

**TOP ARTICLE: Three in One Solution****Vinod Thomas and Mohan Munasinghe**

The economic crisis has quickly relegated global warming and global poverty, once reliable headline generators, down the list of priorities. But it is a mistake to think that governments should triage, that is, deal with poverty and the environment only after they have put the financial crisis behind us.

The reason is that we actually face a threefold global crisis: the economic downturn, rise in poverty and climate change. We cannot escape one without addressing the others. In the absence of a return to high growth, it is hard to see how poverty will be lessened or environmental actions will be financed. Equally, unless carbon emissions are cut and poverty reduced while reviving the economy, further growth prospects will be doomed.

The truth is that poverty and climate change are no longer distant threats to progress. Carbon dioxide concentration in the air has already exceeded 385 parts per million -- perilously close to the 400-450 level that would put us on an irreversible path to an ice-free world where sea levels would have risen several meters. The consequences of this scenario for natural disasters alone will dwarf the subprime meltdown.

Similarly, allowing poverty to balloon, runs the risk that political stability will be undermined and continuation of growth itself hampered, increasing the prevalence of failed states and making the world less safe for investment and trade. Some 150 million more people slipped into poverty worldwide during 2007-08 and a further 50 million this year.

This threefold conundrum presents especially significant challenges for the large nations, be they emerging economies such as China and India or Organisation for Economic Cooperation and Development countries such as the United States and Japan. Their response will crucially affect the prospects for their own population as well as the direction for global development.

Yet for any one of these countries, it is unquestionably tough to attack the three heads of the hydra simultaneously. But remarkably, the current crisis offers some unique opportunities that can be seized. There are policies, investments and deals that can help these nations separately and collectively to confront two if not all three of these dangers with a single swipe. Here's how.

First, this is the time for nations to reverse policies that sacrifice the climate in the name of immediate growth. The most egregious example is energy subsidies, which cost almost a third of a trillion dollars in 2007 worldwide. These are frequently justified as protecting

the vulnerable but the bulk of subsidies does not reach the poor. They also encourage energy waste and drain fiscal resources.

Another dual-purpose policy is to set up robust social safety nets, providing a boost to consumption while lifting millions out of poverty. Conditional cash transfers in Brazil and Mexico are examples of efforts to both reduce poverty today and, by tying them to children's education and health, also boost future growth. Outlays amounting to just about 1 per cent of GDP can make the difference.

Second, this is the chance for countries to invest a sizable share of the stimulus packages in energy efficiency. This was a core feature of Barack Obama's election pitch. Government funding for green and carbon-saving technologies, as in the US or China, could not be better timed. Taking advantage of declining capital costs of hydro, wind, geothermal and solar, it would pay to invest in these technologies now, anticipating the resurgence of fossil fuel prices.

Such investments would help sever a link that has long been the bane of anti-poverty campaigners. No country has managed to lift living standards without increasing its carbon footprint. But under the vastly changed global environment today, it is essential that they do so. Global warming hurts the poor the most. Climate change is causing a spike in natural disasters as well as gobbling up arable land and reducing water availability in critical areas.

Third, this is the moment to make deals leading to a surge in financing for development and its effective use. You only have to look at global projections to see that the boost to growth from the fiscal stimulus is envisaged to be greater in developing countries. That is because infrastructural investments or policy improvements can deliver sharper increases in growth in these economies compared to the more affluent ones.

Hard though it may be to sell to this idea in rich nations, their governments might consider proactive actions that promote capital flows to emerging economies as well as augment development assistance in low-income settings. When the world is increasingly dependent on developing economies to re-energise the failing global economic system, support for such financial flows would be an important aspect of the global stimulus.

Policies aimed at immediate growth at the expense of social safety nets or greener investments will be suicidal. Economic, social and environmental dimensions of the recovery are no longer distinct goals with phased solutions. They are part of the same package of needed actions.

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