



# GRL Tanzania Ltd

Progress Report  
Prepared for  
Tanzania Investment Centre

May 2024

## 1. Project Details & Background

Green Resources is East Africa's largest forest development and wood processing company. The company manages approximately 38,000 ha of plantation forest in Mozambique, Tanzania and Uganda.

Green Resources is a growing business with many of its forest resources still in a development phase. Green Resources aims to follow the highest operational and environmental standards by conserving natural forest and other valuable habitats. The company has a large number of its planted forests certified according to the Forest Stewardship Council (FSC) standard, the world's leading standard for responsible forest management. A core value of Green Resources' development strategy is the improvement of environmental, social and economic conditions for the surrounding communities.

Green Resources operates industrial facilities including two sawmills, three pole treatment plants, a briquetting plant and a veneer mill. Green Resources was established in 1995 and is a private Norwegian company with both private as well as institutional investors. GRL Tanzania was established in 1996.

## 2. Overview of Operations

Green Resources' plantation subsidiary in Tanzania, GRL Tanzania Ltd (GRL), manages three plantation blocks (Uchindele, Idete & Mapanda), with approximately 14,700 ha of plantation forest.

GRL' objectives:

- *Maximize returns through the sale of wood products* - GRL is planting eucalyptus and pine species to supply raw materials for the production of poles, logs and biomass. These products will, primarily, be sold to domestic markets.
- *Be a leading supplier of carbon offsets* - through its afforestation program, the company aims at mitigating climate change by reducing greenhouse gases through carbon sequestration. GRL will mainly operate on the voluntary carbon market under the VCS standard. Ten percent of carbon revenues will be reinvested in the communities surrounding the project.
- *Maintain a strong focus on the environment conservation and social development* - GRL will only plant on land that has been adequately approved for planting, including land that has been abandoned or degraded.

GRL TANZANIA LTD.  
PROGRES REPORT FOR TIC

## 2.1 Overview of Land Holding

Area Name	Area ha	Planted ha	Description
Idete (Farm 900)	11,663	3,927	Titled - Ministry of Land
Uchindile I (Farm 308)	6,647	3,345	Titled - Ministry of Land
Chogo (Farm 854)	1,605	898	Titled - Ministry of Land
Mapanda (Farm 837)	4,653	1,905	Titled - Ministry of Land
Makungu (Plot 4,5&6)	14	-	In Process - TIC
Uchindile (Farm 1185)	174	-	In Process - TIC
Uchindile (Farm 1184)	85	29	In Process - TIC
Kitete (Farm No 1173)	10,505	1,858	In Process - TIC
Uchindile II (Farm No 1172)	10,879	1,362	In Process - TIC
Chogo (Farm No 1014)	822	440	In Process - TIC
Chogo (Farm No 1015)	314.22	47.95	In Process - TIC
Incomet (Farm No 1022)	1,920	900	Titled - TIC
	<b>49,282</b>	<b>14,712</b>	

Figure 1. Land title status. Titles derived from MoL pre 2010 and TIC post 2010.

- 2013
  - Farm 1014, 1015 – Cadastral survey and land use plan
- 2014
  - Farm 1184 – Compensated
- 2018
  - Makungu Plots (4,5 & 6), Farm 1173 & Farm 1172 – Title application submission
  - Farm 1022 – Title acquired
- 2024
  - Makungu Plots (4,5 & 6) – Title application re-submitted.

## 3. Progress against planned activities

As per GRL business plan the following are the activities completed for the period 2012 to 201

- Establishment of Industrial plantations
- Conservation of Biodiversity
- Contribute to climate change mitigation
- Contribute to social and economic development of rural areas
- Further expansion and investment in planting programmes
- Management of Industrial operations

### 3.1 Establishment of Industrial Plantations

Since inception in 1996, the company has established 13,000 ha of pine and eucalyptus plantations in the Southern Highlands and although there is potential for expansion this will be at a smaller scale and for the immediate future the focus of the company is on improving the quality of the existing plantations.

Genus	Ha
Euc	4,700
Pine	8,300
Other	30
Total	13,030

Figure 2. Planted area by genus as of 30.06.2024

GRL is planting several different species of Pine and Euc species and practice “site species matching” where, through research, the optimal species for each area is determined to ensure optimal growth, quality and resistance to pest and disease.

Currently GRL is planting 3 pine species and 2 Eucalyptus species commercially that has proved to have optimal performance in the different areas. This has been narrowed down from 28 species that was initially planted in the process of establish the better performing species for each site.

### 3.2 Conservation of Biodiversity

GRL plantations has been established and are being managed in such a way that areas with natural vegetation are set aside and protected.

All riverine areas are mapped and protected, and all clusters of natural forests are conserved. Consequently, the company has just under 55% of its total land holding under conservation management.

Land Use Cover	Distribution
Plantation	44.9%
Natural Forest	3.7%
Riparian Vegetation	42.1%
Grassland	2.4%
Wooded Grassland	1.1%
Shrubland	1.6%
Wetlands	0.1%
Plantation Expansion	3.9%
Community Managed	0.0%
Infrastructure	0.2%
Rocky Outcrop	0.0%

Figure 3. GRL Land Use Cover as of 30.06.2024

The company promotes and supports establishment of woodlots by farmers in order to create an alternative source of wood products away from the natural forests resulting in conservation of biodiversity.

The company is estimated to have directly contributed to the establishment of nearly 2,000 ha of woodlots of various species since project start with a 1,000ha being from 2014 to 2021.

GRL TANZANIA LTD.  
PROGRES REPORT FOR TIC

Year	Pine	Euc	Sum
2017	328,438	77,750	406,188
2018	268,246	37,280	305,526
2019	23,128	23,226	46,354
2020	52,136	8,330	60,466
2021	47,530	28,864	76,394
2022	-	-	-
2023	-	-	-
2024	-	-	-
<b>Total</b>	<b>719,478</b>	<b>175,450</b>	<b>894,928</b>

Figure 4. GRL seedling donations since 2017

GRL is also an established supplier of quality seedlings to 3<sup>rd</sup> parties for various afforestation projects.

### 3.3 Contribute to Climate Change Mitigation

A total of 6,570 ha of plantations in GRL has, since 2010, been managed as Voluntary Carbon Projects.

Trees planted by the company sequester carbon dioxide which is one of the Green House Gasses responsible for global warming.

GRL plantations currently hold 819,735 of verified carbon units and the amount is not expected to increase as the projects reached their long-term average

In 2010, the company successfully sold the first forest plantation-based carbon offsets and continues to be a leading supplier on the carbon offsets market

### 3.4 Contribute to Social & Economic Development of Rural Areas

GRL operates in remote areas in the Southern Highlands of Tanzania. These areas have limited infrastructure in terms of roads whilst access to health and education facilities are limited.

The company works closely with local communities and the Government in improving roads, health and educational facilities in the areas adjoining the forest plantations.

By creating formal employment in areas where alternative sources of jobs are limited, household incomes will increase and money will be available to improve housing, buy food and pay for medical and health services.

Since inception the company has spent over TZS 1.2 billion on community development mainly through: Community Development Projects, Social Development Funds, Community Carbon Funds.

**GRL TANZANIA LTD.  
PROGRES REPORT FOR TIC**

<b>2011</b>		<b>2016</b>	<b>2021</b>
3 Village office		4 Classroom	2 Classroom
2 Community hall		1 Dispensary	4 motorbike for Village Fire Committee.
5 Classrooms		<b>2017</b>	Fire equipment's (Knapsacks 10) for Village Fire Committee
1 Nurse house		3 Classroom	<b>2022</b> Routine maintenance of Uchindile road to Mgololo
<b>2012</b>		1 Maternity ward	Construction of 3 in 1 House
1 Bridge		10 Pit latrine	Construction of two teachers toilets and buying
2 Classroom (rehabilitation)		<b>2018</b>	Construction of 2 in 1 Teachers house
3 Classroom		1 Maternity ward	<b>2023</b> water project from Kitete Sub village to Tazara Sub
Funds for land use plan (2 Village)		3 Duplex teacher's house	Renovation of the village office.
1 Dispensary		<b>2019</b>	<b>2024</b> Water project(Distribution network of water at
1 Doctors House		2 Classroom	Photocopy machine and Desktop computer for
<b>2014</b>		1 Teachers House	
2 Classroom		1 Village Office	
1 school (rehabilitation)		1 Community Hall	
12 pit latrines		1 Solar energy project	
<b>2015</b>		<b>2020</b>	
105 school desks		4 Classroom	
2 Village office		2 Teachers house	
2 Community hall		1 Water project	
1 Girls school dormitory			
8 pit latrines			

Figure 5. GRL implemented CDP as per village agreements

GRL has funded several Community Development Programs (CDP) with a total of TZS 349 million, primarily in areas such as education, health, infrastructure, and sanitation

<b>Year</b>	<b>Disbursed (TZS)</b>
2010	124,263,106
2013	31,233,799
2015	43,325,080
2016	2,446,572
2017	9,077,806
2018	5,982,891
2019	4,011,203
2020	9,018,371
2021	280,021,603
2022	68,782,041
<b>SUM</b>	<b>578,162,472</b>

10% of the revenue from Carbon Sales is disbursed to a Carbon Community Social Development fund with TZS 578 million disbursed to date. The funds are mainly focused on; education, health, infrastructure and sanitation and there is a clear framework and controls in place ensuring correct use of the funds.

Figure 6. GRL carbon fund disbursement

<b>Year</b>	<b>Disbursed (TZS)</b>
2020	24,951,015
2021	24,951,015
2022	38,686,561
2023	69,181,875
<b>SUM</b>	<b>157,770,465</b>

Figure 7. GRL SDF disbursement

GRL TANZANIA LTD.  
PROGRES REPORT FOR TIC

In 2020 GRL introduced Social Development Fund (SDF) in order to continue to support communities where the community projects specified in the village contracts are fully implemented. The management of the funds follows the same framework as the Carbon Funds.

### 3.5 Expansion and Investment in Planting Programs

For the past 24 years GRL Tanzania Ltd has invested Tshs 70 billion towards the establishment of about 13,000 ha of pine and eucalyptus plantations.

A substantial proportion of this amount has been used in developing infrastructure such as roads, bridges, offices, staff housing and worker's accommodation.

With no immediate expansion of plantation area planned the focus has been on harvesting and increasing the replanting program which has seen a significant increase over the last 5 years.

Year	Euc	Pine	Sum
2019	106	311	418
2020	96	351	447
2021	259	489	748
2022	355	291	645
2023	591	287	878
<b>Total</b>	<b>1,407</b>	<b>1,729</b>	<b>3,136</b>

Figure 8. GRL replanting program

### 3.6 Industrial Operations

Green Resources AS, through GRL's sister company, Sao Hill Industries, operates the largest sawmill in East Africa.

Construction of a new small log sawmill (Hew Saw) with a capacity to produce 80,000 m3 of sawn timber annually was done and represent the biggest investment in the forest industry sector in East Africa the last two decades. This sawmill which comes with new timber drying kilns produces high quality timber for the domestic and export market.

- 2011
  - ISO 14001 & OSHAS 18001 certified
  - Kiln dryers commissioned with annual capacity of 30,000m3 of sawn timber
- 2012
  - Joinery and pallet production line commissioned
  - Hew Saw in full production; 80,000m3 annual capacity at double shift.
- 2014
  - Purchase of Semi-Mechanized harvesting equipment
- 2015
  - Briquetting line commissioned
- 2021
  - First pole kiln in Tanzania commissioned the with an annual capacity 48,000 poles.

GRL TANZANIA LTD.  
PROGRES REPORT FOR TIC

The sawmill provides a market and value for logs produced in GRL's forests and ensures a sustainable forest existence. Provision of high-quality products to the market helps to lessen pressure on harvesting natural forest.

## 4 Project Financial Expenditure at end of June 2021

Below is a summary of Summary for Project Financial Expenditure at end of June 2021

Property & Equipment	Costs value	Financing		
		Foreign	Local	Total
Land & Buildings	1,935,000,000	1,935,000,000	-	1,935,000,000
Motor Vehicles	791,000,000	791,000,000	-	791,000,000
Equipment, Furniture & Fixtures	4,251,000,000	4,251,000,000	-	4,251,000,000
<b>Grand Total</b>	<b>6,977,000,000</b>	<b>6,977,000,000</b>	<b>-</b>	<b>6,977,000,000</b>

At present the financing is done fully through a combination of equity and shareholder loans. At the inception of the project there was a component of lending from 3<sup>rd</sup> party funders (IFC and Norfund) however these loans were paid or converted into equity.

## 5 Challenges and Solutions

At present the company faces a number of challenges most specifically:

- Fires – the company is concerned about the level of fires that threaten forestry in the Southern Highlands each year. Enforcement of Village By-Laws will be crucial to avoid fires to damage the plantation forest industry
- Taxes & Taxation – like many businesses in Tanzania the forestry sector is faced with a multitude of taxes both on local and national level. Implementation of the Blueprint for Business Reform is paramount to the success of the industry.
- Resin Tapping – recently the government of Tanzania banned the tapping of pine resin; this has removed a key (interim) revenue earner for the company negatively impacting the business performance. The company is actively engaging with the Minister of Natural Resources and Tourism to see this ban overturned.
- Export of Veneer – recently the government of Tanzania banned the export of veneer; this has resulted in closure or production stoppages at a number of key customer locations and consequently resulted in significant loss of revenue for the company (up to 75% of production capacity of veneer logs was discontinued). The company is actively engaging with the Minister of Natural Resources and Tourism to see this ban overturned.

## 6 Outlook and Future Operational Plans

With no immediate plans for expansion and the plantations areas reaching maturity, the focus is shifting towards improved practiced in terms of silviculture, genetic material, infrastructure and harvesting.

The split between pine and eucalyptus will be shifted over a 5 period to achieve a more even 50/50 split between pine and eucalyptus from the current 70% pine and 30% eucalyptus. The reason for the shift is to align the resource with upcoming industrial development requirements.

### 6.1 Industrialization Strategy

GRL is currently evaluating the addition of future processing capacity with the specific aim to produce Plywood for local and export markets.

The plans are in an advanced stage of development (although not yet funded) and would comprise an investment of around US\$10-15m with a factory development employing around 150 people at the site where currently the Makungu nursery is located (the site would be split between industrial and nursery use).

GRAS Management has done extensive due diligence on the project and is currently in discussion with its shareholders and bankers on this possible development.

If realized GRL would operate an 80,000-100,000m<sup>3</sup> input Plywood factory producing world class products for domestic and export markets.

### 6.2 Nursery Activities

GRL's nursery has a capacity to produce 6 million seedlings. Nursery operations will continue to service the company's existing plantations which will require approximately 1.5 million seedlings per annum.

Sales to 3<sup>rd</sup> party tree planters are expected to be a core revenue source for the company going forward.

### 6.3 Harvesting

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
<b>Pine</b>											
Volume (m <sup>3</sup> )	161,348	107,517	97,267	92,134	107,105	122,091	176,843	214,272	222,501	240,089	230,490
Felled (ha)	843	576	416	428	439	452	527	586	694	776	691
<b>Euc</b>											
Volume (m <sup>3</sup> )	131,298	57,950	66,995	73,700	84,203	88,930	99,440	89,903	99,408	111,969	116,400
Felled (ha)	675	324	330	393	397	470	648	629	560	593	596

Figure 9. GRL harvesting volumes by genus

Harvesting is steadily increasing during the coming years as the plantations are maturing and is being done semi-mechanized with the bulk of products being supplied to the local industry in Mafinga district. Main products categories are; Poles, Peeler Logs & Saw logs.

The high harvesting volume in 2024 is due ongoing salvage operations after a big fire event occurring in 2022.

GRL TANZANIA LTD.  
PROGRES REPORT FOR TIC

## 6.4 Planting

GRL adheres to the best practice in its planting operations where each high quality seedling is planted in an environment free from competition, an effective rooting depth of more than 60cm and with correct use of chemicals and fertilizer ensures optimal growth and survival

The replanting program is being significantly ramped up over the coming 5 years bringing the plantation in rotation with an annual clear-fell and planting area of approximately 1,200ha

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Pine Plant	588	558	579	428	504	727	782	749	907	978	589
Euc Plant	376	526	675	714	625	636	826	976	880	875	700
Total Plant	964	1,084	1,254	1,142	1,129	1,362	1,608	1,725	1,787	1,852	1,289

Figure 10. GRL Planting program

## 6.5 Silviculture Operations

Tending operations are important for the survival and growth of seedlings. Regular weeding creates a weed free environment and this minimizes competition for nutrients and water. Thinning and pruning schedules are adhered to with the aim of improving growth and quality of logs and poles

<u>Pruning</u>			2024	2025	2026	2027	2028
1st pruning	PR100	ha	446	577	332	290	588
2nd pruning	PR101	ha	-	182	407	577	332
Brashing	PR105	ha	355	552	376	526	675
<b>Total Pruning</b>		ha	<b>801</b>	<b>1,311</b>	<b>1,115</b>	<b>1,393</b>	<b>1,595</b>

  

<u>Tending / Weeding</u>			2024	2025	2026	2027	2028
Ring cleaning	TE100	ha	2,297	2,756	3,066	2,863	2,687
Manual slashing	TE101	ha	3,556	2,606	2,917	2,824	2,776
Chem interrow spray	TE106	ha	1,006	902	1,201	1,389	1,339
<b>Total Weeding</b>		ha	<b>6,859</b>	<b>6,265</b>	<b>7,184</b>	<b>7,076</b>	<b>6,801</b>

Figure 11 GRL 5 year silviculture plan

## 6.6 Fire Protection

Fire poses the biggest threat to the forest investment. In order to secure the investment from forest fires, the existing infrastructure consisting of roads, fire lines and fire breaks are being upgraded and properly maintained.

<u>Fire Protection</u>			2024	2025	2026	2027	2028
Slashing of external Firebr	FI100	km	317	317	317	317	317
Burning of external Firebr	FI101	km	317	310	310	310	310
Fire stand by	FI103	md	21,658	21,658	21,658	21,658	21,658
Slashing of internal Firebr	FI104	km	472	472	472	472	472
Preparation of external Tr	FI105	km	348	368	343	412	367
Preparation of internal Tra	FI106	km	472	472	472	472	472
Cons burn	FI110	ha	500	4,828	4,293	5,246	12,203
Under canopy burn	FI111	ha	673	1,697	673	1,697	673
Burning of Internal Firebre	FI112	Km	472	472	472	472	472

Figure 12. GRL annual km of fire-breaks and man-days of fire-crew maintained.

Specialized standby-crews and maintained during the fire-season and scheduled as per fire-danger index.

There are ongoing initiatives to improve coordinated fire-fighting between the different industry stakeholder.

### 6.7 Infrastructure Development (Buildings)

Currently all plantation staff is accommodated in houses and barracks constructed in the plantation. GRL HQ is located at SHI industrial area

### 6.8 Plant & Machinery

The company is undergoing a process of where most activities are outsourced hence also the equipment. Currently most of the functions and equipment within; Harvesting, Silviculture & transport is outsourced to 9 different service providers based in Mafinga employing more than 300 people.

In 2021 a capex investment in specialized semi-mechanized harvesting equipment was made as capacity is not yet available locally in Tanzania.

### 6.9 Research & Development

Research and Development program is strengthened with major focus on tree breeding activities and commercial deployment of varieties with good trial performance.

All Eucalyptus planted in GRL is currently hybrid clones with superior performance identified in the trials. The growth is approximately 30% better compared the best pure species seeds sources available.

Pine hybrids are also being deployed and trials indicates similar gains in terms of yields as the Eucalyptus clones

### 6.10 Forest Inventory & Yield Assessment

Information about the different timber stands, their quality, sizes, stocking and other existing forest information access, is vital for the long-term planning of the development of GRL forests.

GRL has its own specialized planning department using the latest technology such as; drones, GPS and AI-remote sensing to monitor the forest status, future yields as well as harvested volumes and assortments

### 6.11 Community Projects

GRL will continue to implement community projects as agreed between the company and the villages.

With community projects being completed as per the agreements Social Development Fund has been created to provide annual funds for community development through the entire project time.

A total of TZS 157 million has been disbursed to Social Development Fund community accounts to date since 2020 and the fund will increase to an annual disbursement of approximately TZS 100 million over a period of 5 years.

## 7 Concluding Remarks

GRL is about to enter a phase of its business where it will be able to operate independently from shareholder support and will become a commercial business.

GRL is committed and will continue to follow the highest operational and environmental standards by conserving natural forest and other valuable habitats.