NOOR VAN MIERLO

"We can adapt!"

Gordon Hughes: the charming messenger behind the seemingly grim report

He authored the World Bank report 'Economics of Adaptation to Climate Change', the most authoritative study thus far on the costs of adaptation in developing countries. Professor Gordon Hughes' estimate: anywhere from 70 - 100 billion US dollars a year, depending on the climate scenario you choose. "Quite affordable, really." In at the deep end with Hughes and World Bank executive Julia Bucknall.

MICHEL ROBLES

Old friends meet. Enjoying the view from the 23rd floor, Gordon Hughes and Julia Bucknall swap news and memories."Lucerne: superb!" "Did you see…" Both are economists and very British. Rumour has it that she used to be his student. "No, not exactly. But Gordon and I did work together for the World Bank in Eastern Europe, helping countries to comply with EU environmental regulation. And much of what I know I did learn from him."

Nowadays Bucknall is a manager at the World Bank's water unit. Hughes is a consultant, and a professor at the University of Edinburgh. He advises the British Government and was the chief author of the World Bank report.

There have been other similar studies. What is the added value of this particular one, especially as the real costs and efforts must be made not on a global level but locally?

Hughes: "When we started, some five years ago, the world focus was on the Kyoto Protocol, emissions reduction and on persuading countries to sign on. But there was a growing feeling that adaptation needed equal attention, because some climate change would be inevitable. Some countries asked the World Bank for a coherent over-all study.

"Earlier ones were sketchy on adaptation. With this report we have a reliable order-of-magnitude estimate for the big global numbers. But the true value is in the underlying figures from a regional, national and sectoral level, as pointers for policy.

"Most importantly: there is an enormous variability of impacts and costs across countries and regions and climate scenarios. Often the poorest regions face the highest costs. Sub-Sahara Africa, small island states, Myanmar... Also, we found that over 70 percent of the costs can be attributed to water management."

Bucknall: "For the World Bank, too, it was not so much about global figures. As a voice for the developing countries, we want to know: which region will need what? To me as a banker this report is a baseline for talking about adaptation. It is useful to have one big study that everybody knows about."

Both of you sound deeply involved with development issues. What got you into this line of work?

"Ehmm….wow!". They think for a moment, then launch into the stories of their professional lives.

Hughes: "When I was young I spent a year in Tanzania. That imbued me with a very strong interest in developing countries, especially in Africa."

Bucknall: "With me, there was this sense of outrage. I had it already as a kid. I didn't want to live in a world where kids went hungry. A bit childish, I fear, but I was an 'environmental vegetarian' (Hughes: "Were you??").

Hughes: "I would rather call it childlike: the ability to respond freshly to things. I think what binds us is that we both look at the environment as a driver for human welfare, the impact of environmental development on human development."

Bucknall: "Originally I studied German and English literature. Economics came later. Then, one day, I wound up in a consultancy firm, advising – of all things! – banks about making more profit. So embarrassing – at one point I literally hid in the loo! Luckily, at a lunch with the World Bank, I said some things which they must have mistaken for being very clever" (she chuckles). "Anyway, they offered me a job."

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Mr Hughes, your figures are depressingly much higher than the budget allocated to the Adaptation Fund….

Hughes: "Nevertheless, adaptation is affordable! One hundred billion may look prohibitive, but for the countries in question it is only 0.01 to 2 percent of GDP. The aggregate growth of the developing world economies is roughly 4.5 percent per year. By allocating only 10 percent of that, you could achieve adaptation.

"Such numbers are well inside the bounds of normal policy! What's more: 80 percent of those investments would have been sensible anyway, irrespective of the degree of climate change. So you don't need to wait until you know all the details: you just start with those 80 percent no-regret measures and take it from there.

"So the upside of the message is: we can adapt. Provided adaptation is integrated in all normal development policies. And clearly the focus must be on the countries and regions where adaptation costs are around 2 percent of GDP…"

Bucknall: "The only thing is: I'm afraid it's not going to happen. The money will not go to the regions that need them most."

Hughes: "…simply because these countries are not powerful in an economical or political sense. They might not get the attention they deserve."

But aren't you dramatically underestimating the costs? Critics complain that neither necessary private investments nor ecosystem adaptation were accounted for in the report.

Hughes: "Ours was only a starting point. The unknowns underpin the need for more research. As to private investments: my guess is, they will be at least as big as public ones. But don't get obsessed with investments alone. The real hurdle often is more-down-to-earth: big institutional changes are painful to people! They resist. That is why you should push decision taking responsibilities down to the lowest possible level."

Bucknall: "And ecosystems – well, they will always be missing in the reports, I guess."

We both look at the environment as a driver for human welfare

Hughes: "In our study we quantify all costs per sector of the economy against a baseline of economic growth in a 'no climate change' scenario. Fundamentally, we ask: how much does it cost to replace any loss of a particular service?

"First of all, replacement of ecosystem services turns out to be not very costly. Secondly, if you want to gauge, for example, the cost of relying upon sea walls instead of mangroves, it is difficult to estimate how much people might pay to protect ecosystems rather than build artificial substitutes. So that is something we haven't done."

So how should funding be organized?

Hughes: "The main focus must be on management of water resources. At all levels, and in a coordinated way. Part of our message was that adaptation is not an add-on, to normal policies. It is essential to development.

"Take Brazil. The poor North-East already suffers from heavy intermittent flooding and droughts, whereas the Southeastern region around Sao Paolo is booming and may benefit from climate change. Large scale North-South migration has been going on for decades. How should the government transfer resources to the North? Massive engineered transfer of water, for instance? Very expensive, and risky."

"In any case, first you should invest in those sensible 80 percent. Development assistance is likely to remain small compared to local resources. Therefore, one viable strategy is to generate the funds from existing sources – user charges, local savings, tax revenues – which will be funding the baseline expenditure anyway.

"As for multilateral funding, there is this cumbersome culprit-versus-victim climate debate. Ultimately, the solution may be to pool the usual resources for development assistance and adaptation, and direct them towards the communities or regions that are hit hardest by climate change."

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