Public-private-producers partnerships for efficient and inclusive value-chain investment
The case of oil-palm in Uganda

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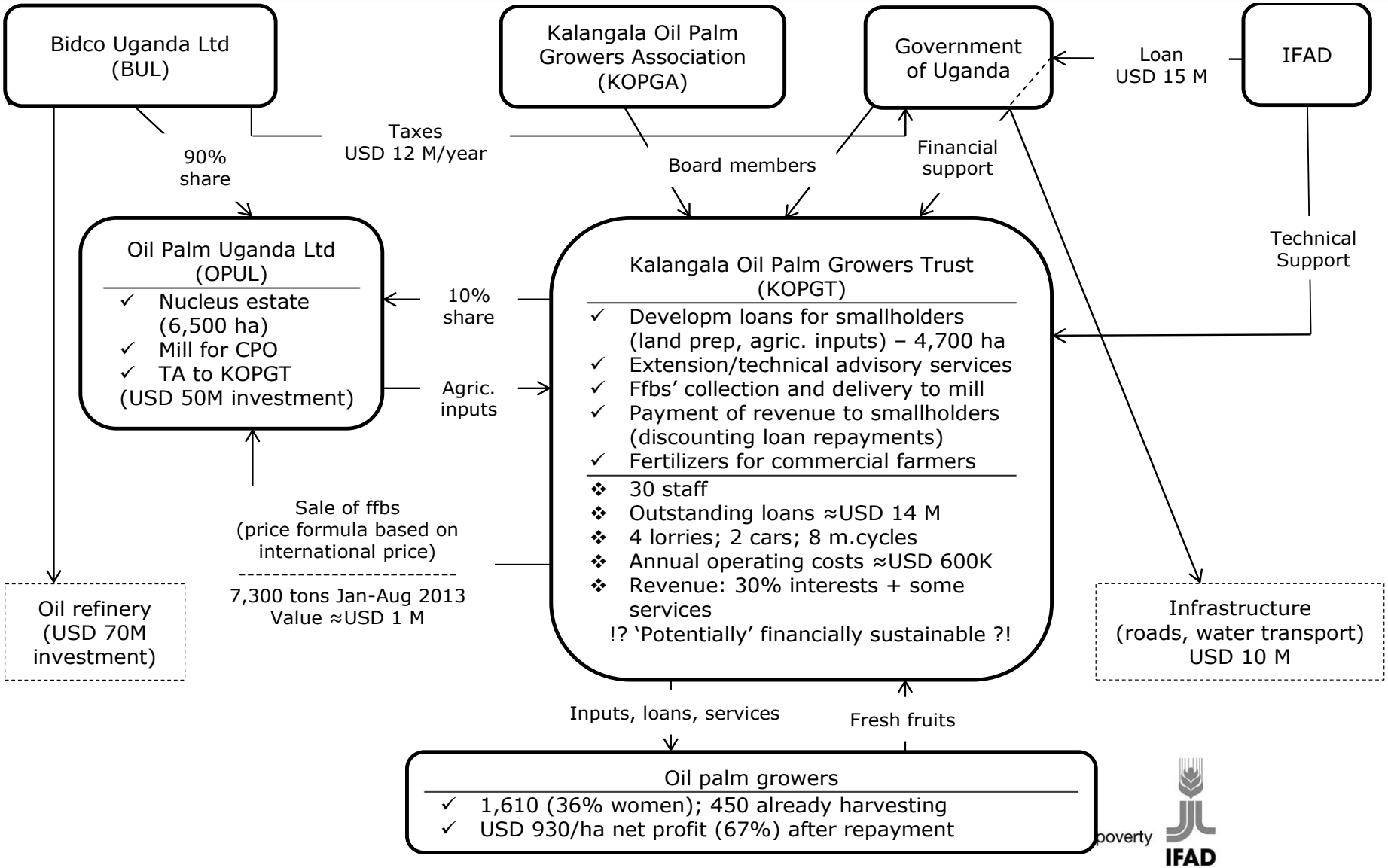
Enabling poor rural people to overcome poverty

IFAD

Establishing the partnership

- Attractiveness of oil palm investment:
  - ✓ Research trials positive
  - ✓ Important and growing domestic/regional markets
  - ✓ Land efficient – 10x oil/land area vs. oilseeds
- 1997 – Agreement IFAD/GoU: IFAD Loan approved
- Tender for identification of private sector investor:
  - ✓ Business model: CPO mill + 1,000 ha nucleus + 3,500 ha s.holders
  - ✓ First ranked bidder: negotiations inconclusive
  - ✓ 2000 – second ranked bidder (Bidco), different business model: Refinery + CPO mills + plan for 40,000 ha (65-35% nucleus/s.hold.)
  - ✓ 2003 – Agreement GoU/Bidco
- 2006 - Tripartite agreement GoU/OPUL/KOPGT for first phase (10,000 ha in Kalangala)

The business model



Risk/incentive framework

Incentives

Smallholders :

- 👍 Inputs (seedlings, fertilizers)
- 👍 Know-how, extension services
- 👍 Markets (more stable prices)
- 👍 Investment credit

Private investor:

- 👍 Labour (smallholders)
- 👍 Public goods (infrastructure)
- ? Land (availability and tenure issues)

Risks

Smallholders:

- 👍 Production risk (mitigated by credit)
- 👍 International price fluctuations
- ? Sustainability of service delivery (KOPGT)
- ? Land tenure security

Private investor:

- 👍 Market
- 👍 Financial risk of OPUL
- ? Reliable supply quality/quantity

Farmers' inclusiveness

Ownership

- 👍 Land (tenure issues)
- 👍 10% OPUL shares
- ? KOPGT (3/8 Board members)

Voice

- 👍 Transparent price formula
- 👍 Bargaining power with OPUL
- ? Grading of palm fruits
- ? Active role at OPUL Board
- ? KOPGT/KOPGA governance

Way forward - lessons learnt and challenges

- Scepticism about private sector: exploitative, environmental issues, land grabbing, etc.
- Land – increasing value of land makes tenure issues increasingly important
- Farmers' "dependency syndrome" – reluctance to assume risks/costs of commercial partnership
- Governance structure of KOPGT – role and capacity of KOPGA/farmers
- Attitude of private sector – willing to work with smallholders

Impact – household level

Impact – local economy

Impact – infrastructure

Impact – private sector investment

Impact – national economy

Role of IFAD

IFAD invests in PPPPs for poverty reduction (impact on smallholders and overall rural economy)

- What to invest on:
  - *Public* goods (infrastructure, etc.)
  - *Producers'* development
  - *Private* sector? (justification?; appropriate tools?)
- Credible but 'biased' broker:
  - Private sector and producers (strengthen producers' position)
  - Government and producers (advocate for smallholders)
  - Private sector and government (limited!)
- But, IFAD only temporary, supportive player – focus on commercial partnership private investor/farmers