

**Development and Climate Change**

**World Development Report 2010**

The 2010 World Development Report, Development and Climate Change, does well what the best World Development Reports always try to do<sup>1</sup>. It provides an authoritative, comprehensive and well-written overview of the issue, with interesting boxes and well-designed graphics. It must have been especially difficult to produce this report in the face of a rapidly changing agenda in the run-up to Copenhagen. Rosina Bierbaum and Marianne Fay, who jointly led the team, deserve congratulations.

The Report reviews the science and the likely impacts of climate change on developing countries, and then turns to a policy agenda with three legs: 'acting now', 'acting together' and 'acting differently'.

Chapter 1 lays out the links between climate change and development. There will be few surprises here for climate specialists, but it is useful to be reminded of the multiple and complex pathways which link climate change to human welfare, and to have a summary of the inter-generational and other ethical considerations in play. For example, crop yields in India are projected to decline by 4.5-9 per cent within the next three decades, even allowing for short term adaptations – with consequent effects on the incomes of producers and consumers, but also on health status and therefore ability to cope with a likely increase in the prevalence of diarrheal disease.

Chapters 2-4 deal respectively with human vulnerability, land and water, and energy. There are more disconcerting statistics and examples: for example, a map of where capital cities in Europe will be like in 2050 has Stockholm in today's Northern Spain and Berlin in Algeria. At the same time, there are many examples of actual or potential adaptation and mitigation, whether the hunting strategies of the Inuit, drip irrigation in Morocco, or smart meters and electricity grids. This is not a technological tract, however. Market failures, institutional constraints and financing needs are constantly stressed.

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<sup>1</sup> This review is based on comments made at the London launch of the World Development Report, held at the Overseas Development Institute on 14 September 2009 (<http://www.odi.org.uk/events/details.asp?id=1901&title=development-climate-change-launch-world-development-report-2010>).

Chapters 5-8 deal with the global climate regime, with funding, with innovation and diffusion of new technology, and with the steps needed to overcome behavioural and institutional inertia. Some of the detail will be redundant post-Copenhagen, but the principles and modelling will still be useful – for example, the discussion of multi-track frameworks or of allocation criteria for additional funding. The last chapter is especially interesting on the design of national and local political coalitions: emphasising fairness, for example, and looking for ‘co-benefits’ or ‘win-win’ options, whereby climate gains are linked to energy cost savings or improved public health.

Overall, then, the Report covers all the topics one might expect, from the debate about the discount rate in climate calculations to the inertia of the climate system and the vulnerability of food and water supply. On the policy side, the Report covers such topics as the choice between cap and trade and tax regimes, financing levels and mechanisms, and approaches to behaviour change. It was published before Copenhagen, but of course has material on the Copenhagen process.

Now, it is worth remembering that the WDR is a World Bank product, and not one produced by Greenpeace, say, or the Gaia Foundation, or even the UK Sustainable Development Commission. The Report is growth-friendly and market-friendly. It does not recommend that rich countries should reduce their material consumption. It does not advocate vegetarianism. It does not advocate imposing quantitative limits on individual carbon emissions. It does not suggest a carbon police. It recognises that rich countries import ‘virtual’ or ‘embodied’ carbon when they buy products from developing countries, and that really this should appear in their emissions total, but backs away from recommending as much.

No doubt, the relatively mainstream tenor of the report will make it more credible in policy circles, and sharpen the impact of some strong messages about the likely impact of climate change and the urgency of comprehensive action.

At the same time, the authors and their readers will be well aware that ‘mainstream’ thinking has been shaken by the global financial crisis and the world recession. The UN, in particular, has been at the forefront of heterodox thinking in recent months, with two notable examples being the Report of the Stiglitz Commission to the President of the General Assembly (UN 2009) and the UNCTAD Trade and Development Report. These and other contributions (for example ODI’s studies on the impact of the crisis on developing countries (te Velde et al 2009)) emphasise the vulnerability of global welfare to co-variate shocks. They also stress, variously, the need for countries to be able to take measures to protect themselves from externally driven trade shocks, and, in terms of response, the need for an active role by the state at country level, as well as stronger international monitoring, accountability and in some cases regulation.

In practical terms, countries are likely to emerge from the crisis at very different speeds and with very different capacity to invest in dealing with future challenges, including but not only climate change. They are also likely to be rather more favourably disposed to the state, rather more concerned about preserving 'policy space' for themselves, and probably also rather better disposed to public expenditure. In the UK, at least, it seems clear that the risk of complete financial collapse, and of a very deep recession, were both avoided by an assertive Government response. Countries are also likely to be well-disposed to multilateral collaboration, for example in coordinating financial regulation – though a commitment to free trade may be harder to sustain.

This has some implications for the policy set that might be acceptable in dealing with climate change, and for how WDR's analysis, and climate change economics more generally is integrated into a broader post-crisis narrative about globalisation, growth and welfare. Perhaps there will be more appetite for intervention? For quantitative limits? For restrictions on carnivores?

Certainly, it will be important to emphasise how much countries need to do in order to adapt and mitigate. Even poor countries with low current carbon emissions are likely to face major challenges in terms of managing their insertion into a world economy where technological standards and input and output mixes are changing, and where trade regimes have been adjusted, quite apart from the massive investments that will be needed to deal with adaptation.

In this respect, the numbers in the WDR are very large. The Report estimates that the financial flows needed for mitigation in developing countries in 2030 will be about \$400bn a year, with adaptation requiring a further \$75 bn a year or so. This compares with the current GNI of all low income countries of about \$750 bn and of sub-Saharan Africa of about the same level. In other words, if all the new money were to go to low income countries, which it probably will not, climate finance flows could amount to as much as two thirds of current GNI. Even allowing for growth between now and 2030, these will be very substantial sums.

The effect on public finances will also be substantial. With Government expenditure in low income countries amounting to about a third of GDP, these flows would mean that Governments could have budgets up to three times the size of pre-climate levels. The supply-side problems, the potential for Dutch disease, the risk of inflation, all hardly bear thinking about – and will arise even with growth and even if low income countries receive just a portion of the new funding.

The demands on developing country governments, including the poorest, will thus be astonishing. This in a world where forward planning is already extremely difficult. Remember, the UNIDO Industrial Development Report in 2009 analysed the difficulty

developing countries have in entering manufacturing, when clusters are already established and hard to replicate. Poor countries will account for the bulk of population increase to 2050, and for the bulk of urbanisation. On present trends, over 90% of all the additional 3 billion people added to the world's population by 2050 will live in towns in poor countries. The Growth Commission has identified forward-looking planning as a key ingredient of success. Indeed. Scenario planning is a valuable tool in thinking through how these various factors fit together<sup>2</sup>. It is not a minute too soon to start.

Finally, the planning will be difficult, but so will the politics, with multiple choices and trade-offs having to be made as between individuals, classes, geographies and generations<sup>3</sup>. WDR is consistent with some other recent work in its optimism about the scope for a politics of long-term consensus: Colin Challen and Anthony Giddens have both written books to the same effect. Of course, the long term predictability of carbon prices is a necessary underpinning for technological innovation. However, the distributional consequences of different policies and the trade-offs between groups are real. The UK will surely not be the only country in which the debate about public expenditure – in this case about winners and losers as Keynesian stimulus packages are unwound – drives electoral politics. Why should climate change be any different?

On this issue, as on others, climate change demands a new approach: WDR's emphasis on equity, fairness and inclusion lays down an important marker.

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<sup>2</sup> See: <http://www.odi.org.uk/events/details.asp?id=438&title=planning-future-can-climate-change-be-brought-into-development-planning-through-scenarios>

<sup>3</sup> See Maxwell, S, 2009, 'The Politics of Climate Change' in Open Democracy June (<http://www.opendemocracy.net/article/the-politics-of-climate-change>)

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