Linking Land Tenure and Use for Shared Prosperity

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Impacts of Large Scale Land-Based Investment, Implementation Challenges, and Policy Implications: Lessons from the Uganda Oil Palm Project

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ABSTRACT

Most developing countries particularly in Africa are grappling with securing required financing for the agricultural sector in order to spur the much needed agricultural development for poverty reduction and rural development.

On average, African countries allocate only about 4% of their budgetary expenditures to agriculture, compared with up to 14% in Asia. In addition, foreign direct investment (FDI) and Official Development Assistance (ODA) for the sector have remained very low (OECD 2012).

In an effort to attract private sector financing to the agricultural sector, Governments have facilitated and supported large scale land based investments (LSLBI) in agriculture; with a hope for jobs for the population and access to markets. However, there have been many bad land deals that have affected local communities negatively by leaving them displaced or resettled or landless or tenants on their own land.

This paper presents the Oil Palm Project in Uganda as a successful investment in large scale agriculture where both smallholder farmers in the community, the government, and private investors are benefiting. The project area has resulted in meaningful employment for more 2,500 workers and provided an alternative source of income for 1,610 smallholder farmers who currently earn a steady, monthly income hence improving the livelihoods of these farmer's families. About 600 of these farmers are women who have secured land for oil palm production hence improved their access to and control of land. The project has resulted into farmers earning about USD 390 per hectare per month from hardly in income.

Key Words: Foreign Direct Investments, Large Scale Land Based Investments

Table of Contents

I. Introduction

Most developing countries particularly in Africa are grappling with securing required financing for the agricultural sector in order to spur the much needed agricultural development for poverty reduction and rural development. It is recognised that to reduce poverty, investment in agriculture is a pre-requite. Most African countries signed the Comprehensive Africa Agricultural Development Program (CAADP) as a commitment to increase investment to the agricultural sector to at least 10% of the annual budgets. Most countries have not been able to meet this commitment, Uganda inclusive, due to the many pressures on the budgets like energy, infrastructure development, Security, education and health.

On average, African countries allocate only about 4% of their budgetary expenditures to agriculture, compared with up to 14% in Asia. In addition, foreign direct investment (FDI) and Official Development Assistance (ODA) for the sector have remained very low (OECD 2012). There has been a growing interest in many developing countries to attract FDI as a basis for stimulating agricultural and rural development. These countries attract investment in and for their agriculture sectors, with a view toward improving food security, yields, output, and agro-processing, while benefiting from additional farm and firm income, direct and indirect employment, productive infrastructure, technology transfer, new product development, and better access to attractive markets (OECD 2010).

In an effort to attract private sector financing to the agricultural sector, Governments have facilitated and supported large scale land based investments (LSLBI) in agriculture. They have given concessions to companies to invest in the agricultural sector. These countries have hoped that these concessions would result in investment in agriculture which would result into jobs for the population and open up markets for agricultural produce. However, there have been many bad land deals that have either affected local communities negatively by leaving them displaced or resettled or landless or tenants on their own land. In some cases, the companies that have got the land concessions have instead used the land for speculative purposes. This has resulted in the common international debate on land grabbing and has raised doubt as to whether the strategy of attracting private sector investors to agriculture is the right one.

There are a few examples of successful LSLBI in agriculture which have benefited both smallholders and the economy at large, from which lessons could be drawn to guide future investments in agriculture. Investment in Agriculture, if well managed would touch many rural poor lives in many of these countries. This paper presents the Oil Palm Project in Uganda as a successful investment in large scale agriculture where both smallholder farmers in the community, the government, and private investors are benefiting. The project area has resulted in meaningful employment for more 2,500 workers and provided an alternative source of income for 1,610 smallholder farmers who currently earn a steady, monthly income hence improving the livelihoods of these farmer's families. About 600 of these farmers are women who have secured land for oil palm production hence improved their access to and control of land. The project has resulted into farmers earning about USD 390 per hectare per month from hardly in income. For the first in the history of Uganda, the country has started producing about 20,000 metric tonnes of crude palm oil annually and is increasing. This is equivalent to about 20 million USD which can be used elsewhere. The project has put to use 10,330 hectares of land that was originally quite under-utilised or not utilised at all. From discussions with farmers involved, many of them that were involved in fishing are now involved in oil palm production, giving a break to the lake.

The Oil Palm Project has attracted other private sector investment for infrastructure development which has resulted in improved livelihoods and a developing economy. The areas that have attracted private sector financing due the Oil Palm Project include ferry services, electricity, water supplies and road network improvement in the project area.

The paper shares the efforts put in place to ensure fair share of the benefits from the agricultural investment by all the partners including the wider community. The paper demonstrates that it is possible to undertake large scale agricultural investments without necessary harming the communities and that in fact it is possible to use these kinds of investments to get the smallholders into commercial farming and improve tenure security of the participating farmers.

The paper shares the incentives in the project that are attracting the youth back to agriculture which could be an answer to the high levels of unemployment in Uganda and also highlights the challenges in this kind of investment and how long term commitment and active involvement of governments is crucial for success implementation. Through this paper we share experiences on the impact of negative publicity of agricultural investments and how private investors are reluctant to invest in agriculture because of LSLBI that have gone bad. This paper also presents practical interventions undertaken to improve tenure security of participating farmers. The paper highlights policy implications from the implementation of the oil palm project and how the Government of Uganda through the Ministry of Agriculture is using lessons learned from the oil palm project to modernize and commercialise agriculture and orient smallholder farmers into farming as a business. It is hoped that this paper will provide the much needed information on how to craft agricultural investments that are beneficial to all the players including the communities around the investment.

Ii. Background

A: Large Scale Land Based Investments and Economic Development

Large Scale Land Based Investments (LSLBIs) refer to investments that largely use land as a major factor of production. In these investments, land is the work table and without expanse lands, these investments cannot occur. Examples include large scale agricultural investments like plantation agriculture, plantation forestry, irrigation schemes, petroleum exploration and exploitation and mining.

Large scale land based investments have in the past formed the basis for agricultural and economic development of many nations. They have formed the basis for industrialisation of countries that have eventually moved from agrarian economies to developed, industrialised and technology based economies. Agriculture and mining have been the source of raw material for industries and hence triggered development.

Countries that have judiciously managed the process of utilizing the LSLIs have experienced economic growth and also economic development. Many have a history of basing on extensive agriculture for increased production and productivity through use of mechanisation and improved technologies that have led to efficient use of the land resource and increased production of raw materials for their industries and food for their populations. The Australian Aid Programs Rural Development Strategy notes that over the past 40 years, the fastest growing developing economies have mainly had an agricultural base, because agriculture is a source of food and a key source of surpluses and savings that are essential for economic development (AusAID, 2000). Meijerink and Roza (2007) state that agriculture contributes to poverty reduction; food security; and acts as a social safety net or buffer in times of crisis. Carletto et al (2007), in the eJADE Journal of Agriculture and Development analyse rural income generating activities and highlight the importance of nonfarm income generating activities. From their findings, even with the increasing importance of nonfarm activities, agriculture still plays a big role, up to 80% in some countries in generating rural incomes.

Large scale agriculture attracts investments into the agricultural sector which triggers growth in the sector. Large scale agriculture attracts funds for research and development, resulting into new ways of doing the business of agriculture. Investment in the sector ensures that agriculture remains attractive to the young population because it stops being the occupation of last resort and becomes one of choice due to reduced drudgery and increased return. According to the World Bank, Agriculture is still the single most important productive sector in most low-income countries, often in terms of its share of Gross Domestic Product and in terms of the number of people it employs. In countries where the share of agriculture in overall employment is large, broad-based growth in agricultural incomes is essential to stimulate growth in the overall economy, including the non-farm sectors (World Bank 2009).

With a growing world population, there has been increasing demand for food and raw material, which require that the agricultural sector grows in order to meet these demands. For this to happen, investment in the sector is essential. For funds to be committed to agriculture, a comfortable return to investment has to be achieved. Large scale agricultural investments easily factor these considerations and deliver the required financing to achieve high return and also ensure efficient utilization of land. Large scale agriculture enjoys economies of scale, enables investment in agro-processing and value addition, attracts steady markets and facilitates investment in supporting infrastructure and other auxiliary services like research, storage and processing plants.

B: Challenges of Small Scale Based Agriculture That May Be Addressed Through Large Scale Investment

Small scale agriculture as practised in Uganda and probably many Sub Saharan Africa countries is faced with many constraints that limit returns to agriculture. Some of the constraints are highlighted below:

- **Low production and productivity**. This is as a result of low soil fertility because of limited use of fertilizers and lack of improved varieties coupled with limited access to agricultural extension. In addition, lack of mechanisation limits expansion of production due to the limitation of the hand hoe to open large areas for production.
- **Farm drudgery due to lack of mechanisation**

Smallholder agriculture is characterised by the use of the hand hoe and to a limited extent animal traction. With these methods of land opening, it becomes very difficult to open large areas for production and as such the farmers cannot enjoy economies of scale. Farm drudgery as a result of using the hoe has been discouraging to the young people who find it difficult and body breaking. Without mechanisation, agriculture becomes a tough activity for many and is less productive.

- **High logistical costs due to scattered small production making the cost of aggregation high**

In order to facilitate marketing and reduce costs, it makes sense to have consolidated production and bulk marketing. However, due to the scattered nature of smallholder farmers, this is hardly possible, leading to high cost of marketing and low returns to farmers.

- **Fluctuating and unpredictable prices;** due lack of bargaining power by the producers because they are small, scattered and not organised. They also lack access to processing facilities for the produce in order to add value. In some cases, they cannot access market for their produce.
- **High postharvest losses** due to lack of technology for harvesting and access to good storage

- **Lack of improved seed/planting material** and production enhancement like use of fertilizers. This results in low yields which make agriculture unattractive.
- **Lack of access to financing that would enable investments**. Diagne and Zeller (2001) argue that lack of adequate access to credit for the poor may have negative consequences for various household level outcomes including technology adoption, agricultural productivity, food security, nutrition, health and overall welfare. Access to credit improves welfare outcomes by alleviating the capital constraints on agricultural households, hence enabling poor households with little or no savings to acquire agricultural inputs. This reduces the opportunity costs of capital intensive assets relative to family labour, thus encouraging the adoption of labour-saving, higher yielding technologies and therefore increasing land and labour productivity. Access to credit in addition increases the poor households' risk bearing ability, improves their risk coping strategies and enables consumption smoothing overtime. Credit is argued to improve the welfare of the poor.
- **Failure to meet market safety requirements** due low investment, lack of knowledge of what the market wants and involvement of too many actors in the production process. Narod et al (2007) underscores the fact that poor producers face problems of how to produce safe food and be recognized as doing so. They are also constrained in identifying cost-effective technologies for reducing risk, and being competitive with larger producers who enjoy of economies of scale and are in position to meet food safety compliance. Public-private partnerships could play a key role in creating farm to fork linkages that can satisfy the market demands for food safety while retaining smallholders in the supply chain.
- **Land Fragmentation** that continues to hinder any meaningful investment in agriculture, especially mechanisation.
- **Lack of value addition and dealing in primary low value products**. Most products not processed at all hence losing value and lowering returns to agricultural investment. Because most agricultural products are highly perishable, lack of access to value addition and processing plants further makes the sector risky as in some cases farmers lose almost everything they have produced.
- **Dependency on nature – rain fed agriculture with unpredictable seasons due to climate change;** that have made planning difficult for farmers. Because they cannot invest in irrigation, they continue to depend on nature to determine when to grow the crops.

  Partnering with private investors involved in large scale agriculture can potentially address a number of the challenges highlighted above, because of the financial muscle of the companies. The Oil Palm Project attempts to address many of these challenges hence improving returns from agriculture.

C: Land as an Asset of Production and as a Source of Livelihood

Land is an asset of production and is useful to the owner if it is put to production and if it ensures that an income accrues to the owner through its use, regularly. If an asset is not put to economic production, it is not very useful to the owner. It could lead to some psychological satisfaction but at the end of the day, it does not really improve the life of the owner as such.

Many developing countries especially in sub Saharan Africa have land as an asset of production, with potential to transform the economies of these countries but have not invested to ensure that land asset produces returns. There is need to invest or attract investments to put this vast resource/asset to economic production and income generation. Most of the land is either underutilised or not put to use hence not contributing to improving the economic status of the owners/these countries. Questions have been raise to the effect that while Africa has the largest parcels of agriculturally productive land, it is Africa that suffers from chronic hunger by a large part of the population. The question is what is Africa not doing right? Africa accounts for nearly 60% of the world's arable land (Kagwanja 2014).

African Governments came up with a Comprehensive Africa Agriculture Development Programme (CAADP) whose overall goal is to eliminate hunger and reduce poverty through agriculture. The governments agreed to increase public investment in agriculture to a minimum of 10 per cent of their national budgets and to raise agricultural productivity by at least 6 per cent (CAADP). This financial year, from the Uganda national budget estimates, the agriculture budget allocation is about 3% of the total budget (MFPED 2014), which is far below the 10 agreed on under CAADP. Uganda is pursuing PPPs as a strategy to attract funding to the sector; encourage commercialisation and modernisation and value addition of the sector.

Because of the negative discussion around large scale investments and land grabbing, the agricultural sector continues to 'starve' of the much needed financing in most developing countries. The few genuine investors in the agricultural sector are reluctant to undertake further investment because of the negative publicity around LSLBIs. This is due to the large investments that have gone bad. This, coupled with the fact that agriculture is perceived to be risky, with low returns to investment, takes long to recoup investment and normally takes place in rural areas with rudimentary infrastructure, has not helped the situation.

There is need to put to economic use the land resource, to ensure smallholder farmers are linked to commercial agriculture and agribusiness and to address the many challenges encountered like lack of access to technical knowhow, improved inputs, affordable and accessible financing, improved infrastructure and markets and value addition. Agriculture is a way of life for many poor rural populations especially in Sub Saharan Africa. Land therefore is their major factor of production and source of livelihood. Land is also the source of identity and gives many a sense of belonging. This makes land complex, not only as an asset of production but as a source of livelihood and identity.

This is the cause of challenges in securing land for investments in Africa. It has contributed to the debate on land grabbing versus investment.

The question that confronts proponents of large scale agriculture is whether it is possible to balance the need to practice agriculture as a business and agriculture as a way of life and land which is the work table for agriculture is central to this debate. How do we balance the need for investment in agriculture and improve efficiency in land utilization and at the same time respect the need for identity and way of life for the communities? How do we apply land as a productive asset that should lead to growth and at the same time encourage economic development? Is it possible to achieve both livelihood and large scale investment in primary agriculture? What are the challenges that Governments are encountering in getting to invest in land for the benefit of the economies of these countries? Is there anything Governments can do to ensure that economic development is achieved and rural livelihoods are improved. Can these investments give win win results? This paper shares the experience of the Oil Palm Project in Uganda to try and answer some of these questions and provides lessons learnt and challenges experienced in the process of implementations. It also endeavours to provide some recommendations that could be useful and applicable in ensuring agricultural development and ensuring improved livelihoods.

Therefore, while the recent interest in investing in agricultural land in the developing world is welcome venture, it has raised a number of important concerns. Investments in the agricultural sector and in rural areas of developing countries are needed to help increase agricultural production, close yield gaps and create employment, all of which are key factors to reduce poverty. However, large-scale land acquisitions also entail risks of negative socioeconomic and environmental impacts in developing countries where the majority of the population lives in rural areas and depends on the land for its livelihood (HRC, 2009). Careful thinking must be invested into ensuring that developing nations and poor, rural communities do not lose out as a result of the recent increased interest in agricultural land.

The African Union has taken up the issue of land grabbing and the need to use the land resource to cause economic growth and improve the well -being communities. According the meeting in 2014, continental efforts to adopt land policies that leverage on land as a strategic resource for inclusive and sustainable development took a step forward with the official launch of the African Union Guiding Principles on Large Scale Land Based Investments in Africa. “This set of principles will equip African countries and enable them to manage land in a transparent and sustainable manner and to negotiate investments with knowledge of resources available on one land as well as the rights attached to it,” (Joan Kagwanja, 2014) (Chief of the Land Policy Initiative, housed by the Economic Commission for Africa in Addis Ababa).

III. THE OIL PALM DEVELOPMENT PROJECT IN UGANDA

A: PROJECT OVERVIEW

The Government of Uganda is implementing the Vegetable Oil Development Project (VODP) with support from the International Fund for Agricultural Development (IFAD) under which Oil Palm Development is being promoted through a public Private Partnership with a Private Sector Partner and smallholder farmers as out growers. The Oil Palm Component is part of VODP. For the sake of this paper, the Oil Palm Component is referred to as the Oil Palm Project (OPP).

The Project is Government of Uganda effort to increase domestic production of Vegetable oil in the Country. While Uganda has suitable climatic and edaphic conditions for production of vegetable oil, it imports most of its vegetable oils and fats. Uganda used to be a net exporter of vegetable oils in the 1960s and early 1970s. There are efforts to ensure that this position is restored.

The overall goal of the project is to contribute to sustainable poverty reduction in the project area. The development objective is to increase the domestic production of vegetable oil and it's by products, thus raising rural incomes for smallholder producers and ensuring the supply of affordable vegetable oil products to Ugandan consumers and neighboring regional markets. This is being achieved by supporting farmers to increase production of crushing material (both oil palm and oilseeds) and helping them to establish commercial relations by linking them to processors.

Currently, the second phase of the project is being implemented. The first phase closed in 2012. For the sake of this paper, phase one and phase two are treated as one project since under oil palm development, there was seamless transition between phase one and phase two activities initiated under VODP1 are continuing under VODP2 including production of oil palm.

The project has three components; the Oil Palm Development Component, the Oil Seeds Development Component and Project Management.

Being an agricultural project, land issues are at the centre of implementation. Land is a primary factor of production and its governance is crucial to agricultural development and rural poverty reduction.

B: CONTEXT

Agriculture. With a largely rural population (86 per cent lived in rural areas in 2012 (FAOSTAT, 2012)), poverty in Uganda is concentrated in rural areas, where 30 per cent of people live below the national rural poverty line (IFAD, 2012). While the majority of the labour force is employed in agriculture (73.6 per cent in 2012 (FAOSTAT, 2012)), agricultural value added accounts for a relatively small proportion of GDP (23.4 per cent in 2011 (World Bank, 2013)), and rural and agricultural households are disproportionately poor (Gollin et al., 2010). Agriculture is largely based on smallholder production (75% of the total agricultural output in 2007 was contributed by smallholder farmers (AfDB, 2010)) and is mostly oriented towards domestic consumption (Gollin et al., 2010). Mixed cropping systems are most commonly used (Gollin et al, 2010). Agriculture in Uganda is characterised by smallholder production with no serious investment, leading to low production and productivity, with hardly any value addition and processing hence low returns as associated with primary agricultural products. Postharvest losses are high, in some cases up to 40% due to lack of investment in value addition.

With respect to meeting the domestic demand for palm oil, Uganda has relied heavily on imports. Expenditure on palm oil imports in 2010 was greater than that on any other agricultural commodity, amounting to more than USD 177 million for 203,096 tonnes (FAOSTAT, 2012). It was envisaged, in the 1990s, that the VODP would help reduce the reliance on imports, and address the low per capita intake of vegetable oils.

In recent years the Ugandan government has implemented policies to support the growth of agribusiness, including liberalization and privatization, civil service reforms to improve public services, structural reforms for infrastructure development, land policies, and specific agricultural subsector policies. Poor implementation of these policies has, however, constrained the degree of success achieved (Kibwika et al., 2009).

Land tenure. A national land policy (NLP) was adopted in February 2013 and launched in 2014. It will guide the legal reforms in the land sector. The NLP supports the registration of land rights under customary tenure and contains a number of important reform proposals to strengthen women's land rights. It also includes measures geared at rationalizing and streamlining the land dispute resolution structures and recognizes the role of customary institutions in making rules governing land, resolving disputes and protecting land rights (Zevenbergen and al., 2012). This will hopefully allow for solving disputes in a more time- and cost-efficient manner, but at the same time the reinforcement of local/customary institutions might leave room for corruption (LANDac 2012).

The 1995 Uganda Constitution recognizes four land tenure systems, namely: customary, freehold, mailo and leasehold. Most land is accessed through customary tenure systems. Central and southern Uganda is dominated by mailo land. This is a kind of customary form of freehold that was created under British colonial rule when mile-square blocks of land were allocated to Baganda notables in exchange for political cooperation. Today mailo land is largely confined to Buganda and Bunyoro, but can also be found in other parts of the country. The land is owned by (often absentee) land lords and worked by tenants, who can be evicted. This system is currently a major cause of conflict between land lords and tenants (Green 2005; Place and Keijiro 2000). The Land Act of 1998 includes a commitment to ensuring security of tenure, particularly for the poor – here identified as the lawful, bona fide and customary tenants. Protecting the land rights of lawful, bona fide and customary tenants has proved a daunting task (FAO 2011).

Economic transformation of the country

Uganda recognises the central role of Agriculture given that a big population depends on it for livelihood and as a source of income. In terms of industrialisation, agriculture is the source of raw material for most of the factories that are in place. According to the National Development Plan (NDP), agriculture is one of the pillars of emphasis. The National Land Policy also aims at ensuring the efficient and equitable access and use of land for wealth creation and food security. It hinges on attraction of investment on land to transform Uganda.

C. THE BUSINESS MODEL

The Oil Palm Project is a public Private partnership involving the farmers, Government and a strategic private sector investor. Farmers are co-owners of the oil palm investment. With clearly developed and signed agreements in place, the roles and responsibilities of each partner are clearly spelt. The benefits to each of the participating partners are also spelt out and risks involved shared by the partners. Mechanisms are in place the pricing mechanism, to ensure that farmers benefit from the project through their participation. Farmers have a 10% share in the business which is secured by the land leased to the private sector partner by Government. In addition, the farmers own their oil palm plantations and directly sell the harvest from the plantations to the palm oil mill. The private investor owns 90%.

Establishing the partnership. Following IFAD's agreement to support the VODP in 1997, a competitive bidding process was launched to contract a private-sector company to develop the oil palm plantations and processing facilities. After two years of inconclusive negotiations with a local company, the Government of Uganda entered negotiations with Bidco Uganda Limited (BUL), a subsidiary of Bidco Oil Refineries Limited of Kenya, and the largest processor and marketer of vegetable oil in Uganda. Bidco's proposal, with which the Government ultimately agreed, was that 40,000 ha of oil palm plantations would be developed, as well as a 300 tonne/day refinery at Jinja to produce the crude palm oil, with the first phase of the project involving the development of 10,000 ha of oil palm plantations on Bugala Island in Kalangala District. The land under cultivation would comprise a 6,500 ha nucleus estate as well as 3,500 ha of smallholder plantations.

Land Acquisition and Governance under the Oil Palm Project.

The Oil Palm Project is implemented as a nucleus estate/outgrower scheme model with farmers growing 3,800 hectares currently and this is increasing (planned for 4,700 ha), and nucleus estate of 6,300 hectares of oil palm plantations in Bugala, Kalangala District. The land provided for the nucleus estate has earned the smallholder farmers a 10% share in the company.

In Uganda, land belongs to the people. The people have a say on what is to be done on their parcels of land. The main body in charge of land issues is the Ministry of Lands, Housing and Urban Planning.

The Constitution of Uganda and the 1998 Land Act spell out how the land resource is governed in the country. There are a number of land tenure systems in the country which include: Public /state land; mailo land; customary land tenure; freehold and leasehold. All these tenure systems are operational in Uganda but with different challenges.

The Oil Palm Component of VODP is implemented in the central region of Uganda where the mailo land system is functional. This system recognises the landlord with registered interests in land and holds a certificate of title while at the same time acknowledging user rights of those using the land at a given moment – kibanja owner who is a type of tenant on the land.

The process of land acquisition for the project has had to take into consideration the interests of both the mailo landlords and bibanja owners. Because land belongs to individuals, they have to be willing to avail their land for a given activity. Agricultural development is not one of the reasons for compulsory acquisition according to the law. The project there had to go through the process of willing buyer willing seller approach, taking into consideration any other claims on the land. Where the land owner was/ is not willing to sell his or her land, this was respected. This resulted in a scattered nucleus estate as it was not possible to acquire contiguous parcels of land. Land was acquired as per market prices through negotiations with land lords following the Government valuer's values which are based on ruling market prices.

Smallholder farmers participating in the project as outgowers have used part of their land to grow oil palm plantations. Many have user rights but do not own the land. To encourage participation, the project had to waive requirements like land titles or certificates of occupancy and instead opted for a letter of introduction from the community leaders showing that one had lived on a given piece of land for at least 12 years. As collateral for production loans, the project is using group collateral and the oil palm crop as security for the credit. Smallholders do not therefore feel threatened about loss of their land/bibanja.

To encourage women to participate in the project, the project has encouraged men to give user rights to their wives and daughters to participate in their own right as independent farmers. The project has also instituted a maximum size of land for which an individual farmer is supported by the project. The project has also worked with the district local government to provide available public land for the benefit of women who do not have access to land.

The project provided survey services for farmers and ensured that the sketches of the farmer plots are shown on the land maps. This has given sense of confidence to the farmers. By growing a tree crop whose economic life is 25 years, these farmers have a sense tenure security on their pieces of land.

With increased incomes from the sale of oil palm, many farmers are buying more land and therefore improving their tenure security since when they purchase land, there is a sale agreement and in a few cases, certificates of title.

To deal with land conflicts, the land governance structures like land tribunals and the district land board have supported the project to handle the conflicts.

Land is at the centre of agricultural development, empowerment of the rural population and social stability. However, land is also a factor of production, an asset that has to be put to productive use if it is to benefit the owner and the community at large. It is a resource that needs to be properly utilised to bring wealth to the country and the population. There is need to address the social issues around land and the economic requirements for development. The agricultural sector needs funding from the private sector for development and commercialisation. There are positive attributes and synergies from combining small scale production and big commercial production. The challenge is how to draw a balance and not to choose either.

D. PROJECT IMPLEMENTATION PROGRESS

i. **Nucleus estate**: Government has availed 7,500 hectares of land to Bidco, of which 6,440 hectares of oil palm plantations have been developed. The rest of the land falls under the protected lake buffer zone (200 metres shoreline), roads, houses and the palm oil mill.
ii. **Smallholder/outgrowers**: A total of 3,863 hectares of oil palm plantations have been developed by 1,610 smallholder farmers (of which 583 are women).
iii. In total, for Kalangala district, 10,303 hectares were planted with economically productive oil palms.
iv. Oil palm seedlings for planting an additional 897 hectares have been raised in an oil palm nursery at the Bugala nucleus estate. The oil palm seedlings will be ready for planting in March 2015. This will bring the total oil palm planting in Kalangala to 11,200 hectares.

Establishment of the Palm Oil Mills:

A palm oil mill (factory) with a processing capacity of 20 tonnes per hour was installed in 2009 and it has been functional since February 2010. Construction of a second mill by M/s Bidco to service the westerly port of Bugala Island is currently (2014) at foundation stage. It is projected it will become operational by 2015.

i. A total of 326,000 metric tonnes of fresh fruit bunches (ffbs) from both the nucleus estate and smallholder farmers have been processed since the palm oil mill became operational, producing about 69,000 metric tonnes of crude palm oil. This is valued at an estimated Ush. 183 billion. As of 2014, production of crude palm oil from Kalangala is 20,000 metric tonnes per year and production is increasing as more oil palm plantations reach maturity. It is projected that when all the 11,200 hectares are planted and they have reached maturity, an estimated 44,000 metric tonnes of crude palm oil will be produced annually.

ii. **Road infrastructure**: a total of 750 km of road network has been opened (2005-2014). This has improved transportation of fresh fruit bunches to the mill and it has greatly enhanced mobility on Bugala island.

iii. **Processing of crude palm oil:** M/s Bidco established a palm oil refinery in Jinja and it is processing crude palm oil from Kalangala into a range of palm oil based final products. Colleagues, due to insufficient supply of crude palm oil, M/s Bidco has continued to import crude palm oil to meet the requirements of the refinery. The current production of crude palm oil by Bugala palm oil mill provides about 15% of the processing capacity of the palm oil refinery at Jinja.

E. PROJECT IMPACTS

i. Out of the 1,610 smallholder farmers in the project, 521 with 1,450 hectares are harvesting and they have sold 30,800 tonnes of fresh fruit bunches worth Ush. 12 billion since 2010. The smallholder farmers are using the income for improving their lives; building better houses; educating their children; purchasing land and investing in other businesses. On average, farmers are earning a gross income of about Ush. 700,000 per hectare per month, i.e. Ush 8.4 million per hectare per annum. The average oil palm holding by the smallholder farmers is 2.4 hectares. The average oil palm smallholder farmer is earning Ush 20.16 million per year.

ii. The project design allowed for the provision of production loans to farmers to access seedlings and fertilizers, and for establishment and maintenance of their oil palm plantations. From 2005 to 2014, a total of Ush. 34 billion was released to farmers by VODP. These funds are recovered from farmers at the time of oil palm maturity by retaining 33% of each farmer's sales of fresh fruit bunches.

From the sale of their fresh fruit bunches, farmers started repaying the development loan funds. Farmers have so far repaid Ush 3.48 billion (by June 2014). The repaid loan funds will be revolved to support the other upcoming oil palm farmers; as provided for under the loan agreement with IFAD and the tripartite agreement between GoU, M/s Bidco and Kalangala Oil Palm Growers Trust.

Contribution to the general economy:

i. Crude palm oil production in Uganda has moved from zero to nearly 20,000 metric tonnes per year, valued at UGX 50 billion in (2013).
ii. M/s. Bidco is contributing to domestic (GoU) revenues. In the year ended June 2014, M/s Bidco contributed more than Ush. 100 billion in VAT and corporate tax to the Uganda Revenue Authority (URA) collections.
iii. Investments by M/s Bidco, and interventions by VODP have created employment for over 3,200 workers directly employed by both M/s Bidco and smallholder households.
iv. The smallholder farmers have formed the Ssese Oil Palm Growers Savings and Credit Cooperative Society (SACCO), which helps them to save, access loans; as well as leveraging other financial services.

Benefits to the Host Communities in the Oil palm Project

- Access to a market for the oil palm fresh fruit bunches and other crops. One of the biggest challenges of small scale production is access to stable and accessible markets
- Access to technical knowhow in growing a new crop- Oil Palm
- Diversification of their sources of income- introduction of a new crop
- Access to improved planting materials
- Access to credit facilities for production because of a clear market for produce
- Inbuilt pricing formula for a fair price at any one time. Farmers are not just price takers, like it is in many cases.
- Improved infrastructure- road network and ferry services.
- Attraction of other investments to take advantage of the benefits from the agricultural investments- Kalangala Infrastructure Services that is improving road network, electricity, water supplies, ferry services, all of which benefit the economies.
- Opening up of the project area to the outside world which has resulted into increase in tourists to the area.
- Employment created for the communities either in their oil palm plots or on the nucleus estate.
- Knowledge and awareness about environmental protection and the importance sustainable development
- Efficient use of the land asset.
- Improved incomes for the farmers
- Improvement of security of tenure. Farmers have planted a long term perennial crop, assuring them of access to a given piece of land. In addition, with increasing incomes, farmers are moving from a less secure tenancy right to owner of land by buying land and or paying for user rights hence getting a document that assures them of access to land.

- Improving fish catches as a result of a break in fishing the waters because the farmers have an alternative source of income.

F. CHALLENGES OF LARGE SCALE AGRICULTURE

- Access to land that is not under use or under ownership of somebody is a big challenge and limiting factor to large agriculture investment
- Attracting credible investors that are not in it for speculation and use of the land for access to finance that they apply elsewhere instead of the agriculture project
- Displacement of communities that have lived off the land to be invested in
- Negative international debate and publicity on land gabbing, in some cases without properly researched data, discouraging potential investors.
- Failure to broker investment arrangements that benefit the communities where the investments are undertaken.
- Follow up and monitoring of agreements entered into and promises made during signing of agreements for the large scale investments
- Lack of alternatives for the masses so they can free the land for investment
- While large scale agricultural investments normally require contiguous lands, these may not easily be accessible making it difficult for credible investor to invest.
- Some investments require very expanse land areas which affects communities living in these areas.

G. Lessons Learnt from the Oil Palm Project.

- It is possible for large scale agricultural investments to result into economic development and improved rural livelihoods- win win situation for all involved- the investors, the communities, the Government and the general public. Meijerink and Roza (2007) highlight the fact that vertical coordination which involves private firms contracting with small scale farmers can bring several benefits to farm households, including higher welfare, more stable incomes and shorter lean periods.
- The process of identifying the investors is crucial to attraction of credible investors. Open, transparent and fair to all interested to participate in.
- Clear agreements that can easily be followed and monitored does help hold each player responsible.
- Brokering investments that have clear benefits to the host communities are more likely to succeed and be people oriented.
- Incorporating a shareholding for the host communities improves the sense of ownership in the investments.
- Active role of Government in these investments is important for enforcement of agreements, respect of the environment and most of all, confidence building.

- Governments have the muscle to absorb risks associated with large scale agricultural investments which are normally in remote areas with limited infrastructure.

E: CONCLUSION AND POLICY IMPLICATIONS

Effective Partnerships with Host Communities as a way of encouraging Large Scale Agricultural Investments is the way to go for Governments**.**

Payne (1998) concludes that partnerships are about collaboration. Successful partnerships will be those which recognise the primary interests of each partner and balance the strengths of one against the limitations of others. According to UNDP 2008; the success or failure of any PPP is dependent on six key factors: the political and legislative environment; a skilled dedicated unit to oversee the partnership; a viable contract; a clear, dedicated revenue stream; strong communication with all interested parties; and careful selection of the private-sector partners. Payne (1998) identifies ten principles for Successful Public/Private Partnerships which include preparing properly for PPP, creating a shared vision, understanding the partners and key players, being clear on the risks and rewards for all parties, establishing a clear and rational decision-making process, make sure all parties do their homework, ensuring secure, consistent and coordinated leadership, communicating early and often, negotiating a fair deal structure and building trust as a core value.

The Private sector is a source of the expertise, efficiency, and capital for investments. According to Sommer (2005) chances of success for PPPs are given if a private initiative succeeds in triggering an increase in productivity, and governmental guidance ensures that the benefits are transmitted to a broader part of the population. Synergies can emerge when companies have an interest in securing their long-term source of income through ecologically sound behaviour and thereby support the general interest of society in a healthy and intact environment. Public involvement in the starting phase can encourage private players to invest also in high-risk, economically poorly integrated and poorly developed areas. PPPs can be successful if the responsibility and risks shared between public and private partners bear a high degree of complementarity, thus creating opportunities for profitable activities for all partners involved.

According to Spielman and von Grebmer (2004), when structured appropriately, public-private partnerships can generate significant benefits for private firms and public institutions while also serving the interests of resource-poor or vulnerable households in developing countries. Partnerships can offer private firms access to farmers in emerging markets. They can provide public agencies access to new, cutting-edge scientific expertise and knowledge and technologies held by the private sector; mechanisms for developing, marketing and distributing final products; and financial resources that are otherwise increasingly difficult to obtain.

ANNEX A: CASE STUDIES OF FARMERS IN THE OIL PALM INCLUSIVE BUSINESS MODEL

Farmers Benefiting From Oil Palm Growing On Bugala Island, Kalangala Distirct

The Oil Palm Partnership has resulted in improvement of livelihoods of smallholder farmer including women farmers. In Uganda Women tend to be denied or have weaker rights on land access and use for growing commercial and perennial crops. For a long period of time cash crops growing was considered a man's domain, Vegetable oil development project changed that by engaging in gender mainstreaming in the project. The project is addressing gender equity by providing equal opportunity for men and women participation. Women have been registered in their own right as farmers. From a total of 1610 farmers 579 are female.

Cases of Beneficiaries;

1. <u>ZALWANGO BETTY:</u>

Zalwango Betty is 42 years old farmer in Bbeta west block; married with 4 children

Acreage; 6.07 ha

Previous occupation; house wife

Land ownership; kibanja owner on public land

FFB Harvested since 2010 to date; 128,519kgs

Amount received in gross; UGX 49,752,260/=

Achievements

- Her children study a in private boarding school in Masaka town
- She is constructing a 3 bed roomed permanent house (in completion stages)
- She has also bought a personal car
- Has opened a shop which is selling merchandise on the island

2. <u>NABOSA EURALIA</u>

Farmer; Nabosa Euralia

Block; Bbeta west

Acreage; 3.24 ha

Previous occupation; house wife

Land ownership kibanja owner on public land

FFB Harvested since 2010 to date; 67,794kgs

Amount received in gross; Ugx: 26,358,990/=

Achievements

- Has a 2 bed roomed permanent house
- Her children are in private boarding School
- Bought good furniture in her house

- Bought Commercial plot on the main land in Masaka

Picture of Nabbosa's houses

 

3. NAMUYOZI BERNA

Farmer Namuyozi Berna

Block Bbeta west

Acreage; 4.05

Previous occupation; brewing local drinks

Land ownership kibanja owner

Her palms trees haven't started fruiting yet but she managed to save from paying herself for family labour instead of hiring labour and used the money to invest.

Achievements

- Has constructed a bedroomed permanent
- Has bought commercial plot in Kampala
- Has constructed commercial house for business in Kasekulo
- Has taken her children to good school

4. AKIRAPA TABITHA

Akirapa Tabitha is a farmer 59 year old and widowed. She is looking after 8 children, 2 are her grandchildren and 5 are orphans under her care.

Block Kayunga Kizira

Acreage ; 2.43ha

Previous occupation; burning charcoal, and subsistence farming

Land ownership Kibanja owner

FFB Harvested since 2010 to date 63,720kgs

Amount received; UGX 25,292,811/=

Achievements

- Taking care of orphans and has taken them to good schools
- Has constructed 2 bed roomed permanent house
- Has bought better house hold items like utensils
- Bought a mobile phone
- Has installed a solar panel in her house for lighting and charging her phone.

Pictures of Tabitha's houses

Tabitha's first house. She calls it the Charcoal house. On the left is her new house under construction which calls Binazi house meaning oil palm house. Tabitha who is in the middle of the picture was visited by the President of IFAD and Government of Uganda Officials including the Minister for Agriculture, when the picture was taken.

5. <u>NAMUGALURA ROSE</u>

Farmer Namugalura rose

Block Bujumba block Mulabana

Acreage; 2.02ha

Previous occupation house wife

Land ownership kibanja owner

FFB Harvested since 2010 to date 137,604kgs

Amount received UGX 54,182,420/=

Achievements

- Her family is more stable financially and they are able to manage their domestic expenditure in a much easier manner
- He children study in good schools in Masaka and Kampala
- She is helping her husband to construct their permanent house
- She is able to take care of some relatives who need assistance

In their own words:

The story of Euralia Nabbosa

“Before the Oil Palm project I was just a house wife. My husband was a fisher man and I cultivated a small plot of land for some food. If my husband didn’t give me money, then I could not buy salt or soap.

When the LCs came to teach us about growing oil palm, my husband said he would continue fishing and he didn’t want to be a farmer. So I registered and decided to become a farmer. I now have a garden of 1o acres for myself and 3 acres for my children.

I have been able to move from the wooden house in which we used to live and now I have built this house here. You can see I have put a garage because I also want to buy a car. I am also dying to buy a plot on the mainland in Masaka, so that I can put up rental houses. So far, I have bought one plot in the trading center in Kalangala. I also want to get more farm land. I want to be a land lord and be able to give my children school fees to go to the best schools.

I would still be just a housewife who sits at home waiting for my husband to come back from the lake and buy salt, food, clothes, soap, and other household things. Now, I feel I am a useful woman, I have built the house in which we live, and I am so happy that I am a farmer of oil palm.”

The Story of Enid Nadunga

Enid Nadunga is a widow aged about 75 years. Before joining the oil palm project, she depended on her children for hand outs and financial support which was not regular given that the children also had their own family demands. She needed money for food, medication, dressing and supporting education for her grandchildren who are orphans. One of her daughters decoded to help her join the project by buying for her about 4.8 ha of land which she planted with oil palm. Enid is now harvesting and has a monthly income of about USD350. With this money, she meets the cost of food, medication and supports her grandchildren with education requirements. She supports her village mates with food when they do not have. She is happy and does not have to depend on her children for income any more. Her children are very relieved that their mother will not lack money because she gets a monthly income that goes to her own bank account. Enid now jokes that she is a rich old woman in her village. She now employs a young man who is an orphan and is working to get tuition fees for college. This young man takes care of the oil palm garden and ensures that harvesting is done on time and fruits properly measured and delivered to the mill. In return, he gets a salary paid by Enid. He is also happy and has hope that he will be able to go to college and finalise his education. He has secured admission in a university nearby and has registered for weekend programme so he can continue with his farm work during week days and therefore continue earning a salary form Enid.

The Story of Nabukera and Musimenta who are oil palm farmers, adopted from the Saturday Monitor of AUGUST 10, 2013 www.monitor.co.ug by Batte Edgar. batte@ug.nationmedia.com

"Couple finds gold mine in palm oil" In 2005, Edison Musimenta met partner, Rosemary Nabukeera. The two were fishing on Lake Victoria. Musimenta was also a lumber jack while Nabukeera had come from Masaka to earn to start a new life after her parents failed to support her in school. She says at home her parents only took boys to school as girls did chores in the home waiting to get married. "I needed to fulfil my own needs so I asked my parents to let me come here and start a new life," she says. There, while she carried out her fish trade, Musimenta admired her and the two started dating. "There were frequent raids on the lake by marine police and law enforcers who chased and arrested us for fishing immature fish. We got locked up too, a couple of times. We decided to find a new source of livelihood," Musimenta explains as he bends over to pick a bunch of palm oil fruits. He goes on to put more bunches into a basket which he passes on to his partner to take and heap at a central place. Musimenta and Nabukeera work together and share common goals. Working together has enabled us get the most out of growing palm fruits," she says before she goes on to disclose that they made two million shillings the last season.

Business Partners

"She is my accountant and together we have developed. Over there is our new house," Musimenta shows me his new house. Just adjacent to this house is a wooden house where the couple and their six children stay. The development will be more fulfilling when they move into their bigger house. "We have invested some Shs20 million in it so far," Nabukeera adds. Musimenta says that he was inspired to start growing palm oil trees when he realised that Government was supporting farmers by giving them seedlings and loans. "From cutting timber, I had earned some money and used about Shs200, 000 of this money to acquire four acres of land," Musimenta says. He used the land to grow palm trees. "We underwent some training on the best farming methods. I was taught how to line the trees and how to dig the holes. I started planting on four acres of land". This was in 2007 and a year later my wife also joined me," the father of six explains. Nabukeera believes palm trees are the way to go. "If you look after the palm tree well, you can harvest after four years which is the standard time for the trees to grow," she says. "My first harvest earned me only Shs45, 000. I did not give up. Today I can earn up to 2.5 million shillings. I now grow trees on 10 acres of land. I can earn a low of 1.3 million shillings," Musimenta explains. He adds that in a month he can harvest thrice. Explaining, "I have six children for whom I pay fees. The one in Senior Four (S.4) I pay Shs300, 000, another in S.2 I pay Shs300, 000 and then another in S.1 I pay Shs250, 000. I have three in Primary School for whom I pay Shs 600,000 in total," Musimenta explains. For Nabukeera earning well has earned her respect at home. "I am respected at home yet I have never gone to school. When I go home my contemporaries say Miss Nabukeera has arrived," she proudly says.

Nakukera and her partner Musimenta lifting one of the oil palm fresh fruit bunches

 

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