



Achieving Uganda's Development Ambition

THE ECONOMIC IMPACT OF GREEN GROWTH: AN AGENDA FOR ACTION

Executive Summary

Uganda has seen an average of 7% annual economic growth over the last two decades. This has resulted in a reduction in headcount poverty, from 56% in 1992-1993 to 20% in 2012-2013; around half a million jobs created annually; and improved access to basic services. To build on this progress, Uganda will need to place even greater emphasis on diversifying the economy and overcoming a number of constraints to development that could limit future prosperity for a growing, young and increasingly urbanised population. This is critical as the country strives to reach upper middle-income status by 2040, realise the Sustainable Development Goals (SDG), and deliver on its international commitment to low-carbon economic growth as part of the Paris climate change agreement.

Uganda's leaders understand that they will need to reconsider its growth model to deliver economic and social outcomes at the same time as protecting natural capital, managing the impacts of climate change and using environmental policy to actually drive growth: a "green growth" model. This green growth model will require a continued focus on macroeconomic stability, improving the investment climate, and investing in health and education. It will also need to include an enhanced focus on improving the productivity of agriculture, developing high-value services and industry, providing access to modern energy, and harnessing the opportunities from urbanisation. All are features of the development priorities outlined in the 5-year National Development Plan II (NDPII), and the President's strategic priorities for 2016-2021.

Process

To improve its understanding of the challenges and opportunities related to this green growth model, the Government of Uganda, in collaboration with the New Climate Economy Partnership in Uganda, sought to address four questions:

1. Is green growth an economic opportunity for Uganda?
2. Given the range of urgent development priorities, is green growth affordable?
3. What are the key policy shifts required for green growth to support the aims of the NDPII and Vision 2040?
4. What are the actions required to drive implementation?

Using macroeconomic, sector modelling and expert stakeholder engagements, evidence gathered suggests that there is a strong economic case for the implementation of 23 priority green growth interventions in Uganda spanning the agriculture, industry, energy, and urban infrastructure sectors. Moreover, many of these investments would support not only economic outcomes, but also pro-poor social and environmental outcomes.

Summary of findings

If the identified interventions are fully implemented, they could provide a boost to economic activity, worth around 10% of GDP by 2040 compared to business as usual; deliver employment of up to 4 million jobs; and reduce future greenhouse gas (GHG) emissions by 28% relative to a conventional growth pathway (exceeding Uganda's current nationally determined contribution). These benefits accrued in the short term, could also boost GDP by 10% in 2020, compared with expected business as usual growth – this is an increase in national income of an estimated US\$3.4 billion.

Inevitably, green growth comes with some trade-offs in terms of which investments to prioritise, and value judgments over which outcomes are most desirable. For example, a commitment to more labour intensive climate-smart agricultural practices may involve a trade-off with the mechanisation and commercialisation strategy for national agricultural development that could reduce employment overall. However, managing the impact of Uganda's future development on the natural environment will be needed under any scenario or investment programme. Even achieving a green growth pathway by 2040 through implementation of actions highlighted in this report, will lead to an approximate doubling of GHG emissions relative to today. Though this doubling will originate from a small base, at a much slower rate than if green growth measures were not implemented, and in the context of a near doubling in population. While the green growth scenario in this report will reduce the GHG intensity of GDP by around 35% and emissions per capita will remain at a low base, this will require Uganda's policy makers to actively increase ambition over time, as technologies evolve and new capacities emerge.

The investment required to unlock the identified green growth interventions is estimated at US\$1.8 billion annually to 2020. The investment programme distinguishes between what is already included in the government's current plans – which in some places can be enhanced – and what would represent new interventions. Not all options require additional investment – for example, smarter urban development could reduce overall infrastructure costs by around 11% (and improve access to basic services by a third). Current plans already cover 75% of the investment required (of which 44% is expected to come from private sources). This report offers a strong case for prioritisation of this existing investment. Total, additional annual investment needs are estimated to be around US\$450 million per annum, of which US\$200 million would be expected to come from public sources, an uplift to the annual public budget of 3%. This appears manageable in the context of the government's current fiscal programme, especially with enhanced support from development finance (including climate finance which has only been modestly accessed to date). Moreover, it is estimated that these new investments could generate US\$3 of economic benefit for every dollar invested, even excluding wider benefits.

Summary of recommendations

For successful implementation of the identified green growth interventions, a twin-track agenda for action is required. First, a continued focus on the fundamentals that are preconditions for successful development – green growth or not – including the implementation of current, progressive government proposals on land reform and the reinvestment strategy from oil revenues. Second, the transformation of priority sectors for green growth: agriculture, energy, industry and cities. The study concludes by suggesting catalytic investments in climate-smart agriculture, off-grid electricity, efficient cookstoves, industrial energy efficiency, and integrated urban planning to galvanise action.

About this paper

This is the executive summary of the report *Achieving Uganda's Development Ambition – The Economic Impact of Green Growth: An Agenda for Action*. This report was jointly prepared by the Government of Uganda through the Ministry of Finance, Planning and Economic Development (MFPED), the Ugandan Economic Policy Research Centre (EPRC) Uganda, the Global Green Growth Institute (GGGI), the New Climate Economy (NCE), and the Coalition for Urban Transitions (an NCE Special Initiative).