



Adaptation Committee

Fact sheet on livelihood and economic diversification: complementary tools for adaptation

How can we promote economic diversification and build resilience?

INTRODUCTION

Building resilience may require the diversification from traditional economic activity, particularly in some developing countries that are vulnerable to climate change impacts. In this factsheet, livelihood and economic diversification (LED) are considered as complementary and valuable tools that can effectively support the mid to long-term transformation of economies at risk. The combination of LED tools reflects an innovative approach for the Adaptation Committee (AC), to address the overall objective of strengthening resilience and decreasing vulnerability over time.

Under the UN Climate Change process, policy makers are aware of the importance of economic diversification and countries are invited to use LED approaches in order to build and enhance resilient socio-economic systems.

KEY MESSAGES FROM THE AC EXPERT MEETING

At a 2015 LED expert meeting under the auspices of the AC, certain key messages emerged:

- **We don't need to start from scratch.** Decision-makers can start by **upgrading the quality of existing products**, before or instead of creating different products to stimulate economic growth.
- LED is a **new dimension** for countries to **find different avenues to develop** in the process of preparing their main climate adaptation plans, or NAPs (National Adaptation Plans), in a holistic and inclusive way.
- An **enabling environment** (characterized by good governance and regulatory systems) **coupled with innovation and traditional knowledge** is a powerful combination in approaching LED. In particular it's important to **promote policy instruments** (for example financial incentives, or environmental tax), **projects and engagement of private sector** (for example pilot projects, direct farm-level investment and industry actions) in the context of **the national-wide adaptation strategies and NAPs**.
- **Planning** processes should **avoid foreseeable and potentially detrimental effects on the economy** (for instance increased inequality of maladaptation). In order to incorporate LED into sustainable planning, **top-down and bottom-up approaches should be combined**, looking at **macro-economic policies with micro-level experience and insight**.
- The **poorest and most vulnerable**, including **women and youth**, should be given **particular consideration in decision-making**, since these are the people the **least equipped to face climate risks** or negative consequences.

LED, NAPs AND NAPAS

In order to embed LED within national adaptation planning and strategies, countries can consider these approaches under the National Adaptation Plan (NAP) process. Countries can also build on existing LED projects included by Least Developed Countries in the National Adaptation Programmes of Action (NAPA) where possible. Countries may consider including LED, as an option, in their medium and long-term strategies based on comprehensive vulnerability and adaptation assessments that aim to build resilience at the national, sectoral or local levels.

Economic diversification was identified by many countries as **one of their action areas** in their **intended nationally determined contributions (INDCs)**. Several countries highlighted adaptation measures that could contribute to those efforts to diversify.

Many INDCs showcased the linkage between responding to climate change and national development priorities. These include social development, economic development – and the co-benefits that can result from actions and plans for economic diversification.

DEFINITIONS

Livelihood —The resources used and the activities undertaken in order to live. Livelihood is usually determined by the entitlements and assets to which people have access. Such assets can be categorized as human, social, natural, physical, or financial. More information available at <https://goo.gl/lzVcl>.

Economic diversification generally describes the process in which a growing range of economic outputs is produced. It can also refer to the diversification of markets for exports or the diversification of income sources away from domestic economic activities (i.e. income from overseas investment). More information available at unfccc.int/3994.

WHAT CAN BE DONE ON LIVELIHOOD AND ECONOMIC DIVERSIFICATION AT DIFFERENT SCALES

COMMUNITY LEVEL

- Find opportunities for LED, targeting the most vulnerable communities.
- Understand needs, identify gaps as well as financial and human resources required to act on LED opportunities.
- Understand the dimensions of urban communities and create employment in well-paying economic activities.

NATIONAL LEVEL

- Build a strong sense of national ownership in planning and diversification strategies, and encourage mobilization and support of planning and diversification strategies and actions.
- Make efforts to ensure that NAPs are inclusive and address the adaptive capacity needs of vulnerable communities.
- Identify ways for economic growth that could lead to increased income of people in the vulnerable communities.
- Provide incentives for the private sector, including by helping them develop tools to strengthen their resilience to climate change impacts.

PRIVATE SECTOR

- Build and leverage private investments to achieve diversification, e.g. by identifying and mobilizing investments which broaden the income base and so act as a driver for growth.
- Make use of financial reforms, such as reducing capital costs for investment.
- Engage with government decision makers on their consideration of diversification, for example to consider financial reforms and to enhance public-private institutional arrangements.

Botswana's Economic Diversification Drive: Following a Presidential Directive, federal ministries and stakeholders intensified economic diversification efforts by sectors and sub-sectors. The production of locally manufactured goods and services were promoted by the federal government. The use of preference margins¹ and citizen economic empowerment strategies promoted local production and consumption. In the medium to long term, the Botswana economy is planning to diversify by developing globally competitive enterprises needing little protection or support, for example in the Horticulture sub-sector.

Costa Rica's Ministry of Agriculture and Livestock: Aligned public and private sectors towards a new approach to public-private institutional arrangements. New dialogue bodies were created, including a National Commission of Livestock, a Livestock Bureau Programme Research / Technology Transfer and Livestock Commissions in each region. This resulted in benefits to the Ministry by consolidation and commitment of institutions and organizations, and it also enabled project and programme implementation by formalizing institutional arrangements. This best practice highlights the need for active participation of the private sector, as well as the importance of promoting both macro measures (for example financial incentives, environmental tax, and simplified procedures) and micro projects (for example pilot projects, direct farm-level investment and industry action).

BBC Media Action: A weekly radio programme in Tanzania showcased information from daily life stories, experts and government officials to discuss building resilience through LED practices. An estimated 2 million people were reached, and audience feedback showed how the programme resulted in a third of audience members adopting new practices and inspiring 86% of audience respondents to support others in similar situations.

LED can also be linked to achieving the UN Sustainable Development Goals (SDGs):



Decent work and economic growth: Goal 8 related to sustainable and inclusive economic growth includes a target (8.2) to achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high value added and labour intensive sectors.



Life on Land: Goal 15 related to ecosystem protection includes a target (15.c) to increase capacity of local communities to pursue sustainable livelihood opportunities.

FOR MORE INFORMATION:

More information on the AC LED Expert meeting (held September 2015) available at unfccc.int/9030.

The AC promotes the implementation of enhanced adaptation action in a coherent manner for the Framework Convention on Climate Change. For more information please contact AC@unfccc.int.

To further explore and promote action on this topic, the Nairobi work programme on impacts, vulnerability and adaptation to climate change opened a **call for submissions for views on adaptation actions that could enhance economic diversification**. All submissions received will be maintained in a database as a living reference product. More information available at <https://goo.gl/blkKPX>.

Keywords: adaptation, climate resilience, economic diversification, implementation, national level resilience, planning, prioritization.

¹ Defined by UNCTAD as the difference between the duty payable under a given system of tariff preferences and the duty that would be assessed in the absence of preferences.