

Environmental and Social Data Sheet

Overview

Project Name	IMAR TONGLIAO SAND DUNES SHELTERBELT FORESTS	
Project Number	2019-0157	
Country	China	
Project Description	This operation is to finance a comprehensive desertification control investment programme through afforestation and implementation of sustainable forest management practices in Horqin Sandy Lands, Tongliao City, Inner Mongolia Autonomous Region (IMAR). The total project area is about 138 000 ha. The implementation period is 2020-2024.	
EIA required:		No ¹
Project included in Carbon Footprint Exercise ² :		Yes

Environmental and Social Assessment

Environmental Assessment

The project is located in Tongliao City, Inner Mongolia Autonomous Region (IMAR) in China. Tongliao City is a strategic location for controlling desertification and restoring ecosystem function, based in the centre of Horqin Sandy Land and occupying 60% of its total area.

The project establishes mixed stands of drought resilient tree and shrub species, suitable to the specific local climatic and site conditions. Only native drought resilient species (about thirty native tree and shrub species) will be planted in mixed and mosaic structures with the main objective to protect and improve the ecological conditions of the region.

The project is aligned with Horqin's comprehensive "20-million-mu governance program" (1.3 million hectares) to strengthen desertification control and promote sustainable economic, social, and ecological development of Tongliao City. The project advances the IMAR's Planning Outline on the Construction of Important Ecological Security Barriers in Northern China (2013–2020), focused on desertification control, ecological construction, and increasing income of farmers and herders. At the national level, the project supports the part of the National Plan for Major Function Zones concerning China's northern desertification control belt and it is aligned with China's strategic targets of the 13th Five-year and the *Medium and Long-term Plan for Forestry Development*.

An independent Environmental Impact Assessment (EIA) study was completed in the first half of 2019, highlighting the project's contribution to combating desertification and to improving the environmental conditions in the region. The potential adverse impacts and risks are also included in the study. The domestic approval process of the project is in progress. The Promoter has shared draft Environmental and Social Management Plan (ESMP) with the Bank that gives general principles for sustainable forest management. The ESMP and the Bank's environmental requirements will be included in the

¹ If implemented within the EU, the project would fall under the Annex II of the Directive 2014/52/EU amending the EIA Directive 2011/92/EU, requiring an EIA screening decision. According to the Environmental Impact Assessment Law of the People's Republic of China and the Catalogue of Classified Administration of Environmental Impact Assessment for Construction Projects for domestic forestry planting projects, this project does not require domestic environmental permits (Order of the Ministry of Environmental Protection of the People's Republic of China No. 44, 2017.9.1). However, the Promoter carried out EIA and SIA studies.

² Only projects that meet the scope of the Carbon Footprint Exercise, as defined in the EIB Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: 20 000 tonnes CO₂e/year absolute (gross) or 20 000 tonnes CO₂e/year relative (net) – both increases and savings.

Luxembourg, 17 June 2020

Project Implementation Handbook. The Promoter shall submit to the Bank the final ESMP prior to the first loan disbursement.

The project's benefits include carbon sequestration and storage, soil and water protection, and enhanced biodiversity. The shelterbelt forests established through this project will provide active means of controlling desertification through resilient forest ecosystems and therefore will protect the farmland and grassland from the moving sand dunes and desertification process taking place in the region.

The potential adverse impacts and risks are related to the temperate, semi-arid monsoon climate in Tongliao City, which may expose certain project areas to risks of severe droughts and wildfires during hot and dry periods of the year, as well as to flood events. To mitigate these risks, the promoter has set proper mitigation measures in place such as e.g. afforestation with mixed tree species using drought resilient seedlings; use of seedlings with protected roots; rainwater harvesting measures; firebreaks and related infrastructure/equipment.

The project may include chemical applications (e.g. pesticides) necessary to protect the growing vegetation against insect or disease outbreaks. This may have negative impact on the surrounding environment. To avoid the undue risk, the Promoter will be required to comply with both EU and national laws and regulations concerning chemical applications. The Promoter defined operational guidelines that specify precautionary measures needed for chemical use, storage and end use in order to avoid any personal hazard and leaching into waters, air or soil.

The project is committed to implement environmentally and socially sustainable forest management in compliance with the China Forest Certification Scheme (CFCS), endorsed by the Programme for Endorsement of Forest Certification (PEFC).

EIB Carbon Footprint Exercise

The average annual carbon sequestration (based on the EIB's GHG methodology) for this project is estimated at 635.7 kt CO₂ equivalent per year (net of emissions). The baseline scenario assumes no afforestation of the currently abandoned, degraded and bare lands. Fertilizer applications and fuel consumption by trucks, mainly at the project implementation phase, will emit about 1.4 kt of CO₂eq per annum. The calculations do not consider potential reversals due to drought, forest fires, or pest outbreaks. For annual accounting purposes of the EIB Carbon Footprint, the project emissions will be prorated according to the EIB lending amount signed that year, as a proportion of project cost.

Social Assessment

An independent Social Impact Assessment (SIA) study was completed in Q1 2019. The project is classified as low risk in terms of social impact. The main social aims of the project include local economic development and poverty alleviation, with increase in employment, skill-building, and higher living standards for farmers. There are 3.1 million people in the project area, 72% of which are engaged in agriculture, and 49% of which are of Mongolian ethnicity, 48% are of Han ethnicity and the remaining 3%, of other minorities. The project is expected to provide increased job opportunities, income, skills-building, and economic development for people in rural areas. Altogether the project is estimated to provide 18 340 full time equivalent (FTE)³ jobs during implementation and operation, which are expected to further create spill-over effects in the local rural economy. Most of the works are seasonal, allowing a large share of the poor rural people living in the project counties to benefit from work opportunities. Labour shortages were identified as a potential risk during due diligence, as the rural population ages and the younger generation is increasingly moving to urban areas to live and work. However, in the context of COVID-19, this labour-intensive project in the rural areas could help creating post-COVID19 job opportunities for migrant workers who remain living in the countryside and are seeking local employment instead of returning to cities again.

³ An assumption of 250 working days per year was used.

Luxembourg, 17 June 2020

The Promoter and local government partners have agreed as part of the Social Management Plan (SMP) to commit to a social action plan and gender action plan, and give preferential treatment to ethnic minorities, women, and other vulnerable groups for job opportunities and skills training as part of the project. The SMP lays out targets for different groups participating in the project, including women reaching 30%, 40% minority and 20% poor farmers, and with equal pay on par with men.

There are no anticipated changes in land ownership within this project. However, under the ecological afforestation models, afforestation companies will have management rights in the initial three years of the project period during which they afforest farmers' land, after which farmers reassume their management rights to their land. For the implementation phase, an agreement is signed between the local forestry workstation, landholder (e.g. farmer, cooperative), and afforestation companies to ensure technical skills and capacities to maintain the established forests. Some farmers have contracted land from a state-forest farm or companies and may take a unified approach to management of the compartment. The Promoter shall ensure that long-term land lease contracts and land compensation are based free, prior and informed consent (FPIC) and on fair terms for all parties. In particular, the Promoter must ensure that land lease contracts with individual farmers explicitly include a price revision mechanism, fair exit clause, and details of the applicable grievance redress mechanism. The Promoter has committed to ensuring that fair and just contracts are signed with project beneficiaries. Complementary laws and regulations establish rules on rural land contract dispute resolution. The Bank also requires application of the UN FAO Voluntary Guidelines on the Responsible Governance of Tenure (VGGT) of land, fisheries and forests. The Promoter, through its county forest bureaus shall provide training and information to farmers, with clear communication regarding land tenure rights.

The Project Management Office (Tongliao municipality level), as well as the Project Implementation Units (at the banner and county levels) will hold regular safety trainings for the project, including on chemical use. The use of safety equipment, safety training and accidents insurance are common practice in the project areas. However, actual safety standards may vary between county/banners. The Promoter is required to ensure that all implementing entities (IEs) apply specific standards on health and safety at work, and to have in place appropriate mechanisms for enforcement and compliance of labour standards for all IEs, including contractors/suppliers. The Bank's social related requirements shall be included in the Project Implementation Handbook and communicate to all IEs.

Public Consultation and Stakeholder Engagement

Based on the project consultations done during the EIA and SIA studies, the public awareness of the project is relatively high. Representatives from local government and implementing entities who participated in surveys and public consultations strongly support this project and are willing to participate in the project and believe the project will support its stated economic, environmental and social goals.

A comprehensive economic and social survey was conducted in early 2019, with seminars organized in each participating county and banner. Over 90% of the surveyed respondents are interested in participating in the project. However, it may be the case that the sample is more limited than the full geographic range of relevant stakeholders. The Promoter alluded to there being many degraded areas where farmers have not been willing to participate in the project despite their land being barren, limiting the potential areas for afforestation of degraded land. These areas may have been excluded from areas sampled for the survey. During implementation, the Promoter shall further conduct full and transparent stakeholder consultations and engagement in all project areas to ensure free, prior, and informed consent.

The Promoter has set up an information centre running uninterrupted throughout the project implementation, providing pamphlets and other project communications for the public, and to address any complaints. A detailed grievance mechanism has been outlined in the SIA and Stakeholder Engagement Plan (SEP), including a complaint form and contact details.

The Promoter shall update its SEP and the Social Management Plan (SMP) in order to ensure that appropriate and effective grievance mechanisms are in place. The SMP calls for reporting on the

Luxembourg, 17 June 2020

Social Action Plan on an annual basis. The Bank will closely monitor the project implementation through its specialized forestry consultant in China.

Conclusions and Recommendations

The program will increase forest cover and quality, contributing to climate change mitigation by increased carbon stocks. Mixed forest stands will improve the resilience of forest ecosystems to control desertification and to adapt to adverse weather conditions, as well as to enhance biodiversity. Continuous vegetation cover will increase water retention capacity and mitigate risk of soil erosion. Economic species covering food, energy, and medicinal uses cultivated under the planting models will enhance local income sources. The project provides employment opportunities to local people and introduces sustainable and certifiable forest management regimes.

The Promoter shall comply with the following project conditions and undertakings:

- EIB's environmental and social standards⁴ are applied throughout all project areas;
- Submission of updated E/SMP and SEP before any disbursement;
- Sustainable Forest Management (SFM) principles⁵ are applied through implementation of Forest Management Plans (FMP), or to facilitate the elaboration of such FMPs;
- The project shall be aligned with the international best practices in forest certification such as e.g. Forest Stewardship Council (FSC)⁶ Principles and Criteria for forest stewardship; or the China Forest Certification Scheme endorsed by the Programme for the Endorsement of Forest Certification (PEFC)⁷;
- Project GIS database and digital mapping shall be updated regularly (in line with project progress) and shared with the relevant project stakeholders;
- Alignment with the principles of good forest governance and legality of forest products trade i.e. EU's Forest Law Enforcement, Governance and Trade ("FLEGT") policy⁸;
- Only chemicals approved by both EU and Chinese laws may be used in the project.
- Any land lease contracts and land compensations shall be based on fair terms for all parties and shall refer to Free, Prior and Informed Consent (FPIC);
- The Promoter shall follow the FAO Voluntary Guidelines on the Responsible Governance of Tenure (VGGT) of land, fisheries and forests.
- Productive and fertile arable agricultural lands, and sites located on very steep slopes shall be excluded from the project scope.
- Apply low-impact site preparation methods. Heavy soil preparation, including terracing and slash and burn practices shall be excluded from the project scope.
- The management practices shall ensure the maintenance of rare and endangered species, valuable habitats and conservation areas during and after operations.
- The planting models shall envisage the establishment of mixed and mosaic planting patterns and forest stands by using native, drought-resilient tree/shrub species that are adapted to local climatic and site conditions;
- Permanent irrigation of the planted forests shall be excluded from all planting models. Rainwater harvesting is strongly encouraged. Upgrading or building new permanent irrigation systems shall be excluded from the project scope.
- The Promoter shall ensure that appropriate health and safety measures are applied during project implementation and operation by all implementing entities (IEs) to prevent work-related health and accident risks. The Promoter shall have in place a mechanism to regularly monitor the application of the health and safety (H&S) measures by the IEs.

⁴ http://www.eib.org/attachments/strategies/environmental_and_social_practices_handbook_en.pdf

⁵ <http://www.fao.org/forestry/sfm/en/> ; https://ec.europa.eu/agriculture/forest_en; <http://foresteurope.org/>

⁶ <https://ic.fsc.org/en>

⁷ <https://www.pefc.org/>

⁸ <http://www.euflegt.efi.int/home>



Luxembourg, 17 June 2020

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