European Investment Bank

Luxembourg, 18/12/2023

Environmental and Social Completion Sheet (ESCS)

Overview

Project Name:	CFFL - CHONGQING FORESTS
Project Number:	2013-0496
Country:	China
Project Description:	The project is the fourth allocation under the China Forestry Framework Loan (2010-0330). It aimed to establish 7,800 ha of forest plantations on abandoned, degraded agricultural land and on erosion-prone forest lands. The planned plantations consisted of fruit trees (5,225 ha), timber and bamboo stands (1,287 ha), and medicinal plants/trees (1,288 ha).

Summary of Environmental and Social Assessment at Completion

The promoter requested a major adjustment of the implementing entities, afforestation models and project areas in July 2017. The area to be planted with timber trees was reduced to 400 ha while the plantation areas for fruit trees and medicinal plants were increased to 6,499 ha and 1,833 ha respectively. This resulted in a total plantation area of 8 732 ha.

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 principles of EU legislation and EIB E&S Standards at the time of appraisal. The undertaking related to the development of a roadmap towards forest certification has been fulfilled. Besides, with regards to the undertakings related to the use of chemicals, model contracts, Environmental and Social Management Plan, forest certification roadmap, and proper site preparation, the promoter was principally in compliance with them, minor deviations were corrected during monitoring.

In 2013, Environmental Impact Assessment (EIA) and Social Impact Assessment (SIA) were separately prepared for both initial project counties/districts, namely Wulong and Qianjiang. The environmental permit was granted in October 2013 and covered the entire project scope, namely the development of timber and economic forests, as well as the plantation of fruit trees and medicinal plants. Due to limited availability of land for afforestation in Wulong county, the promoter decided to extend the project into six additional counties (Dianjiang, Pengshui, Wanzhou, Youyang, Yunyang and Zhongxian) to achieve the area targets. In these new counties, solely a medicinal plant (sweet wormwood herb) was planted which was included in the list of approved species during appraisal. This annual herb occurs naturally in the project area and was planted on abandoned agricultural land in mountainous areas. The planting of sweet wormwood did not involve the application of pesticides and chemical fertilizer, instead organic fertilizer was used by the farmers.

According to the Catalogue for the Classified Administration of Environmental Impact Assessments for Construction Projects (2018), the filing of an environmental impact registration form (EIRF) is sufficient for the large-scale development of medicinal material bases, if the project area does not involve environmental sensitive areas such as natural protection areas, world cultural and natural heritage sites, key protection areas for water and soil conservation, drinking water source protection areas, and important wetlands. The latter was confirmed by

the promoter and an independent environmental expert. Thus, the Bank requested the promoter / responsible implementing entity to file EIRFs for the six counties which was completed in December 2023.

The protection of soil and water, improving biodiversity, and climate change adaptation and mitigation were the main objectives of the project. With the support of the project, 4,365 ha of fruit trees and 3,003 ha of medicinal plants were planted, summing up to 7,368 ha of extensively managed forest fruits and herbs. The project planted 15 fruit trees species and 3 medicinal plants that diversified forest structure and enhanced biodiversity in the project area. The survival rate of the trees was satisfactory. Contrary to initial planning, no timber trees were planted since farmers were preferring forest fruit trees and medicinal plants which provide quicker economic returns. As a consequence, the carbon sequestration of the project was less than expected.

Economic benefits included collection of forest fruits, bamboo shoots, oil tea, and medicinal plants and income generation from land leasing for farmers opting for this option. Social benefits included employment opportunities and improved living environment for rural households.

The project was located in mountainous areas of Chongqing province with severe erosion problems. Most of the natural forests in this erosion-prone region have been logged in the past and better soils have been used for growing of edible crops. Due to loss of soil productivity and/or lack of profitability to grow on remote slopes, many sites had been abandoned. The establishment of extensively managed fruit tree and medicinal plants stands restored these bare and degraded areas, reduced the risk of erosion and provided a long term pool for carbon storage and production of various ecosystem services. The project also contributed to climate adaptation by strengthening resilience against extreme weather events, such as exceptional rains and storms.

Being primarily a forest conservation project having positive impacts on the environment and not envisaging any physical or economic displacement, there were no specific mitigation, restoration and/or compensation measures required.

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. Fire and heavy terracing for land preparation was not used. Furthermore, the promoter developed and regularly updated a GIS-based forest database to monitor and report on project progress.

The project had positive social impacts by providing new income opportunities for rural population, often living in remote areas with limited access to other employment. Many project sites were located in the areas where tenure right holders belong to various minority groups, thus the project provided improvements to their income levels. Farmers benefited from a variety of income streams generated through land leasing, labour inputs or sales of products. This variety gave earning opportunities also for women and elderly people who are not necessarily able to do full time physical work in agriculture.

The business models that were applied developed increased cooperation and partnerships between farmers and private companies. The project supported building of farmers' cooperatives that strengthened their marketing capacity. County forest bureaus provided technical assistance to project beneficiaries. Chinese labour legislation and regulations were applied to all work on project sites. Farmer and villager participation in the project was voluntary and no involuntary resettlement nor economic displacement occurred.

Luxembourg, 18/12/2023

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 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.