



## Natural Habitats

1. The conservation of natural habitats,<sup>1</sup> like other measures that protect and enhance the environment, is essential for long-term sustainable development. The Bank<sup>2</sup> therefore supports the protection, maintenance, and rehabilitation of natural habitats and their functions in its economic and sector work, project financing, and policy dialogue. The Bank supports, and expects borrowers to apply, a precautionary approach to natural resource management to ensure opportunities for environmentally sustainable development.

### Economic and Sector Work

2. The Bank's economic and sector work includes identification of (a) natural habitat issues and special needs for natural habitat conservation, including the degree of threat to identified natural habitats (particularly critical natural habitats); and (b) measures for protecting such areas in the context of the country's development strategy. As appropriate, Country Assistance Strategies and projects incorporate findings from such economic and sector work.

### Project Design and Implementation

3. The Bank promotes and supports natural habitat conservation and improved land use by

financing projects designed to integrate into national and regional development the conservation of natural habitats and the maintenance of ecological functions. Furthermore, the Bank promotes the rehabilitation of degraded natural habitats.

4. The Bank does not support projects that, in the Bank's opinion, involve the significant conversion or degradation<sup>3</sup> of critical natural habitats.

5. Wherever feasible, Bank-financed projects are sited on lands already converted (excluding any lands that in the Bank's opinion were converted in anticipation of the project). The Bank does not support projects involving the significant conversion of natural habitats unless there are no feasible alternatives for the project and its siting, and comprehensive analysis demonstrates that overall benefits from the project substantially outweigh the environmental costs. If the environmental assessment<sup>4</sup> indicates that a project would significantly convert or degrade natural habitats, the project includes mitigation measures acceptable to the Bank. Such mitigation measures include, as appropriate, minimizing habitat loss (e.g., strategic habitat retention and post-development restoration) and establishing and maintaining an ecologically similar protected area.

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1. See definitions in Annex A.
2. "Bank" includes IBRD and IDA, and "loans" includes credits, grants, and guarantees. This policy also covers GEF-funded projects. Adjustment loans are not covered by this policy but are subject to the general policies set out in OP 4.00, *Environmental Aspects of Bank Work* (forthcoming).
3. For definitions, see Annex A.
4. See OD 4.01, *Environmental Assessment*, to be reissued as OP/BP 4.01.

**Note:** OP, BP, and GP 4.04 are a conversion of OPN 11.02, *Wildlands*, to the OP/BP/GP format. Please discard OPN 11.02. These statements apply to all projects for which a Project Information Document is first approved by the country department director on or after October 15, 1995. The policy set out in OP 4.04 applies to any project financed by the Bank, whether or not the Bank is financing the project component that affects natural habitats. In case of doubt, any determination of what is acceptable to the Bank under this policy is made by the Regional vice president in consultation with the Environment, Legal, and Operations Policy departments. Questions should be addressed to the Director, Environment Department.



The Bank accepts other forms of mitigation measures only when they are technically justified.

6. In deciding whether to support a project with potential adverse impacts on a natural habitat, the Bank takes into account the borrower's ability to implement the appropriate conservation and mitigation measures. If there are potential institutional capacity problems, the project includes components that develop the capacity of national and local institutions for effective environmental planning and management. The mitigation measures specified for the project may be used to enhance the practical field capacity of national and local institutions.

7. In projects with natural habitat components, project preparation, appraisal, and supervision arrangements include appropriate environmental expertise to ensure adequate design and implementation of mitigation measures.

8. This policy applies to subprojects under sectoral loans or loans to financial intermediaries.<sup>5</sup> Regional Environment Divisions (REDs) oversee compliance with this requirement.

## Policy Dialogue

9. The Bank encourages borrowers to incorporate into their development and environmental strategies analyses of any major natural habitat issues, including identification of important natural habitat sites, the ecological functions they perform, the degree of threat to the sites, priorities for conservation, and associated recurrent-funding and capacity-building needs.

10. The Bank expects the borrower to take into account the views, roles, and rights of groups, including local nongovernmental organizations and local communities,<sup>6</sup> affected by Bank-financed projects involving natural habitats, and to involve such people in planning, designing, implementing, monitoring, and evaluating such projects. Involvement may include identifying appropriate conservation measures, managing protected areas and other natural habitats, and monitoring and evaluating specific projects. The Bank encourages governments to provide such people with appropriate information and incentives to protect natural habitats.

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5. See OD 4.01, *Environmental Assessment*, to be reissued as OP/BP 4.01.

6. See OD 4.20, *Indigenous Peoples*, when local communities include indigenous peoples.



# Operational Policies

## Definitions

1. The following definitions apply in OP, BP, and GP 4.04:

- (a) *Natural habitats*<sup>1</sup> are land and water areas where (i) the ecosystems' biological communities are formed largely by native plant and animal species, and (ii) human activity has not essentially modified the area's primary ecological functions.

All natural habitats have important biological, social, economic, and existence value. Important natural habitats may occur in tropical humid, dry, and cloud forests; temperate and boreal forests; mediterranean-type shrublands; natural arid and semi-arid lands; mangrove swamps, coastal marshes, and other wetlands; estuaries; seagrass beds; coral reefs; freshwater lakes and rivers; alpine and subalpine environments, including herbfields, grasslands, and paramos; and tropical and temperate grasslands.

- (b) *Critical natural habitats* are

- (i) existing protected areas and areas officially proposed by governments

as protected areas (e.g., reserves that meet the criteria of the World Conservation Union [IUCN] classifications<sup>2</sup>), areas initially recognized as protected by traditional local communities (e.g., sacred groves), and sites that maintain conditions vital for the viability of these protected areas (as determined by the environmental assessment process<sup>3</sup>); or

- (ii) sites identified on supplementary lists prepared by the Bank or an authoritative source determined by the Regional Environment Division. Such sites may include areas recognized by traditional local communities (e.g., sacred groves); areas with known high suitability for biodiversity conservation; and sites that are critical for rare, vulnerable, migratory, or endangered species.<sup>4</sup> Listings are based on systematic evaluations of such factors as species richness; the degree of endemism, rarity, and vulnerability of componentspecies; representativeness; and integrity of ecosystem processes.

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1. It should be noted that much biodiversity is contained outside natural habitats and is therefore not the subject of this policy (for example as part of agricultural landscapes). This issue will be dealt with in the *Natural Habitats and Ecosystem Management Handbook* (forthcoming).
  2. As indicated in *Guidelines for Protected Area Management Categories* (Gland, Switzerland, and Cambridge, UK: IUCN, 1994), and the *United Nations List of National Parks and Protected Areas* (Gland, Switzerland, and Cambridge, UK: IUCN, 1994), or by a similar list acceptable to the Bank, published by another competent organization. IUCN categories are as follows: I—Strict Nature Reserve/Wilderness Area: protected area managed for science or wilderness protection; II—National Park: protected area managed mainly for ecosystem protection and recreation; III—Natural Monument: protected area managed mainly for conservation of specific natural features; IV—Habitat/Species Management Area: protected area managed mainly for conservation through management intervention; V—Protected Landscape/Seascape: protected area managed mainly for landscape/seascape conservation and recreation; and VI—Managed Resource Protected Area: protected area managed mainly for the sustainable use of natural ecosystems.
  3. See OP/BP 4.01, *Environmental Assessment* (forthcoming).
  4. Rare, vulnerable, and endangered as defined in the IUCN Red List of Threatened Animals or identified by Regional Environmental Divisions on the basis of national and regional studies.



# Operational Policies

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- (c) *Significant conversion* is the elimination or severe diminution of the integrity of a critical or other natural habitat caused by a major, long-term change in land or water use. Significant conversion may include, for example, land clearing; replacement of natural vegetation (e.g., by crops or tree plantations); permanent flooding (e.g., by a reservoir); drainage, dredging, filling, or channelization of wetlands; or surface mining. In both terrestrial and aquatic ecosystems, conversion of natural habitats can occur as the result of severe pollution. Conversion can result directly from the action of a project or through an indirect mechanism (e.g., through induced settlement along a road).
- (d) *Degradation* is modification of a critical or other natural habitat that substantially reduces the habitat's ability to maintain viable populations of its native species.
- (e) *Appropriate conservation and mitigation measures* remove or reduce adverse impacts on natural habitats or their functions, keeping such impacts within socially defined limits of acceptable environmental change. Specific measures depend on the ecological characteristics of the given site. They may include full site protection through project redesign; strategic habitat retention; restricted conversion or modification; reintroduction of species; mitigation measures to minimize the ecological damage; postdevelopment restoration works; restoration of degraded habitats; and establishment and maintenance of an ecologically similar protected area of suitable size and contiguity. Such measures should always include provision for monitoring and evaluation to provide feedback on conservation outcomes and to provide guidance for developing or refining appropriate corrective actions.