

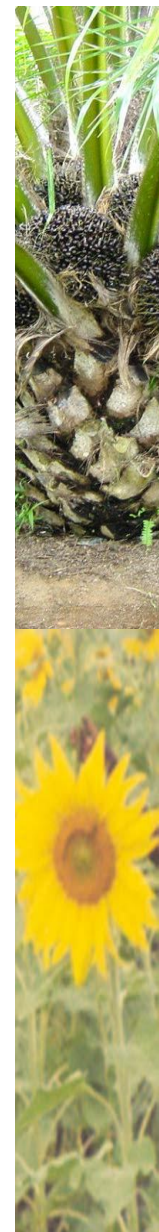
Impacts of investment and the Principles for Responsible Agricultural Investment (PRAI) on African agriculture

- Lessons of effective partnerships from Uganda -

2 June 2013

**Presented by Connie Magomu Masaba,
Project Manager**

**5th Tokyo International Conference on African
Development, Yokohama, Japan**



PPP for oil palm development

- Main partners: smallholder farmers, Government of Uganda, IFAD and private sector (OPUL – made up of BUL & other shareholders)
- 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

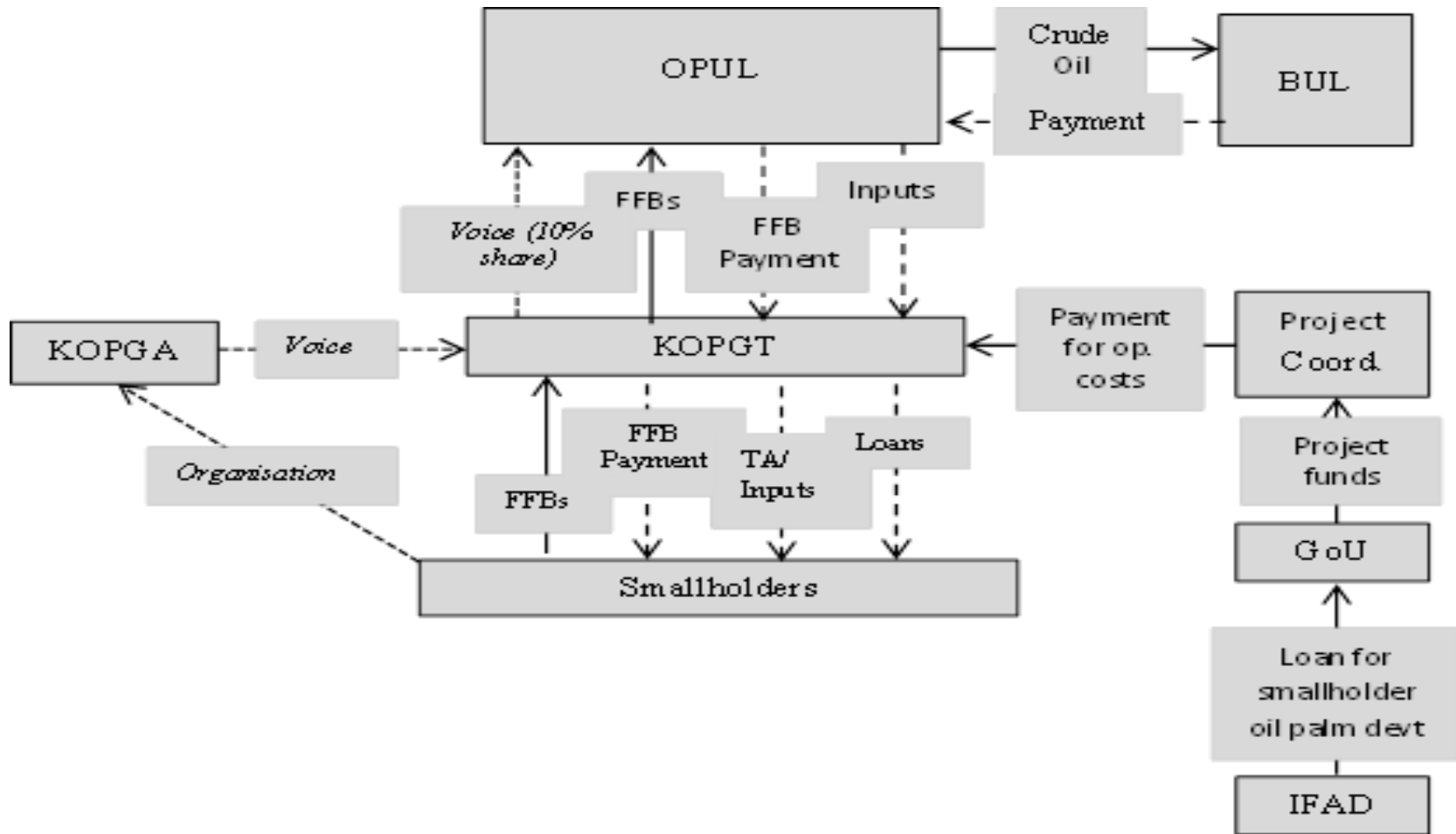


Business model - Overview

- Hybrid: Nucleus estate/contract farming/joint venture
- Smallholders: 1,600 farmers (600 women) harvest ffb & sell to OPUL; cultivate 3500ha
- Kalangala Oil Palm Growers Trust (KOPGT): Intermediary between OPUL and farmers; provides services to farmers (extension, loans, transport,...)
- Oil Palm Uganda Limited (OPUL): Buys ffbs; manages nucleus estate of 6500ha and oil palm mill
- GoU: Purchases and leases land for nucleus estate; support smallholder involvement (including KOPGT); transportation infrastructure



Business model - Overview



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)



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



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)
- High investment in processing (mills & refinery)



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

● Private sector:

- Increased production
- Increased sales
- Co-investment by farmers and government

● Government:

- Increased tax incomes
- Increased investment in agriculture
- Poverty reduction in the districts of Kalangala & Buvuma
- Import substitution of crude edible oil, with prospects of future exports to the region



Early results

● Farmers:

- Increased incomes (\$390/month/hectare for mature plantations)
- Improved land rights (landless and women, purchase of land, demonstration of legitimate access to land)

● 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



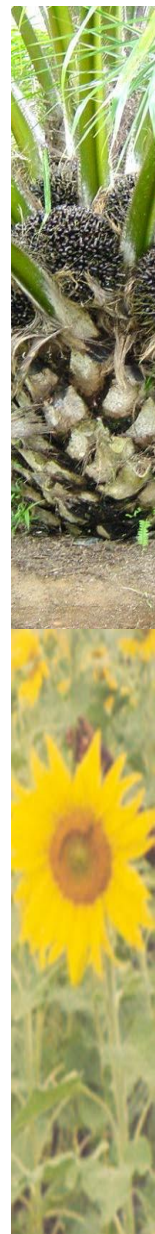
Early results cont'd

- Forest reserves are now clearly demarcated and illegal logging is down
- Less reliance on dwindling fish stocks
- Contribution of OPUL to the local government revenue of Kalangala District is being invested in improving facilities (schools, clinics, etc.) and infrastructure (roads and electricity)
- Increased economic activities (business and tourism)



Lessons Learned

- Effective partnership between rural smallholders and the private sector with positive development outcomes is possible
- Governments can play a positive role in agricultural investment projects (policy environment, mobilising smallholders, infrastructure and building trust)
- Choice of the business partners is very 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

- 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)

