

**RSB – ROUNDTABLE ON SUSTAINABLE BIOMATERIALS**  
**RSB Rural and Social Development Guidelines**

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## **Note on the use of this document**

The purpose of RSB Principle 5 is to ensure that operations improve the lives of the rural poor. It is for this reason that it is only applicable to regions of poverty. Operators are referred to the screening tool which will help them to determine if they are in a region of poverty or not, as well as the size of the operation to which the principle applies.

Rural and social development is a term that is not well defined: it can mean many things to many people. The RSB has developed this document to assist operators and auditors assess the quality of the work done to support the economic and social development of poor and vulnerable people in rural areas affected by biofuel operations.

These guidelines provide guidance on how to improve the socio-economic conditions of a given area. However, it is important to note that each context is different, and each case has specific challenges and opportunities for which local stakeholder input is essential. For this reason, the RSB encourages operators to work with affected communities and vulnerable households to find the best ways to improve their lives.

This document is not a basis for verification of compliance or audits of operators. No aspect of this document is normative. It is intended to help and advise operators on best practice.

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## 1. Introduction to Principle 5

RSB Principle 5 addresses rural and social development, stating that: “In regions of poverty, operations contribute to the social and economic development of local, rural and indigenous people and communities.” This principle is then articulated in the following two criteria:

Criterion 5a: “In regions of poverty, the socio-economic status of local stakeholders impacted by operations shall be improved.”

Criterion 5b: “In regions of poverty, special measures that benefit and encourage the participation of women, youth, indigenous communities and the vulnerable in operations shall be designed and implemented.”

In other words, Principle 5 only applies in areas that are considered to be “regions of poverty” and the principle and both criteria apply to biomass producers and industrial facilities. Where Principle 5 applies, operators must show that operations implemented in regions of poverty contribute to the social and economic development of local, rural and indigenous people and communities. This document provides guidance on ways for doing this. It must be recognised that interventions in this area are inevitably highly context-specific. RSB principles, criteria and minimum requirements recognise this by leaving latitude for locally relevant solutions.

## 2. Rural and social development

For developing countries, one of the primary policy aims for the biofuel and biomaterial sector is to stimulate rural economic development and poverty alleviation. This may happen through a number of pathways, including employment creation, business models that generate value for local communities (e.g. out-grower schemes, joint ventures), voluntary contributions to social services and infrastructure, or via direct and indirect economic spillovers. For the RSB, it is about moving beyond impact mitigation to ensure positive social and economic development benefits for affected communities and vulnerable groups.

Rural and social development in the context of Principle 5 applies only in regions of poverty. There is not one widely accepted definition of poverty. It varies depending on the context, whose perspective is captured, the authority reporting on it, and methods employed to measure it, among others. Two of the most common methods to measure poverty include lack of income or a shortfall in expenditures. This is translated into what is called the “poverty line”, which specifies the income level (or level of spending) required to purchase essential goods such as food, clothing, shelter, water, fuel, schooling, and healthcare (Morduch, 2006). Considering these different assumptions about poverty, the RSB in the screening tool uses the UNDP Human Development Index (HDI) to define poverty at a country level. The Human Development Index has traditionally considered the aspects of life expectancy, education and income. It now includes inequality in its analysis for the Inequality Adjusted Human Development Index (IHDI).

Social development in this context refers to the broader improvements in livelihoods, and the inclusion of different members of the community within the activities and life that contribute to the development of the region. Social welfare includes access to adequate and secure livelihoods and income.

RSB Principle 5 encourages activities that often fall within the scope of Corporate Social Responsibility (CSR) programmes, such as the provision of social infrastructure such as schools and clinics, or programmes to facilitate access to modern energy sources for local groups. However, it also involves considering the way in which the core business model is organised, such as the level of smallholder incorporation into the value chain, labour intensity, and ownership structure, which requires operators to look beyond conventional approaches to CSR. Some of the possible ways in which participating operations may contribute to rural and social development may include:

- **Development of joint ventures** and other business models that generate shared value for the participating operator and the community on an ongoing basis (examples of different business models are provided in Annex 1).
- **Raising household incomes** through employment creation while finding ways to safeguard the economic, nutritional and subsistence values of existing livelihoods (e.g. land set-asides, flexible working hours during labour-intense periods of the agricultural cycle).
- **Findings ways to involve smallholder farmers** in feedstock production, either through contract farming or by simply committing to purchase a certain percentage of feedstock annually from local farmers at a fair price.
- **Supporting smallholders** to intensify their land use practices where traditional livelihood activities were displaced, as a means of addressing the indirect effects of land use change (e.g. the need to accommodate more people on less land in the areas outside of plantations).
- **Skills development** to enable directly affected households and vulnerable groups to provide goods and services to the operation (e.g. food for workers, cleaning and cooking services, input provision).
- **Enhancing social services and infrastructure** of high concern to a majority of local stakeholders, such as wells, schools, health clinics, rural electrification, mills or other labour-saving devices.
- **Partnering with government service providers**, non-governmental organisations or other international initiatives in supporting income-generating activities, particularly those targeting women and other vulnerable groups.
- **Affirmative action programs** that channel some of the above benefits to those households most negatively affected by operations (e.g. those losing access to crop and grazing land or economically important forest products).

In order to achieve compliance with this principle, the RSB Standard defines a set of minimum requirements relating to Principle 5 that are described in later sections.

It is important for operators to note that in rural areas in regions of poverty, current land use and customary land ownership arrangements (which often differ from ownership arrangements recognised and recorded by the state) may be jeopardised by projects involving large-scale land acquisitions from the customary domain, or even from state land (which is often used informally by local groups to support their livelihoods). It is important to understand the current situation, firstly in terms of the livelihoods and other sources of income in the region, and secondly in terms of the basic social dynamics regarding inclusiveness of all members of the community.

The creation of formal employment by the participating operator should not be assumed to result in net positive livelihood impacts, as the value and employment levels of existing land uses could be higher than that derived from biofuel or biomaterial operations if existing land uses are displaced. Furthermore, unless extra care is taken to ensure those most

negatively affected by land loss are provided equal or better economic opportunities by the operation, there are likely to be important distributional considerations – with only some households affected by the operations securing alternative livelihoods. Operations occupying land previously used by local communities for farming (permanent crops and shifting agriculture/fallow), hunting, fishing and/or the gathering of forest products, should therefore give extra attention to this Principle. This should include efforts to monitor the well-being of groups affected differently by the operation, to enable them to evaluate the effectiveness of their actions in moving beyond impact mitigation to economic benefits to the most negatively affected households, and to enable continuous improvement.

## **2.1 Criterion 5a: Improving the socio-economic status of local stakeholders impacted by biofuel operations**

According to Criterion 5a, in regions of poverty, the socio-economic status of local stakeholders impacted by the operation shall be improved. It should be noted that the participation of the local community in all decisions which affect them is very important. This is also reflected in a number of minimum requirements for Principle 5, where the local community must agree with the measures to be adopted and confirm that related benefits were received. The RSB Principles & Criteria state a number of minimum requirements to comply with Criterion 5b. These may be summarised as follows:

- Measures to promote socio-economic development and mitigate negative effects of operations must have been agreed to by affected local stakeholders, and their effectiveness in contributing to socio-economic development must be confirmed by local stakeholders (RSB Principle 2).
- Several requirements emphasise labour-intensive production arrangements, permanent over-seasonal or casual labour, and the prioritisation of local workers in employment opportunities (see Box 1), as well as mitigation measures for justifiable retrenchment of the workforce (several minimum requirements under Criterion 5a;).
- Implementation of at least one of the following within a three-year period from the start of the operations: job creation, establishment of smallholder / community empowerment structures like microcredit or cooperatives, access-to-energy programmes, local shareholding / joint venture / partnership models, and/or social infrastructure such as clinics or schools (minimum requirements under Criterion 5a).
- The demonstration by operators of the implementation of measures to improve the social and economic situation as set against the baseline (minimum requirement under Criterion 5a).

### Box 1. Why is the RSB concerned with employment of local labour?

The RSB standard promotes the use of local labour over migrant labour. For investors coming from developed nations, this may seem obscure and unnecessary. However, there are very valid reasons for adopting this strategy in developing countries.

When developers enter an area and negotiate with the land owners and users, they often make promises of job creation and community upliftment. Even if they do not make promises, the local people will assume that jobs will become available as a result of the development, especially if the level of unemployment is high. Such expectations and assumptions are often unspoken in consultation meetings unless such views are actively invited. Very often, local community members will forego the use of their land which supports their livelihoods in the hope that employment will replace the loss of these livelihood support functions (and indeed they could assume that this will be the case). If, however, labour is employed from further afield, and not from local areas, the benefit to the local community is far less and such expectations are not met. The local community may have sacrificed their livelihoods for no benefits in exchange, and as a result could become food insecure as a result of project activities. This may also increase the incidence of local poverty. This is not in the interest of the developer if it wants to maintain a good relationship with the local community or secure community consent for future expansion, nor will it be favourable for future audits.

There may be good reasons to employ workers from further afield, as they may have more skills or experience with waged or plantation employment. However, best practise would be for the operator to invest in developing the skills of the local labour force, possibly using more skilled migrant labour to train workers or as supervisors; in this way, both the local community and the operator can benefit.

Operations may opt for several different business models. Whichever model is chosen, operators should demonstrate that efforts to maximise their contribution to local development, in line with the RSB Principle 5 Criteria and Requirements. Different models can be structured to maximise their contribution to local socio-economic development – whether through job creation, contributions to physical and social infrastructure, the creation of new livelihood opportunities (through contract farming, for example), or revenue sharing (under community-based lease/management contracts or local co-ownership of the operating company, for example). Annex 1 defines different business models and provides a metric against which their inclusiveness may be assessed.

## 2.2 Criterion 5b: Special measures that benefit and encourage the participation of vulnerable groups in operations

Criterion 5b considers special measures taken to benefit and encourage the participation of women, youth, indigenous communities, and the vulnerable in biofuel or biomaterials operations. The RSB Principles & Criteria state a number of minimum requirements to comply with Criterion 5b. These may be summarised as follows:

- The operator must show understanding of gender issues and issues that relate to youth, indigenous people and vulnerable people, and produce gender-disaggregated data in baseline surveys to assist with the design and monitoring of targeted programmes for women and other vulnerable groups (minimum requirement under Criterion 5b.1 (see Box 2).
- The operator must prepare a social plan, including special measures to benefit women, youth, indigenous people, and vulnerable people and involve them in the

operations; these same groups must confirm that the social plan agreed upon is implemented and benefits are received (Principle 2).

- The operator must provide training and capacity building for its staff to give effect to Principle 5 (minimum requirement under Criterion 5b.2).

### Box 2. Why is the RSB concerned with gender equality?

The RSB, through its standard, wants to promote gender equality in all societies and all employment situations. Additionally, the RSB also takes a particular interest in the plight of women in regions of poverty through its Criterion 5b. The following points summarise the key issues in relation to gender equality:

- Women often head households in rural areas in regions of poverty, without secondary support and income from a partner. This is either due to divorce, death or because men leave the rural areas in search of work.
- In rural areas, women are generally the homemakers and carers of the family, they are responsible for growing food through subsistence farming, collecting wood for cooking and heating and collecting water as well as caring for the young and the elderly.
- Traditional societies are often patriarchal, and women may be excluded from decision-making. Compensation payments or jobs are given primarily to male household members, who may be less likely to spend it on essential items for the home such as food, clothes, school fees, household goods – creating new vulnerabilities.
- When men in traditional societies are the recipients of jobs, it is common that they do not give their wives a significant part of their earnings. To ensure noticeable improvement of the household standard of living, in many contexts it is better to employ women in the operations as the earnings are more likely to go directly to supporting the family.
- Farm managers of participating operations are often men from the same society, and may lack the gender sensitivity required to minimise discriminatory hiring strategies. While most women in most societies are willing and anxious to work, male managers often exhibit a preference for a male workforce, thus entrenching existing gender inequalities.
- Women often relinquish the use of the land that supports their livelihoods and sustains the food security in the home as a result of pressure from others, whether a husband, community members/leaders or outside project proponents. They may then be forced to walk many more kilometres for water or wood or even to grow staple food for the family. If women are actively involved in the consultation process, it is possible that agreements can be made that will prevent such sacrifices being made without equivalent or greater reward (i.e. accessing employment, obtaining support in agricultural production, securing transport to the field sites).

Vulnerability occurs when threats to the individual, whether from the environment, proposed activities or personal circumstances, become greater than the ability to cope with those threats (Gateshead, 2011). As this definition suggests, vulnerable groups may exist in the area as a pre-condition or as a consequence of project operations. As a means to devise relevant and effective interventions, it is important to identify the vulnerable groups and identify the cause of their vulnerability.

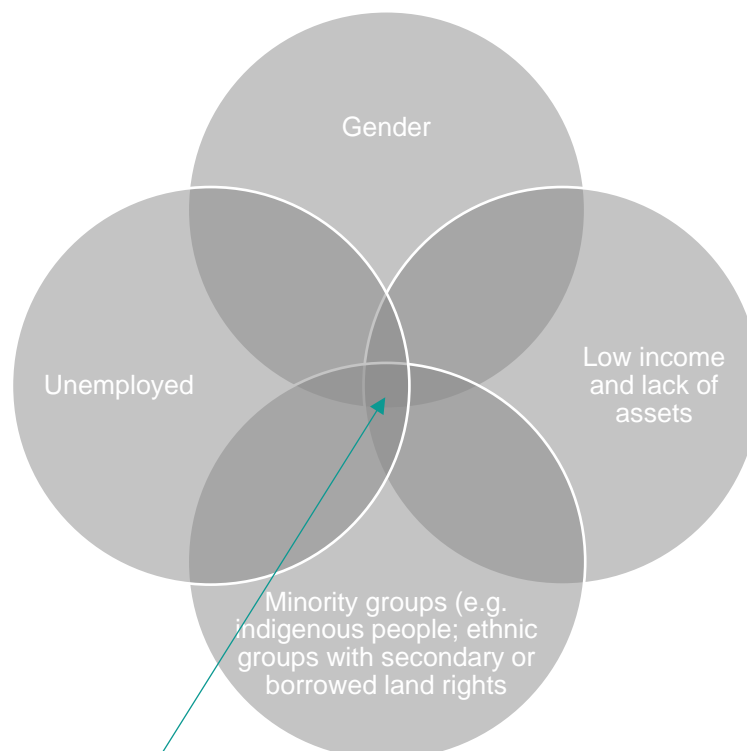
Vulnerable individuals and groups need to be taken into account in any decision likely to affect them, including the establishment of baselines against which project performance will be assessed; patterns of land occupation, conversion and use; the design of rural and social development plans; and social impact mitigation efforts. Who these groups are is likely to differ considerably by context, but are likely to include:

- **Women:** (Please refer to Box 2 for further information.)



- **Indigenous peoples**, and people with mobile lifestyles (pastoralists, shifting cultivators whose cropping locations change on an annual or seasonal basis, and hunters and gatherers), whose mobility, low status relative to other social groups and limited integration within society (affecting the extent to which the national language is spoken, schooling or experience with wage labour) may undermine the extent to which their land rights are recognised by government, or they/their livelihoods are even considered by other ethnic groups, government officials or investors during consultations over land, benefit flows and rural and social development programmes.
- **Communities living in poverty** and with high risk of food insecurity.
- **Youths** in communities with limited access to jobs, land or other means to secure their livelihoods.
- **The elderly**, in cases where their rights to the land on which they make their living are insecure.

Often, individuals are marginalised due to the complex interplay of different social factors, as illustrated in Figure 1.



**Most vulnerable groups**

- Pre-existing (e.g. women without land rights)
- Induced (e.g. displaced pastoralist groups)

Figure 1: The vulnerability of any given individual or household and interplay of different social factors

To assess the level of socio-economic vulnerability that may have direct implications in the region of the project, it is necessary to consider the following points:

- Assess whether there are groups of particularly vulnerable people with special exposure to disease, malnutrition, landlessness and other pre-existing conditions, and whether there are groups that are not yet vulnerable but are likely to be made vulnerable as a direct or indirect consequence of the project. This cannot be done as a desktop exercise, but needs direct consultation with the affected groups – involving a description of the project being proposed by the operator (for new operations), and a discussion of the unique ways the project will affect them in particular.
- Determine the level of unemployment of different categories of people (men, women, youth, indigenous communities, other vulnerable groups). Assess what proportion of the local people are involved in subsistence agriculture and identify the areas where the poorest agricultural communities live.
- Acquire an understanding of the structure of the community: patriarchal, level of concentration of land ownership, vulnerable groups, etc.

Determine whether all of those affected by land transfer were directly involved in the decision to relinquish land, whether this decision was free and voluntary, and what expectations they might have had with respect to future benefits. Further information on how to assess land rights and land use rights are available in the RSB Guidelines on Land Rights RSB-GUI-01-012-01.

A sample report is provided in the following table. This should be accompanied by explanatory text which describes the way in which vulnerable groups were identified, how they were consulted, and the findings – including a more detailed description of the causal processes shaping their vulnerability, who proposed the specific benefits and how agreement was reached, and why the proposed benefits were selected as a way to offset specific causes or consequences of vulnerability.

Table 1: Vulnerable groups identified and proposed benefits.

| Targeted groups   | Included in consultation   | Data collected (method)  | Method   | Actions/Benefits   |
|-------------------|--|--|--|--|
| Women             | <ul style="list-style-type: none"> <li>• Yes/No</li> <li>• Number and % of participants</li> <li>• Extent to which they freely expressed themselves</li> </ul> | Number of women in the community; how their property rights were affected by the project; other sources of vulnerability specific to women | Community records; focus group discussions with women from different ethnic groups | Number of jobs offered in plantation; how their land rights will be safeguarded or negative effects mitigated; culturally appropriate ways in which their participation in project decision-making will be secured |
| Youths or elderly |  | Key factors shaping the vulnerability of youth / elderly   | Focus group discussions with youth / elders  | Number and type of opportunities provided in plantation (e.g. jobs, service provision)   |

| Targeted groups   | Included in consultation | Data collected (method)   | Method   | Actions/Benefits   |
|---|--------------------------|---|--|--|
| Poor groups   |                          | Key factors shaping their vulnerability; strategies they propose to improve their socio-economic status in the context of project development   | Focusgroup discussions with poorest households                     | Number and type of opportunities provided in plantation (e.g. jobs, service provision)   |
| Minority/ indigenous groups (e.g. pastoralists with secondary rights to project-affected) |                          | Number of individuals from ethnic group grazing cattle on land affected by the project; how their property rights were affected by the project; other sources of vulnerability specific to this group | Gender-disaggregated focusgroup discussions with each ethnic group | How their grazing rights will be safeguarded or negative effects mitigated; culturally appropriate ways in which their participation in project decision-making will be secured.   |
| Land/ resource-losing households  |                          | Refer to reports from the Social Impact Assessment and Land Rights Impact Assessment  | See impact assessment reports                                      | How the negative effects of land / resource loss will be compensated for and mitigated (e.g. jobs, land set-asides); culturally appropriate ways in which their participation in project decision-making will be secured |

Operators can be assisted in the understanding of what constitutes a vulnerable group and how they can be best supported through their operations by reviewing examples of good practice from other regions. Some links and references are provided at the end of the document.

### 3. Steps to develop a rural and social development plan

The following provides a step-by-step process for an operator to take when addressing rural poverty in its attempt to comply with Principle 5.

**Step 1 - Region of poverty:** Determine whether the project is in a region of poverty according to the Screening Tool. If yes, continue to Step 2. If no, operators are no longer required to comply with this Principle, but may nevertheless decide that elements of it are relevant to maintaining good relations with local communities.

**Step 2 – Baseline:** Compliance with Principle 5a entails, as a minimum requirement, the creation of jobs and the preferential use, if possible, of permanent and local labour. Compliance with Principle 5b requires the operator to adopt measures which favour vulnerable groups, with special attention to women.

However, in order to more deeply support the improvement of socio-economic conditions of the local community, an operator could opt to broaden the scope of its engagement. This requires the

establishment of a baseline of the socio-economic conditions of the local area through the use of a number of techniques, including a household survey, stakeholder consultations, focus groups and key informants. The baseline should include an assessment of the level of vulnerability in the area and the main affected groups. The RSB has developed a household questionnaire RSB-GUI-01-006-02 which can be used as a starting point. It should however be clear that this tool will most likely need to be adapted to the specific circumstances of the project and may require additional questions to fully cover the relevant issues. If the operator has to conduct specialist studies to comply with Principles 6 (food security), 9a (water rights) or 12 (land rights), all the relevant aspects can be jointly assessed and a single baseline produced.

The stakeholder engagement process and data collection components of the baseline preparation should be used to diagnose problems, to identify basic elements of the plan, and to agree with local stakeholders on the implementation details. The RSB recommends that an external expert be hired to support the operator in this task. Detailed guidance on the establishment of a baseline is available in the RSB Food Security Guidelines RSB-GUI-01-006-01.

**Step 3 - Rural and social development plan:** Operators should develop a draft rural and social development plan based on the baseline, and include the proposed measures to improve the socio-economic situation of the area. The plan can, if relevant, include proposals to increase the inclusiveness of the business model. Any socio-economic measure should be linked to the activities that the country of operation is conducting in terms of alleviating poverty in general and rural poverty in particular. Through community engagement, agreement must be reached on the following points:

- Options, if any, to maximise the inclusiveness of the business model;
- Measures detailed in the rural and social development plan; and
- A monitoring and evaluation system (who should monitor progress, how often, using which indicators).

Once there is full agreement on the content of the plan, the operator should prepare a final written version of the plan, which should contain an explanation on expected results. The final plan should include the following elements:

- Assessment of the inclusiveness of the operator's business model, and strategies agreed upon with affected stakeholders to increase that inclusiveness (where needed/relevant);
- A plan outlining measures agreed on by nearby communities as a whole and particularly vulnerable groups (women, youth, indigenous communities and others), highlighting how the measures are targeted to particular concerns or sources of vulnerability (see Tables 1 and 2 for examples); and
- A description of a system to monitor the progress made over time, together with affected stakeholders.

Table 2 shows an example of information that may be included in the rural and social development plan. Ideally, rows in the table would be filled out together with intended beneficiary groups during the consultation process, so that all parties have a clear understanding of what is being committed to and responsibilities to be assumed by different actors (including the community members themselves). Greater local ownership is ensured when each party commits to contribute something (financial support, labour, materials, monitoring efforts) to the plan. Plans developed through consultations with different sub-groups can be amalgamated for use by the operator or reporting purposes.

Table 2: Example of issues to include in the rural and social development plan

| Development and vulnerability challenges | Activity | Target group (specific beneficiary groups, number of beneficiaries and criteria for their selection) | Stakeholder involvement | Timeframe | Estimated costs |
|--|----------|--|-------------------------|-----------|-----------------|
|  |          |  |                         |           |                 |

For any of the above activities to result in effective and observable rural and social development benefits, monitoring and evaluation is essential. The rural and social development plan and its effectiveness should be monitored with the intended beneficiaries periodically to enable mid-course adjustments where needed. Annex 2 provides a suggestion of the possible structure of the rural and social development plan.

**Step 4 – Monitoring and continuous improvement:** The RSB has included the concept of continuous improvement into its standard (see Principle 2). It is recommended that small operators would monitor the need for additional/different action within five years from the development of the plan, medium operators four years and large operators three years.

Sentinel monitoring surveys and other assessments can be used to assess the local development status at regular intervals, from which additional/different mitigation and enhancement measures could be adopted. For guidance on how to develop sentinel survey and use other monitoring methods, please refer to the RSB Food Security Guidelines RSB-GUI-001-006-01. This should however be adapted to the context.

## Annex 1: Business Models

Box 3 provides definitions for the term “business model” and for some of the most commonly used models. A basic comparative analysis of the different models is also provided.

### Box 3. What is a business model?

A business model is the way in which a company structures its resources, partnerships and customer relationships in order to create and capture value – in other words, it is what enables a company to make money. Business models may be defined by the way in which the good or service is produced, by financing and shareholding structures, or by other types of linkages established with the local economy.

With regard to feedstock production, alternative models may include large-scale plantations, contract farming, combinations of these (the so-called “nucleus estate” model) or a commitment to purchase a certain amount of feedstock from independent smallholders. Under the estate model, large tracts of land are owned or controlled by the investor and feedstocks are grown with hired labour. Contract farming involves pre-agreed supply agreements whereby a company provides upfront inputs to farmers (seeds, fertilisers, pesticides, technical advice, credit and/or insurance) to grow feedstock on their own land, and often agrees to purchase produce at an agreed price in exchange for exclusive rights to this produce. Contracts may specify contract duration, delivery dates, product volumes and quality. The price of inputs provided by the company are often charged against the final purchase price. The nucleus estate model combines a large-scale plantation with contract farming (“out-growers” or tenants). Investors with or without their own plantations can also purchase feedstock from independent smallholders with whom they do not have any prior agreement.

When large-scale farming is involved, arrangements for obtaining access to land vary – from outright purchases to government leases, through to partnerships with local groups. An example of the latter is provided by community-based lease or management contracts - the variety of arrangements under which a farm management company works agricultural land belonging to local groups. To provide incentives for the farm management, the contract may entail some form of profit-sharing rather than a fixed fee.

Business models also differ in the way they are financed and in shareholding structures. For example, joint ventures entail co-ownership of a business venture by two independent market actors, such as an agribusiness and a farmers’ organisation. A joint venture involves sharing of financial risks and benefits and, in most but not all cases, decision-making authority in proportion to the equity share. Local communities may acquire an equity stake in the operating company through providing land (land for equity schemes) or other contributions. The latter may include capital that a local community may have accessed through a development grant, for example.

Finally, the business model may involve linkages with the local economy in aspects of the value chain other than agricultural production. Upstream and downstream business links is an umbrella expression for the set of business opportunities beyond direct agricultural production that exists for both agribusinesses and smallholders and small local enterprises – for example, with regard to the provision of agricultural inputs and harvesting, transport and storage services.

Biofuel and biomaterials operations may involve complex combinations of various models. For example, a project may involve a joint venture whereby local farmers contribute land or other assets in exchange for an equity stake in the project, a management contract for running the farm, contract farming between the joint-venture company and out-growers, and other ancillary arrangements.

It is widely understood that the more a business model benefits local farmers and communities both directly and indirectly (e.g. by enhancing demand for local products and services), the more likely that positive socio-economic outcomes will be realised and the operation accepted by the local community, thus reducing business risk. There are different ways to assess the inclusiveness of different business models. Box 4 shows an example of some indicators that are useful for this purpose.

#### Box 4 Example of indicators to assess inclusiveness of a business model

One way of assessing the inclusiveness of a business model involves evaluating the model against the following four indicators:

- **Ownership:** the extent to which property rights over the business (equity shares), and of key project assets such as land and processing facilities, are shared with local stakeholders.
- **Voice:** the extent to which local farmers and communities have a say in the process leading to the establishment of the business venture; and the ability to influence key business decisions, including the relative weight given to local input in decision-making, arrangements for review, grievance mechanisms, and mechanisms for dealing with asymmetries in information access.
- **Risk:** the extent to which project risks (e.g. relating to production, supply or marketing) are shared equitably and fairly between the parties, so as to ensure shared responsibility for outcomes while avoiding placing excessive risk on local stakeholders least able to bear them (and thus avoiding the possibility of project-induced impoverishment).
- **Reward:** the extent to which economic benefits are shared, including price-setting, finance arrangements, dividends and other benefits (Vermeulen and Cotula 2010).

## Annex 2: Key elements of a rural and social development plan

The plan should contain at least the following points:

1. Introduction – Explaining the main purpose of the plan and the process followed for developing it (e.g. how stakeholders were involved and their suggestions incorporated, how baselines and assessments of social impact and vulnerability informed the strategy), and setting the local context.
2. Socio-economic assessment findings and development challenges in the project area, and how these were identified and validated with the local population.
3. Vulnerability assessment findings indicating the most vulnerable groups identified, and reasons for their vulnerability.
4. Proposed measures to improve rural and social development, including:
  - a. Summary of the business model(s) to be employed and strategies to enhance their contribution to the creation of durable shared value with local communities;
  - b. Other efforts agreed upon with affected communities to promote rural and social development at community level (5a); and
  - c. Specific measures targeting vulnerable groups, illustrating how the measures are targeted at particular concerns raised in consultations with different groups or are targeted at particular sources of vulnerability (5b) (see, for example, Table 3).
5. Monitoring plan to evaluate plan implementation together with affected stakeholders and intended beneficiaries, and changes in socio-economic conditions and vulnerability status based on continued monitoring of indicators from the baseline survey.
6. Concluding remarks and future activities.



Table 3. Examples of possible measures for social and rural development enhancement

| Social/rural development issues                              | Activity/tool  | Target group   | Stakeholder involvement / responsibilities   | Timeframe  | Estimated costs |
|--|--|--|--|--|-----------------|
| Low number of remunerated jobs on plantations                | Jobs created in different stages of the supply chain   | Active population (age 18-60), with explicit emphasis on women, the youth and displaced households | <ul style="list-style-type: none"> <li>Investor to identify types of services required</li> <li>Investor and representatives of different social groups to match needs with local skills and resources</li> <li>Community meeting to agree on an equitable strategy for engaging local services for widespread social benefit</li> <li>Participants and others to monitor implementation for its ability to equitably generate economic opportunities for local businesses</li> </ul>  | According to business proposal   | tbd             |
| Fuel wood shortage and labour burden for women               | Training programme for seedling production   | Women facing fuel wood shortage  | <ul style="list-style-type: none"> <li>Investor, interested women and others from local community to meet and plan; and carry out periodic monitoring to assess progress and adjust action plans as needed</li> </ul>  | According to business proposal   | tbd             |
| Low level of education/high levels of illiteracy among women | Promotion of school and adult literacy programmes  | Girls and women  | <ul style="list-style-type: none"> <li>Investor to convene meetings with local authorities and community to plan</li> <li>Local authorities and investor to seek matching funds from national authorities</li> <li>Local leaders and local authorities to monitor programme effectiveness, and report back to</li> </ul>   | In accordance with the timeframe set by the community and local authorities  | tbd             |
| High levels of respiratory illness due to indoor pollution   | Promotion of programme of improved cooking stoves (following a satisfactory feasibility study) | Women and children   | <ul style="list-style-type: none"> <li>Investor to solicit help from educated youth in assessing local needs in stove design</li> <li>Community leaders to call meeting to review findings together with investor and local authorities</li> <li>Women to monitor the effectiveness of the design with investors, and suggest improvements</li> <li>Local leaders and local health clinic to help to monitor effectiveness of programme on incidence of respiratory illness</li> </ul> | In accordance with the timeframe set by the community and local authorities, but no more than two years after project initiation | tbd             |

| Social/rural development issues   | Activity/tool  | Target group  | Stakeholder involvement / responsibilities  | Timeframe   | Estimated costs   |
|---|--|---|---|---|---|
| Limited income-generating opportunities for women and youth             | Programmes to improve income-generating potential at household level (e.g. poultry and other livestock raising)  | Women and youth; households whose land or other resources were displaced  | <ul style="list-style-type: none"> <li>Focus group discussions with women and youth (separately) to identify the type of programmes that would best suit their needs, and to plan</li> <li>Women and youth to monitor the programme together with investor to evaluate its effectiveness in generating income</li> </ul>  | In accordance with the community's timeframe, but no more than two years after project initiation |   |
| Food security risks due to investment-induced land competition          | Identification of areas within concession area to be set aside for agricultural production to ensure local households are able to continue farming                       | All households located within plantation area   | <ul style="list-style-type: none"> <li>Local leaders and affected households to propose the initiative</li> <li>Investor to work with affected households to identify the area required and delineate 'no go' areas for plantations</li> <li>Periodic monitoring to evaluate programme success in alleviating land shortages and safeguarding local livelihoods, with adjustment as needed</li> </ul> | In accordance with the community's timeframe, but no more than two years after project initiation | Highlight links to food security, land and social impact assessment processes |
| Food security risks due to investment-induced labour competition        | Provisions for flexible working hours during land preparation and harvesting times for employees   | <ul style="list-style-type: none"> <li>Employees that practiced farming prior to employment</li> <li>Land- or resource-losing households</li> </ul> | <ul style="list-style-type: none"> <li>Workers to suggest the initiative. Investor to discuss and reach consensus with employees on the specific mechanism to be employed to alleviate agricultural labour shortages.</li> <li>Investor and employees to monitor effectiveness of mechanism in alleviating labour shortages.</li> </ul>   | In accordance with the community's timeframe, but no more than two years after project initiation | Highlight links to food security and social impact assessment processes       |
| Vulnerability generated through displacement of community grazing areas | <ul style="list-style-type: none"> <li>Investor support in the negotiating of access to alternative grazing areas</li> <li>Technical and financial support to</li> </ul> | Livestock owners  | <ul style="list-style-type: none"> <li>Livestock owners to raise concern</li> <li>Investor to propose solution which all agree to. Investor to work with communities and agricultural extension department to plan in detail, implement and monitor effectiveness in alleviating fodder shortages.</li> </ul>   | In accordance with the community's timeframe, but no more than two years after project initiation | Highlight links to land, food security and social impact assessment processes |

## Further reading

- Cotula, L. and Leonard, R. (Eds). 2010. Alternatives to land acquisitions: Agricultural investment and collaborative business models. IIED. UK. Pp. 143.
- Diaz-Chavez, R. 2009. "Good practice guidelines to project implementers". COMPETE. <http://compete-bioafrica.net/sustainability/Annex3-3-3-COMPETE-032448-3rdReport2009-D3.4-Good%20practices%20report-Final.pdf>. Accessed June 2011.
- Diaz-Chavez, R., Mutimba, S., Watson, H., Rodriguez-Sanchez, S. and Nguer, M. 2010. Mapping Food and Bioenergy in Africa. A report prepared on behalf of FARA. Summary. Forum for Agricultural Research in Africa. Ghana. <http://www.fara-africa.org/publications/>.
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- IFAD. 2011. Rural Poverty. International Fund for Agricultural Development. <http://www.ifad.org/rpr2011/report/e/rpr2011.pdf>. Accessed June 2011.
- Morduch, J. 2006. Chapter 2: Concepts of Poverty. UN Handbook on Poverty Statistics: Concepts, Methods and Policy Use. United Nations Statistics. <http://unstats.un.org/unsd/methods/poverty/Chapters.htm>. Accessed June 2011.
- UNstats. 2011. Poverty. <http://unstats.un.org/unsd/methods/poverty/Chapters.htm>
- UNDP. 2011. Millennium Development Goals. Report 2011. [http://millenniumindicators.un.org/unsd/mdg/Resources/Static/Products/Progress2011/11-31339%20\(E\)%20MDG%20Report%202011\\_Book%20LR.pdf](http://millenniumindicators.un.org/unsd/mdg/Resources/Static/Products/Progress2011/11-31339%20(E)%20MDG%20Report%202011_Book%20LR.pdf)
- Vermeulen, S., and Cotula, L. 2010. Making the most of agricultural investment: A survey of business models that provide opportunities for smallholders. IIED. UK. Pp.116.

## Links to examples of good practice

- Alternatives to land acquisitions: Agricultural investment and collaborative business models. <http://pubs.iied.org/12567IIED.html>
- Making the most of agricultural investment: A survey of business models that provide opportunities for smallholders. <http://pubs.iied.org/12566IIED.html>
- Good Practice Guidance to Project Implementers. <http://compete-bioafrica.net/sustainability/Annex3-3-3-COMPETE-032448-3rdReport2009-D3.4-Good%20practices%20report-Final.pdf>
- Code of Good practice ISEAL. <http://www.isealalliance.org/assurance-code>
- Bioenergy and food security <http://www.fao.org/bioenergy/foodsecurity/befs/en/>