

## Landgrabs, forests & finance: Issue brief #5

# Palm oil landgrab in Uganda: Wilmar International's violations in Kalangala Island

In Uganda, the government, keen to attract foreign investment, has allowed foreign companies to move onto large areas of land for a range of projects, including carbon offset tree plantations, petroleum exploration and drilling and the development of large scale oil palm plantations. Wilmar International, one of the largest oilseeds corporations in the world, is developing palm oil plantations on highly biodiverse islands in Lake Victoria. Key partners in the project include the government of Uganda, the International Fund for Agriculture Development and Kenyan oilseeds company BIDCO, a company in which Wilmar International has a controlling interest.

A large proportion of the palm oil plantations are in areas previously covered by natural forest. Based on IFAD reports, media outlets and interviews with community members, Friends of the Earth estimates that 3,600 hectares of forest have been destroyed to make way for the palm oil plantations. In addition to severe environmental and climate impacts, this deforestation has robbed islanders of their food, medicine, and livelihood. Friends of the Earth's research shows that the project has thrown people

off their land with inadequate compensation, in violation of national laws and international norms, degraded water sources and severely impacted food security. In addition, of 1800 workers employed, almost 95 percent are foreign, and wages are extremely poor.

The first phase of the project was completed in 2011, and despite these social and environmental problems,<sup>1</sup> as well as community demands that the project be entirely reformed— or shut down—the second phase of the project is currently going forward. This will expand palm oil plantations onto several more islands and increase social and environmental impacts as well. The project is being promoted as an effort to reduce poverty—but instead it is causing displacement, food insecurity and deforestation.

There are serious questions about the justification for donor funding and private investment in the project. Affected communities are demanding the return of land improperly taken, guarantees for the protection of community land rights, compensation for crop damage, and



*Using fire to clear land for palm oil in Indonesia.*


long term protection of community forests, water, and other natural resources.

### What is the palm oil project in Uganda?

- The Vegetable Oil Development project (VODP) was initiated in 1998 by the government of Uganda, the World Bank and the International Fund of Agricultural Development (IFAD). The stated goal of the project was to tackle poverty and increase palm oil production for domestic consumption in Uganda. In 2004, the World Bank withdrew from the project on the grounds that it might not comply with the Bank's forestry policies.<sup>2</sup>
- The project in Bugala Island in the Kalangala area is being carried out by Oil Palm Uganda Limited (OPUL). OPUL is a subsidiary of Bidco Uganda, which holds 90 percent of OPUL's shares. Bidco Uganda is a joint venture formed between Wilmar International, Josovina Commodities and Bidco Oil Refineries, a Kenya-based company. Wilmar International holds 39 percent of the shares of Bidco and 50 percent of the shares of Josovina Commodities and is therefore likely to have majority control of both Bidco Uganda and Oil Palm Uganda Limited. The project has also received \$12 million in financing from the Government of Uganda and \$20 million from IFAD.<sup>3</sup>
- The first phase of the project aimed to plant 10,000 hectares of oil palm in the Kalangala islands, which involved conversion of at least one quarter of the land on the main island, Bugala.<sup>4</sup> So far, 7,500 hectares have been planted.<sup>5</sup>
- In 2010 and 2011 an internal evaluation of the first phase recommended continuing the project. The next phase is currently underway, and involves acquiring another 10,000 hectares of land.<sup>6</sup>
- The agreement binds the government of Uganda to acquire land 'free of encumbrances' under a 99 year lease, and the parties to the agreement claim the land will come from willing landowners on a "willing buyer-willing seller" basis.<sup>7</sup> But Bidco/Wilmar has been very aggressive in the land



Edward Okello, from mainland Uganda, was hired by BIDCO to cut down forest on the Kalangala Islands. He does not see his work as destructive – he is just glad to have a job.



acquisition process – a process that has included a visit by the President of Wilmar International to the islands to ‘pave the way for rapid land acquisition.’<sup>8</sup>

## What are the impacts of the palm oil project in Uganda?


- **Forced displacement:** About 90 people living and working on the land acquired for palm oil plantations have testified that they have been displaced with no compensation or alternative livelihood options. Many were promised that through joining the project they would be able to legalize their claim on the land, but this has not happened.<sup>9</sup>
- **Poor labor standards:** Although IFAD claims that the project has provided employment, its own analysis shows that 95% of the jobs provided by the plantations go to migrant workers brought in from other parts of Uganda, not to local communities. The migrant workers are paid wages far below the average wage on the island.<sup>10</sup>
- **Deforestation:** A large proportion of the palm oil plantations are in areas previously covered by natural forest. An estimated 3,600 hectares of forest have been destroyed to make way for the palm oil plantations, including 100 hectares of the protected Gala forest reserve in Bugala, Kalangala. In addition to severe environmental impacts, this deforestation has robbed a large number of islanders of food, medicine, and livelihoods.<sup>11</sup>
- Aside from the local impacts of deforestation, including increased erosion, topsoil loss, surface water drainage problems and habitat loss, deforestation on this scale has additional climate impacts, as trees play an important role in absorbing CO<sub>2</sub> and regulating both local weather patterns and global climate.
- **Water source destruction:** The primary water sources of two villages have been rendered inaccessible or unusable due to pollution, leaving hundreds of people without access to clean water.<sup>12</sup>
- **Indirect land use change:** Because public land (called *Mailo* land in Ugandan law) used by customary rights-holders (called *bibanja* holders) was taken over by the oil palm project, people have been forced to cultivate the 200 meter buffer

zone between the oil palm plantations and the lake. This means that the project has displaced agricultural activity to other areas, an effect known as “indirect land use change.” Palm oil producers often understate the environmental footprint of their plantations by not taking indirect land use changes into account.<sup>13</sup>

- **Hunger and food insecurity:** Communities complain of rising food insecurity on the island since large areas that formerly produced food crops for local consumption have been converted to oil palm. The local district council of Kalangala, the main target area for phase one of the project, has expressed concerns that the project is contributing to food insecurity.<sup>14</sup>
- **Social conflict:** The project has also fueled land speculation, encroachment and community conflicts: wealthy landlords from the mainland have tried to acquire more land on the island without regard for prior land tenure arrangements.<sup>15</sup>
- **Increased burden on women:** A study on the gender impacts of the project found that women do not benefit from the palm oil plantation; conversely, the project could further marginalize women by closing off access to communally owned land, forests and other resources that women most rely on.<sup>16</sup>

## Questions on the implementation of the project

- **No environmental impact assessment:** Ugandan policy requires that any project undergo an EIA prior to implementation. IFAD and the government of Uganda claim to have incorporated the lessons learned from the first phase, but there is no evidence of this and in violation of national law, there has been no social and environmental impact assessment.<sup>17</sup>
- **Failure to meet socio-economic objectives:** IFAD and the government of Uganda have repeatedly justified the project on the basis of its stated goal “to reduce Uganda’s heavy reliance on imported vegetable oils, by promoting domestic vegetable oil production.” Yet the 40,000 hectare target set for the plantation area will produce double the quantity needed for Uganda’s domestic consumption, and the private sector has invested heavily in a processing



plant with a capacity far above that required for domestic consumption.<sup>18</sup> Therefore, a significant part of the production will likely be exported. While export-production is not in and of itself a problem as long as domestic needs are met first, the large plantation area deprives communities of land they could have otherwise used to grow food to meet their own needs. Additionally, the initial project design committed the project sponsors to several initiatives for socio-economic development such as building roads and providing healthcare. Yet many areas still lack roads, and it is not clear if or when these commitments may be met.

- **Violations of Ugandan law:** According to the 1995 Constitution, land cannot be forcibly acquired except for reasons of security or public health.<sup>19</sup> Affected people have not been compensated, as required by the Land Acquisition Act of 1965.<sup>20</sup> In addition, the Constitution, the Land Acquisition Act, and the Draft National Land Policy (March 2011) prohibit compulsory acquisition for private investment (MLHUD 2011),<sup>21</sup> and the National Environmental Act of 1988 mandates that there be a 200 meter buffer zone between the project and Lake Victoria, but no such buffer zone has been established.

### Violations of norms and standards

The project has violated numerous principles and norms established by multi-stakeholder bodies. For example, in violation of Wilmar's commitment to uphold the **Roundtable on Sustainable Palm Oil** principles, the land for the project was taken without Free, Prior and Informed Consent (FPIC). Affected communities were informed about the project, but were not consulted, did not participate in decision making, and never gave formal consent. Some residents have actively resisted the project while others have persistently returned to the land that the project has taken over. In the latter case, the government has used force to remove what it calls 'the encroachers.'<sup>22</sup>

The project has also violated the **UN Global Compact**, of which Wilmar is a member, by failing to respect internationally claimed human rights, failing to ensure that its operations are consistent with national laws,<sup>23</sup> failing to support a precautionary approach to environmental challenges and being complicit in human rights abuses.

### Friends of the Earth demands of Wilmar International, Government of Uganda and IFAD to stop land grabbing in Uganda:

1. The demands of the local communities should be addressed immediately:
  - Land taken, or land of equal value should be returned to them.
  - They must be given adequate compensation for crops destroyed.
  - There must be resolution of on-going disputes and security of tenure for remaining pieces of land.
2. The project should not go ahead without obeying national laws. This includes concluding the environmental impact assessment, involving a consultative process with stakeholders.
3. Free, Prior, and Informed Consent must be applied for all project areas, and no land should be taken without community consent.
4. There should be no conversion of natural forest areas to palm oil plantations and no planting of palm oil in areas that have been deforested in the last three years.
5. All information about social and environmental impacts of the project should be available for communities.

### The government of Uganda should also:

- Ensure that it respects the provisions of the Uganda Land Act and not allow compulsory acquisition of land for foreign investments.
- Ensure communities have access to redress and fair judicial procedure.
- Monitor land projects for violations of law, conflicts with communities and human rights violations and take necessary action.

### Financiers of Wilmar International should:

- Use their influence to solve the problems in Wilmar's operations, and pull out of any loans or sell their shares if Wilmar does not comply with global norms, national laws or investors' own sustainability policies.



- Ensure they are not investing in land grabs by applying due diligence prior to land investments.
- Develop and implement policies to ensure that investments in land do not contribute to conflicts with communities, deforestation or violations of the law in host or home countries.
- Factor in the long term, wider impacts of their investments and move toward more sustainable models of investment.
- Ensure that their investments are in line with established human rights and environmental principles ratified in their home as well as host countries, such as those outlined in the UN FAO Committee on Food Security Voluntary Guidelines for the Responsible Governance of Tenure of Land, Fisheries and Forests.<sup>24</sup>

### Home and host country governments should:

- Stop subsidizing the production of palm oil in developing countries, especially for biofuel production.
- Ensure access for communities to legal redress in countries where investment originates.
- Ensure that companies and investors provide information on the social and environmental impacts of their operations and investments, and that communities and NGOs have access to reliable information (for example, by including this information in mandatory company reporting requirements).

Project Design Document, Working Paper 4: Oil Palm Development

- 11 Friends of the Earth interviews with communities, primary research, 2013
- 12 Community Letter to District Water Office, Kalangala – Polluted Water source 2012
- 13 [http://www.tni.org/sites/dev.tni.org/files/markus\\_kroeger\\_icas\\_wp\\_3\\_en\\_0.pdf](http://www.tni.org/sites/dev.tni.org/files/markus_kroeger_icas_wp_3_en_0.pdf)
- 14 Friends of the Earth-Europe/Nature Palace Foundation. Examining what land, environmental, livelihood and food sovereignty issues are sidelined in Uganda's Vegetable Oil Development Project. Unpublished.2013
- 15 Friends of the Earth-Europe/Nature Palace Foundation..2013
- 16 Piacenza, Claudia (2012), "Negotiating gendered property relations over land: oil palm expansion in Kalangala district, Uganda", University of Wageningen, Netherlands, [http://www.academia.edu/2079767/Negotiating\\_gendered\\_property\\_relations\\_over\\_land\\_oil\\_palm\\_expansion\\_in\\_Kalangala\\_district\\_Uganda](http://www.academia.edu/2079767/Negotiating_gendered_property_relations_over_land_oil_palm_expansion_in_Kalangala_district_Uganda)
- 17 Friends of the Earth-Europe/Nature Palace Foundation..2013
- 18 Republic of Uganda: Vegetable Oil Development Project 2 (VODP2), Project Design Document, Working Paper 4: Oil Palm Development
- 19 Friends of the Earth-Europe/Nature Palace Foundation..2013.9.
- 20 Mercedes Stickler, WRI, 2012
- 21 Mercedes Stickler, WRI, 2012
- 22 Friends of the Earth-Europe/Nature Palace Foundation..201315
- 23 <http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/principle1.html>
- 24 [http://www.fao.org/fileadmin/user\\_upload/newsroom/docs/VG\\_en\\_Final\\_March\\_2012.pdf](http://www.fao.org/fileadmin/user_upload/newsroom/docs/VG_en_Final_March_2012.pdf)

- 1 Friends of the Earth International (2012), "Land, life and justice: How land grabbing in Uganda is affecting the environment, livelihoods, and food sovereignty of communities," <http://www.foeeurope.org/new-report-uncovers-land-grabs-230412>
- 2 IFAD (2011), "Republic of Uganda Vegetable Oil Development Project Interim Evaluation", [http://www.ifad.org/evaluation/public\\_html/eksyst/doc/prj/region/pf/uganda/vodp.pdf](http://www.ifad.org/evaluation/public_html/eksyst/doc/prj/region/pf/uganda/vodp.pdf)
- 3 Republic of Uganda, Vegetable Oil Development Project 2 (VODP2), Project Design Document, Working Paper 4: Oil Palm Development
- 4 Ibid.
- 5 Email exchange with BIDCO staff, April 2013
- 6 IFAD (2011), Vegetable Oil Development Project Interim Evaluation [http://www.ifad.org/evaluation/public\\_html/eksyst/doc/prj/region/pf/uganda/vodp.pdf](http://www.ifad.org/evaluation/public_html/eksyst/doc/prj/region/pf/uganda/vodp.pdf)
- 7 IFAD letter to Friends of the Earth International, March 2013
- 8 Physical Progress Report for Buvuma District Palm Development Project, 2012
- 9 Friends of the Earth survey of displaced people in Kalangala, 2013
- 10 Republic of Uganda: Vegetable Oil Development Project 2 (VODP2),