

# Henry Owen Memorial Award Essay Contest

## **Climate Change: The Inescapable Hurdle for Sustainable Poverty Reduction**

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Three changes in the development landscape stand out over recent years. First is the securitization of aid policy following 9/11 and the ensuing global war on terror. Second is the increasing importance of China and other developing countries as lenders in their own right; and, third is the recognition that market liberalization, when applied too quickly or without complementary reform, is not an adequate solution to poverty.<sup>1</sup> Unfortunately, there is an even larger change looming: climate change. With the potential to drastically reshape life around the world—but especially for the poor—climate change will become the overriding concern for development in years to come. As the premier institution in the global development architecture, the World Bank is uniquely situated to address the interacting challenges of climate change and poverty, but only if it makes a radical leap beyond its usual scope of operations. The Bank must leverage its influence to show that *rich-country* climate policies are fundamentally out of line with the eradication of poverty. If rich countries do not urgently address climate change, much of the Bank's work to reduce poverty will simply be washed away in a rising tide of climate disaster.

Until the publication last November of the *Turn Down the Heat* report—a serious call to action to mitigate the effects of climate change for the poor—climate change was of secondary importance to the Bank, as was evident by continuing investments in many coal, oil, and gas projects. While the new report is a welcome change, the Bank has yet to grasp the full implications of the problem. Without serious policy changes to reduce dirty energy consumption in the *rich world*, there is little hope for changing the outcome for the planet. This is because rich countries still comprise the bulk of greenhouse gas emissions and because developing countries aspire to the same level of consumption as wealthy countries. Wealthy countries must develop ways to live well while perpetrating less harm on the environment, using their considerable economic, social, and political capital to develop affordable methods for green growth, which can then be transferred to poor countries. Otherwise, dirty growth will be the default.

So to allow for sustainable poverty reduction in developing countries, the Bank must convince rich countries of the imperative of addressing climate change. This shift in focus will be difficult politically, but the most important tasks are often the most difficult. Fortunately, with the broad research and policy experience available at the Bank, it is well suited to meet this challenge. It should focus on the following four items:

1. *Solidify the link between climate change and poverty through research and advocacy.* While the Bank has begun to do this with its *Turn Down the Heat* report, many countries are not yet convinced that climate change poses a significant hurdle to poverty reduction. The Bank should step up its advocacy efforts to make this connection clearer. Additional research on the topic may also uncover more options for mitigating the negative effects on the poor.

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<sup>1</sup> Patrick Kilby. "The Changing Development Landscape in the First Decade of the 21st Century and Its Implications for Development Studies." *Third World Quarterly* 33, no. 6 (2012): 1001-17.

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2. *Promote global carbon taxes and tariffs to decrease dependence on fossil fuels.* Conscience will never provide the impetus for more sustainable consumption. A carbon tax is the best instrument for making the polluter pay. Cap-and-trade would be a close second.
3. *Advocate for “Green GDP” as a replacement for GDP globally.* With public opinion and policy swayed so easily by movements in GDP, it is vital that rich countries shift to a metric that adequately reflects the harm done to the environment by economic activity. Without a change, the narrative of progress will continue to ignore environmental problems.
4. *Shift the World Bank portfolio exclusively towards projects that have a minimal impact on global warming.* The previous two steps will not succeed if the Bank does not lead by example.

In all of this work, the Bank should foster an attitude of humility. Despite the best intentions, many of the Bank’s former policies have failed miserably. As new data arises, the Bank’s strategy will undoubtedly need to adapt to changing circumstances.

The World Bank has tremendous potential to help the poor in coming years, but it must take a new approach emphasizing the effects of rich-world policies on climate change and poverty. This link has been ignored for too long. Without a change to rich-world climate policy, there is no sustainable solution to poverty.