

**Seventh meeting of the Adaptation Committee  
Bonn, Germany, 24-27 February 2015**

**Scoping paper for an expert meeting on promoting livelihoods and  
economic diversification**

**Recommended action by the Adaptation Committee**

The AC, at its seventh meeting, may wish to consider the information contained in this draft scoping paper, agree on the scope and focus of the expert meeting and provide any further guidance to the secretariat on its organization.

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## 1. Introduction

1. In its three-year workplan, the Adaptation Committee (AC) agreed to convene, in the third quarter of 2015, an expert meeting, led by members of the AC, on promoting livelihoods and economic diversification to build resilience in the context of planning, prioritizing and implementing adaptation.
2. The workplan also included the preparation of a scoping paper for the meeting.
3. In response to the recommendation by the AC,<sup>1</sup> SBSTA 41 concluded that the secretariat, under the guidance of the Chair of the SBSTA and in collaboration with relevant Nairobi work programme (NWP) partner organizations, should support the workshop, building on relevant work undertaken under the NWP on this matter.<sup>2</sup>

## 2. Date, duration and venue

4. According to the three-year workplan of the AC, the expert meeting is mandated to be organized in the third quarter of 2015. It is suggested to take place in Bonn and the currently proposed timeframe is the second week of September 2015, with the duration of the meeting to be two days.

## 3. Brief summary of information relevant for the expert meeting

5. This section summarizes considerations and work related to the topic of the expert meeting under the Convention to date. They include deliberations held in the context of the negotiations on enhanced action on adaptation, activities undertaken under the NWP and considerations in the context of the national adaptation programmes of action (NAPAs) and national adaptation plans (NAPs). While most of the work described here focused on economic diversification and not explicitly on livelihoods, it was undertaken with the understanding that economic diversification forms part of the pool of adaptation strategies that can increase resilience to climate change and thus implicitly enhance livelihoods.

### 3.1 Economic diversification in the context of the negotiations on enhanced action on adaptation

6. Deliberations on economic diversification have formed part of the negotiations on enhanced action on adaptation under the Convention. These negotiations first resulted in the agreement of the Bali Action Plan in 2007 in the context of which Parties decided to enhance action on adaptation, including, inter alia, through the consideration of *economic diversification to build resilience*.<sup>3</sup> Subsequent negotiations led to the establishment of the Cancun Adaptation Framework in 2010 under which all Parties are invited to enhance action on adaptation by, inter alia, *building resilience of socio-economic and ecological systems, including through economic diversification and sustainable management of natural resources*.<sup>4</sup>

### 3.2 Work undertaken in the context of the NWP

7. Several activities relating to economic diversification have been undertaken in the context of the NWP, in particular under its work area on economic diversification<sup>5</sup> during the first and second phases (2005–2010) of the work programme. To date the NWP has engaged, as its partners, over 60 organizations whose scope of efforts extends to *economic diversification* and

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<sup>1</sup> FCCC/SB/2014/2, paragraph 81.

<sup>2</sup> FCCC/SBSTA/2014/5, paragraph 16 (a).

<sup>3</sup> Decision 1/CP.13, paragraph 1 (c) (iv).

<sup>4</sup> Decision 1/CP.16, paragraph 14 (d).

<sup>5</sup> For the objective of the work area on economic diversification, see decision 2/CP.11, in particular sub-theme b(v).

*climate-resilient development planning*, both contributing to the enhancement of livelihoods under conditions of climate change.<sup>6</sup>

8. The annex provides a snapshot of relevant activities undertaken by the NWP. Over the years, these activities contributed to efforts by Parties and organizations to:

- a) Exchange experiences in and provide opportunities for developing and disseminating measures, methodologies and tools aimed at increasing economic resilience;
- b) Exchange experiences and lessons learned in undertaking economic diversification measures, including ways to develop institutional capacity, and improve understanding on how economic diversification can be integrated into sustainable development plans, especially those that promote sustainable economic growth and eradication of poverty.

9. These exchanges of experience led to the preliminary finding that climate change impacts differ by sector of economic activity, depending on the characteristics (e.g. climate sensitivity) of the sector and on its geographical location (e.g. distance to markets). Vulnerable countries are often found to be over-reliant on a narrow base of economic activity: many low-income countries are heavily dependent on agriculture while others are highly dependent on the export of a limited range of non-agricultural commodities. These findings indicate that, for promoting livelihoods and economic diversification to build resilience in the context of adaptation, reducing overdependence on a narrow economic base is crucial at the national level. While at the sectoral level, increased economic resilience is often achieved by adapting existing practices to reduce exposure to risk.<sup>7</sup>

10. The activities under the NWP resulted in the identification of the following areas for further work to be addressed at multiple levels:

- a) Facilitating the development of coherent options to build economic resilience to climate change;
- b) Strengthening economic resilience within sectors vulnerable to climate change;
- c) Responding to the specific needs of the most vulnerable groups;
- d) Strengthening the institutional and technical capacity for economic risk management;
- e) Promoting the documentation and dissemination of good practices, measures and tools;
- f) Strengthen existing modalities for regional and international cooperation, including increasing access to the expertise of specialized intergovernmental agencies and international organizations and centres of excellence, and to encourage the creation of regional economic groups where appropriate.<sup>8</sup>

### **3.3 Consideration of economic diversification in the context of NAPAs and NAPs**

11. Some LDCs identified, in their NAPAs, priority projects which include elements related to diversifying economic activities and livelihood options which communities depend on in order to increase resilience.<sup>9</sup> The predominant sectoral focus in these projects is the primary sector,<sup>10</sup> specifically agroforestry, farming, grazing, hunting and gathering, and fishing, particularly in the rural and community context.

12. Economic diversification could also form part of adaptation strategies that countries may develop in the context of their NAP processes. As the NAP process has been designed for

<sup>6</sup> For the list of such partners, see

<[https://www3.unfccc.int/pls/apex/f?p=333:20:3654593463595914::NO::P20\\_ADAPTATION:12](https://www3.unfccc.int/pls/apex/f?p=333:20:3654593463595914::NO::P20_ADAPTATION:12)>.

<sup>7</sup> For further details, see <[FCCC/SBSTA/2007/14](http://FCCC/SBSTA/2007/14)>.

<sup>8</sup> Details of further efforts identified under these areas are contained in the Annex of this paper.

<sup>9</sup> LDCs which identified priority project under this topic include Afghanistan, Lao PDR, Lesotho, Malawi, Maldives, Tanzania, Timor-Leste, Togo, Zambia, among others. For further information, see <<http://unfccc.int/adaptation/4585>>.

<sup>10</sup> With one exception which included the tertiary sector (service industry), in particular eco-tourism.

countries to address adaptation in the medium- and long-term based on comprehensive assessments of vulnerability and adaptation options at different levels, economic diversification at the national, the sectoral or local levels may be identified as an effective strategy to build resilience in the longer term. The Special Climate Change Fund (SCCF) through which the Global Environment Facility (GEF) is requested to enable activities for the preparation of the NAP process in developing countries includes a mandate to finance projects relating to, inter alia, economic diversification.<sup>11</sup>

#### **4. Possible focus of the meeting**

13. Given that economic diversification has been a recurring issue under the Convention that has so far not enjoyed in-depth consideration, the AC could use the opportunity of this expert meeting to link the topic to emerging work on adaptation. The NAP process provides a useful context for further elaborating how economic diversification can contribute to resilience-building at the national and other levels and thus reduce the vulnerability of livelihoods.

14. Assuming the link to the NAP process as a possible focus of the meeting, and building on relevant work undertaken under the NWP, the AC may wish to consider structuring the meeting around the following questions:

- a) How can economic diversification be used as an effective approach in the context of the NAP process, and how can the NAP process contribute to the identification of economic diversification needs in a given country?
- b) How to incentivize livelihood and economic diversification through macroeconomic policy? What are some successful experiences for promoting livelihoods and economic diversification over the long-term and at multiple scales? What are good practices, trends and limitations regarding the use of existing approaches, measures and tools for promoting livelihoods and economic diversification to enhance resilience, for different sectors (e.g. primary sector, tourism) and regional contexts (e.g. SIDS)?
- c) What are the processes and tools for facilitating the promotion and integration of livelihood and economic diversification approaches in developing countries in adaptation planning, policies and actions, including within the NAP process?

15. When discussing the focus of the meeting, the AC may wish to consider whether targeted inputs might enhance the effectiveness of the two-day meeting. Such inputs could include, for example, a compilation of previous work on the topic by relevant organizations and/or of relevant tools and approaches including those identified under the NWP.

#### **5. Potential participants**

16. The size of the meeting is suggested to be limited to a maximum of 30-40 experts in order to ensure depth and focus of discussions. Consistent with its objective, the meeting may bring together:

- a) Adaptation planners and implementers in the public sector at local, national and regional levels;
- b) Experts on economic diversification;
- c) Sectoral experts from multilateral, bilateral and non-governmental organizations, regional centers and the private sector.

17. The AC may also wish to consider including Parties and relevant organizations that have engaged in the previous mandated work by the subsidiary bodies and/or COP on this topic and

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<sup>11</sup> In addition to economic diversification, other areas include adaptation; technology transfer and capacity-building; energy, transport, industry, agriculture, forestry and waste management. More information on the SCCF, see <<http://unfccc.int/3657>>.

representatives from organizations and Parties involved in the NAP-Global Support Programme and other NAP-related activities.

## 6. Expected output

18. As foreseen in the AC's workplan, the output of the expert meeting will be a report in which recommendations and guidance for consideration by the COP will be identified, as appropriate and as needed, with a view to providing technical support and guidance to Parties, in order to facilitate the enhanced implementation of adaptation actions, including the process to formulate and implement NAPs.

19. In addition, considering that the NWP has *economic diversification* as one of its work areas and has already built a network of partner organizations to furthering the work on assisting countries to make informed decisions on practical adaptation actions and measures to respond to climate change on a sound, scientific, technical and socioeconomic basis, the AC may wish to consider ways to collaborate with the NWP on the dissemination of relevant information arising as a result from the expert meeting.

## 7. Next steps

20. The AC may wish to consider taking the following next steps:

- a) Agree on the scope and focus of the expert meeting;
- b) Agree on the dates and venue of the expert meeting;
- c) Provide further guidance to the secretariat regarding the preparation of the meeting, including through the establishment of an ad-hoc working group for the further planning of the meeting, if desired.

21. The secretariat can:

- a) Consult with relevant stakeholders in the design of the meeting, as appropriate;
  - b) Proceed with the organization of the meeting in accordance with the guidance provided by the AC.
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## **ANNEX. Synthesis of information and further details of the recommendations identified in the context of the work area on economic diversification under the NWP**

1. The following information and recommendations are derived from:
  - a) The technical workshop on increasing economic resilience to climate change and reducing reliance on vulnerable economic sectors, including through economic diversification (2009);<sup>12</sup>
  - b) Submissions from Parties and organizations on additional information on examples of measures, methodologies and tools on increasing economic resilience to climate change and reducing reliance on vulnerable economic sectors, including through economic diversification (2009<sup>13</sup> and 2007<sup>14,15</sup>).

### *Potential measures for economic diversification*

2. The deliberations in the above mentioned workshop as well as information contained in the submissions underlined that climate change poses significant challenges to economic activities and livelihoods. Economic diversification was identified as one potential strategy to reduce negative impacts of climate change on economic activities and the livelihoods that depend on them.
3. Measures that have been identified to add to economic diversification include effective public policies, social safety nets, risk management and financial schemes and activities related to information and knowledge sharing and learning. Underlying factors that can enhance the potential of a country or a community to diversify its economy include technological and industrial innovation, education and training, sufficient health services and social protection, infrastructure for transportation and communication, as well as efficient use of energy, water and natural resources.

### *Measures at the national level*

4. Approaches, measures, methodologies and tools that are effective at the national level include: innovation in public policy, such as legislative reform and policy frameworks that incorporate climate change and sustainable land management; the assessment of climate change impacts on employment and alternative livelihood programmes; adequate provision of social safety nets and social protection such as skill development and training; risk assessment; integration with risk management programmes; promotion of innovative technologies and infrastructure; and effective knowledge management through more extensive knowledge and information sharing, training, institutional strengthening, and establishing climate change information centres.

### *Measures in the agriculture and food security sector*

5. Within the agriculture and food security sector – on which the majority of vulnerable countries and communities rely for their livelihoods, approaches and measures include: the expansion of agricultural extension services; the promotion of large agricultural estates and the creation of agricultural cooperatives; the promotion of small and medium-sized enterprises (SMEs), and the development of labour-intensive manufacturing; the enhancement of the quality

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<sup>12</sup> At the workshop, economic diversification was considered as a strategy for risk spreading or reduction that aims to lessen exposure and increase options for adapting to climate change. Economic diversification can therefore help enhance economic resilience, which is a strategy for adaptation in itself

<sup>13</sup> Submissions are contained in document FCCC/SBSTA/2009/MISC.6.

<sup>14</sup> The report is contained in document FCCC/SBSTA/2007/14.

<sup>15</sup> Submissions from Parties are relevant organizations are contained in document FCCC/SBSTA/2007/MISC.15 and Add.1, and MISC.16. For the submissions from non-governmental organizations, see <[http://unfccc.int/files/adaptation/application/pdf/nairobiwp\\_itucsubmissionecodiversification.pdf](http://unfccc.int/files/adaptation/application/pdf/nairobiwp_itucsubmissionecodiversification.pdf)>.

of and access to microfinance; the promotion of skill development and institutional capacity-building; and financial risk management and financial schemes, such as weather indexed crop insurance as well as microfinance and enhanced integration of credit.

***Enabling environments for economic diversification***

6. Education and health are key areas for enabling social systems that affects the ability of vulnerable groups to diversify their activities that generate income within existing sectors or in new sectors. Regarding infrastructure, necessary underlying factors include: the building of climate-resilient housing and production facilities; availability of functioning telecommunication systems; fresh water supply; access to energy; effective coastal defence structures; and climate-resilient road and transport systems to enable the transportation of goods. Promoting incentives for the private sector to develop markets for the provision of financial services and technologies is another critical part of enabling environments. This would require enabling environments that facilitate investment at both the local and international levels, and the development of cost-effective distribution channels.

*The following recommendations were identified in the context of the work area on economic diversification under the NWP*

- a) *Facilitating the development of coherent options to build economic resilience to climate change through: Promoting multi-stakeholder participation; creating financial incentives for foreign investment and identifying investment opportunities for alternative businesses and livelihoods; identifying markets for new products and services to widen the range of economic activities;*
- b) *Strengthening economic resilience within sectors vulnerable to climate change at the community level through: incentivizing the involvement of the private sector, including reinsurance companies; developing training materials on financial tools and mechanisms; linking microinsurance with existing social protection measures;*
- c) *Responding to the specific needs of the most vulnerable groups through: facilitating resource allocation to target women through gender-budgeting; facilitating the incorporation of indigenous and local knowledge into decision-making; strengthening the provision of information on alternative employment and livelihood programmes;*
- d) *Strengthening institutional and technical capacity for economic risk management through: enhancing the effectiveness and adequacy of early warning systems; increasing the availability of meteorological, socioeconomic, geographic, agricultural data and national statistics;*
- e) *Promoting the documentation and dissemination of good practices, measures and tools through: developing a “case study library” of tools, good practices and lessons learned; enhancing the engagement of existing networks; ensuring that communication materials are presented in an accessible, relevant and practical manner.*

*The following possible next steps for the NWP were suggested based on the above recommendations:*

- a) *Facilitating the documentation and dissemination of best practices on approaches, measures and tools aimed at increasing economic resilience and reducing reliance on vulnerable economic sectors by establishing a thematic “case study library” on livelihood and economic diversification;*
- b) *Creating vulnerability and resilience indices;*
- c) *Providing information on alternative employment and livelihood programmes;*
- d) *Holding regional workshops to disseminate information on economic resilience and economic diversification, and to identify “champions” for implementing the associated activities.*