

ECONOMIC DIVERSIFICATION: BUILDING RESILIENCE TO CLIMATE CHANGE



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Motivation

- Diversification can help mitigate impact from climate change.
- There is limited analysis of what aspects of diversification are important.
- Key questions:
 - What is the state of diversification in LICs?
 - What is the impact on growth and volatility?
 - What are the drivers of diversification in LICs and its implication on policy ?

Presentation Outline

Stylized Facts
on
Diversification

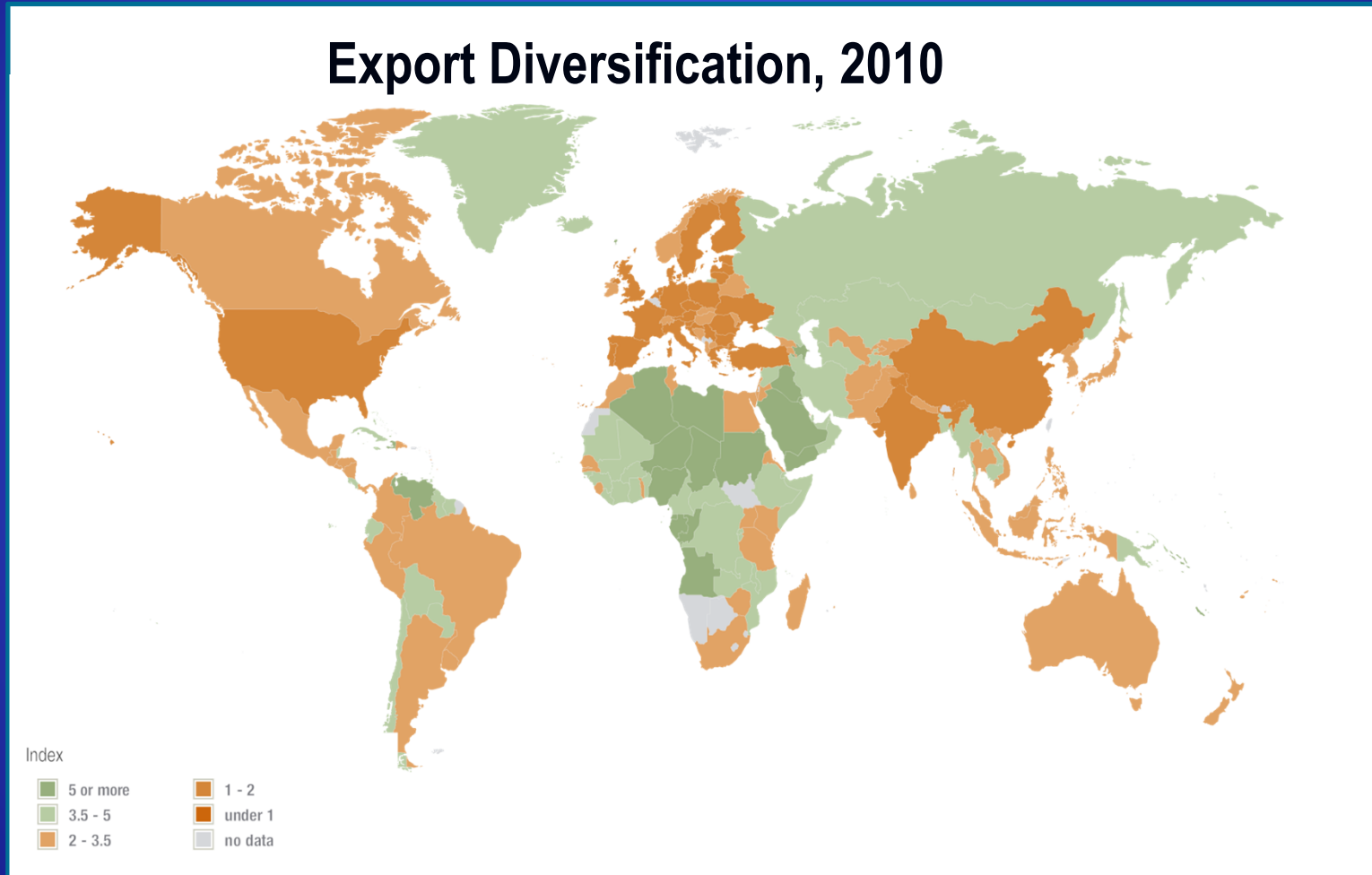
Link with
growth and
volatility

Case Studies

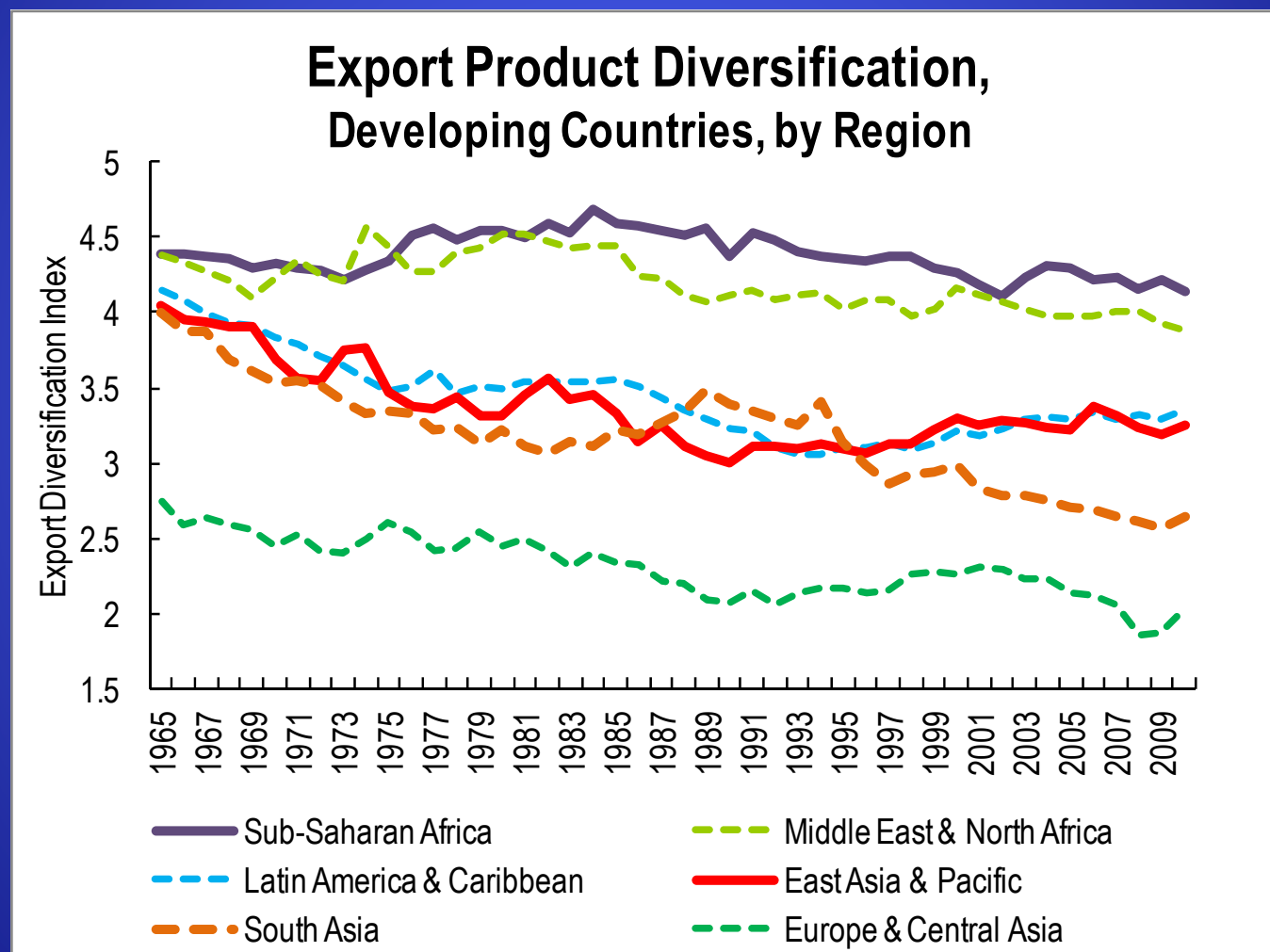
Policy
Implications

Snapshot of Export Diversification

Export Diversification, 2010

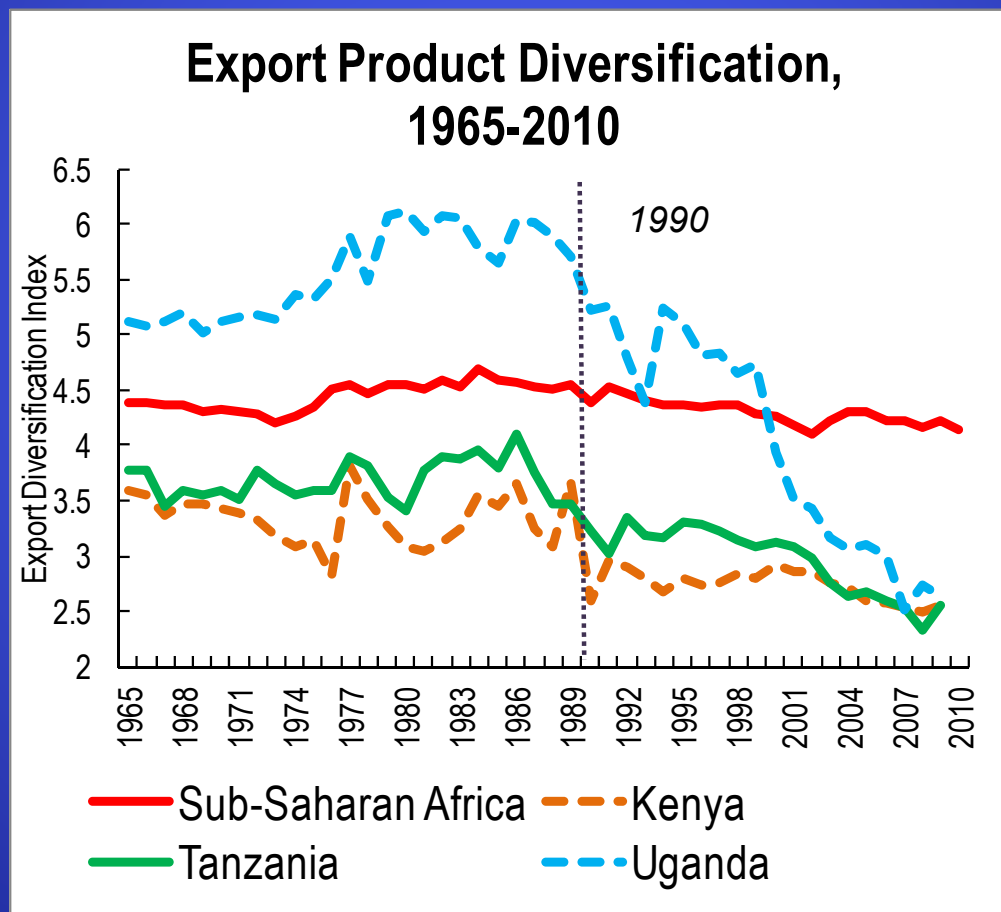


Export Diversification by Region

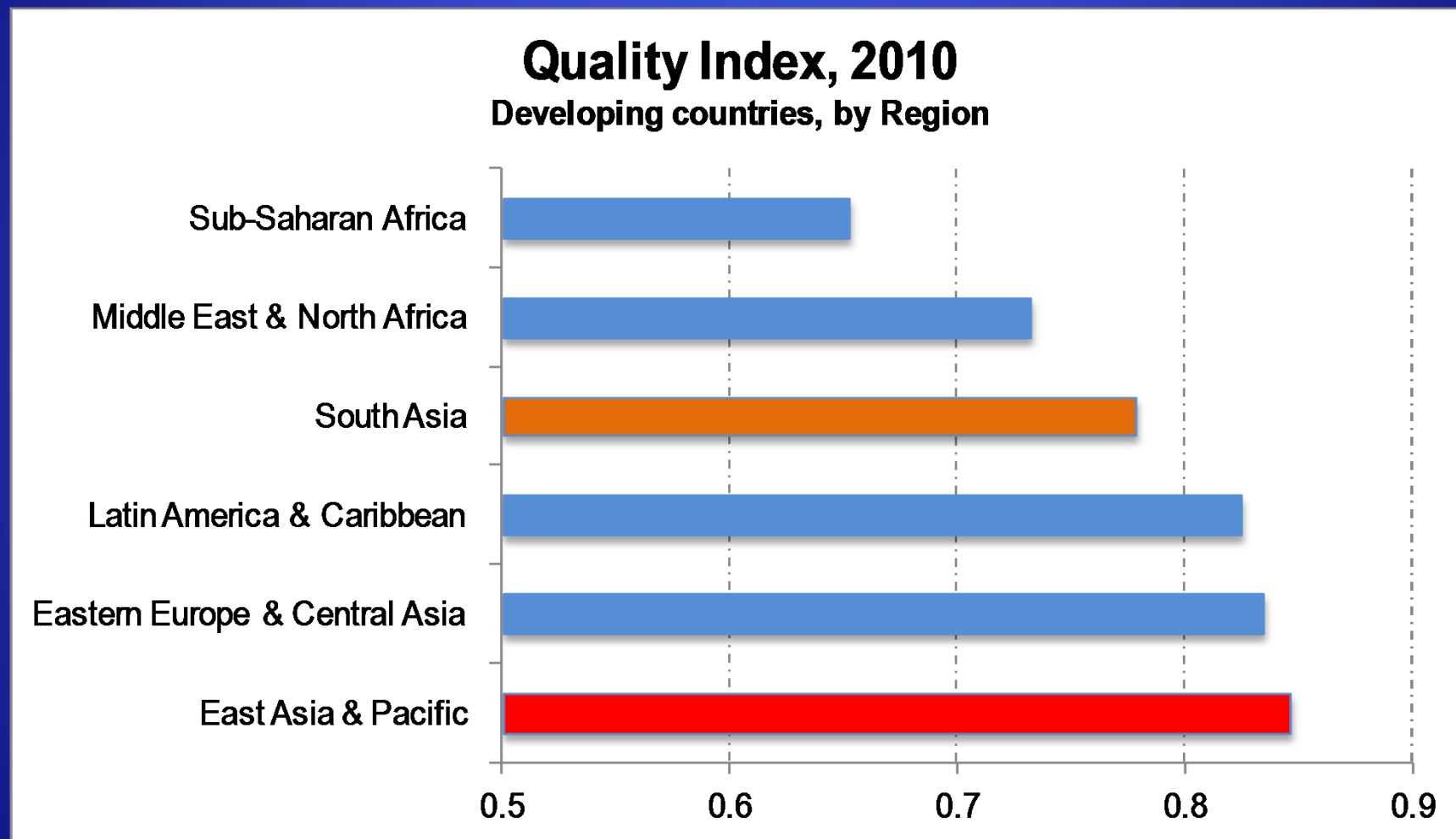


A Closer Look in Africa

Number of African Countries have also Diversified



Quality Upgrading Across Regions, 2010



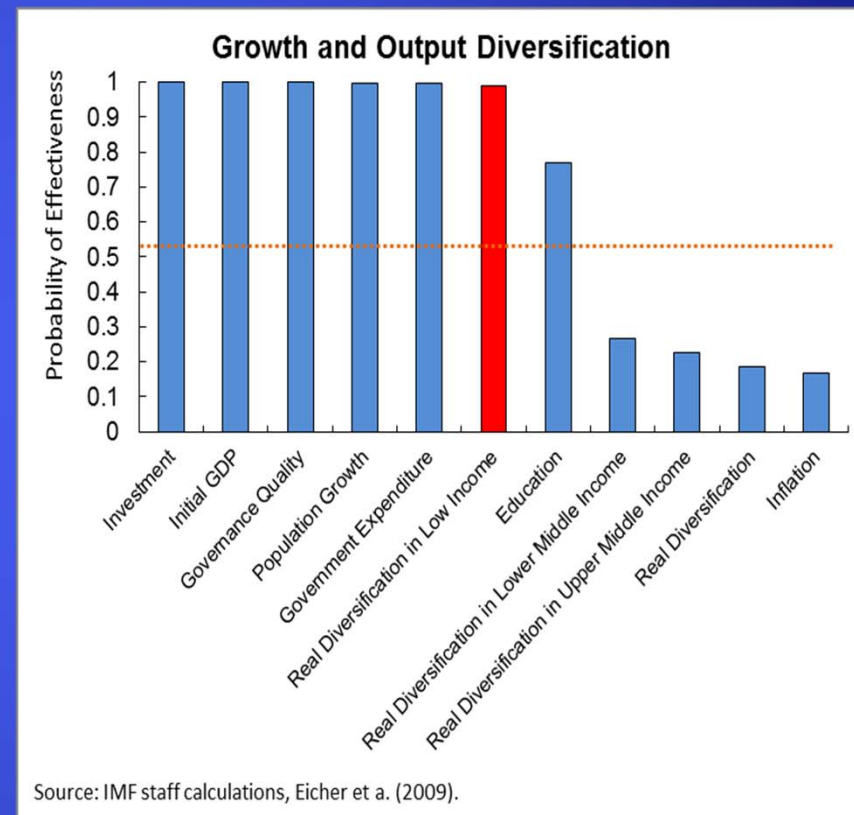
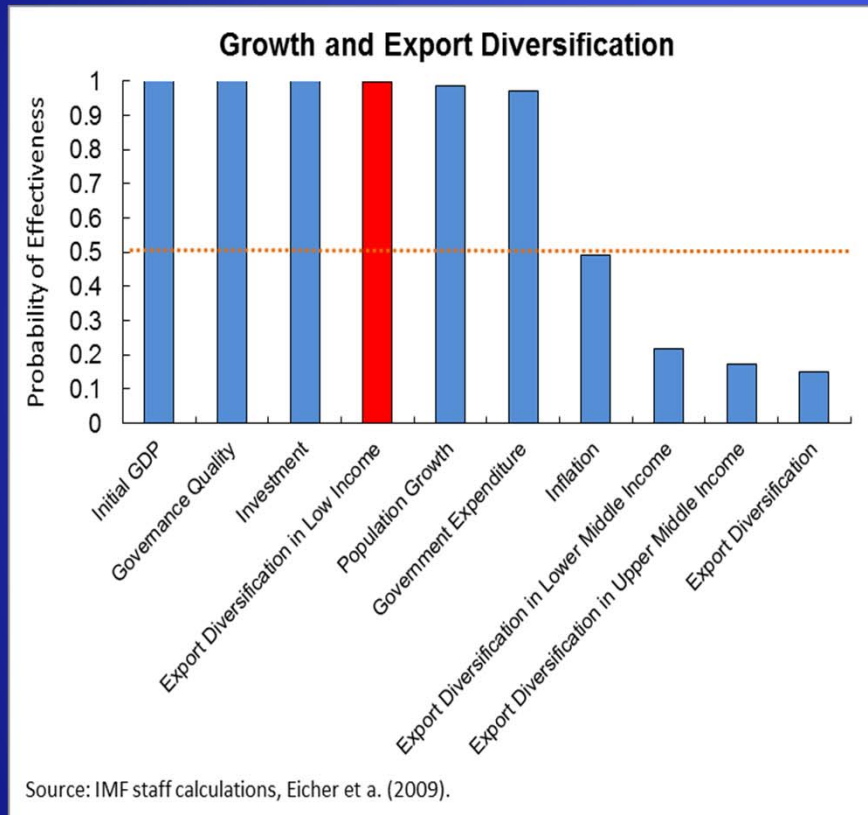
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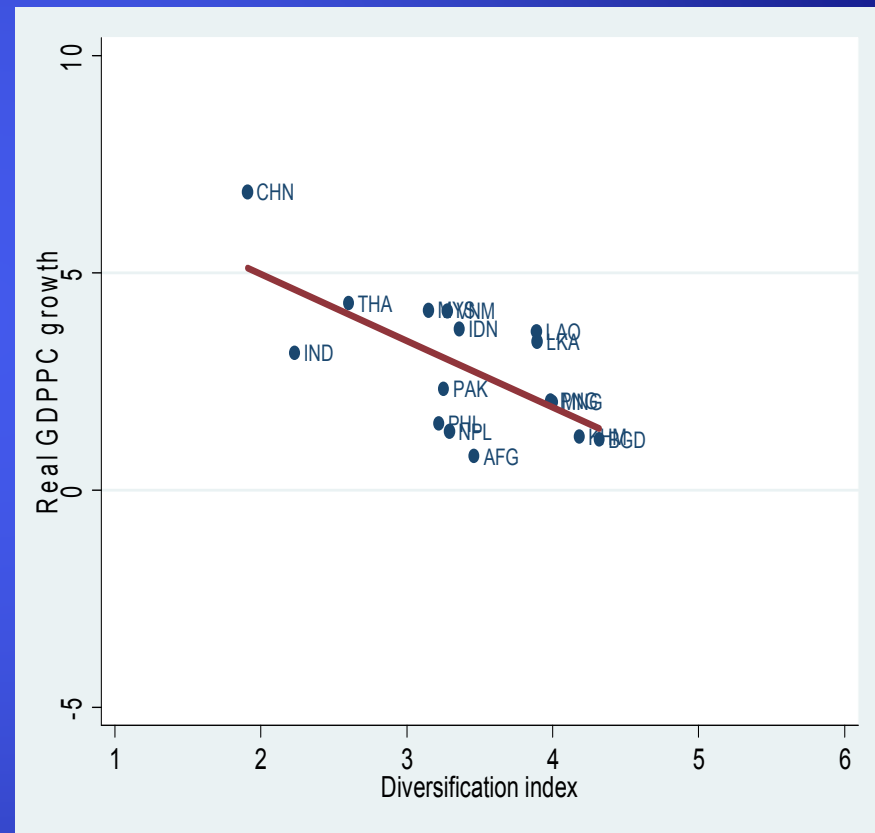
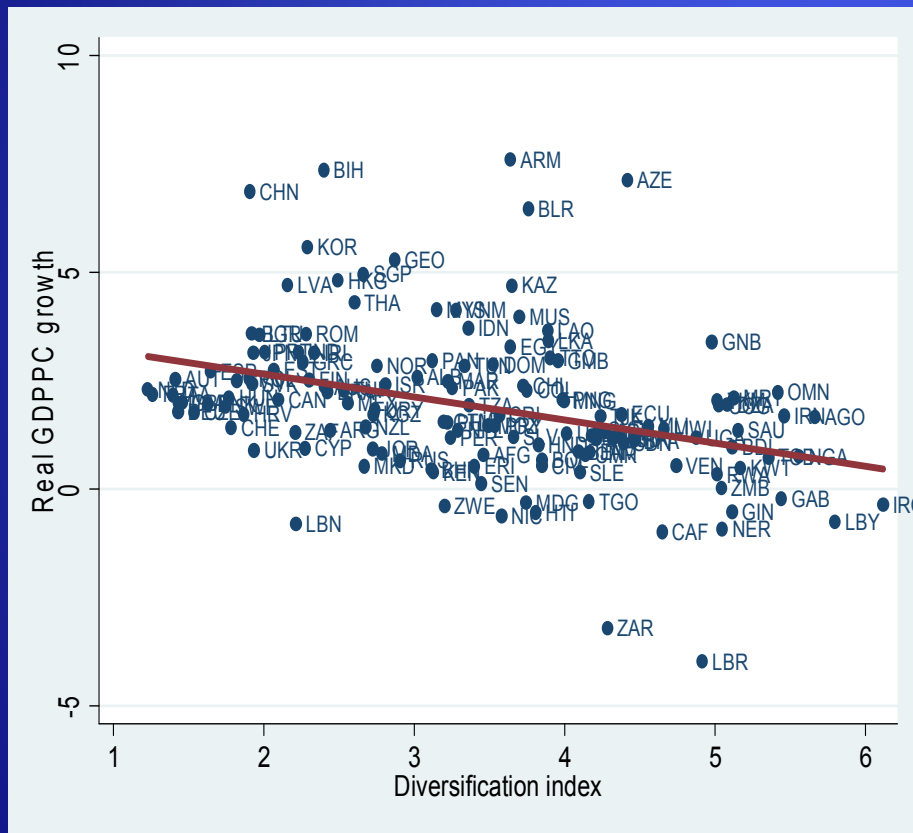
Policy
Implications

Probability of Effectiveness for Drivers of Growth



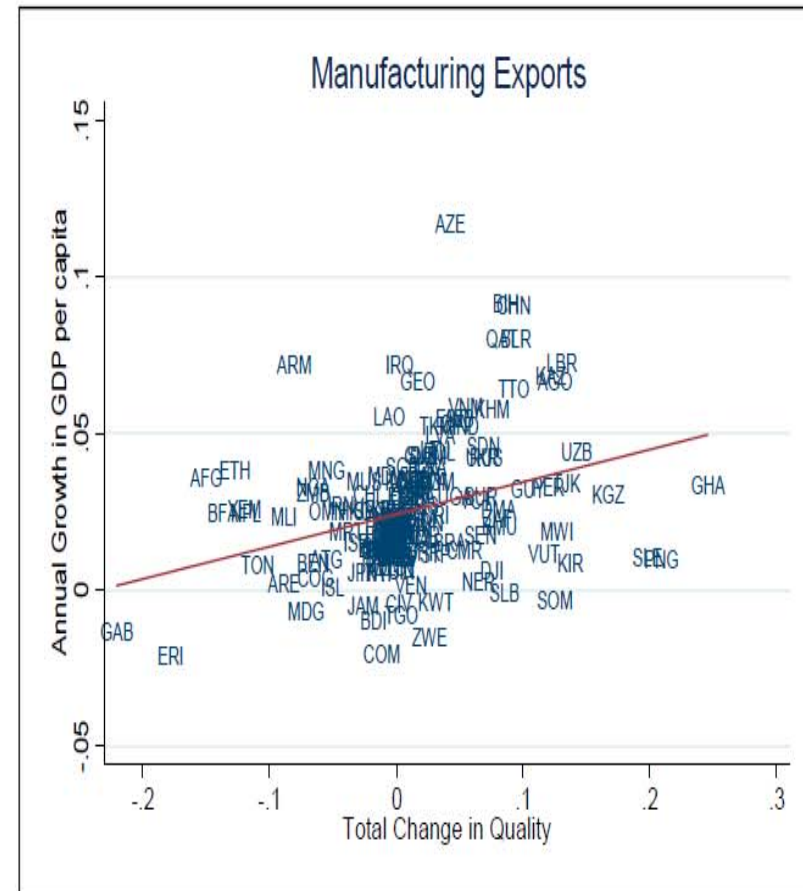
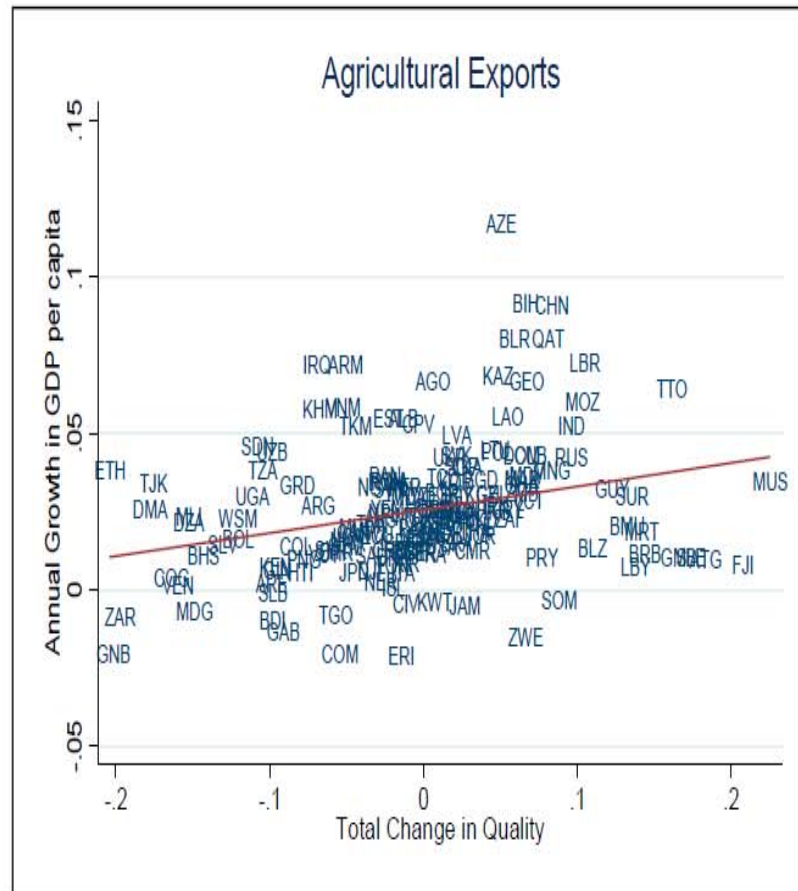
Growth through Diversification

Diversification is associated with higher real GDP growth (1962–2010)



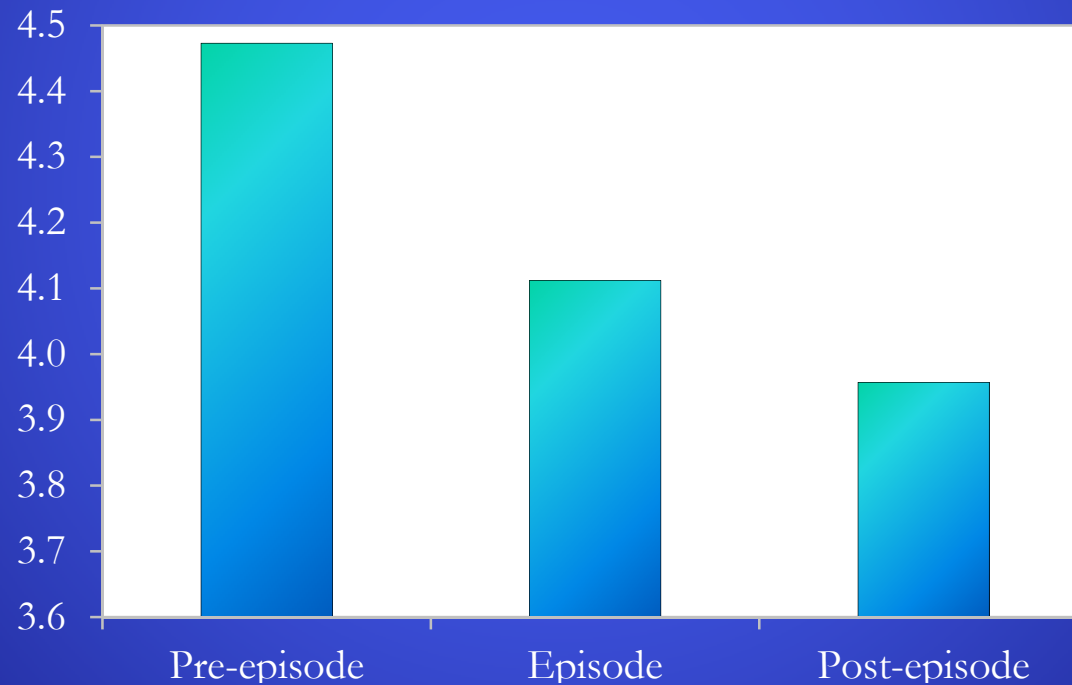
Quality Upgrading and Growth

Quality Upgrading and GDP per Capita Growth, 1995-2010



Volatility and Diversification

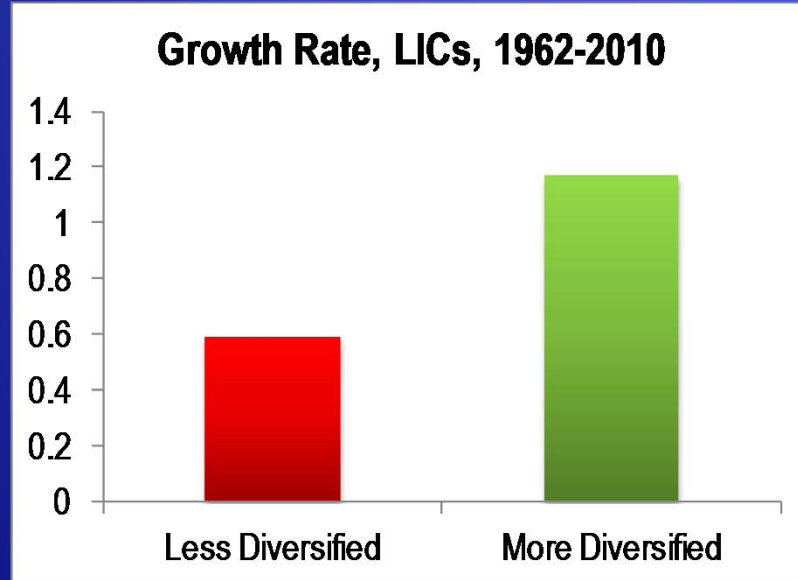
Output volatility diminishes after major diversification episodes



Diversification, Growth and Stability

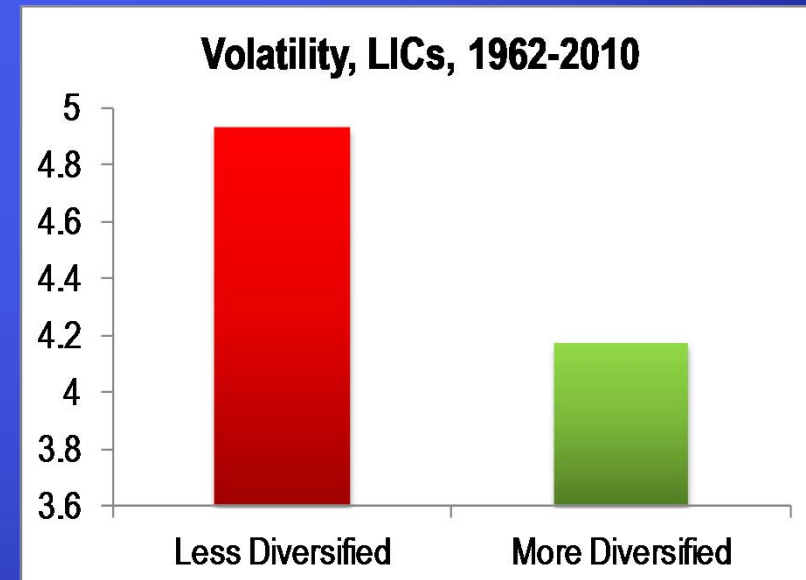
Growth

- Robust relationship between diversification and growth in LICs.



Volatility

- Diversification is also associated with a reduction in output volatility.



Note: "Less Diversified" indicates countries with diversification level below the 30th percentile of all LICs; "More Diversified" indicates the countries with diversification level above the 70th percentile of all LICs.

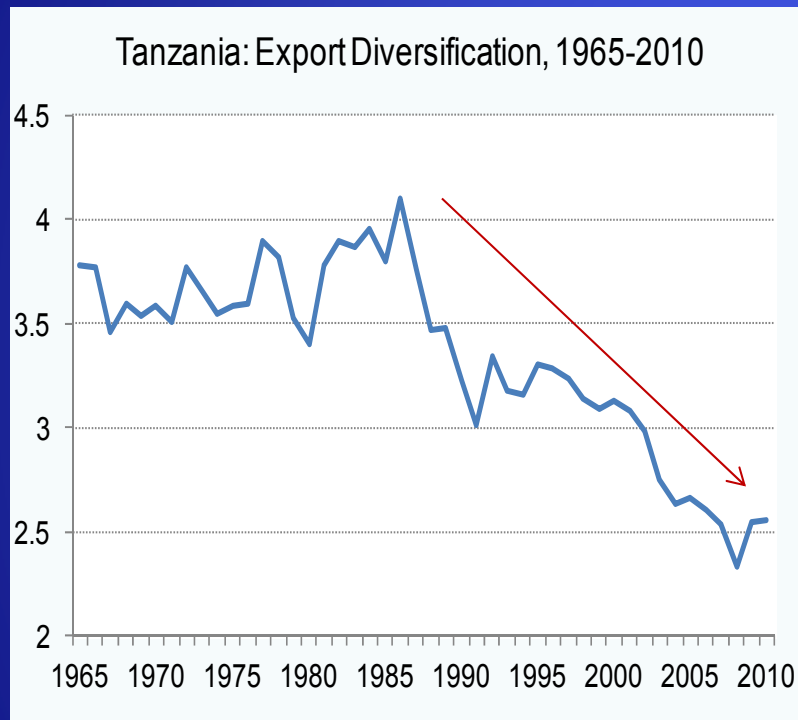
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Tanzania

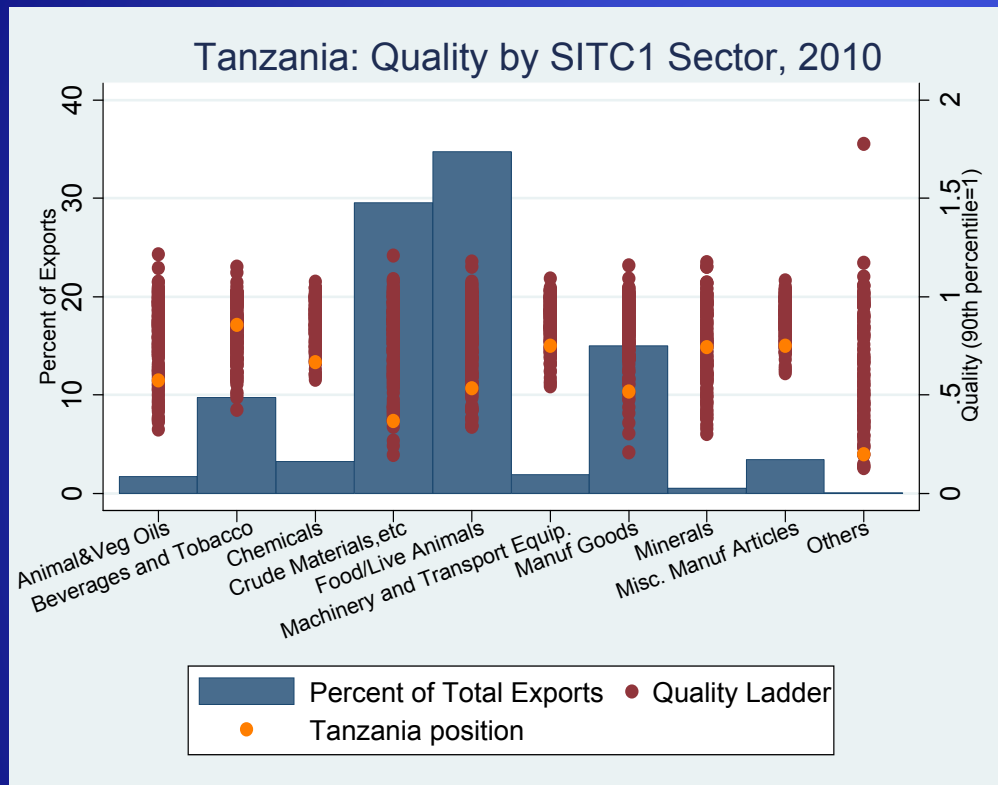


Prime example of economic diversification

Policies:

Waves of market oriented economic and structural reforms

Tanzania (continued)



Tanzania has not only potential for diversification into new products but also for quality upgrading in agriculture.

Policies in Selected Asian Countries

Malaysia

First Phase: Primary Commodities

Tax incentives and government support for export promotion
Publically funded research and training

Second Phase: Industrial Development

Export Oriented Strategy
Free Trade Zones
Opening to FDI
Liberal Trade Policies
Human Resource Development
Sound Macroeconomic Management

Vietnam

Reforms: first round

Removal of agricultural subsidies
Land use rights/privatization
Opening to FDI

Reforms: second round

Administrative (licensing)
Legal (for foreign enterprises)
Sectors (telecom, power: better infrastructure)
Banking sector reforms

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Implications

Drivers

Economic Fundamentals

Education

Institutional and regulatory environment

Financial deepening

Investment in Infrastructure

Proximity to markets

Macroeconomic Policies

Trade liberalization

Agricultural reforms

Banking sector reforms

Competitiveness through reduction in distortions

Policy Views

- Development strategies should involve diversification as it is conducive to growth and lower output volatility.
- Development policies need to include rather than abandon agriculture. Within agriculture there is significant scope for entry into new products and quality upgrading .
- While recognizing that there is no one size fits all approach, successful diversification is typically underpinned by reforms that are general in scope.

Thank you

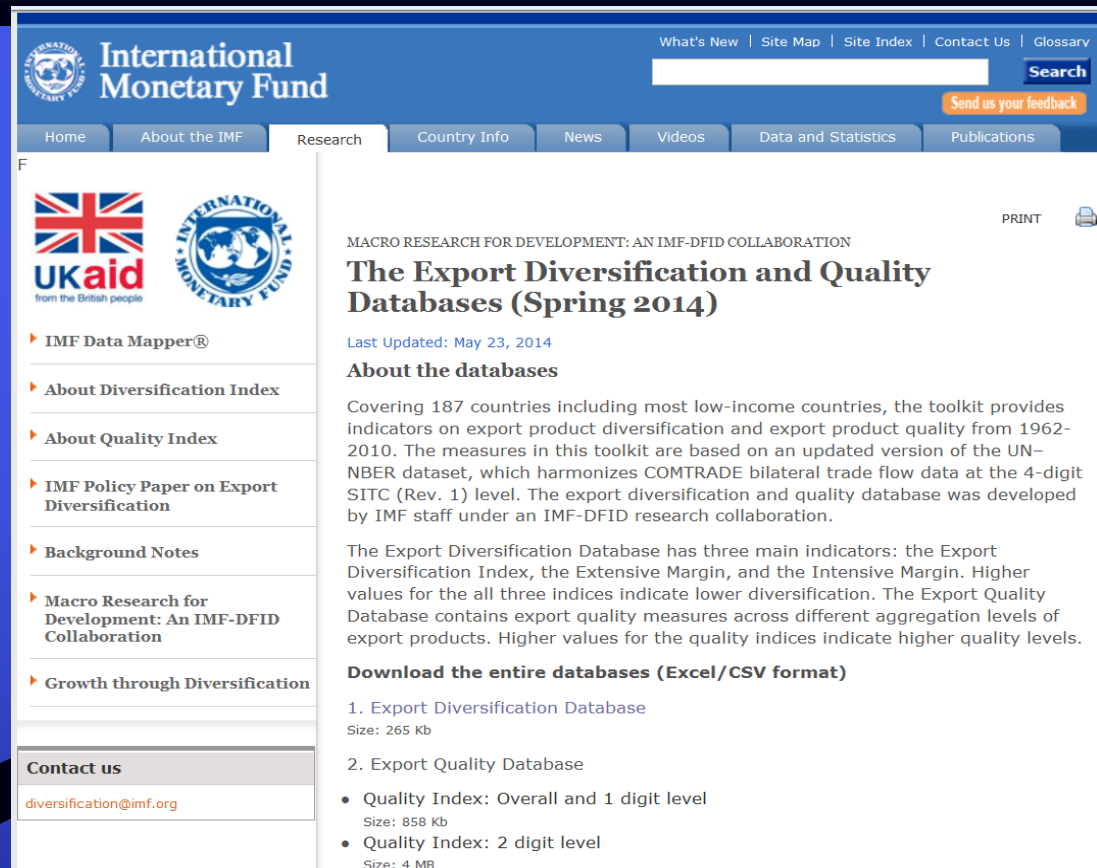
Diversification Toolkit

- The toolkit contains two main databases:
 - ❑ **Export Diversification Database**
 - ❑ **Export Quality Database**
- The data covers 187 countries and at four digits of disaggregation 625 sectors.
- Time coverage: 1962-2010.

Diversification Toolkit: IMF Toolkit Website

<https://www.imf.org/external/np/res/dfidimf/diversification.htm>

- To download the entire databases
- Relevant Links



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IMF Data Mapper®

About Diversification Index

About Quality Index

IMF Policy Paper on Export Diversification

Background Notes

Macro Research for Development: An IMF-DFID Collaboration

Growth through Diversification

Contact us

diversification@imf.org

MACRO RESEARCH FOR DEVELOPMENT: AN IMF-DFID COLLABORATION

The Export Diversification and Quality Databases (Spring 2014)

Last Updated: May 23, 2014

About the databases

Covering 187 countries including most low-income countries, the toolkit provides indicators on export product diversification and export product quality from 1962-2010. The measures in this toolkit are based on an updated version of the UN-NBER dataset, which harmonizes COMTRADE bilateral trade flow data at the 4-digit SITC (Rev. 1) level. The export diversification and quality database was developed by IMF staff under an IMF-DFID research collaboration.

The Export Diversification Database has three main indicators: the Export Diversification Index, the Extensive Margin, and the Intensive Margin. Higher values for the all three indices indicate lower diversification. The Export Quality Database contains export quality measures across different aggregation levels of export products. Higher values for the quality indices indicate higher quality levels.

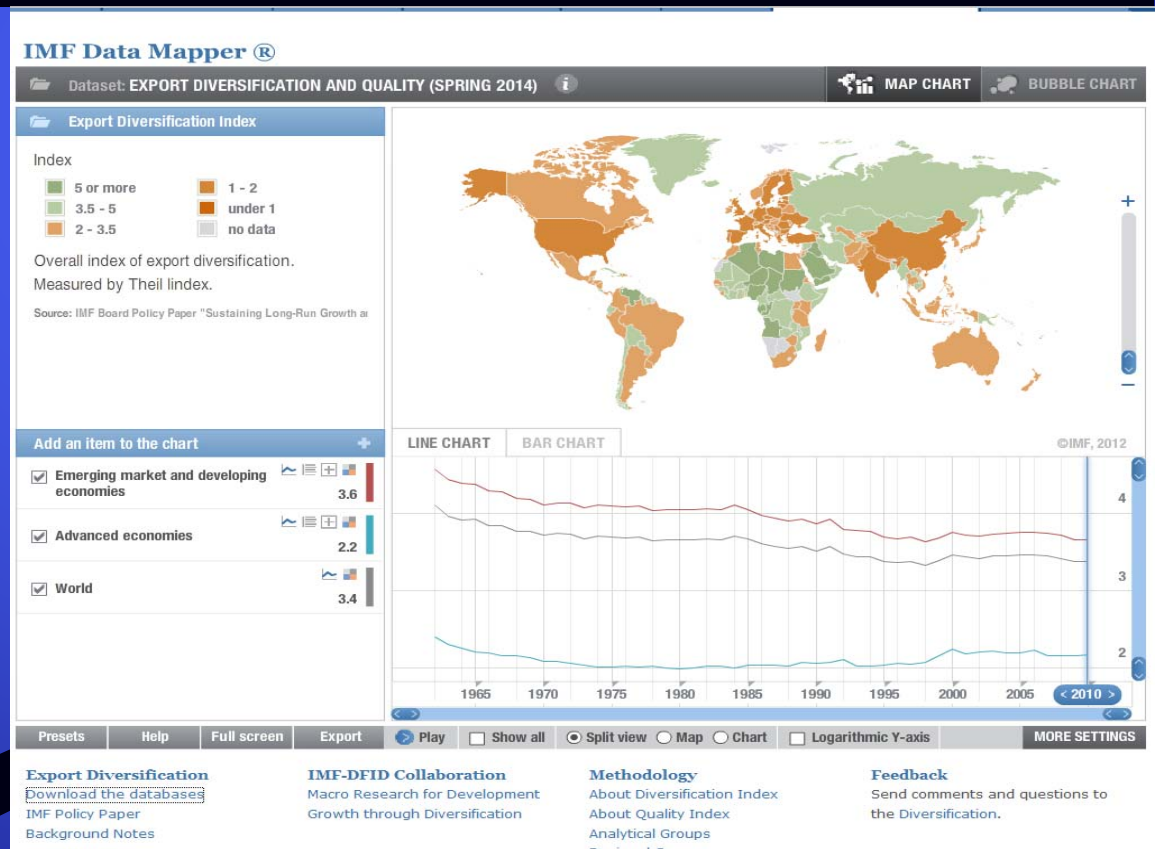
Download the entire databases (Excel/CSV format)

1. Export Diversification Database
Size: 265 Kb
2. Export Quality Database
 - Quality Index: Overall and 1 digit level
Size: 858 Kb
 - Quality Index: 2 digit level
Size: 4 MB

Diversification Toolkit: IMF Data Mapper

➤ <http://www.imf.org/external/datamapper/index.php?db=SPRLU>

- For main diversification and quality indicators
- Interactive tool for heat map and charts



Diversification Toolkit

➤ Example of the toolkit data: Tanzania

