

Economic diversification as a means to reduce adverse effects

- Types of potential adverse effects
- Adaptation capacity and its determinants
- DCs' needs and situations
- The respective roles of stakeholders

Potential Adverse Effects

- Reduced crop yields
- Increased variability of precipitation
- Reduced water availability
- Increased destruction of coral reefs and coastal ecosystems
- Rising sea levels
- Increased exposure to vector-borne diseases (malaria, dengue fever) and water-borne diseases (cholera) (HDR:124)

Adaptation capacity

- | | |
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| <ul style="list-style-type: none">• The ability to adjust to climate change to moderate potential damages• to take advantage of opportunities• to cope with consequences | <p>Determinants</p> <ul style="list-style-type: none">• Resources• technology• information and skills• infrastructure• institutions• equity (TRA) |
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Special conditions of LDCs

- Very low levels of socio-economic infrastructure
- High rates of environmental depletion
- High rates of human capital resource depletion arising from the prevalence of diseases such as AIDS
- lack of economic diversity
- heavy reliance on ODA

Selected economic indicators for LDCs and DCs

| Economic indicators | Year/period | LDCs | Other DCs |
|---|-------------|-------|-----------|
| Per capita GDP growth per annum(%) | 1980-1990 | -0.1 | 1.9 |
| | 1990-1998 | 1.9 | 3.6 |
| Share of labour in agriculture (%) | 1990 | 75 | 32 |
| Share of primary commodities in total merchandise exports (%) | 1980 | 86.3 | 79.6 |
| | 1997 | 68.9 | 31.9 |
| Export Concentration index | 1997 | 0.553 | 0.378 |
| Export instability index | 1980-1997 | 20.3 | 13.4 |
| Aid as percentage of GNP (%) | 1996-1998 | 9.0 | 0.4 |

Source: UNCTAD 2000a

Ingredients for economic development

- Capital formation: human, physical and natural capital
- competitive markets to improve resource use efficiency
- provision of infrastructure
- state-led structural transformation
- foreign investment and trade (esp. exports)
- macroeconomic stability

Priorities for actions

- Donor community
 - financial and moral support
 - improve market access
 - support institutional reform and capacity building
- National governments
 - integrated planning
 - longer-term perspective
 - good governance
 - explore indigenous knowledge of adaptation