



**IFAD**  
**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**  
**Executive Board – Seventy-Fourth Session**

Rome, 5-6 December 2001

**REPUBLIC OF ZAMBIA**

**PRESIDENT'S MEMORANDUM**

**FOREST RESOURCE MANAGEMENT PROJECT (LOAN 520-ZM):  
EXTENSION OF LOAN EFFECTIVENESS**

**I. BACKGROUND**

1. At its Sixty-Eighth Session in December 1999, the Executive Board approved a loan of SDR 9.15 million to the Republic of Zambia on highly concessional terms for the Forest Resource Management Project.
2. In accordance with IFAD regulations, a loan agreement is normally terminated in the event it does not become effective within 18 months of the original effectiveness deadline. Any decision by the Executive Board with regard to a further extension of the effectiveness date would depend on satisfactory justification for the delay and on prospects for the loan agreement becoming effective within a reasonable period of time.
3. The loan agreement for the Forest Resource Management Project, signed on 16 February 2000, was due to become effective 90 days later, that is, on 16 May 2000. Effectiveness of the loan agreement was subject to the fulfilment of a number of conditions, including (a) the establishment of the project's management and coordination bodies; and (b) the recruitment of specialized institutions to assist the Ministry of Environment and Natural Resources (MENR), as lead project agency, in the implementation of field activities in the project areas. While the coordination bodies have been established, the recruitment of the specialized institutions is subject to the Government's tendering process, which may take substantial time. IFAD has made the signature of contracts with such institutions a condition of loan effectiveness, given their critical role in ensuring that project activities have an impact at the field level and in view of IFAD's past experience in Zambia, where significant delays in tendering process have hindered project implementation in the past.



4. While work towards fulfilling the conditions for loan effectiveness might have been initiated immediately after loan signing with a Special Operations Facility (SOF) grant, MENR finalized the procedures for gaining access to the SOF grant funds only in January 2001. At that time, IFAD held detailed discussions with the Permanent Secretary of MENR regarding action required to complete the tendering process, and reached agreement with the Government on a time schedule for the implementation of SOF activities. Progress made to date in the tendering process was reviewed with MENR by an IFAD mission to Zambia in October 2001. From these discussions it became clear that, while substantial progress had been made, a number of steps in the tendering process still needed to be completed before contracts with the specialized institutions can be signed. The time required to complete this process will clearly extend beyond the period of the Fund's original effectiveness deadline.

## **II. RECOMMENDATION**

5. It is recommended that the Executive Board extend the effectiveness date of Loan 520 ZM for the Forest Resource Management Project to 30 September 2002 to allow sufficient time for the fulfillment of conditions for loan effectiveness.