

# CSR

CORPORATE SOCIAL RESPONSIBILITY  
& DISASTER REDUCTION:

## NEPAL COUNTRY STUDY

Deep Narsingh Karki

Organisation Development Centre (ODC)  
Kathmandu, Nepal

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## Acronyms and abbreviations

CSR	Corporate Social Responsibility
DANIDA	Danish International Development Assistance
DFID	Department for International Development
DNCNDM	Department of Narcotics Control and Natural Disaster Management
DWIDM	Department of Water Induced Disaster Mitigation
ESPS	Environment Sector Programme Support
FNCCI	Federation of Nepalese Chambers of Commerce and Industry
HLGIC	Himalayan Life and General Insurance Company
ICIMOD	International Centre for Integrated Mountain Development
IDNDR	International Decade for Natural Disaster Reduction
JICA	Japan International Cooperation Agency
MoHA	Ministry of Home Affairs
NGO	Non-Governmental Organisation
ODC	Organisation Development Centre
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

# 1. CHAPTER ONE: Background to the report

## 1.1 Background to the study

This study on corporate social responsibility (CSR) and disaster reduction in Nepal is part of a global study, which is managed by the Benfield Greig Hazard Research Centre at University College London,<sup>1</sup> with funding from the Department for International Development (DFID). Five similar studies are being carried out in other countries in South Asia. All of the research reports will be published online,<sup>2</sup> together with a set of case studies and a concluding document setting out key issues and recommendations for action and research.

It should be emphasised that this is an initial survey of a subject that has not been researched before and for which little evidence is available. The findings should not be seen as conclusive but as a foundation for further research and for practical initiatives.

## 1.2 Objective of the study

The main objective of the study is to survey the extent and nature of CSR in Nepal in the area of natural disaster management, focusing on the process of private-sector engagement and its results, and to assess the potential for further involvement

## 1.3 Terms and definitions

For the purpose of consistency, the terms and definitions in this study have been used much the same way as in the overview paper prepared by Dr. John Twigg ('Corporate Social Responsibility and Disaster Reduction: a global overview.' October 2001). These are as follows.

### 1.3.1 *Private sector*

The term 'private sector' is taken to mean businesses that produce goods and provide services for profit. This includes businesses of all sizes, from local enterprises up to transnational corporations. It also includes informal-sector enterprises as well as registered and regulated business: in developing countries, the informal sector is often extensive and significant economically and as an employer.

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<sup>1</sup> The project manager is Dr John Twigg. The other members of the research team are: Madhavi Malalgoda Ariyabandu, Mihir Bhatt, Foqia Sadiq Khan, Nilufar Matin and Anshu Sharma.

<sup>2</sup> In the disaster studies section of the Benfield Greig Hazard Research Centre website (<http://www.bghrc.com>).

### 1.3.2 *Corporate social responsibility*

CSR is a broad concept that is open to interpretations. The United Nations (UN) explains and defines it as follows:

The social responsibility of the private sector goes beyond the sector's day-to-day operation of producing a certain range of products and services in the most efficient and economical manner. The social responsibility of the private sector (also referred to as corporate social responsibility) concerns the relationships of a company not just with its clients, suppliers and employees, but also with other groups, and with the needs, values and goals of the society in which it operates. All these groups can be regarded as stakeholders in the company. Stakeholders can be identified as those individuals or groups of individuals that have an interest, or take an interest, in the behaviour of the company both within and outside its normal mode of operation. They therefore establish what the social responsibility of the company entails or, at least, how they perceive it to be (UN 2000: 2).

CSR is best seen as a continuum. There is no neat dividing line between its different elements or between it and commercial work, and no clear start and finish. Nelson (2000: 7, 28) identifies three broad stages along this continuum:

1. Compliance – companies should at least comply with national regulations and multinational companies in particular should benchmark their local practices against internationally agreed laws, conventions and standards.
2. Risk minimisation – beyond basic compliance, companies should be aware of their real and potential socio-economic, political and environmental impact. Building on this awareness, they should develop and implement policies and procedures to minimise any damage that might result from their own operations or those of their business partners.
3. Value creation – beyond compliance and doing minimal harm, companies can create 'positive societal value' by engaging in, for example, innovative social investment, stakeholder consultation, policy dialogue and building civic institutions, alone and with other companies.

### 1.3.3 *Disasters, disaster reduction and vulnerability*

The study has tried to avoid the technical jargon of disaster research, using everyday language where possible to describe efforts to reduce the impact of natural hazards on human society. Inevitably, some technical terms have crept in. Those that appear frequently in this report and their most common definitions are as follows:

- *Hazard*: a potential threat to humans and their welfare. Hazards can be natural (e.g. earthquakes, droughts) or induced by human processes (e.g. industrial accidents).
- *Risk*: the likelihood of a specific hazard occurring and its consequences for people and property.
- *Vulnerability*: the extent to which a person, group or socio-economic structure is likely to be affected by a hazard (related to their capacity to anticipate it, cope with it, resist it and recover from its impact).
- *Disaster*: what occurs when the impact of a hazard on a group of people (causing death, injury, loss of property, economic losses, etc.) overwhelms that group's ability to cope.
- *Disaster mitigation*: any action taken to minimise the extent of a disaster or potential disaster. Mitigation can take place before, during or after a disaster. Mitigation measures are both

physical or structural (such as flood defences or strengthening buildings) and non-structural (such as training in disaster management, regulating land use and public education). In this report, the less technically precise expression *disaster reduction* is often used instead of disaster mitigation.

- *Disaster preparedness*: specific measures taken before disasters strike, usually to forecast or warn against them, take precautions when they threaten and arrange for the appropriate response (e.g. organising evacuation and stockpiling food supplies). Preparedness falls within the broader field of mitigation.

The wide use of the phrase ‘natural disaster’ often causes confusion and is easily exchanged with the phrase natural *hazards*. The difference between a hazard and a disaster is an important one. A disaster takes place when a community is affected by a hazard. In other words, the impact of the disaster is determined by the extent of a community’s *vulnerability* to the hazard. This vulnerability is not natural. It is the human dimension of disasters, the result of the whole range of economic, social, cultural, institutional, political and even psychological factors that shape people’s lives and create the environment that they live in.

Vulnerability also has different dimensions and influences. It could be the product of poverty (itself the result of local, national and even global economic forces), demographic processes such as population growth or migration to towns and cities, legal-political issues such as land rights, and other political features such as the weakness of government and civil society institutions in protecting citizens.

## 1.4 Methodology

Different methodologies were used for the various activities of the research. The methodologies used were as follows:

***Literature study***: The research was initiated with a desk study of printed publications and materials available on websites. 20 organisations, mainly from the development sector and government organisations were contacted. All the background literature used for this study was provided by these organisations. Documents were also collected from various websites, government agencies and libraries (*see chapter six for materials referred to in the study*).

***Selection of potential informants***: A list of 100 organisations working in the private sector, development agencies and academic institutions were sorted on the basis of their potential to provide information for the purpose of this study. These organisations were selected from various lists/databases provided by the Disaster Preparedness Network (an association of non-governmental organisations) and other informal lists of organisations. During our desk study, organisations recommended by informants were also pursued.

***Telephone interviews***: Telephone interviews were the primary means used to solicit information. Using the questionnaire as a guideline, the organisations shortlisted were then interviewed.

*Semi-structured interviews:* Face to face interviews were conducted with informants from various organisations. These interviews were carried out in pursuit of detailed information regarding some initiatives that were identified during the desk study and the telephone interviews (see Table 11 for a list of organisations contacted and interviewed).

## **1.5 Research questions**

The research questions designed for the overview paper by Dr. John Twigg, as set out below in Table 1, were used as the basis for telephone and semi-structured interviews. The set of research questions was used as a guide rather than a checklist.

## **1.6 Types of Involvement**

The project's provisional typology of forms of CSR engagement in natural disaster reduction and their main characteristics (as in the overview paper) was used to guide the investigation. Table 2 shows the details.

## **1.7 Lessons Learned from the methodology**

Interestingly, organisations in the social/development sector were very forthcoming in sharing the information they had. Although published documentary evidence was limited, organisations working in the field of disasters readily provided their publications. All the background information used in this report has been collected from reference materials provided by the organisations. On the other hand, though the private sector organisations too were co-operative, this did not yield much. The sector seems to be devoid of adequate information in the field of CSR related to natural disasters.

During the telephone interviews, all the organisations contacted readily answered the questions. Since the private sector's involvement in natural disaster preparedness and mitigations is negligible, while answering the questions posed, the respondents were very brief and mostly they responded with 'don't know', 'can't say' type of responses. Thus, it was very difficult to find appropriate examples of CSR initiatives in natural disaster reduction within the private sector.

Inadequacy of secondary data and resource constraints was a major hurdle during this study. Although this study is meant only as a preliminary investigation, the study would have been richer if the researchers had the opportunity to delve in greater breadth and depth required for a comprehensive assessment.



Table 1. CSR and disaster reduction: research questions

Heading	Broad research questions	Specific research questions
Vision	<p>Motivation for private sector involvement in general (related to its broader attitude towards social responsibility and its long-term vision in this area).</p> <p>Motivation for individual interventions and their implications for the nature and extent of the support provided.</p>	<ul style="list-style-type: none"> <li>• What was the vision behind business involvement in disaster reduction activities? What benefits/impact (internal and external) did it hope to achieve through such activities?</li> <li>• Whose vision was this? Was it owned throughout the business or only by some sections (e.g. senior managers)? Was it clearly expressed and understood?</li> <li>• How does this vision relate to the business’s broader attitude towards social responsibility?</li> <li>• Was this vision shared by non-business partners (e.g. NGOs, community groups/beneficiaries) in disaster reduction initiatives? If not, how did their vision differ from that of the business partners?</li> </ul>
Decision-making	<p>Motivation for individual interventions and their implications for the nature and extent of the support provided.</p> <p>Factors affecting the choice of partners and the development of partnerships.</p>	<ul style="list-style-type: none"> <li>• How was the problem identified by business? Who identified it?</li> <li>• Who made the main decisions about involvement (where to get involved, what to do, how to do it, etc.)?</li> <li>• What link (if any) was there between the initiative and the company’s own business or expertise?</li> <li>• How were links made with other partners and stakeholders? What (and who) were the key influences in partner selection and development of relationships?</li> <li>• Did other stakeholders have a different opinion about the way problems and partnerships were developed?</li> <li>• Among the other stakeholders, how widespread was ‘ownership’ of the partnership with business? How much confidence and trust was there?</li> </ul>

Heading	Broad research questions	Specific research questions
Implementation	The nature and extent of the intervention in practice (to give a framework in which to view the process of business involvement).	<ul style="list-style-type: none"> <li>• What type of intervention was this (ref. Table 2)?</li> <li>• What was the scale of the intervention? Was it at national or local level? How many people benefited?</li> <li>• What resources went into the initiative? Who provided these?</li> <li>• How long was the intervention? Was it fixed-term or open-ended?</li> <li>• Who were the main partners or stakeholders (business, national or local GO, NGO, CBO, other civil society organisations, beneficiaries)?</li> <li>• What were the roles of the different partners? What human, material or financial resources did they bring?</li> <li>• Who were the beneficiaries (e.g. tribes, salt workers, single mothers)? Did the initiative aim at the most vulnerable?</li> <li>• What level of vulnerability did the work address: (i) unsafe conditions, (ii) dynamic pressures, (iii) root causes?</li> <li>• Was the initiative participatory or top-down? If participatory, how participatory was it (i.e. how much influence did beneficiaries have on planning and decision making)?</li> <li>• What points in the disaster cycle did the initiative address (long-term mitigation, short-term preparedness, relief, reconstruction and rehabilitation)?</li> <li>• How much emphasis was placed on structural or material support and how much on building human/social capital?</li> </ul>
	Operational issues encountered and how these were viewed and dealt with.	<ul style="list-style-type: none"> <li>• What were the main challenges met in implementing initiatives?</li> <li>• Did different stakeholders have different opinions about this?</li> <li>• How were differences overcome?</li> <li>• How well did partnerships work (e.g. in terms of efficiency of implementation, relationship - building between partners)?</li> <li>• Did the nature of the partnership change during the work (e.g. levels of mutual understanding and trust, leadership roles)?</li> <li>• What aspects of the partnership were key factors in the success/failure of the initiative?</li> </ul>

Heading	Broad research questions	Specific research questions
Impact	<p>The outcomes and effectiveness of the intervention, and how (or if) this can be demonstrated.</p> <p>Perceived value and impact of the intervention (by private sector and its partners).</p> <p>Lessons learned by those involved, and their likely implications for future involvement.</p>	<ul style="list-style-type: none"> <li>• What was the impact of the interventions on beneficiaries (vulnerable people, victims of disasters)? What evidence (qualitative and quantitative) is there?</li> <li>• What impact did the work and the partnership have on the partners themselves? Did it bring benefits to business and other stakeholders (e.g. in terms of skill sharing, staff morale or publicity)?</li> <li>• How effective do business and its partners believe the interventions were in fulfilling their objectives?</li> <li>• What follow-up work is planned?</li> <li>• What lessons have all stakeholders learned about the process of partnerships? What will be different about the approach they take in future?</li> </ul>

Table 2. Types and characteristics of CSR involvement/relationship with other actors in disaster reduction

Type of involvement	Examples (general)	Characteristics
Philanthropic or charitable	Donations and grants, in cash or in kind (goods, services, facilities) to other organisations and groups working in disaster reduction, or directly to beneficiaries.	<ul style="list-style-type: none"> <li>• Altruistic (although business may derive other benefits, e.g. good publicity, this is secondary).</li> <li>• Business controls the agenda: it decides what to do, whom to assist, and how to assist.</li> <li>• Typically one-to-one relationships between (business) giver and (non-profit/community) receiver; other stakeholders not involved.</li> <li>• May be formal (i.e. based on grant agreement) or informal.</li> <li>• Typically short-term and one-off interventions, but may be long-term.</li> </ul>
Contractual	Contracting other organisations or groups to carry out work for public benefit.	<ul style="list-style-type: none"> <li>• Business controls the agenda and manages the resources.</li> <li>• Altruistic.</li> <li>• Based on formal, legal contract for work.</li> <li>• Typically short-term or one-off initiatives.</li> <li>• Typically one-to-one relationships; other stakeholders not involved.</li> </ul>
	Sponsorship of other organisations or groups	<ul style="list-style-type: none"> <li>• Business controls agenda and manages resources.</li> <li>• Self-interested: business gains through publicity, provision of goods and services that meet its needs (any public benefits arising from the work are secondary).</li> <li>• Based on formal, legal agreement.</li> <li>• Typically one-to-one relationships.</li> </ul>
Collaborative	Working partnerships with other organisations and groups for public benefit.	<ul style="list-style-type: none"> <li>• Greater emphasis on dialogue, shared aims, mutual respect (the extent to which this happens in practice varies).</li> <li>• More likely to involve a range of stakeholders.</li> <li>• Ideas can originate from any of the stakeholders.</li> <li>• Diversity of partnership arrangements (formal and informal).</li> <li>• All stakeholders should benefit from partnership ('win-win' scenario) but may not benefit equally.</li> <li>• Control of resources can give some partners greater control over the partnership.</li> <li>• Better opportunities for longer-term interventions.</li> </ul>
Adversarial	Business response to lobbying about human and environmental impact of business activities.	<ul style="list-style-type: none"> <li>• Responsive: agenda driven by other organisations and groups.</li> <li>• Public relations more important than public benefits.</li> </ul>
Unilateral	Business undertakes its own non-commercial actions independently of other actors.	<ul style="list-style-type: none"> <li>• More likely to be short-term, one-off initiatives driven by urgent need and compassion (e.g. emergency relief).</li> </ul>

## 2. CHAPTER TWO: The Nepalese Economy

### 2.1 Introduction

Nepal's planned economic development was initiated with the First Five Year Plan in 1956. With the implementation of the eighth plan in the early 1990s, free market oriented liberal economic policies were introduced. With the advent of free markets in the early nineties, the economy looked promising with the rise in number of financial institutions, insurance companies and the prospect of foreign investment in hydropower.

With the current political turmoil (*discussed in 3.2.4 The Insurgency*), although mass closure of industries has not yet started, many industries are on the verge of closure and workers are being laid-off like never before. There is a definite decline in every sector. Garment exports are down by a third, carpet exports are a quarter of normal levels, production of pashmina has fallen by 80%, food and beverages sales are down by 30-50%, liquor sales down by 60% and textile production are flat and could slip further (Binod Bhattarai in *Nepali Times* 15-21 March 2002).

### 2.2 Industrial Sector Contribution to GDP

Nepal's per capita income still stands at around US\$ 220<sup>3</sup> which has been widely attributed to the low contribution of the manufacturing sector to Gross Domestic Product (GDP) (less than 10 percent). The estimate shows that the GDP at constant 1984-85 prices stood at NRs. 80,562 million in 1997/1998.

The agricultural sector is by far the largest contributing sector to GDP. The Economic Survey of the Ministry of Finance 1997/1998 reveals that the agricultural sector contributes 40.48% of GDP. The table below shows the contribution of the various sectors of the economy to GDP.

Table 3. Sector contribution to GDP

Sectors	NRs. in million	Percentage
Agriculture, fisheries and forestry	96,896	40.48
Mining and quarrying	1,342	0.56
Manufacturing	22,456	9.38
Electricity, gas and water	3,598	1.50
Construction	26,093	10.90
Trade, restaurants and hotels	28,317	11.83
Transport, communications & storage	15,898	6.64
Financial and real estate	23,521	9.83
Community and social services	21,257	8.88
Total GDP at factor cost	239,388	100

Source: Ministry of Finance, Economic Survey 1997/98

<sup>3</sup> Source: His Majesty's Government of Nepal Ministry of Industry, Commerce & Supplies, Foreign Investment Promotion Section publication on the web on Macro Economic Policies

## 2.3 Stratification of Industries

Industries in Nepal have been stratified in four different categories, which are as follows;

Table 4. Types and characteristics of industries

<b>Types</b>	<b>Characteristics</b>
Cottage Industries:	traditional industries utilising specific skills or local raw materials and resources, labour intensive and related to national tradition, art and culture
Small Industries:	Industries with fixed assets amounting to thirty million rupees
Medium Industries:	Industries with fixed assets between thirty million and one hundred million rupees
Large Industries:	Industries with fixed assets of more than one hundred million rupees

## 2.4 Industries under operation

The table below shows the number of medium and large scale manufacturing industries in operation.

Table 5. Industries under operation

<b>Industries</b>	<b>Number</b>
Food manufacturing	103
Beverages and liquors	21
Tobacco	5
Textiles	49
Wood, paper and stationary products	10
Other chemical products	67
Rubber and plastics	20
Non-metallic mineral products	19
Iron, steel and other metallic products	53
Electrical goods	26
Others	19
Total	392

Source: Industrial Statistics F.Y. 2000-2001, Department of Industry, Ministry of Industry, Commerce and Supplies.

## 2.5 Small and Cottage Industries

The table below shows the number of small and cottage industries registered. It is very difficult to keep track of whether these enterprises are operational or not.

Table 6. Employment in small and cottage industries

Fiscal Year	Number of Industries	Employment
95/96	9,648	92,981
96/97	8,196	85,540
97/98	9,650	93,081
98/99	9,990	89,164

## 2.6 Employment in Major Industries

The table below shows the number of people employed in each of the major industries.

Table 7. Employment in industries

Industry	No. of people
Agriculture, fisheries and forestry	4,731,788
Mining and quarrying	2,361
Manufacturing	150,051
Electricity, gas and water	11,734
Construction	35,658
Commerce	256,012
Transport, communications	50,808
Financial and business services	20,847
Personal and communication Services	752,019
Others	28,004
Industry not stated	70,298

*Source: Statistical Pocketbook, 2000 Central Bureau of Statistics*

## 2.7 Industrial Development

As of July 16, 2001 there were 111 companies listed in the Nepal Stock Exchange, exemplifying the small number of larger businesses. Among these corporate houses, stocks of only 20-40 organisations are traded daily. This is due to the fact that large portions of the capital base of these organisations are owned by a handful of business houses. Business houses are an extension of the family in Nepal. The majority of businesses that are not listed are family owned wherein the organisational head is usually also the head of the family.

All of the above data show that the private sector is really in its infancy. Though the country has great potential in the sectors of tourism and hydropower, industrialisation has not yet happened in Nepal. In recent times, various industries have developed such as the garment and carpet industries, but even these have been crippled with various problems of inefficiencies and environmental disturbances.

## **2.8 Traditions of Business Philanthropy in Nepal**

In the past, the private corporate sector's response to social responsibilities has mainly been altruistic. Business families and individuals have contributed to charities for social endeavours such as constructing temples (places of worship), hospitals and other infrastructures for their community. For example, during the construction of some zonal and district hospitals, the private corporate sector has taken on the task of raising funds to support the construction. The funds in most cases have been raised from a large group of businesses including manufacturers, traders and retailers as well as the general public. In most of these cases, the contributions have been made under personal names.

Historically, business society has been fairly responsive to its social responsibility in Nepal. Since the major business was trade with Tibet and India, individual businessmen who were socially responsive contributed to building sheds and water supplies for travellers on the trade routes. The sole motive of such endeavours was social recognition. In earlier times, the affluent contributed to building schools and hospitals. One such example is that of an eye hospital in Biratnagar (a town in east Nepal), which was built by the family of a business house in memory of their parents. Such efforts help families build credibility since these endeavours are perceived positively.

Another interesting facet of the Nepalese society is the Guthi organisations. The tradition of Guthi is most widespread among Newars, the largest business community especially in Kathmandu. A Guthi was usually established by businesses and families with the objective of addressing the material as well as spiritual needs of the local community and in some cases wider society. The contributions made by business to the Guthi were used to construct and manage temples (places of worships), patties (resting-places) and other infrastructures. The Guthis in many cases invested their funds in property, which yield substantial income even today. Most Guthis today remain as a symbol of identifying oneself with the community and as a social organisation engaged in small social interventions.

## **2.9 FNCCI response**

The Federation of Nepalese Chambers of Commerce and Industry (FNCCI), has recently constituted a Corporate Governance Group for promoting practices of corporate governance among Nepalese industries. FNCCI's intervention with regard to natural disaster mitigation has been limited to the role of a facilitator. In times of natural calamities, FNCCI and the district chambers have contributed to various relief funds. These funds are raised from its members and usually handed to the relevant implementing agency.

Of late, with the intervention of donor agencies, FNCCI and its member organisations have been participating in several socially beneficial endeavours. Many organisations have availed of the services of ESPS-DANIDA in the areas of investing in cleaner production technologies and addressing issues of occupational health and safety issues. These organisations have also started sending their employees for training on occupational safety and health programmes, which was formerly unheard of.



## 2.10. The State of CSR In Nepal

While accepting that social responsibility and doing good for the society is a tradition practised by Nepalese businessmen from ancient times, lately this good practice has given way to the modern day materialism and the tendency to look at narrow personal interests has replaced communal attitudes.

The Nepalese economy is dominated by small cottage industries and family owned business. Tables 5 and 6 above show that there are 392 medium and large industries and 9,990 small and cottage industries. Moreover, the cottage industries are still a disorganised group that use traditional, labour intensive technologies for production.

Societal interest involves costs which the business firms can not afford. In this 'corporate context', where survival and sustainability of the industry is questionable on a day to day basis, it is difficult for these industries to even think of other matters besides their own existence.

On the other hand, wide spread poverty, illiteracy and ignorance of the provisions, laws and acts that protect workers and consumers is a major reason for the poor state of corporate social responsibility. Businesses still employ children, workers are still underpaid below legal standards and women are still discriminated and paid lesser wages than men because of the high rate of unemployment.

In this state of poor economy and poor governance, there is a great opportunity for a new awakening. There is a need for prudent laws that protect workers and consumers more effectively. There is a greater need for the corporate sector to realise its responsibility and act justly without exploiting the situation and at the expense of society. Further, the corporate sector needs to introspect and see how it can balance corporate and societal interests.

## 3. CHAPTER THREE: Natural Disasters in Nepal

### 3.1 Introduction

Nepal is highly vulnerable to natural hazards. Avalanches, earthquakes, epidemics, fires, landslides and debris flow, floods, hailstorms, thunderbolts and windstorms have caused severe damage to people and property. In the last century, it is estimated that 11,000 people lost their lives in four major earthquakes alone. Every year, mainly during the rainy season (monsoon), large landslides and debris flows cause extensive damage to agricultural land and human settlements. Epidemics like tuberculosis are another major threat to the people of Nepal. The inability to deal with these natural disasters has had severe impacts on the lives of the people, property and the economy at large.

The general attitude towards Natural Disasters has to change in Nepal says Mr. Mura Pokhrel, at United Mission to Nepal. The essence of this attitude is very well described in the Nepali word for natural disaster namely, “Daibi prakop”, which literally means “God Inflicted”. In other words, ‘What can we do against the will of god?’

### 3.2 The Main Hazards

The geophysical situation in Nepal is the main cause of natural disasters such as flash floods, landslides, soil erosion, glacial lake outbursts and floods. It is especially important however, to pay attention to landslides, floods, earthquakes and epidemics, which have a larger toll on people and the economy.

#### 3.2.1 Earthquakes

The situation is critical regarding earthquakes. The Kathmandu Earthquake Risk Management Project (GeoHazard and NSET-Nepal) has estimated the possible impact of an earthquake above 8 on the Richter Scale in the Kathmandu valley. Approximately 40,000 people would be killed, 95,000 injured, and more than 60% of the buildings would be destroyed, many beyond repair, leaving 600,000 to 900,000 homeless. Moreover, 95% of the water pipes and 50% of the pumping stations and treatment plants could be seriously damaged, hampering water supplies for months. Telephone exchange buildings and 60% of all telephone lines are likely to remain defunct for a least one month, as well as 40% of the electricity supply. Furthermore, it is likely that the airport, being situated in a low liquefaction susceptibility area, would be more or less intact but isolated in the sense that roads and bridges around the airport would be seriously damaged hindering the distribution of aid.

Nepal has experienced many earthquakes in the past. The 1934 earthquake, with 8.4 magnitude on the Richter scale, had a country wide impact. About 38,000 houses were destroyed. In 1980, a tremor of 6.5 magnitude on the Richter scale with its epicentre in Bajhang (far western district) claimed 178 lives and about 40,000 houses were damaged. And an even more devastating earthquake of 6.6 Richter scale magnitude struck the country in 1988, claiming a total of 721 lives and 1,566 heads of cattle. It severely damaged physical infrastructure including 64,467 houses.

### 3.2.2 *Floods and landslides*

Floods and landslides are the most regularly occurring and most threatening water-induced hazards in Nepal. Light floods and local landslides with debris flows occur regularly every year in the Mid-hills and the plains (Terai). During the last decade, severe floods have affected the country in 1993 and 2000. In the year 2000, floods and landslides affected almost all districts. The population pressure on land and settlement patterns has caused this rising vulnerability. The impact of floods and landslides on people and their property are higher than any other disaster. They directly affect the majority of the population and agricultural production in the Mid-hills and the Terai, the so-called breadbasket of the country. Light floods and local landslides have only limited humanitarian implications that are usually met by local or national authorities. However, catastrophic floods like the one in 1993 caused massive loss of lives and displacement of people.

### 3.2.3 *Epidemics*

During the last 18 years (1983-2000) a total of 11,721 people have died from epidemics whereas 5,829 have died from floods. Some of the major epidemics threatening the Nepalese society are:

**HIV/AIDS:** Though the number of HIV/AIDS cases in Nepal is still low at about 40,000, there are severe "concentrated" epidemics within certain high-risk behaviour groups such as female sex workers and injecting drug users. Without a concerted and coherent response, Nepal is confronting the real possibilities of the devastating socio-economic consequences of the kind of full-blown HIV/AIDS epidemic seen in other countries.

**Malaria:** While 40 percent of the global population is at constant risk of getting infected with malaria, in Nepal 16.4 out of 23.2 million are at constant risk. Yearly more than 10,000 people are infected with malaria in Nepal and 1,000 of them die from the disease. Presently 64 of the 75 districts are affected by malaria.

**Tuberculosis:** Nepal has 80,000 TB patients, half of them infectious. Every year there are 44,000 new TB cases, of whom 50 percent are estimated to be highly infectious. The disease named the 'poor people's malady' is often found in malnourished people with a generally low standard of living.

**Encephalitis:** In the year 2001 alone 250 people died from encephalitis in the southern part of Nepal. Local hospitals have not been able to treat the infected people. It is believed that not all cases have been reported to the local hospital; the situation could therefore be much more severe.

### 3.2.4 *The Insurgency*

The Maoist Insurgency entered its seventh year on February 13, 2002. According to the human rights group, INSEC, 1,045 people have died in just the last three months (November 2001 to February 2002). A large number of people have been internally displaced due to fear of Maoist reprisals. The Parliament has ratified the extension of the state of emergency for another three months till mid May. In his anniversary press statement faxed to the media, the Maoist leader reiterated that his party is ready for talks, but said it was prepared to keep fighting if need be. In recent times, the insurgency has also had a very adverse effect on the economy. Industries have been badly hit, tourists have almost stopped coming and the government is on the verge of bankruptcy due to the elevated military expenses. Even the financial sector is feeling the tremors. Everybody in Nepal is touched by the uncertain outcome of the insurgency.

### 3.3 Impact of Natural Disasters

The following tables indicate the magnitude of the impact disasters have had in the last decade. The estimates are conservative and the only official source. On a case to case basis, especially in the case of water induced disasters, several reports quote different figures which have not been included in this report.

Table 8. Estimated Loss in Million NRs<sup>4</sup>

Type of disaster	1996	1997	1998	1999	2000
Windstorms/hailstorms					126
Lightning					1.9
Floods, Avalanches and Landslides	1,186	104	969	365	932
Fires					81

Table 9 Number of Families Affected by Natural Hazards 1996-2000<sup>5</sup>

Type of disaster	1996	1997	1998	1999	2000
Windstorms/hailstorms	13,371	34,531	172	293	59
Lightning	93	144	87	55	70
Floods and landslides	37,096	5,648	33,541	8,925	15,617
Fires	6,630	3,380	876	1,065	1,254
Epidemics	1,411	1,897	2,300	6,119	735
Earthquakes	2	269	3	90	-
Avalanches	4	185	-	1	-
Total	58,607	46,054	36,979	16,548	17,735

Most families have been affected by floods and landslides and windstorms/hailstorms, followed by fires and epidemics. Lightning, earthquakes and avalanches have only affected a

<sup>4</sup> Source: Department of Narcotics Control and Natural Disaster Management

<sup>5</sup> Source: Ministry of Home Affairs

small number of families in recent years. The table however, does not take into account the earthquake of 1988 (see 3.2.1), which had a disastrous impact on lives and property across the country.

Table 10. Number of Deaths due to Natural Hazards 1996-2000<sup>6</sup>

<b>Type of disaster</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
Windstorms/hailstorms	47	-	6	6	3
Lightning	28	49	17	16	23
Floods and landslides	258	83	273	193	173
Fires	61	65	54	39	38
Epidemics	494	951	840	1,207	141
Earthquakes	3	-	-	-	-
Avalanches	4	12	-	5	-
<b>Total</b>	<b>895</b>	<b>1,160</b>	<b>1,190</b>	<b>1,466</b>	<b>378</b>

As mentioned above, epidemics have claimed far more lives than other disasters. Every year continuously they pose a major threat to the lives of Nepalese. It is worth noting that mortality statistics are the most reliable information in Nepal as they are compiled from police records.

### **3.4 Management of Disasters in Nepal**

The two major catastrophic incidents in the last decade, the Udayapur earthquake of 1988 and the flood in 1993 were eye-openers as to disaster management in Nepal. Although regulations were passed earlier and policies designed, the awakening towards preparedness is a recent phenomenon.

The Natural Calamity (Relief) Act was enacted in 1982. According to the Act, "natural calamity" means earthquake, fire, flood, landslide, heavy rain, drought, famine, epidemic, and other natural disasters as well as industrial accidents caused by explosion, poisoning or any kind of disaster.

As stipulated in the Natural Calamity (Relief) Act, 1982, a high-level, 23-member Central Disaster Relief Committee, headed by the Home Minister, has been constituted. It carries out rescue and relief operations in times of disaster relying on its own network all over the country. The government has formed District Disaster Relief Committees in all the 75 districts of the country. Moreover, the Central Committee formulates national policies in disaster management and norms for relief assistance to be given to disaster victims. His Majesty's Government recently established the Department of Narcotics Control and Disaster Management to strengthen the capability of the government to respond to disasters.

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<sup>6</sup> Source: The Ministry of Home Affairs

There are three main disaster related implementing agencies on behalf of the government. The Ministry of Home Affairs has the Department of Narcotics Control and Natural Disaster Management, the Health Ministry, has a unit that looks at Health Disasters (epidemics) and the Ministry of Water Resources has the Department of Water Induced Disaster Mitigation Division.

Besides these government initiatives, international agencies such as the United Nations Development Programme (UNDP), the International Centre for Integrated Mountain Development (ICIMOD), the International Red Cross, the Japan International Cooperation Agency (JICA), the Department of Water Induced Disaster Prevention (DWIDP), the Asian Disaster Preparedness Centre (ADPC), the Asian Disaster Reduction Centre (ADRC), United States Agency for International Development (USAID) and others are contributing in the areas of developing awareness and initiating preparedness, capacity building and mitigation programmes. Non-governmental organisations (NGOs) are also providing valuable inputs to disaster preparedness and mitigation activities.

Of late, especially last winter, there were several seminars and workshops organised by NGOs to develop awareness and discuss the issue of Nepal's vulnerability to various disasters. Most of these seminars were thematic, dealing with specific issues like floods and earthquakes. ICIMOD organised a regional workshop on flood management and NSET organised seminars on earthquakes. Participants from the government and the NGO sector were present. These workshops have served the purpose of disseminating information about individual initiatives as opposed to developing collaborative strategies and approaches. The private sector in this context has been completely left out most of the time.

## 4. CHAPTER FOUR: Research Findings

### 4.1 Main findings

‘We have been doing what we can’ is the general attitude of the private sector with regard to its involvement in natural disaster preparedness and mitigation. ‘As and when required, we have been able to get together to raise funds for the various relief initiatives’ was the response of some interviewees. The private sector on many occasions, especially when requests have been made by the social sector or the state, has been somewhat willing to make nominal contributions. Usually in the case of larger disasters, where the state initiates the process of raising funds for relief, most organisations through their associations have made some kind of contribution.

As shown in table 11, there are very few organisations that are involved in natural disaster preparedness and mitigation as part of their corporate social responsibility. The following are the only examples of the private sector’s CSR involvement in natural disaster preparedness and mitigation;

- Himalayan General Insurance Company has engaged itself in earthquake preparedness (*see case study, chapter seven*). The motive was to gain credibility through the initiative to market its products and services.
- Though the Garment Association of Nepal does not have an initiative implemented, it has good intentions and plans to motivate its members (garment manufacturers) to voluntarily contribute to a disaster relief fund. The association would use the fund for relief purposes when required.
- Everest Networks (E-Net) an internet service provider, as part of its holding company initiative, donates 1% of its revenues to an NGO.

On the basis of these findings, we can safely infer that there is virtually no involvement of the Nepalese private sector’s CSR in natural disaster preparedness and mitigation. The study revealed that Corporate Social Responsibility is an emerging issue. Companies are slowly awakening to the call and have a long way to go before they are more responsive to their communities and the society at large.

### 4.2 Other findings

Corporate social responsibility is an emerging issue. Industries today have started to realise the value of having educated, skilled and aware staff. However, in an economy, where the prevalence of unemployment is so high, it is left up to the employees to take care of themselves. Slowly, industries in Nepal too are realizing the importance of being responsible and responsive to their employees’ well-being. This responsibility is still limited to the people in the institution.

Most organisations feel that they are aware of their responsibilities and agree that CSR should extend further than their organisational boundaries but feel that they cannot afford it. In many cases the respondents felt that CSR would mean putting their profits to social good,

but are unaware that initiatives could be in many different forms and that funds and other resources could be put together for the noble cause.

As mentioned earlier (4.1), most of the organisations we contacted during this study (see table 11) have made some kind of contribution to relief activities. Some of the respondents gave us the feeling that they would have contributed larger amounts as the situation demanded had their businesses been doing well. Here too the response was limited to philanthropic gestures. It was unfortunate that not a single respondent had any other idea. The only way they saw themselves being involved was by contributing finance.

“Chanda” which literally means charity, is another form of CSR expression which is widely prevalent in Nepal. Chanda is sought for every cause (students from government colleges seek charity for excursions, community groups for a community festival and local football clubs for their boots and socks) and most business organisations oblige these seekers. In many cases these seekers make door to door visits and settle for minimal amounts. This too is an extension of corporate philanthropy which is largely responsive to requests.

### **4.3 Interview response**

Table 11 below shows the response of organisations interviewed for the study. None of the organisations cited any incidence of their CSR involvement in preparedness or mitigation of natural disasters. Some of these organisations have made philanthropic gestures for relief purposes to mitigate the impact of natural disasters; others don't have a clue what their role would or should be with regards to natural disaster management.



Table 11. Interview response

<b>Organisation</b>	<b>Industry</b>	<b>Type of business</b>	<b>Type of Involvement in Disaster Management [ref. to table 2 typology]</b>	<b>Description of Involvement In CSR</b>
Airlines Association of Nepal	Aviation	Airlines	None	
Gorkha Brewery	Brewery	Alcoholic Beverages	None	
Carpet Association of Nepal	Carpet	Association of carpet manufacturers	None	Marginally involved in CSR with respect to ensuring child labour free carpets.
Lalitpur Chamber of Commerce and Industry	Commerce and Industry	Lobbying for business houses	None	
Bhaktapur Chamber of Commerce and Industry	Commerce and Industry	Lobbying for business houses of the district	None	
Nepal Chamber of Commerce and Industry	Commerce and Industry	Lobbying for business houses	None	
Association for Environment and Culture	Community and social services	Ensuring Healthy environment	None	
Federation of Contractors Association	Construction	Lobbying for contractors	None	
Nepal Gas Company	Energy	Cooking Gas	None	
Khetan Group	fast-moving consumer goods	Noodles, beverages etc	None	
Nepal Lever	Fast-moving consumer goods	Soaps, detergents, toothpaste, etc	None	Is aware of its CSR in general and has no initiative with regards to Disaster Management in particular

Table 11. Interview response contd..

<b>Organisation</b>	<b>Industry</b>	<b>Type of business engagement</b>	<b>Type of Involvement in Disaster Management [ref. to table 2 typology]</b>	<b>Description of Involvement In CSR</b>
Kumari Bank	Financial	Banking	None	
Himalayan General Insurance Company	Financial	Insurance	None	Airs earthquake preparedness messages as a form of advertisement <i>[also see case study, chapter seven]</i>
Garment Association of Nepal	Garment	Garment manufacturing	None	Plans to induce garment manufacturers to voluntarily contribute to disaster relief
Computer Association of Nepal	Information Technology	Lobbying for business houses	None	
E-Net	Information technology	Internet service provider	None	Donates 1% of revenues to an NGO as part of their CSR campaign initiated by the holding company
Kantipur FM	Media	FM station	None	
Kantipur Publications	Media	Daily Newspaper	None	
Radio Sagarmatha	Media	FM Station	None	
Hits-FM	Media	FM station	None	Airs earthquake preparedness messages that are sponsored (like other advertisements) by an insurance company <i>[also see case study, chapter seven]</i>

Table 11. Interview response contd..

<b>Organisation</b>	<b>Industry</b>	<b>Type of business engagement</b>	<b>Type of Involvement in Disaster Management [ref. to table 2 typology]</b>	<b>Description of Involvement In CSR</b>
CTL Pharmaceuticals	Pharmaceuticals	Manufacture of Drugs	None	
Lotus Holdings	Service and Manufacturing	Holding company of 13 organisations	None	Donates 1% of profit to an NGO established for CSR activities that do not focus on natural disasters
Surya Tobacco Company	Tobacco	Cigarettes	None	
Nepal Mountaineering Association	Tourism	Association of trekking / mountaineering operators	Philanthropic	Donated tents/rugs to flood victims of Sarlahi District
Tourism Board	Tourism and Hotel	Hospitality	Adversarial	Previous initiatives were in the nature of crisis management. However a Disaster Management Cell has been established (2002)
Hotel Yak and Yeti	Tourism and Hotel	Hospitality	Internal	Elaborate disaster preparedness and mitigation (training infrastructure) but only for staff.
Hotel Himalaya	Tourism and Hotel	Hospitality	Unilateral	Contributed to disaster relief fund 2000, it was a one-off initiative driven by urgency for emergency relief for flood victims.
Makalu Yatayat	Transport	Bus Transport	None	Passengers are insured by the company against accidents

## 5 CHAPTER FIVE: Conclusions & recommendations

Private sector involvement/collaboration with the public and non-profit sectors itself requires a lot of soul searching in Nepal. There have been several attempts by the non profit sector to involve the private sector in collaboration on larger social issues such as HIV/AIDS campaigns, earthquake preparedness campaigns and other environmental programmes, but the response has only been lukewarm. In this environment where cross-sectoral partnerships have not materialised, building genuine partnerships across sectors will require a new awakening from all sides.

The challenges for building effective participation, cross-sectoral partnerships and developing CSR in the private sector are immense. However, there are opportunities as well. The major challenges and opportunities with regards to cross-sector collaboration on natural disaster reduction are presented herein.

### 5.1 Challenges

- The dwindling state of the private sector.
- The absence of large and strong enterprises.
- Private sector's inability to comprehend the value of CSR.
- The private sector's concern for profitability, where CSR is seen as wasted investment. Enterprises where there is an intent to support a particular project cannot afford to do so.
- Lack of private sector involvement in natural disaster reduction in the form of CSR initiatives and the lack of evidence/indication that there will be initiatives in the near future. Though the private sector has made charitable contributions at the time of disasters, most of the private sector is still deeply engaged in internal issues of improving the working environment and providing safe work places.
- There aren't any initiatives that seek private sector collaboration/involvement in the management of natural disasters and therefore there is no idea as to how and what role the sectors will have.
- The private sector does not understand why it should be involved and feels that it is the responsibility of the public, the government and non profit sectors.
- The existence of a large non profit sector, which is perceived as capable of assuming the responsibility.
- Lack of public awareness, and inability to demand CSR initiatives from enterprises

## 5.2 Opportunities

- The existence of larger multinational organisations who could adapt some international initiatives to the Nepalese context
- The potential of the major industries namely hydropower and tourism, is directly linked to disasters and they may be interested in collaborating on CSR in disaster reduction.
- Decentralised government allowing collaboration for local-level initiatives.

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## 7 CHAPTER SEVEN: Case Study

Initiatives in the area of natural disaster management by the private sector are rare in Nepal. However, the following is one of the rare cases of private sector engagement in natural disaster preparedness in Nepal.

### Earthquake Preparedness Campaign

#### About HLGIC

Himalayan Life and General Insurance (HLGIC) is a private limited company established in 1988 with an authorized capital of NRs. 80 million and paid up capital of Rs. 30 million. It is one of the 111 companies listed on the Nepal Stock Exchange.

#### HITS-FM 91.2 (local FM station)

Hits FM is one of the most popular local FM stations of Kathmandu. The media company has a broad range of listeners in the Kathmandu Valley.

#### The Initiative

Nepal Society for Earthquake Technologies, an NGO engaged in earthquake preparedness activities funded by a donor agency, designed an earthquake preparedness campaign to be aired on radio. The programme was aired on HITS-FM 91.2.

The main focus of the campaign was to educate listeners about earthquakes. The message varied from very basic information to what one can do before and after an earthquake. The focus of the messages was to construct houses with earthquakes in mind and in the aftermath to be prepared to address casualties and save lives by maintaining an adequate supply of food and first aid materials. The campaign was stopped after its limited time of six months.

HLGIC having spotted an opportunity to gain credibility as an insurer and leverage its marketing by building its image as an organisation that is engaged in a socially responsive campaign decided to carry forward the campaign for the last two years. HLGIC pays HITS – FM for the campaign like any other advertisement campaign for short durations daily. The focus of these campaigns has been prevention of maximum impact in case of an earthquake.

#### The purpose

Unlike direct product advertisement strategies, HLGIC decided to use the campaign information to raise awareness about earthquakes and create a brand image for itself. The commercial campaign was conceived by the managing director who is also a major shareholder of the company. The campaign was agreed by the top management who thought it a good idea and pushed the campaign from their level.

From discussions with HLGIC, it was understood that the programme was part of its marketing initiative and was not conceived as a CSR initiative. Hits FM considers the disaster preparedness campaigns as mere advertisements that are sponsored by organisations. They have been charging HLGIC at normal advertisement rates. Hits



FM has been involved in broadcasting this kind of social awareness message for the last five years, usually been sponsored by the NGO sector.

The campaign actually did provide some good information which was received well by listeners. It was unfortunate that the listeners were not a large part of the target group of potential clients of the insurance company.

The company has now realized that such publicity does not bring noteworthy increase in revenues, vis-à-vis the expenses. The actual amount invested in this campaign was not divulged. It plans to discontinue the campaign. Presently, the company plans to shift to door-to-door promotional campaigns focused on large and medium sized business houses who are their potential clients.

Lessons:

- Social campaigns don't always serve as an effective marketing tool, which may discourage private sector involvement in funding and supporting CSR initiatives in natural disaster reduction or other social campaigns.
- Sometimes, commercial campaigns with a social title have a negative impact on their listeners, because they are perceived as trying to make profits out of a social cause.
- CSR initiatives should not have any trace of commercial benefits for them to be effective.

Source of information:

- Interview with HLGIC staff
- Interview with HITS-FM staff
- HLGIC brochure and other papers