Environmental and Social Safeguard Standards

Of Foreign Environmental Cooperation Center

Natural Habitats, Biodiversity Conservation and

Sustainable Management of Living Natural Resources

Chapter I Policy

1. Preferential support shall be given to those projects that help protect natural habitats[1] and improve service functions of the ecosystem.

2. At any feasible circumstance, FECO projects should be sited on lands already converted (excluding any lands that were converted in anticipation of the project). The project shall not cause significant conversion[2] or degradation[3] of natural habitats unless there is no alternative site and the comprehensive analysis shows that the overall benefits of the project greatly exceed the environmental cost expended. If ESA shows that the project would lead to significant conversion or degradation of natural habitats, appropriate measures shall be adopted to eliminate or reduce the adverse impacts on natural habitats, keeping such impacts within socially defined limits of acceptable environmental change.

3. No project shall be constructed at any critical natural habitat unless (1) the project would not cause adverse impact on the self-recovery capacity and ecological functions of the habitats; (2) the project would not lead to any reduction in the number of known rare or critically endangered species or loss of habitat area, and would not affect the survival of the main ecological system with local representativeness; (3) adverse impacts are on a limited scale that result from conservation actions that achieve a Net Gain of the Biodiversity values; (4) if a project is sited in a natural reserve established according to law, the activities with relation to the project must abide by the requirements of relevant laws and regulations of the state and be coordinated with competent administrative departments, local communities and other stakeholders, and supplementary projects shall be arranged and implemented so as to improve and promote the protection of the natural reserve.

4. All project activities should not contravene applicable international environmental treaties or agreements.

5. Appropriate measures should be taken to avoid the introduction or utilization of invasive alien species, whether accidental or intentional, and will support activities to mitigate and control their further spread.

6. FECO will not support projects that purchase primary production from supply chain sources that are contribution to significant conversion of natural and/or critical habitats.

7. If a project or program involves production or harvesting of living natural

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[1] Natural habitats are land and water areas where the ecosystems' biological communities are formed largely by native plant and animal species, and human activity has not essentially modified the area's primary ecological functions.

[2] Significant conversion refers to 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.

[3] Degradation refers to the modification of a critical or other natural habitat that substantially weakens the habitat's ability to maintain viable populations of its native species.

resources, these activities shall be carried out consistent with good sustainable management practices, including industry-specific standards, where such standards exist.

8. If a projects or program involves forest restoration, these activities shall maintain or enhance biodiversity and ecosystem functionality, and shall be environmentally appropriate, socially beneficial and economically viable.

9. Project and program supported activities shall conform with applicable frameworks and measures related to access and benefit sharing in the utilization of genetic resources.

10. In projects that could affect biodiversity, natural habitats, or ecosystem services[4], experienced experts shall be employed to take part in each phase of the project and ensure that effective mitigation measures will be stipulated and implemented.

11. Reasonable opinions and rights of local communities and other stakeholders shall be taken into full account, so as to enable them to participate in the planning, design, implementation, monitoring and evaluation of the project.

12. The mitigation measures and critical habitat protection plan shall be timely publicized in a right place and in a form and language understandable to the project-affected population and other stakeholders.

Chapter II Institutional Structures

FECO has designated a staff person as the institutional focal point for natural habitats. This staff will be responsible for the coordination, implementation and oversight of FECO's standard on natural habitats.

FECO maintains a pool of external specialists in the area of natural habitat protection, taken from the field of biology, ecology, forestry management, environmental management, agronomy, oceanography and related disciplines, which will perform specialized functions in the implementation of FECO's standard on natural habitats.

Chapter III Guidelines

Section I Biodiversity Conservation and Habitats

"Habitat" is defined as a terrestrial, freshwater, or marine geographical unit or airway that supports assemblages of living organisms and their interactions with the nonliving environment. In most instances, habitat loss, degradation, or fragmentation represents the greatest threat to biodiversity, and much of the focus of biodiversity

[4] Ecosystem services are the benefits that people, including businesses, derive from ecosystems. Ecosystem services are organized into four types: (i) provisioning services, which are the products people obtain from ecosystems; (ii) regulating services, which are the benefits people obtain from the regulation of ecosystem processes; (iii) cultural services, which are the nonmaterial benefits people obtain from ecosystems; and (iv) supporting services, which are the natural processes that maintain the other services.

conservation actions is on maintaining or restoring suitable habitats.

Habitats are three-dimensional and include the biologically active airspace above land or water areas. Some airspaces, such as migratory bird corridors, for example, may be of high biodiversity significance, even if the land underneath them has been highly modified. In certain circumstances, habitats also may extend below ground to include caves, aquifers, and other subterranean ecosystems.

For the protection and conservation of habitats and the biodiversity they support, FECO will firstly ensure that any risk and adverse impact is anticipated and then, in order: seek to avoid or prevent impacts, where feasible; where avoidance is not possible, minimize impacts; when impacts occur, restore; and finally only use offsets as an option to compensate for the residual impacts after all other options have been exercised.

A biodiversity offset will be designed and implemented to achieve measurable, additional, and long-term conservation[5] outcomes that can reasonably be expected to result in no net loss[6] and preferably a net gain of biodiversity. In the case of an offset used as mitigation for residual adverse impacts on any area of critical habitat, a net gain is required. The design of a biodiversity offset will adhere to the "like-for-like or better"[7] principle and will be carried out in alignment with GIIP. If a biodiversity offset is being considered, the measures should be technically and financially feasible and documented in the ESMP with monitoring and evaluation plans. If certain residual adverse impacts cannot be offset, FECO will not undertake the project unless it is redesigned to avoid the need for such offset.

Section II Natural Habitats

Natural habitats are land and water areas where the ecosystems' biological communities are formed largely by native plant and animal species, and human activity has not essentially modified the area's primary ecological functions. Natural habitats mainly include scenic spots, forest parks, geological parks, important wetlands, original natural forests, natural concentrated distribution areas of rare and endangered species of wild fauna and flora, natural spawning, feeding and wintering grounds and migration channels of important aquatic organisms, natural fishery

[5] Measurable conservation outcomes for biodiversity will be demonstrated in situ (in natural conditions, not in captivity or depository) and on an appropriate geographic scale (e.g., at the local, national, or regional level).

[6] "No net loss" is defined as the point at which project-related biodiversity losses are balanced by gains resulting from measures taken to avoid and minimize these impacts, to undertake on-site restoration, and finally to offset significant residual impacts, if any, on an appropriate geographic scale.

[7] The principle of "like-for-like or better" means that in most cases biodiversity offsets should be designed to conserve the same biodiversity values that are being affected by the project (an "in kind" offset). In certain situations, however, areas of biodiversity to be affected by the project may be neither a national nor a local priority, and there may be other areas of biodiversity with like values that are a higher priority for conservation and sustainable use, and under imminent threat or in need of protection or effective management. In these situations, it may be appropriate to consider an "out-of-kind" offset that involves "trading up" (i.e., where the offset targets biodiversity of higher priority than that affected by the project). Regardless of type, any areas considered as offsets for residual adverse impacts in critical habitats will also be critical habitats.

grounds and others.

Project shall give priority to supporting the activities that help protect natural habitats and improve ecosystem service function. The project shall not lead to significant conversion or degradation of natural habitats unless there is no alternative site and the comprehensive analysis shows that the overall benefit of the project greatly exceeds the environmental cost to be expended. If environmental assessment shows that the project would lead to significant conversion or degradation of natural habitats, appropriate measures shall be adopted to eliminate or reduce the adverse impacts on natural habitats, keeping such impacts within socially defined limits of acceptable environmental change.

Project shall abide by relevant provisions of the "Law of the People's Republic of China on the Protection of Wildlife", "Regulations of the People's Republic of China on the Protection of Wild Plants", "Forest Law of the People's Republic of China", "Regulations of the People's Republic of China on Natural Reserves", "Regulations on Scenic Spots Management" and "National Plan for Main Functional Areas".

FECO would not use GEF funding to finance projects that result in the economic and /or physical displacement or resettlement of people, and the projects would not deprive the right of minorities or ethnic groups who live inside or benefit from natural habitats to access protected areas or a critical biodiversity's location.

Projects sited in natural habitats shall give consideration to the rational opinions and rights of the affected local NGOs, communities and other groups, making them participate in the planning, designing, implementing, monitoring and assessing the projects. Specific participation activities may include determining appropriate protection measures, managing reserves and other natural habitats and monitoring and evaluating the project.

Section III Conversion of Natural Habitats

Under any circumstance, the projects financed by FECO should be sited on lands already converted (excluding any lands that were converted in anticipation of the project). In conversed habitats, the natural condition often sees obvious change caused the appearance of foreign species. This kind of conversion should be avoided from further development and worsening as much as possible. Natural habitat and biodiversity protection should be an integrated part of a project based on the nature and scope of the project.

Section IV Critical Natural Habitats

Critical natural habitats mainly include:

(1) Areas where exploitation is banned by relevant policies stipulated in the "National Plan for Main Functional Areas" or the national ecological redline. The areas whose exploitation is banned include representative natural ecosystems, natural concentrated distribution areas of rare and endangered species of wild fauna and flora, sites of natural monuments and cultural relics with special value, key ecological functional zones where industrialization and urbanization development are banned in

territory exploitation, mainly including world cultural and natural heritages, national-level natural reserves, national-level scenic spots, national forest parks and national geological parks etc.

(2) Protected areas recognized by local communities (such as sacred woods).

No projects shall be developed in critical natural habitats, unless:

(1) The project would not cause any adverse impact on the self-restoration and ecosystem function of the biodiversity in critical natural habitats;

(2) The project would not cause decrease of any rare or critically endangered species listed in IUCN (International Union for Conservation of Nature) Red List of Endangered Species, China Red List of Species, List of Wild Plants under Special Protection of the State (first batch) and List of Wild Animals under Special Protection of the State, or loss of the areas of habitats. The project would not impact the survival of local representative main ecosystems;

(3) Slight environmental impact caused by the project can be mitigated through protection and mitigation measures;

(4) Project activities must abide by the requirements of laws and regulations such as the "Regulations of the People's Republic of China on Natural Reserves", "Convention Concerning the Protection of the World Cultural and Natural Heritage", "Operation Guidelines for the Implementation of the World Heritage Convention", "Regulations on Scenic Spots", "Forest Law of the People's Republic of China", "Regulations on the Implementation of the Forest Law of the People's Republic of China", "Law of the People's Republic of China on the Protection of Wild Plants" and "Methods for Forest Part Management" . Consultation shall be conducted with competent administrative department, local communities and other stakeholders on the activities of the projects. Planning and supplementary sub-projects shall be implemented to promote and improve the conservation of reserves.

Section V Forests

In project development, execution and implementation, FECO must strictly abide by the provisions of relevant laws and regulations including "Forest Law of the People's Republic of China", "Regulations of the People's Republic of China on the Protection of Wild Animals" and "Regulation of the People's Republic of China on Natural Reserves", and not support any project that may cause conversion or degradation of critical natural forests or related critical natural habitats.

According to the provisions of the "Forest Law of the People's Republic of China, forest restoration projects must maintain or enhance biodiversity and ecosystem functionality, and all plantation projects must be environmentally appropriate, socially beneficial and economically viable. Strictly abiding by relevant laws and regulations, FECO would not finance any forest plantation project that may cause conversion or degradation of critical natural habitats (including nearby or downstream natural habitats). All plantation projects shall be implemented in non-forest land or converted land. Because forest plantation projects may introduce invasive species and threaten biodiversity, the design of such projects shall give consideration to avoid or mitigate the potential threat to natural habitats.

Section VI Ecological Impact Assessment

"Technical Guidelines for Environmental Impact Assessment – Ecological Impact" (HJ19-2011) issued by Ministry of Ecology and Environment of China stipulates the general principles, methods, content and technical requirement for ecological impact assessment. This document applies to the assessment of project impact on ecosystem and its elements.

Section VII Invasive Alien Species

Intentional or accidental introduction of alien, or nonnative, species of flora and fauna into areas where they are not normally found can be a significant threat to biodiversity, since some alien species can become invasive, spreading rapidly, and destroying or out-competing native species.

The project should not deliberately introduce any alien species with a high risk of invasive behavior. Any species in the List of "Invasive Alien Species in China's Natural Ecosystem" published by Ministry of Ecology and Environment of China should not be introduced. All introductions of alien species will be subject to a risk assessment according to "Technical Guideline for Assessment on environmental risk of alien species" to determine the potential for invasive behavior. The project should implement measures to avoid the potential for accidental or unintended introductions including the transportation of substrates and vectors (such as soil, ballast, and plant materials) that may harbor alien species.

Where alien species are already established in the region of the proposed project, the project should exercise diligence in not spreading them into areas in which they have not already become established. Where feasible, the project will take measures to eradicate such species from the natural habitats over which the project has management control.

Section VIII Sustainable Management of Living Natural Resources

Primary production of living natural resources is cultivation or rearing of plants or animals, including annual and perennial crop farming, animal husbandry (including livestock), aquaculture, plantation forestry, etc. Harvesting of living natural resources, such as fish and all other types of aquatic and terrestrial organisms and timber, refers to productive activities that include extraction of these resources from natural and modified ecosystems and habitats. They may include: forestry, whether in natural forests or in plantations, as well as collection of non-timber forest products, which may be harvested from natural forests; agriculture, including both annual and perennial crops, and animal husbandry; and both wild and capture fisheries, including all types of marine and freshwater organisms, both vertebrate and invertebrate.

Projects involving primary production and harvesting of living natural resources will assess the overall sustainability of these activities, as well as their potential impacts on local, nearby or ecologically linked habitats, biodiversity and communities, including Indigenous Peoples.

Living natural resources should be managed in a sustainable manner, through the application of good management practices and available technologies. Where such

primary production practices are codified in standards that are globally, regionally, or nationally recognized, particularly for industrial-scale operations, these standards will be applied. In the absence of relevant standards for the particular living natural resources in the country concerned, GIIP will be applied.

For projects involving small-scale producers, the producers will be required to operate in a sustainable manner and to gradually improve their practices where such opportunities exist. Where the project consists of a large number of small producers in the same geographical area, the project will assess the potential for cumulative risks and impacts.

Projects including commercial agriculture and forestry plantations (particularly projects involving land clearing or afforestation) will be located on land that is already converted or highly degraded (excluding any land that has been converted in anticipation of the project). In view of the potential for plantation projects to introduce invasive alien species and threaten biodiversity, such projects will be designed to prevent and mitigate these potential threats to natural habitats.

Section IX Primary Suppliers

Where project activities involve purchasing natural resource commodities, including food, timber, and fiber, that are known to originate from areas where there is a risk of significant conversion or significant degradation of natural or critical habitats, the environmental and social assessment of the project will include an evaluation of the systems and verification practices used by the primary suppliers[8] to determine whether there are known risks regarding significant conversion or significant degradation of natural or critical habitats related to a natural-resource commodity to be purchased under the project. Examples of natural-resource commodity production that may involve significant conversion or degradation of habitats include unsustainably harvested wood products, gravel or sand extraction from riverbeds or beaches, plantation crop production resulting in deforestation, and aquaculture that displaces mangroves or natural wetlands.

The project will establish systems and verification practices which will:

(i) Identify where the supply is coming from and the habitat type of the source area;

(ii) Where possible, limit procurement to those suppliers that can demonstrate that they are not contributing to significant conversion or degradation of natural or critical habitats; and

(iii) Where possible and within a reasonable period, shift primary suppliers to suppliers that can demonstrate that they are not significantly adversely impacting these areas.

Chapter IV Procedures

[8] Primary suppliers are those suppliers who, on an ongoing basis, provide directly to the project goods or materials essential for the core functions of the project. Core functions of a project constitute those production and/or service processes essential for a specific project activity without which the project cannot continue.

I. Stage of Eligibility Assessment

Project proponents need to explain if the proposed project involves, or potentially causes impacts to, natural habitats and biodiversity conservation. This information will be used by the focal point to determine whether this standard is triggered in the proposed project.

II. Stage of the Project Document Assessment

In all instances where the screening process has determined that the standard on Natural Habitats, Biodiversity Conservation and Sustainable Management of Living Natural Resources is triggered, a more detailed study will be carried out. This study will inform an Environmental and Social Management Plan (ESMP) that must be prepared by competent professionals. The main focus of the ESMP will be to avoid negative social, economic and environmental impacts on habitats and local communities that rely upon them. In cases where alternatives cannot be found, the ESMP will include provisions to minimize, restore and compensate for the negative impacts.

As part of the public consultations required in the ESA process, project-affected groups and communities, concerned government authorities, relevant civil society organizations and local experts will be involved in assessing potential impacts on natural habitats and biodiversity conservation, and exploring avoidance and mitigation options. The proponent should include, in the letter of invitations and attendance sheets that minorities, ethnic groups or their representatives participate in the public consultations for the forest management plan or the ecological management plan.

As part of the public consultation process, the draft ESMP or forest management plan will be disclosed in a timely manner, before appraisal formally begins, in a place accessible to key stakeholders and in a form and language understandable to them.