PUBLIC ADMINISTRATION AND DEVELOPMENT

Public Admin. Dev. **32**, 215–228 (2012)

Published online in Wiley Online Library
(wileyonlinelibrary.com) **DOI**: 10.1002/pad.1619

THE POLITICAL ECONOMY OF GREEN GROWTH: CASES FROM SOUTHERN AFRICA

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SUMMARY

The concept of Green Growth implies that a wide range of developmental objectives, such as job creation, economic prosperity and poverty alleviation, can be easily reconciled with environmental sustainability. This article, however, argues that rather than being win–win, Green Growth is similar to most types of policy reforms that advocate the acceptance of short-term adjustment costs in the expectation of long-term gains. In particular, Green Growth policies often encourage developing countries to redesign their national strategies in ways that might be inconsistent with natural comparative advantages and past investments. In turn, there are often sizeable anti-reform coalitions whose interests may conflict with a Green Growth agenda. We illustrate this argument by using case studies of Malawi, Mozambique and South Africa, which are engaged in development strategies that involve inorganic fertilizers, biofuel production and coal-based energy, respectively. Each of these countries is pursuing an environmentally suboptimal strategy but nonetheless addressing critical development needs, including food security, fuel and electricity. We show that adopting a Green Growth approach would not only be economically costly but also generate substantial domestic resistance, especially among the poor. Copyright © 2012 John Wiley & Sons, Ltd.

KEY WORDS—development policy; Green Growth; political economy; Southern Africa

INTRODUCTION

Over the last decade, the growing threat of climate change has mobilized the international development community around a variety of initiatives. These efforts initially entailed a commitment to 'low-carbon development,' which primarily aims to reduce greenhouse gas emissions. The broader notion of 'sustainable development' sought not only to address carbon emissions but also to preserve scarce water sources, fragile ecosystems and biodiversity. More recently, the politically palatable concept of 'Green Growth' has emerged, which promises to reconcile low-carbon and sustainable development with other valued outcomes, including job creation, poverty alleviation and high economic growth.

Indeed, the belief that Green Growth represents a 'win–win' option for developing countries is suggested in many recent reports on this topic. For instance, the Organization for Economic Cooperation and Development (OECD) notes that 'Green Growth means fostering economic growth and development while ensuring that natural assets continue to provide the resources and environmental services on which our well-being relies' (OECD, 2011: 9). For the United Nation's Environmental Program (UNEP), the concept refers to 'improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities' (UNEP, 2011: 1). According to the United Nation's Economic and Social Commission for Asia and the Pacific (UNESCAP), Green Growth is a policy of 'environmentally sustainable economic progress to foster low-carbon, socially inclusive development' (UNESCAP, 2011). World Bank researchers state that 'Green Growth is about making growth processes resource-efficient, cleaner and more resilient without necessarily slowing them' (Hallegatte *et al*., 2011).

This article, however, argues that Green Growth strategies are only 'win–win' with respect to certain interventions, often at the household or project levels. In fact, many of the proponents of Green Growth focus on the successes of

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such project-level approaches. For instance, UNEP (2008) lauds South Africa's *Working for Water Program*, which created approximately 25 000 new jobs for the unemployed by involving local communities in the removal of invasive plant species that consume high levels of water. Another initiative is the *Kibera Community Youth Program*, which involves Nairobi's unemployed youth in the assembly of small and affordable solar panels that can be used to charge radios and mobile phones in both the slum of Kibera and elsewhere in Kenya.

Yet, when trying to scale up to a national development strategy, Green Growth poses more trade-offs than is readily acknowledged. The reasons for this are at least twofold. First, a key focus, albeit not the only, of Green Growth strategies essentially remains to reduce carbon emissions. To do this, countries often are required to deviate from both the prescriptions of conventional development theory and their current development trajectories. Although the long-term environmental benefits could be sizeable, this naturally will prove extremely costly in the short-term. Second, the Green Growth agenda shares many parallels with the structural adjustment programs of previous decades, which were motivated by a crisis in economic management rather than environmental sustainability. Importantly, the short-term costs associated with those policies often generated substantial anti-reform coalitions that, in some cases, included both powerful actors as well as the poor. Without concurrent interventions by donors to protect the 'losers' of reform, the same reality confronts the Green Growth agenda.

To illustrate these points in greater detail, we focus on Southern Africa. This region represents a high level of diversity, ranging from mineral-rich to agricultural-dependent economies and includes both middle-income and extremely poor countries. In particular, we look at three countries within this region: Malawi, Mozambique and South Africa. These cases were chosen because they are currently pursuing development strategies that revolve around fertilizers, biofuels and coal, respectively. Although these strategies generate large costs to the environment, they are being used to address development issues, such as the provision of adequate food, fuel and electricity, that are highly relevant to the broader African context. Moreover, such strategies allow each of these three countries to not only tackle their current development priorities but also pursue their respective comparative advantage in terms of resource availability.

More specifically, Malawi's comparative advantage lies in its favourable agro-ecological conditions. Yet, given its land scarcity, the sustainability of an agriculture-led development strategy requires a more intense use of available land. To do this, the government of Malawi has been heavily promoting the use of fertilizer, even though fertilizer can be highly detrimental to water sources and generates high levels of greenhouse gases (GHG). Because fertilizer use has been promoted through a subsidy scheme that is highly popular among poor farmers and therefore an electoral boon to many politicians from the ruling party, shifting towards a more environmentally friendly mode of enhancing soil fertility will be extremely challenging.

In contrast to Malawi, Mozambique's comparative advantage lies in its land abundance as well as possessing ideal agro-ecological conditions for growing biofuels. As such, the country has pursued an agricultural extensification strategy that involves clearing land to grow sugar and jatropha. Even though such deforestation is a major contributor to GHG, the biofuel industry offers the potential to create jobs for the rural poor and a diversified export base for Mozambique. A more environmentally friendly strategy for biofuel production would involve a more intensive plantation approach, but this would create fewer employment opportunities. As such, key interest groups would be opposed to shifting towards such a strategy.

Finally, an abundance of mineral resources constitutes South Africa's comparative advantage. In a country where electricity demands are high, South Africa has exploited its coal resources for energy production. Shifting to a more environmentally friendly source of electricity, including nuclear and renewable energy, requires South Africa to forego long-standing and expensive investments in physical capital. Moreover, electricity generated from coal is cheaper than other potential alternatives, which is critical in a country where much of the poor population still lacks any type of reliable and affordable electricity. Deviating from coal production will not be popular for unionized workers in the mining and metal industries, private businesses and poor South Africans who cannot afford higher electricity prices. The government's potential adoption of a carbon tax to reduce energy demand likewise produces powerful anti-reform constituencies.

To further illustrate these points, the following section elaborates on the nexus between economic development, Green Growth and the political economy of reform, drawing on relevant lessons from the structural adjustment

DOI: 10.1002/pad

era where applicable. Subsequently, each of the three country cases is discussed in greater detail. The final section summarizes the findings and concludes.

ECONOMIC DEVELOPMENT, GREEN GROWTH AND THE POLITICAL ECONOMY OF REFORM

As noted earlier, one of the main reasons why Green Growth strategies are not win–win is they implicitly require that countries deviate from their existing development strategies. The essential aim of the development process is to reallocate resources away from less productive activities towards more advanced, higher value-added industries through a process of structural transformation (Lewis, 1954). For low-income countries, the main issue centres on the primacy of agriculture versus industry in initiating the development process and, relatedly, on the targeting and sequencing of sector-oriented investments and policies (Diao *et al*., 2007).

At early stages of development, when countries have not accumulated sufficient human or physical capital, conventional development theory typically has advocated that such targeting and sequencing should be based on observed *comparative advantages*. From this perspective, countries should promote exports that use abundant resources most intensively. For example, countries with favourable agro-ecological conditions or large mineral deposits should adopt strategies that promote agriculture or mining-focused industrialization, respectively. As development proceeds, the concept of *competitive advantage* becomes more relevant, which is the idea that more developed countries possess a wider range of higher-value growth opportunities beyond their natural comparative advantage (Porter, 1985). In this regard, development strategies should then focus more on identifying global market opportunities and creating the necessary knowledge and productivity levels to exploit them.

To exploit both comparative and competitive advantages, the concept of *growth linkages* is extremely pertinent. A sector has strong linkages when its growth generates positive spillovers in other sectors, and so these sectors should be favoured over others. For example, agriculture is often promoted as a strategic sector because it supports downstream agro-processing, creating both farm and off-farm jobs and promoting industrialization. Agriculture is therefore a priority sector in many low-income countries' development strategies, including those of Malawi and Mozambique, because the sector exploits these countries' favourable agro-ecological conditions (i.e. comparative advantage) and generates growth linkages that support economy-wide development (Diao *et al*., 2007). Similarly, South Africa has exploited its mineral resources and established downstream metals and heavy industries, which are still favoured in national policies and constitute both the country's main comparative and competitive advantage in its current development strategy.

Adopting a Green Growth strategy means that developing countries may have to deviate from the strategies traditionally promoted based on comparative advantage and growth linkage considerations. Consequently, not only will low-income countries once again be asked to follow a new set of prescriptions for development but also certain natural resources, such as coal and crude oil, may have to remain unused. Although forfeiting the use of such resources may be positive for the environment in the long-term, the alternatives to using such resources currently remain more realistic for developed rather than developing countries. For instance, a common refrain is that technology is the key to implementing a Green Growth strategy (Weigand, 2011). However, for developing countries, adopting new technologies can weaken growth linkages in the short-term because new green technologies are often imported until local industries can be established and made sustainable. Many new technologies underpinning Green Growth also are more expensive than existing options and may require high levels of human capital that remain absent in low-income countries. Developing countries will therefore have to adopt more expensive strategies that re-direct scarce resources away from other pressing development priorities.

The second challenge to the Green Growth agenda is an insufficient understanding of the political economy dimensions that such reforms entail. Any development strategy has distributional consequences, creates pro-reform and anti-reform interest groups and, in turn, influences governments' decisions about whether and how to pursue reform. This was a key lesson from the structural adjustment era in Africa when economic reforms were often halting and piecemeal as a result of political considerations (Bienen, 1990; Callaghy, 1990). Like structural adjustment, Green Growth policies exhibit a strong temporal component because the promised benefits occur in the long-term while significant costs can be incurred in the short-term, and those who ultimately gain may

DOI: 10.1002/pad

not be the same as those who sacrificed. There are also a wide range of actors whose interests are at stake, including farmers, consumers, unionized workers, politicians and businessmen.

What are the various preferences of these groups and how might they influence governments' approaches to Green Growth? Interest group analyses assume that individuals are self-interested and that their preferences for certain policies are determined deductively according to their position within the economy (e.g. Frieden and Rogowski, 1996; Milner, 1997; Hiscox, 2001). They may consider how a change in policies will affect their employment and incomes, the prices of goods and services consumed, and the provision of public services (Nelson 1992).

Yet, individuals possess disparate abilities to convey their preferences. The mere existence of certain economic preferences among a segment of the population does not guarantee their effective representation within the political system (van de Walle, 2001). Certain groups possess greater resources and access to policy-makers, which thereby ensure that their voices are heard better during periods of reform (Olson, 1965; Srinivasan, 1985). As is well-known, the potential losers of reforms typically are more vocal and better able to organize (e.g. Rodrik, 1996). This is especially true with respect to Green Growth because the perceived benefits, such as a reduction in climate change and a regeneration of environmental resources, are highly intangible.

Moreover, the decision to respond to certain stakeholders' interests, in turn, depends on a government's own capabilities and preferences. Particularly in nascent democracies, politicians may be loath to implement unpopular policies if there are not political institutions that can isolate the government from pluralist pressures (Haggard and Kaufman, 1995; Mainwaring and Shugart, 1997). The timing of the electoral cycle can play an important role in this regard because incumbents are rarely inclined to undertake unpopular reforms right before an election (Haggard and Kaufman, 1992).

Thus, we expect that developing country governments will pursue Green Growth policies only when they do not generate large losses to a sizeable proportion of the electorate or do not alienate powerful interest groups. In all three of the cases that we discuss in the following, both the rural and urban poor remain a highly important electoral constituency because of their size. Shifting to a Green Growth development strategy creates short-term disadvantages for the poor including higher prices for electricity in South Africa, foregone employment opportunities in Mozambique and reduced access to farm inputs in Malawi. In the case of South Africa, additional anti-reform pressures against Green Growth strategies have also emerged from labour unions and the mining sector. Collectively, the cases show that, as a national development strategy, Green Growth may be no more win–win than many past policy reforms. Recognizing this ex ante reduces the likelihood that short-term economic and political costs undermine the long-term goals of reform.

ELECTRICITY AND COAL IN SOUTH AFRICA

Although well endowed with mineral resources, South Africa faces tremendous challenges in terms of improving the welfare of its citizens. The country has some of the world's highest inequality, and unemployment, broadly defined, averages around 40 per cent. Since the end of apartheid, improving service delivery for the poor has been a major objective of the ruling African National Congress (ANC). In fact, Section 24 of the country's Bill of Rights stipulates that all citizens have 'the right to an environment that is not harmful to their health or well-being' (RSA, 1996). As a result, water connections increased by one million in the five years after the end of apartheid, and more than 1.5 million households were added to the electricity grid (Pape and McDonald, 2002).

Yet, the demand for electricity remains high in both rural areas (Davis, 1998) as well as in urban ones, which are experiencing industrial expansion and rapid population growth. The inadequacy of the electricity system's capacity was evident in early 2008, when peak period shortages led to nationwide blackouts, the temporary closure of energy intensive industries, and measureable losses in national income (Altman *et al.*, 2008). Electricity supply and mining production were also disrupted in neighbouring countries that rely on imported electricity (Childress, 2008). Addressing South Africa's electricity challenge is therefore of both national and regional concerns.

By taking advantage of its natural resources, South Africa's development strategy within the electricity sector has long relied on exploitation of the country's substantial coal deposits, state investment in the energy sector

DOI: 10.1002/pad

and subsidized electricity prices (Büscher, 2009).[1] One of the reasons why South Africa has favoured coal-fired technologies is that coal-fired plants have higher load factors than renewables. A power plant's load factor is a measure of its operational output relative to its maximum capacity, and higher load factors typically imply lower unit costs. In turn, this means that coal is a much cheaper source of bulk electricity than renewables. Currently, coal accounts for 81 per cent of total electricity system capacity but is responsible for 94 per cent of actual electricity supply because of the low load factors associated with hydropower and other renewable sources (RSA, 2011).

This focus on coal-based energy was renewed in the wake of the 2008 shortages when the state-owned electricity supplier, ESKOM, decided to return decommissioned coal-fired plants to service and to commission the building of new coal-fired generators. The World Bank and the African Development Bank are funding the new generators through sizeable loans equivalent to almost two per cent of national income.[2] Various donors to the World Bank objected to the loans on environmental grounds, suggesting that investments should be targeted towards cleaner technologies (Goldenberg, 2010). However, the South African Government and its lenders defended the continuation of coal-fired plants, highlighting that they were necessary for avoiding further shortages as well as for safeguarding economic growth and the well-being of poorer households (Goldenberg, 2010). Consequently, given the long lead times for power plant investments, South Africa is now locked into coal-fired electricity until at least 2020.

In addition to the loans, the costs of the new investments have been concurrently funded by increasing South Africa's historically low electricity tariffs. ESKOM and state regulators agreed to double tariffs during 2010–2015 (RSA, 2011). This has heightened inflationary pressures, which are felt disproportionately by poorer households who spend a greater share of their incomes on energy (Arndt *et al*., forthcoming). Higher tariffs may also worsen unemployment if businesses close down or shed workers to curb production costs (Altman *et al*., 2008). Not surprisingly, tariff increases have therefore met considerable resistance. Labour unions arranged national strikes during 2010, and business organizations lobbied the government for smaller tariff increases (SAPA, 2010). The Congress of South African Trade Unions has also joined civil society organizations in protesting against higher electricity prices (Johwa, 2010). The state regulator has not rescinded the tariff increases but instead responded by lengthening the period over which the increases will take place (SAPA, 2010). It is thus within this context of growing electricity demand and considerable political pressure to curb tariffs that the government must design its environmental policies.

Indeed, this pursuit of coal-based energy is antithetical to the goals of a Green Growth agenda. In absolute terms, South Africa was the world's 13th largest GHG-emitting country in 2007, with per capita emissions similar to those of the European Union, despite having three times lower per capita income (World Bank, 2011). The country's dirtiness is almost entirely due to its dependence on coal-based energy, which accounts for 80 per cent of total emissions (Arndt *et al*., forthcoming). It is in South Africa's interest to limit climate change because many projections predict worsening climatic conditions for the country. By not curbing emissions, South Africa also undermines its position in global forums and faces the threat of retaliatory trade policies from countries that do reduce their emissions (Arndt *et al*., forthcoming).

Recognizing this, the government adopted a climate change resolution at a conference in Polokwane that highlighted its intention to mitigate greenhouse gas emissions and adopt a low carbon growth path (Tyler, 2009). In particular, the government committed to a 42 per cent reduction in GHG emissions by 2025 from a baseline projection (RSA, 2010). However, meeting these commitments via reductions of GHG in the electricity sector would be extremely costly for the country.

Specifically, Figure 1 shows South Africa's business-as-usual (coal-intensive) investment plan for the electricity sector. Almost all new investments in capacity for the next decade have already been committed, reflecting the long lead times required for investments in electricity generation (i.e. decisions must be made well in advance and are difficult and costly to change). The *low-emissions* scenario reflects adjustments in the country's electricity investments to meet its GHG emission targets. The incremental cost of this revised investment strategy is substantial, that is, $63bn

[1]In fact, South Africa's electricity tariffs have, until recently, been among the world's lowest (Winkler 2005).
[2]Authors' calculations by using World Bank (2011) national income data for 2010.

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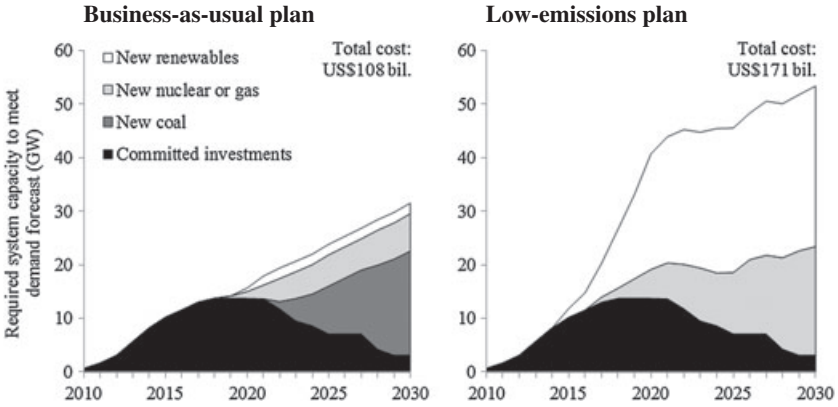


Source: Authors' calculations using Republic of South Africa (2011).
Notes: Installed capacity in 2010 was 260GW. Both scenarios supply the same demand forecast. Total cost includes operational costs and capital investment. Renewables include wind, solar and hydropower.

Figure 1. Alternative electricity sector investment plans for South Africa.

or almost the equivalent of a quarter of national income in 2010. This is over and above the $108bn cost of the business-as-usual plan. Costs are higher because renewable technologies are still being developed and the lower load factors of renewables mean that more installed system capacity is required to achieve the same level of actual electricity supply. Lower load factors also imply higher unit production costs and hence require higher user tariffs. Given past contention over high tariff prices, the government realized that this low-emissions plan was not politically feasible.

As a result, the government has endorsed a more modest investment strategy that reduces the size of politically unpopular tariff increases (RSA, 2011). The more modest plan includes a substantial shift away from coal towards nuclear and renewables. However, under this plan, the electricity sector will fail to meet its emission targets and will instead only achieve an 18 per cent reduction by 2025 (RSA, 2011). Moreover, this will still increase electricity tariffs because higher investment costs will need to be passed onto consumers. It will also make South Africa more dependent on imported technologies. Finally, shifting away from coal means that South Africa will no longer be able to exploit its own natural resources. Proven reserves suggest that there is about 120 years of coal left in South Africa, and so the opportunity cost of not using these resources will be substantial.

A concurrent approach that the government is considering is the introduction of a carbon tax to reduce energy demand. Currently, the government has proposed a tax of around $20 per ton of carbon dioxide (RSA, 2012), which, if fully implemented, is equivalent to a five per cent tax on national income based on current industrial structures and energy use. This tax doubles the price of coal and substantially increases real electricity tariffs. The carbon tax will cause a significant structural transformation of the economy, and the higher cost of investment in new and more energy-efficient technologies could reduce the size of the economy by around one per cent by 2025 (relative to a no-carbon-tax baseline) (Alton *et al*., 2012).

The effects of the carbon tax will be unevenly distributed across industries and households. Various interest groups have already voiced opposition to this proposed tax. First, business interests, particularly those in mining and heavy industry, are opposed to higher tariffs caused by more expensive electricity generation (Creamer, 2011). Businesses are especially concerned about an erosion of competitiveness in export markets and about heightened competition from imports from countries that do not implement similar environmental policies. Certain industries have lobbied for special dispensation (e.g. airlines and mines) and for a slower introduction of the carbon tax or for subsidized electricity.

As such, although the government has demonstrated a willingness to ameliorate its historically high levels of GHG caused by a high dependence on coal-based energy, substantial costs are involved from deviating from its current investment and development strategy. As a result, many important interest groups could be alienated.

DOI: 10.1002/pad

Poor households and labour unions have already indicated opposition to existing tariffs for electricity and would therefore oppose the even higher tariffs expected in order for the government to meet the GHG emission targets in the modest scenario outlined earlier. A carbon tax likewise hurts major stakeholders.

FOOD AND FERTILIZER IN MALAWI

Malawi deviates from the South African case in terms of its much higher levels of poverty and heavy dependence on agricultural production. Agriculture accounts for 39 per cent of GDP compared with 11 per cent for manufacturing (Chirwa *et al*., 2006). Seventy-four per cent of Malawi's population lives below the dollar-a-day poverty line and 80 per cent resides in rural areas, and the country relies heavily on dwindling earnings from tobacco exports (IMF, 2007). Food insecurity remains a perennial threat. In fact, Malawi was seriously hurt by droughts in 1991 and 1992, which affected 5.7 million people and caused a 60 per cent decrease in the production of the country's main staple crop, maize (Babu and Chapasuka, 1997). A decade later, severe flooding reduced maize production by 30 per cent, and this, along with a number of institutional and political factors, triggered a famine in 2002 (Rubin, 2008). During the 2004 and 2005 growing seasons, poor weather plunged Malawi into yet another food crisis that resulted in approximately 34 per cent of the population unable to meet its food needs (FAO, 2005).

Nevertheless, because of Malawi's sub-humid climate, the country possesses a comparative advantage in agro-ecological conditions favourable for maize farm production (Dixon and Gulliver, 2001). Land scarcity, however, means that an agricultural intensification approach is unavoidable. Repeated farming on the same land leads to a decline in soil nutrients and serious land degradation, which has only been exacerbated during periods of flooding (Phillips, 2007). Most soils in Malawi suffer from poor infiltration and moisture retention, lack key minerals and nutrients such as sulfur, nitrogen and phosphorus and suffer from high levels of acidity (Munthali, 2007). Pressure from the World Bank in the late 1990s led the government to remove subsidies on fertilizers, seeds and credit. This, combined with liberalization of the parastatal Agricultural Development and Marketing Corporation, left many smallholders without access to affordable inputs (Harrigan, 2003; Dorward and Kydd, 2004).

To address low soil fertility and to avoid further food insecurity, Malawi's late President, Bingu wa Mutharika, launched the Farm Input Subsidy Program (FISP) in 2005.[3] The main component of the FISP, fertilizer subsidies, had already been a major electoral promise of Mutharika's party, the United Democratic Front (UDF), in the country's 2004 electoral campaign. After defecting from the UDF and forming a new party in 2005, the Democratic Progressive Party (DPP), President Mutharika deviated from the promise of UDF of a universal subsidy and instead announced a more targeted subsidy aimed at resource-constrained maize farmers (Chinsinga, 2007).

Although donors remained sceptical and the government was forced to fund the entire program during the 2005 and 2006 growing seasons, the fertilizer subsidies quickly demonstrated a notable impact on maize production. Maize production grew from 1.2 million metric tons in 2005 to 3.4 million metric tons by 2007, and Malawi began exporting its surplus to Zimbabwe while also becoming a food aid donor to Lesotho and Swaziland (Dugger, 2007; Sanchez *et al*., 2009). Although favourable levels of rainfall were partially responsible for these increases, Denning *et al*. (2009) note that two-thirds of the increase could be attributed to the subsidies. Even though the cost of the FISP has more recently prompted concern about its impact on Malawi's macro-economy, Dorward and Chirwa (2011) concur that the program contributed to higher maize yields, higher food availability and declines in poverty. With Malawi's success, a number of other African countries, including Ghana, Kenya and Tanzania, began considering the implementation of similar voucher-based fertilizer subsidy schemes (Minot and Benson, 2009).

In many respects, the FISP responded to calls by development practitioners for the creation of an African Green Revolution that revolves around increasing smallholder farmers' access to fertilizers, high-yield seeds and irrigation (Denning *et al*., 2009; Sanchez *et al*., 2009). Indeed, the 2006 Abuja Declaration on Fertilizer for an African Green Revolution advocated an increase from 8 to 50 kg of fertilizer per hectare between 2006

[3]The original name of this initiative was the Agricultural Input Subsidy Program.

DOI: 10.1002/pad

and 2015 (NEPAD, 2011). However, the FISP program has potentially overpromoted the use of fertilizer at the expense of other investments, particularly in agricultural research and development.[4]

For a number of reasons, fertilizer use can be detrimental to the environment. First, the manufacture of inorganic fertilizers can lead to high levels of carbon dioxide emissions and can also stimulate the release of nitrous oxide from the soil, which contributes to GHG. According to Stern Review (2006), fertilizers are the largest single source of GHG emissions created by the agricultural sector, and nitrous oxide possesses a global warming potential that is 300 times greater than carbon dioxide. Second, fertilized land needs to be watered more, placing pressure on potentially scarce water resources or requiring irrigation. Third, high levels of fertilizer use can increase toxins in groundwater with attendant impacts on fishery stocks and human health (Tilman *et al*., 2002). In India, pollution of waterways and aquifers has been a legacy of that country's Green Revolution (World Bank, 2010).

As a consequence of these environmental hazards, the FISP approach is contrary to the objectives of Green Growth. According to OECD (2011), fertilizer subsidies constitute a 'government failure' that not only hinders growth but also creates a number of negative environmental externalities. Alternative approaches including *microdosing*, which involves the application of only small amounts of fertilizer with the seed at planting time or three to four weeks after the emergence of the crop, have been used successfully in some parts of Africa (ICRISAT, 2009). In addition, the process of growing two or more crops simultaneously, known as inter-cropping, can result in increases in nutrient-use and water-use efficiency (Tilman *et al*., 2002). Other options include greater use of organic fertilizers and conservation farming techniques that aim to conserve soil and water use by using mulch and minimum tillage to minimize runoff and erosion.

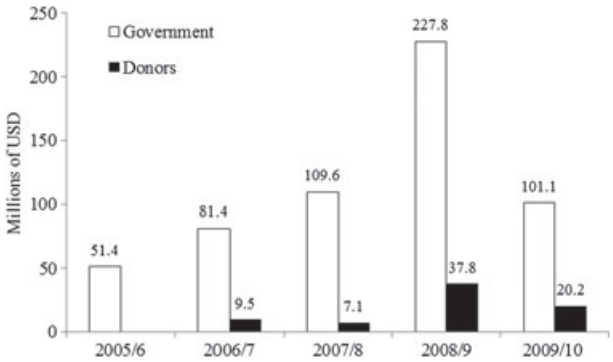
Although many of these alternatives should be concurrently pursued, they realistically will not replace fertilizer subsidies in the short-term for a number of reasons. First, they involve changing the behaviour of farmers on a relatively broad scale. However, Dorward and Chirwa (2011) note that past attempts to promote organic fertilizers have not been widely adopted by Malawian farmers. Second, research on conservation farming in neighbouring Zambia reveals that although it reduces the need for chemical fertilizers and improves soil structure, these benefits occur very gradually over time. Furthermore, they require highly disciplined farmers, increased inputs of labour to prepare compost and to engage in weeding, good access to agricultural extension and support workers and long-term monitoring efforts (Haggblade and Tembo, 2003). Third, although there are efforts to include subsidized legume seeds in Malawi to encourage inter-cropping, this is far from the major focus of the FISP (Dorward and Chirwa, 2011). Encouraging greater adaptation of legumes and other seeds through subsidies would further increase the cost of an already expensive program.

Most significantly, however, Malawi's fertilizer subsidy program is popular among smallholder farmers as well as politically advantageous to the ruling DPP. Because the DPP is a relatively new party that lacks the same grassroots ties to rural voters as the UDF or the Malawi Congress Party (MCP), President Mutharika used the FISP as a way to consolidate the party's support base in preparation for the May 2009 elections (Chinsinga, 2009). As Dorward and Chirwa (2011: 16) observe, 'political pressures to expand the program and to use it for patronage were evident in the run up to the election'. Figure 2 illustrates a large increase in costs devoted to the FISP in the year of the 2009 elections.[5] Indeed, the fact that Mutharika overcame ethno-regional voting patterns and won the 2009 elections with 66 per cent of the vote, compared with only about half that vote share five years earlier, illustrates the success of this strategy. Although President Mutharika's death in April 2012 has created high levels of political uncertainty and a vacuum within the DPP, fertilizer input subsidies will remain an important component of the country's development strategy. Even if key opposition parties such as the UDF or the MCP gain greater political clout, this would presumably lead to an even more intensive promotion of fertilizer because both of these parties have long advocated a universal subsidy scheme rather than the targeted one implemented under the DPP (Smiddy and Young, 2009).

[4]For instance, incremental fertilizer use per metric ton in Malawi almost doubled between 2005–2006 and 2008–2009, growing from 98 541 to 181 800 (Dorward and Chirwa, 2011).

[5]Although the increase in costs was partially linked to the rise in the price of fertilizer, there was also an increase in the quantity of fertilizer purchased because the government decided to extend the subsidy to other crops as well, including coffee and tea (Dorward *et al*., 2010).

DOI: 10.1002/pad



Source: Authors' calculations using data from Dorward and Chirwa (2011)

Figure 2. Evolution in the financial cost of Malawi's Farm Input Subsidy Program.

BIOFUELS IN MOZAMBIQUE

Contrary to Malawi, one of Mozambique's major comparative advantages is land abundance. Specifically, only 12 per cent of Mozambique's 36 million hectares of arable land is under cultivation (GOM, 2006). Much of this land possesses favourable agro-ecological conditions (Diao *et al*., 2007), although it would have to be cleared to be cultivated.

Although there has been some minor success in promoting export crops, such as cashews, Mozambique historically has concentrated on subsistence farming. Recently, poverty reduction has slowed in Mozambique, primarily as a result of stagnant agricultural production (Arndt *et al*., forthcoming). As a result, the government has been eager to find new opportunities for agricultural growth. This is particularly important given that approximately 70 per cent of the country's population resides in rural areas, and almost half of these rural inhabitants are unable to obtain enough food to meet their daily caloric requirements (Arndt and Simler, 2007).

Consequently, the government has taken advantage of Mozambique's land abundance to promote the production of biofuels. Traditionally, Mozambique has been highly dependent on oil imports. In fact, as of 2007, the government expended 17 per cent of its GDP on fuel and energy (Schut *et al*., 2010a). Biofuels, therefore, are viewed as means of reducing this dependence. Moreover, given the growing global demand for biofuels, especially in the European Union and South Africa, biofuels offer the promise of expanding into more high-value export markets.

Biofuels first appeared on Mozambique's policy agenda during the 2004 election campaign when the country was facing high and volatile oil prices. During this campaign, the government began encouraging farmers to cultivate jatropha, which is used in the production of biodiesel, on marginal lands (Schut *et al*., 2010a). Subsequently, a Commission on Biofuels was established that recommended producing ethanol from sugar cane, sorghum and cassava, and using jatropha, sunflower, coconut, soya and African palm oil as raw materials for biodiesel (Nhantumbo and Salomão, 2010). By 2007, Mozambique's first biofuel project was approved for a company known as Procana Ltd., which was offering $500m in investment for 30 000 hectares of sugar cane (Schut *et al*., 2010b).[6] By mid-2008, the government had requests for the use of almost 12 million hectares of land, most of which were related to biofuel production (Arndt *et al*., 2010).

By 2009, the government published a National Biofuels Policy and Strategy (NBPS), partly based on an analysis conducted by Econergy. The NBPS stated that the biofuel industry could potentially create 150 000 new jobs (GOM, 2009). Since then, biofuel production has attracted the interest of a number of investors from around the globe, including those from Brazil, Canada, China, Italy, Portugal and the UK (Cuvilas *et al*., 2010). Currently, there are more than 30 biofuel projects underway in Mozambique with a total investment of over $100m. If the projects all become operational, it is estimated that the country will save $682m a year by reducing

[6]The government ultimately cancelled Procana's contract when the company did little with the land it was granted.

DOI: 10.1002/pad

its fuel imports (AIM, 2011). Petromac, the Mozambican oil company, is itself also projecting the production of 226 million litres of biodiesel via jatropha and the creation of about 800 new jobs (Cuvilas *et al*., 2010).

Yet, although biofuels promise to reduce oil dependency, increase jobs and generate investment for previously unused land, this fuel alternative also poses a number of threats to the environment. For instance, biofuels can result in land degradation, water pollution, mono-cropping, and overuse of water resources (Dufey, 2007). More significant is the threat of increasing deforestation, which globally contributes 14 per cent of GHG emissions each year (World Bank, 2010). Although biofuels produce less carbon dioxide than traditional fossil fuels, Fargione *et al*. (2008) find that GHG reductions from using biofuel depend on land use. Clearing new land for biofuels may generate large GHG emissions because of burning and decomposition of organic matter. According to FAO (2011), the amount of forest land in Africa that will be cleared for biofuel production totals 1.3 million hectares by 2030. Because very little land currently is under cultivation in Mozambique, a substantial amount of land clearing will be needed to accommodate current and planned biofuel projects.

A Green Growth approach would therefore advocate a focus on biofuel production that is less land-intensive. This would require concentrating on the production of ethanol rather than biodiesel because the source of most biodiesel production in Mozambique, jatropha, is far more land-intensive. By contrast, ethanol production via sugar cane is more capital-intensive and based on plantations. Therefore, less land needs to be cleared for production.

Yet, this strategy poses important trade-offs. According to Arndt *et al*. (2010), a biofuel strategy based on jatropha is more pro-poor because of its greater use of unskilled labour and the fact that plantation owners, rather than smallholders, typically accrue land rents for production of ethanol. In addition, they find that the plantation approach in Mozambique is unlikely to generate many jobs for farm labourers. In other words, whereas sugar cane is more environment-friendly, jatropha is more pro-poor. Given that the government's original adoption of biofuels was motivated by a desire to create jobs and assist the rural poor, a Green Growth approach to establishing a biofuel industry would deviate from these objectives.

CONCLUSIONS

The three cases presented in this article focused on issues that are highly relevant to Africa's current development needs. The analysis demonstrated that Malawi, Mozambique and South Africa are all following their comparative advantage and exploring growth linkages by investing in their favourable agro-ecological conditions, land abundance and mineral wealth, respectively. These countries' various development strategies not only adhere to the tenets of prescribed development theory but also benefit the poor by providing affordable electricity in South Africa, employment in Mozambique and food security in Malawi. Consequently, each strategy has generated policy champions among both the poor and other key stakeholders.

Moreover, although we predominantly focused on these countries in isolation, their current development strategies hold implications for the broader Southern African region. South Africa's coal-based electricity is often exported to its neighbours, and the country would provide an important export market for Mozambique, which recently has discovered coal deposits. At the same time, South Africa constitutes a major export market for Mozambique's biofuel industry. Finally, as noted, maize production spurred by Malawi's fertilizer subsidies has been exported to food-scarce countries during periods of drought with the region.

Simultaneously, however, we showed that each country is pursuing a sub-optimal strategy for the environment by focusing on products, such as coal and fertilizers, as well as activities, such as deforestation, that contribute significant shares of GHG. Although shifting to Green Growth approaches for addressing the development challenges in these countries would provide environmental gains in the long-term, they result in economic and political costs in the short-term. Therefore, rather than being a win–win alternative, Green Growth policies are no different than most other types of policy reforms, such as structural adjustment. To highlight this, Table 1 summarizes the cases and illustrates the short-term costs of shifting to a development strategy more aligned with Green Growth objectives.

Table 1 further emphasizes that, in all three cases, the poor are potential losers as a result of shifting to a Green Growth strategy. In some cases, powerful actors, including political parties, unions and private sector corporations,

DOI: 10.1002/pad

Table 1. Summary of case studies

	Current development strategy	Green Growth strategy	Short-term costs	Losers
South Africa	Investment in natural resources, particularly coal-fired electricity generation to support heavy industries	Shift to nuclear and renewable energy sources	• Higher electricity prices • Job losses in coal mining with secondary impacts on heavy industry • Falling production while smallholders change farming behaviours	• Poor consumers • Unionized workers • Corporations in the mining and metals sectors
Malawi	Agricultural intensification based on input subsidies for fertilizers	Shift to conservation farming, organic fertilizers, microdosing and inter-cropping	• Loss of handouts to rural voters • Fewer rural employment opportunities	• Current ruling party • Private sector suppliers of fertilizer • Poor smallholders who cannot adapt
Mozambique	Agricultural extensification based on cultivation of feedstock crops for biofuels	Reduction in land clearing by either shifting towards plantation-based production or promote smallholder agricultural intensification		• Poor rural farmers

also face disadvantages from shifting away from their country's current development strategy. As such, this suggests that a Green Growth strategy is only feasible when the interests of all these groups are properly aligned and when the benefits are sizeable to all constituencies.

Just as in international negotiations over environmental targets, commitment by national governments remains the foremost consideration in terms of determining the feasibility of a Green Growth development strategy. This is clearest in the South African case where the government has remained determined to reduce GHG and even adopt a carbon tax. Likewise, the decision by Mozambique's government to encourage biofuel production to reduce oil imports represents an important step towards a more environmentally sustainable development approach. By contrast, political parties in Malawi realize that the fertilizer subsidies have been highly popular among the country's large rural electoral constituency, and they are therefore unlikely to oppose or rescind a policy that could damage their own political prospects.

Where political commitment does exist, policy interventions are needed both to facilitate a transition to new production techniques and to reduce resistance to Green Growth among other potential losers of reform. This involves the provision of positive incentives for the private sector, possibly in the form of tax reductions, for shifting to more environmentally sustainable industries. Governments will also need to provide training to help workers adopt new sets of skills, ranging from increasing unionized workers' adeptness with green technologies to teaching rural smallholders how to clear land in a more sustainable manner. Large-scale shifts in Africa's education system will also be required so that students are equipped with relevant vocational backgrounds that allow them to be eligible for 'green' jobs. Well-designed and targeted subsidies for the higher price of key services, such as electricity, will be critical to ensure that the adoption of expensive new technologies underlying Green Growth does not have negative implications for the poor.

Such policy interventions, however, are costly for developing countries and therefore will require significant inputs from the donor community. In turn, this may contradict other development objectives, such as reducing the dependence of low-income countries on foreign assistance and technology. Furthermore, despite commitments at the Copenhagen climate summit to allocate $30bn to climate financing over the 2010–2012 period, donors have disbursed only seven per cent of this amount. Much of it has been directed at supporting mitigation in Africa than to adaptation because the former can be linked to the exportation of mitigation technologies by donor country firms (Development Today, 2011).

DOI: 10.1002/pad

Overall, this article does not dispute that the Green Growth agenda has worthy objectives. Stewardship of the environment is essential to the sustainability of economic and social progress in both developed and developing countries alike. Yet, proponents of the Green Growth concept and agenda often have neglected to acknowledge a broad range of economic and political costs. The experience of past reform initiatives, such as structural adjustment programs, cautions against ignoring these trade-offs.

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