

**Biodiversity and Ecosystems**  
*Consultation on Analytical Paper*

**Meeting Minutes**

12 - 5 PM, April 12, 2010, Washington, D.C.

***Participants:*** WB staff included Claudia Sobrevila (ENV), chair; John Reid (Conservation Strategy Fund), Siv Tokle (ENVMC), Karen Luz (WWF), Yuka Makino (SASDI), Courtney Wallace (Eco-agriculture Partners), Nicole Glineur (GEF), Valerie Hickey (LCSDE), Nancy Diamond (WB), Akiko Nishimae (ENV), Glenn-Marie Lange (ENV), Daniel Fromm (IADB), Linda Krueger (WCS), Gary Allport (Birdlife International), Emily McKenzie (WWF), Janet Ranganathan (WRI), Florence Landsberg (WRI), Lori Conzo (IFC), Jeff Brez (ENV), Gustavo Fonseca (GEF), Amanda MacEvitt (ENV), Junu Shrestha (ENV), Jaime Cavelier (GEF), Suzanne Garrett (IUCN), Seth Factor (IDB), Ernani Pilla (IDB) Richard Carlos Worden (IEG-WB), Jill Blockhus (The Nature Conservancy), Lauren Kelly (IEGCG), Alejandra Alvarez (ENV), Ladd Connell (Conservation International), Ian Noble (ENVCC), Meg Symington (WWF), Olivier Cadot (PRMTR), Aparna Sridhar (TNC) and Hiromi Yaqamuchi (FEUUR)

**Background**

The World Bank Group has been a major player in biodiversity conservation. The bank has a comparative advantage in being effective in biodiversity conservation, partly due to its financial resources and partly due to its technical expertise in the area. This consultation meeting was held to generate ideas and comments from outside the Bank community on clarifying and finding ways of strengthening the Bank's role in biodiversity.

**Presentations**

***The Bank's Biodiversity Portfolio***

*Claudia Sobrevila*

An analytical review of WBG engagement in biodiversity-related activities from 1988-2009 showed that in the years, 2007-2009, investments in biodiversity projects have declined. This decline has happened in the GEF portfolio as well as in regular Bank operations, and it has been seen in both board approved projects and pipeline projects. Within the biodiversity portfolio, support for protected area creation and management dwarfs other areas. Even then, investments into PAs only represent less than 1% of the total Bank operations.

There are multiple factors that contributed to this decline:

- The relatively small size of most of biodiversity projects.
- The fact that biodiversity projects are mostly GEF supported. GEF processes have high transaction costs and are supervision intensive, despite the relatively small size of projects. This has dissuaded TTLs from applying for GEF grants.
- Loss of biodiversity expertise in the Bank.

- Reorganization of departments in the Bank that led to the addition of energy and infrastructure to what had been previously a VPU centered solely on environmentally and socially sustainable development.
- General lack of priority for biodiversity among IDA countries. The investments and loans need to be client initiated and the difficulty in making a short term economic case for biodiversity makes it challenging to generate interest from the client countries for biodiversity.

## **Discussion**

*Yuko Makino (Bank TTL, South Asia)* raised issues about complications in GEF procedures leading to high supervision costs, overheads and transaction costs even for small projects. She contended that the work required for GEF proposals are on par with that for projects that have much larger budgets. The WB staff and TTLs shy away from GEF proposals due to incentive systems that do not reward GEF-sized project management.

*Richard Wharton (IEG)* mentioned that OP 4.04, the Bank's operation policy on natural habitats is under applied and only about 9% of the projects correctly trigger this policy.

*Mark Zimsky (GEF)* mentioned that most of biodiversity projects in the Bank are undertaken by staff with personal commitment to biodiversity. Procedure wise, the resource-allocation framework (RAF) made GEF procedures more complex, but was imposed by the donors and the GEF had no say in the decision. In order to integrate biodiversity in NRM, schemes like PES need to be explored further. Has there been any progress on this from the Bank side?

*Gustavo Fonseca (GEF)* said that the bank biodiversity projects are heavily dependent on GEF grants. The WB investments are focused more on national and local development issues and not on regional or global concerns, which are the focus GEF. The bank needs to determine what it can do beyond GEF.

*Lori Conzo (IFC)* brought out possibilities of partnering with the private sector. Companies need to comply with performance standard and they want to mitigate where it is not possible for them to comply. IFC and IBRD partnership would be helpful in bringing together private and public sectors to create a more integrated offset programs that could benefit biodiversity.

*Gary Allport (Birdlife International)* attributed the decline in biodiversity activities within the bank to the institutional restructuring within the bank. With the new bank structure that no longer has a standalone environment and sustainable development vice-presidential unit, there is no effective platform to champion biodiversity mainstreaming.

*Jill Blockhus (TNC)* stressed that highlighting co-benefits of biodiversity projects will be one of the most effective ways of bringing biodiversity into Bank operations. Climate change related topics such as ecosystem-based adaptation offers a good entry point.

*Nancy Diamond (consultant)* asked if there are any plans for constituency building, civil society dialogue and other activities that would include local communities in biodiversity discussion.

*Janet Ranganathan (WRI)* stressed the need for data, that biodiversity supports sustainable development.

## ***Biodiversity in the 2010 Environment Strategy: An Economic Perspective***

*John Reid (Conservation Strategy Fund)*

In order to make an economic case for protecting biodiversity, the first step is to determine whether biodiversity is producing benefits in excess of cost to preserve them. If so, then there is economic advantage to preserving biodiversity. The main problem in doing this economic evaluation is that there is very little known about how to assign quantitative values to the benefits provided by ecosystems. Also unit values for ecosystem benefits and their response functions are yet to be determined.

The Bank has some comparative advantages in biodiversity projects. Some of them include

- having the facilities to combine grants and loans to make the investments more viable and effective.
- maintaining a staff roster with high technical expertise that can provide technical leadership in biodiversity related projects
- being a large organization, it has a regional and global reach and convening authority.
- being a well-being (not a profit) maximize, the Bank has more flexibility in investing in such projects that do not have an immediate return from the investments.
- it is well placed among NGOs and governments and with its technical expertise and financial resources, it can bridge between disparate parties with different interests.

### **Discussion**

*Gary Allport (Birdlife International)* believes that the Bank with its resources has the potential to initiate a market for public goods by matching producers and consumers of such goods. Can the bank work more into initiating a market for public goods such as biodiversity?

*Mark Zimsky (GEF)* remarked that GEF allocations in the Bank-led biodiversity projects are quite nominal. The decisions to invest in biodiversity are country driven and unless countries demonstrate the need, the Bank cannot intervene effectively. The recommendation made by the paper to invest in PAs is quite surprising given the higher proficiency of UNDP in that field.

*Gustavo Fonseca (GEF)* and *Yuka Makino (SASDI)* pointed out that production landscapes are seen as a center of economic benefit, whereas PAs are viewed as a cost center. There is also high incentive to focus on infrastructure. A way of mitigating for damages to biodiversity due to such infrastructure development could be application of PES.

*Suzanne Garrett (IUCN)* noted the possibility of development of blue carbon protocol and using carbon credits to protect some of the coastal marine habitats.

*Claudia Sobrevila (WB)* stated that the bank is already involved in protecting public goods through IDA loans, but she acknowledged that it could do more in explicitly creating a market that recognizes ownership of the public goods. In terms of focusing on production landscapes for biodiversity benefits, it should be done in addition to protected areas, as biodiversity benefits of production landscapes cannot rival that in PAs.

## **Overview of Most Effective Approaches to Mainstream Biodiversity in Rural Development** *Peter Dewees (ARD) and Deepti Thapa (ARD)*

GDP growth in agriculture is key to reducing poverty since 75% of world's poor are rural yet benefit from relatively little public spending (4% of ODA, 4% of public spending in SSA). Have problem of mis-investment via subsidies in developed countries.

Proposed solutions include:

- Increase productivity.
- Improve market access- strengthen value chains.
- Reduce risk.
- Facilitate agricultural investment.

Rural societies depend heavily on ecosystem services, such as soil productivity, natural crop biodiversity and watershed services. In addition to crop management, livestock management should also be considered, so that they are both done in a sustainable manner and the degradation due to these activities is reversed.

A review of ARD operations showed that seven subsectors incorporate biodiversity: agricultural productivity, community action forestry, fishery, coastal zone management, irrigation/drainage and grasslands management. In all these subcategories biodiversity is addressed through restoration of land and water ecosystem functions. The study showed that projects that had GEF co-financing had stronger biodiversity components. Forestry operations have mostly included biodiversity, but is only less than 0.55% of WB financing.

Climate change has made it necessary to increase food production, with limited land and water resources. Therefore, the World Bank is increasing its agricultural assistance. Vertical funds such as climate change related GEF funds and climate funds provide funding opportunities for these activities.

The EU Common Agricultural Policy (CAP) Pillar II supports non-subsidy payments and does "non-productive" investments to improve the environment. Some of its programs include conserving local breeds of livestock, supporting organic farming, and modernization of farm buildings and machineries. Similarly WTO (Green Box Mechanisms) support subsidies that are not trade distorting and contribute towards conservation, inspection and research. Some of the lessons learned from these programs could be incorporated into the WB Environment Strategy.

The Bank has become a convener of different government institutions and has made it possible to work in-country across institutions and include biodiversity concerns. Through its Global Food Security program, G-8 and G-20 countries have committed to support agriculture in developing countries and have pledged \$22 billion.

### **Discussion**

*Lauren Kelly (IEG)* asked whether the bank was focusing on sustainable agriculture techniques.

*Peter Dewees (ARD)* said that most of the old technologies are sustainable. Some modern techniques such as zero tillage could require new equipment and also herbicides. In some ARD projects, household manure stores were constructed to limit nitrate runoff. These projects have now developed composting systems as well, which has had positive impact on health of the

ecosystem. Regarding GMOs, the WB's main role is to help countries comply with the Cartagena Protocol on Bio-safety. FAO is a lot more involved in GMOs than the bank. He noted that more could be done at the landscape level.

*Ladd Connell (CI)* suggested applying biodiversity science to emphasize bi-directional linkages as discussed in the Bank publication *Convenient Solutions to an Inconvenient Truth*. Ecosystem services can relieve financial pressures on infrastructure projects. Forest carbon, blue carbon and other ecosystem services provide opportunities for sustainable financing.

*Daniel Fromm (IADB)* noted that the biggest missed opportunity for biodiversity is genuine mainstreaming. Ecosystem services need to be systematically incorporated into Country Assistance Strategies. However, *Valerie Hickey (WB)* pointed out that in pushing mainstreaming too much, biodiversity might lose its own agenda. Biodiversity, in addition to mainstreaming, needs to be promoted as an ends as well as as a means.

*Janet Ranganathan (WRI)* suggested that biodiversity in WB operations can be strengthened by building on successful interventions such as prevention of infectious diseases. WB should recognize its status as a standard setter and capitalize on the influence it has on public and private sectors.

### **Next Steps**

The first draft of the Bank's new Environment Strategy will be completed between July 2010 and December 2010. It will focus on biodiversity, ecosystem services and mainstreaming with multi service focus.

A consultation with Indigenous Peoples on the Bank's biodiversity portfolio groups is planned for 4/30 in New York.

A brainstorming with sustainable land management and natural resources management specialists will be held before the end of the fiscal year to discuss opportunities and demands for mainstreaming.