

OP 4.04 - Natural Habitats

These policies were prepared for use by World Bank staff and are not necessarily a complete treatment of the subject.

OP 4.04
June, 2001

This Operational Policy statement was revised in August 2004 to reflect the term "development policy lending" (formerly adjustment lending), in accordance with [OP/BP 8.60](#), issued in August 2004.

Note: OP and [BP 4.04](#) replace the earlier versions dated September 1995. Questions should be addressed to the Director, Environment Department.

1. The conservation of natural habitats,¹ like other measures that protect and enhance the environment, is essential for long-term sustainable development. The Bank² 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 degradation³ 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 assessment⁴ 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. 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.⁵ Regional environmental sector units 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,⁶ 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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1. See definitions in [Annex A](#).
 2. "Bank" includes IBRD and IDA, "loans" includes IDA credits and IDA grants, "borrower" includes, for guarantee operations, a private or public project sponsor receiving from another financial institution a loan guaranteed by the Bank; and "project" includes all operations financed by Bank loans (including projects under adaptable lending-adaptable program loans [APLs] and learning and innovation loans [LILs]) or guarantees except programs supported under development policy lending (with respect to which environmental considerations are set out in [OP/BP](#) 8.60, *Development Policy Lending*) and debt and debt service operations. The project financed by a Bank loan is described in Schedule 2 to the Loan/Development Credit Agreement for that project. The term project includes all components of the project, regardless of the source of financing. The term project also includes projects and components funded under the Global Environment Facility (GEF), but does not include GEF projects executed by organizations identified by the GEF Council as eligible to work with the GEF through expanded opportunities for project preparation and implementation (such organizations include, inter alia, regional development banks and UN agencies such as FAO and UNIDO).
 3. For definitions, see [Annex A](#).
 4. See [OP/BP](#) 4.01, *Environmental Assessment*.
 5. See [OP/BP](#) 4.01, *Environmental Assessment*, for environmental assessment in subprojects.
 6. See [OP/BP](#) 4.10, *Indigenous Peoples, when local communities include indigenous peoples*.
