

Ensuring an inclusive diversification and energy transition

P166 short course for delegates

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Diversification and income inequality

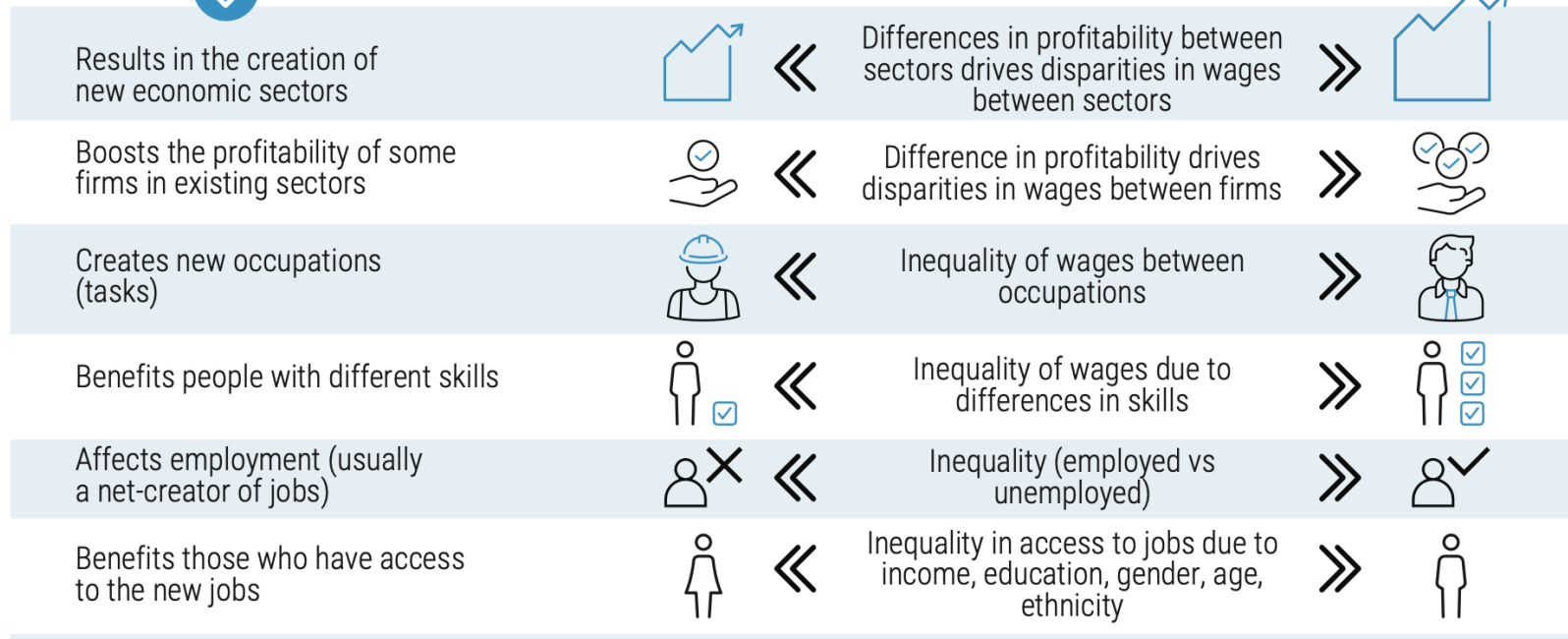


How may diversification affect inequality?

- **Diversification** brings economic benefits, but it may have **drawbacks if not accompanied by inclusiveness** policies.
- Producing more sophisticated products may **widen within-country inequalities**.
- The **energy transition** poses an **additional challenge**: if decarbonisation does not benefit all, **income inequality between-countries** may also **increase**.
- First, we look at the relationship between diversification and income inequality.

Diversification can affect within-country income inequalities through various channels

Economic diversification



Affecting inequalities within countries

Export diversification associated with greater inequality

- Econometric study covering **182 countries** over **20 years**
- Fixed effects model
- Data from UNU-WIDER and UNCTAD
- Results confirm that **export diversification** is associated with **greater inequality**
 - **Robust to different measures** of income inequality and export diversification



Measures of export diversification



Policies for an inclusive, low-carbon diversification



Policies for inclusive change



Local capacity building opportunities for workers

e.g. technical capacity building or financial assistance to retrain or upgrade skills



Coordinated **industrial and education policies**

to avoid skill mismatches for an evolving labour market



Technical and financial support for firms

in the form of financial incentives, direct investments in cleaner technologies, etc.



Social dialogue and inclusive decision-making

e.g. through stakeholder engagement



International **initiatives and partnerships**

e.g. ILO's Climate Action for Jobs Initiative.

A just energy transition

- The **energy transition** has the additional challenge of potentially **widening between-country inequalities**.
- Countries' prospects will depend on **specific characteristics**, including their **natural resources**, productive **capabilities** and existing **disparities**.
- Progress toward a low-carbon future will likely be **slower and uneven** in **developing countries** compared to advanced economies.

Further considerations for a just energy transition



Boosting access to energy

- through the expansion of renewable energy and rural electrification



Account for initial conditions

- subject to a country's starting point, including its ability to invest and existing disparities



Promoting technology transfers



Resource mobilisation



International cooperation

- Particularly needed to support access to technology and finance

Thank you!

