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## Green economic growth and the opportunities for the 5 year development plan and the long term plan

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**The Long Term Plan set out a path for Tanzania to achieve high economic growth, moving the country towards middle income status. The LTP is being operationalized through the 5 year development plans, and these set out the importance of developing a reliable energy sector, as well as infrastructure investment to support productive growth and scale-up manufacturing and resource use. However, delivering the plan will involve a number of challenges. First, there will be a need to attract significant investment to finance the plans, and second, there is a need to minimise the economic impacts of industrialisation and manufacturing (externalities) which would otherwise reduce economic activity. Furthermore, climate change itself is a major risk for Tanzania, and it could affect the achievement of the plans if not factored in adequately to this investment.**

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not factored in adequately to this investment.

### Introduction

The Long Term Plan of the United Republic of Tanzania set out a path to ensure Tanzania achieves high economic growth and achieves middle income status, consistent with the Vision 2025. The plan is operationalized through the 5 year development plan (2011/12 – 2015/16) and subsequent 5 year plans.

The plan already recognises the issue of climate change both on the impacts to Tanzania (from a changing climate) and some of the potential benefits in the agricultural sector (through climate smart agriculture). However, the scale of the challenge of climate change especially the impact on economic growth and the risks it poses to infrastructure

are not yet fully accounted for in the plans. Recent work (Watkiss et al, 2011) highlights that current climate variability already has macro-economic costs in Tanzania, particularly from the periodic floods and droughts, and that future climate change could have economic costs equivalent to 2% of GDP/year (cumulative) by 2030.

## The Country investment

The 5 year plan also sets out the need for large-scale capital investment. This includes developing a reliable energy sector (for electricity generation), and the investment in infrastructure, to support productive growth, but also to scale-up and deliver manufacturing, resource extraction and use, and higher value sectors.

While these investments will provide the necessary infrastructure to drive economic growth forward, they will put Tanzania on a classical high carbon, high pollution pathway. Challenges of being one of the countries producing high carbon emission have faced South Africa and Malawi. South Africa has been using coal to produce electricity for many years and in year 2007, South Africa was the world's 13<sup>th</sup> largest GHG emitting country, and this was entirely due to its dependency on coal based energy.

This classical pathway will therefore lock Tanzania into a high carbon path, as industry and infrastructure will be associated with carbon intensive activities, which will limit future economic growth in a future carbon constrained world. There is need to balance high carbon, high pollution, economic growth

and poverty alleviation. Carbon finance could be seen as a source of income to pay or compensate for high costs of ensuring Green Growth.

Against this background, this paper sets out how the current plans could – with minor changes – be more orientated towards Green Growth, i.e. that

- Delivers the same economic growth trajectory and employment– but avoids the carbon and environmental impacts,
- Recognizes that countries such as Tanzania did not cause climate change, but that they are confronted by the threat that it poses (hence the need for resilience), and will have to trade in a carbon constrained future global economy, and
- Allows Tanzania to take advantage of the opportunity that this presents especially given the emergence of international carbon finance.

## What is green growth?

Green growth is a new model of economic growth, which simultaneously targets key aspects of economic performance, and those of environmental sustainability, such as mitigation of climate change and biodiversity loss and security of access to clean energy and water.

Green growth can effect productive investments which can further enable African countries to escape poverty, without eroding the continent's natural resources. It has been

the subject of recent high profile interest.

The World Bank in its new strategy for inclusive growth defines it as, 'Growth that is efficient in its use of natural resources, clean in that it minimizes pollution and environmental impact. Resilient in that it accounts for natural hazards and the role of environmental management and natural capital in preventing physical disaster'

The World Bank highlights that green growth is not a new paradigm, but just a way of operationalizing sustainable development by reconciling developing countries' urgent need for rapid growth and poverty alleviation with the need to avoid irreversible and costly environmental pollution.

Likewise, the African Economic Conference emphasizes that, 'Africa should unleash its immense natural resources to pursue sustainable economic growth and development. This would mean creating resilient, low carbon economies which would not only help contribute to global climate change mitigation efforts but generate economic and business opportunities, including new employment and boost trade for the benefit of all Africans'

## The benefits

A clear example of green growth is the advancement of renewable energy, but green growth involves many more opportunities. The first major benefit of reframing some of the 5 year plan and LTP in terms of green growth is the finance it could attract. As examples some of the emerging climate investment funds are

providing green growth low carbon options that include public transport and watershed management.

Furthermore, there is an issue of regional and African competitiveness, i.e. the move to green growth has already been recognised by several countries in East Africa, who see it as a way of obtaining comparative advantage.

For example, Ethiopia has developed a comprehensive Climate Resilient Green Economy (CRGE) plan, which outlines how it will seize the opportunities presented by low carbon technologies and invest in green industries. Similarly Rwanda has developed a Climate Resilience and Green Growth Strategy. These reframe climate change and environmental issues within a strong economic view.

The plan would reduce the external costs of pollution. Tanzania's current economy is very heavily reliant on natural resources (and ecosystem services). While the investment in infrastructure will change the structural composition of the economy, reducing the importance of these areas, they will remain large components of GDP, and offer economic opportunities (e.g. in the tourist sector).

By moving down a green growth pathway, Tanzania could reduce the impacts of industrialisation and manufacturing on these natural economic sectors, and even enhance the opportunities for them to be major economic drivers on their own.

Finally, a low carbon, climate resilient strategy would help protect the investment

in infrastructure from future climate change. This is extremely important given the funding levels outlined in the plan, and would ensure that the investments made deliver the stated objectives.

### Case Study:

Ethiopia - Nigeria and Ghana have recently received financial investment for clean energy from the Climate Investment Funds.

Ethiopia - received USD 50 million to help unlock Ethiopia's renewable energy potential and share some of the risks. The funds will be applied to technology transfer to reduce cost of wind energy.

Nigeria - allocated USD 85 million to promote private and public sector led renewable energy and energy efficient projects and mass transit urban transport investments.

Ghana - allocated USD 30-50 million to protect natural forests and woodlands and enhance carbon stocks and provide climate smart agriculture and watershed protection.

### What Next

Green growth does not aim to reduce economic growth, merely change the way this growth is delivered and seek opportunities. It does not

aim to stop a country such as Tanzania from growing, or even from increasing emissions, and it is not about stopping the development of the gas industry.

Instead, it is based around a greater focus on win-win approaches that deliver growth and do not impact on the environment. More obviously, it includes the development of renewable energy and other renewable fuel switching (away from heavy polluting sources such as coal).

As highlighted by World Bank: Green growth should focus on what needs to be done in the next five to 10 years to avoid getting locked into unsustainable paths and to generate immediate, local benefits. It is usually constrained by social and political inertia and by a lack of financing instruments not affordability, as is commonly believed.

Given the recent development of the 5 year and long term development plans, Tanzania has a timely opportunity to build green growth into these plans, to help provide access to finance and to provide wider benefits.

The next steps would be to analyse the plans, and look for the opportunities for green growth, and preparing a concept paper on how to produce a Tanzanian GG strategy which is a core part of the plans.



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