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INTEGRATING BIOLOGICAL DIVERSITY INTO AGRICULTURAL DEVELOPMENT

Note by the Executive Secretary

1. INTRODUCTION

1. Decision I/9 of the first meeting of the Conference of the Parties (COP) to the Convention on Biological Diversity set out to consider in 1996 the "conservation and sustainable use of agricultural biological diversity within the context of the Convention's three objectives and its provisions." Decision II/1 of the second meeting of the COP took note of the report of the first meeting of the Subsidiary Body for Scientific, Technical and Technological Advice (SBSTTA) in which the SBSTTA, in its recommendation I/2, proposed to provide to the COP "advice on scientific, technical and technological aspects of the conservation of agricultural biological diversity and sustainable use of its components (also taking into account the other provisions in Article 25, paragraph 2)" of the Convention. At the second meeting of the SBSTTA considered agricultural biological diversity. The recommendations of the SBSTTA are contained in Recommendation II/7 of the Report of the Second Meeting of the Subsidiary Body on Scientific, Technical and Technological Advice (see UNEP/CBD/COP/3/3).

2. This Note draws upon a World Bank paper entitled "*Mainstreaming Biological diversity in Agricultural Development: Toward Good Practice*" (August 1996).

3. As the world's population continues to grow, agricultural production must meet the rising demand for food. Current patterns diminish the biological diversity that provides many valuable services to agriculture and other sectors, and undermine long-term sustainability of agricultural production. The conversion of natural

habitats to agricultural use is of particular concern because it substantially reduces biological diversity. Intensification can be beneficial if it reduces pressures to expand cultivated areas, but it can also be harmful. Meeting the imperative of increasing agricultural production in a sustainable way while conserving and prudently using biological diversity is a major challenge.

4. This Note summarises the strategic responses to this challenge and the constraints that mitigate against such responses. In addition, this Note examines the role of the World Bank and other financial institutions in helping developing countries remove such constraints and effectively mainstream biological diversity in agricultural development.

2. MAINSTREAMING AT THE COUNTRY LEVEL

5. Mainstreaming biological diversity into agricultural development at the country level requires a framework to embrace biological diversity conservation as agricultural development policies and programs are formulated. This framework includes five strategic elements to reduce conflicts and build on the complementarities between agriculture and biological diversity. The relevance and importance of each element, summarised below, will vary from country to country, and strategies and actions to implement them must be designed in the context of country and local conditions.

a) Conflicts and complementarities between biological diversity conservation and agriculture need to be recognised and diagnosed. To ensure that this happens, biological diversity considerations must be included on the economic development agenda by (i) improving the effectiveness of national strategic planning frameworks (National Environmental Action Plans and Biological diversity Strategy and Action Plans); (ii) heightening awareness at technical and political levels of the conflicts, complementarities, and compromises between biological diversity conservation and agricultural development; and (iii) broadening agriculture sector planning objectives and processes to embrace biological diversity conservation.

b) Policy distortions that exacerbate pressure on biological diversity must be addressed through macroeconomic and sectoral policy reforms that benefit biological diversity while supporting the objective of economic efficiency. In addition, cross-sectoral policies such as those regulating land use should be consistent with biological diversity conservation objectives.

c) The effects of extensive market failures must be reduced to the extent possible. The broad instruments available include (i) using green taxes; (ii) enhancing security of property or usufruct rights; (iii) empowering local communities to manage natural resources, including biological diversity; and (iv) finding effective means to return the benefits of biological diversity to local communities.

d) Research and extension must be reoriented to provide more and better technical options to farmers who use biological diversity as an input to enhance agricultural productivity on a sustainable basis.

e) Recognising that the previous four elements may still leave critical aspects of biological diversity vulnerable to the actions of humans, targeted interventions for conservation will be required to protect critical natural habitats -- either in the agricultural landscape or through *ex situ* means.

6. Mainstreaming biological diversity in agricultural development means addressing the above five strategic elements. There are a number of factors that tend to encumber such mainstreaming and prevent or

restrain biological diversity-friendly policy reforms, institutional adjustments, or other interventions designed to conserve biological diversity in the agricultural landscape. These factors fall into three broad categories:

- a) A weak information base and a generally poor understanding of the nature of effects make assessment and identification of appropriate and specific responses difficult. These deficiencies prevent awareness of conflicts between agricultural development and biological diversity conservation. This lack of awareness undermines the sense of urgency for high-level policy decisions to support biological diversity conservation.
- b) The traditional focus on sectoral production and employment objectives and institutional barriers to cross-sectoral coordination have effectively prevented inclusion of biological diversity conservation in agricultural development planning. Lack of technical understanding on the part of agricultural planners about how agriculture depends on biological diversity and the relative isolation that characterises sectoral and environmental planning in many countries are contributing factors.
- c) Implementation of policies is impeded by the lack of proven modalities and instruments to address biological diversity loss problems. Although a wide range of tools and mechanisms have been proposed, experience with their use remains limited.

3. THE ROLE OF THE WORLD BANK AND OTHER FINANCIAL INSTITUTIONS

7. Support by the World Bank and other financial institutions to developing countries for mainstreaming biological diversity in agricultural development is essential for several reasons. First, conservation of biological diversity is linked to sustainable agricultural development, and for many developing countries agricultural production is the main engine of economic growth. Second, there should be a commitment by financial institutions to help governments meet their obligations under the Convention for Biological Diversity (CBD). The Convention sets out general measures for the conservation and sustainable use of biological diversity in Article 6(a) and calls upon each Party to “develop national strategies, plans or programmes for the conservation and sustainable use of biological diversity or adapt for this purpose existing strategies, plans or programmes which shall reflect, inter alia, the measures set out in this Convention relevant to the Contracting Party concerned.” In Article 6(b) the Convention outlines the sectoral basis for its implementation and invites each Party to “integrate, as far as possible and as appropriate, the conservation and sustainable use of biological diversity into relevant sectoral or cross-sectoral plans, programmes and policies”. Article 6(b) provides the legal basis for focusing on sectoral issues such as agricultural, forest and marine biological diversity, among others. Finally, as an implementing agency for the Global Environment Facility (GEF), the interim financing mechanism for the CBD, the World Bank has a direct responsibility to help client governments mainstream biological diversity in development.

8. The World Bank's commitment to its developing country partners in this effort was spelled out in the 1995 report *Mainstreaming Biological Diversity in Development: A World Bank Assistance Strategy for Implementing the Convention on Biological Diversity*. The agenda for action was broadly defined to (a) help 'green' country assistance strategies, (b) help countries design biological diversity-friendly sector policies and programmes, (c) facilitate cross-sectoral planning for biological diversity conservation, (d) ensure that Bank policies and practices help countries mainstream biological diversity, and (e) foster and expand strategic partnerships in support of biological diversity conservation. The first two of these tasks are directly relevant to mainstreaming biological diversity conservation in agricultural development.

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3.1 Biological Diversity Conservation and Country Assistance Strategies

9. The World Bank's Country Assistance Strategies (CASs) have traditionally focused on macroeconomic performance, including the questions of external debt management and domestic resource mobilisation. More recently, addressing constraints to development of key sectors of the economy has assumed greater importance. Notwithstanding these developments, sectoral issues generally remain less than fully integrated into the diagnosis or the proposed solutions presented in the CASs.

10. An increasing emphasis on environmentally sustainable development and environmental and natural resources management underpins World Bank assistance. While the purpose of, and audience for, a CAS does not allow extensive treatment of biological diversity conservation issues, it is important that they are given due attention when closely linked to the overall goals of development assistance delivery. In recent CASs for Mexico, Brazil, and Nepal, for example, biological diversity conservation as part of a broader set of environmental management priorities has been integrated into the analysis of development constraints and the formulation of the World Bank's assistance strategy .

11. Most of the World Bank's client governments are Parties to the Convention on Biological Diversity, and the World Bank, together with other donor agencies and partners, has an obligation to help these governments meet their obligations under the Convention. The World Bank has a special obligation because it is one of three implementing agencies for the Global Environment Facility.

12. The World Bank's current operational policy establishes that, where appropriate, global environment issues and the role of the GEF should be addressed in the CAS. Global environment issues such as conservation of biological diversity, however, have important links to generation of domestic benefits (extractive and non-extractive) and resource management. On such grounds alone, as well as the commitment under the CBD, biological diversity conservation would in many cases warrant explicit consideration and attention in World Bank assistance strategies. Prudent use and conservation of biological diversity amounts to management of an important part of a country's national capital stock. The World Bank's strategy for helping countries design and implement plans for rational use and conservation of such assets should form an essential part of the CAS. This means supporting policy reforms and priority investments that help to conserve biological diversity, including measures to minimise threats to these assets from agricultural development.

13. Two conditions must be satisfied for CASs to appropriately address biological diversity conservation. The World Bank's economic and sector work needs to be strengthened to address, where appropriate, biological diversity conservation as an explicit development objective. Such work is underway as collaborative exercises involving client government institutions and other partners in the delivery of development assistance. To address this need, the World Bank's ESD Vice Presidency has launched the Global Overlays Program. The Global Overlays Program, launched by the World Bank in partnership with bilateral donors and NGOs, seeks to internalise global externalities into national environmental planning and the Bank's sector work, operations, and dialogue with governments and partners. It is an iterative process, combining conceptual studies, reviews of state-of-the-art techniques for measuring and mitigating global externalities, and testing these concepts and tools through country-level studies as a means of identifying good practices for country planners and Bank task managers. The results will help guide national actions to reduce greenhouse gas (GHG) emissions, conserve biological diversity, and protect international waters.

14. The second condition is that there must be a strong commitment and deliberate process to integrate into the CASs' strategic recommendations that emerge from relevant sectoral and cross-sectoral studies and assessments, whether prepared by the Bank, country institutions or jointly. This includes agriculture sector reviews, natural resource management studies, country environmental strategy papers, as well as documents emerging from the country's own strategic planning in relevant areas (including agriculture development plans, national environmental action plans, biological diversity strategies, and action plans).

3.2 Biological Diversity Conservation and Agriculture Sector Work

15. As part of the World Bank's traditional sector work, agriculture sector reviews (ASRs) have concentrated on policy reform and sector investment priorities designed to increase agricultural production, secure rural employment, promote food security, and reduce poverty. The World Bank's agriculture sector work has recently changed. First, what used to be World Bank-prepared sector reports based on the work of visiting World Bank missions are now sector assessments and planning studies undertaken collaboratively with government institutions and other local partners. Second, the traditional all-encompassing sector-wide review is gradually being replaced by more narrowly focused studies and analyses, addressing subsectors or issues of special relevance to country planning or decision-making for agricultural development. In this process, natural resource management studies (including food production, land use and tenure, forestry development, rural employment, or rural infrastructure) have become increasingly common.

16. Coverage of biological diversity issues within the World Bank's agriculture sector work varies significantly. A 1995 review conducted by the Bank's Agriculture and Natural Resources Department found that biological diversity was addressed within the context of agricultural development in only seven of twenty-four ASRs undertaken between 1987 and 1995.

17. The World Bank and other financial institutions need to strengthen their agriculture sector work to effectively help developing country partners mainstream biological diversity conservation in planning for this sector. In a local context, the staff interacting with country sector planners need to be able to address four questions:

- a) How do agricultural development activities in the sector or subsector affect biological diversity?
- b) How can the sustainable use of biological diversity enhance agricultural development?
- c) How can government policies and programs be adjusted to reduce biological diversity loss?
- d) What are the costs of such adjustments? And how can trade-offs be evaluated?

18. The development of good practices begins with forming a suitable conceptual framework to help analyse the relationship between agricultural development (including policies, programs, and practices) and biological diversity conservation. It also depends on the availability of analytical tools and methods to measure effects of biological diversity losses or gains. Most important, country-sector studies will help test the conceptual framework, refine analytical tools and methods, and prepare a set of good practice guidelines to incorporate biological diversity conservation objectives into agriculture sector work and operations.

19. These tasks form part of the World Bank - Environmentally Sustainable Development's (ESD) broader

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initiative to promote mainstreaming global environment objectives in World Bank operations. This initiative, which is coordinated under the Global Overlay Program involves ESD departments working with the Bank's regional departments. To help conserve biological diversity, the Global Overlay Program envisages the following three activities over the next three years:

- a) Based upon relevant studies and country experience, propose an analytical framework to examine effects of sector activities and policies on biological diversity. Initial work will focus on agricultural development and extend to forestry management and land degradation control.
- b) Building upon ongoing or recent sector reviews, evaluate up to eight global overlay applications (such as country studies) involving agriculture and forestry sectors in collaboration with developing country governments and institutions. The Environment Department and the Agriculture and Natural Resources Department, together with regional Sector Operations Divisions, are currently discussing suitable countries in which overlays may begin during early fiscal 1997. The country studies would initially focus on the complementarity between sector development and global environment objectives (the 'no regrets' options). They would identify opportunities to capture additional global environment benefits through markets for such benefits (limited as such markets may be), or international resource transfers (through institutions such as GEF). They should provide policy prescriptions, sector investment priorities from global environment standpoint, and identification of associated incremental costs.
- c) Using the results of the previous two activities, prepare good practice guidelines for global overlays for use by country planners, sector practitioners, and World Bank staff.

20. The World Bank and other financial institutions must be prepared to help governments lower or overcome the barriers to integrating the agendas for sectoral development and environmental management, including biological diversity conservation. This can be done through:

- a) Helping to prepare environmental and biological diversity conservation strategies or action plans which secure the active participation of sectoral interests. A centrally-placed coordination mechanism that has governmental support from the highest level should be included.
- b) Supporting these strategic national frameworks covering biological diversity conservation, where the emphasis should be on the importance of (i) assigning responsibilities to individual sectors of the economy to adopt and implement policies and programs that address identified priorities for biological diversity conservation; (ii) identifying win-win policy reforms; and (iii) establishing a system to monitor the execution of such responsibilities by sectoral ministries or agencies.
- c) Supporting country planning studies designed to integrate biological diversity conservation into agriculture sector planning which emphasises cross-sectoral and broad-based participation, embracing not only government agencies, but also the local NGO and scientific communities. Support should be designed to foster capacity building rather than producing a study report. International NGOs working with local NGOs may be in a position to facilitate such a process.

3.3 Biological Diversity and the Lending Portfolio

21. The first generation of biological diversity projects in the World Bank's portfolio, dating back to the 1970s, helped Government institutions establish and manage national parks and protected areas. At the time, management meant protecting biological diversity by keeping all other activities out and relying on penalties (enforcement) as the incentive. World Bank support for these purposes came either in the form of free-standing projects or as components of forestry or other relevant operations.
22. It soon became clear that this approach was unsustainable from most perspectives. As a result, a second generation of biological diversity projects recognised the need to involve local communities in management and sharing benefits. These projects recognised that the sustainability of any regime to protect biological diversity in national parks depends largely on how effectively it reduces the pressure generated by the production and consumption needs of communities neighbouring the protected areas.
23. A third generation of projects now needs to effectively promote biological diversity outside traditional protected areas. The development of such projects should follow naturally by successfully mainstreaming biological diversity conservation at the sectoral level, and should manifest itself in two main ways: agricultural lending operations should include biological diversity conservation among project objectives; and the design of agricultural projects should reflect the use of environmental assessment to select the most cost-effective means of supporting biological diversity.
24. A review of the recent agriculture and related natural resource management portfolio carried out by the World Bank's Agriculture and Natural Resources Department concluded that while only a limited number of projects explicitly address biological diversity conservation, the proportion of biological diversity-friendly agricultural projects is increasing.
25. Of 402 agricultural projects (IBRD loans or IDA credits) approved between 1988 and 1995, 10 percent recognised biological diversity as an explicit objective with activities that typically supported strengthening existing protected area management and national strategic planning for biological diversity conservation. While such activities are important, they often have few direct functional links to agricultural development activities of the project. In such cases, the agricultural project serves more as a convenient vehicle to support biological diversity management activities than as a means to integrate biological diversity conservation in agricultural development
26. There are important exceptions, however, including agricultural projects that have been designed explicitly to promote biological diversity conservation, either through activities that otherwise would not have been undertaken, or projects that have exploited important synergies between biological diversity conservation and agricultural development. It is important to note that the approach of these projects is distinctly different from that of agricultural projects which, consistent with World Bank operational policy, establish new protected areas to compensate for natural habitats or wildlands that would be lost or threatened as part of the project's proposed activities.
27. For the overwhelming majority (320) of the agricultural projects approved during 1988-95, biological diversity conservation did not figure as an objective. Many of these have potentially harmful effects on

biological diversity by promoting pesticide use, encouraging monoculture crops, and constructing irrigation canals through nature reserves. The share of such projects in the agricultural portfolio is, however, declining--in the 1988 portfolio one out of every three was judged (by the recent World Bank review) to have potentially harmful effects on biological diversity, but this ratio dropped to one out of fifteen for projects approved in 1995.

28. An increasing number of agriculture sector projects have direct or indirect positive effects on biological diversity through agroforestry, integrated pest management, natural resources management, crop rotation, and genetic resources preservation. These projects include among other things: soil conservation efforts such as the creation of protection forests; on-farm erosion control; agroforestry; promoting contour plowing, bench terracing, and reducing erosive mechanisation; and strengthening and expanding the use of integrated pest management through farmer education, field investigation, links with research and extension systems, and strengthening regulatory frameworks for pesticides.

29. Within the group of projects that indirectly benefits biological diversity conservation are those that increase productivity either through restoration processes or successful intensification, and thereby reduce the pressures on adjacent biological diversity-rich lands or natural habitats. Such projects include, for example, investments in land reclamation (such as improved drainage networks) while promoting soil management practices (including reduced tillage systems, increased use of natural fertilisers, and retention of organic matter), and diversifying cropping systems (incorporating food crops, salt-tolerant fruit trees, and high-value aromatic plants) to further arrest expansion of sodic lands.

30. Biological diversity-friendly agricultural projects are the result of more systematic and effective use of environmental assessments and an increased awareness of unsustainable forms of agricultural production. Good practice examples of environmental assessments of agricultural projects are those which, among other things: recognise the divergence between private and social benefits of services provided by biological diversity; address safeguards needed to prevent private enterprises from adversely affecting the environment; and identify relevant environmental issues and their related effects on biological diversity.

4. OPTIONS FOR ACTIONS

31. The challenges for the World Bank, and other financial institutions, in mainstreaming biological diversity at the project level are:

a) To deepen the implementation of 'do no harm' strategies in the design of agricultural projects by effective use of environmental assessments, and by systematically applying the policy of compensatory actions for natural habitats threatened by proposed project activities.

b) To promote identification of synergies between biological diversity conservation and agricultural development, and build them into project design.

c) To broaden the use of environmental assessments as a tool to mainstream biological diversity in agriculture. This includes using sectoral and regional environmental assessments to screen both public investment programs and upstream project design options against the objectives of biological diversity conservation.

d) To use agricultural investment and sector adjustment operations appropriately as instruments to

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support policy reform, institutional capacity, and awareness of mainstreaming biological diversity in agricultural development.

32. The Conference of the Parties may wish to consider requesting the World Bank, and other financial institutions, to report on efforts to meet the challenges of mainstreaming biological diversity into agricultural development.