






**Economic diversification in the context of adverse effects of climate change**




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**Presentation**




1. Some questions
2. Some thoughts on the options, the challenges and actions needed



  

**Underlying causes of vulnerability**




1. Poverty and inequity in resource distribution
2. Limited resources
3. Social structures – sex, age, education
4. Poor quality infrastructure
5. Economic systems – dependence on vulnerable systems
6. International political dynamics

**Some Economic Activities Vulnerable to CC**

1. Agriculture
2. Shore-line tourism
3. General tourism

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**Food for thought on ED**

- What are the options for econ diversification?
- How vulnerable are these options to CC?
- How could the ED options exacerbate CC?
- How vulnerable are these options to global econ set-ups?

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**Food for thought on ED**

- What are the limitations to achieving ED goals?
- What macro conditions are needed to support econ diversification?
- Diversification through greater domestic OR external orientation? *(mkrt orientation)*
- Should diversification entail more diversified raw material production or more industrial production? *(nature of new output)*

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**Different types of diversification**

		Market orientation	
		Domestic	External
Nature of new output	Primary production	Food etc	Cash crop or natural resource
	Manufacturing	Import substitution industry	Export oriented

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**Options for ED**

- Agricultural intensification
- Agricultural expansion – increased range of activities and products
- Agricultural shifts – towards more resilient products
- Agricultural shifts – to accommodate changing climatic patterns
- Shifting away from agric?

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### Options for ED

- Tourism – eco and rural tourism: cultural instead of climatic tourism (*from coastal to hinterland*)
- Service industry – IT & financing
- Shift to non-traditional exports
- Natural resource rents- gas, timber etc
- Unlocking unknown sources of opportunities?

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### But to what extent are the issues relating to ED due to vulnerability to CC different from ED for poor terms of trade?

- Difference: conscious to avoid climate vulnerable options
- Challenges to achieve ED are largely similar
- How then to use the climate change process to facilitate ED emanating from vulnerability to CC?- *raise awareness on avoiding vulnerable options*

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### Challenges for ED

- Short term planning and decentralisation (*fiscal and political instability*)
- Need for concerted Gov support-current thinking militates that gov keep out of 'market' & lack resources
- Poor infrastructure- hence to develop ED option implies high costs
- Building the necessary skills

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### Challenges for ED

- Cross-country competition (*opportunities tend to be similar*)
- Competition within sub-sector e.g. *coastal tourism vs rural tourism*
- Political boundaries –curtail free movement of labor and sometimes cross-border trade –regional integration
- Attracting sustainable demand and managing expectations of beneficiaries

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### Challenges for ED

- **Shifting from the planned economy to people-centred approach**
- **Establishing strategies/mechanisms for identifying ED opportunities under current mrkt frameworks- *including determining when to go regional instead national***
- **Globalisation, privatisation- *necessary policy within this framework***
- **International trade situation – poor terms of trade**

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### Levels of ED

- **national level – *most evident in conventional in planned economies***
- **individual level- made relevant by globalisation and elimination of safety nets including cooperatives**
- **regional levels- increased regional economic cooperation e.g. WA & LA**
- **Hence ED-vulnerability needs to take these dynamics into account (framework for action)**

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### Actions to facilitate ED

- **Shifting mindset- at political and individual levels**
  - **Political acknowledgement of role of small scale private players**
  - **Political acceptance of implications of CC on the poor and economy at large**
- **Supporting individuals engaged in ED for survival through credits, developing infrastructure**



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### Actions to facilitate ED



- **Refocus education and training approach**
  - **but coordinate with access to productive assets including land, credit, equity etc (not education for its own sake but for survival)**
  - **human resource diversification to support economy**
- **Establish special funds to support diversification eg Malaysia rubber replanting fund replenished from taxes**



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**Actions to facilitate ED**



- **Integrating CC into the national economic development plans**
- **Sensitizing national and regional planners on the limitations in ED as a result of CC**



   
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**Actions to facilitate ED by international community**



- **Establishing a global fund on ED for vulnerable countries**
- **Negotiating global terms of trade taking into account vulnerability to CC**
- **Education and awareness raising on macro-econ implications of ED**

   
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**Conclusive thoughts**

- **addressing ED due to vulnerability CC should built on prevailing ED experiences and frameworks**
- **additional value the CC community offers is increasing consciousness on what to avoid and making a case for international support**

   
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