



Future economic trajectories for oil palm in Buvuma and Kalangala districts

The choice of oil palm over other crops to reduce poverty in Uganda's Lake Victoria islands and to contribute to national economic growth appears to have been economically over valued. As such, in-depth analysis of the impacts on ecosystem services and economic benefits in the short, medium and long terms would better inform a balanced decision. Diversification of crops and income will contribute to improved livelihoods.

This policy brief summarizes detailed research on economic trajectories that justifies the need to project and predict ecosystem gains and losses and makes recommendations on alternative livelihoods options.

Recommendations

Oil palm has been produced in Kalangala for over 12 years, with many lessons learned. But to ensure mistakes are not repeated where planting is yet to begin, actions are needed by the government, donors and BIDCO/ Oil Palm Uganda Limited (OPUL).

1. The government, in close collaboration with communities and other partners, should develop integrated land use plans that incorporate their considerations and concerns.
2. Government regulators should reinforce social, economic and environmental safeguards to minimize negative impacts associated with oil palm development.
3. The government and donors should support integration of the value of ecosystem services into district accounting systems, and in developing and managing projects.
4. The government should consider breaking the monopoly (the condition of having only a single buyer) to give farmers choice and allow them to obtain more competitive prices.
5. The National Oil Palm Programme (NOPP) should include alternative livelihood options and food security, including other crops such as banana and coffee, and agroforestry through intercropping food crops.

Main findings

Projections of direct impacts of oil palm incomes and agricultural production, and the indirect impacts on food security and forestry-based ecosystem services for Kalangala and Buvuma districts showed medium to long term decline in economic welfare under the current system of oil palm production.

- In Kalangala, the net economic contribution of oil palm was projected to decline from between UGX 23.0 and 63.6 billion/year (US\$ 6.3-17.3 million) in 2019, to between UGX -4.1 to +7.8 billion/year (US\$ -1.1 to +2.1 million) by 2030.
- In Buvuma, the net economic contribution of oil palm was projected to decline from between UGX 5.6 and 12.4 billion/year (US\$ 1.5-3.4 million) in 2019, to between UGX -4.4 and +10.1 billion/year (US\$ -1.2 to +2.8 million) by 2030.

Economic forecasts for Kalangala were based on a projected increase of 1,326 hectares in farmland and 337 hectares more oil palm plantations, and a decline of 1983 hectares of dense tropical high forests. The economic results in Buvuma are based on a projected reduction of 6397 hectares in subsistence farmland and 1081 hectares less woodlands, as a result of planting of 7478 hectares of oil palm.

Buvuma has a much higher population density (305 persons/km²) than Kalangala (120 persons/km²), and a larger area under subsistence farmland. Conversely, Kalangala still has a substantial area of fully stocked tropical high forests compared to the woodlands in Buvuma district. As a result, loss of agricultural production and livelihoods, followed by food security, were identified as the main factors expected to limit the economic benefits associated with oil palm in Buvuma, while loss of forest ecosystem services, followed by loss of agricultural livelihoods, were likely to be most limiting in Kalangala. Even though Kalangala showed a higher

skills-based education attainment (21%) compared to Buvuma (3%), both districts generally have few trained people to optimally benefit from new employment opportunities, with the exception of casual labour associated with oil palm production.

Methodology

This research on economic trajectories of oil palm described and quantified direct and indirect benefits, and assessed trade-offs between oil palm and current livelihoods in Buvuma and Kalangala districts. It was designed as a descriptive evaluation study, considering both ex-post factors of progress made with oil palm production, and ex-ante factors of future prospects for livelihoods along with other socio-economic and environmental factors. The projection analysis supporting ex-ante analysis covered the period 2018-2030. The principal primary data collected was through questionnaires and focus group discussions. Secondary data was drawn from reports by district governments, IFAD, the Ministry of Agriculture Animal Industry and Fisheries (MAAIF) and the Ecological Trends Alliance/Tropenbos partnership. Analysis was based on descriptive analysis of primary data using STATA software and a synthesis of field notes. Food security analysis was based on two criteria prescribed by FAO/WFP's 2013 Guidelines for Comprehensive Food Security and Vulnerability Analysis. Gross margin analysis assessed enterprise performance for oil palm and other crop and livestock enterprises. Projection and trade-off analyses were conducted for oil palm, other farm incomes, and forest-based ecosystem services. Results should feed into proposed implementation in the new ten-year National Oil Palm Project (NOPP).

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