



**Green Economy and Sustainable Development:
Bringing Back the Social Dimension
CONFERENCE**

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

Danielle Resnick and James Thurlow

UNU-WIDER

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United Nations Research Institute for Social Development
Palais des Nations Geneva 10 Switzerland

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

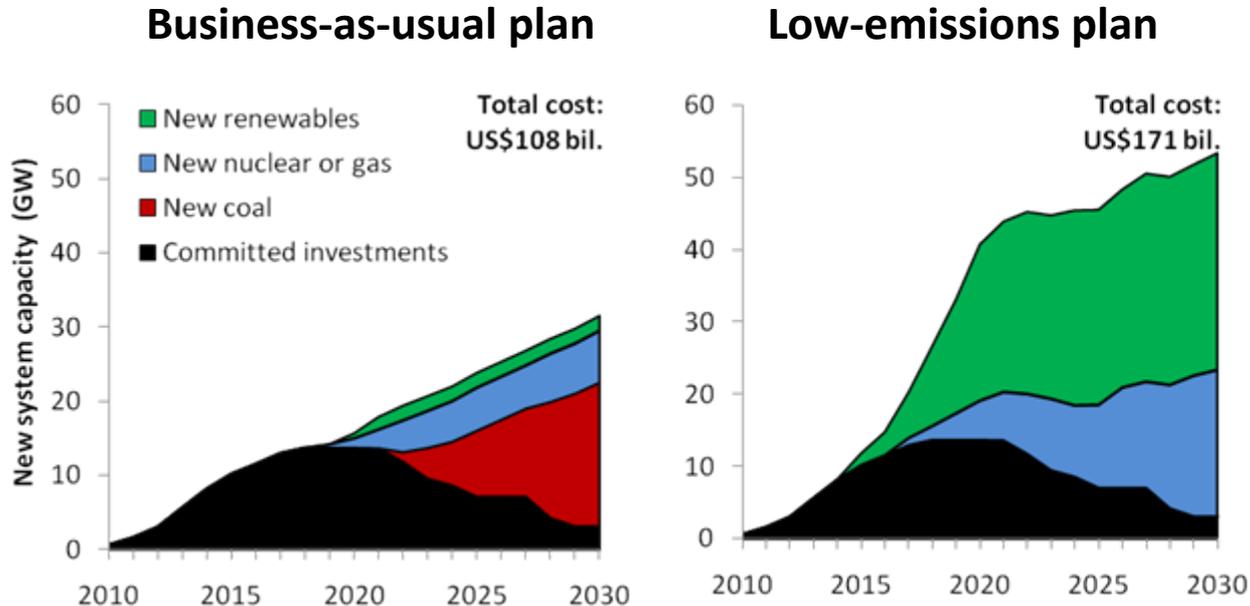
Socioeconomic Context

- 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



Source: IRP2 (2011)

Case 1: Electricity in South Africa

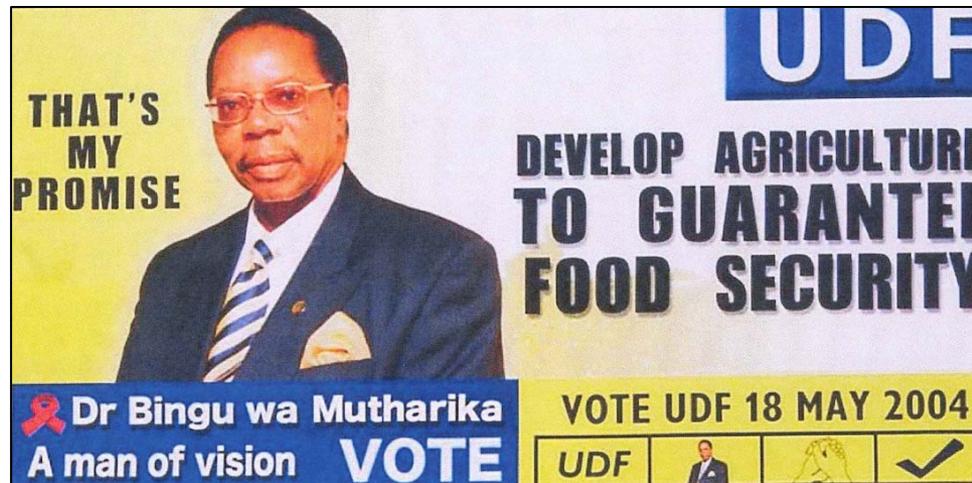
Political Economy Pressures

- 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

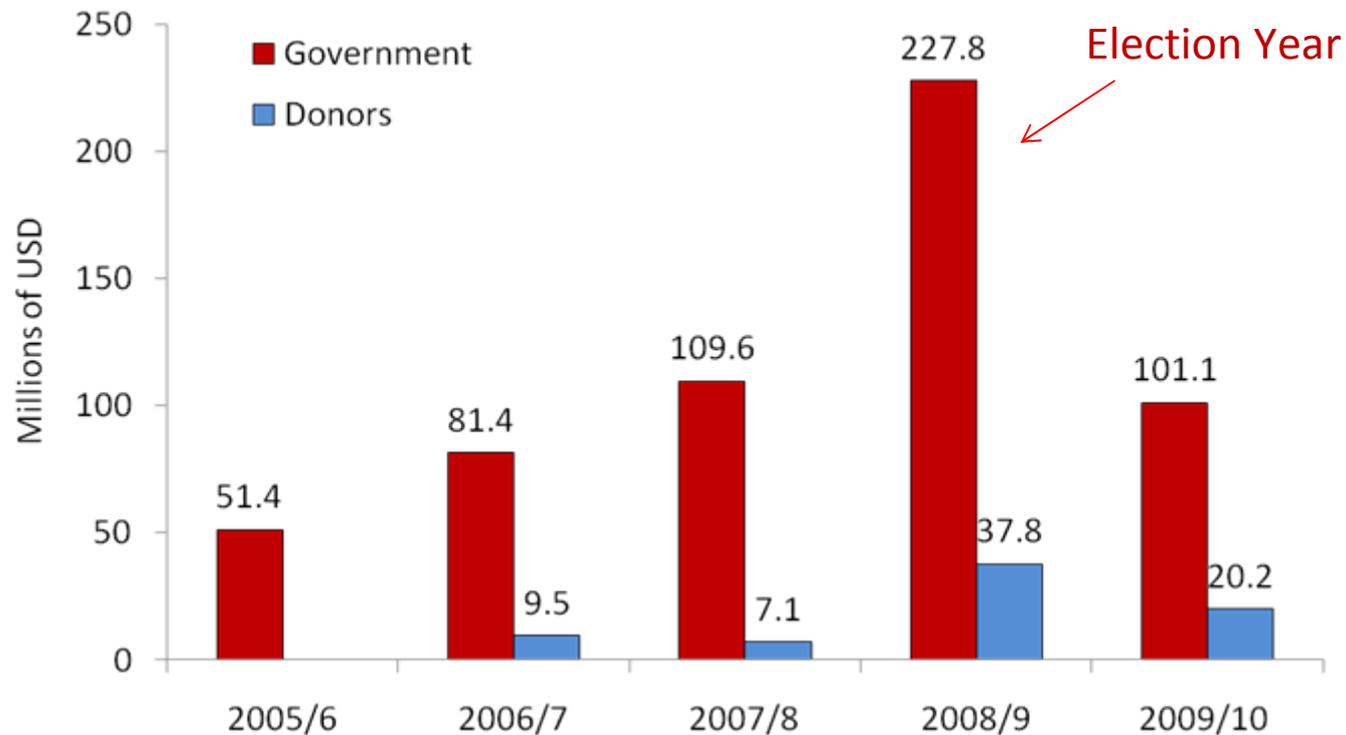
Environmental Challenge

- 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

Summary

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

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

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