



European Investment Bank (EIB)

Luxembourg, 19/10/2021

Environmental and Social Completion Sheet (ESCS)

Overview

Project Name:	CFFL-Hunan Forestry
Project Number:	20130285
Country:	China
Project Description:	The project was to finance the development of approximately 21,900 ha of long-rotation forests for the production of tea oil, contributing to carbon storage, nature conservation and soil conservation in Hunan Province.

Summary of Environmental and Social Assessment at Completion

EIB notes the following Environmental and Social performance and key outcomes at Project Completion.

Altogether 21,465 hectares of native *Camellia oleifera* forests were developed. 7,377 ha of open land were newly afforested, 9,954 ha of young stands were tended and 4,134 ha of low performing stands were improved. The survival rate after 3 years was excellent with over 95%. As a result, the forest cover in the project region increased by 0.25%. Multiple breeds of *Camellia oleifera* were raised in the nurseries and consequently planted to improve genetic diversity and reduce natural risks. The project produced 33.45 million of high quality camellia seedlings with improved productivity.

This economic forestry project was primarily focusing on poverty alleviation and the improvement of tea oil production. The project supported 53,000 poor households in raising their annual per capita income. The project created about 154,300 person years employment (full-time equivalent) during the 5-years implementation period. Women were a significant part of the workforce.

The project promoted fair land lease contracts which included benefit-sharing agreements with local farmers. During monitoring some deficiencies were found and consequently raised with the promoter, among these lack of price indexation, lack of termination clauses and the non-formalization of a grievance mechanism. Implementing entities had to strictly protect the rights and interests of labourers and equip labourers with standardized work uniforms and tools.

Implementing entities had to stringently follow the defined environmental safeguards. In order to avoid soil erosion, controlled burning for the clearing of forest land was strictly prohibited. During site preparation, the original vegetation had to be preserved and intensive terracing to be avoided. The tending of the young forest had to be carried out along the contour lines in order to avoid soil erosion. The use of pesticides and non-selective herbicides was prohibited, except in emergency cases where pesticides on the list of chemicals approved by China and the EU could be utilised.

It was confirmed by the monitoring mission in 2018 that the majority of implementation entities as well as farmers had a decent level of awareness of best practices such as the ban of



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burning, use of organic fertilisers, no herbicide use, minimal use of chemicals, and conservation of existing vegetation and buffer zones. However, occasional heavy terracing for the establishment of new Camellia plantation was observed, making the sites susceptible to soil erosion. This issue was raised by the monitoring mission and consequently addressed by the promoter.

The Bank encouraged the promoter to conserve existing natural trees and interplant some economically valuable and nitrogen-fixing root crops as appropriate, in order to improve stand structure, soil fertility, as well as biodiversity. Furthermore, about 300 ha of forests outside natural conservation areas were effectively protected as planned. The project area did not include habitats of listed protected species.

The carbon footprint of the project is positive. The project sequestered about 10,300 tons of CO₂ per annum, while causing project emissions (fertilisation, transport) of about 3,200 tons of CO₂ per annum. The estimated net GHG effect was about 7,100 tons of CO₂ per annum.

The Project promoted internationally accredited forest certification systems and standards, using Shaoyang County as pilot region. Progress towards forest certification was monitored, based on a forest certification roadmap satisfactory to the EIB. A new Guideline of Sustainable Camellia Management Certification and other related technical standards of camellia certification were prepared. The project evolved from advocating the Chinese Forest Certification Council (CFCC/PEFC) certification role model to actual operation. Provincial checks and county self-checks were conducted on sub-compartment level based on defined indicators, and the awareness of implementing entities and local farmers were raised through trainings on forest certification.

The environmental and social undertakings identified in the appraisal report and ESDS (e.g. restricted use of chemicals, promotion of internationally accredited certification system, database linked to forest map system) have been met by the promoter, but one exception. The undertaking "Provincial Forestry Bureau (PFB) needs to set up an easily accessible and clear help mechanism to register and provide assistance to any complaints, grievance, and request for support, arising from individual farmers and other stakeholders, satisfactory to the EIB" was only partly met.

EIB notes the following key Environmental and Social aspects to be monitored during operations:

- The promoter shall deliver to the Bank a project completion report three years after project completion (PCR+3), i.e. in December 2023. It shall cover the afforested area by forest category, survival rate and viability of forest plantations, forest growth, carbon sequestered, employment effects, revenues and expenses, risks, legal actions, actual values of the project indicators etc.
- The promoter has undertaken the commitment to formalize the processes already in place to address grievances from final beneficiaries, into a grievance mechanism. Likewise, it also undertook to propose a model contract inclusive of lessons learned collected throughout the years of implementation with regards to the indexation of the prices, and clauses for modification and termination of clauses. The bank will continue to supervise the promoter advancements in the implementation of these undertaking within a timeframe of 3 years.



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Summary opinion of Environmental and Social aspects at completion:

EIB is of the opinion based on reports from the promoter, as well as following the physical monitoring mission conducted in November 2018 by independent consultants that the Project has been implemented in line with EIB Environmental and Social Standards.