



Luxembourg, 30/11/2023

## Environmental and Social Completion Sheet (ESCS)<sup>1</sup>

### Overview

Project Name:	CFFL- Fujian Forests
Project Number:	2015-0096
Country:	China
Project Description:	The project was to afforest 7 730 ha of barren forestland with <i>Sapindus</i> ( <i>Sapindus mukorossi</i> ) and Chinese fir ( <i>Cunninghamia lanceolata</i> ) and to rehabilitate 2 320 ha of existing stands in Fujian province, China. It was expected to establish continuous cover forestry on barren lands and to improve productivity of soap nut trees that provide valued saponins for the biochemical industry.

### Summary of Environmental and Social Assessment at Completion

According to the original Project Agreement, the project's implementing entities were Shunchang County State-owned Forest Farm (the State Forest Farm) – for 5 280 ha – and Sanqing *Sapindus* Biotechnology Development Co., Ltd (the Private Company) – for 4 770 ha. In 2018, the promoter (Fujian Province) asked the Bank (i) to reassign the share of works of the Private Company to the State Forest Farm; and (ii) to add a new category of forestry works (i.e. tending of young and middle-aged timber forests) to the project's technical description. The total project area (10 050 ha) and the overall project implementation period (2016-2020) would remain unchanged. This change request was approved by the Bank.

#### **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. Environmental Impact Assessment (EIA) and Social Impact Assessment (SIA) were approved in 2015. The promoter reported relevant information on the implementation of key environmental issues and risks. Environmental and social risks identified during the appraisal, namely soil erosion during site preparation, nutrient run off to waters through fertiliser use, pollution by the application of pesticides, marginalisation of poor households or minority people, and labour shortage have all been satisfactorily addressed and mitigated where needed.

#### **Environmental Assessment**

The promoter has met the overall target of 10 050 ha of forest land under improved management. The final areas by main model show some changes compared with the adjusted figures. Specifically, 3 459 ha of mixed forests were afforested (slightly over the revised target), 1 367 ha of young & middle-aged Chinese fir forests were tended (increase by 17%) and 5 224 ha of low-yield mixed forests were improved (4% less than the revised target).

The project improved the environment by establishing mixed forests and rehabilitating existing forests to make them more climate resilient. The established and improved forests will supply high value saponins for industrial use and wood for local consumption. The project used improved tree varieties and management regimes that assure healthy stands with high yields.

<sup>1</sup> The template is for ILs and FLs



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The risk for soil erosion was mitigated as the promoter prohibited the use of fire and heavy terracing during site preparation which reduced the risk of soil disturbance and erosion. Patches of natural vegetation were left intact. Spot checks and verification by the promoter and the monitoring mission confirmed this.

The risk for fertilization contamination of streams was mitigated by hole and ditch digging to mitigate soil disturbance and reduce the risk for nutrient run off. Besides, buffer zones consisting of natural vegetation were established in accordance with the FSC forest management certification requirements. Outbreaks of forest diseases, pests and forest fires were not reported.

The promoter complied with the Environmental Management Plan (EMP) procedures, confirmed by site visits and periodic monitoring of environmental indicators.

The sole implementing agency, the Shunchang County State Forest Farm (SCSFF), has been participating in the FSC certification scheme since 2010. In May 2021, the SCSFF passed again the annual review of FSC and CFCC forest management standards. Moreover, SCSFF became the first forest site in China verified through FSC's Ecosystem Services Procedure in 2021, which is a major achievement, even more than expected at appraisal. With the help of this procedure, the project's positive impacts on watersheds, carbon and biodiversity were proven.

The project will have a positive climate impact through establishing and improving forest stands in the region. Based on the updated calculations from the promoter, the expected annual carbon sequestration over the project cycle will be about 730 ktCO<sub>2</sub>/year.

### **Social Assessment**

To mitigate the identified risks, the project developed mechanisms to track and minimize unintended social and socio-economic disadvantages to different groups of people, especially poor households, women and minority groups. Fair price adjustment, benefit sharing arrangement, grievance and complaint mechanism and exit clause were commonly included in the land lease contracts. The contracts were fair for the participating villages and farmers. Furthermore, the implementing entity has established a "forest right dispute settlement mechanism" and "employee complaint mechanism" to ensure the grievances and complaints are properly and timely handled. No complaints or social issues were reported.

After the withdrawal of the private implementing entity, the SCSFF leased additional 500 ha of cut-over forest land from local farmers near the forest farm. The project followed the Shunchang County People's Government issued 'Notice of Implementation Plan for the Commercial Forest and Green Seedling Purchases for the 2018 Forest Quality Improvement Project in Nanping City National Reserve' (Shunzhengban [2018] No. 14). This plan involved a cooperative model for forest land leasing, guaranteeing a certain income for the farmers.

The project took measures to improve labour safety and gender equality. Workers were equipped with necessary labour protection supplies, and no accidents or casualties were reported during the implementation of the project. The selected afforestation companies hired preferentially local people such as retired forest farm workers, including people from poor households, ethnic minorities (*She* minority) and women. An "equal pay for equal work" policy was implemented.

### **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,



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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 as well as a completion mission, that the Project has been implemented in line with EIB Environmental and Social Standards, applicable at the time of appraisal.