Forest Quality Improvement and Efficiency
Enhancement Demonstration Project of Hunan Province with Loan from European Investment Bank

Social Assessment Report
Department of Forestry of Hunan Province

July 2017

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1 Project Overview

1.1 Background of Project Construction

At present, one of the largest weaknesses for restricting China forestry modernization development is low forest quality and unapparent efficiency. On January 26, 2017, the President Xi Jinping, when presiding over the 12th Central Leading Group on Financial and Economic Affairs, emphasized on improving forest quality, sticking to protection priority and natural repair as focus, adhering to equal emphasis of quantity and quality as well as quality priority, and insisting on forest reservation and plantation at the same time; improving the protection system for natural forest and stopping the commercial felling of natural forest completely; paying attention to elevating forest composition, structure and function, as well as closing, afforesting, planting, irrigating and grassing when necessary and implementing accurate forest quality improvement project when studying ecological safety problems of forest, which indicates the development direction of forestry in new period. To deeply execute the spirit of the vital documents made by President Xi Jinping, the Department of Forestry of Hunan Province, together with Development and Reform Commission of Hunan Province and Department of Finance of Hunan Province, introduces into “Forest Quality Improvement and Efficiency Enhancement Demonstration Project of Hunan Province with Loan from European Investment Bank” actively. It’s planned to apply for RMB 750,000,000 (converting into EUR 100,000,000 based on the average rate of 1:7.5) from European Investment Bank to support the forestry development of Hunan Province. According to the project, it’s planned to apply close-to-nature forest management principle, bring in new sustainable forest management mode, investment and financing channels, explore and demonstrate the mode and method for forest quality improvement and multiple resource utilization by means of adjusting forest structure in about 55 forest farms and forest parks in Hunan Province in order to supply effective mode and method for forestry development transformation and mode transformation of forest management of the whole Hunan Province.

Among existing forest resources in Hunan Province, there are less precious and large-diameter forest resources, while the young forest accounts for a large proportion, which leads to poor forest quality, low forest biomass per unit area, insufficient potential exertion of carbon sequestration and emission reduction as well as structural resource weakness. Therefore, the forestry competent department of Hunan Province takes forest quality improvement and efficiency enhancement as an important way for transforming forestry development way and deems the cultivation of large-diameter and quality woods as an important aspect of accelerating the structural transformation
of forestry supply. The forest carbon sequestration capacity will be improved to average level of regions with medium and high latitude in the world through building of mingled forests of native tree species and implementation of forest quality improvement measures. 2,114,000t of carbon sequestration capacity can be newly increased in this project, which is a strategic choice for sink increase and emission reduction; a multitude of demonstration bases of high-quality native large-diameter and rare tree timber forest will be built to improve the forest quality of Hunan Province greatly. The “Forest Quality Improvement and Efficiency Enhancement Demonstration Project of Hunan Province with Loan from European Investment Bank” is an important measure for Hunan Province to implement the Party’s and national strategic deployments as well as vital instructions from President Xi Jinping.

1.2 Project Construction Objectives

Apply foreign close-to-nature forest operation theories and practical experience, implement three contents of forest quality improvement, forest land compound operation, and supporting system construction through adjustment of forest structure, improvement of forest quality and beautifying of forest landscape, and explore and demonstrate models and methods for improvement of forest quality and multifunctional forest utilization so as to make typical example for promotion of quality improvement and efficiency enhancement of forests in Hunan Province and realization of sustainable development of forestry in Hunan Province.

1.3 Content of Project Construction

It’s planned to facilitate sustainable development of forestry of Hunan Province by means of adjusting forest structure, elevating forest quality, exploring and demonstrating the mode and method for lifting forest quality and multiple resource utilization in about 55 forest farms and forest parks within Hunan Province. The detailed scale of the project is as below:

(1) Forest Quality Improvement

The forest quality improvement involves improved cultivation of rare tree species, artificial promotion of natural formation of woods, valuable and rate arbor and shrub mixed afforestation, precious and high-value tree species afforestation, cultivation of large-diameter timber and middle-aged forest and young forest tending.

(2) Forest Land Compound Operation

Forest land compound operation is underwood planting.

(3) Forest Protection

Construct protection and management rooms, fire towers, forest protection signboards, forest ecological culture and natural scientific knowledge Publicity boards, forest road (work road), protective fences, simple skidding ropeway, fire forest belt, as
well as construct protection facilities of extremely tiny communities, old trees and famous wood species, and special habitats in the active area of afforestation.

(4) Auxiliary Works and Equipment

Add office equipment including computers, cameras and video cameras, production tools including chain saws and work safety clothes, and skidding tools.

(5) Technical Support System of Project

① Launch research work on aspects having an influence on ecosystem of the forest, including afforestation production activities, existing forest improved cultivation and forest tending, mixing of tree species in afforestation, and climate.

② Launch project management skill training and professional skill training, compile teaching materials, offer foreign short-term training, and organize domestic learning and technical communication and visit.

(6) Project Monitoring System

Launch management monitoring, forest stand quality monitoring and implementation effect monitoring and carry out staged evaluation of project execution condition, efficiency, effect and influence.

(7) Carbon Sink Product Development and Forest Certification Demonstration

It is planned to select 5 counties (cities or districts), i.e. Zhuzhou County of Zhuzhou City, Yueyang County of Yueyang City, Zixing of Chenzhou City, Jindong Management District of Yongzhou City, and Longshan County of Tujia-Miao Autonomous Prefecture of Xiangxi, for carbon sink product department. The project products involve native tree species, rare tree species, etc.; forest certification work is comprehensively launched in project implementation areas within 25 project counties (cities or districts) including forest farm, forest park, nursery, botanical garden, county (town) and company.

1.4 Location of Project Construction

1.4.1 Conditions for Deciding Project Construction Units

Selection principle of construction unit for Hunan forest quality improvement and efficiency enhancement demonstration project: (1) Supported by local government, competent department and various interested parties, the construction unit takes on high positivity and powerful project organization and implementation ability; (2) Regions involved in the project shall be those areas with dominant geographical condition and certain forest management scale, that are suitable for project development or able to provide environmental benefit; (3) Selected project units with abundant forest farms and wood resources, construction unit with guaranteed self-raised fund channel or enough funds; (4) All construction units, forest
farmers and communities are completely voluntary; (5) All selected construction sites shall be out of the boundary that is banned for development, such as “ecological conservation area” of natural reserves and/or cultural heritage/forest parks/out-of-bounds area of national minority; (6) Selected construction site with clear ownership and no land disputes; (7) Stick to the principle of “from bottom to top, voluntary declaration and comprehensive preferential”.

Pursuant to above principles, the Department of Forestry of Hunan Province selects 25 counties or cities from 9 cities or autonomous prefectures, including Zhuzhou, Hengyang, Yueyang, Changde, Loudi, Chenzhou, Yongzhou, Huaihua and Xiangxi Autonomous Prefecture, as demonstration plots of Forest Quality Improvement and Efficiency Enhancement Demonstration Project of Hunan Province with Loan from European Investment Bank. Detailed distribution can be referred in Table 1-1. Spatial distribution can be referred in Sketch Map of Forest Quality Improvement and Efficiency Enhancement Demonstration Project of Hunan Province with Loan from European Investment Bank.

**Table 1-1 Prepared 9 cities and 25 project counties (cities or districts) in the construction area of this project**

<table>
<thead>
<tr>
<th>S/N</th>
<th>City</th>
<th>Counties (cities or districts)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Zhuzhou City</td>
<td>Chaling County, Zhuzhou County</td>
</tr>
<tr>
<td>2</td>
<td>Hengyang City</td>
<td>Changning City, Leiyang City</td>
</tr>
<tr>
<td>3</td>
<td>Yueyang City</td>
<td>Huarong County, Linxiang City, Miluo City, Yueyang County</td>
</tr>
<tr>
<td>4</td>
<td>Changde City</td>
<td>Li County, Linli County</td>
</tr>
<tr>
<td>5</td>
<td>Loudi City</td>
<td>Lengshuijiang City</td>
</tr>
<tr>
<td>6</td>
<td>Chenzhou City</td>
<td>Guidong County, Guiyang County, Linwu County, Yizhang County, Zixing City</td>
</tr>
<tr>
<td>7</td>
<td>Yongzhou City</td>
<td>Jiangyong County, Shuangpai County, and Jindong District, Yongzhou City</td>
</tr>
<tr>
<td>8</td>
<td>Huaihua City</td>
<td>Jingzhou County, Mayang County, Xupu County</td>
</tr>
<tr>
<td>9</td>
<td>Xiangxi Autonomous prefectures</td>
<td>Guzhang County, Longshan County, Luxi County</td>
</tr>
</tbody>
</table>
Layout Sketch Map of Forest Quality Improvement and Efficiency Enhancement Demonstration Project of Hunan Province with Loan from European Investment Bank
### 1.4.2 Definition of Project Implementation Subject

According to the voluntary application from construction units, the Department of Forestry of Hunan Province plans to select 55 implementation subjects mainly focusing on forest farms and forest parks from 25 project counties (cities or districts). Basic conditions of project implementation subjects can be referred in Table 1-2.

#### Table of Basic Conditions of Project Implementation Subjects

<table>
<thead>
<tr>
<th>Name of county</th>
<th>Name of project implementation subject</th>
<th>Year of establishment</th>
<th>Legal representative</th>
<th>Total amount of assets</th>
<th>Main business</th>
</tr>
</thead>
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<td>Zhuzhou County</td>
<td>Fenghuang Mountain Forest Farm</td>
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<td>Chaling County</td>
<td>Yunyang Forest Farm</td>
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<td>Xiao Xiaoyong</td>
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<td>Various kinds of wood products, forest tree seeds and seedlings as well as ecotourism</td>
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<tr>
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<td>Erpu Nursery</td>
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<td>Li Lewen</td>
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<td>Tan Xiaohua</td>
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<td>Forest by-products, ecological preservation, tourism and ecological breeding</td>
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<thead>
<tr>
<th>Name of county</th>
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<th>Legal representative</th>
<th>Total amount of assets</th>
<th>Main business</th>
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# Table of Basic Conditions of Project Implementation Subjects

Table 1-2

<table>
<thead>
<tr>
<th>Name of county</th>
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### Table of Basic Conditions of Project Implementation Subjects

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<thead>
<tr>
<th>Name of county</th>
<th>Name of project implementation subject</th>
<th>Year of establishment</th>
<th>Legal representative</th>
<th>Total amount of assets</th>
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</tbody>
</table>

| Longshan County  | Shazipo Forest Farm                  | 1981                  | Li Shuirong         | 5970.72                | Forest resource development |
|                  | Zengjiagie Forest Farm               | 1958                  | Gao Jinbiao         | 167.00                 | Forest resource development |

#### 1.4.3 Land Conditions of Project Construction

Area of project areas complying with standards of improved cultivation and tendering reaches 126,646.5 hectares and the area suitable for new building of suitable land for forest, non-timber forest and open forest land reaches 21,663.5 hectares.

### List of Land Resources of Project Counties (Cities or Districts)

<table>
<thead>
<tr>
<th>Statistical unit</th>
<th>Total land area</th>
<th>Forest area</th>
<th>Area complying with improved cultivation and fostering standards</th>
<th>Area of various kinds of land suitable for new construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total project areas</td>
<td>285621.5</td>
<td>266323.4</td>
<td>126646.5</td>
<td>21663.5</td>
</tr>
<tr>
<td>Zhuzhou County Project Area</td>
<td>3828.2</td>
<td>3774.9</td>
<td>1872.9</td>
<td>280.9</td>
</tr>
<tr>
<td>Chaling County Project Area</td>
<td>10008.5</td>
<td>9956.3</td>
<td>4467.2</td>
<td>506.3</td>
</tr>
</tbody>
</table>
### List of Land Resources of Project Counties (Cities or Districts)

**Table 1-3**

<table>
<thead>
<tr>
<th>Statistical unit</th>
<th>Total land area</th>
<th>Forest area</th>
<th>Area complying with improved cultivation and fostering standards</th>
<th>Area of various kinds of land suitable for new construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leiyang City Project Area</td>
<td>17945.8</td>
<td>13575.5</td>
<td>6382.6</td>
<td>2193.0</td>
</tr>
<tr>
<td>Changning City Project Area</td>
<td>6729.5</td>
<td>6186.6</td>
<td>2729.8</td>
<td>298.1</td>
</tr>
<tr>
<td>Yueyang County Project Area</td>
<td>2441.2</td>
<td>2437.4</td>
<td>1297.2</td>
<td>199.4</td>
</tr>
<tr>
<td>Huarong County Project Area</td>
<td>2897.4</td>
<td>2797.7</td>
<td>1338.1</td>
<td>364.4</td>
</tr>
<tr>
<td>Miluo City Project Area</td>
<td>1519.3</td>
<td>1483.3</td>
<td>740.3</td>
<td>69.7</td>
</tr>
<tr>
<td>Linxiang City Project Area</td>
<td>4081.0</td>
<td>4071.0</td>
<td>2069.3</td>
<td>156.2</td>
</tr>
<tr>
<td>Li County Project Area</td>
<td>1410.7</td>
<td>1410.7</td>
<td>780.8</td>
<td>88.0</td>
</tr>
<tr>
<td>Linli County Project Area</td>
<td>3435.6</td>
<td>3435.6</td>
<td>1763.9</td>
<td>23.4</td>
</tr>
<tr>
<td>Guiyang County Project Area</td>
<td>10755.7</td>
<td>10755.7</td>
<td>4882.7</td>
<td>1443.0</td>
</tr>
<tr>
<td>Yizhang County Project Area</td>
<td>1687.1</td>
<td>1687.1</td>
<td>756.8</td>
<td>212.9</td>
</tr>
<tr>
<td>Linwu County Project Area</td>
<td>12626.2</td>
<td>11984.0</td>
<td>6403.9</td>
<td>701.4</td>
</tr>
<tr>
<td>Guidong County Project Area</td>
<td>12076.7</td>
<td>11448.8</td>
<td>6243.4</td>
<td>172.1</td>
</tr>
<tr>
<td>Zixing City Project Area Project</td>
<td>15180.2</td>
<td>15030.4</td>
<td>7204.6</td>
<td>553.5</td>
</tr>
<tr>
<td>Shuangpai County Project Area</td>
<td>38430.5</td>
<td>37301.1</td>
<td>18640.4</td>
<td>1970.9</td>
</tr>
<tr>
<td>Jiangyong County Project Area</td>
<td>29456.1</td>
<td>29347.7</td>
<td>14844.9</td>
<td>1916.6</td>
</tr>
<tr>
<td>Jindong Management District Project</td>
<td>1341.3</td>
<td>1341.3</td>
<td>796.8</td>
<td>13.3</td>
</tr>
<tr>
<td>Xupu County Project Area</td>
<td>12719.2</td>
<td>11603.9</td>
<td>6264.2</td>
<td>670.8</td>
</tr>
<tr>
<td>Mayang County Project Area</td>
<td>3012.5</td>
<td>2909.6</td>
<td>1235.4</td>
<td>592.0</td>
</tr>
</tbody>
</table>
## List of Land Resources of Project Counties (Cities or Districts)

### Table 1-3

<table>
<thead>
<tr>
<th>Statistical unit</th>
<th>Total land area</th>
<th>Forest area</th>
<th>Area complying with improved cultivation and fostering standards</th>
<th>Area of various kinds of land suitable for new construction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jingzhou County Project Area</td>
<td>6852.0</td>
<td>6486.2</td>
<td>3538</td>
<td>169.6</td>
</tr>
<tr>
<td>Lengshuijiang City Project Area</td>
<td>2397.0</td>
<td>2094.9</td>
<td>863.4</td>
<td>424.9</td>
</tr>
<tr>
<td>Luxi County Project Area</td>
<td>5551.8</td>
<td>5457.0</td>
<td>2273</td>
<td>496.0</td>
</tr>
<tr>
<td>Guzhang County Project Area</td>
<td>62893.8</td>
<td>53490.1</td>
<td>22522</td>
<td>4753.2</td>
</tr>
<tr>
<td>Longshan County Project Area</td>
<td>16344.2</td>
<td>16256.6</td>
<td>6734.9</td>
<td>3393.9</td>
</tr>
</tbody>
</table>

### 2 Identification of Project Stakeholders Groups

This chapter analyzes all stakeholders involved in this project. As project operation and running will necessarily take on causes and effects and involve in many aspects, stakeholder frame must be decided. According to the analysis based on social assessment, direct stakeholders involved in all categories of the project contain construction unit, employees from construction unit, forest farmers, forestry cooperatives, village-level organization, township forestry working-station, woman and national minority; indirect stakeholders contain Department of Forestry of Hunan Province, county government involved in each project, government agencies affiliated to the project county and township governments for implementing the project etc. Their roles in the project are presupposition that is put forward by social assessment group in design stage.

#### 2.1 Construction Unit

Forest farm, forest park, nursery garden, company and town are the implementation subjects of the project, that is, construction unit. The project is set in line with principles of “from bottom to top, voluntary declaration and comprehensive preferential”. Forest farm and forest park, as construction units, are direct executors of the project and must be the direct beneficiaries of the project as well.

With respect to forest farm, most of the 207 state-owned forest farms in Hunan Province are located at mountains or in the ecologically fragile area with large
gradient or barren soil layer, thus, the ecological location is very important. There are 172 forest farms located in Yangtze River Basin, 6 forest farms located in Pearl River Basin, 20 forest farms around Dongting Lake and 9 forest farms around significant reservoirs.

In regard to forest park, the construction of forest park in Hunan Province has started early. Although many forest parks have poor and bad basis, they develop very fast. After years of construction, the mechanism of “government guidance, market operation and social participation” has formed preliminarily, the positivity of the whole society to build forest park and develop forest tourism has strengthened and the construction of forest park has attracted a lot of social and private funds.

The implementation of the project will further promote the construction level of forest farm and forest park in Hunan Province, which will have a fundamental effect on protecting the ecological environment around four drainage basins-- Xiang, Zi, Yuan and Li as well as large and medium-sized reservoirs, improving production conditions of agriculture and animal husbandry and accelerating the comprehensive treatment of Dongting Lake. Meanwhile, by means of constructing new forests and protecting natural secondary forest, the forest farm can provide a better living environment for wild animals and plants, which enables some wild animals and plants under key protection to recover and develop. As forest park construction is an important part of ecological environment protection and natural environment protection, to protect and build forest park is an important way for strengthening ecological protection, ensuring ecological safety and facilitating the harmony between human beings and nature. State-owned forest farms are mainly to consolidate the reform achievements of forest farm, extend project fund channel, facilitate industrial transformation of forestry, improve ecological conditions of forest region, boost sustainable development of economy and society via paying the same attention to the development and protection of forest park, explore and demonstrate the needs of sustainable development of forest and develop forest travel and fitness regimen.

2.2 Employees from Construction Unit

For a long time, the employees from forest farms and nursery gardens have made great contributions to national economic construction and ecological environment improvement in aspects of cultivating and protecting forest resources, wiping out the barren hills suitable for afforestation, achieving all-round greening, developing forest tourism and booming the economy of forest region. The Reform Plan for State-owned Forest Farms and Instructions on Guiding State-owned Forest Region Reform, published by the Central Committee of CPC and the State Council, lead China forest resource management and protection and ecological environment improvement into a new stage. Cutting and felling will not be the key work of forest farms and forest regions any more. While, with no cutting and felling, what shall be settled
immediately is survival problems of those employees worked in forest farms. The implementation of the project will offer a large number of labor services and can increase the re-employment of laid-off workers in forest farms.

2.3 Women

Many aspects have effects on woman’s participation in the project, including family responsibility, social responsibility, family role, social role as well as the opportunity and way for woman to participate in the project. Among all investigated employees/forest farmers, about 64% families indicate that important family affairs are decided by the husband, and 35% families indicate that important family affairs are decided by husband and wife jointly. With regard to following questions, such as “who will make decisions on tree planting and forestation in family private hilly land?”, “who owns the right to use the family private forest land?”, “who will participate in forestation?”, “who will go in for technical training on forestation?” and “who is in charge of by-products from forest lands?”, only 15% forest farmer families indicate that decisions are made by husband, while, 85% forest families indicate that decisions are made by husband and wife jointly. Above survey results indicate that women enjoy higher statuses in families, and therefore, gender factor will not be a judgment item related to employee’s/forest farmer’s direct participation in the project. With the improvement of woman’s quality and enhancement of social status, women in mountainous area start to go out gradually and join in productive activities actively. Women enjoy the same rights with men in livelihood, medical care, education, employment and other aspects, and women are becoming “self-respecting, self-confident, self-sustaining and self-powerful”. Simultaneously, we also realize that the number of laboring women has reached 70% in some regions.

2.4 National Minority

There are some ethnic minority counties within the construction scope of the project, including Longshan, Guzhang, Luxi, Mayang, Jingzhou, Jiangyong, Shuangpai and Xupu etc. Since national minorities live with Han Chinese together for a long time, their ethnic characteristics become unapparent; however, they are still sensitive to ethnic equal right and whether ethnic dignity are respected or not. National minorities have strong ethnic consciousness as well as natural and close relationship with their own ethnic enclaves. Significant matters happen in an ethnic enclave are easy to be spread to dispersed and mixed ethnic groups, and meanwhile, the matters happened in dispersed and mixed ethnic groups are easy to be spread to ethnic enclave, which leads to chain reaction. Due to the far-reaching effect on local ethnic culture, inhabitant’s participation based on informed details, prevention of encroachment to rights and development to inhabitants and communities, what’s focused is how to minimize the negative impact on benefit and environmental
protection etc. in ethnic region.

The planned county involved in the project covers Yao Minority, Dong Minority, Miao Minority, Tujia Minority, Hui Minority and other national minorities, and these minorities enjoy the same rights with other nationalities equally by law. The project pays close attention to population, ethnic group, language, status, production way and rights enjoyed of national minorities. Social influence factors include relevant policies applicable to national minority as well as the characteristics of population, society and culture of national minority. The project aims to present measures that conform to national minority culture, avoid or reduce negative impact on national minority community by means of understanding detailed requirements and getting supports from national minority communities based on negotiation.

2.5 Department of Forestry of Hunan Province

As the highest leader and forestry administration agency, the main responsibility of Department of Forestry of Hunan Province is to execute national forestry guidelines, policies, laws and regulations, study and make guidelines and policies for ecological environment construction, forest resource protection and land greening of Hunan Province, draft out relevant local forestry regulations and supervise their execution, plan and organize to implement the forestry development strategy as well as medium and long-term development program, administrate provincial forestry funds, supervise the administration and use of forestry funds of the whole province. It formulates forestry development planning of the whole province on behalf of provincial government, organizes to implement various forestry construction activities and carries out macroscopic management to state-owned forest farm, forest park, collective forest farm and forestry company. Administration Office for Foreign-funded Projects, affiliated to Department of Forestry of Hunan Province, takes charge of macroscopic management to Forest Quality Improvement and Efficiency Enhancement Demonstration Project of Hunan Province with Loan from European Investment Bank and has responsibility and obligations to supervise and urge debtor’s repayment. Department of Forestry of Hunan Province acts as macro director and policy administrator in the project and performs as the organizer and coordinator among the project and forest park, forest farm, company and forest farmer. Administration Office for Hunan Forestry Foreign-funded Projects, a provincial project management agency, is responsible for application and establishment of project, feasibility study and assessment, formulation of project management method as well as project execution.

2.6 County Forestry Bureau

County forestry bureau, as the county-level major agency in forestry aspect, generally has to execute a series of large-scale forestry projects, including ecological
public welfare forest project. County forestry bureau will be the core force for successful execution of the project. All activities involved in the project will be directly managed by county forestry bureau. The county-level forestry department mainly acts as macro-director and policy administrator in the project and becomes the organizer and coordinator between the project and forest farm, forest park and forest farmer. County forestry bureau is the important stakeholder in all forestry affairs, from policy to economic activities. Among the 25 project counties, Shuangpai County, Luxi County and other counties have participated in one or more forestry project(s) in Hunan Province subsidized by The World Bank. The forestry bureaus of aforementioned counties have accumulated a large number of experiences on executing foreign-funded projects. The forestry department in the county (city or district) involved in the project has powerful organization and management ability, for instance, Shuangpai County has more than 50 professional forestry engineers. County forestry bureau not only is the main functional organization when preparing to build the project, but also the main cooperation organization when executing the project. All county (city or district) forestry bureaus shall set corresponding project offices, be equipped with specialized administrators and technicians and take charge of project organization and management within each area under administration.

2.7 County-level People’s Government

County-level people’s government is the local authority between city (prefecture level) and township governments and joins in the Forest Quality Improvement and Efficiency Enhancement Demonstration Project with Loan from European Investment Bank in the manner of organizing forest farms and forest parks to participate in as laws and regulations. All county people’s governments involved in the project are the subjects to undertake project loan. As county-level forestry department is affiliated to county people’s government, the county people’s government has duty to urge the project execution and supervise execution quality. County people’s governments have duty to urge county-level forestry departments affiliated to implement relevant work and supervise the execution quality. The main function of county or district people’s government involved in the project is organization and coordination.

2.8 Other County Government Departments

County development and reform bureau, a macroscopic decision-making department, draws up overall development planning of the whole county, coordinates with forestry department to harmonize forestry work with relevant bureau (office), participates in project preparation and combines relevant projects implemented by other bureau (office) with Forest Quality Improvement and Efficiency Enhancement Demonstration Project with Loan from European Investment Bank.

County bureau of finance: provide financial security for the loan from European
Investment Bank. Manage and appropriate project funds together with relevant banks.

County ethnic and religious administration department shall offer detailed information on ethnic minority and inhabitant’s religious faith when forestry bureau selecting villages involved in the project, combine the project under its administration with Forest Quality Improvement and Efficiency Enhancement Demonstration Project with Loan from European Investment Bank, cooperate with forestry bureau to mobilize and organize ethnic minority employees/villagers to join in the project by making use of resource, labor service and capital etc., give classified guidance according to the characteristics of ethnic minority in project area, settle problems occurred during cooperative forestation and guarantee ethnic minority’s legitimate interests.

County women’s federation shall offer detailed information on women when forestry bureau selecting villages involved in the project, combine the project under its administration with Forest Quality Improvement and Efficiency Enhancement Demonstration Project with Loan from European Investment Bank, cooperate with forestry bureau to mobilize women to join in the project and pay more attentions to the women joined in the project, including the protection to women’s rights and interests and training on woman’s knowledge and skill.

County office of poverty alleviation shall offer detailed information on poverty alleviation when forestry bureau selecting villages involved in the project, combine the project under its administration with Forest Quality Improvement and Efficiency Enhancement Demonstration Project with Loan from European Investment Bank and fulfill the responsibility of poverty alleviation together with forestry department via forestation activities.

Township people’s government, the most basic authority in China, mainly contains Gaofeng Town, Guyang Town and Hongshilin Town in Guzhang County involved in the project. As the project construction unit, township people’s governments are mainly responsible for organizing forest farmers to participate in the project, offering detailed information on relevant administrative villages when forestry bureau selecting villages involved in the project, combining the project executed by township governments with Forest Quality Improvement and Efficiency Enhancement Demonstration Project with Loan from European Investment Bank, mobilizing administrative villages to join in the project and supervising the execution quality of each administrative village.

Table 4-1 shows analysis matrix on project stakeholders.
### Table of Analysis Matrix on Project Stakeholders

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Influence on Stakeholder</th>
<th>Several Major Problems</th>
<th>Measures for Evading Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Positive</td>
<td>Negative</td>
<td>Significance</td>
</tr>
<tr>
<td>Direct stakeholders</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Employee/forest farmer</td>
<td>1. Increase labor service income</td>
<td>None</td>
<td>Very important</td>
</tr>
<tr>
<td>2. Forest farm/forest park/forestry company</td>
<td>1. Increase economic income and offer employment opportunity</td>
<td>None</td>
<td>Important</td>
</tr>
<tr>
<td></td>
<td>2. Improve the knowledge and skill on forest management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Village-level organization</td>
<td>1. Water conservation and irrigation works maintenance</td>
<td>1. Improper use of pesticide or chemical fertilizer leads to pollution</td>
<td>Important</td>
</tr>
<tr>
<td></td>
<td>2. Strengthen national unity and maintain social stability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Township forestry working-station</td>
<td>1. Improve forestry management level</td>
<td>None</td>
<td>Very important</td>
</tr>
<tr>
<td></td>
<td>2. Obtain service income</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| 5. Women               | 1. Improve women’s statuses  
<table>
<thead>
<tr>
<th></th>
<th>2. Facilitate the equality between men and women</th>
<th>Increase workload</th>
<th>Important</th>
<th>Willing to participate</th>
<th>Benefit from selective felling</th>
<th>Lack of skills, at risk of marginalization</th>
<th>Invite women to participate in project construction</th>
</tr>
</thead>
</table>
| 6. National minority  | 1. Improve production and livelihood conditions  
|                       | 2. Increase economic income  
|                       | 3. Strengthen national unity                      | Important         | Important | Willing to participate | Benefit from selective felling | Weak participation ability, at risk of marginalization | Invite the masses from ethnic minority to participate in project construction |
| Indirect stakeholders | Raise the standard of management                  | None              | Important | Support actively      | None                          | None                              | None                                             |
| 7. Department of Forestry of Hunan Province | Raise the standard of management | None | Important | Support actively | None | None | None |
| 8. County government  | 1. Water conservation and conserving water and soil to boost the development of tourist industry  
<p>|                       | 2. Maintain social stability                      | Important         | Important | Support actively      | Risk of borrowing and loan repayment | Increase fiscal revenue | None                                             |
|                       |                                                  |                   |           |                       |                               |                                   |                                                  |</p>
<table>
<thead>
<tr>
<th>9. County forestry bureau</th>
<th>Raise the standard of forestry science, technology and management</th>
<th>Increase workload</th>
<th>Important</th>
<th>Willing to participate</th>
<th>Poor forestry technology strength leading to lagging project construction</th>
<th>Strengthen the training on and construction of forestry technology strength</th>
</tr>
</thead>
<tbody>
<tr>
<td>10. County bureau of finance</td>
<td>Raise the standard of management</td>
<td>Repay loan</td>
<td>General</td>
<td>Support actively</td>
<td>Overdue fund appropriation</td>
<td>Tighten fund management and appropriate fund in time</td>
</tr>
<tr>
<td>11. County bureau of agriculture</td>
<td>Guarantee the high yield and dependable crop</td>
<td>None</td>
<td>General</td>
<td>Support actively</td>
<td>Overdue fund appropriation</td>
<td></td>
</tr>
<tr>
<td>12. County bureau of water resources</td>
<td>Water conservation and conserving water and soil</td>
<td>None</td>
<td>General</td>
<td>Support actively</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. County bureau of land and resources</td>
<td>None</td>
<td>General</td>
<td>Support actively</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. County bureau of environmental protection</td>
<td>Increase carbon sink capacity, regulate climate</td>
<td>None</td>
<td>General</td>
<td>Support actively</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15. County bureau of culture</td>
<td>Facilitate the construction of ecological culture and tourist culture</td>
<td>None</td>
<td>General</td>
<td>Support actively</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16. County ethnic and religious bureau</td>
<td>Facilitate ethnic equality and national unity</td>
<td>None</td>
<td>General</td>
<td>Support actively</td>
<td>At risk of destroying cultural heritage, cultural relics and historic sites</td>
<td>Selected forestation site shall keep away from cultural relics and historic sites</td>
</tr>
</tbody>
</table>
3 Benefit Evaluation

3.1 Ecological Benefit

(1) Increase of forest coverage

After the completion of the project, the newly increased forest resource is 5436.2 hectares, the improved forest structure is 41369.3 hectares and the ecological function of forest is enhanced.

(2) Water conservation benefit

The mean annual precipitation in the project area is 1300mm, the runoff coefficient is 0.60, the newly increased forest land area after project implementation is 5436.2 hectares, and the total water conservation quantity of forest in the project area is 42,402,400 m³/year.

(3) Soil & water conservation and fertilizer maintenance benefit

The project implementation reduces the water and soil loss as well as the loss of organic nutrients in soil. Meanwhile, the forest cycle constantly increases the organic matter in soil and increases the soil fertility.

(4) Carbon fixation and oxygen release

The average total yield of forest in the project area is 3.38 m³/year · hectare, and the annual average total growth is 18374.36 m³/year; it can absorb 33625.08 tons of carbon dioxide in each year and release 29766.46 tons of oxygen.

(5) Other benefits
The project construction can also influence the small cycle system of surrounding air, adjust the microclimate, make the air clean and protect the farmland. The project implementation increases the vegetation cover, provides broad living space for wild animals and protects the biodiversity. Meanwhile, the project construction can cover the large area of non-forest lands (such as the waste mountain) with green, form a certain landscape benefit and create good environmental conditions for the production and life of people in the project area.

3.2 Social Benefit

(1) Promoting local economic development and prosperity

The project construction is conducive to the adjustment of local industrial structure and drives the development of local industry, transportation industry, agricultural material industry and other related industries, so it has a strong radiating driving effect to the surrounding areas and will effectively promote the continuous and healthy development of economy in the project area and its surrounding areas.

(2) Increasing employment opportunities in project areas and raising income of forest farmers

During the project construction and operation (including the afforestation, tending, management and protection, harvesting and other production links), the labor cost is up to RMB 2,181,061,300; in case of calculating according to RMB 150/work day, 14140400 labor employments can be provided in the calculation period and there are 428,500 labor employments on average in each year, so the
employment problem of 1190 persons can be solved. This will play a very good role in enlivening the rural economy, accelerate poverty alleviation and maintain social stability.

(3) Conducive to the transformation and application of forestry scientific and technological achievements

Project construction can promote the transformation of forestry scientific research result and improve the level of sustainable management of forest.

(4) Conducive to the optimization of landscape and improvement of ecological features and human settlement in forest area

This project is the forest quality improvement and efficiency enhancement demonstration project and will give full play to the multiple-function effect of forest. The project construction will enhance the landscape function of flower and fruit viewing, improve the ecological landscape of the project area and living environment of local residents, green and beautify the local landscape resources and realize the organic combination of industry, tourism and culture as well as the high unity of ecology, economy and social benefit.

3.3 Economic Benefit

Hunan forest quality improvement and efficiency enhancement demonstration project will bring great benefits to local economy via forest stand improvement, re-cultivation as well as middle-aged and young forest cultivation: firstly, increase local income correspondingly; secondly, indirectly facilitate local tourist industry
greatly and increase tourist income. Meanwhile, the improvement of ecological environment drives the development of tertiary industry; especially, the development of national fitness, ecotourism, leisure and entertainment, community service and other emerging green industries creates conditions for attracting investments.

During the 30-years operation period of this project, the living wood growing stock will reach 7,454,700m³ and the producible commercial timber will reach 912,800m³, including 406,800m³ of timber with size of 14-20cm, 333,900m³ of timber with size of 8-12cm, 172,100m³ of timber with size below 8cm as well as 446,200t fuel wood and 160,384,500kg underwood planting products.

According to output of each product and relevant price prediction, the total value of project output reaches RMB 18,929,165,600, including RMB 15,407,978,600 of output of standing trees, RMB 2,380,393,000 of output of timber, RMB 178,487,000 of output of fuel wood and RMB 962,307,000 of output of underwood planting products. The economic internal rate of return of project is 10.45% and the economic net present value (ENPV) (i=8%) is RMB 752,122,500.

4 Analysis on Project Impact

4.1 Impact on Improving Ecological Environment

In allusion to current situation of insufficient forest resource gross, low unit growing stock of forest and unreasonable forest stand in Hunan Province, the forested, improved, cultivated and protected forest resource reaches 46805.5 hectares with close-to-nature forest management principle. New trees will be
cultured in allusion to the gaps in forest, unreasonable forest structure or species composition and improvement will be conducted to low-quality forest, pure coniferous forest and degraded forest in order to improve the stability, stress resistance, environmental function and ability to fight with climate changes of forest ecosystem. The implementation subjects of 25 counties, cities or districts involved in the project generally are forest parks and forest farms which are located in very important ecological locations, have a significant effect on protecting ecological environment around Xiang, Zi, Yuan and Li drainage basins as well as large and medium-sized reservoirs, improving production conditions of forestry, agriculture and animal husbandry and accelerating the comprehensive treatment of Dongting Lake, and make significant contributions to Hunan ecological environment construction.

4.2 Impact on Improving Forest Quality

Traditional afforestation is extensive, restricts by economic and technical level, has prominent problems, such as unreasonable forest structure, low quality and weak ecological function, and greatly differs from the goal of building a well-off society. The situation of insufficient ecospace and low ecological quality will be changed by means of boosting land greening in a large scale and increasing forest quantity constantly when raising forest quality and improving the quality of forest ecological products. The project will take great pains to improve the situation of low management and technology level and extensive management measures, foster natural forest comprehensively, manage man-made forest in a scientific way, adjust
and optimize forest structure, effectively improve interspecific relationship and vegetation space, accelerate the growth of target tree, improve forest stand increment and explore the production potential of forest so as to achieve the raising of forest productivity, high-quality forest cultivation, forest quality enhancement and promotion of forest quality and comprehensive benefit.

**4.3 Impact on Biodiversity**

According to the definition of biodiversity stated in *Operation Rules for National Continuous Forest Inventory: the 7th Reexamination in Hunan Province*, biodiversity includes ecosystem diversity, species diversity and genetic diversity. At present, ecosystem diversity monitoring is focused, and if condition permissible, species diversity will be considered. Genetic diversity will not be included in the monitoring scope at present.

The project will construct close-to-nature platform suitable for diverse development of biology, cultivate multifunctional forest barrier covering arbor, shrub and grass and improve the habitat of wild animals effectively by virtue of forest quality and other effective measures, based on which the category of wildlife and forest resource will increase obviously and greatly, biodiversity will be developed sustainably and natural environment will be improved constantly.

Some forest farms and forest parks for implementing the project have classified better forest resources and zonal vegetation as ecological conservation area and give special protection during forest management. No influence will be introduced to
vegetation type and wild animal community. Meanwhile, rare plant exhibition garden and rare tree planting base will be built in general forest recreation area, which will enrich vegetation diversity and landscape resource diversity. The increase of vegetation type in project area will facilitate the stability of food source of wild animals, so the population and quantity of wild animals will increase obviously and biological security will be improved.

4.4 Impact on Social Economy and Incomes of Employees/Forest Farmers in Project Area

During the project construction and operation (including the afforestation, tending, management and protection and other production links), the labor cost is up to RMB 2,181,061,300; in case of calculating according to RMB 150 /work day, 14,140,400 labor employments can be provided in the calculation period and there are 428,500 labor employments on average in each year, so the employment problem of 1,190 persons can be solved. This will play a very good role in developing the economy in forest region, accelerating poverty alleviation of project area and maintaining social stability.

It’s conductive to further exploring ecological resources, getting economic benefits, enabling the masses in project area to benefit from ecological protection and recovery, increasing forest outputs, promoting the achievement of targeted poverty relief and alleviation and building a well-off society comprehensively.
4.5 Impact on Administrative Organization and Technical Department

Each county involved in the project shall actively track and initiatives integrate in international forest sustainable management progress, introduce, popularize and apply multifunctional forest management, close-to-nature forest management, healthy forest management and other advanced principle and technology, transform advanced technical mode to operation and practice, and translate advanced technical advantage into forest productivity.

It’s able to strengthen the ability of administrative organization as well as the service level and technical strength of county and township forestry administrative departments by means of project implementation and technical training. The implementation of Hunan forest quality improvement and efficiency enhancement demonstration project can enable all administrative organizations to study overseas advanced forestry project management mode and promote the improvement of management level. The protection of ecological environment conducted by the county (city or district) involved in the project is powerful, the service level of technical department is high, the number of engineering technicians is sufficient and the management ability of forestry department is powerful. But, the project with loan from European Investment Bank requires forestry management department and technical department to own higher management objective and technical requirements. While, many counties (cities or districts) have no implementation experiences on the project related to the World Bank or European Investment Bank,
thus, forestry management department and technical department have to study and adopt world advanced technology and experience to improve their management level and technical strength.

**4.6 Impact on Participation and Benefit of National Minority**

Pursuant to second-hand data collected by social assessment group, most of the 25 counties (cities or districts) in project area contain ethnic minorities. As the population of ethnic minorities in Li County, Linli County, Huarong County, Yueyang County, Linxiang City, Miluo City, Lengshuijiang City, Zhuzhou County, Chaling County, Changning City, Leiyang City, Guiyang County, Guidong County and Linwu County is small and accounts for less than 1% of the population of whole county, they can be ignored and will not be included in following table. Following table enumerates detailed information of ethnic minorities:

**Table 7-1 Population of national minority in project areas**

(Year 2016)

<table>
<thead>
<tr>
<th>Counties (cities or districts)</th>
<th>Population of national minority (thousand people)</th>
<th>Proportion of the total population (%)</th>
<th>Name of national minority</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Xupu County</td>
<td>13.80</td>
<td>15.46</td>
<td>Tujia nationality, Yao nationality, Miao nationality, etc.</td>
<td></td>
</tr>
<tr>
<td>Jingzhou Miao and Dong Autonomous County</td>
<td>18.72</td>
<td>74.00</td>
<td>Miao nationality, Dong nationality, etc.</td>
<td></td>
</tr>
<tr>
<td>Mayang Miao Autonomous County</td>
<td>30.67</td>
<td>78.98</td>
<td>Miao nationality</td>
<td></td>
</tr>
<tr>
<td>Luxi County</td>
<td>18.00</td>
<td>60.99</td>
<td>Tujia nationality, Miao nationality</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------------</td>
<td>-------</td>
<td>-------</td>
<td>---------------------</td>
<td></td>
</tr>
<tr>
<td>Guzhang County</td>
<td>12.59</td>
<td>86.95</td>
<td>Tujia nationality,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Miao nationality</td>
<td></td>
</tr>
<tr>
<td>Longshan County</td>
<td>39.46</td>
<td>67.3</td>
<td>Miao nationality,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Tujia nationality</td>
<td></td>
</tr>
<tr>
<td>Jindong</td>
<td>0.35</td>
<td>5.99</td>
<td>Yao nationality</td>
<td></td>
</tr>
<tr>
<td>Management District</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shuangpai County</td>
<td>1.30</td>
<td>7.00</td>
<td>Yao nationality</td>
<td></td>
</tr>
<tr>
<td>Jiangyong County</td>
<td>15.86</td>
<td>63.2</td>
<td>Yao nationality</td>
<td></td>
</tr>
<tr>
<td>Zixing City</td>
<td>0.56</td>
<td>1.47</td>
<td>Yao nationality</td>
<td></td>
</tr>
<tr>
<td>Yizhang County</td>
<td>0.73</td>
<td>1.27</td>
<td>Yao nationality</td>
<td></td>
</tr>
</tbody>
</table>

Just as shown in the above table, Miao Minority and Tujia Minority in project area mainly distribute in Longshan County, Luxi County, Guzhang County, Mayang County, Xupu County and Jingzhou County in west of Hunan Province; and Yao Minority mainly distributes in Jiangyong County, Shuangpai County, Jindong Forest Farm, Zixing City and Yizhang County. It’s known from the social assessment that the population of Tujia Minority and Miao Minority in project area is large and reaches 1,332,400, they distribute in a centralized manner and their interests and appeals are easy to be brought into focus; while the population of Yao Minority is only 188,000, they live in a compact community with other nationalities, and their ethnic characteristics and interest appeals are easy to be ignored, therefore, this point shall be given more attentions during project implementation. According to social assessment, Tujia Minority, Miao Minority and Yao Minority have obvious cultural characteristics and unique customs and languages, there are estrangements between them and Han Chinese due to language difference, but the level of such estrangement is low on the whole. 70-80% ethnic minority young men in project area go out for
employment and foreign cultures have a large influence and shock on them, so the cultures of ethnic minorities is approaching to mainstream society, the implementation of the project has a small influence on ethnic minorities, and their opportunities to participate in the project and interests will be guaranteed fully. Anyhow, the general situation is that the ethnic minority group is a disadvantaged group during project implementation, and negotiation on participatory design and development plan carried out in all ethnic minority villages and groups in project area shall be conducted via participatory design as well as procedures and principles put forward in ethnic minority development plan so as to ensure ethnic minority’s voluntary and full participation.

4.7 Impact on Woman’s Social Status and Participation

Social assessment indicates that Hunan forest quality improvement and efficiency enhancement demonstration project will offer development opportunities to women, women in project area have become the main labor force in agricultural and forestry production. Higher than 65% of labor force for project implementation are from women. According to project design requirements, women shall participate in all links of the whole implementation cycle, including project planning, implementation, monitoring and evaluation etc. An important step to ensure women to participate in project implementation actively is to negotiate with them in design stage, and interview or seminar shall be held with women groups in planning stage. Women shall be invited to join in village-level forestry development planning, and women’s wishes and requirements shall be considered in forestation mode selection
and subsequent management & protection measures during planning. Women shall be major object of forestry technical training and their minimum quantity or proportion shall be ensured. Moreover, social assessment group also suggests that if relevant project activities are to be implemented by women, specialized technical training shall be carried out for women to improve women’s abilities. It’s obvious that the project implementation is beneficial to improving women’s economic and social statuses and facilitating the equality between men and women.

5 Risk Identification and Control

5.1 Benefiting Group’s Risk and Countermeasures

(1) The construction unit of the project together with its members not only is the beneficiary of the project, but also is the participator and the project subject. Their quality, conception and cultural level may be the guarantee for success; on the contrary, they may be risk factors during implementation. According to social assessment, there is a great difference between ecological protection objective of project implementation and expectation of economic income increase of implementation subject by joining in forest quality improvement and efficiency enhancement project. It’s found from the interview with forest farmers and forest farms/forest parks/forestry companies that they especially concern the economic benefits from project implementation and wish to increase actual economic benefits
via project implementation.

**Countermeasures**

- With regard to benefiting group’s low cultural level, traditional concept and mentality of small-farm agriculture, publicity shall be strengthened and guidance on the importance of ecological construction shall be intensified.

- Pay much attention to improving employees’/forest farmers’ knowledge and skills, and during different stages of project operation carry out trainings in various contents and forms in allusion to employee’s/forest farmer’s different demands to develop employee’s/forest farmer’s awareness and increase project incomes and benefits via multiple ways.

(2) The main objective of the project is ecological function of forestry. Whereas, the social assessment indicates that many employees/forest farmers, especially poor employees/forest farmers and those poor employees/forest farmers whose main livelihood depends on forestry, give priority to economic benefits generally, which will arouse divergence when selecting seeds of trees and subsequent management mode after forestation.

**Countermeasures**

- Forestry department and forest quality improvement and efficiency enhancement demonstration project (project office) shall negotiate with affected individual forest farmers and stakeholders in order to reach a solution that may achieve multiple objectives. Empowerment and ability construction will be
conducted to the masses of ethnic minorities so as to ensure them to join in project planning and implementation and guarantee benefited ethnic minority population plays an active role in participation aspect during effect monitoring.

(3) Poor employees/forest farmers and disadvantaged social groups in project area may be marginalized during project planning and implementation, especially decision-making process. There are obvious differences between rich employees/forest farmers and poor ones in aspects of participation opportunity and ability. Generally, poor families and disadvantaged social groups own less land resources and are short of skills, investment ability as well as social capital; therefore, they have weak ability to participate in the forest quality improvement and efficiency enhancement demonstration project and may be marginalized during project implementation.

Countermeasures

- Make policies and measures as soon as possible, build forestry cooperative organization, make and implement series of mechanisms to help disadvantaged groups. Focus on and invite families in hardship, women and other disadvantaged groups to join in cooperative organization.

- Invite families in hardship, women and other disadvantaged groups to join actively during negotiation and give them adequate right to say. Pay special attentions to and take more cares of disadvantaged ones when choosing forest
farmers and releasing loans.

- Provide technical training for families in hardship, women and other disadvantaged groups so as to strengthen their development abilities.

(4) Serious short-term forest management acts

Traditional thought of quantity increase and area extension exists in various aspects of forestry work. Short-term acts extrude, including emphasis on forestation and single measure, contempt on management and comprehensive treatment, and the concept of targeted quality improvement has not been built. Some regions neglect the “based on forestation”, fail to implement construction as design, tend or fell extensively and emphasize on short-term acts. Even some regions change natural forests to man-made ones in the name of reconstructing low function forests and destroy forest resources, which leads to retrogressive succession and reduction of forest stand.

**Countermeasures**

- Build policy mechanisms that attract social capitals, support and guide felling management policy that can improve forest quality, and further strengthen forest quality comparing with fast increase of forest area.

- Strengthen planning design on existing forest cultivation improvement, make detailed exploration and survey on forest stand before construction, classify target culturing groups and make marks. Give technical training and demonstrations by technicians from county project office during construction.
5.2 Management Risk and Countermeasures

Such risks mainly result from project management implementation unit or mean the factors that lead to failure due to improper project management.

(1) Fund management. Project funds include loan fund and supporting fund. Fund management means the management to aforementioned two parts.

Countermeasures

- Separate project management from loan management, let forestry department to only take charge of project implementation except for project loan, appoint fiscal department to take charge of the release, withdrawal and other management work of loans from European Investment Bank, and they may also cause risks to project successes from some point of view. To overcome such risks, firstly, let all related departments know about the meaning, objective and content of the project to improve awareness; secondly, build communication and cooperation mechanisms between project implementation department and loan management department to make overall arrangements on other project activities.

- Project implementation unit shall include project funds into unit’s finance for unit management and account the funds from European Investment Bank and other financial funds independently so as to ensure exclusive use of special funds and timely release of loan fund and supporting fund in full amount.

(2) Planning management
Countermeasures

- Department management and environmental protection require forestry, land, environmental protection and other departments cooperating with each other so as to exert maximum benefit. Thus, government departments shall give full play to organization and coordination function, guarantee successful project implementation, practically intensify project organization and leadership and well make project planning design and implementation planning.

- Change unreasonable forest management measures, including construction of man-made forest, clear cutting, whole reclamation, prescribed burning and fostering and other measures that violates the regulations for technical operations, and prevent ecosystem reversion. Even if no funds are put into tourist industry at present, potential tourist development shall be taken into account in the planning and capacity construction related to the project.

- Construction of forest road and other infrastructure falls behind. Biological fireproofing barrier forest belt, forest road, electricity, communication and other forest infrastructure construction fall behind. The density of road network in the forest district is low, road grade is low and road condition is poor. Intensify forest road construction along with forest management transformation in order to popularize advanced mechanical equipments for forestation, improve equipment and tools, improve forestation operating conditions, successfully carry out forestation activities and enhance forest quality stably.
(3) Project implementation management

Countermeasures

- Functional government departments aim to serve the public. Forestry department shall intensify fire control, employ more forest rangers in subsequent management after forestation; forest protection & fire control headquarters shall strengthen fireproofing publicity, especially in early April and the season of prescribed burning, soil preparation and forestation. Manpower, material and vehicle deployment and cooperation shall be intensified.

- It’s necessary to give trainings on economic management to local communities and forest farmers with which commercial contracts have been signed so as to improve their ability to cooperate and interact with other business stakeholders and let them know more about the market. Ability training sub-items of this project can make contributions in this field.

5.3 Natural Risk and Countermeasures

Major content of the project is to improve forest quality and transform forests. As is well-known, forestry production is easy to be influenced by natural disasters, including flood, freeze injury, fire, disease and insect pest and climatic disasters. Pursuant to risk analysis, the probability of such risks suffered by this project is small. (See table 8-1 for details)

Table 8-1 Risk Analysis Table
<table>
<thead>
<tr>
<th>Factors</th>
<th>Analysis</th>
<th>Degree of Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flood</td>
<td>Continuous rain during the rainy season will cause flood, debris flow and landslide etc. The occurrence probability and hazardness of such disasters are small and they happen in local region only.</td>
<td>General</td>
</tr>
<tr>
<td>Freeze injury</td>
<td>Plant cold-resistant trees to resist snow injury in the place or wind gap in a high altitude that is easy to suffer snow disaster.</td>
<td>General</td>
</tr>
<tr>
<td>Fire</td>
<td>Biological fire forest belt, specialized firefighting team and closing hillsides to facilitate afforestation are constructed comprehensively in project area, and the capacity to prevent and put out fire improves greatly. The probability of large-scale fire in project area is small.</td>
<td>General</td>
</tr>
<tr>
<td>Chilling injury</td>
<td>Chilling injury has a great impact on wood growth, but the occurrence period of chilling injury is 10 years generally and the wood injury degree may not be destructive. Cold-resistant trees and native trees are selected to enhance woods’ capacity to resist chilling injury.</td>
<td>Small</td>
</tr>
<tr>
<td>Typhoon</td>
<td>The project area is in inland and will suffer tiny influence from typhoon and windstorm.</td>
<td>Tiny</td>
</tr>
<tr>
<td>Drought</td>
<td>Hunan, located in subtropical zone, has abundant rainfall. It’s able to relieve drought influence by means of selecting seeds and variety of tree as well as popularizing and applying dry land cultivation technique.</td>
<td>Tiny</td>
</tr>
<tr>
<td>Disease and insect pest</td>
<td>Forests in project area may suffer disease and insect pests, but the project area has built perfect quarantine system and monitoring &amp; prediction network for disease and insect pest which can achieve accurate predication and timely prevention and control to ensure projects forests’ health.</td>
<td>General</td>
</tr>
</tbody>
</table>

**Countermeasures**

- With regard to the risk of forest fire, we have to intensify publicity, raise the masses’ fire prevention consciousness, build village-level fire prevention messenger system, strengthen investigation and treatment strength of forest fire cases; improve the capacity to predict and forecast forestry disease and insect pest; enhance the stress resistance of forest stand via cultivating mixed forest of
multiple tree species and make contingency plan for various disasters. It’s able to avoid ice and snow disaster as well as disease and insect pest greatly by means of cultivating mixed broadleaf-conifer forest. Effective mode offered by superior will be adopted for technique so as to reduce risks caused by unreasonable forestation. Fire will be eliminated as far as possible via intensifying fire prevention publicity and punishing fire wreckers; biological fire forest belt will be cultivated at edges of forest, ridge and administrative boundaries. The forest cultivated mainly consists of mixed native broadleaf trees, its ability to resist snow and ice increases greatly and natural risk can be prevented effectively. As to flood, what shall be done is to implement water and soil conservation supervision and management and facilitate reasonable use of hilly land in order to reduce disasters. Engineering measures and biological measures shall be adopted to control water and soil loss in bare area, open ground surrounding wind turbine and road slope area in project area. As to snow disaster, 24h shift will be adopted during snow disaster to ensure the repair and reconstruction of infrastructure in forest region and maintain normal running of equipments and facilities for power and water supply; emergency measures will be adopted when happening snow disaster to timely clear broken trees and cracked trees, replant or recultivate new trees.

**5.4 Technical Risk and Countermeasures**

Several national major project forestations have been implemented in the project area, and a large number of forestation experiences have been accumulated,
so the probability of technical risk is extremely small. The capacity construction sub-item of this project will furthest offer training opportunities to local communities and employees/forest farmers, including women, impoverished people and national minorities, and the trained personnel will obtain the skill that enables them to participate in forestation. A good method to extend benefiting scope and reduce the conflict between benefit gainer and people getting no benefits is to mobilize more adjacent forest farmers and villages to join in the project. Meanwhile, it’s necessary to pay more attentions to disadvantaged ethnic minority villages. It’s helpful to extend training contents and add training subjects that concern forestation indirectly but are closely linked with project success.

5.5 Policy and System Risk and Countermeasures

Policy risk means difficulties to project implementation due to imperfect or inappropriate policy. Policies that may influence the project include national macropolicy and detailed policies made for the project.

In macroscopic level, national policy on ecological environment protection will not change, and the forest ownership policy will maintain for a long time after the country practices forest ownership system reform, therefore, the probability of policy and system risk is extremely small. The project can fully exert the comprehensive benefits of forest centering on ecological benefit, protect and improve ecological environment, guarantee eco-security of regional land, facilitate the stable production of crop and yield increase of grain and improve local masses’ survival environment, which is in line with strategic targets of Decisions on

As to detailed projects, it’s able to make the policies conductive to project implementation via scientific design, for instance, encourage women to enjoy the priority to participation with poor employees/forest farmers by means of training, encourage disadvantaged groups to join in the project actively and sign letter of commitment and liability statement on forest land management etc. as required by the policy.

5.6 Contract Framework of Project Forest Land Transfer

Besides state-owned forest farms and state-owned nurseries, forestry limited companies and townships etc. entities are also the project implementation subjects. Their forest land shall be obtained through forest land transfer. The contract framework of project forest land transfer is as follows:

- For project forest land transfer, including the transfer of right to use forest land and forest property right, a forest right transfer contract shall be signed by the forestry limited companies or forestry cooperatives and peasant households. On the basis of clear property right and on the premise of not change the use of forest land, the forest right transfer contract shall encourage the reasonable transfer of right to use forest land and forest property right, and the right to use forest land and forest property right can be legally inherited,
mortgaged, for shares buying and act as the contribution and cooperation conditions of joint ventures and cooperative forestry enterprises.

- Peasant household and company shall sign the contract by adhering to principles of free will, fairness and good faith and through full consultation, and reach normative contract terms in terms of land transfer and contract operation items, which specifies the land area, site, land contract term, land contracting fee, determination and payment methods of transfer fee, rights of both parties, liabilities for breach of contract, cancellation and termination of contract etc.

- Acquire process analysis from the land use right, consider how different groups to obtain benefits from the transfer of land use right and sign forest land transfer contract. The main content of the contract shall include the following contents: the rights and responsibilities of the project impeller and the original user of the land use right, whether the project development has competition with other land utilization type, whether to share the project benefits with the peasant households, including the payment of land rent or the dividend sharing (proportion) of profits, risk sharing etc. especially the rights and interests of the peasant households (income of peasant households, including land rent, profit sharing etc.) and interests guarantee.

5.6.1 Situation that the Contract Has Signed

- From the current contracts(agreements) that have been signed, the following problems exist:

- (1) The rent of forest land is too low and annual rent per mu of some forest land lease contracts is lower than RMB 40;

- (2) Description of sharing proportion is not clear. It is not clear whether to share by income or by total profit;
- (3) Rent of some contracts is paid every five years. Only when Party B delays the payment for more than 2 years, can a serious breach of contract be constituted to damage the interests of the peasant households.

- (4) Determination of beneficiary of the lease forest land compensation of the requisition land in major construction project that occurs during lease term is not clear and the beneficiary and benefit ratio of the forest tree compensation of lease forest land is low;

- (5) Funeral and interment matters that occur during the lease term are not specially provided according to the local custom;

- (6) Determination of the return of the lease forest land to the leaser and the return of the forest trees on the original lease forest land to the leaser of original forest land.

- (7) Lack of price assessment conducted by the intermediary agency of the third party for the existing forest land, forest trees before leasing and the assessment for the rationalities of relevant rent, proportion of dividend sharing proportion, payment methods etc. which can provide reference basis for both parties to the contract.

5.6.2 Framework of Forest Right Transfer Contract

- The framework of forest right transfer contract includes:

- (1) Forest right transfer objects, including right to use forest land, forest property right, right to use forest trees, not including the wild animals, mineral resources and buried objects in the forest. The forest resources investigation report, subcompartment investigation detail list and forest land field map of transferred forest land are the necessary attachments to this contract.
- (2) Forest right transfer methods and transfer term. The transfer methods include leasing, interchange, transfer, share buying etc. The original contract term of Party A is 70 years and the term of this transfer is the remaining years of the original contract term.

- (3) Rights and obligations of both parties, including the rights and obligations of Party A and the rights and obligations of Party B, special rights and obligations agreed by both parties etc.;

- (4) Transfer price and payment methods. The price of forest right transfer is assessed by the third-party intermediary agency and determined by the contracting parties. Payment methods of forest land use fee include fixed annual rent, floating annual rent, sharing proportion etc.

- (5) Alternation and cancellation of the contract. On the condition of no prejudice to the interest of the nation, collectives or the third parties or if the contract cannot be performed due to force majeure (serious natural disasters etc.), the two parties can reach agreement for alteration or cancellation.

- (6) Responsibilities for breach of contract. Party B shall pay the forest land and forest transfer fee to the Party A in full and on time according to the contract provisions and Party A shall transfer relevant forest right to Party B on time according to the contract provisions.

- (7) Other matters.

- The reference format of the lease or share buying contract of right to use forest land is shown in Attachment 1.

5.6.3 Withdrawal Mechanism of Land Lease Contract

- After the peasant households and companies sign the forest land
lease contract through full consultation, the peasant households have the right to have their right to use forest land and forest property right returned if the companies delay the payment for more than 1 year under normal operation conditions. The companies shall not damage relevant forest land, forest resources and the original forest land lease contract is invalid.

- After the peasant households and the forestry cooperatives signed the forest land investment contract through full consultation, the peasant households have the right to have their right to use forest land and forest property right returned if under normal operation conditions, the finance is not accounted independently and the financial statement is not disclosed to shareholders and the companies do not distribute the profits according to 70% of above earnings for more than 1 year after the companies earn profits.

5.6.4 Assistance Mechanism of Forest Right Transfer Period

- Forest transfer team of each project county conducts assessment for the price of the forest land and forest trees that enter into the transfer process and provides consultation services for the consultation of the forest right transfer price of the both parties of the forest right transfer.

- Dispute office of forest right, forest exchange center, county-level forest administration authorities of forest right of each project county are responsible for the consultation, verification, filing of forest right trade and the mediation of forest right transfer dispute etc.

- After the forest right transfer contract is formally signed, both parties of the contract shall first go to the county-level forest exchange center to conduct verification and filling and then go to the county-level legal assistance center to conduct notarization. Once the forest right transfer contract has any dispute, the peasant households and other stakeholders can
lodge a complaint to the county-level forest administration authorities for infringement matters and the county-level forest administration authorities shall provide them administration assistance. If the results made by the county-level forest administration authorities are not satisfied, they may lodge a complaint to the local court.

5.7 Employment Risks of Project Construction Period

Investigation and analysis of the current labor force condition of the project area: types of labor force input of the project construction period are divided into improved cultivation of rare tree species, artificial promotion of natural formation of woods, rare arbor and shrub mingled afforestation, rare and high-value tree species afforestation, big-diameter tree cultivation, middle-aged and young forest tending etc. 5 types, labor force types, seasons that needs labor force and labor force sources; annual management and protection, tending, fertilization etc. labor requirements, seasonal distribution, sources of labor force of project construction period; the general situation is that most of the local labor force works outside and the project labor requirements are hard to be satisfied. For the seasonal and intermittent characteristics of the labor use of the project, risks of labor shortage may appear.

Countermeasures

- Improved cultivation of rare tree species, artificial promotion of natural formation of woods, rare arbor and shrub mingled afforestation, rare and high-value tree species afforestation, big-diameter tree cultivation, middle-aged and young forest tending etc. activities are conducted in winter and spring when a part of persons working outside come back to hometown.

- Other sources of labor force. In the winter and spring afforestation seasons of 2018-2023, the demand for labor force is large; therefore, a part of local labor force shall be mobilized to stay in the local.
- Conduct training for relevant technicians and make them have better working skills and improve their work efficiency.

- Mainly organize the professional team and employ civilian workers from the surrounding counties and cities. Migrant worker team from the surrounding counties (cities or districts) of Hunan Province is usually constituted by less than 100 persons and the labor working period is usually 1-2 months. This belongs to small-range and small-scale labor mobility. The increase of these persons will not cause any pressure to the local traffic, housing and other basic ancillary facilities. And these persons have similar living habits with the local residents of Hunan Province and any conflicts with the local residents in living and cultivation modes will not occur.

- Properly increase labor income for the migrant labors and enable them to actively participate in the project. Ensure sufficient labor force within the project period.

### 5.8 Risks and Countermeasures of National Minorities

National minorities mainly engage in the agriculture, forestry and grassland farming which strongly depend on the land resources and their incomes from other sources are less and their family economic foundation is comparatively weak; the local resources and environment are their foundation of traditional culture; therefore, change of development and utilization methods of land resources may cause certain effects on them. The risks are mainly presented on the difference of life mode and project objective implementation requirements. For residents of some national minorities within the project area, especially the residents of backward areas, their domestic fuels and building materials are timber. Their living has a large demand for timber. These facts will more or less cause a certain contradiction to the economic benefit target that the project pursues and may produce constant adverse effects on
the project target fulfillment but they will not cause any serious or substantial threats to the project implementation.

**Countermeasures**

- Improve energy structure of rural life. The project county governments lead and use the poverty alleviation, comprehensive agricultural exploitation, national debt project and other project funds to implement energy replacement projects in project area and energetically popularize firewood-saving stove, solar energy, biomass gasifier and other new cookers for use.

- Increase local resident income. Through: ① Provide practical technical training to enable the peasant households to master practical techniques which are suitable for local natural conditions and labor demands. ② Provide marketing information. ③ Help the peasant through exploiting the market and introducing products and other means to improve the economic income of the peasant households of the project area and solve the daily demands of the peasant households for timber and food etc.

- Increase national minorities’ chance of participating in the project decision-making. The peasant households are the land resource providers of project construction and they are the implementer and the beneficiaries of the project. In line with the principle of voluntary and free participation in the project, peasant households can participate in a part of the process or the whole process of the project design and make decisions by themselves.

**5.9 Market Risks and Countermeasures**

After implementing the project, dependence of employee/forest worker livelihood on forest resources will decreases and the income of a part of workers will increase because of the project labor cost. From a long-term point of view,
introduction of transferable forest land property right is the necessary condition for the introduction of market mechanism. On the basis of issuing forest right certificate and clarifying forest land property right, transferable right to use ecological forest and tradeable forest land right transfer system shall be introduced to establish ecological forest right transfer market. From the angle of incentive, for this measure can expand the disposal right of employees/forest workers on ecological forest, namely, the forest workers can choose to transfer the “forestry property right”, the risks and costs of planting and cultivating ecological forest will be greatly decreased. The decrease of risks and costs will motivate the employees/forest workers to increase their input on ecological forest planting and management and protection and improve forest quality; therefore, the increase of liquidity of forest assets can easily activate the cash flow that has invested and reduce the investment risks. Government procurement is the important way to reduce market risks of ecological forest and guarantee the income of forest workers. The government shall adjust the prospects of forest workers for ecological forest planting and prevent the operation behavior of forest workers from deviating from the ecological target because of the impacts of forest product market through adjusting the procurement price of the “forest right” of ecological forest. And the government shall treat the diversity of ecological forest system as an important factor to introduce the operation behavior of forest workers and make the artificial ecological forest to form a high and low and multilevel ecological structure. The final product of the implementation of the project is ecological benefits and social benefits but not the timber and other forest products; therefore, the market risks are comparatively small.

For the timber trade risks, the project focuses on ecological benefits and the market benefits will not be so good compared with the construction of fast-growing forest; however we can make up by adopting the project operation model which combines the cultivation of large-diameter timber with the cultivation of rare timber.
5.10 Loan Commitment and Loan Repaying Risks

The project is unified loans and refunded in unison by the government and guaranteed by the county finance, therefore the forest operators have no loan repaying risks. However; the loan commitment object of the project is county-level financial departments. As the loan transfer party and the undertaking subject of the project loan, if the project has risks and fails to pay the loan on time, they also have the loan repaying risks.

Countermeasures

- The loan of the project is borrowed and returned uniformly by the government. The county government and the county finance issue loan guarantee and repayment commitment letter, formulate loan repayment policies, clarify debtor-creditor relationship and establish project loan repayment reserve according to relevant regulations stipulated by the financial department; therefore, the loan commitment and loan repaying risks are less.

- Special account of reserve funds for loan repayment shall be actively established and reserve funds for loan repayment shall be actively raised to prevent the possible project loan repaying risks.

- Forestry department shall actively introduce and promote the value of carbon-sink of the project to the enterprises and other investors who have purchasing capacity to attract businesses and investment and guide the strong and big enterprises, factories and owners to purchase carbon sink and establish the forest carbon sink transaction platform and reduce the loan repaying risks.

5.11 Comprehensive Analysis

Through comprehensive identification of project stakeholders, according to the requirements of national and local laws and regulations and policies, project effects, risks and control, the social assessment report has listed the Table of Analysis Matrix on Project Stakeholders and compressively analyzed the results of field
investigations social assessment; the assessment team has made the following conclusions (see details in Table of Analysis Matrix on Project Stakeholders) for the Forest Quality Improvement and Efficiency Enhancement Project of Hunan Province with Loan from European Investment Bank.

(1) The project objectives comply with the policies that the government of China makes use of foreign investment and the planning of developing ecological forestry of the nation. Forest Quality Improvement and Efficiency Enhancement Project of Hunan Province with Loan from European Investment Bank can not only increase the income of forest farms, companies, employees/forest workers but also continuously improve the living environment, ecological environment and social environment of the project area, thus it is consistent with the nation’s objectives of laying stress on people's livelihood. After the project is implemented, the forest farms and forest parks will become the popular science base of forest ecology. There the public can learn knowledge related to biological diversity of ecological system, forest culture diversity etc., enrich and improve the public’s understanding and cognition of ecological culture connotation, arouse the public’s protection consciousness for ecological environment and form conscious behaviors of protecting the green home. It can comprehensively improve the spiritual outlook of people and cultural literacy of our province and promote the ecological civilization construction and realize green development.

(2) The project implementation does not have serious social risks but there are still some social development problems that need to be solved: one is how to realize the ecological protection objectives of the project and the prospects of improving the economic income of the poor workers/employees. If the employees/forest workers do not participate in the project voluntarily, this difference will cause the objective conflict. Therefore, forestry departments and project office are recommended to conduct consultation with the individual employees/forest workers and other stakeholders who are affected to reach multi-objective solution scheme. The other
one is that the project will cause negative effects on the development of women, impoverished people, national minorities and other vulnerable groups.

(3) The project is supported by each stakeholder. The forest coverage rate and forest quality of the project area will be further improved, the forest structure will be optimized, stability, stress resistance and environmental functions of forest ecological system will be significantly enhanced, and the comprehensive functions of ecological benefit service will be increased through the project implementation. The project implementation needs a great deal of labor resources so it can provide the impoverished people of project area with job opportunities and can effectively increase incomes of the impoverished people; impoverished people nearby can work on the forestry carbon sink activities, forest food processing, logistics transportation to earn economic income. After the project is implemented, the income of forest compound operation is high. The project implementation will help to promote the local social and economic development, increase the living standard of the local residents and accelerate the impoverished people to get rid of poverty. Governments at all levels and beneficiary groups of the project area warmly welcome the project with a positive attitude.

(4) This project is supported by government of all levels of Hunan Province. The social assessment team found in the investigation of 25 project counties (cities or districts) that governments, forestry departments and their relevant government organizations represented great enthusiasm and strong support for the project.

6. Suggestions for Project Design and Implementation

6.1 Consultation Mechanism

6.1.1 Specific Purpose of Participatory Consultation

(1) Ensure that the project stakeholders can participate in the project
voluntarily;

(2) Avoid social risks of the project and social conflicts that may arise from project intervention and make countermeasures with the stakeholders to avoid risks and conflicts;

(3) Design the project technical schemes, including selection of suitable tree species, design of afforestation mode and model, follow-up management and protection scheme after completing afforestation, through the consultation with the forest workers/employees;

(4) Ensure that the low-income employees, forest workers, poor households, national minority households, women etc. groups in project area can have the fair chance to participate in the project;

(5) Consultation of the participatory beneficiary is also the process to build and improve forest land resource conservation awareness of employees/forest workers, and improve forest land resource management ability, which is of the utmost importance to ensure the long-term effect of the project.

6.1.2 Further Improvement of Consultation Mechanism

Adopt panel discussion, questionnaire survey, interview, information feedback and other ways to strengthen the communication among the governments, relevant departments of the project and stakeholders to make people consciously participate in the whole process of project design, implementation, management and assessment. Regularly hold project progress consultation meeting, timely listen to the opinions of the government and relevant functional departments, raise all kinds of problems that may appear in the implementation process of the project and formulate solution proposals.

6.2 Participatory Project Design

The purpose of the participatory design and consultation is to ensure that the
forest workers and employees can participate in the project voluntarily and the project stakeholders can fully understand the project information and relevant afforestation models before making decisions on the project.

6.2.1 Main Steps of Participatory Design

(1) Each project entity fills in the application form: in the project preparation period, the project office prepares paper, voice, video and other media publicity materials, conducts at least one-week publicity and mobilization through leaflet distributing, publicity boards, broadcasts, televisions etc., as well as forms and organizes the forest farms, forest limited companies and other project entities to fill in the application form.

(2) Hold consultation seminar of stakeholders: analyze and recognize the forest workers, forest farms, forest parks who may participate in the project according to the application forms that filled and prepare the name list of the participating project entities; hold employee/villager meetings and conduct team consultation team or consultation seminar of stakeholders and consult the afforestation tree species, afforestation modes and management and protection after cultivation etc. with relevant participating objectives. The main purpose of this step is to ensure that relevant participators can fully understand the project and voluntarily participate in the project.

(3) Sign project agreements: sign project agreements with the forest workers, forest parks or forestry companies participating in the project and publish the results of the design and consultation.

Details are shown in Table 6-1.
## Steps and Methods of Participatory Consultation

### Table 6-1

<table>
<thead>
<tr>
<th>Steps</th>
<th>Main activities/tasks</th>
<th>Methods and tools</th>
<th>Outputs</th>
<th>Main participates</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Step 1: Publicize and Mobilize</strong></td>
<td>1. Design and distribute leaflets; 2. Publicize the project through all kinds of forms.</td>
<td>Department of Forestry of Province prepares the leaflet style; County project office copies and distributes the leaflets.</td>
<td>Relevant personnel understand relevant information of this project (European Investment Bank) and expand project effects.</td>
<td>Personnel of county, township forestry stations, forest farms/forest parks, managerial personnel and employees of forestry companies, villagers who have forest land circulation and transfer, including female villagers.</td>
</tr>
<tr>
<td><strong>Step 2: Convoke Consultation Seminar/Villager Meeting</strong></td>
<td>1. Sift the subjects of implementation participating in the project; 2. Introduce the project information, especially the alternative menu; 3. Determine operation model; seedling production and supply; late tending arrangement; resource use limit and compensation scheme; training and technical service demands; 4. Site design of the project activities; 5. Determine project area; discuss afforestation model.</td>
<td>1. Technicians coordinate and host the team consultation; 2. Representatives of subjects of implementation participate in the consultation seminar; 3. On-site investigation.</td>
<td>1. Reach operation model, management and protection and compensation measures for resource use limit with the subjects of implementation; 2. Implement project plot.</td>
<td>1. Project representative: county, village forestry technical personnel; 2. Project participator: land contract peasants; 3. Peasant households who may be affected by resource use limit.</td>
</tr>
</tbody>
</table>
| Step3: Sign Project Management and Protection Contract | 1. Discuss the contract content with the forest farms/forest parks, forestry companies, forest land circulation and transfer peasants who are planned to participate in the project;  
2. Sign project contracts with the subjects of implementation participating in the project;  
3. Convoke villager meeting and announce the name list of the subjects of implementation participating in the project, consultation results (scale gathering) of afforestation project and the measures to deal with negative factors. | 1. Contract template;  
2. Convoke villager meeting | 1. Sign the contract;  
2. All the interest-related parties understand the results of participatory design;  
3. Name list of the subjects of implementation and project scale;  
4. Measures to deal with negative factors. | 1. Legal representative of subjects of implementation participating in the project acts as the contracting party of the project land use;  
2. County forestry bureau representatives, project representatives. |
6.2.2 Main Requirements of Participative Design

(1) It is suggested that project construction design shall be conducted in line with the principles of adaptation to local conditions, suitable trees with suitable sites and ecological benefits enhancement.

(2) The information and the discussion shall be open and transparent. For various opinions of the contract, full expression opportunities shall be given. The communities, forest workers and employees shall be given enough time to make their final decision.

(3) Comments of local residents on tree species selection shall be fully considered. People-based concept shall be emphasized to let the beneficiaries fully express their thinking modes in the planning, implementation and other links of the project and realize their interest demands to the greatest extent and promote the project sustainability.

(4) Information announcement shall be organized, especially the announcement of the information related to land use contract. Trainings of business related to project implementation and studies related to forest quality enhancement and improvement models, forest carbon-sink monitoring shall be strengthened. Training and promotion make the stress resistance of the forest reach the stated objectives.

6.3 Project Monitoring and Objectives

For the project monitoring and tracking, effects after project implementation shall be investigated year by year and proper assessment shall be given and reported to relevant departments. The project monitoring and assessment is to ensure that the project can be successfully implemented according the policies of the design. In order to ensure that the participation and benefits of the target groups, monitoring indexes which are to ensure the participation of the beneficiaries and beneficial from the
project are suggested to be exploited and brought into the monitoring and assessment system of the project. Participation of the peasants, who are the direct beneficiaries and participants of the project, can help to find the problems at any time in the project monitoring and assessment and solve them.

(1) The project office shall regularly inform the villagers of the project progress and work arrangement. Each project office is recommended to edit and print bulletins and post and distribute in the community.

(2) After each big activity, such as implementing afforestation, forest protection, fire protection, centralized training, the project office or village project management team shall ask for the reflections, opinions of the participants and make the record and are filed by sort, which can help to improve the future activities and accumulate the information and data for the future projects.

(3) Each project area can employ several project households to conduct daily monitoring for certain indexed needed by the project assessment. In order to enable the participation of more peasant households and ensure fairness, the monitoring households can be changed regularly.

(4) The project office shall formulate monitoring plans and monitoring objectives and shall be responsible for organizing the implementation work of monitoring plan. Relevant technicians shall be organized to establish specialized monitoring teams to conduct monitoring work of each link. Monitoring point shall be set at each forestry station and each monitoring point shall be equipped with necessary equipment and tools to ensure that the monitoring work can be conducted timely and successfully.

6.4 Project Implementation Suggestions

(1) Formulate and implement preferential policies for vulnerable groups. The project shall adopt the open and transparent forms to ensure the participation of
women, impoverished people and national minority groups. The selection of operation procedure shall respect the will of the local residents. On the premise that the parties concerned are informed and willing, the residents themselves or their trusted representatives participate in implementation of the project.

(2) To fundamentally enable the impoverished national minority residents to get rid of the vulnerable position in mechanism and ensure the sustainable development of the project, development of the impoverished national minorities shall be fully considered and priority in the design shall be given to the impoverished national minorities; the governments and forestry departments shall actively take measures to provide convenience for the national minorities to participate, share achievement and protect resident’s rights and interests and traditional culture of national minorities.

(3) Follow-up management mechanism of the construction project. Follow-up management which absorbs residents of project area to participate in is recommended. On the basis that the community project management team is established in the project construction period, establish community project follow-up management team. Members of follow-up management team, in which the women and ethnic minority representatives must be included, are elected by the villagers.
Attachment 1: Social Evaluation Questionnaire of Forest Quality Improvement and Efficiency Enhancement Demonstration Project with Loan from European Investment Bank

Place: ______ Team, ______ Work District (Village, Neighborhood Committee)
      ______ Forest Farm/Forest Park (town, township) ______ County (City, District) __ City (State)

Investigator: _______________ Name of the answer person: __________________________

Date: _______________ 2017

I. Basic information of family

1. Your basic information

1. Gender: (1) Male (2) Female

2. Age: ______. (1) Under 18 (2) 18-30 (3) 31-45 (4) 46-60 (5) Above 60

3. Nationality: _______. (1) Han (2) Miao (3) Yao (4) Tujia (5) Others: ______

4. Religion _______. (1) Buddhism (2) Islam (3) Christian
                           (4) Local religion (5) Others (6) Non religion

5. Marital status: _______. (1) Married (2) Unmarried (3) Divorced (4) Widowed

6. Educational status: _______. (1) Illiteracy (2) Primary school (3) Junior school
                           (4) Technical secondary school (5) Junior college (6) Undergraduate (7) Postgraduate and above

7. Position _______. (1) Project peasant household (2) Township cadres (3) Forest farm/forest park staff
                     (4) Forest farm/forest park leader/ head of forestry company (5) Employee (6) Others: ______
2. Basic economic information of the family

1. ________ people eat together at home every day.

(1) Less than 3  (2) 3-5  (3) 6-9  (4) More than 10

2. Your total annual income of last year is about RMB ________, and your total annual daily expense of last year is about RMB_____.

(1) Less than 500  (2) 500-1,000  (3) 1,000-2,000  (4) 2,000-3,000
(5) 3,000-5,000  (6) 5,000-8,000  (7) 8,000-10,000  (8) 10,000-20,000
(9) 20,000-50,000  (10) More than 50,000

3. The three main daily expenses in your family are successively_______, and______.

(1) Food  (2) Clothing  (3) Productive expenses  (4) Transportation expenses  (5) Educational expenses  (6) Health care expenses  (7) Living expenses not including food and clothing (such as the cost of furniture)  (8) All kinds of social engagement expenses  (9) Expenses for supporting the elderly  (10) Others__________

4. Source of income of your family includes__________ (multiple selection), in which, the largest source of income is ________(single selection).

(1) Income from plant industry  (2) Income from breeding industry  (3) Handicraft industry  (4) Individual workshop  (5) Commerce  (6) Income from work
(7) Wage income
(8) Others (please fill in)_______

5. The living level of your family is at__________.

(1) Under subsistence  (2) Subsistence  (3) Well-off  (4) Moderately wealthy
(5) Wealthy

6. Your family has ________mu of land, in which,______mu is dry land; ______mu is paddy field; ______mu is woodland; ______mu is fishpond; ______mu is
7. Are you satisfied with the economic position of your family?

(1) Very satisfied (2) Basically satisfied (3) Generally satisfied (4) Not satisfied (5) Very dissatisfied

8. Family affairs are decided by whom?

(1) Husband (2) Wife (3) Decide together

II. Opinions and suggestions of villagers/forest workers

1. Do you know the Forest Quality Improvement and Efficiency Enhancement Demonstration Project of Hunan Province with Loan from European Investment Bank?

(1) Yes (2) No

2. If you know, which channel do you get the information from?

(1) Document (2) Meeting (3) Media (4) Leaflet (5) Announcement Boards

(6) Others ( )

3. What information do you know about this project? (Multiple selection)

(1) Project implementation time (2) Project site requirements and construction purposes (3) Project loan amount (4) Project implementation methods (5) Others

4. Are you willing to participate in the Forest Quality Improvement and Efficiency Enhancement Demonstration Project of Hunan Province with Loan from European Investment Bank?

(1) Yes (2) No

5. Have you ever participated in foreign forest project?

(1) Yes (2) No

6. Do you think this project will bring chance to your family or the local
development?

(1) Yes    (2) No    (3) Uncertain    (4) I don’t know

7. What benefit do you think the implementation of this project will bring to your family?

(1) Increase income    (2) Improve environment    (3) Others

8. Which afforestation way would you like to accept in this project?

Please select in the following table (please tick “√” in the select column. You may select more than one option).
### Alternative Menu of Forest Quality Improvement and Efficiency Enhancement Demonstration Project of Hunan Province with Loan from European Investment Bank

<table>
<thead>
<tr>
<th>No.</th>
<th>Model (code)</th>
<th>Model (code)</th>
<th>Major tree species</th>
<th>Ancillary facilities</th>
<th>Cultivation objective</th>
<th>Choice</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Existing forest improved cultivation (GP)</td>
<td>Improved cultivation of rare tree species (GPI)</td>
<td>Interplant sassafras, nanmu, Chinese yew, ginkgo, Quercus chenii, Liriodendron chinense (tulip tree), Machilus pauhoi, Castanopsis carlesii, Acer fabri, Symphocarpus tetragona, Podocarpus nagi and other precious/landscape tree species under cedars and pines.</td>
<td>Multilayer, uneven-aged mixed broadleaf-conifer forest</td>
<td>Forest road within the project area (operation road: width not larger than 2.5m); density not lower than 15m/hectare; set up protection fences along forest roads and forest edges reasonably (biological fences and wooden barriers, etc)</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Artificial promotion of natural formation of woods (GPII)</td>
<td>Identify seedlings of valuable indigenous tree species in existing forest lands, e.g., masson pine, sweetgum, white oak, dalbergia hupeana, and pagoda tree, and adopt effective artificial measures for growth promotion.</td>
<td>Mixed broadleaf-conifer forest</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Newly built (XZ)</td>
<td>Rare arbor and shrub mingled afforestation (XZI)</td>
<td>Foliage, flowering, arbor and shrub mixed forests, including sweetgum, sassafras, nanmu, camphor, ginkgo, zelkova, pseudolarix, China loropetal, crape myrtle, Liriodendron chinense (tulip tree), cerasus serrulata, photinia fraseri, manglietia fordiana, castanopsis, acer fabri, Prunus zippenliana, Zenia insignis and soapberry</td>
<td>Rare multilayer mixed arbor-shrub forest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Rare and high-value tree species afforestation (XZII)</td>
<td>Single/Various valuable high-price mixed forests, including nanmu, Chinese yew, Choerospondias axillaris, dalbergia hupeana, zelkova, toon, Cyclobalanopsis myrsinifolia (Blume) oersted, Castanopsis hystrix and Zhejiang phoebe.</td>
<td>Large-diameter timber of precious tree species</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Alternative Menu of Forest Quality Improvement and Efficiency Enhancement Demonstration Project of Hunan Province with Loan from European Investment Bank

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<th>Choice</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Forest tending (FY)</td>
<td>Big-diameter tree cultivation (FYI)</td>
<td>Cedar, masson pine, sweetgum, cypress, sassafras, camphor, slash pine, quercus and moso bamboo</td>
<td></td>
<td>Large-diameter timber</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Middle-aged and young forest tending (FY II)</td>
<td>Cedar, masson pine, sweetgum, cypress, sassafras, camphor, slash pine and moso bamboo</td>
<td></td>
<td></td>
<td>Medium-diameter timber</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Compound operation (JY)</td>
<td>Underwood planting (JYI)</td>
<td>Forest medicine, seedling and fungi</td>
<td>Prepare water supply and drainage facilities, and planting &amp; production tools. Density of access roads shall not be smaller than 50m/mu. Set up protection fences, science popularization billboards and guide labels, etc.</td>
<td>Typical geological planting demonstration base</td>
<td></td>
</tr>
</tbody>
</table>

9. Do you think this project will bring some negative effects to your family or local development?

(1) Yes  (2) No  (3) Uncertain  (4) I don’t know

10. The negative effects do you think this project will bring to your family or local development?

(1) Decrease income  (2) Damage customs  (3) Limit production  (4) Others

11. Except capital, what you need most in this project is?

(1) Labor force  (2) Technical guidance  (3) Managerial experience  (4) Others_____

12. What are the problems in the used forestry project?
(1) Land ownership    (2) Labor shortage    (3) Poor earnings    (4) Others_______

13. Have you ever got forestry technical services?

(1) Yes    (2) No

14. If yes, what kind of service have you got?

(1) Afforestation technologies    (2) Tending    (3) Grafting    (4) Pest control and prevention

(5) Others___________

15. Who provided the services?

(1) Forestry department    (2) Township government    (3) Forestry cooperatives

16. Are the poorest forest workers/villagers willing to participate in the project?

(1) Yes    (2) No

17. Are women willing to participate in the afforestation project?

(1) Yes    (2) No

18. Are the women willing to make a loan?

(1) Yes    (2) No

19. Whether the project is located at non-commercial forest area?

(1) Yes    (2) No

20. Whether the project is located at the “ecological conservation areas” of the forest park?

(1) Yes    (2) No

21. Whether the project is located at cultural heritage protection area, forbidden area of minorities or other areas where prohibit exploring or restrict exploring?
22. What are the main local natural disasters?

(1) Windstorm (2) Ice disaster (3) Drought (4) Flood (5) Plant and animal diseases

23. Standard of local labor costs is ( ) (RMB /day)

(1) 60-100 (2) 110-140 (3) 150-180 (4) 190-220

24. According to the data that mastered, what does underwood economic products of the project mean to the whole social market?

(1) Mainly consumed by the local and a part of the products are sold to other places

(2) Large consumption of other places and little local consumption

25. Have you used chemical fertilizer, herbicide and insecticide in forestry production in recent years?

(1) Yes (2) No

26. If use chemical medicine, herbicide and insecticide, please list the names of 4 kinds of commonly used products?

(1) Name____________ (2) Name____________

(3) Name____________ (4) Name____________

27. Your suggestions and opinions for this project (please fill in):

III. Development of minority (Answered by minority people)

1. Are there much people of your nationality who speaks mother tongue?

(1) Yes (2) No (3) Unknown
2. Do you speak your mother tongue?
   (1) Yes  (2) A little  (3) No

3. Do you have your own manners and customs?
   (1) Yes  (2) No  (3) Unknown

4. Do you have your own traditional festival?
   (1) Yes  (2) No  (3) Unknown

5. Do you have your own religion?
   (1) Yes  (2) No  (3) Unknown

6. Does your family have the clothing of your nationality?
   (1) Yes  (2) No

7. Do you think there are differences between you and Han nationality?
   (1) Yes  (2) No

8. Are there much people of your nationality who get married with Han nationality or other nationalities?
   (1) Yes  (2) No

9. What advantages do you think the implementation of this project will bring to the local minority? (Multiple selection)
   (1) Improve the quality of forest and improve the ecological environment
       (2) Improve income  (3) Increase employment opportunities
       (4) Promote the development of minorities
       (5) Promote the equality of men and women  (6) Others__________
10. Do you think this project will bring some negative effects to the development of local minority?

(1) Yes     (2) No     (3) Uncertain     (4) Unknown

11. The negative effects do you think this project will bring to the development of local minority? (Multiple selection)

(1) Reduce forestry revenue     (2) Hinder the development of other industries

(3) Affect poverty alleviation     (4) Increase the burden of labor

(5) Have disadvantages to female development

(6) Accelerate the disappearance of minorities culture     (7) Others
Attachment 2: Sample of Forest Right Transfer Contract

Contract No.:  

Forest Right Transfer Contract
Supervised by Department of Forestry of Hunan Province
Forest Right Transfer Contract

Transferor (Party A): _______________________________

Transferee (Party B): _______________________________

According to the relevant regulations of the Rural Land Contract Law of the People's Republic of China, Contract Law of People's Republic of China and Measures of Forest Resources Transfer in Hunan, both parties on the basis of equality and voluntariness have signed the contract.

I. Transfer Object and Determination

Party A agrees to transfer the forest, forest trees and forest land located at Team, Village, Township (Town, Office), County(City, District) with an area of _______ Mu to Party B. The forest right transferred this time is ______ (1. Right to Use Forest Land; 2. Forest Property Right; 3. Right to Use Forest Trees, note: fill in one item for one-item transfer, fill in two items for two-item transfer and fill in three items for three-item transfer). The transfer does not include wild animals, mineral objects and buried objects. Forest right certificate No. of the transfer forest right is:

____________________________________________________________________
____________________________________________________________________

Details of specific location, four boundaries, area, type, forest species, main tree species, tree quantity or stock volume etc. of the forest land are shown in result data of field investigation of forest resources. Forest resource investigation report,
II. Transfer Modes and Transfer Terms

The original management mode is ______ (1 □ Household Contract Management, 2 □ Collective Share Management, 3 □ Collective Unified Management, 4 □ Other Management Modes); the mode of this transfer is ____ (1 □ Subcontracting, 2 □ Leasing, 3 □ Interchange, 4 □ Transfer, 5 □ Buying Shares, 6 □ Other Modes).

The original contract term of Party A: totally _____ years starting from date ________________ to date ________________ ; the term of this transfer: totally _____ years starting from date ________________ to date ________________ .

III. Rights and Obligations of Both Parties

(I) Rights of Party A

1. To obtain the forest land transfer price according to the agreements of this contract.

2. To Supervise Party B to conduct reasonable utilization and protection of the forest land, operation and protection of the forest and trees in accordance with the contract.

3. To take the right to use the transfer forest land, forest property right and right to use trees on the forest land back in accordance with the contract after the expiry of the transfer term.

4. Unless otherwise agreed, during the transfer operation period, to obtain the policy assistance funds agreed in the contracting contract signed by the original contractee and contractor that the policy assistance funds belong to Party A.

5. Others rights stipulated by laws and regulations.

(II) Obligations of Party A
1. To ensure that the property right of the transfer forest is clear of ownership dispute or economic dispute; if there is an ownership dispute or economic dispute, Party A shall be responsible for handling and undertake corresponding responsibilities.

2. To respect Party B’s autonomy in production and management and shall not intervene Party B’s legal and normal production and management activities. Unless agreed by contract or by mutual consultation, the transfer contract shall not be illegally altered, terminated early, or cancelled.

3. To provide Party B with internal and external roads within the scope of contract, water resources and other existing facilities without compensation and ensure that the production and operation, management activities are unobstructed; meanwhile, to provide Party B with convenience to use electric power, water conservancy, and other facilities of the construction of the forest guard post.

4. To assist Party B with the daily management and protection work of the forest trees and forest land and the fight and prevention work of artificial destruction, illegal lumbering, operating and grazing behaviors in forest land; to assist Party B in the safety of base forest and improve villagers’ fire protection awareness.

5. To assist Party B to conduct forest right certificates or forest right change registration procedures.

6. Others rights stipulated by laws and regulations.

(III). Rights of Party B

1. To enjoy (1R Right to Use the Forest Land, 2R Forest Property Right, 3R Right to Use the Forest Trees), autonomous management and obtain corresponding profits in accordance to law and the provisions of this contract.

2. To enjoy the preferential policies and project support funds provided by the nation to encourage the development of forestry production.

3. To enjoy the priority right under the same conditions if Party A continues to
transfer the forest right after the expiry of the transfer term.

4. Others rights stipulated by laws and regulations.

(IV). Obligations of Party B

1. To pay the transfer price according to the provision of the contract.

2. To fulfill the responsibilities of afforestation, maintenance, forest fire prevention and forest pest control etc. according to the laws. To stop the deforestation of forest land timely and report to relevant departments.

3. To implement the harvesting of forest wood, seed resources and forest by-product resources according to law.

4. To protect and reasonably utilize forest resources according to the laws and not to change the use of forest land without permission and shall not conduct or allow other people to conduct deforestation to reclaim land, rock quarrying, earth borrowing and other behaviors to damage forest resources in the transfer forest land. If the transfer forest land belongs to the non-commercial forests, then its non-commercial forest nature shall not be changed and the production and operation activities shall be conducted strictly according to the national management policies for non-commercial forests.

5. To actively receive management and supervision of forest management conducted by the forestry executive department in accordance with the laws.

6. Others obligations stipulated by laws and regulations.

(V). Special Rights and Obligations Agreed by Both Parties

1. Special agreement for the secondary transfer: ______________________

2. Agreement for the disposition of the current forest trees on the transfer forest land: ______________________

3. Agreement for the ownership of the forest which reaches economical service
life when the transfer contract expires and the ancillary facilities built on the land:

4. Agreement for the responsibilities of slash regeneration afforestation when the transfer contract expires:

5. Special Agreement for other matters:

IV. Transfer Price and Payment Methods

Party B shall pay the following fees to Party A in this transfer:

(I). The price of the current forest on the mountain is RMB _____ and shall be paid before date___________.

(II). The forest land adopts the ______method to pay the forest land use fees:

1. Adopt fixed annual rent method: the annual rent is RMB _____ /Mu and shall not be changed during the contract period. Party B shall pay the rent of year____ before date____ every year.

2. Adopt floating annual rent method: the annual rent is RMB _____ /Mu. According to the social economic development level, the annual rent will be adjusted every ____ years. The increasing amplitude of each adjustment based on the previous price is ___. Party B shall pay the rent of year____ before date____ every year.

3. Adopt fixed total use fee method: the total use fee is RMB ____. The payment method is ____. Party B shall pay the rent of year____ before date____ every year.

4. Adopt sharing proportion method_____. Party B shall pay the dividends of year ____ before date____ every year.

5. Other methods_____.

V. Alteration and Cancellation of Contract

In case of any of the following circumstances, the contract may be altered or cancelled:

1. On the condition of no prejudice to the interest of the nation, collectives or the third parties, the two parties reach agreement for alteration or cancellation.

2. The contract cannot be performed due to force majeure (major natural disasters etc.)

3. Other termination form stipulated by laws and regulations or the contract.

VI. Responsibilities for Breach of Contract

1. Party B shall pay the forest land transfer price to Party A on time and in full according to the provisions of the contract. Party A shall pay the overdue fine according to ___% of the payable amount for ____days overdue. The situation that Party B does not make the payment for _____ months overdue will be considered as serious breach of contract and Party A has the right to unilaterally cancel this contract and withdraw relevant forest right. After the contract is cancelled, except for the breach of contract caused by Party A, Party A does not need to return the forest right transfer price that has received.

2. Party A shall deliver relevant forest right to Party B on time according to provisions of the contract and shall pay breach fee according to ____% of the total amount of forest right transfer price for ____days overdue. The situation that Party A does not deliver the forest right for _____ months overdue will be considered as serious breach of contract and Party B has the right to unilaterally cancel this contract and Party A shall return the forest right transfer price that has paid in full and compensate Party B for the actual losses.

3. After transfer, if Party B finds that the transfer forest land has ownership dispute or economic dispute and informs Party A to handle in writing. The situation
that Party A does not handle for _____ months overdue will be considered as unilateral breach of contract and Party B has the right to unilaterally cancel this contract and Party A shall return the forest right transfer price that has paid to Party B in full and pay the breach fee according to ____% of the total amount of forest right transfer price that has paid and shall also compensate Party B for the actual losses.

VII. Other Matters

1. For matters not stipulated in this contract, Party A and B may sign a supplement agreement after mutual negotiation. The supplement agreement has the same legal force with the contract.

2. This contract shall be signed by both parties and the transfer methods shall be approved and signed by the contractee before the contract comes into effect.

3. The Contract shall be in quadruplicate, with Party A, Party B, contractee and forestry working station each holding one.

Attachments:

1. Forest resource investigation report, subcompartment investigation list, attached map of transfer forest land field;
2. Forest right certificate copies of Party A;
3. Other relevant certificate materials;
4. Supplementary provisions.

Party A: Village Committee (seal)          Signature of Legal Representative

Villager Team                             Signature of the Person in Charge: .
Supplementary Provisions

1. After the contract is signed, through the examination and approval of the image-text, data, certification area issued by the forestry departments according to the actual measurement, Party B pay every ______ years. The land contract fee of the first year shall be paid within 10 working days after the contracting forest land is transferred.

2. Within the contracting scope of Party B, Party A in principle shall not build house or new tomb. In case of new house or new tomb, Party A shall compensate Party B for the crops loss (crops loss is calculated according to the afforestation cost of each plant) of forest that have caused. If the age of trees that are damaged is 5 years
or more than 5 years, the compensation amount shall be calculated separately and Party A shall examine and cut rent of the usable area.