Luxembourg, 20 November 2017

Environmental and Social Data Sheet

Overview

Project Name:	ANHUI FORESTRY (FL 20090490)
Project Number:	2016-0755
Country:	China
Project Description:	The project is an allocation under the China Climate Change Framework Loan II. It is the Bank's 16th project in the forestry sector in China since 2009. The project consists of the afforestation of 1,947 ha of bare and degraded lands and the rehabilitation of 7,882 ha of existing, low quality forests. The planted and rehabilitated forests will develop into diverse habitats that sequester CO_2 and store carbon. The project will also include a biodiversity conservation component, investments in infrastructure (construction of 220 km of forest roads and 110 km of firebreaks) as well as a capacity building component (forest management planning and monitoring).

EIA required: no

Project included in Carbon Footprint Exercise[1]: no

(details for projects included are provided in section: "EIB Carbon Footprint Exercise")

Environmental and Social Assessment

Environmental Assessment

The project supports International commitments on biodiversity protection as well as the EU Biodiversity Strategy and Policy to Monitor and Adapt to Climate Change. It is in line with the objectives to the CCCFL II that supports the EU-China Agenda 2020 for Strategic Cooperation by promoting sustainable development, biodiversity and sustainable management of forests, in particular with the assessment of ecosystem services in China. The project supports EU strategy on China which was adopted in 2016 and calls for increased cooperation on climate change.

The Environmental Protection Department of Anhui Province concluded that an environmental impact assessment (EIA) is not required for the project. The project area is fragmented in small entities and forestry activities are not allocated to high nature value or protected areas.

Afforestation, rehabilitation and tending activities will increase forest cover and carbon stock, landscape quality, soil's water retention capacity, soil organic material content and biodiversity in the area.

[1] Only projects that meet the scope of the Pilot Exercise, as defined in the EIB draft Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: above 100,000 tons CO_2e/year absolute (gross) or 20,000 tons CO_2e/year relative (net) – both increases and savings.

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The project will use only native tree and shrub species that are well-adapted to the local soil and weather conditions so as to reach high survival rates and growth. At least ten different tree species and six different shrub species will be planted in mixed stands to improve the ecological conditions of the sites. The seedling production is well controlled and the project shall use only officially certified seedlings. To save fresh water resources, the project will exclude investments in permanent irrigation. However, temporarily watering of the seedlings for up to three years after planting will be allowed in order to reach acceptable survival rates.

The project shall respect the regulations in force in China and the EU when using chemicals and apply only chemicals that are registered both in the EU and China. Only organic fertilizers (manure) will be applied to support growth of the trees.

The potential adverse environmental impacts are related to soil erosion in road construction or other soil disturbances, runoffs to nearby waterbodies or forest fires. To mitigate these risks, appropriate methods shall be applied to avoid soil erosion during construction of a relatively dense road network in hilly areas. The project will apply low-impact site preparation methods and will follow sustainability standards in forest management in line with the China Forest Certification Scheme. In this respect, the existing vegetation shall be protected and preserved as much as possible; no large-scale soil movement/heavy terracing and no interventions on slopes steeper than 35 degrees shall be accepted. Precautionary measures against forest fires will be implemented by constructing biological fire belts using fire resistant vegetation. The project sites shall not be cleared from the existing vegetation by slash and burn practices.

Prior to the first loan disbursement, the promoter shall submit an environmental management plan satisfactory to the Bank. The implementing entities shall commit to and implement this plan and its related standards on sustainable forest management

EIB Carbon Footprint Exercise

The planted and rehabilitated forests will sequester annually about 139 kt of CO_2e. The existing forests (to be rehabilitated in the project) would grow to some extent even without the rehabilitation. This growth sets the without-project baseline for sequestration rate and it is estimated at 20 kt CO_2e per annum. Emissions from fuel consumption in vehicles and machinery are relevant only during the implementation phase of the project and their emissions will be about 1.8 kt CO_2e per year. Temporary watering of the planted trees will emit annually 1.3 kt CO_2e calculated over the economic project life (25 years). The emissions caused by fertilization are not taken into account, because only manure is applied. Conditional on these gross sequestration and emission parameters, the project is estimated to sequester annually about 116 kt CO_2e, net of emissions.

Social Assessment, where applicable

An independent social impact study was completed in January 2017. Economic development in rural areas in Dabie Mountains lags behind the urban regions. Poor households, considered to be disadvantaged groups, are typically in rural areas. The project will create about 8,200 person years of employment during the five-year construction period and 70 new jobs for project operation. Most of the work is seasonal, which means that employment opportunities expand more widely among local communities. New employment will increase household incomes, with an average increase of RMB 800/a per capita (EUR 110/a). Farmers, and especially entrepreneurs (larger households), also expect to receive income from cash trees and technical training during the project.

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No resettlement is foreseen as part of the project, as the project sites are already allocated for forest purposes.

The following potential social risks are identified:

1. Failure to gain adequate incomes from cash tree production and compensations paid for planting of forests to repay the loan.
2. Conflict related to required investments for biodiversity protection between famers and government expectations.
3. Lack of communication and conflict resolution between implementing entities (operators) and local people.

To mitigate these risks, the implementing entities that are liable for repaying the loan, participate in the project following a consultation process, and are advised to consult with local residents to find ways to minimize any negative impacts caused by project implementation. Such impacts may relate to transport during implementation, living environment (air pollution) and safety of workers. In addition, land which is collectively owned will be leased from the tenure holders for the purposes of the project. The Bank will include an undertaking to require the Promoter to provide evidence that the land leasing contracts include explicit terms on the annual rent, periodical revisions of the rent (e.g. against inflation), exit clauses and compensation for the existing trees and cash crop perennials, if any.

The established complaint mechanisms for farmers are applicable in the project. Village committees or project operators are the first parties to address any grievances raised by local people. If the problem cannot be solved, it will be addressed by grievance procedures at township or county levels.

The project office will provide training to operators and their sub-contractors to ensure the use of appropriate technology and management models in project implementation.

Public Consultation and Stakeholder Engagement

During the social impact assessment (SIA), an independent team informed the villagers and other stakeholders about the project and collected their views concerning the project implementation. The consultation covered local farmers in the villages affected by the project as well as entrepreneurs or companies leasing land for the project. Poor households also participated in the consultation. The planned investments were welcomed and local people expected better incomes through new employment opportunities.

In addition to the SIA, relevant county level government agencies have informed villages about the project and possibilities for participation in it.

Other Environmental and Social Aspects

The project is committed to implement environmentally and socially sustainable forest management in line with the China Forest Certification Scheme, endorsed by PEFC.

Conclusions and Recommendations

The project will increase the forests cover and growth in mountainous areas which contribute to climate change mitigation by increased carbon stocks. Mixed stands improve the resilience

of forest ecosystems to adapt to the adverse weather conditions. Continuous vegetation cover will also increase the water retention capacity and mitigate the risk for soil erosion.

The project complies with the environmental and social requirements of the Bank. The Environment Protection Department of Anhui Province concluded that the project does not need an independent EIA or an environmental permit. The assessment of environmental impacts was done by the promoter organisation and it was less comprehensive compared to the scope of an EIA. The afforestation and forest tending activities on fragmented small parcels do not trigger the conditions for EIA preparation under the EU regulations either.

A fairly comprehensive social impact assessment was elaborated by an independent party. The conclusion was that local people support the project and expect to benefit from it through employment opportunities during implementation and/or operation.

The project provides employment opportunities to local people and introduces sustainable and certifiable management regimes. Cash crops are profitable and produce income to operators during the project cycle, which allow them to repay the loans and to generate income for rural population.

Taking into account the conditions on the project, the capacity of the promoter and the systems in place to manage environmental and social impacts and issues, the project is acceptable for the Bank.