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REPUBLIC OF UGANDA - COUNTRY STRATEGY AND PROGRAMME EVALUATION

Managing social and environmental challenges in value chain initiatives

IFAD has increasingly moved towards supporting value chains as a way to integrate smallholder farmers into sustainable commercial markets. In Uganda, the Vegetable Oil Development Project (VODP) has since 1998 promoted oil palm and oil seed production using public-private-producer partnerships (4P). The strategy has been closely aligned with national priorities and included substantial infrastructure support.

Achievements

The VODP experience has been innovative in Uganda, with the introduction of oil palm as a new perennial crop through a 4P approach, the substantial private sector investment, and dividend returns to the Government and the Kalanga Oil Palm Growers Trust (KOPGT) from the miller, Oil Palm Uganda Ltd (OPUL). KOPGT has provided longer-term financing for the full cycle of smallholder plantation farming. Other innovations include the engagement of private sector agronomic services and market linkages built around farmer-miller consortia, and farmer-to-farmer seed multiplication that has improved the availability of quality seed. In oil seeds, the use of marketing "hubs" has enabled input providers, producers and marketing actors to engage more easily, with high-level farmer organizations and cooperatives contracting suppliers and processors directly. Success is marked by farmers receiving over US$3 million in dividends in 2019 from OPUL. The improved business skills and the use of increased savings and credit have also had valuable impacts on social capital and empowerment.

4P approach

IFAD has played a key role in acting as a long-term intermediary between the private sector and the Government as well as providing funding through its projects. An example is the use of grant funds to engage knowledgeable local actors, such as the Uganda office of the non-governmental organization SNV Netherlands Development Organisation, to build networks around an oil seed platform that brings brokers, input suppliers, producers and processers together. Integrating these different actors around a guaranteed market has been central to the value chain model. Measures to ensure that poorer households may benefit include maintaining incentives to grow food crops within the commercial farm.

Challenges faced

VODP's focus on a more commercial growth strategy created a tension around delivering on poverty reduction objectives. The approach to poverty targeting has moved towards working with farmers who have greater capacity to commercialize and link to value chain opportunities, rather than with poorer households whose production concentrates mainly on food crops.

The oil palm investment presents particular challenges. Oil palm farmers require at least 2 hectares to have a profitable enterprise, and this excludes farmers without sufficient land. The more stringent crop management measures require additional labour that is not often available to poorer households. In some cases, the pressure to devote land to oil palm has limited food crop production, particularly as the trees mature. Rising land prices has also led to small landowners selling up for immediate gain and absentee landowners returning, leading to land conflicts. The sudden influx of wealth has had a negative impact on some families, including higher expenditure on consumption and unproductive assets with limited financial savings to provide a buffer during periods of crop loss and low prices. A rise in family disputes and instances of divorce and polygamy were also reported, in association with increased spending on alcohol. Finally, the introduction of oil palm plantations has raised issues of environmental sustainability and climate change due to deforestation and loss of biodiversity, greater use of agrochemicals, and increased processing effluent.

Addressing the Challenges

While direct beneficiaries require a minimum level of assets, especially for oil palm, the indirect benefits have compensated those unable to join the scheme. On- and off-farm job opportunities have increased significantly, with some 3,000 workers finding jobs in refining, milling and processing. To minimize large landowner participation, a maximum area of 2.5 hectares has been stipulated. Land ownership has also improved, as palm plantations have helped secure land rights. By setting a minimum target for women's involvement (30 per cent in oil palm and 50 per cent in oil seed), gender equality has improved and women's participation significantly increased. In the oil seed value chain, there is also evidence of smallholders' inclusion, through processing cooperatives and group bulking and marketing. A series of environmental impact assessments has been conducted and an environmental management plan introduced to mitigate environmental and climate change concerns. Measures such as real-time deforestation monitoring, biodiversity mapping, buffer-zoning and enrichment planting have helped to minimize impacts. Compliance with the Round Table on Sustainable Palm Oil guidelines has also been monitored.

Looking ahead

The differences between oil palm and oil seed value chains are considerable in terms of marketing, processing and geographical spread, and the lesson from VODP has been for IFAD to develop two distinct follow-on projects – the National Oil Palm Project and the National Oilseeds Project – that meet the specific needs of these subsectors. More broadly, the Government's third National Development Plan reflects its learning from the VODP experience and includes a strong value chain focus, with a 4P approach that should stimulate investments in other sectors that may receive support from IFAD's upcoming country strategy. A third lesson is that as land values rise following growing commercial operations, efforts to address the needs of more vulnerable groups and issues such as land conflicts need to be incorporated. The involvement of relevant actors such as the Uganda Land Alliance to establish para-legal centres is vital.

Further information:

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