard to make a compelling business case for private sector engagement in disasters as part of core business resilience. Indonesia may want to look to the Philippines, Malaysia, Japan and Thailand, which have well-developed mechanisms for fostering private sector engagement in humanitarian action. A starting place would be to map the private sector, identifying how it currently engages or could engage in resilience and vulnerability issues, by business type and at different levels, and how that engagement has improved revenues and profits. The development of a set of performance and success metrics to better depict the costs, benefits and impact of the private sector’s contribution, and peer to peer exchange to disseminate good practice, should also be considered.

Help the private sector engage with the government and humanitarian actors

Indonesia needs a technology-based platform to help the private sector access information about both the government’s and the international humanitarian sector’s guidance and tools. The platform should include information deemed relevant to the private sector on topics such as preparedness, disaster risk management, the structure and role of the UN and NGOs and FAQs. Materials need to be customised for the private sector – interactive, concise, attractive and accessible, using a wide range of social media. At the global and regional levels there are many examples of such initiatives for humanitarian action, including DEVEX, Global Hand, the Business Civic Leadership Center USA, AidMatrix USA, CiYuan China, the Partnership for Quality Medical Donations USA and Platforms for Private Sector Collaboration. A platform initiative could be trialled in one location, ideally at the sub-national level, e.g. Yogyarkata, where there are a reported 364 NGOs and there is strong private sector engagement in humanitarian action. It would be important to build scale into the initial design of the platform, which could also have a helpdesk/matching service for private sector donations and goods in times of disaster.

Tap into business platforms to promote private sector engagement in humanitarian action

There are a plethora of business platforms in Indonesia, including for state-owned enterprises. Some should lend themselves to fostering private sector engagement in disasters in the context of their own agendas and that of their members. An initial step
could be to inventory and map a selected number of platforms to understand their interests and needs, and how those could best be addressed. Links with regional and global platforms should also be explored as part of this scoping initiative. Examples that could provide useful lessons on the role of platforms in disaster matters include USAID Indonesia’s work with the American Chamber of Commerce and OCHA’s collaboration with KADIN. OCHA also sits on the Steering Committee for the Disaster Resource Partnership.

*Foster new cross-sector collaboration for humanitarian action*

Indonesia needs better evidence on how collaboration for disaster risk management works in practice. The research identified a diverse range of collaborations and models for humanitarian action, ranging from transactional and contractual relationships to partnerships and commercial-to-commercial collaboration, e.g., the DRP, the Unilever Foundation and the INGO/Prudential Foundation partnership for the ASEAN ‘Safe Schools’ Initiative. Reference was also made during the study to the government’s intention to create a public–private partnership mechanism. Yet information about these different types of collaboration modalities and how they work in practice is not available. This includes practical examples of how to collaborate across sectors, the types of modalities that are used and what such relationships can achieve. A starting place would be to document a selected number of collaboration modalities and share the findings in a series of discussion and exchange fora. The results could be shared at regional and global level fora, and would allow Indonesia to showcase its experience in private sector collaboration for humanitarian action.

### 3.2.3 Recommendations to incorporate a private sector dimension into UN-supported global agendas and fora

There are a number of important processes underway at the global level that will shape future humanitarian, development and disaster risk reduction policy. These include the Post MDG 2015 development agenda, the consultations for the World Humanitarian Summit 2016, the IASC’s Transformative Agenda and the deliberations for the next iteration of the Hyogo Framework. OCHA in Geneva may want to consider how to create opportunities within these processes to highlight and incorporate the role of the private sector in these deliberations and initiatives. Indeed, Indonesia, along with other countries that have well-established disaster risk management systems and a dynamic private sector, could be asked to share its experience and expertise and help shape the agenda.

Other options that emerged from the research and that warrant UN support include:

- Launch a review exercise of the OCHA/WEF 2007 Guiding Principles for Public–Private Collaboration for Humanitarian Action. The review could document best practice on how the guidelines have been used and their impact. It could include a multi-level consultation in countries to discuss their relevance and how they can be enhanced and monitored. Indonesia could be one of the countries for consultation and could perhaps identify a private sector representative to be on a global working group for this exercise (should one be established).
- Initiate a review/discussion within the IASC on how it can support and foster more strategic engagement of the private sector in the UN’s humanitarian work.
- Initiate discussions with UN Legal Affairs in New York to review current policies and regulations governing the UN’s engagement with the private sector to determine if/how they can be modified to enhance opportunities for the UN to engage more easily and coherently with the private sector.

### 3.3 Recommendations for donor governments

Donors should facilitate and enable private sector engagement in humanitarian action

Both DFID and USAID have departments dedicated to private sector development. The Asian Development Bank (ADB)’s Fact Sheet on Indonesia (2012) refers to its ‘collaboration with the private sector through its private sector operations and

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1 The NGOs involved are Child Fund, Oxfam, Save the Children, Help Age International, Mercy Corps, World Vision International (WVI) and Plan International.

support for public-private partnerships’. These are examples of initiatives that could be exploited to provide specific technical and financial support to private sector initiatives, as well as lending reputational support. Furthermore, through these mechanisms donors could incorporate or support initiatives that build evidence on what works and what does not with respect to private sector engagement in humanitarian action, support donor–private sector platforms and create space for partnerships that could incubate big impact/transformative ideas and bring them to fruition.
4 Conclusion

Indonesia offers a rich context for exploring a broad range of issues and themes on the role of the private sector in a dynamic middle-income country facing complex development and disaster risk challenges. The country has a large and well-established business sector, including SMEs, whose business competitiveness and sustainability can be seriously undermined by disasters. The research reported on here recognises the important role that the private sector is expected to play as a key partner with the government in helping to diversify the economy and achieve the projected trajectory of growth. Yet the study also raises concerns about Indonesia’s economic and disaster resilience, and whether economic growth will be such that it reduces, not increases, disaster risk.

The study explores the current contribution of the private sector to humanitarian action through CSR for disaster relief. The lack of a compelling business case for the private sector’s expanded engagement in crisis issues, linked to its core business resilience, is also noted as a concern. While this business case is starting to be made, changes in thinking and practice will take time to evolve. Within the humanitarian community there is a leadership deficit with regard to how to best foster more systematic and deeper private sector engagement in ways that align with the government’s disaster risk management and development priorities. Engagement will need to be systematically fostered and framed around core business resilience, and it will require leadership to take this forward.

The study calls for the greater use of approaches that foster cross-sector collaboration on the part of the government, the humanitarian community and the private sector, with the support of other actors. Further research will be needed to build the business case for why the private sector’s engagement should go beyond short-term relief in times of disaster. Additionally, the humanitarian community will need to reconsider its current thinking about the private sector’s role and its approach to engagement to be more inclusive of ‘non-traditional’ humanitarian actors and to engage with them as partners based on a clear understanding of one another’s comparative advantage. The private sector will also need to better understand how it can engage as a partner, not just as a donor, within the sub-national, national and international mechanisms for disaster preparedness and response. This is a promising time in Indonesia’s history. The authors hope that this report will serve as useful input in the creation of a forward-looking agenda for taking private sector engagement in humanitarian action to a new level.
References


OCHA (2012) Briefing Note on OCHA engagement with the private sector in Indonesia, OCHA hand-out for AusAID ERT.


# Annex 1
## Interviewees

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<tr>
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<tr>
<td>UN</td>
<td>Douglas Broderick</td>
<td>UN Resident Coordinator</td>
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<td>OCHA</td>
<td>Rajen Gengaje</td>
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<td>OCHA</td>
<td>Knarick Kamalyan</td>
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<td>OCHA</td>
<td>Mindaraga Rahardja</td>
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<td>Kristanto Sinandang</td>
<td>Head of Crisis Prevention &amp; Recovery Unit, Assistant Country Director</td>
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<td>UNDP</td>
<td>Malikah Amril</td>
<td>Programme Manager, Disaster Risk Reduction Cluster</td>
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<td>UNICEF</td>
<td>Marc Lucet</td>
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<td>UNICEF</td>
<td>Lina Sorani</td>
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<td>ILO</td>
<td>Michiko Miyamoto</td>
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<td>ILO</td>
<td>Luisiani Julia</td>
<td>Programme Officer/Gender Focal Point</td>
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<td>IOM</td>
<td>Dennis Nihill</td>
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<td>UNFPA</td>
<td>Jose Ferraris</td>
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<td>UNFPA</td>
<td>Rossy</td>
<td>NPO Humanitarian Officer</td>
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<td>FAO</td>
<td>Dr. Mustafa Imir</td>
<td>FAO Representative in Indonesia</td>
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<td>FAO</td>
<td>Dr. Ageng. S. Herianto</td>
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<td>Daniel Adriaens</td>
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<td>Dinita Setyawati</td>
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<td>Pulse Lab Jakarta</td>
<td>Tanti Liesman</td>
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<td>Widya Setiabudi</td>
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<td>AIDRF</td>
<td>Chasan Ascholani</td>
<td>Capacity Development Support Programme, seconded to BNPB</td>
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<td>USAID</td>
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<td>Mgr. Emergency Response Plan</td>
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<td>Saeihu Nurdin S. Sos</td>
<td>Chief Operation Control Center</td>
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<td>Tarulia A. Aritonang</td>
<td>Manager, Contributions &amp; CSR</td>
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<td>Manager, Community Development</td>
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<td>Officer Bidang CSR Programme</td>
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<td>Maya F. Tamimi</td>
<td>Enhancing Livelihood Programme Manager, Unilever Indonesia</td>
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<td>Yulianto AK</td>
<td>Head of Business Institution Role Division, Directorate of Community Empowerment</td>
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<td>Hope Worldwide</td>
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<td>Norton Consulting</td>
<td>John Norton</td>
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**ACEH Province**

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Research premise

The research for this country study reflects the overall themes and issues being tackled in the broader global study on ‘Humanitarian Crises, Emergency Preparedness and Response: The Roles of Business and the Private Sector’. Based on studies undertaken by ODI’s Humanitarian Policy Group and KCL’s Humanitarian Futures Programme it is clear that the private sector is increasingly becoming part of the humanitarian sphere. Yet these studies also indicate that governmental, intergovernmental and non-governmental organisations are often uncertain about how best to engage with the private sector. Humanitarian policymakers and business figures do not fully understand how to interact with one another or how to identify the most appropriate forms of mutual engagement. Furthermore, the boundaries of the private sector’s involvement in humanitarian action are unclear. Are the motives for engagement linked to philanthropy and corporate social responsibility or do they relate to core business interests and sustainability? These are the issues that the broader study seeks to explore.

For Indonesia, the research was guided by five objectives:

- Review the key sectors (banking, energy, logistics/transport, telecommunications and media, construction, and agriculture in Aceh) and types of business that are deemed to have a role to play (or potential role) in disaster preparedness and response and how this is evolving at the national and sub-national levels.
- Elicit perspectives on the motives, entry points and modes of private sector engagement in disaster preparedness and response – through philanthropy, as a partner to a humanitarian actor, in a contractual mode or in the context of its core business – and how these modes have evolved or may continue to evolve.
- Assess how different private sector entities and actors are prepared to interact with the government and the international humanitarian community in disaster preparedness and emergency response, including the mechanisms that foster this interaction.
- Assess the barriers and perceived risks that hinder more consistent and coherent engagement between the private sector and the humanitarian community.
- Identify opportunities that can be pursued by actors and mechanisms to make the private sector’s engagement more systematic in the future (incentives, measures related to the national and international architecture, partnerships, platforms, involvement in preparedness, etc.).

Methodology

Initial work was undertaken in the form of remote consultations with OCHA in Geneva and Indonesia, as well as planning meetings in London. A desk-based review of existing background documentation on Indonesia’s disaster risk management context and the private sector’s engagement overall in humanitarian issues was also undertaken. This included a review of documentation on Indonesia’s commitment and work related to the HFA and Indonesia’s National Action Plan for Disaster Risk Reduction (2010–2013), as well as internal documents and UN reports on Indonesia and the private sector’s role. Support for the desk-based research was provided by Vantage Partners.

A 14-day consultation mission was undertaken to Jakarta and Aceh in November 2013. As a result of the strong support provided by the OCHA Indonesia office, the research team was able to meet with a broad representation and range of stakeholders in Jakarta, including UN agencies and the Resident Coordinator, the private sector, foundations and state-owned enterprises, NGOs (both international and national), donor governments and financing institutions and national government authorities (see Annex 1 for a list). Data collection included one-to-one and small group meetings, two focus group meetings, attendance at OCHA’s Monthly Coordination Meeting with the National Disaster Management Agency (BNPB) and participation in a one-day Inaugural Forum on Disaster Preparedness and the Role of the Business Community, hosted
Field research was conducted in Aceh from 16–20 November 2013 to assess the role of the private sector in post-earthquake recovery following the Central Aceh earthquake of July 2013. Meetings were held with local government and local NGOs in Banda Aceh, and with local government, local businesses, local NGOs, an association of women’s organisations and coffee growers in Takengon, Central Aceh. Two focus group discussions were held in Takengon, one with local government and local NGOs and a second with the women’s association.

The interview questions were open-ended and customised to the particular actor and their role. The questions elicited discussion on the changing context in Indonesia and the implications of these changes for the role and engagement approaches of international humanitarian actors; perceptions around the role of the private sector and how engaging in crisis can become a more integral element of their business model and their own resilience, particularly SMEs; perceptions about the capacity and effectiveness of the national government in managing and reducing crisis risks; and perceived capacity and resource disparities between the national and sub-national levels and how those gaps could best be addressed.

In addition to interviews, an online survey was disseminated to participants in the Jakarta data collection exercise. As part of the mission, reports and documentation were collected including the United Nations Partnership for Development Framework, 2011–2015 Indonesia, USAID’s Country Development Cooperation Strategy for Indonesia and the World Bank’s Mainstreaming for Disaster Risk Reduction strategy for Indonesia. Additionally, in several of the meetings with the private sector the research team was given documentation on particular programmes or projects in disaster-related work.

**Limitations**

One challenge was the limited time period for the research, which restricted the depth and scale of what the research could realistically cover on such a broad topic in such a large and diverse country. Some information was available globally on the specific role and engagement of the private sector, by business type, in specific disaster events. Yet overall there is no specific information portal or body of information that on humanitarian–private sector engagement for Indonesia. This was another limiting factor in the research. The diversity of the private sector made it difficult to comprehensively map it in the time available. For the most part, the businesses that participated in the research in Jakarta were multinationals or large national companies.

CSR was the most commonly referred to entry point and modality for private sector engagement in humanitarian action, primarily in the form of short term disaster relief and response assistance. Yet the researchers cannot assume that there was a shared concept of what the term CSR means or encompasses. The concept of CSR was not specifically explored in terms of whether it is understood to be synonymous with other related concepts, such as ‘corporate sustainability’, ‘corporate responsibility’ or ‘business sustainability’. In addition, the scope of the research did not support an in-depth analysis of issues related to how the private sector currently incorporates disaster risk issues into its business planning, the economic impact of disasters on business or the financial contribution of the private sector to crisis-related matters through its CSR activities or otherwise.
Corporate philanthropy
Corporate philanthropy refers to corporations using their charitable efforts to improve the quality of the business environment in the locations where they operate. Using philanthropy to enhance competitive context aligns social and economic goals and improves a company’s long-term business prospects. Addressing context enables a company to give money, and also to leverage its capabilities and relationships in support of charitable causes. By aligning charity and strategy, corporations don’t only give money, they donate distinctive capabilities.

Corporate social responsibility (CSR)
CSR is the commitment by business to behave ethically and contribute to economic development, and improve the quality of life of the workforce and their families as well as of the local community and society at large (World Business Council for Sustainable Development, 2009).

Creating shared value
The concept of shared value can be defined as ‘policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates. Shared value creation focuses on identifying and expanding the connections between societal and economic progress’ (Porter and Kramer, 2011).

Private sector
That part of the economy that is owned and controlled by individuals and organisations through private ownership. Herein, we also use ‘private sector’ to refer to state-owned enterprises under state capitalism, which are created by the government to undertake commercial activities, and commercial activity within the informal sector (Oglesby and Burke, 2011: 8). To better understand the private sector in Indonesia ‘it is helpful to distinguish between three major elements of the private sector, including the conglomerates and large companies, mostly but not exclusively owned or controlled by ethnic Chinese businessmen; the small and medium enterprises (SMEs), mostly owned by indigenous (pribumi) businessmen, but also by a sizable number of ethnic Chinese businessmen; and foreign-invested enterprises’ (Wie, 2006: 3).

Disaster risk management
The systematic process of using administrative directives, organisations, operational skills and capacities to implement strategies, policies and improved coping capacities in order to lessen the adverse impacts of hazards and the possibilities of disasters (UNISDR, 2009).

Disaster Risk Reduction
The concept and practice of reducing disaster risks through systematic efforts to analyse and manage the causal factors of disasters, including through related exposure to hazards, lessened vulnerability of people and property, wise management of land and the environment and improve preparedness for adverse events (UNISDR, 2009).

Partnership
A cross-sector alliance in which individuals, organisations or groups agree to work together to fulfil an obligation or undertake a specific task, sharing the risks as well as the benefits, reviewing the relationship regularly and revising their agreement as necessary (Tennyson, 2006).

Resilience
The ability of a system, community or society exposed to hazards to resist, absorb, accommodate to and recover from the effects of a hazard in a timely and efficient manner, including through the preservation and restoration of its essential basic structures and functions (UNISDR, 2009).
Annex 3
Case studies

Case Study 1: Disaster Resource Partnership (DRP)

This case example features an innovative, multi-level, cross-sector partnership between humanitarian organisations, the Government of Indonesia and the private sector. It illustrates the potential role that the private sector can play before, during and after a disaster, and how intermediary mechanisms can foster cross-sector collaboration and leverage and align the expertise, strengths and resources of diverse actors.

Problem statement
At the World Economic Forum (WEF) annual meeting in 2011, Indonesian President Susilo Bambang Yudhoyono asked for the WEF's Disaster Resource Partnership Initiative, an international alliance of engineering and construction (E&C) actors, to be established in Indonesia. The Partnership was officially launched in June 2011 at the East Asia WEF summit in Jakarta, with the objective of developing a cross-sector, professional and accountable humanitarian response to disasters.

The platform is designed to address a number of gaps with respect to coordination needs between the government, the private sector and key local humanitarian actors in times of disaster. The platform also seeks to harness the expertise and resources that the E&C sector can offer with respect to reducing the damage to physical infrastructure in disasters and ensuring that, when a disaster event occurs, recovery of the affected infrastructure is undertaken in a way that reduces future disaster risks (rebuilding better through risk reduction designs). In turn, the platform provides both a clear and coordinated entry point for the engagement of the E&C sector in disasters and a voice for the E&C sector in humanitarian coordination in Indonesia. Additionally, the platform plays an important role in enhancing the private sector’s own understanding of disaster management, including the resources and tools of the international system.

Overview of private sector innovation and intervention
There are several aspects of the Partnership that make it unique. From the start it had strong champions, with support at the highest level of the Indonesian government and the private sector, and the support of the UN. There were strong links between the Partnership and the Ministry of People’s Welfare, support to identify and help recruit the initial ten members of the platform, and support in hosting the secretariat.

A second innovative dimension to the Partnership is its governance structure. Government bodies involved include the Ministry for People’s Welfare, the National Agency for Disaster Management (BNPB) and the Crisis Management Center of the Ministry of Health, along with private sector representatives and three humanitarian partners – the International Federation of the Red Cross/Red Crescent (IFRC), OCHA and a national NGO, the Humanitarian Forum Indonesia. The secretariat organises training, maps the private sector, fosters networking and collaboration, documents and disseminates lessons learnt and shares good practice, as well as undertaking outreach and promotion activities.

A third innovative dimension to the network was the contribution of the Partnership in the aftermath of the 2013 Aceh earthquake. The members of the Partnership contributed to emergency response in three ways: through direct action when they had operations in an affected area, through E&C staff secondments to work alongside humanitarian agencies and by sharing their technical competencies and expertise. For example, following the earthquake the DRP deployed network members to conduct a building/construction damage assessment of selected health facilities and a hospital. An assessment of local capacity in construction has led to the training of 18 local builders and vocational training for personnel on earthquake-resilient construction. This work was undertaken in close collaboration with Humanitarian Forum Indonesia, which facilitated access to the local community and assisted with follow-up to the training.

Business case
Companies benefit from their membership of the network in a number of ways. The platform provides them with a

1 The initial members were PT. Amec Berca Indonesia, PT.PPP (Perseo Tbk), PT.Wijaya Karya (Persero), Tbk., PT.Waskita Karya, PT., Total Bangun Persada, Tbk., PT. Jaya Konstruksi Manggala Pratama, Tbk., PT. Tatamulia Nusantara Indah, PT. Balfour Beatty Sakti Indonesia, Sukamata & Partners and PT. Yodya Karya (Persero).
clear entry point for engagement and the opportunity to showcase and apply their expertise in a way that enhances their brand and visibility. The platform also enables the companies to demonstrate to their employees and the broader community that they are socially responsible and have a commitment to civic duty. Membership in the platform offers a good networking opportunity, including the potential to collaborate with other companies that they may typically compete with, and an opportunity to broaden their regional and global network contacts.

Humanitarian impact
The MoU for the DRP states that ‘the network’s primary goal is to save lives and alleviate suffering by harnessing the strengths and assets of the E&C sector for disaster preparedness and response’. The Partnership also envisions that the E&C sector can make a significant contribution to disaster risk reduction in areas such as building codes and regulations, urban and land use planning and risk-sensitive construction. This suggests that the DRP’s long-term objective to expand the network to include other private sector industries such as telecommunications, logistics and transport and insurance could go a long way to harnessing private sector talent and expertise to manage disaster risks in Indonesia.

Case Study 2: ACA Insurance: micro-insurance for low-income households in Indonesia

This case example outlines ACA’s work in using micro-insurance services targeted at low-income individuals and families, including sole traders and small businesses, to reduce their risk from three types of crisis: dengue fever, damage to dwellings due to fire and damage to buildings due to earthquakes. The case offers an innovative example of how the private sector can provide services to protect and reduce risks to those who are generally deemed ‘uninsurable’, and to provide these services in a manner that is consistent with its core business.

Problem statement
In Indonesia today about one-third of the population or some 77 million people lack financial protection or a savings cushion.\(^2\) Micro-insurance provides coverage to low-income households for a wide range of needs, which can include coverage to farmers against crop failure or to provide benefits in the event of a death in the household. In fact, this has become a key element of Indonesia’s Financial Inclusion Strategy, under which a micro-insurance scheme was launched in 2013. Given the size of the potential market for such services, private insurance companies are increasingly interested in developing products and services for this market. This requires understanding the risks faced by these populations and their vulnerabilities, as well as finding practical ways to educate them about insurance and how it can benefit them. In recognition of the potential relevance and market for micro-insurance in Indonesia, the World Bank, in collaboration with the Indonesian Insurance Council (Dewan Asurani Indonesia) and the International Finance Corporation hosted a Microinsurance Marketplace in Indonesia in 2011.

Overview of private sector innovation and intervention
ACA Insurance has long recognised the potential of micro-insurance, and in 2009 began to incorporate such services into its broader insurance schemes, which traditionally focus on providing property, travel, engineering and motor and marine cargo. With some 36 branches throughout the country and 34 representative offices, it is well situated to reach a wide range of markets, including those traditionally deemed ‘uninsurable’.

Its first product was an insurance scheme for dengue fever. The message was simple – for the cost of a packet of cigarettes you can purchase the insurance, and in the event that you suffer from dengue fever you will receive $100 in compensation. From the start the scheme was set up with the client in mind, making the insurance available in places where they were likely to shop; neither an application form nor a medical check-up are required. The client can purchase the insurance in the form of a scratch card, each of which has an encoded pin number. Once the pin number is activated it is submitted to the insurance company by SMS or phone, along with the name and personal details of the applicant. ACA sends an SMS confirmation within 15 days of activation. The policy lasts for one year, after which it either lapses or can be renewed. Based on the success ACA has had with the dengue micro-

insurance it is now developing products for fire risks and earthquakes.

Two challenges encountered by ACA in working in micro-insurance involved establishing the distribution channel and awareness-raising on the schemes to counter the widespread perception that insurance is only for the affluent. ACA has had to find innovative approaches and solutions to developing and marketing such products. Lessons from India and Bangladesh have enhanced ACA’s own thinking and experience. The company has also developed collaborative relationships with Mercy Corps and several micro-finance institutes.

Business case
As Indonesia seeks to make financial services more affordable and accessible to low-income populations, the private sector overall, including the insurance sector, has an important role to play in advancing Indonesia’s objectives and targets for pro-poor financial inclusion and for putting greater emphasis on risk prevention and preparedness. Thus, from the start, there has been a clear business case for ACA to develop this service in a way that also demonstrates that it can help the poor and showcase its capacity for using technology, developing low-cost products and marketing. While the commercial rationale may not seem that obvious to some, ACA, from the outset, recognised the vast potential of this untapped market. ACA currently has 15,000 micro-insurance customers, with a target of 100,000 in the next two years.

Humanitarian impact
By developing services for low-income households, insurance companies such as ACA can help increase the financial inclusion of the poor as a way to build their resilience to shocks and reduce their vulnerability to risks. Micro-insurance can also capitalise on and take advantage of changes that technology is bringing to open up markets to under-served populations and regions by developing financial products that can be delivered through mobile phones and branchless banking.

Case Study 3: Telkomsel’s response to the Jakarta floods 2013
This case study documents the response of Telkomsel, Indonesia’s largest cellular operator, to the floods in Jakarta in January 2013. The example shows the ways in which private companies can respond effectively to disasters through developing preparedness measures to support the continuity of services within their own sector, in this case telecommunications.

Problem statement
Telkomsel, founded in 1995, is a subsidiary of Telkom Indonesia and the country’s largest cellular operator, with over 122m subscribers. As part of its CSR commitment, Telkomsel established a disaster preparedness unit called Telkomsel Recovery Emergency Response Activity (TERRA), which was mobilised to respond to the 2013 floods. TERRA restored disrupted telecommunication networks, supported evacuations and provided food and non-food items to affected communities. It also provided free telecommunications services for several weeks following the onset of the floods.

Overview of private sector intervention and innovation
Telkomsel was able to respond rapidly to the floods because it had ensured that the network was prepared for a natural disaster. This included training personnel in disaster preparedness and response, including evacuations, and telecommunications network recovery. TERRA personnel were equipped with the specialised skills needed to conduct emergency response tasks: since 2010, Telkomsel has trained 300 employees in ten regional offices in emergency response. It has also supplied their offices with emergency response equipment such as inflatable boats, tents for media centres and displaced people, kitchenware and generators. Telkomsel is also working on the development of a digital platform to monitor network disruption, and is developing a network of volunteers and training them in rapid response. Telkomsel has also conducted assessments of Base Transceiver Stations, identifying 176 potentially vulnerable sites. The company is also keen to explore ways to work with the government and the international community on digital platforms for disaster response and preparedness.

Business case
Telkomsel has been able to mobilise emergency response effectively because it has invested in training its staff in specialised response skills and emergency interventions in its own core area of business, namely telecommunications. Telkomsel sees the development of emergency response capabilities as a critical part of ensuring network continuity for its clients and the public and, therefore, of its own business continuity.
Humanitarian impact
Telkomsel had a significant humanitarian impact at two levels in response to the floods. Firstly, the company was able to rapidly mobilise personnel trained in evacuation and the distribution of emergency supplies. Secondly, Telkomsel was able to act quickly to restore critical telecommunications networks in the midst of the crisis, which accelerated rescue and relief efforts across the board.

Case study 4: Gayo Arabica coffee-exporting companies in Aceh Tengah

This case study demonstrates the way in which a local coffee processing and exporting business in Takengon, the capital of Aceh Tengah (Central Aceh) district, has supported its own employees in post-disaster recovery in the aftermath of the earthquake of 2 July 2013. The example shows how local businesses can play a role in supporting staff and the communities of producers who are linked to them, while at the same time continuing to face barriers in coordination with, and accessing finance from, the government and donors to assist with the post-disaster recovery of their business. These challenges in turn can hamper local economic recovery.

Problem statement
Following the earthquake in Aceh Tengah, local coffee businessman Haji Rasyid provided direct relief assistance to employees of his coffee processing facility in Takengon, as well as to coffee growers who supply harvested coffee to the facility. However, this assistance was short-lived as the facilities of the business were also directly affected by the earthquake, with several buildings heavily damaged, making it difficult for the business to resume activities and continue to employ its workers. The facility, which processes coffee for several of Mr. Rasyid’s companies, including Sumatera Jaya Kopi and Oro Kopi Gayo, employed 270 workers before the earthquake, 250 for sorting and 20 for production, the vast majority of them women from low-income families in the surrounding area. In addition, thousands of coffee growers and hundreds of traders are dependent on the business for their livelihoods. The damage to the coffee processing business also had a significant impact on the local economy. Before the earthquake the facility processed an average of 500 tonnes of coffee a month for export to domestic and international markets, including the United States, Japan, Australia, Germany, Canada and Taiwan. While the Governor of Aceh himself visited the facility and promised to help it access finance for business recovery this has not materialised and the rehabilitation and reconstruction budget does not prioritise economic recovery.

Challenges
While Mr. Rasyid and his business colleagues saw the private sector as having a role in post-disaster relief and rehabilitation, the primary challenge they faced was that there was no clear channel for local businesses affected by the earthquake to access assistance from the government, donors or local banks. While the local disaster management agency (BPBD) did provide a tent to enable some activities to resume at the processing facility, there was no mechanism for requesting financial assistance to support business rehabilitation as part of a larger post-disaster economic recovery effort. This had a direct impact on the ability of the coffee business to continue employing its workers, the majority of whom were themselves directly affected by the earthquake. The district authorities also faced challenges in determining budget allocations for post-earthquake rehabilitation more generally as they had to coordinate their district budget with the provincial authorities. It was also not clear to the BPBD how to coordinate rehabilitation and recovery with the local planning and development agency (BAPPEDA) at both district and provincial levels. This lack of clarity and fragmentation resulted in poor engagement with the private sector overall.

Business case
The case study points to a larger problem of fragmentation and compartmentalisation in the way in which relief and recovery are conceptualised in Indonesia’s disaster management framework and mechanisms. These problems emerge clearly at the sub-national level, where mandates and sectoral responsibilities are even more rigid, decision-making authority is more limited and resources are scarcer. In this context, there is a need to recognise business recovery as a central part of disaster recovery, and to help local governments work with the private sector in this recovery process.

Humanitarian impact
The exclusion of the business from disaster recovery efforts had a direct humanitarian impact on disaster-affected communities. As a result of the earthquake, the coffee facility in Takengon was forced to cut its employees by a third. The vast majority of employees are women from low-income families.
## Annex 4
### Indonesia social and economic profile

<table>
<thead>
<tr>
<th>Population</th>
<th>246.9 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area</td>
<td>1,919,440 km²</td>
</tr>
<tr>
<td>GDP (national)</td>
<td>$878 billion</td>
</tr>
<tr>
<td>GDP (per capita)</td>
<td>$3,420</td>
</tr>
</tbody>
</table>
| GDP composition by sector | Agriculture: 14.4%  
Industry: 47%  
Services: 38.6% (2012 est.) |
| GDP – composition, by end use (2012 est.) | Household consumption: 54.6%  
Government consumption: 8.9%  
Investment in fixed capital: 33.2%  
Investment in inventories: 2.2%  
Exports of goods and services: 24.3%  
Imports of goods and services: -25.8% |
| Poverty headcount ratio at national poverty line (% of population) | 12% |
| Adult literacy rate | 92.6% |
| Under-5 mortality rate per 1,000 live births | 32 (2011) |
| Population using an improved drinking-water source | 82% |

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