



European Investment Bank (EIB)

Luxembourg, 24/11/2022

## Environmental and Social Completion Sheet (ESCS)

### Overview

Project Name:	CFFL-REGIONAL FORESTRY PROGRAM
Project Number:	2013-0073
Country:	CHINA
Project Description:	The project aimed to establish new sustainable forest plantations and to improve the management of existing plantations, with a focus on rare species and high-quality timber trees. It intended to cover 74,000 ha in 51 counties of the three provinces Henan, Guangxi and Hainan.

### Summary of Environmental and Social Assessment at Completion

**EIB notes the following Environmental and Social performance and key outcomes at Project Completion.**

The project supported the establishment and improvement of sustainable forests, with particular focus on rare species and high-quality timber tree such as Rosewood (*Dalbergia spp*) and Eaglewood (*Aquilaria spp*) in three Chinese Provinces (Henan, Guangxi, Hainan). The project has so far successfully enhanced the forest condition on 71,660 ha<sup>1</sup>, out of which 42% were newly afforested stands and 58% were existing low-quality forests that have been improved through silvicultural measures. The survival rates of seedlings observed during the 2019 monitoring mission were excellent in all three provinces ( $\geq 90\%$  in the visited plots). Through the afforestation of steep areas, the project successfully combatted soil erosion and stabilized mountain slopes. Another positive consequence was the improvement of the local tributary stream water flow. The project also increased the income and living standards of local communities through production of timber and non-timber forest products, contributing to sustainable economic and social development in rural areas.

In terms of environmental benefits, the net carbon sequestration is estimated to average 1.08 million tons CO<sub>2</sub>eq per year during the economic life of the project (25 years). In addition, over 80 species were used in the plantings, some of which are classified as vulnerable or endangered. The project therefore helped to counter the risks of genetic decline and improved the biodiversity of forest ecosystems.

The project implemented international best practices and sustainable forest management in compliance with the China Forest Certification Scheme (CFCS) endorsed by PEFC (Programme for Endorsement of Forest Certification). Project entities in Guangxi even exceeded the planned certification targets and obtained both CFCS and FSC certification.

<sup>1</sup> The promoter in Hainan still needs to inspect 1,333 ha of plantations and intends to plant another 1,333 ha until 2023, so it is expected that in total 74,326 ha will be established. This will be monitored by the Bank three years after project completion.



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In terms of jobs creation, the implementation of the project in Henan and Guangxi provinces led to the employment of 8,177 person years, and the maintenance phase is expected to create additional 9,692 person years employment. In addition, more than 9 ethnic minorities participated in the project. Participation of women was relatively high, accounting for about 42% combined at project management organisation (PMO) and labour force levels in a sample of 13 visited sites. As part of capacity building, adequate training for workers covering a wide range of environmental and social aspects was provided in all three Provinces.

No significant environment issues were noted during implementation. Likewise, no social issues have emerged.

**EIB notes the following key Environmental and Social aspects to be monitored during operations:**

- The borrower shall deliver to the Bank a Project Completion Report three years after project completion (PCR+3), i.e. in March 2024. It shall cover the afforested area by forest category, by Province and by species, survival rate and viability of forest plantations, forest growth and volumes by species, areas under certification, carbon sequestered with the detailed assumptions of the carbon accounting, employment effects, revenues and expenses, risks, legal actions, actual values of the project indicators.
- The borrower shall provide evidence that all project funds have been disbursed to final beneficiaries after successful inspection three years after project completion (PCR+3), i.e. in March 2024,
- Some project activities are still ongoing in Hainan province at the time of PCR preparation. These works should be reported to the EIB and the databases should be updated to correctly reflect all the changes that have taken place. The Bank will continue to monitor the promoter advancements in the implementation of the works until March 2024.

**Summary opinion of Environmental and Social aspects at completion:**

EIB is of the opinion based on reports from the Promoter, as well as following the physical monitoring mission conducted in March 2019 by independent consultants that the Project has been implemented in line with EIB Environmental and Social Standards.