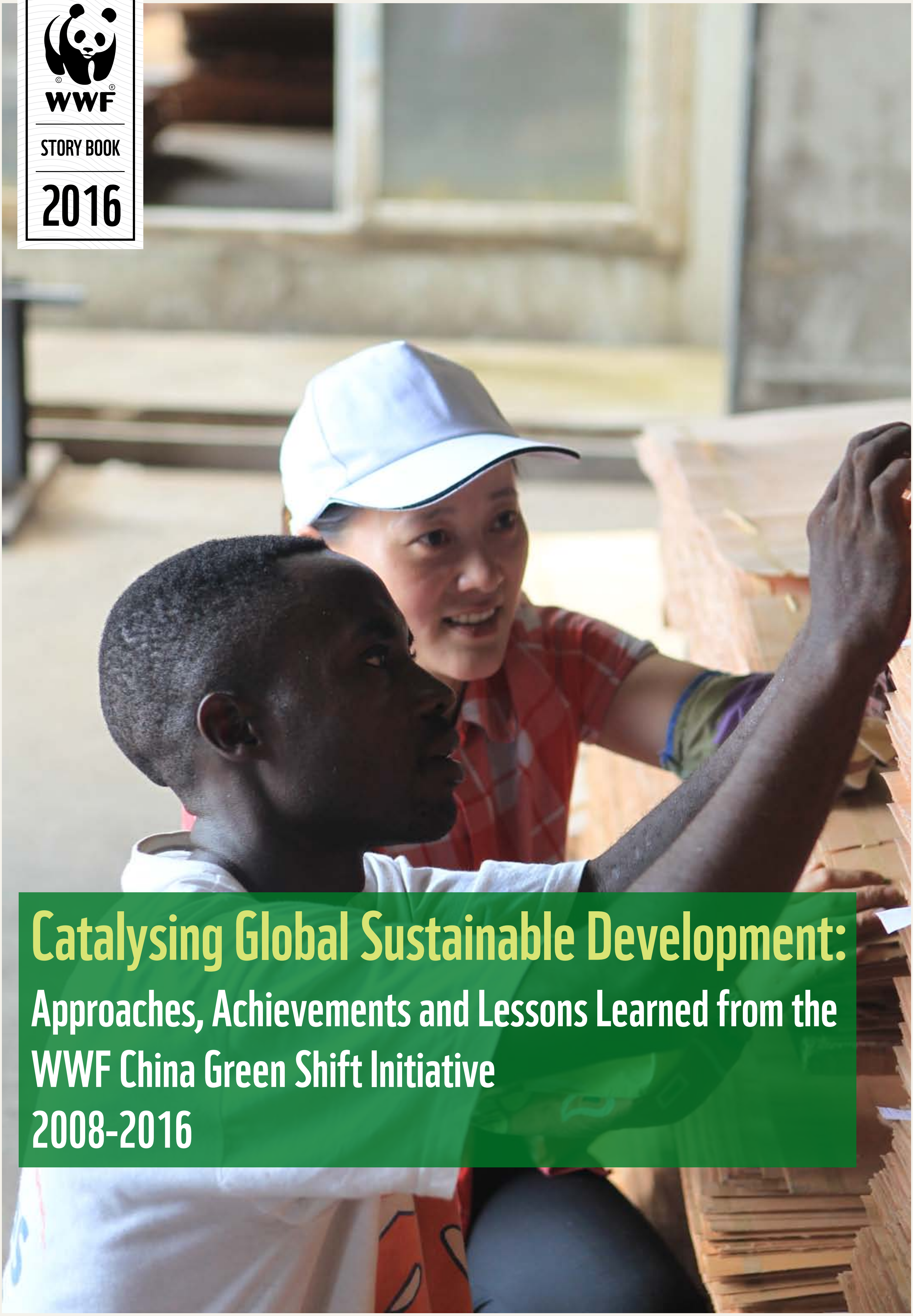
WWF

STORY BOOK

2016



Catalysing Global Sustainable Development:

Approaches, Achievements and Lessons Learned from the WWF China Green Shift Initiative 2008-2016

Foreword

In 2007, the WWF Network developed a portfolio of 'Global Initiatives' to bring its formidable strengths to bear on a few key priorities. Most of the Global Initiatives focused on major issues, such as climate change or fisheries; or on extraordinary places, such as the Amazon or the Coral Triangle. But in one we took a different path.

Our China Green Shift Initiative (CGSI) recognized the surpassing importance of China's growing role in the world – and our opportunity to help shape it. China was becoming the most important importer of one commodity after another and the most important investor in many developing countries. China also spoke of its unprecedented ambition to build an 'ecological civilization,' meaning there was a chance that its trade and investment could become engines for global sustainable development.

WWF worked with the Ministry of Environmental Protection and the China Council for International Cooperation on Environment and Development to build awareness of China's ecological footprint. We helped the China Banking Regulatory Commission to establish a green credit regulatory system. We engaged with Chinese companies to enlist them in promoting sustainability. Most important, through CGSI, WWF engaged with the vital and growing partnership between China and Africa, working with governments and companies on both sides to help build a shared commitment to truly sustainable development on the African continent.

CGSI exemplified the extraordinary strength of the WWF Network. The Network is known and trusted in many countries, and is uniquely positioned to help them work together to address the challenges of sustainability in an increasingly globalized world. Over these past eight years, CGSI used that strength to help China and Africa make very tangible progress toward a more sustainable future.

This report tells the story of this unique initiative.

James P. Leape, Director General of WWF International, 2005-14

Contents

List of acronyms and abbreviations

AIIB	Asia Infrastructure Investment Bank
BRI	Belt and Road Initiative
CBA	China Banking Association
CCICED	China Council for International Cooperation in Environment and Development
CBRC	China Banking Regulatory Commission
CCFA	China Chain Store and Franchise Association
CDB	China Development Bank
CFNA	China Chamber of Commerce of Foodstuffs and Native Products
CGSI	China Green Shift Initiative
CoC	Chain of Custody
CSRR	China Sustainable Retail Roundtable
EXIM Bank	The Export-Import Bank of China
EF	Ecological Footprint
FDI	Foreign Direct Investment
FOCAC	Forum on China–Africa Cooperation
FYP	Five Year Plan
GCG	Green Credit Guidelines
GI	Global Initiative
ICBC	Industrial and Commercial Bank of China
MEP	Ministry of Environmental Protection
MOFCOM	Ministry of Commerce
MTI	Market Transfovmation Imtiative
NDRC	National Development and Reform Commission
NGO	Non-Governmental organisation
PBoC	People's Bank of China
RSPO	Roundtable on Sustainable Palm Oil
SEA	Strategic Environmental Assessment
SFA	State Forestry Administration

Executive summary

Over the past 30 years, China has become an economic powerhouse. It is a major importer of natural resources and has significantly increased its trade and investment globally.

In 2008 we launched the China Green Shift Initiative (CGSI)[1]. It aimed to:

- bring environmental principles into the mainstream of China's economic plans
- make China's financial system greener
- integrate environmental and social standards into China's trade and investment
- bring sustainability standards to China's supply chains
- mobilize consumers to live more sustainably

In June 2016, the CGSI ended and its work was integrated into WWF's new global communities of practice. This booklet[2] presents the CGSI's approaches and achievements – and the key lessons we've learned.

Introducing China to its ecological footprint

In 2008 the ecological footprint concept was a sensitive issue in China. Today the central and provincial governments often use it to describe China's environmental condition.

We achieved this by working with influential ministries and think-tanks on the development of our ecological footprint reports, helping to create a sense of ownership. Working with many partners[3] we have produced five China Ecological Footprint reports.

Greening China's financial sector

In 2012, WWF became the only NGO[4] to have a strategic partnership with the China Banking Regulatory Commission (CBRC). We advised on the development of the Green Credit Guidelines (GCG), a Green Credit Statistical system, a process for ranking Chinese banks' performance in green finance, and the global scale-up of the GCG framework.

Together, WWF and CBRC developed and delivered eight sector-specific green credit training programmes to more than 800 staff from 29 Chinese banks. This contributed to US$1 trillion of green credit issued by the end of 2015, nearly 10 per cent of all loans.

China and Africa – partners for responsible trade and investment[5]

We have worked in both China and Africa to integrate environmental and social standards into investment policies and Chinese companies' operations. Initiatives included:

- Embedding sustainability commitments in the Forum for China–Africa Cooperation (FOCAC). Through advocacy across China and 10 African countries, WWF has contributed to the inclusion of issues like sustainable forest management, illegal wildlife trade, green finance and climate change in FOCAC action plans[6].

- Encouraging responsible investment. Our approach in Kenya, Tanzania and Mozambique has been to improve the overall investment environment. Work has included reinvigorating East African governments' commitment to use Strategic Environmental Assessment(SEA) early in investment decision-making, and the development of environmental guidelines for the mining sector.

[1] The CGSI was initially known as China for a Global Shift Initiative and was renamed in 2014.

[2] This booklet draws upon the experience and knowledge of CGSI's global team, annual reports, evaluations and partners' feedback. It is also available as a WWF briefing paper for external audiences.

[3] Partners included the Global Footprint Network, the Ministry of Environmental Protection's China-ASEAN Environmental Cooperation Center, the China Council for International Cooperation in Environment and Development, Chinese Academy of Sciences' Institute of Geographic Sciences and Natural Resources Research and the Institute of Zoology.

[4] non-governmental organisation

[5] CGSI is encouraging responsible trade and investment in which international social and environmental standards are adhered to.

[6] The action plans set out China's commitments to Africa over a three-year period.

EXECUTIVE SUMMARY

- Building sustainability in the timber trade. We have worked with China's State Forestry Administration (SFA) and national government departments in both Mozambique and Gabon on sustainable forestry by Chinese companies. In Gabon, WWF established the Gabon-China Sustainable Forestry Roundtable; and 12 Chinese companies have pledged to comply with the SFA's voluntary overseas guidelines.

Bringing sustainability standards to China's supply chains

Globally WWF's approach to influencing supply chains has been to partner with selected companies and change their purchasing behaviour to tip markets. In China, where the market is fragmented and very responsive to government policy directions, we worked to create an enabling environment for sustainable commodities. This included:

- Supporting sustainability guidelines for forestry/timber and palm oil.
- Securing the commitment of key players in China's paper, timber, real estate, palm oil and consumer retail markets to green their supply chains.

Encouraging sustainable lifestyles

Individual consumption is a major driver of China's ecological footprint, so helping consumers shift to more sustainable lifestyles really matters. We have:

- Set up China's Sustainable Retail Roundtable (CSRR) (2013). Members are committed to responsible sourcing policies, and include 15 of China's biggest retailers.
- Supported CSRR's annual Sustainable Consumption Week, which reached over 35 million consumers in 2015.

Working uniquely

The CGSI is an exemplary model of global collaboration, from individual sites to the international policy arena. It has taught us two valuable lessons:

- Global collaboration requires time for staff to understand each other, transparency in decision-making, and regular communication between team members.
- When designing complex multi-level global programmes it is important to develop a shared theory of change, agree on a common set of objectives, set realistic timescales (10-15 years), monitor intermediate results, and invest in soliciting feedback from key stakeholders.

Looking to the future

Green development is now one of the five national development concepts in China with mandatory targets[7]. However, China is also set to increase outward investment, and is seeing a rapid increase in domestic consumption. If environmental and social standards are not applied to these investments and consumers' consumption patterns are unsustainable, China's ecological footprint will continue to grow.

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[7]Targets for the period of the 13th FYP include a 15 percent reduction in energy consumption per GDP unit, primary energy consumption from non-fossil fuels to increase to 15 percent, hundreds of cities to score below 100 on China's Air Quality Index 80 percent of the time and to reduce the number of polluted days by 25 percent, a 23 percent water use reduction per CNY10,000 of GDP, and forest coverage to reach 23.04 percent.

As WWF's country offices and global practices take the work of the CGSI forward, the scale of change required will need a cross-cutting approach that integrates the work of the policy, finance and markets teams and develops strategic partnerships with others.

Finally, the lessons learned from the CGSI should be used when setting up other similar initiatives within WWF.

PART 1. THE OPPORTUNITY TO PARTNER WITH CHINA ON ITS SUSTAINABILITY JOURNEY

Part 1. The opportunity to partner with China on its sustainability journey

The Backdrop

Between 1980 and 2010 the Chinese economy grew at an annual average of almost 10 percent, and over 600 million people were lifted out of poverty. Its development was driven by an investment and export-led growth strategy which relied on energy-intensive manufacturing.

As a result, China emerged as a key global consumer of natural resources. To secure these resources China's annual outward investment rose from US$44.9 billion (2004) to US$660.5 billion (2013). This brought benefits for trading partners through rising prices and Chinese-funded infrastructure; but it also placed pressure on ecosystems and biodiversity across the world.

At the same time, China was experiencing its own challenges. Air and water pollution, biodiversity loss, ecosystem degradation and increasing inequality were threatening to undermine development gains. In response, the government announced its vision of building an ecological civilization[8] and committed – through ambitious targets in the 11th Five-Year Plan – to improve the efficiency of material and energy use.

This presented us with a unique opportunity to support the Chinese government in shifting to a more sustainable development model. So in 2008, we established our China Green Shift Initiative (CGSI). It was one of the WWF Network's 13 flagship Global Initiatives, designed to deliver transformational change through addressing the drivers of biodiversity loss.

The CGSI's vision:China becomes a global leader and innovator in achieving its development goals within the ecological limits of one planet.

To achieve this vision WWF focused initially on three key strategic areas – ecological footprint, green finance and responsible trade and investment. Two more were added in 2014 (Figure 1). Our approach depended on influencing high level policies while supporting policy implementation on the ground.

China's global reach meant we needed to focus on a pilot region to help with implementation, so we chose Africa: China's investment there was growing faster than that of any other country or block, and China was becoming an important economic partner for many of WWF's African priority countries.

WWF's Market Transformation Initiative (MTI) had also set up a China programme with a vision of 'Business and markets operate in ways that ensure humanity's commodity footprint remains within ecological boundaries, contributes to economic and social well-being, and safeguards the Earth's biodiversity wealth.'

The China MTI focused on sustainability standards in supply chains for timber, paper and pulp, seafood, palm oil and soy. In 2014 the China MTI merged with the CGSI, bringing two new strategic areas of work to the CGSI.

[8] Ecological civilization involves shifting human society away from the destructive consequences of human attempts at mastering nature and seeks instead to nurture an interdependence between people and nature, and among people in society (www.thechinastory.org/2014/09/what-does-eco-civilisation-mean/).

Figure 1: Key CGSI objectives from 2008 onwards

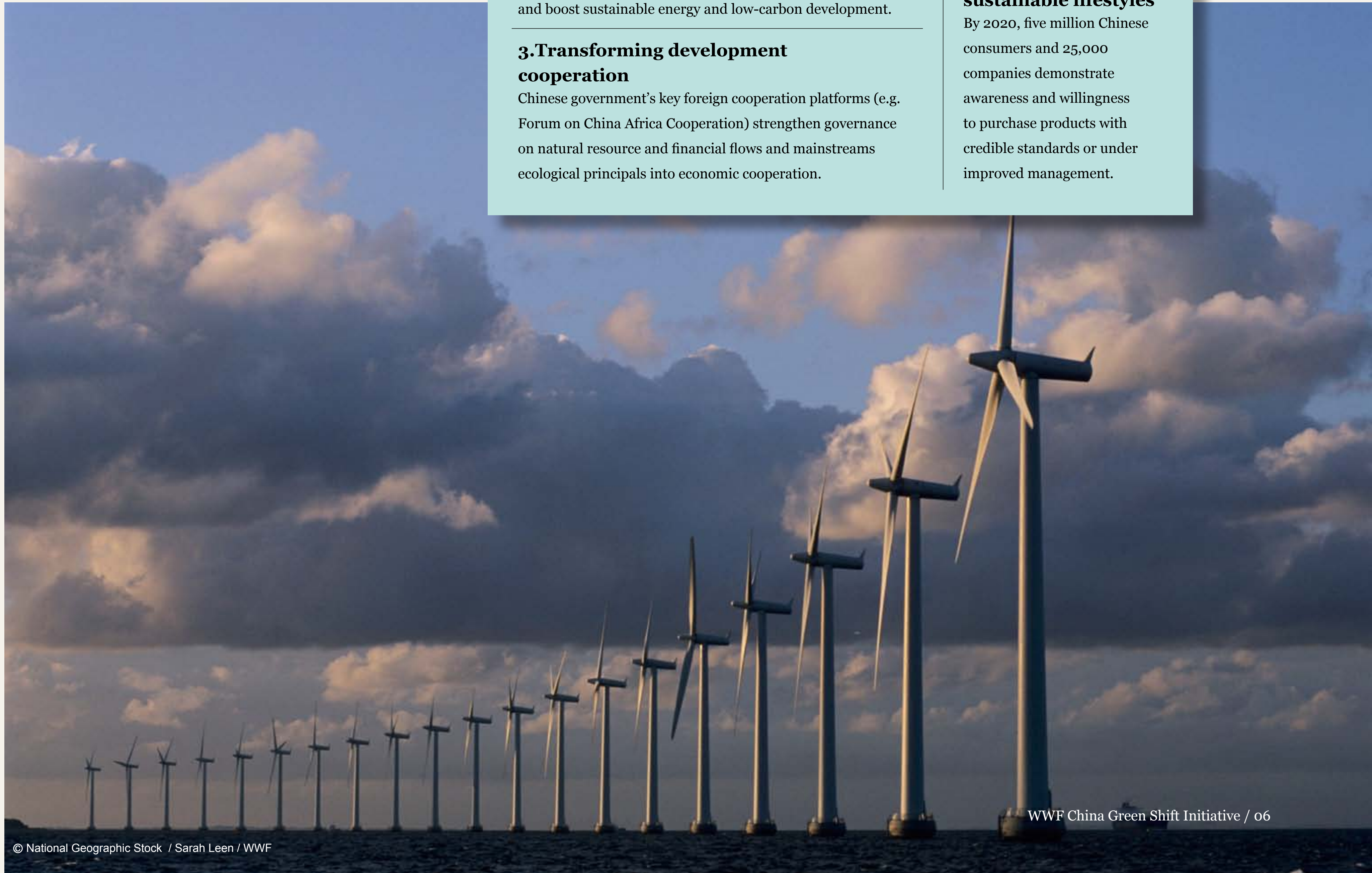
1.Introducing China to its ecological footprint
Chinese government's key domestic development planning platforms (e.g. 13 & 14 Five Year Plan) integrates stronger environmental standards and ecological principles into financial, production, consumption, urbanization and "going global" strategies.

2.Greening China's financial system
Leading Chinese banks and China-dominated new development banks implement sustainability measures to govern their domestic and global lending, redirecting financial flows to conserve forest, marine, and water resource and boost sustainable energy and low-carbon development.

3.Transforming development cooperation
Chinese government's key foreign cooperation platforms (e.g. Forum on China Africa Cooperation) strengthen governance on natural resource and financial flows and mainstreams ecological principals into economic cooperation.

4.Bringing sustainability standards to China's supply chains
The sum of priority commodities from priority places produced in and imported to China that meets credible schemes or under improved management reaches a critical level of market share.

5.Encouraging sustainable lifestyles
By 2020, five million Chinese consumers and 25,000 companies demonstrate awareness and willingness to purchase products with credible standards or under improved management.



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Part 2. Developing awareness of China's ecological footprint

"Our country's ecological security still faces dire challenges. WWF's China Ecological Footprint 2012 report shows that the rate of China's ecological footprint growth far exceeds the pace at which our bio-capacity can increase and is more than double China's current bio-capacity."

Minister Chen Jining, Minister of Environmental Protection

In 2008, the concept of ecological footprint (EF) was relatively new to China. Nevertheless, we believed it would be a powerful tool to communicate to decision makers how China's development path impacted on the environment in China and globally.

WWF partnered with government advisory bodies, academia[9] and the Global Footprint Network (GFN) to launch China's first ecological footprint report in 2008. Initially policy-makers were cautious about the report's findings and recommendations. However, within six months the Ministry of Environmental Protection (MEP) began to quote the report in external presentations.

Having opened up the political space to discuss ecological footprint, we began exploring how to integrate it into China's most important development plan – the Five-Year Plan (FYP). The FYP sets out the economic, social and environmental targets for China's ministries, provincial governments, state enterprises and policy banks. Working with the highly influential National Development and Reform Commission (NDRC), which is responsible for macro-economic development, WWF published a report on integrating sustainable development into the 12th FYP. While the term 'ecological footprint' wasn't directly used in the plan itself, the concept underpinned a target to reduce China's carbon footprint. The report also increased transparency around the development of the FYP, enabling other organizations in China to better engage with the process.

[9]WWF's partners were the China Council for International Cooperation in Environment and Development (CCICED), an advisory body to China's leaders, and The Institute of Geographic Sciences and Natural Resources Research (IGSNRR), a leading research body under the Chinese Academy of Sciences.

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We were also involved in the 13th FYP, which made green development one of five national development concepts, and made all environment and resource-efficiency targets[10] mandatory. A number of our other recommendations were also reflected, including those related to promoting ecological agriculture and setting red lines for ecological protection, as well as moves to develop and a national park/nature reserve system.

A further four ecological footprint reports have been published (Box 1), and government officials are using ecological footprint as a tool to inform policy development and to measure progress towards ecological civilization (Box 1).

We have also begun reaching out to consumers through awareness-raising events on Earth Overshoot Day and Sustainable Consumption Week. These events have reached more than 35 million people.

[10]Targets for the period of the 13th FYP include a 15 percent reduction in energy consumption per GDP unit, an increase to 15 percent for primary energy consumption from non-fossil fuels, hundreds of cities to score below 100 on China's Air Quality Index 80 percent of the time, a 25 percent reduction in the number of polluted days, a 23 percent water use reduction per CNY10,000 of GDP, and forest coverage to reach 23.04 percent.

year	Box 1: Forstering awareness of china's ecologiccal footprint
2008	**Report: Ecological Footprint in China** China's footprint is the second largest in the world. It would require the equivalent of two Chinas to provide for its consumption and absorb its waste. Biological capacity is imported as natural resources from other nations. China's trade relations connect its footprint to nearly every country in the world.
2010	**Report: China Ecological Footprint – Biocapacity, Cities and Development** Carbon emissions and individual wealth mean China now needs the equivalent of 2.2 Chinas to sustain its development path.
2012	**Report: China Ecological Footprint – Consumption, Production and Sustainable Development** Increasing consumption drives China's total ecological footprint to become the largest in the world.
2013	Yunnan and Guizhou provincial governments measure the ecological footprint of their cities. Shanghai Lingang New District's government considers footprint in its development strategy.
2014	**Report: China Ecological Footprint and Sustainable Consumption** Ecological footprint varies across China but tends to be greatest in provinces with high economic development and low biocapacity. Urbanization is driving this increase. WWF worked with MEP to produce two reports on 'Beyond GDP Indicators'. An NDRC policy brief includes 12 indicators from these reports. China-ASEAN Centre, MEP and WWF produce a report on 'Ecological Footprint and Sustainable Consumption'. MEP proposes a China Sustainable Consumption Index with ecological footprint as a key indicator.
2015	**Report: Living Planet Report, China – Development, Species and Ecological Civilization** The rate of increase in China's ecological footprint is beginning to slow down, but China now accounts for one-sixth of the global ecological footprint. Ministry of Commerce looks at the embedded footprint associated with China's trade in key commodities. Institute of Scientific and Technical Information of China (ISTIC) partners with WWF to produce a report on 'New-type of Urbanization and Ecological Footprint'. The Development Research Centre of the State Council proposes using ecological footprint as an indicator to measure ecological civilization.

"The footprint reports have really captured the attention of China's media. In 2014, CCTV under their own initiative produced a short video about China's footprint and asked people to take action to reduce their footprint. That was way beyond our expectations. It has covered this topic every time a new report was launched."

Gao Ying, Footprint Programme Manager, WWF-China

Lessons learned

- Chinese policy-makers value the way the ecological footprint concept simplifies the communication of a complex problem.
- To influence the Chinese government effectively, it is essential to involve key ministries or think-tanks in the development of reports since it creates understanding and ownership early on.
- Generating and retaining long-term positive change is intensive in terms of resources and time.

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Part 3. Greening China's financial sector

"China has been a pioneer among emerging markets in developing a comprehensive regulatory framework for sustainable finance."

"Financing a sustainable future" International Finance Corporation

In China in 2008, green finance was in its infancy. We saw there was an opportunity to support major Chinese financial institutions in embedding environmental and social standards – such as the Equator Principles – into their policies and practices.

Working with Chinese banks was new to WWF, requiring a strategic choice of partners[11] and an in-depth knowledge of one of the largest and most opaque financial markets in the world. Equally Chinese banks were not used to working with NGOs, and were cautious to engage.

We opened our dialogue by working with the People's Bank of China (PBoC) to publish a report on sustainable banking in China (2008). This led to the establishment of the Finance, Environment and Development (FED) forum which brought together national and international experts to discuss sustainable finance.

"CBRC has enjoyed the great benefit of in-depth cooperation in green credit with international organizations such as UNEP FI, IFC and WWF."

Wang Zhaoxing, Vice Chairman, CBRC

We also hosted study tours for 20 senior banking staff to Europe (2009) and Mozambique (2010), where participants learned about sustainable foreign direct investment. This proved to be a turning point, inspiring CBRC to develop China's Green Credit Guidelines (GCG) with our technical support.

Implementing Green Credit Guidelines

Launched in 2012 and benchmarked against the International Finance Corporation's Performance Standards, the GCG set out practical steps for implementing China's Green Credit Policy. Despite the guidelines only being voluntary, 29 banks publicly committed in 2013 to following green lending policies.

"Although there are other similar green credit training initiatives in China, WWF's approach is more applied. During the green forestry training, we really valued the involvement of the State Forestry Administration and the case studies presented by Chinese forestry companies. It helped us better understand the realities on the ground."

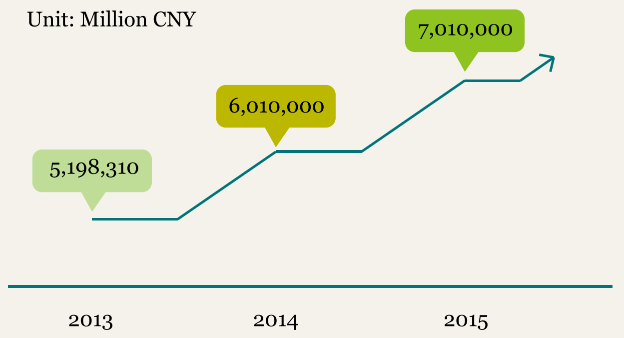
Zhang Haibing, China Banking Association (CBA)

[11] Partners included the People's Bank of China (PBoC), the China Banking Regulatory Commission (CBRC), the Export Import Bank of China (EXIM Bank) and the China Development Bank (CDB), the largest policy banks; and the Industrial Commercial Bank of China (ICBC), the largest commercial bank.

To support GCG implementation, WWF worked with CBRC to develop a Green Credit Training Programme covering topics such as forestry, renewable energy, water resources, green building, sustainable infrastructure and carbon finance. This has reached more than 400 staff. We have also helped address implementation challenges through developing sectoral green credit guidelines and providing technical support. The challenge now is to scale up the programme so that it becomes a regular part of financial sector staff training.

WWF has also advised CBRC in developing a system to track the level of green credit (Fig 2), and a process for ranking Chinese banks' performance.

Figure 2: Green credit balance for 21 maior Chinese banks reported by CBRC



Sustainable overseas investment

China's approach to green credit is pioneering among emerging markets, and policy-makers are looking to China for its experience. We are helping with this knowledge exchange, hosting a BRICS roundtable and supporting CBRC and Brazil's Central Bank to explore how they can ensure the BRICS New Development Bank applies social and environmental standards.

WWF is also engaging progressive commercial banks that can trial sustainable and responsible practices. In 2012, for example, we worked with the Industrial Bank (IB) to develop water-related financial products and services.

Supporting policy implementation by influencing specific Chinese investments in WWF's priority places has proved difficult, given the sensitivities and lack of transparency around such investments. Nevertheless, we will be working with the China-ASEAN Environmental Cooperation Centre of the MEP and ICBC's City Research Institute to pilot the integration of environmental and social risk factors into ICBC investment decision-making in the Lancang-Mekong river.

Looking to the future, the Asia Infrastructure Investment Bank (AIIB) and the BRICS New Development Bank will play an important role in financing infrastructure globally, so we have begun to engage with them on sustainability. This has included developing policy recommendations for AIIB's environmental and social risk management framework.

Lessons learned

- Long-term, consistent engagement is required to build trust and credibility with the Chinese government, banks and private sector.
- Building effective partnerships requires an approach that is responsive to the needs and interests of partners.
- Creating change within China's financial sector requires working with both state-owned banks, which provide a route to influencing government; and progressive commercial banks, which are more responsive to market requirements and can adopt sustainability practices more quickly.
- The most effective approach to introducing new ideas is to use evidence of global best practice to stimulate debate.
- Study tours can be an effective tool for influencing senior policy-makers, and have proved to be both informative and inspirational.

Part 4. China and Africa, partners for responsible trade and investment

"China-Africa cooperation will never be pursued at the expense of Africa's ecosystem and long-term interests."

President Xi Jinping, 6th Ministerial Conference of the Forum on China-Africa Cooperation (FOCAC), Johannesburg 2015

From 2000 to 2015, trade between China and Africa soared from US$10 billion a year to nearly US$300 billion, making China Africa's largest trading partner. Between 2001 and 2010 the total amount of outstanding loans to Africa from CDB and EXIM Bank exceeded those from the World Bank and the African Development Bank.

Trade and investment in natural resources and infrastructure has been central to the relationship. Sectors in which these are most concentrated – e.g. extractives, infrastructure – are environmentally sensitive and can undermine development progress if not managed well. Governance of natural resources is often weak in Africa, and governments have limited capacity to enforce good environmental and social standards. In response, we are working to ensure these standards are integrated into investment policies and the Chinese companies' operations.

Embedding sustainability commitments in FOCAC

FOCAC is the most important platform for Sino–African dialogue. Launched in 2000 and held every three years, its declarations set out China's commitments to Africa. Engaging with FOCAC was seen as innovative and risky: little was known about the FOCAC process and there was no formal space for CSO involvement.

Our efforts to influence the FOCAC 2012 action plan focused on engaging key Chinese government actors and African embassies through workshops and meetings. For what appeared to be a closed-door process the response was exceptionally positive. China's Ministry of Commerce (MOFCOM) invited WWF to provide recommendations. In Cameroon, Madagascar and Zambia, WWF was invited to FOCAC preparatory meetings. The FOCAC 2012 declaration and action plan had unprecedented commitments and references to sustainability, many of which related back to our recommendations.

In the run-up to FOCAC 2015 we extended our work to cover 10 African countries[12], built relations with ministries in China, and raised awareness of FOCAC among CSOs in Africa. This led to a side event at FOCAC 2015, which brought together African and Chinese stakeholders to explore the role of FOCAC and Chinese investments in driving sustainable development in Africa.[13] The 2015 action plan included increased commitment to addressing illegal wildlife trade, sustainable finance and climate change. The only downside was that commitments to clean energy and responsible extractives had weakened.

WWF's engagement with FOCAC has incentivized CSOs and development agencies to engage in a new way on China-Africa issues, and helped establish relations between Chinese embassies and CSOs. It has also demonstrated to African governments the reach and expertise of WWF beyond traditional conservation, and fostered new relations with many ministries. In the long term this will benefit other areas of work in Africa.

[12] Cameroon, DRC, Kenya, Madagascar, Mozambique, South Africa, Tanzania, Uganda, Zambia and Zimbabwe.

[13] WWF FOCAC side event report.

> “For the first time we are seeing the Chinese embassy in Kenya reach out to CSOs. The embassy has begun funding CSOs to work on illegal wildlife trade.”
>
> Jackson Kiplagat, Programme Manager: Governance and Partnerships, WWF-Kenya

Encouraging responsible investment

> “In Africa we need to work to make sure that all investment agreements and investors apply environmental and social standards, not just those from China.”
>
> Laurent Somé, Policy and Partnership Director, WWF Regional Office for Africa

In Tanzania and Kenya WWF has focused on developing investment guidelines that are applicable to all investors, including China.

In Kenya, we have worked with KenInvest on Green Investment Guidelines. These are awaiting government approval.

In Tanzania, where mining was becoming a potential driver of biodiversity loss, the focus has been on environmental standards. Working with the Tanzania Chamber of Minerals and Energy (TCME) and the Ministry of Energy and Minerals, we launched environmental guidelines in 2016: these are now being disseminated to the mining sector.

WWF also promoted Strategic Environmental Assessment (SEA) to help mainstream environmental factors into the earliest stages of decision-making. In Kenya, SEA guidelines have been developed and legally endorsed, and the National Environmental Management Agency (NEMA) now has a SEA department. In Tanzania and Mozambique we have supported the revision of SEA guidelines.

In China, WWF has influenced the development of outward investment guidelines and industry standards (Box 2). Although these guidelines are voluntary they signal governmental intentions and open doors for CSO interventions to bring changes on the ground.

Box 2: Chinese policies promoting green trade and investment

- Guidelines on Environmental Protection in Foreign Investment and Cooperation. MOFCOM and MEP. 2013.
- Guidelines on Overseas Sustainable Forest Management and Utilization. MOFCOM and SFA. 2009. First sector-specific guidelines.
- Guidelines for Overseas Sustainable Forest Products Trade and Investment by Chinese Companies. SFA. In draft.
- Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains. China Chamber of Commerce of Minerals, Metals, and Chemicals Importers and Exporters (CCCMC). 2015.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Box 3: Chinese companies’ commitments to improved forestry management in Gabon

- 2014: 12 companies commit to protect wildlife and improve conditions for local employees.
- 2016: 12 companies pledge to comply with SFA guidelines for Chinese enterprises operating overseas, and with relevant local laws, regulations and international conventions. These companies manage about five million hectares, accounting for half the total production concession area in Gabon.

Box 4: Factors that have helped change Chinese companies’ behaviour

- Gabon’s 2012 logging ban encouraged companies to invest in processing of timber in-country.
- Issuing of large concessions enables companies to think and invest for the long term.
- Links have been developed with buyers committed to sourcing from sustainable sources.
- The Chinese and Gabonese governments have united to promote improved management and responsible business.

Building sustainability in the timber trade


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In Gabon, China is a major player in the timber trade. But communication between the government, CSOs and Chinese companies was limited, so WWF began bringing these different groups together to discuss the challenges in the sector.

While Chinese companies received training on national legislation and the SFA’s guidelines, Gabon’s forestry legislation was translated into Chinese and links were made to buyers interested in sustainably sourced timber. This led to the establishment of the Gabon-China Sustainable Forestry Roundtable (2014). Members include Chinese-owned concessions and sawmills, and government officials from both China and Africa. The roundtable has spurred 12 Chinese companies – representing more than 80 per cent of total forest concessions under Chinese management – to commit to improving their management practices (Box 3). Four of these companies are planning to become FSC-certified and one has already begun the process. This is the first such commitment ever made by Chinese companies operating in Africa.


384%

There has also been an increase in the area of Chinese-managed concessions under an approved long-term forest management plan, from 818,932 hectares in 2010 to close to 4 million hectares in 2015 – a 384 percent increase. A number of factors have contributed to these changes in Chinese companies’ behaviour (Box 4), leading to them now being viewed in a more positive light within Gabon.

> “Gabon is rich in forest resources. Chinese companies in Gabon have become a driving force in building the ‘Industrial Gabon’ and ‘Green Gabon’.”
>
> Maurille Nicaise N’zao Mabika, Head of Cabinet of Gabon’s ministry in charge of forestry

China is also a key player in **Mozambique’s** timber trade, accounting for more than 80 percent of exports. Much of this timber is illegally harvested. The Chinese companies involved are typically small and opportunistic, with short investment timeframes. Supporting them to move to sustainable forest management has been more challenging.

Progress was good to begin with, with 50 Chinese companies attending training and five showing interest in piloting the SFA guidelines. However, external factors prevented the pilots from starting. When timber prices fell at the same time as a reform to the forestry sector, many companies refocused their efforts to other areas.

The challenge for Mozambique is to attract and retain responsible Chinese companies. WWF is working with the SFA, the Mozambican government and a progressive Chinese forestry company to explore whether the FOCAC 2015 commitment to support the establishment of industrial parks in Africa can be actioned to develop an industrial park focused on sustainable timber production.


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Lessons learned

- Influencing FOCAC and China's outward investment guidelines has been most effective when key actors in both China and Africa are involved and a common message is presented.
- Change is best achieved by working with both government and the private sector, especially in forming market signals for responsible and sustainable products to forest managers.
- Engaging Chinese companies should not be done by WWF alone: to build trust and credibility it is important to involve African government departments and Chinese embassies/ministries.
- Voluntary guidelines have been a powerful signal from government to Chinese businesses on how they should behave overseas, and have opened the door for WWF's engagement.
- Delivering investment and trade that creates social and environmental benefits is a shared responsibility. China can provide guidelines for Chinese companies and Chinese companies can improve their management practices. African countries in turn need to include environmental and social standards in trade and investment agreements and operational guidelines for investors, while strengthening natural resource governance.
- To avoid a race to the bottom and prevent ill-feeling from singling out one investor, it is better to work to bring environmental and social standards into broader African policy frameworks and guidelines for trade and investment.

Part 5. Bringing sustainability standards to China's supply chains

"We need to change production patterns and people's lifestyles, to vigorously promote green production and green circulation of goods and actively promote green consumption that conserves resources, protects the environment and reduces carbon emissions."

Li Keqiang, then Chinese Vice Premier, 2010

China is no longer just the 'world factory': its dominant role in global commodity markets gives it tremendous leverage to improve global supply chains.

While the growing appetite of China's rapidly urbanizing population for seafood, meat, grains, fibre and other commodities drives growth in producing countries, it also puts pressure on vulnerable fisheries and landscapes worldwide.[14]

In Western countries, where market power is consolidated within a relatively small number of companies, WWF's approach is to partner with a select number and change their purchasing behaviour, aiming to tip entire markets to sustainability. However, this approach is not feasible in China, where the market is more fragmented and is very responsive to the policy direction set by the state.

Figure 3. China's share of commodity consumption met by imports between 2013-2016

COMMODITY	CONSUMPTION MET BY IMPORTS	
Palm Oil	99%	in 2014/2015
Soybean	90%	in 2014/2015
Seafood	19%-22%	in 2013
Cotton	25%	in 2014/2015
Rubber	74%	in 2011
Wood Fiber	36%	in 2014
Copper	70%	in 2016
Iron	79%	in 2014

CCICED. (2016). China's Role in Greening Global Value Chains. CCICED Special Policy Study Report.

Instead, our approach has been to influence government policy, engage corporates, increase the level of certification – e.g. Forest Stewardship Council (FSC), Marine Stewardship Council (MSC) and Roundtable on Sustainable Palm Oil (RSPO) – and raise consumer awareness. The results of this are beginning to bear fruit.

By the end of 2015:

- In China more than 3,700 companies were FSC Chain of Custody (CoC) certified, more than 200 companies were MSC CoC certified, and 34 companies were RSPO CoC certified.
- 2.2 million hectares of forest area in China were under FSC certification, although the area has since decreased to less than 1 million due to the ban on logging of natural forests.
- Four tilapia farms were Aquaculture Stewardship Council certified – a first for China.

Influencing government policies

"Government guidelines on sustainability standards are very important to have in place. Chinese companies want to know what the government thinks. Guidelines signal to the market the direction government would like it to take."

Zhonghao Jin, Director of Markets, WWF-China

[14] For example, commercial agriculture alone is estimated to be responsible for 70 percent of tropical deforestation (Lawson, Sam. Consumer Goods and Deforestation: An Analysis of the Extent and Nature of Illegality in Forest Conversion for Agriculture and Timber Plantations. Forest Trends, 2014: iii.)

We have built a strong working relationship with SFA and MOFCOM, supporting them in the development and roll-out of voluntary guidelines for overseas sustainable forest management (Box 3).

Building on this successful approach, WWF is working with MOFCOM and the China Chamber of Commerce of Foodstuffs and Native Products (CFNA) to develop guidelines on sustainable palm oil. A draft was shared at the Responsible Palm Oil Roundtable (RSPO) 13 and received positive feedback. Looking to the future, we are planning to develop similar guidelines for soy.

China's early movers

An effective engagement approach is to bring companies across the supply chain together to form alliances/roundtables that work with other actors (such as government and civil society) to improve supply chains. Successes have included:

- The launch of China's Sustainable Retail Roundtable (CSRR) in 2013. All 16 members – including multinational and domestic retail giants – are committed to the China Retail Sector Responsible Procurement Initiative which aims to increase the offering of green products and services, build a green business environment, and promote green consumption.
- The establishment of the China Sustainable Paper Alliance (CSPA) in 2015. CSPA founding members include 10 national and international companies covering the whole pulp and paper supply chain in China, representing around 25 percent of the total virgin fibre market in China – the largest consumer of paper worldwide. The Alliance commits to engaging more players for responsible procurement and sales, and to increasing market demand for responsible paper products.
- The 'Forest Declaration', in which 37 Chinese companies have committed to completely avoid or eliminate timber products associated with deforestation by 2030. They represent 80 percent of the domestic solid wood flooring market.
- Some 29 real estate companies committed to putting in place a responsible timber supply chain and working with WWF's Global Forest Trade Network to achieve the 'Forest Declaration' goal.

© WWF

Lessons learned

- Endorsement of certification schemes by industry associations can be an effective approach for influencing government.
- Voluntary guidelines can provide an entry point to begin discussions about international best practices.

Part 6. Encouraging sustainable lifestyles

"China's consumer economy is projected to expand by about half, to US$6.5 trillion, by 2020. The incremental growth of US$2.3 trillion alone over the next five years would be comparable to adding a consumer market 1.3 times larger than that of today's Germany or UK."

"The New China Playbook" Boston Consulting Group, 2015

In 2014, China became the second largest consumer market in the world – and it is projected to be the largest by 2020. The lifestyle choices Chinese consumers make will significantly shape China's ecological footprint.

Consumer awareness

With such an enormous consumer base to influence, WWF thought the most effective approach would be to engage retailers in key sectors and encourage them to shift to green sourcing. However, the message that came back from retailers was that they were reluctant to make that shift unless consumer demand increased.

Less than 5 percent of the Chinese public were aware of products with credible standards or under improved management in 2013 – however in 2015 in cities such as Beijing, Shanghai and Shenzen 80 percent of consumers said they would pay up to a 10 percent premium for eco-labelled food[15].

We established China's Sustainable Retail Roundtable (CSRR) in 2013, working in partnership with the China Chain Store and Franchise Association (CCFA). The roundtable brings together China's biggest retailers and producers of food with organizations working on credible certification schemes (Box 6).

CSRR aims to provide a platform through which members can discuss the challenges and opportunities of greening their supply chains, share better purchasing policies, promote the uptake of certified key commodities by their suppliers, and guide consumers to think, buy and live more sustainably.

Box 6: China's Sustainable Retail Roundtable

The CSRR comprises 13 companies including China's largest supermarket chain China Resources Vanguard and Taiwan-based hypermarket giant RT-Mart, as well as the Chinese branches of well-known multinationals like Walmart, Carrefour, METRO, AEON, H&M and IKEA. In 2016 Starbucks and Xibei also joined. Together they represent more than 12,000 stores, and more than RMB1,000B ($147B) retail sales value. Other organizations are involved as observers. They include the Chinese soy and seafood trade associations, producers such as Tetra Pak, NGOs such as Solidaridad, credible certification schemes such as MSC, FSC and RSPO, the ISEAL Alliance – the global association for sustainable standards, and the Renmin University of China.

[15] 2015 China Green Consumption Survey, WWF-China.

Green sourcing guidance

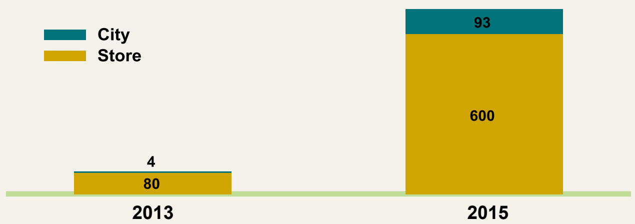
"'WWF's global capacity and programmes in places like the Coral Triangle make them a good strategic partner for Chinese companies working to expand green supply chains."

He Cui, Vice Executive President and Secretary General of the China Aquatic Products Processing and Marketing Alliance (CAPPMA)

One way in which WWF is helping retailers green their supply chains is by providing them with guidance on green sourcing. We have developed a Sustainable Seafood Catalogue in partnership with industry and civil society, explaining how retailers can source more responsible seafood and highlighting credible certification schemes. There are also plans to turn this into a consumer guide.

Since 2012 CSRR – in partnership with WWF, the United Nations Environment Programme and the UN-China Sustainable Consumption Partnership – has run a Sustainable Consumption Week. In 2013, 80 stores in four cities were involved. By 2015 this had increased to 600 stores in 93 cities. The campaign has reached more than 35 million consumers.

Figure 4: Growth of participating stores and cities of the sustainable consumption week



"Sustainable Consumption Week provides an exciting model that could become a global model for WWF, rather like Earth Hour."

Ian Dutton, Nautilus Impact Investing, MTI 2016 evaluator

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Lessons learned

- In China food safety has been an effective entry point for engaging consumers, retailers and regulators on sustainable consumption.
- A key incentive for companies to engage in Sustainable Consumption Week is that it provides them with an opportunity to communicate how their brand differs from others while engaging potential new customers.
- CSRR members see a value in joint campaigns, which have given them greater visibility than would have been achieved by working alone. This has increased their confidence to integrate sustainability into their business model, since they are doing it at the same time as others in the market.

Part 7. Working uniquely

"WWF is able to fill a niche that no other major conservation organization is pursuing, leveraging its unique multinational presence, respect of and access to governments, convening power, and ability to work from the site scale all the way up to international fora."

O'Neill and Cheng, final evaluation of DFID-funded China-Africa project, 2015

From the outset the CGSI broke new ground. It was the first time that a global WWF strategy was developed and implemented from an office in an emerging economy. Achieving impact depended on establishing working relationships across the Network. These new relationships were mostly with staff in Africa, and led to a rare example of truly global collaboration in WWF.

The CGSI had a budget of over ¥144M ($21M) and a team which has included more than 40 staff from China, 10 African countries, Europe and the US with expertise in finance, forestry, mining, international development, environmental governance, SEA, corporate engagement, renewable energy and communications[16]. Ensuring effective collaboration of this diverse virtual team required new approaches and cross-cultural understanding.

The greatest challenge has been to create a sense of shared ownership. In the early days, African partners saw the CGSI as being solely a China programme. A turning point was the development of a specific Africa-China strategy (2011), setting out shared milestones and joint work plans.

[16] This is actual expenditure, estimated at $1 for ¥6.8.

"It was great how we worked across Africa and China on FOCAC. It was the first time I'd worked with WWF staff in this way on policy. We developed recommendations together and shared ideas on potential champions and how we could influence them. I really liked that we also put time and resources into evaluating our impact on FOCAC – we don't always do this for policy work. We've now used the same approach to developing WWF's pan-Africa work on extractives."

Robert Ddamulira, Energy Co-ordinator, WWF Regional Office for Africa

Lessons learned – global collaboration

Building a global team involves:

- **Time** for staff to listen to and understand each other, jointly agree priorities and generate buy-in for actions from their own offices.
- **Investing in face-to-face team meetings.**
- **Alternating team meetings between countries.** This allows staff to build understanding of cultural issues and business and government protocol.
- **Investing in communications between meetings** – e.g. regular phone calls, newsletters, shared online workspaces, etc.
- **A relationship broker**, for example a neutral third party from within WWF, who can help facilitate joint action in the early days of relationship-building.

Effective planning and implementation involves:

- **Establishing a transparent process for priority-setting with clear lines of accountability.**
- **Finding a focal area for collaboration early on.** This also helps build the team.
- **Establishing a generic work plan with one person having oversight.** This can help ensure efficient working, accountability and easier reporting to donors.
- **Investing resources into global collaboration should not be limited to WWF staff.** It is equally important to help key partners to strengthen their cultural understanding and develop effective relationships. Study tours, regular exchange visits and joint research and training have worked well.

"It took time for the teams in China and Africa to understand one another's perspective and agree on priority issues. We have learned how to work collectively, set shared goals and speak with a common language. This will make it much easier and quicker to work collaboratively with other WWF offices as the programme begins to expand its global reach."

Li Lin, Executive Director of Programmes, WWF-China

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Lessons learned – programme design and implementation

During the design phase:

- **Jointly develop a clear, shared theory of change,** but recognize that this may need to be adapted to differing socio-economic and political contexts in specific countries.
- **Ensure the objectives of global programmes are embedded in the objectives of country office strategies.** This helps ensure commitment of resources (both staff and financial).
- **Begin small, pilot, learn – and then expand.**
- **Set realistic timescales (10–15 years) for achieving change** through programmes working on policy advocacy and implementation.
- **Set milestones that monitor the critical intermediate results** necessary to achieve ultimate impact.

During implementation:

- **Ask that donors provide long-term (>3 years) core funding.** This enables programmes to build and maintain a team. Core funding also enables WWF to:
  1)respond swiftly to emerging issues;
  2)work on innovative ideas; and
  3)prove the value of areas that are hard to fund, and in turn leverage funding from other donors.
- **Network governing structures, such as the Stakeholder Executive Team (SET), should play the role of critical friend,** stimulating analysis of progress and strategies rather than setting the direction.
- **Invest in monitoring policy implementation** and the resulting impact of policy changes.
- **Invest in soliciting feedback from key stakeholders and beneficiaries.** Such feedback can help WWF to better understand the role it has played in creating change.

Part 8. Continuing the sustainability journey with China

"Must develop green hills and clear waters into golden and silver mountains."

President Xi Jinping

A changing China

During the lifetime of the CGSI we have witnessed significant changes in China's development model and role in the global community. A green transformation is underway, one in which China sees the need to protect the environment but also recognizes that green growth makes good business sense.

Better quality growth requires improved energy efficiency and increased renewable energy. China's investments in renewables are considerable: in 2014 they surpassed Europe and the US combined. China is also a leading manufacturing hub of clean energy technologies. This means China has the potential to advance sustainable energy on a global scale.

At the heart of China's global strategies is the Belt and Road Initiative (BRI). This aims to improve and create new trading routes, links and business opportunities and strengthen geopolitical relationships. It will include infrastructure investment to create a 'Eurasian land bridge' from China's east coast to Western Europe, and a maritime route running west from China's east coast to Europe. The nature and full scale of the initiative is still evolving, but it is reported that China's outbound direct investment will reach US$1-2 trillion by 2020.

© Global Warming Images / WWF

China has established two new investment banks – the BRICS New Development Bank (2014) and the AIIB (2015) – which will have an important role in financing the BRI.

Chinese policy banks now dominate global development finance. In 2014 CDB overtook the World Bank as the world's largest provider of international development finance. China has also stepped up its role in South-South cooperation, establishing two new funds, one focused on climate change (US$3.1 billion) and the other on helping developing countries deliver the SDGs (US$2 billion).
Chinese society is catching up too, and has been demanding that the government address pollution and air quality issues – between 2005 and 2010 there were 300,000 public petitions about air pollution alone. This presents an opportunity to work with society to create sustainable lifestyles.

However, with these opportunities come challenges. China is now the world's largest emitter of carbon dioxide by volume, and its ecological footprint has grown to 2.2 global hectares per person. This trend may be exacerbated as China moves away from an export-led to a domestic consumption-led economy.

China's increasing levels of FDI, its development financing and the BRI will need to embrace environmental and social standards if they are to deliver China's vision of ecological civilization beyond China.

Looking to the future

"WWF has innovative approaches, and has given us a lot of assistance."

Ye Yanfei, Deputy Director General, CBRC Statistics Department

The CGSI has made an important contribution to China's move towards ecological civilization. The concept of ecological footprint is beginning to be used in policy and planning decisions. China has ground-breaking green credit guidelines,[17] and WWF's contribution to these is recognized by senior CBRC staff. However, more concerted action is needed to help banks to apply the guidelines, and for governments and civil society globally to monitor their implementation in Chinese investments.

[17]International Finance Corporation web news story http://www.ifc.org/wps/wcm/connect/region__ext_content/regions/east+asia+and+the+pacific/news/china+takes+green+lending+to+a+new+level

Key actors in China and Africa have greater understanding of sustainability issues, and policies have begun to be put in place to ensure these are considered in investment agreements. Through the CGSI's work with Chinese companies in Gabon, first steps have also been made in turning these commitments into actions. If current trajectories continue localized impact could soon be seen.[18]

The CGSI has also begun to respond to some of the emerging opportunities and challenges discussed above. This includes extending the reach of its work on green finance to include the new development banks and the BRI, and beginning to engage consumers on sustainability.

Although the CGSI has come to an end, WWF will continue to support China and its global partners on its journey to ecological civilization, leveraging the knowledge, experience and relationships the CGSI developed.

[18] Final evaluation of the WWF project: China-Africa: seizing the opportunity for sustainable development, O' Neill and Cheng, 2015.

Lessons for the future

The CGSI set an ambitious vision, of 'China becoming a global leader and innovator in achieving its development goals within the ecological limits of one planet'. The foundations for achieving this have been laid. To make the vision a reality, within the next decade, WWF must:

- **Improve and strengthen the policy environment,** which remains weak.
- **Increase emphasis on policy implementation.** The Chinese government is now strongly committed to sustainable development. However, large gaps exist between official rhetoric and on-the-ground results. With our ability to work at the site scale and link this to policy advocacy, we are well placed to assist.
- **Support pilots with key Chinese actors** that test practical approaches. Use lessons learned from these pilots to create large-scale change.
- **Invest in monitoring the implementation and the environmental and social impact of key policies.**
- **Scale up and institutionalize examples of good practice.**
- **Take a cross-cutting approach** by integrating the work of our policy, finance and markets teams. Achieving ecological civilization requires collaborative and coherent action by government, private sector, civil society and consumers. This will be a new way of working for the Chinese government, which we are well placed to facilitate.
- **Build strategic alliances that can leverage change at scale.** More players – both private sector and CSOs, inside and outside of China – are engaged in the same issues. On this crowded playing field we need to define our niche and focal areas; and identify new strategic alliances that can help deliver impact at scale and speed.
- **Use the lessons learned from the China-Africa work** to inform our approach to engaging BRI and other Network-wide initiatives.

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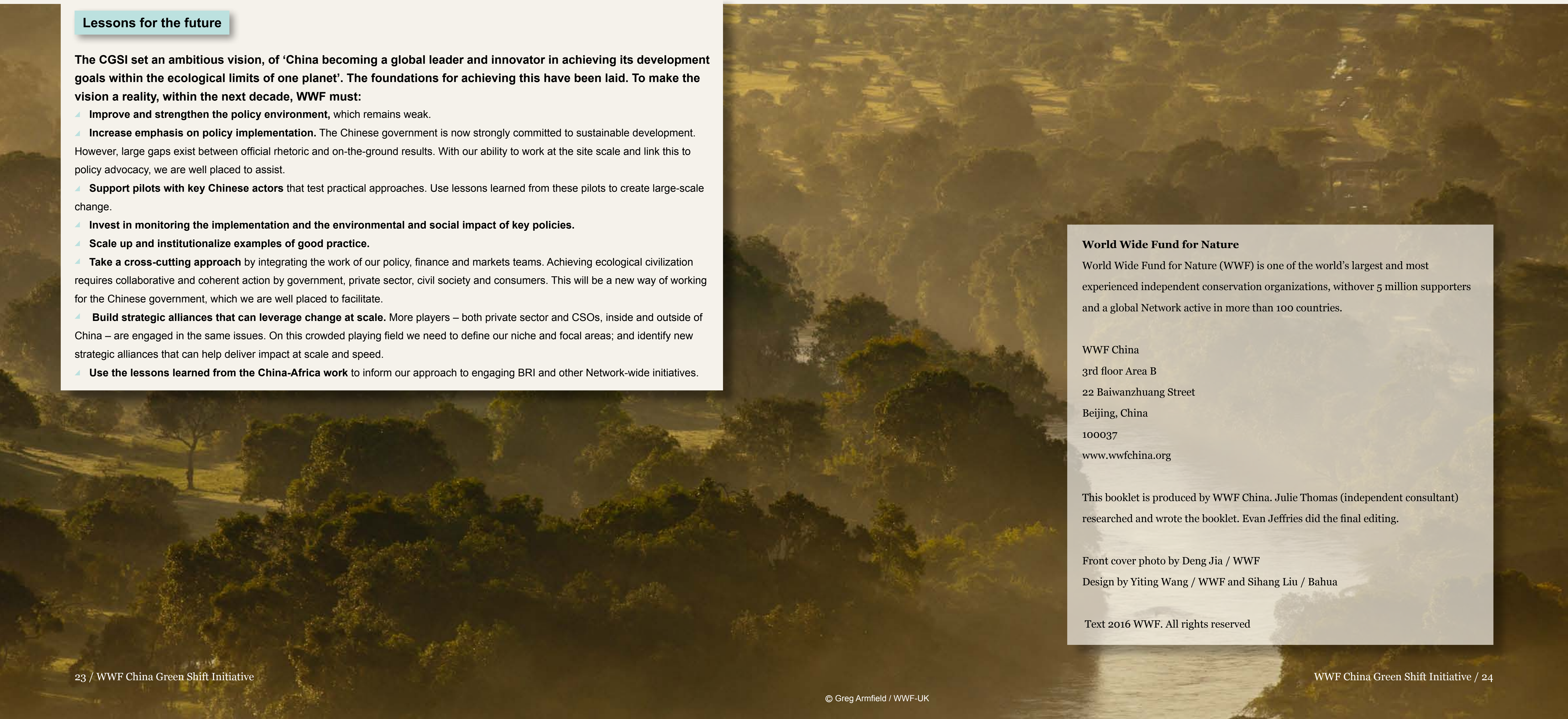

World Wide Fund for Nature

World Wide Fund for Nature (WWF) is one of the world's largest and most experienced independent conservation organizations, withover 5 million supporters and a global Network active in more than 100 countries.

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100% RECYCLED

1 Trillion USD

Total amount of green credit loan balance issued by 21 major Chinese financial institutions by June 2016 (7.26 Trillion CNY)

1.3 Planets

China's per capita ecological footprint is 2.2 global hectares in 2010. We would need 1.3 planets to support our needs if everyone in the world has the same footprint

384%

The area managed by Chinese companies that meet forest management plans approved by the Gabonese government has increased by 384% from 818,932 hectares in 2010 to 3,964,249 in 2015

35 Million

Over 600 outlets owned by 13 China Sustainable Retailers Roundtable members in 93 cities across China took part in the Sustainable Consumption Week in summer 2015, reaching an estimated 35 million consumers

WWF's mission is to stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature by:

- conserving the world's biological diversity
- ensuring that the use of renewable natural resources is sustainable
- promoting the reduction of pollution and wasteful consumption

www.panda.org

WWF is working to make the fundamental drivers of China's development - trade, investment and aid - more sustainable, which will bring tangible benefits in China and among its development partners.

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