



European Investment Bank (EIB)

Luxembourg, 27 March 2023

Environmental and Social Completion Sheet (ESCS)

Overview

Project Name:	CCCFL – Guizhou Forestry
Project Number:	2015-0414
Country:	China
Project Description:	The project is to rehabilitate 2,826 ha of degraded forest lands and afforest 11,706 ha of abandoned agricultural lands so as to establish ecological barriers in the environmentally vulnerable catchment areas of the Yangtze River and Pearl River in Guizhou Province, China. The total project area is 14,532 ha. The project is an allocation under the China Climate Change Framework Loan (2006-0086).

Summary of Environmental and Social Assessment at Completion

The surface areas and land targeted by the project were adjusted in January 2018 based on minor changes in the project counties, areas and models. This resulted in a reduction of rehabilitation area to 2,826 ha (- 41%) and increase of afforestation area to 11,706 ha (+ 22%). After the adjustment, the total project area slightly increased by 143 ha or 1%.

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

The overall environmental and social performance of the project was in line with applicable EU Directives and EIB E&S Standards at the time of appraisal. The promoter reported relevant information on the implementation of key environmental issues and risks. No E&S conditions and undertakings were raised in the ESDS, yet a number of E&S related undertakings were included in the finance contract, related to the use of chemicals, model contracts, Environmental Management Plan (EMP), forest certification roadmap, and site preparation. The promoter was principally in compliance with the undertakings. Minor deviations were corrected during monitoring.

An Environmental Impact Assessment (EIA) and Social Impact Assessment (SIA) were prepared in 2014 and approved. The environmental permit was granted in July 2015.

The main objective of the project was to build ecological barriers for the Yangtze River and the Pearl River water catchment areas in Qiandongnan Prefecture. The project afforested 11,726 hectares of mixed forest and rehabilitated 2,857 hectares of existing forest. The project introduced a range of rare native species as well as broadleaved species that diversified forest structure and enhanced biodiversity in the project area. Besides, fruit trees, medicinal plants, and non-timber trees were planted with the objective to increase local income.

Economic benefits included merchantable timber, firewood, bamboo, forest fruits, tea, vegetal oils and medicinal plants. Social benefits included employment opportunities and income generation from timber and cash crop production and/or land leasing, and improved living environment for rural households. In addition, the project provided capacity building on improved forest management techniques related to variety of timber and non-timber species.



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Environmental Assessment

The project provided environmental benefits through carbon sequestration and storage, climate adaptation, and soil protection against erosion. Being primarily a forest conservation project having positive impacts on the environment, there were no specific mitigation, restoration and/or compensation measures required/foreseen. Still, a number of precautions were embedded into the design of the project.

The Promoter was only allowed to use chemicals approved by the European Union and Chinese laws and regulations. Besides, the promoter developed a forest certification road map, organised trainings in certification, and was actively pursuing organic certification in particular for non-woody species (blueberry, Camellia tea oil). Furthermore, the promoter developed and regularly updated a GIS-based forest database to monitor and report on project progress.

To mitigate erosion risks, the project sites were not established on very steep slopes and buffers were applied to sensitive areas or main water bodies. Nutrient leaching was mitigated by using mainly organic fertilizers and pesticide use was minimized by biological control measures. Using fire and heavy terracing for land preparation was forbidden.

Social Assessment

The project had a positive social impact. According to the latest information provided, over 90% of the population in the project area were ethnic minorities, and they equally participated in the project. Based on a comprehensive social impact assessment, the key project stakeholders were identified. They included collectively-owned forest farms, state-owned forest farms, farmer cooperatives, private companies/entrepreneurs and individual farmers. Farmer and villager participation in the project was voluntary and no resettlement occurred. The project promoted equal employment opportunities for men and women.

Individual farmers mainly benefited through seasonal employment opportunities, but also through land rents or product sales revenues. Farmers had generally other income sources than those related to the project, thus they were not dependent on project revenues only. Land lease contracts had proper provisions for price indexing and exit clauses.

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

- The borrower shall deliver to the Bank a project report three years after project completion, i.e. in December 2024. It shall cover the established and improved forest area by forest category, survival rate and viability of forest plantations, forest growth, carbon sequestered, employment effects, revenues and expenses, significant issues and risks, legal actions, etc.

Summary opinion of Environmental and Social aspects at completion:

EIB is of the opinion based on reports from the promoter, a site visit and monitoring reports by EIB's forestry consultant in China, that the Project has been implemented in line with EIB Environmental and Social Standards, applicable at the time of appraisal.