United Nations Conference on Trade and Development

14th Multi-Year Expert Meeting on Commodities and Development

09-11 October 2023, Geneva

Ensuring an inclusive diversification and energy transition

By

Sofia Dominguez, Commodities Branch, Division on International Trade and Commodities, UNCTAD

The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.
Ensuring an inclusive diversification and energy transition

Multi-Year Expert Meeting on Commodities and Development
9-11 October 2023
Geneva, Switzerland

Sofia Dominguez
Commodities Branch, UNCTAD
sofia.dominguezdelgado@un.org
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

<table>
<thead>
<tr>
<th>Economic diversification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Results in the creation of new economic sectors</td>
</tr>
<tr>
<td>Boosts the profitability of some firms in existing sectors</td>
</tr>
<tr>
<td>Creates new occupations (tasks)</td>
</tr>
<tr>
<td>Benefits people with different skills</td>
</tr>
<tr>
<td>Affects employment (usually a net-creator of jobs)</td>
</tr>
<tr>
<td>Benefits those who have access to the new jobs</td>
</tr>
</tbody>
</table>

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
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!