Enabling environments for fostering agriculture investments conducive to poverty reduction, gender equality and food security; A case of the Oil Palm Public/Private Partnership in Uganda"

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Challenges faced by the Rural farmers in agriculture sector in Uganda

- Limited markets and market access and related marketing infrastructure
- High cost and limited access to improved farm inputs and production technology.
- Lack of access to agricultural credit facilities
- Inadequate Agricultural extension services
- Lack of Gender Analysis to inform policy formulation, Planning and budgeting
- Decline in the Agriculture Sector Growth
- Increasing food prices globally
- Lack of ownership and control of land in case of women.
**VODP Goal and objective**

**Goal:** poverty reduction in the project area.

**Objectives:**
- Import Substitution.
- Sustainable rural poverty reduction in project area through raising incomes of small holder producers.
- Improve the health of the population through increased intake of vegetable oil.
- Export Diversification.

**Investment costs**

- IFAD Loan (USD 52M),
- GOU (USD14M),
- Private sector (USD70M),
- Farmers (USD3.9M)
- KOPGT (USD3.0M),
- Reflows (US 4.4M)
- Total funding USD 147million
Establishment (PPP)
- GOU advertised the tender - Transparent process of getting private sector partner
- Agreements in place with secured interests of both farmers and the private sector partner and Government
- Sensitization and involvement of the communities from start of project
- Private partner with the interest of the community at heart
- KOPGT established and mandated to manage the oil palm establishment and market for smallholders

PPP for oil palm development
- Main partners: smallholder farmers, Government of Uganda and private sector (Bidco)
- Support production and processing of oil palm to reduce reliance on imported vegetable oils and address low per capita vegetable oil consumption
- Combining small-scale production with large-scale processing and integrating small-scale producers into the wider economy
Aspects for inclusiveness in PPPs

Inclusiveness requires that the partners have/share in:

- Ownership
- Voice
- Risk
- Reward

Overview of the Oil Palm PPP

- Hybrid: Nucleus estate/contract farming/joint venture
- Smallholders: 1,600 farmers (578 women) harvest ffb & sell to OPUL; cultivate 3800ha
- Kalangala Oil Palm Growers Trust (KOPGT): Intermediary between OPUL and farmers; provides services to farmers (extension, loans, transport,…)
- Oil Palm Uganda Limited (OPUL): Buys ffb; manages nucleus estate of 6500ha and oil palm mill
- GoU: Purchased and leases land for nucleus estate; support smallholder involvement (including KOPGT); transportation infrastructure
- Project takes care of ownership, voice, risk sharing and reward sharing among partners
Business model - Ownership

- Farmers have a 10% minority share in OPUL and BUL owns the remaining 90%
- Land rights remain vested in smallholders, while BUL leases nucleus estate
- For nucleus estate only unencumbered public land was used, the rest was purchased from private owners on a willing seller-willing buyer basis
- Support provided to increase access to land for poorer HHs (encumbered public land, purchased private land, land fund)

Ensuring Women participate in Ownership of business

- Established a land fund/loan facility to assist women to purchase ‘kibanja’ to grow oil palm
- Put a limit on the maximum size of land the project would support per individual farmer
- Removed the minimum size required to participate in project
- Husbands encouraged to let their wives participate in the project in their own right as farmers
- Women farmers register in their own right
Enhancing ownership by women

- District provided public land for the benefit of poor women to participate in the project
- Brokered sharecropping arrangements with landlords so that women farmers could access land for oil palm production
- 1,023 ha of public land and mailo land acquired for the nucleus estate handed back to the communities
- 460 farmers benefitted most of who were women.

Facilitating Access to Production credit by women farmers

- Waived the requirement of a certificate of title as collateral for accessing production credit
- Used group collateral
- Used the oil palm crop/plantation as security for the loan funds Vs piece of land
- A simple letter from the local leaders as proof of user rights
Control and decision making concerning the women oil palm plots

- Women farmers registered with the farmer organisation as individual farmers vs household
- Women signed agreements with the farmer organisation as participating farmers
- Women opened individual bank accounts through which the project provided credit funds and have own ledgers
- Women farmers run their own bank accounts.

Marketing of oil palm fresh fruit bunches by women farmers

- Women farmers participate in marketing their ffbs.
- They harvest, weigh and record their crop weight
- The payment ffb is made to the women bank accounts.
- The women decide what to spend their money on
- Incorporated training and sensitization of farmers on gender issues, women rights and the need for respect for both men and women
- Project holds discussions with the household to ensure harmony
Business model - Voice

- Wide consultations with farmers and communities before implementation
- Farmers can influence decision making of company:
  - 10% share in OPUL
  - Representation on OPUL board
  - Representation on Oil Palm pricing committee
  - Representation on the services cost panel
- Farmers’ interests represented by KOPGT and KOPGA
  - Democratic elections
  - Representation at different levels (units, blocks, district)
  - Annual general meeting
- Women cover at least 1/3 of the leadership positions

Women’s voice in the Farmers’ Organisation

- Enshrined in the KOPGT and KOPGA constitution that at least 30% of the leadership positions are held by women.
- They participate in the Annual General Meeting and have the same vote as their male counterparts.
- Currently, the Vice Chairperson of the farmer organisation is a woman.
- 92 women are involved as leaders at different levels of the farmer structures (50%).
Business model - Risks

Stakeholders bear different risks:

- **Smallholders:**
  - Purchase price determined through fluctuating market prices (mitigation: import parity price)
  - Production risks linked to weather, pest and other factors affecting harvest (mitigation: loans and “in kind” repayment system)
  - Production risks linked to land tenure situation (mitigation: demonstration of legitimate access to land)
  - Risk associated with loans (mitigation: co-guaranteeing approach, loan not tied to land)
  - Risk of having ffb unduly rejected (mitigation: inspection officer)

- **OPUL:**
  - Market risk as it has committed to purchase produce at guaranteed prices (demand is still very high)

Women farmers and Risk

- Production credit collateral not linked to land
- Has given assurance that their land will not be lost
- Pricing formula has supported especially the women who would have challenges negotiating for a good price due to limited exposure and information
**Business model - Reward**

- **Farmers:**
  - Fair price through price formula
  - Say in decision-making of company
  - Access to support package (extension, inputs, etc.) and credit
  - Assured market for produce
  - Improved road infrastructure (750 km of road network)
  - Improved incomes (USD 390 per ha per month)

- **Private sector:**
  - Increased production
  - Increased sales
  - Co-investment by farmers and government

- **Government:**
  - Increased tax incomes
  - Increased investment in agriculture-FDI and New industry in place
  - Employment creation - 300 workers in plantation, mill and refinery

**Specific rewards to Women farmers**

- Women farmers have benefitted from the trainings and are in some cases getting better yields.
- Able to participate in a commercial venture in their own right as farmers.
- Have access to their income from sale of ffb to the mill.
- Now able to purchase more land and improve tenure security.
- Have improved security of tenure give that they are growing a tree crop lasting 25 years
Rewards to women farmers

- Access to the land fund facilitated some of the women to purchase land for oil palm production and have now started repayment of the loan.
- Not worried loan repayment as the loan is tagged to production.
- Assured of a steady income - educating their children and building better houses for themselves.
- Control of their produce from production to marketing and decision on the use of the funds
- Have own bank accounts
- Women feel empowered

Early results/Impact

Farmers:
- 578 women participating in project as farmers in their own right
- Increased incomes ($390/month per Ha for mature plantations)
- Improved land rights (landless and women, purchase of land, demonstration of legitimate access to land)
- Women building houses, educating their children and setting up off farm businesses

Community:
- Creation of employment (2,000 employed on nucleus estate, 500 in farmer gardens and 1,600 directly as farmers)
- Improved infrastructure (e.g. 750 km of road network and ferry service) and services (e.g. financial and public)
- Production in other crops, livestock and complementary agricultural activities, tourism and other non-agricultural enterprises is expanding
Lessons Learned

- Effective partnership between rural smallholders and the private sector with positive development outcomes is possible.
- Women can effectively participate in commercial ventures if supported to access land and funds.
- Understanding the gender dynamics in the project area is important in designing interventions to support the rural poor women.
- Without access to land, the poor rural women may continue in their poverty.

Lessons Learned

- Understanding intra household relations and supporting individuals in households is important.
- Governments can play a positive role in agricultural investment projects (policy environment, mobilising smallholders, infrastructure and building trust).
- Choice of the business partners important willingness to work with smallholders.
- Inclusion of smallholders in all decision-making processes has been key to the project’s success.
- Building partnerships takes time.
Conclusion

- PPPs attract private sector funding to the agric sector
- PPPs bring expertise and business acumen to the sector
- PPPs keep the pseudo public nature hence ensuring smallholder farmer needs are not sacrificed for business sake

For success, the following need to be addressed
- sustained collective ownership,
- transparency on sharing of risks and rewards
- and platform for voice between the partners and stakeholders

Govt effective involvement, and setting the agenda, hence govt interests of poverty reduction

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Conclusion

- Business models that support local farmers are more promising and make good business sense
- Farmers have proved to be highly dynamic and responsive to market forces
- Success of partnerships depends on the level of ownership, voice, risk-sharing and benefit-sharing between partners
- Mutually beneficial partnerships require sustained support by a range of service providers (government, civil society, private sector)
Tabitha’s houses

Ministry of Agriculture, Animal Industry and Fisheries
Vegetable Oil Development Project

Nabbosa’s Houses

Ministry of Agriculture, Animal Industry and Fisheries
Vegetable Oil Development Project
Nabukera and her Husband Musimenta