

Adaptation Committee

Expert meeting on promoting livelihoods and economic diversification to build resilience in the context of planning, prioritizing and implementing adaptation

**Report to plenary
Session “Economic diversification at the regional and national levels”**

Group Green

Bonn, Germany, 7 to 8 September 2015



Falilitator: Anna Colom

Rapporteur: Srilata Kammila

Identified regional and national trends and key drivers of economic diversification

- ❖ Diverse approaches exist to ED – while overall trade &, banking sector reforms, etc. are some key trends, these are balanced and adapted to national contexts
- ❖ Some characteristics include:
 - Prioritization of sectors and how these are all aligned to a ‘national vision’;
 - Link through national, sub-national, and local levels – priority sectors and link to rural development programmes;
 - Capacity building to support enterprises;
 - Access to markets.
- ❖ There is also a trend to go beyond economic growth alone
 - Looking at how this transmits to domestically enhancing employment; simple diversification is not enough;
 - For e.g. food security it is critical not just to look at production;
 - Focus on development policies - education, employment, poverty reduction;
 - Governance is critical, risk frameworks are important to diversify away from risk;
 - Social protection systems are also key in ensuring diversification and risk reduction (e.g. improving financial services).
- ❖ Other drivers are moving towards States who intervene actively in the economy – for e.g, Bolivia :With a new Economic Social Comunitarian Productive Model, the State promotes the **plural economy** (State, Private sector, Cooperative and Comunitarian); transferring resources from the strategic sector (its surplus of mining,) towards the income and employment generating sectors such as industry, manufacturing and craftsmanship, Turism, Farming development etc. in order to i) to expand the country's productive bases and to support industrialization, ii) redistribution of income trough Social Programs and iii) to support private sector through improvements in domestic demand, which will inject dynamism to the economy. Those measures can generate Sustained economic growth despite the global crisis and reduce external vulnerability (example: international commodity prices' changes)



The role that macroeconomic policy can play in economic diversification

- ❖ Holistic approach:
 - Ministerial coordination
 - National vision driving sectoral prioritization
 - Important: sector-specific policies
- ❖ National Development policies are key for diversification that promotes equitable growth:
 - Education,
 - Employment,
 - Social protection,
 - Poverty reduction
- ❖ Policy can promote investment, support enterprises, incentivize
- ❖ Question: How can this be addressed in countries with no alternative for diversification?
- ❖ Non-market drivers are also key
- ❖ Risk insurance, financial instruments



Identified characteristics and successes in incentivizing economic diversification

❖ Examples for successes:

- Botswana: holistic approach, coordination, enhancing diversification
- Bolivia: Plural economy and using surplus sectors to boost income and employment
- PPPs: e.g Ethiopia World Food Programme, weather-based index insurance
- Tax rebates and subsidies for the private sector



Observations on the relationship between economic diversification and resilience

- ❖ Fundamental question: Can ED lead to adaptive capacity? And, if so, how?
- ❖ Diversification with only economic growth as the outcome can
 - Increase inequities,
 - Lead to mal-adaptation,
 - Increase vulnerabilities.
- ❖ Important to recognize the role of development policies that promote equities – education, capacity bldg., income/employment, investing in youth, social protection systems
- ❖ Promote sustainable practices (e.g. recycling, waste management)
- ❖ People dependent on NRM need special focus and policies to protect and promote development
- ❖ Important to have development planning be done through CC lens
- ❖ Need to balance export economies (that could increase fossil fuel use) with domestic self-sufficiency

