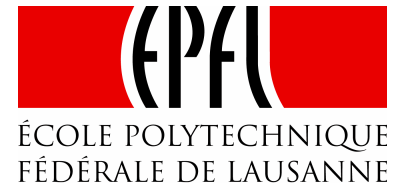


Roundtable on Sustainable Biofuels

An initiative of the EPFL Energy Center



Expert Panel on Rural and Social Development Background Paper 2

Confirmed members:

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1. Objectives:

This small expert group will help formulate draft positions on rural and social development for distribution and discussion in the SOC WG.

- Establish the exhaustive list of aspects that need to be taken into consideration under principle 5, on Rural and Social Development in order to cover all the possible beneficial and adverse impacts from the full life cycle of biofuel projects .
- Develop the concepts into detailed (draft) criteria for consideration by the entire SOC Working Group and thereafter the Steering Board.
- Ensure that the criteria are both achievable and independently verifiable
- Suggest indicators against which the projects can be assessed
- Develop a “red line”, if appropriate, below which a biofuel project would not be eligible for the standards (even with a good score in other aspects).
- Reflect again on the wording of the principle to ensure that it covers the fully developed criteria and all aspects as mentioned above.

2. Summary of the principles and discussion so far within the SOC WG

The draft principle related to rural and social development currently reads as follows:

Principle 5. Socio-economic development

Biofuel production shall not violate land or water rights, and shall contribute to the social and economic development of local, rural and indigenous peoples and communities.

While the principle covers more issues than rural and social development (such as land and water rights) this expert group will consider only on the latter part of the principle “*shall contribute to the social and economic development of local, rural and indigenous people and communities*”. A separate Expert Group will develop criteria for ensuring that land and water rights are respected.

For the purposes of this paper the term “community” will be used to mean “*local, rural and indigenous peoples and communities*”.

Comments on the principle:

Summary of comments to date:

The principles are aspirational in nature and the criteria should be more realistic and pragmatic. The aim is to find criteria that are achievable, measurable and independently verifiable. The aspirational nature was the guide to where we wish to finally go, but not where we start. There needs to be a balance between criteria that ensure that communities are significantly better off as a result of the biofuels project than they were before both socially and economically while still encouraging investment.

- While a principle is aspirational in nature, it must also cover potential negative impacts that may arise.
- The term “well being” has been removed from the principle, but this goal is implicit in the principle, and needs to be safeguarded through various criteria.
- There are many who have expressed the opinion that unless the local rural, indigenous people and communities are fully integrated within the project, and not merely workers, that they would not achieve the same level of benefit.
- Its critical that the principles and criteria do not create a trade off between environmental concerns and socio economic ones and therefore red lines could assist, as points beyond which the proponents cannot go in either category or the project is disqualified,
- In terms of this principle and criteria the full life cycle of the project is essential to consider, as the value added products might in fact have more value for the community than the biofuels themselves. It might also be the entire life cycle and the multiplier effects it creates within the community that create the biggest benefit.
- Possibly, the principle is too broad and there needs to be a separate principle covering land and water, from social development

3. Aspects that need to be taken into consideration:

As per the discussions held within the Working Group, on the Bioenergy Wiki website, in our preliminary regional stakeholder meetings in Shanghai and Brazil in late 2007, and in participant questionnaires, the important aspects to cover under the *rural and social development principle* are to be found below. These have been used to formulate, in section 4, specific criteria for this principle:

1. That biofuels projects create jobs in communities surrounding the projects, and that such jobs are not seasonal in nature. Seasonal work can create social disintegration and migratory labour patterns and are unlikely to move a community towards social cohesion and upliftment
2. That customary law is recognized as legitimate for providing rights to, among other things, land ownership
3. That there is as much allowance for local ownership and diversification of the projects, cultivation methods, crops and supportive/value added activities possible, in order to reduce the local community's risk, especially to existing food production programmes.
4. that local communities benefit as much from improved access to local biomass energy supply as they do from economic benefits
5. Ensure that projects have minimum adverse impacts on the local communities, for instance:
 - removal of people from their indigenous land;
 - alienation of existing rights to the use of local natural resources on land for *inter alia* building, household tools, wild fruits and nuts, and medicines;
 - social impacts that result from the programme which could include, amongst others, child care issues, loss of social benefits, loss of use of community facilities, introduction of perverse incentives; and
 - health impacts that may accrue to local communities on the borders of projects resulting from, amongst others, pollution of natural resources (some health issues might be best dealt with under the labour rights principle, but community health issues need to be dealt with here; environmental impacts are covered under the ENV principles)
6. Make sure the benefits are found across the entire value chain of the project, not just in feedstock production and that communities and outgrowers are given the opportunity to enjoy equity stakes in the value added processing plants and activities.
7. Ensure that the local communities benefit from the projects, with power relations carefully considered, income distribution significant and the concentration of land and wealth not unbalanced in favour of only one stakeholder. This can be achieved, amongst other ways, through the formation of co-operatives, community organizations and producer organizations.
8. That credit facilities are made available to local communities and small outgrowers through, amongst other methods, micro credit schemes, in order that they can benefit from the increased production and marketing potential resulting from such biofuel programmes
9. That no discrimination exists in, amongst others, the ways jobs are allocated, land plots are distributed or profits are shared
10. Ensure protection of local communities from risky (economically in particular) projects
11. Before implementation biofuels projects should review any past, present or latent conflicts in the area, assess whether the biofuel project proponent's presence could adversely affect the conflict situation, and if necessary put conflict risk management measures in place.
12. Do not make the requirements/criteria so strict that biofuel production and projects are/is impossible
13. External, independent assessments of the outcomes/outputs as measured against clear deliverables and targets

14. Building knowledge, capacity, skills, understanding and acceptance of the biofuels sector and its upstream and downstream processes and activities

Impacts on food security, labour, water and land rights do not need to be considered within this section as they have been covered elsewhere. However, cross cutting issues will arise, such as training and education and gender equality, and should not be lost simply because they don't have their own principle. Many could be covered appropriately under this principle.

4. Setting Criteria for Principle 5

These need further discussion and refinement within the expert group. Although we are looking for criteria at this stage, we are not wordsmithing, but rather want to achieve agreement that the criteria cover all the issues so far developed within the expert group

Best practice case studies will be used to illustrate what is meant by rural and social upliftment and maximum benefit to the local community. The following is an initial attempt to capture the points made in section 3 of this document into criteria associated with the principle

Suggested criteria

- 1 A economic and social impact assessment (ESIA) and strategy arise from a consultative process and ensures implementation of a long term plan that results in economic sustainability, equity for all partners and social upliftment in affected and interested communities
note: guidelines will need to be produced that describe the structure and format of the study and strategy for consistency and comprehensiveness and possibly a defined percentage(minimum) improvement in social and human development indicators as outlined in the indicator section. Adverse social and economic impacts on affected and interested stakeholders and local communities must be dealt with adequately within the ESIA and the overall impact of the project must be beneficial and result in an overall positive impact as measured from the base line study
- 2 A feasibility study and business plan will be developed that ensures long term economic and social sustainability and minimum or no risk to local communities and farmers
- 3 Job creation will be, maximized for local job creation and will create as much permanent work as possible, to not be seasonal or transitory but focus benefits on local workers and communities across the entire biofuels value chain
Note: guidelines will need to be designed that give ratios, for instance, of workers to crop/ biofuels production for different crops and guidelines on acceptability or percentage of mechanization
- 4 Local economic development will be facilitated through maximizing local ownership across the entire value chain, diversification, developing and supporting appropriate institutional structures, access to micro finance opportunities, improved access to productive and

household energy supply, capacity building, extension services, skills development and knowledge and information sharing

Notes: guidelines will be needed for what is meant by diversification (being crops, tools, methodologies, bi-products etc), best practice examples, types of supporting institutional structures like co-operatives and the extent of the capacity building, extension services and skills development that is acceptable or desirable.

- 5 Special projects that focus on women, indigenous communities and the vulnerable in the affected and interested communities will be designed and implemented to ensure greater gender equity, support indigenous community rights and protect children, the sick and the elderly

Notes: this will need further detailing in a separate section, possibly with minimum percentages of women involved, it has been found that if you don't set quotas or design specific programmes that women and vulnerable people are rarely included in developing countries

Issues raised by the expert group that are not covered in the criteria above and suggestions on how to deal with them

Equitable and fair process and programmes design-

Note: There were a lot of points on power relations, transparency, and fairness in the way companies deal with community groups and the criteria above do not really contribute to making sure this is addressed. There is a consultative principle in the RSB, and we will take these issues and make sure they are dealt with there

Customary laws, rights and practices will be protected during development and implementation of the biofuels programmes, across the entire value chain

Note: this is an issue for the **consultation principle** which describes *how* processes for programme design and implementation should be carried out.

Land issues – land allocations, land rights, leases by project proponents etc

Note: This will be considered under the first part of the principle that deals with land rights

Food issues and use of land

Note: these will be left to the food security principle, including issues raised about local communities being allowed to continue growing subsistence crops for local food security and prevent too great a risk, also methodologies like intercropping that also reduces local community and farmer risk.

5 *Red line issues/Minimum requirements*

Red line issues must be clear, concise, measurable and assessable. In so far as these are critical factors, the following may apply as suggestions that need to be discussed before endorsement

Secretariat recommendation

Criteria 1, 2 and 5 are minimum requirements, in that they need to be completed in order for the project to fulfill requirements. In other words, a social and economic impact survey and base line need to be done, jobs must be created and local economic development must be a result of the project.

Criteria 3 and 4 describe best practice and will be aspirational, where we hope all the biofuel projects will get to.

Other suggestions for minimum requirements include the following and would need intensive discussion:

Compliance with the tripartite declaration of principles concerning multinational enterprises and social policy (ILO)
Guarantees for producer prices must be above production costs

Other suggestions for discussion that might belong to other principles

Income must cover the cost of living (possibly belongs to the labour rights principle)
Compliance with the Universal Declaration of human rights (possibly more appropriate under the labour and rights principles)
Compliance with civil and customary law regarding land and property rights and access rights for indigenous peoples (possibly more appropriate under the land section of the principle)

6 Tools and means of verification

Verification of social and economic impacts will be difficult to measure., especially where they are indirect. The social survey carried out as required under criterion 1 should set a base line assessment against which the project can be measured and should cover the entire community that is affected and/or interested. Ongoing monitoring should form part of the implementation plan and mitigation processes and measures designed into the strategy to facilitate changes that may need to be made through the life of the project.

Social and economic impacts will be separated into those that are **direct** (for instance, direct real income generation from the project, details of contracts awarded, jobs created directly in the project), And those that are **indirect** (for instance no's of SMMEs, literacy, infant mortality rates).

5. *Biofuel production shall not violate land or water rights, and shall contribute to the social and economic development of local, rural and indigenous peoples and communities.*

Criterion	Requirements	Responsibilities	Guidance for implementation
5 a) A social and economic impact study (ESIA), strategy and impact mitigation plan arises from a consultative process and ensures implementation of a long term plan that results in economic sustainability, equity for all partners and social upliftment in affected and interested communities	<p>An ESIA that covers all potential adverse and positive social impacts and encompasses a strategy to minimise negative impacts and maximize the positive ones</p> <p>Clear deliverable and time frames to be set in the ESIA with a clearly defined monitoring plan</p> <p>Ongoing monitoring of the ESIA and its implementation using external, independent assessors of the outcomes/outputs as measured against clear deliverables and targets</p> <p>Adverse social and economic impacts on affected and interested stakeholders and local communities must be dealt with adequately within the ESIA and the overall impact of the project must be beneficial and result in an overall positive impact as measured from the base line study</p>	<p>The producer is responsible for ensuring collection of all available information for the ESIA</p> <p>Local authorities, NGOs or research organizations may provide base line studies or analysis of the area from a social and economic perspective</p>	<p>Small producers and co-operatives will most likely need support to conduct the ESIA for their own projects</p> <p>Existing legislation must be adhered to</p> <p>Where government legislation demands ESIA for a particular project, assistance should be sought from the authority</p> <p>ESIA processes must adhere to the processes as set out in principle 2 on consultation, transparency and participation</p>
5b) A feasibility study and business plan will be developed that ensures long term economic and social sustainability and minimum no risk to local communities and farmers	<p>No debt traps</p> <p>The feasibility study must encompass all of the value added and linked processes in the full project cycle</p>	<p>The producer is responsible for doing the feasibility plan</p>	<p>Financial support services might be needed to support SMMEs and co-operatives to complete this task</p>

<p>5c). Job creation will be, maximized for local job creation</p>	<p>Biofuel projects must create jobs in communities surrounding the projects, and that preferably such jobs are not seasonal in nature; seasonal work should add value to an already established permanent work force and socially secure community</p>	<p>The project proponent needs to ensure that an analysis of the number and type of existing jobs is carried on in the ESIA</p> <p>Producers throughout the value chain are held responsible for ensuring local people benefit in securing jobs and that no discrimination is practiced when allocating the jobs</p> <p>Producers in the value chain must work together to ensure jobs are allocated to people in various parts of the value chain in ways that ensure as much permanent job stability as possible</p>	<p>Mechanization reduces the number of jobs, so this should not be encouraged</p> <p>Efforts should be made to work out the maximum expected jobs per hectare and per litre for the intended crops and value added process and such figures must be aspired to</p>
<p>5d). Local economic development will be facilitated through maximizing local ownership across the entire value chain, diversification, developing and supporting appropriate institutional structures, access to micro finance opportunities, improved access to productive and</p>	<p>Local ownership, diversification of crops, cultivation methods and value added products will be maximized</p> <p>Credit facilities are made available to local communities and small outgrowers through, amongst other methods, micro credit schemes, in order that they can benefit from the increased production and marketing potential resulting from such biofuel programmes</p>	<p>The business plan must clearly outline ownership patterns and institutional structures being utilised throughout the value chain of the project.</p> <p>The producer is responsible to ensure that it sources low technology solutions if</p>	<p>Project developers must assist the local community to form appropriate institutional structures, such as co-operatives that will enable them to maximize benefits across the value chain</p> <p>Support will be needed to small locally owned community projects to develop co-operatives structures and micro</p>

<p>household energy supply, capacity building, extension services, skills development and knowledge and information sharing</p>	<p>Appropriate technologies will be used that are scale specific and do not create debt traps or cannot be operated by local people</p> <p>Appropriate institutional structures are developed, such as co-operatives that encourage and maximize local involvement and management</p> <p>Supportive infrastructure for the local communities, particularly the provision of modern energy services as a direct result of the biofuels project should be an aspiration in the projects in developing nations</p> <p>Capacity building and training will be required to ensure that the local community is able to make maximum benefit of the opportunities afforded by the biofuels project</p>	<p>they would benefit the local community more than high tech ones. Benefits should include both economic, social and environmental</p> <p>Producers must provide training to the local farmers and beneficiaries</p> <p>Producers must assist local outgrowers and producer groups to establish co-operatives. institutional structures and/or micro credit schemes across the entire value chain of the project</p>	<p>credit facilities and develop institutional capacity, knowledge and management systems</p>
<p>5d). Special projects that focus on women, indigenous communities and the vulnerable in the affected and interested communities will be designed and implemented</p>	<p>Gender equity in programmes, special support of indigenous community rights and protection of children, the sick and the elderly through local upliftment projects that target this sector of the community</p>	<p>Producers must source and identify disaggregation information and statistics on women and the vulnerable in order to fully assess the status of women, children, and the vulnerable.</p>	<p>Where government programmes already exist for gender equity and support of indigent peoples and indigenous peoples, such programmes must be drawn into these proposed programmes</p>

Annexe 1

Criteria in the other existing standards, or useful policy/standards coming from international laws and treaties:

General comment: not all Round Tables or processes have given a definition to rural and social development in the way we at the RSB are doing. We have only included reference to those processes that have developed criteria that are applicable to the section of the principle that we are dealing with in this paper.

1 Roundtable on Sustainable Palm Oil

Principle 3: Commitment to long term economic and financial viability

Criterion 3.1 There is an implemented plan that aims to achieve long term economic and financial viability

Principle 6: Responsible consideration of employees and of individuals and communities affected by growers and mills

Criterion 6.1: Aspects of plantation and mill management that have social impacts are identified in a participatory way and plans to mitigate the negative impact and promote the positive ones are made, implemented and monitored, to demonstrate continuous improvement

Criterion 6.10: Growers and millers deal fairly and transparently with small holders and other local businesses

Criterion 6.11: Growers and millers contribute to local sustainable development wherever appropriate

2 Forestry Steward Council: The FSC is a well established accreditation scheme for forestry that has included social issues in its principles and criteria

5 Principle #5: Benefits from the forest

Forest management operations shall encourage the efficient use of the forest's multiple products and services to ensure economic viability and a wide range of environmental and social benefits.

5.1 Forest management should strive toward economic viability, while taking into account the full environmental, social, and operational costs of production, and ensuring the investments necessary to maintain the ecological productivity of the forest.

5.2 Forest management and marketing operations should encourage the optimal use and local processing of the forest's diversity of products.

5.3 Forest management should minimize waste associated with harvesting and on-site processing operations and avoid damage to other forest resources.

5.4 Forest management should strive to strengthen and diversify the local economy, avoiding dependence on a single forest product.

5.5 Forest management operations shall recognize, maintain, and, where appropriate, enhance the value of forest services and resources such as watersheds and fisheries.

5.6 The rate of harvest of forest products shall not exceed levels which can be permanently sustained.

3 ILO convention (no 169) concerning indigenous and tribal people in independent countries (adopted 1991)

This convention has many sections applicable to principle 5 of the RSB, but the following articles taken from the convention appear to be the most applicable.

Article 2

1. Governments shall have the responsibility for developing, with the participation of the peoples concerned, co-coordinated and systematic action to protect the rights of these peoples and to guarantee respect for their integrity.
2. Such action shall include measures for:
 - (a) Ensuring that members of these peoples benefit on an equal footing from the rights and opportunities which national laws and regulations grant to other members of the population;
 - (b) Promoting the full realisation of the social, economic and cultural rights of these peoples with respect for their social and cultural identity, their customs and traditions and their institutions;
 - (c) Assisting the members of the peoples concerned to eliminate socio-economic gaps that may exist between indigenous and other members of the national community, in a manner compatible with their aspirations and ways of life.

Article 7

1. The peoples concerned shall have the right to decide their own priorities for the process of development as it affects their lives, beliefs, institutions and spiritual well-being and the lands they occupy or otherwise use, and to exercise control, to the extent possible, over their own economic, social and cultural development. In addition, they shall participate in the formulation, implementation and evaluation of plans and programmes for national and regional development which may affect them directly.
2. The improvement of the conditions of life and work and levels of health and education of the peoples concerned, with their participation and co-operation, shall be a matter of priority in plans for the overall economic development of areas they inhabit. Special projects for development of the areas in question shall also be so designed as to promote such improvement.
3. Governments shall ensure that, whenever appropriate, studies are carried out, in co-operation with the peoples concerned, to assess the social, spiritual, cultural and environmental impact on them of planned development activities. The results of these studies shall be considered as fundamental criteria for the implementation of these activities.

4. Governments shall take measures, in co-operation with the peoples concerned, to protect and preserve the environment of the territories they inhabit.

4 Cramer report

Theme 5: Prosperity

Principle 8: The production of biomass must contribute towards local prosperity.	
<p>Criterion 8.1: Positive contribution of private company activities towards the local economy and activities.</p>	<p>Reporting 8.1.1 Description of:</p> <ul style="list-style-type: none"> • The direct economic value that is created; • Policy, practice and the proportion of the budget spent on local supply companies; • The procedures for appointment of local staff and the share of local senior management. <p>On the basis of Economic Performance Indicators EC 1, 6 & 7 of GRI: (Global Reporting Initiative).</p>

Explanation

The translation of this theme into criteria and indicators is uncharted territory, however, and so far it has not been included in any of the existing certification systems. Because of this it is impossible to develop this theme into testable criteria and indicators, so that reporting is requested. For the present the reporting fits in closely with the Economic Performance Indicators of the Global Reporting Initiative (GRI, 2000-2006), especially with the indicators EC 1, 6 and 7. Appendix F.4 will examine this further. Dependent on the experiences with the information supply about the three economic indicators mentioned above, for 2011 an (adapted) report will be required, or performance indicators will be developed.

Theme 6: Social well-being

Principle 9: The production of biomass must contribute towards the social well-being of the employees and the local population.	
Criterion 9.1 No negative effects on the working conditions of employees.	Indicator 9.1.1 (minimum requirement) Comply with the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (compiled by the International Labour Organisation).
Criterion 9.2 No negative effects on human rights	Indicator 9.2.1 (minimum requirement) Comply with the Universal Declaration of Human Rights of the United Nations. It concerns here: non-discrimination; freedom of trade union organisation, child labour; forced and compulsory labour; disciplinary practices, safety practices and the rights of indigenous peoples.
Criterion 9.3 The use of land must not lead to the violation of official property and use, and customary law without the free and prior consent of the sufficiently informed local population	Indicator 9.3.1 (minimum requirement) Comply with the following requirements: <ul style="list-style-type: none"> • No land use without the informed consent of original users; • Land use must be carefully described and officially laid down. • Official property and use, and customary law of the indigenous population must be recognized and respected
Criterion 9.4 Positive contribution to the well-being of local population	Reporting 9.4.1 <ul style="list-style-type: none"> • Description of programmes and practices to determine and manage the effects of company activities on local population; On the basis of the Social Performance Indicator SO1 of the GRI: (Global Reporting Initiative).
Criterion 9.5 Insight into possible violations of the integrity of the company	Rapportage 9.5.1 Description of: <ul style="list-style-type: none"> • Degree of training and risk analysis to prevent corruption; • Actions taken in response to cases of corruption. On the basis of the Social Performance indicators SO2, SO3 and SO4 of the GRI (Global Reporting Initiative).

Explanation

In the elaboration of the principles, indicators and reportings use has been made, wherever possible, of international conventions. Appendix F.5 gives a further explanation of the above criteria and indicators:

- As a starting point for working conditions the "International Labour Organization Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy" has been chosen. Here the following aspects are highlighted: employment, labour relations, security and health, training and education and diversity and equal opportunities.
- The testing if human rights are not being violated takes place on the basis of the United Nations Universal Declaration of Human Rights. It concerns here non-discrimination, freedom of trade union organization and collective bargaining, child labour, forced and compulsory labour, disciplinary practices and training of security staff.

- The customary law of the indigenous population, whether or not officially laid down, must be observed. The use of forest or land is not possible without the informed consent of the original users. For this the project group has kept in line with RSPO and FSC.
- In order to assess the active contribution of biomass production towards the well-being of the local population in the first instance reporting will be requested. The same applies to the insight into the integrity of a company. For the present these reportings fit in closely with the Social Performance Indicators of the Global Reporting Initiative (GRI, 2000-2006), especially with the indicators SO1, SO2 and SO3. Appendix F.5 will examine this further.

In anticipation of a further elaboration of the testing framework for small producers, it would seem realistic not to make the sustainability indicators for well-being obligatory for small enterprises (with, for instance, fewer than five employees).