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## **Economic Growth, Poverty Reduction and Climate Change – the South Asian Dilemma**

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The organisers of the ARM 2008 need to be lauded for focussing attention on the *defining human development issue* of our generation – the issue of climate change and the challenge it has posed to reducing poverty.

Across the developing world climate crises in the recent past have created major humanitarian problems. In the South Asian region, home to nearly half of the world's poor, the damage to all sectors of development has been phenomenal. Reaching the Millennium Development Goals have begun to seem impossible. Indeed, climate change has not only undermined the prospects of economic growth, but it has posed a formidable setback to all aspects of human development.

Amongst economists it is sometimes said, *'in addition to the passion for cricket and spicy curries, the people of South Asia have one other thing in common – today, they all live in countries with relatively rapid economic growth'*. And this is true. Since about 1996 the annual average GDP growth in Bangladesh, Bhutan, India, Maldives, Nepal and Sri Lanka has exceeded 5%. Infact during the past 2-3 years, India and Pakistan have consistently averaged a growth of about 7%. This type of economic performance has contributed to an impressive reduction in poverty in most of our countries.

During the past decade, poverty rates in India, Bangladesh, and Nepal fell by 7, 9 and 11% points respectively, while in Pakistan poverty rates declined by about 5% during the first half of the decade. This has led to an unprecedented opportunity for 'ending poverty' in the region. It has also paved the way for 'political space' for much needed policy and institutional reforms to tackle some of our worst problems - those of social and economic inclusion, illiteracy and ill health, conflict with corruption and confrontational politics.

In the case of the MDGs, although there is still a long way to go to reach all the Targets by 2015, many countries in our region have been showing a slow but steady progress.

Today, sadly, we face the stark reality of possible reversal of this potential success story. There exists a possibility for regression of all achievements we have so far made in human development.

Several weather/environment- related events in the recent past, led to catastrophic disasters in South Asia. The floods that devastated many parts of Bangladesh, India and Nepal; cyclones and torrential rains in Bangladesh, extreme temperatures and weather patterns in most countries in the region are all symptomatic of the climate risks that the future holds for the region. It is predicted that most of the Maldives and about 10% of Bangladesh will be submerged due to rising sea levels. Sea level rises would also exacerbate inundation, storm surge, erosion and other coastal hazards.

Scientific evidence points to rapid glacier melting in the Himalayas that will increase flooding and affect water resources - decreasing water availability and affecting water quality .The Himalayas are known to function as a 'sponge' – moderating the impact of precipitation as seasons change. Precipitation is held by the snow and the glaciers. With unusual and continuous melting of the glaciers we will end up with torrents during the wet season and dry rivers during the dry season, giving a combination of droughts and floods intermittently. There will also be strong effects on the monsoons.

Collectively these events will disrupt normal agriculture cycles and will reduce food crops by about 30% and decrease the reliability on hydropower and bio fuel mass. All this would create severe economic shocks and contribute to decreased livelihoods and therefore poverty and hunger.

Consequences of such environmental changes will lead to increase in the incidence of diseases such as malaria, dengue, and cholera. They would compound the pressures on natural resources and the environment due to rapid urbanization, industrialization, and economic development. Such extreme weather events would also lead to damage and destruction to life and property and have adverse impacts on fisheries and on many ecological systems. In addition, there will be exacerbation of existing social and environmental problems and will lead to migration within and across

national borders. All of this would hamper the achievement of many of the Millennium Development Goals, particularly those on poverty eradication and hunger, child mortality, malaria and other diseases, and environmental sustainability.

**In sum, climate change is clearly not just an environmental issue. It is one with severe socioeconomic implications that would have damning effects in South Asia.**

The good news is that, as opposed to five years ago, the scepticism on climate change has disappeared. Today, Governments are unifying globally, to address key issues on mitigation, adaptation and climate stabilization with a palpable sense of urgency. The increasing involvement of key intergovernmental agencies like the United Nations and the dialogue we are seeing between developed and developing states, are positively welcome. We are also witnessing proactive and willing participation of countries which previously played little or no part in crucial decision making on the subject. The string of events and the story that eventually unfolded in Bali, where the entire world was humbled by the voice from a little nation most vulnerable to climate change, are a case in point.

However, despite all the rhetoric the practical outcomes are less impressive. The divide between scientific evidence and political response to tackling climate change still gapes. Political action by most key Governments still falls short of the bare minimum needed to resolve this problem. There is also inadequate recognition of the substantial inequalities in the emissions of green house gasses per head of the population. This varies by a hundred fold between the rich and the poor countries. The fact that, without sharp and urgent cutbacks in emissions of the industrial, transportation and agricultural gasses, we are set for an environmental nightmare, is not harped enough.

On the one hand we say that the developed world must take the lead because they carry the burden of historic responsibility for climate change. We also say that it is they who have the financial resources and technological capabilities to initiate deep and early cuts in emissions of the green house gasses. But amongst the developed nations there are some countries that are still struggling to establish targets for cutting emissions. Others have set ambitious targets without putting in place the energy policy reforms needed to achieve them.

For instance, the increased demand for bio fuels from the ‘Northern developed world’ consequent to the targets set by some Governments for reducing the usage of polluting emissions can have dire consequences on the poor. Increased use of first generation bio-fuel crops (eg maize, corn, sugar cane, soya bean) for energy, will not only make food more expensive, but it would also deprive certain regions of the developing world of these food crops, thus exacerbating poverty .Also, while the increased demand for bio-fuel could help farmers by raising the price of their crops, higher prices might also hurt some farmers who spend the bulk of their income on food,

The developed world must be cautious in the pursuit of new bio-fuel (or any other) policy which could replace one environment/human development problem, with another. Instead, rapid measures must be adopted to pursue the use of second generation bio-fuels which don’t impinge on the use of food crops.

These are some of the cross-cutting issues to changing weather and temperature patterns that can potentially push developing countries back into the poverty trap and to undo much of the progress towards the MDGs. This must not be allowed to happen. The developed world must understand that the response to climate change will not be effective if it sacrifices the poverty eradication goals and development aspirations of poorer regions like South Asia.

While recognizing and demanding the critical role to be played by the developed world in climate change abatement, I think it is equally important to realize that developing countries cannot wash their hands off their responsibility. The credibility of any multilateral agreement on this subject will naturally hinge on the participation of the majors emitters of the developing world.

Take the case of the fastest growing economy in South Asia. The last two decades saw unprecedented opportunities for poverty reduction in India. A country with a large human development deficit and gaping social disparities is also the fourth highest emitter of carbon dioxide in the world. And such carbon-intensive economic growth will set the stage for deep and dividing problems that we mentioned earlier.

There should be no tension between national energy security policies needed to support India’s galloping economy, and global climate security. Would

far reaching changes to the domestic energy policy be able to radically change the emission trajectory, without compromising the generation of power which is fuelling the economic growth of the country? And would the international community use such opportunities to support national policies that would also influence and impact global climate change mitigation?

No doubt, fixing goals for industrialized nations to cut greenhouse gas emissions is the urgent task at hand. But this should be done while those Governments help developing countries to balance their emissions in accordance with the demands of domestic economic programmes. This is critical to maintain economic growth and for poverty eradication.

Any grand bargain between the developed and the developing nations must include incentives to help the latter countries to move towards mitigation and adaptation. And climate change adaptation and climate risk management cannot be treated in isolation. They must be integrated into mainstream development plans and projects, into policy cycles and into poverty reduction strategies of each country. Soliciting grass roots support of the NGO and CBO sectors is a must. The role to be played by such sectors is substantial and must never be underestimated. Recent publications on Community Based Adaptation strategies have shown excellent work initiated by community based groups.

In the final analysis let us not point fingers or apportion blame. Rather, let us find common ground and recognize that the effects of climate change affect us all. While Northern Governments must undoubtedly take the lead role in mitigation and adaptation, an active and 'loud' Southern consensus must propel this change.

To facilitate these changes, the developed world, the international and donor communities, and those who are less vulnerable to the disasters of climate change must lead the way. The policies they formulate must be enlightened and their intentions must be honorable. They need to assist through,

- better funding for clean energy technologies.
- spur financial flows for adaptation.
- enhance research and development cooperation, as well as transfer of clean technologies, particularly for energy supply and adaptation.
- provide continuous and consistent assistance to vulnerable populations in a structured manner

- protecting rapidly dwindling forests which absorb carbon dioxide

Finally, the urgency of this matter must not be downplayed and must not be allowed to get buried in the politics and power games of the first world. And it is up to us to make sure it doesn't.

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