

Country: **Republic of Zambia**

Project Title: **Promoting the Commercial Viability of the Industrial Copperbelt Plantations**

Project Number: **TCP/ZAM/0166(A)**

Starting Date: **March 2001**

Completion Date: **October 2001**

Government Ministry responsible for project execution: **Ministry of the Environment and Natural Resources**

FAO Contribution: **US\$48,500**

Signed: .....  
  
(on behalf of Government)

Signed: .....  
**Jacques Diouf**  
Director-General  
(on behalf of FAO)

Date of Signature: .....

Date of signature: .....

## **I. BACKGROUND AND JUSTIFICATION**

The Government has requested urgent assistance from FAO with the development of a business plan for the industrial plantations on the Copperbelt. These plantations, which now amount to 57,000 hectares, were developed through public investment and are currently vested in the Zambia Forestry and Forest Industry Corporation (ZAFCOM). Sustainable management and commercial viability of these plantations has not been achieved owing to state control of marketing and selling prices, and because there has been no business planning or culture.

Under the new Forest Act, the Forest Department will be transformed into the Zambia Forestry Commission (ZAFCOM), which will assume direct responsibility for the industrial plantations. However, the Government has also signalled its intention to divest certain forest plantations whilst improving the commercial viability of others. Given ZAFCOM's need to establish a sound financial basis on which to pursue its broad mandate of sustainable forest management, it is crucial that the plantations should not become a millstone impeding the new body. On the contrary, profitable plantations have the potential to create employment, generate incomes and increase taxation revenues.

There is an urgent need, therefore, to develop the commercial prospects of the plantations, improve management practices and chart a course to profitability. This will involve, *inter alia*, the setting-up of mechanisms for determining competitive but sustainable selling prices for plantation-derived forest products. With regard to the possible privatisation of state forest plantations, these prices would be a prerequisite for fair and objective valuations. Although these are new challenges to be addressed in Zambia, neighbouring countries, such as Zimbabwe, have already gained considerable experience in applying solutions.

Given the new national Forest Policy (1998) and Forest Act (1999), which recognise the role of communities in production, sustainable management and utilisation of forest resources, the Government faces a major and novel challenge in ensuring that privatisation of the state-owned industrial plantations should yield a three-way benefit - to the State as seller, to the Private Sector as buyer, and to the local communities as stakeholders.

## **II. OBJECTIVES**

- (i) to promote an environment of commercial viability for the management of the industrial forest plantations of the Zambian Copperbelt and so act as a catalyst for private sector investment;
- (ii) to ensure the fair and equitable disposal of selected plantations to the private sector, including the assurance of benefits to local people, such as farmers.

### **III. OUTPUTS**

1. A draft outline business plan for the Copperbelt industrial forest plantations;
2. Guidelines for improving the economics of plantation establishment, tending and utilisation;
3. A mechanism for determining plantation stumpage prices and forest produce;
4. Guidelines for plantation disposal and criteria for their selection;
5. A mechanism for ensuring that local stakeholders benefit from plantation privatisation.

### **IV. COMPOSITION OF THE MISSION**

1. Forest Economist and Plantations Expert (FAO/RAFO technical officer)
2. Forest Economist and Valuations Expert (FAO/FON technical officer)
3. Business Plan Specialist: TCDC Partnership Expert from neighbouring country, justified by the need to incorporate regional experience and know-how
4. National Co-ordinator: Government Counterpart Expert (GRZ)

### **V. TERMS OF REFERENCE OF THE MISSION**

#### 1. The Plantations Expert will:

- (i) Review existing methods and practices in plantation establishment, tending and utilisation;
- (ii) Provide guidelines aimed at improved economic performance;
- (iii) Assist the Business Plan Specialist in the preparation of his/her report;
- (iv) Prepare guidelines for plantation disposal and criteria for their selection;
- (v) Propose a mechanism for ensuring that local stakeholders benefit from any plantation privatisation;
- (vi) Be responsible for supervising the inputs of the TCDC experts;
- (vii) Lead the Mission and be responsible for preparing its final report.

#### 2. The Valuations Expert will:

- (i) Critically review the existing mechanism for stumpage pricing, forest produce pricing and offsetting plantation development costs;
- (ii) Critically examine options for plantation valuation, and carry out a preliminary valuation based on existing field data;

- (iii) Propose improvements based on systems proven elsewhere which are applicable to Zambian conditions;
- (iv) Assist the Business Plan Specialist in the preparation of his/her report;

3. The Business Plan Specialist will:

- (i) Review the main challenges and constraints limiting commercial viability of the plantations;
- (ii) Propose a strategy based on experience of success elsewhere which is applicable to Zambian conditions;
- (iii) Prepare a draft outline business plan for the plantations.

4. The National Co-ordinator will:

- (i) make logistical (transport and accommodation) arrangements for the mission;
- (ii) ensure that the mission meets all stakeholders and has unrestricted access to forest plantations and relevant sources of information ;
- (iii) accompany the mission during its travels to the field and Ndola, and also to all its scheduled meetings ;
- (iv) Arrange briefing and debriefing meetings for the mission.

Duration of Assignments:

1. Plantations Expert (FAO)	16 working days; 10 work days in Zambia; 6 at RAF
2. Valuations Expert (FAO)	10 working days, all in Zambia
3. Business Plan Specialist (TCDC)	8 weeks; 4 weeks in Zambia; 4 weeks at home

**VI. GOVERNMENT CONTRIBUTION**

The Government will provide all the needed support, not foreseen in the FAO contribution, including facilities, communication and transport means to achieve project objectives. In particular it will assign and pay the salaries of requested counterpart staff, including the National Coordinator.

**PROJECT BUDGET COVERING FAO INPUTS**  
**(in U.S. Dollars)**

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1200	Advisory Technical Services (ATS)	24,760
1700	National Consultants	2,392
1800	Partnership Programme Experts	5,792
1900	Supervisory Technical Services	3,676
	1910 Standard Supervisory Technical Services (1,400)	
	1920 Supervisory Functions of LTU (1,276)	
	1930 Field Missions (0)	
	1950 Evaluation (1 000)	
	<b>Personnel</b>	<b>36,620</b>
2000	Official Travel	5,600
4000	General Operating Expenses	1,780
5000	Materials and Supplies	1,000
7000	Direct Operating Expenses	3,500
	<b>TOTAL</b>	<b>48,500</b>

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1. 1200 ATS – Plantation expert – daily cost \$638, airfare \$2,500; 14 day mission; 5 days in Lusaka; 9 days in Ndola  
– Valuation expert – daily cost \$638, airfare \$2,500; 14 day mission; 5 days in Lusaka; 9 days in Ndola
  2. 1800 PPE – Business Plan Specialist – no honorarium in field; \$50 p.d. in home country + \$300 per month reimbursed to lending institution. DSA & Travel – 28 days mission; 5 days in Lusaka; 23 days in Ndola

3. 2000 Travel – In country duty travel – 28 days car rental @ \$200 p.d. or running costs of TCP car available at FAO Representation