

CLIMATE CHANGE ADAPTATION IN POST-DISASTER RECOVERY - POLICY BRIEF 10

Adapting in Tough Times: Strategies and Barriers of Fijian Small Businesses in Building Disaster Resilience

For decades, climate-related disasters such as floods and cyclones have had severe impacts on small island countries like Fiji. With increasing occurrences and intensity of such extreme events, policy-makers and development practitioners are increasingly urging governments to invest in climate-smart initiatives focused on improving the capacities of vulnerable groups to prepare for, respond to, and recover from natural calamities. Yet, much of the initiatives around pre-disaster and post-disaster response largely neglect the needs of sub-groups like small businesses.

Key Messages

- ❑ Fiji has more than 24,000 small businesses that account for as much as 60 percent of employment and 15 percent of this small island state's Gross Domestic Product (GDP). These numbers are significantly higher when informal businesses are included.
- ❑ Small businesses are sensitive to natural hazards due to various interrelated factors such as business characteristics (e.g. size and nature of operations), the location of their operations, and the levels of adaptive capacity.
- ❑ Small business owners continue to face challenges in securing rehabilitation loans in the aftermath of a disaster and rely largely on social capital such as family help to support their businesses.
- ❑ Insurance companies in Fiji are reluctant to provide cover against flood events. However, the United Nations Development Programme through its Pacific Financial Inclusion Program is currently working with the insurance industry to develop a bundle product based on parametric triggers.
- ❑ Small businesses are excluded from Fiji's institutional and policy framework of disaster management as well as recovery plans. In the event of disasters, institutional funding toward emergency assistance to enterprises is clubbed under general livelihood support measures, with little thought for specific considerations that affect MSME recovery.

RESEARCH CONTEXT

The island nation of Fiji is highly susceptible to climate-related disasters particularly due to its geographical location. In the last decade, the country has experienced widespread devastation from several cyclones and flood events. For instance, Tropical Cyclone Winston that affected more than a third of the country's population destroyed around 30,000 homes and resulted in productive sector losses amounting to USD 460 million. Likewise, other similar events have inflicted unimaginable destruction to communities and the overall economy, which often has resulted in the country declaring a state of emergency or disaster.

Reflecting on how these climate-related disaster events have disproportionately affected various economic sectors, this study draws attention to a subgroup of the private sector,



Figure 1: The main street of Ba town largely dominated by small businesses being flooded on April 1st 2018 (Photo: Fieldwork 2018, S. Michael)

small businesses. Like any other country, small businesses form a significant part of Fiji's private sector and are locally known to be vital engines of innovation and job creation. A survey conducted by the Reserve Bank of Fiji in 2014 indicated that micro and small businesses accounted for 72 percent of the total registered businesses and provided employment to almost 60 percent of the total labour force. Yet, the existing initiatives, policies and strategies designed to incorporate ideas around strengthening or improving resilience

towards disasters has glaring holes in commentary as it fails to contextualise the needs of specific subgroups such as small businesses that faced several adaptation barriers in time of disasters.

This study is situated within the context of Ba Province, Fiji, a province known for its diverse representation of small businesses that is subjected to frequent flooding due to the surrounding rivers and the built environment. Reports from the Fiji Metrological Organisation highlight that the town of Ba has been affected by 43 major flood events between 1982 and 2018. However, despite being aware of the risks posed by extreme climate-induced disaster events, commercial developments of the floodplain have continued apace, which is likely to lead to increased flood impacts, both directly through increased exposure and through the effect of new building in the floodplain raising flood depths. In recognising the vulnerability of small businesses in Ba to large-scale disasters, the study shares deeper understanding of how these businesses have recovered and responded to past disaster events.

RESEARCH METHODS

Field research was conducted between September 2018 to March 2019. Drawing on the qualitative research methods of semi-structured interviews and direct observation, 95 face-to-face interviews were conducted, of which 61 interviews were with small businesses owners and managers across various sectors within the Ba area and 34 interviews with respective disaster institutions in Suva. Additionally, the lead field researcher participated as an observer in key meetings such as the UNFCCC 23rd and 24th Conference of Parties, the Regional Pacific Disaster Resilience Council Meeting, the Fiji Business Disaster Resilience Meeting and the Pacific Insurance and Climate Adaptation Fiji Stakeholder Meeting. Observations during these meetings aided to gather a deeper understanding of the role of disaster institutions in improving resilience of the private sector. Secondary data including government reports, business continuity documents and other institutional reports were also gathered during the research fieldwork.

WHAT MAKES SMALL BUSINESSES IN BA VULNERABLE TO NATURAL DISASTERS?

It may generally be assumed that businesses would try to establish themselves in locations where they would have access to resources such as transportation, workers, raw materials, customers, and ideally operate in areas where business assets are not at risk from hazards. However, interviews with smaller businesses highlighted that their choice of location was largely dependent on customer density, irrespective of whether that area was disaster-prone or not. With the majority of the business owners interviewed being aware of the risks associated with operating in these locations, they had limited choices of relocation due to cost implications associated with loss in customers and affordability of rent in non-flood prone areas.

"Even if I wanted to move from this area to a place that does not get flooded as often, I cannot because the rent is almost five times as much as what I pay here and most customers do not visit that side of the town as the supermarket and market area is close to this location. There is not much we can do but just prepare for the worst." (Restaurant Owner, Ba Town)

While such business decisions may be perceived as a factor of disaster vulnerability, there are several other factors that contribute to these decisions. For instance, a few of the interviewees shared that property ownership altered their decisions to invest in disaster preparatory measures as lease agreements did not allow for loss-reduction measures without the consent of the owners. In most cases, the interviewees mentioned that the landlords were not cooperative particularly in the aftermath of a disaster event. In some cases, landlords provided written reminders to the small business owners to

bear the cost of needed repairs irrespective of whether the disasters resulted in structural damage, which eventually forced business owners to either relocate or operate under adverse conditions as they did not have the necessary finance required for repairs or alternative choice for relocation. To a large extent, this is a reality across developing countries, which in a broader sense may shape the attitude of small business owners towards taking precautionary measures which is such an important factor that affects disaster preparedness and recovery as indicated by several studies.



Figure 2: Building owned by Ba Town Council which was once rented by a small business owner and closed due to structural damages (Photo: Fieldwork 2018, S. Michael)

Further, small business owners explained how their reliance on external infrastructures such as transportation, roads, utilities (electricity and water) and supply chains (particularly raw materials and inventory) attributed towards their susceptibility. Most of the business owners interviewed shared how they had to temporarily cease operations in the aftermath of a disaster due to utility disruptions. These owners explained how the built environment damages, such as power lines and water pipers resulted in significant interruption losses of small businesses, with some instances of permanent closure.

"After Tropical Cyclone Winston, we had no power for almost 3 months and no water for almost a month. Many communities around Ba also were affected as the water pipes and power lines had been damaged. So, in that time, I cleaned my shop with the river water and closed for 3 months as my business relies on power. Also, customers are unable to come to town as the roads are damaged, so it makes no sense to invest in a generator" (Barber Shop Owner, Ba Town)

Aside from the above reasons, most interviewees shared their views of vulnerability in relation to interrelated factors of business characteristics such as size and nature of operations, and the low levels of adaptive capacity, which placed high-risks on their continuity.

HOW DO DISASTERS AFFECT SMALL BUSINESSES?

Natural disasters significantly affect small business owners both directly and indirectly. Reflecting on disaster experiences of small business owners, majority of the businesses sustained damages to stock and assets such as equipment and records. However, the damages to stocks and assets were largely attributed to flood events and not cyclones as business owners shared concerns on the untimely occurrence of floods over time. While many others would argue that the damages to business assets is insignificant to

homes and lives lost during flood events, for most business owners, the experience is considered equivalent as the continuity of their business determined their source of livelihood.

"Hardly people are here to witness what businesses have to go through. My business is my life as without it I would have no other means to put food on the table for my family. People think we are a business so we would have money, but we struggle as much as any other individual out there." (Convenience Shop Owner, Yalalevu Area, Ba)

In addition to physical damages, most business owners shared experiences of psychological and emotional stress. For instance, a few business owners were trapped in their own premises while trying to save their stocks. With their lives at stake, these owners feared that the unanticipated rise in flood waters would lead to permanent business closure, thus prompting their response.

"In 2009, I was trapped inside my shop while still trying to put my socks up. I did not have much manpower and I thought I would get out in time, but the flood levels rose faster than expected. I recall thinking that I was not going to see my family again as I tried to call for help but the mobile network was down. Luckily, the people upstairs heard me screaming and they called the cops to save me." (Automotive Shop Owner, Ba Town)

Apart from the impacts shared above, these disasters caused major disruptions to utilities, employees, customers, and the supply chain. One of the underlying reasons for the disruptions was due to the structural damages to the built environment such as roadblocks, whereby customers, suppliers nor employees were able to commute to flood affected areas. Likewise, the trail of devastation left behind in the aftermath of a disaster prompted safety concerns for the public, therefore curfews were put in place to restrict mobilisation, which in turn affected sales turnover and business continuity.



Figure 3: The state of Ba Town post-2018 floods (Photo: Fieldwork 2018, S. Michael)

RESPONSE AND RECOVERY OF SMALL BUSINESSES

Interviews with small business owners explored the ways in which they coped with, responded to and recovered from natural disasters. Most owners shared that they were still struggling to recover losses after the three back-to-back floods that occurred in April 2018. While most of the businesses had pre-disaster measures in place such as flood decks and secured building, the growing intensity of floods coupled with the unpredictable timing of occurrence had caught them unprepared. Nevertheless, these business owners were optimistic that they will manage one way or another as they have survived worse events in the past. However, it was clear that the majority of the small businesses were disappointed with response processes of disaster institutions such as government that ignored the businesses but provided support to individual households and communities in the aftermath of the disaster.

- **Small business owners rely largely on social networks and local knowledge to determine the possibility of disasters.** Currently there are no early warning communication systems in place for flash floods, hence business owners take proactive steps such as physical river level checks to prepare accordingly. However, over time these businesses have largely relied on each other for information.
- **With the increasing occurrences of disasters like floods, behaviour and risk attitudes of small business owners have changed.** During the monsoon season, business owners keep minimal stocks, ensure flood decks and bulks are secure and excess stocks kept offsite. While their risk attitude has been largely shaped by their prior experience, it nevertheless prompts action needed to ensure business continuity.
- **The responsiveness of small businesses towards disasters is complex.** In times of disasters, small businesses are faced with several challenges such as lack of manpower, curfews, or road blockages. Therefore, despite noting that local knowledge and social networks play a significant role, most owners rely on social capital to effectively respond.
- **Post-disaster recovery of small businesses is affected by local authority miscommunication.** In the aftermath of the disasters, the responsibility for built environment repairs such as powerlines, roads and water pipes rests with multiple agencies. The delays in infrastructure repairs affects small businesses significantly.
- **Coping culture and social capital as means for disaster recovery.** Small businesses rely largely on each other in the aftermath of a disaster, including the response phase. It is evident that these businesses share a common understanding of the ongoing challenges and often reach out to support in whatever capacity. Overtime, they have developed a culture of coping through shared support mechanisms.

ROLE OF DISASTER INSTITUTIONS TOWARDS STRENGTHENING RESILIENCE OF SMALL BUSINESSES

Most studies argue that small businesses tend to largely depend on disaster risk management institutions for implementation of pre-disaster measures or provision of grant programmes in the aftermath of a disaster. Based on the interviews with disaster management and climate change adaptation institutions, the following observations were made:

- **Inadequate focus on sustainability of small businesses.** To date, there are more than 200 policies and programmes currently designed to support private sector growth, with around 47 of these policies focused on small businesses. However, strategies and plans around sectoral growth place minimal emphasis on business continuity planning or sustainability of operations.
- **Harsh and unaffordable risk-transfer policies.** Insurance companies in Fiji are reluctant to underwrite insurance covers against floods for businesses located in flood-prone areas due to re-insurance difficulties. It was clearly indicated that existing policies only provide cover for cyclones not for floods. However, options for the inclusion of flood coverage would come with conditions and unaffordable pricing, thus leaving small business owners with no options of insuring their operations. Therefore, informal coping strategies are often not chosen but imposed by the absence and/or insufficiency of formal mechanisms that guarantee business owners' own survival, as well as that of their business.
- **Unaligned and miscommunicated priorities between disaster institutions and small businesses owners.** Most disaster institutions shared disappointment with low attendance rates at workshops on business continuity management. However, evidence from the field indicate that these programmes primarily implemented by aid-funded agencies failed to contextualise the needs of small businesses that were more affected by the external built environment in times of disasters.
- **Limited access to finance for post-disaster recovery.** There is very limited awareness of the available loan schemes designed to aid post-disaster recovery. According to the financial institutions, the onus is on the business owners to educate themselves on the available debt programs made available in the aftermath of disasters. However, access to these financial programs required collateral among other requirements and for most business owners, it was perceived as a tiresome process of securing debt. Therefore, reliance was placed on remittances, which reflects the absence of formal mechanisms such as formal finance to help in their recovery. Government disaster response is focused on relief operations, search and rescue operations and social services.

"We do understand the plight of SMEs as SMEs are an important driver of the Fijian economy. These businesses benefit from such low corporate tax, which should prompt them to consider how they can redirect savings. Businesses are expected to have some facility that covers their loss and. I think the bottom line is for the government to look at the built environment and these SMEs which are probably whining about why the government did not reach out to them, to start thinking about appropriate interventions or resilient measures...The handout mentality needs to stop as the government can be giving out money to all that are affected." (Director Climate Change, Ministry of Economy)

POLICY IMPLICATIONS

- ❑ **It is clear from both the disaster research and responses from the public sector and businesses interviewed in this research that consideration must be given to their interdependencies.** SMEs are reliant on many things, particularly critical infrastructure such as power, water, telecommunications and transport links. The preparedness of SMEs cannot be viewed in isolation as any significant failure in other sectors is likely to have an impact on their performance.
- ❑ **Review of existing response and recovery programmes.** The current policies and programmes within the context of disaster risk reduction and management fail to consider the needs of subgroups like small businesses. It is therefore critical for policy makers to consult with small business owners and include them in the process.
- ❑ **Leverage government spending to support disaster risk management.** Existing flood control structures such as dams, drains and infrastructure design standards based on historical meteorological data and town plans fail to account for future climatic conditions. Therefore, government should prioritise investment towards climate proof infrastructure through the support of hazard mapping technologies and systems.

This policy brief has been prepared by Sivendra Michael, The University of Auckland, New Zealand. It is based on his PhD research study.

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