Food, Fuel and Electricity: The Political Economy of ‘Green Growth’ in Southern Africa

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Conceptualizing the “Green” Dimension

• Green economy –
  – “results in improved human well-being and social equity while significantly reducing environmental and ecological scarcities” (UNEP)

• Green growth –
  – “fostering economic growth and development while ensuring that natural assets continue to provide resources and environmental services on which our well-being relies” (OECD)

  – “environmentally sustainable economic progress to foster low-carbon, socially inclusive development” (UN-ESCAP)

* Implies that green growth is a win-win strategy
Win-Win Perspective is Questionable

- Green growth discourse is often couched on successful micro- or project-level interventions
- But once scaled-up, a green growth strategy resembles a major and complex policy reform, comparable to structural adjustment
- It involves short-term economic and political costs for the promise of long-term rewards
  - Requires countries to deviate from their comparative advantage and sometimes abandon the returns from past investments
  - May require adopting more expensive technologies that redirect scarce resources away from addressing other development priorities
  - Often the rural and urban poor, who are key electoral constituencies, lose out in the short-term
Case Selection

• Focus on three countries in Southern Africa facing three major development issues (electricity, food and fuel):

  • Electricity and coal in South Africa
    – Middle-income, mineral rich

  • Food security and fertilizers in Malawi
    – Low income, agriculture-dependent, land scarce

  • Biofuels and land clearing in Mozambique
    – Low income, agriculture-dependent, land abundant
Case 1: Electricity in South Africa

*Socioeconomic Context*

- Post-Apartheid government inherited high unemployment and a massive service delivery gap (i.e., water, sanitation, energy, etc.)

- Electricity demand projected to double over the next two decades
  - Connecting previously disadvantaged population groups
  - Rising incomes and urbanization
  - Industrial expansion, esp. mining and heavy industries

- South Africa generates 94% of its electricity from coal
  - Coal is cheaper and more reliable than renewables (e.g., solar, wind)
  - Explains why South Africa the 13th largest GHG emitting country

- What is needed are greener energy sources
  - Government has committed to a 42% reduction in GHGs by 2025
Case 1: Electricity in South Africa

**Green Growth Scenario**

- Adopting a Green Growth scenario means...
  - More renewables
  - More installed system capacity and higher investment costs
  - Higher electricity tariffs (and a carbon tax?)
  - Massive structural adjustments to the economy

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**Business-as-usual plan**
- Total cost: US$108 bil.

**Low-emissions plan**
- Total cost: US$171 bil.

Source: IRP2 (2011)
Case 1: Electricity in South Africa

*Political Economy Pressures*

- We have already witnessed the concerns of key interest groups
  - Blackouts in 2008 led to new investments and higher electricity tariffs
  - And to large-scale demonstrations by civil society and trade unions

- So there is strong political resistance to a Green Growth path
  - Industry groups worry about competitiveness
  - Trade unions worry about job losses
  - Civil society worries about rising energy prices for the poor

- As with SAPs, maintaining support for reforms will be crucial, and so the government will have to:
  - Limit the effects of tariff increases on the poor (e.g., subsidies)
  - Support firms and workers during the transition (i.e., tax credits and job retraining)
Case 2: Food Security in Malawi

*Background Context*

- Food insecurity is a perennial threat in Malawi
  - Agricultural intensification is unavoidable
  - Due to poor soil fertility, fertilizers will be necessary

- President Bingu wa Mutharika launched AISP (FISP) in 2005
  - Improved food security and agricultural exports
  - Adheres to calls for an African Green Revolution
Case 2: Food Security in Malawi

*Environmental Challenge*

- Nitrous oxide fertilizers pose huge risks to environment
  - Fertilizers are largest single source of GHG emissions from agricultural sector
  - Fertilized lands use more water
  - High levels of fertilizer increase toxins in groundwater

- OECD argues that fertilizer subsidies create a number of negative environmental externalities

- Yet, alternatives, including conservation farming, organic fertilizers, and inter-cropping, have not proved very viable
Case 2: Food Security in Malawi

Political Economy Challenges

Distribution of Direct Contributions for the FISP

Source: Dorward & Chirwa 2011

Election Year
### Summary

- Our case studies have examined the adjustment costs and identified the potential losers from adopting Green Growth strategies.

<table>
<thead>
<tr>
<th></th>
<th>Current strategy</th>
<th>Green Growth strategy</th>
<th>Short-term costs</th>
<th>Losers</th>
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</thead>
<tbody>
<tr>
<td><strong>South Africa</strong></td>
<td>Invest in coal-fired electricity to support heavy industries</td>
<td>Shift to renewable energy sources</td>
<td>Higher electricity prices&lt;br&gt;Job losses in mining and heavy industries</td>
<td>Poor consumers&lt;br&gt;Unionized workers&lt;br&gt;Mining and metals industries</td>
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<tr>
<td><strong>Malawi</strong></td>
<td>Promote agricultural intensification based on fertilizer input subsidies</td>
<td>Shift to conservation farming, organic fertilizers, micro-dosing, and inter-cropping</td>
<td>Falling production while smallholders change farming behaviors&lt;br&gt;Loss of handouts to rural voters</td>
<td>Current ruling party&lt;br&gt;Private suppliers of fertilizer&lt;br&gt;Poor smallholders who cannot adapt</td>
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Conclusions

• Green Growth policies are comparable to other major and complex policy reforms, such as structural adjustment

• Developing countries are asked to...
  – Reorient current strategies in order to achieve long-term benefits
  – Undergo large-scale structural transformation
  – Risk hurting the poor and vulnerable populations

• Experience of past structural adjustment initiatives cautions against ignoring trade-offs and political economy considerations

• Implies an important role for foreign assistance:
  – Facilitate transfer of green technologies and skills
  – Protect losers from adjustment costs and limit political resistance to reforms
  – Finance higher development costs and consider the implications of de-prioritizing other development goals