Food and Agriculture Organization of the United Nations

FOREST AND FARM FACILITY
Working Paper 3

MEASURED DEVELOPMENT

Options to distinguish and measure the impacts of business models of forest and farm producers

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Acronyms

AFECONET	African Forest Connect Network
AOC	Appellation d'Origine Contrôlée
ATO	Alternative Trading Organisation
C2C	Cradle to Cradle
CIFOR	Centre for International Forestry Research
CSR	Corporate Social Responsibility
EIA	Environmental Impact Assessment
EII	Earth Innovation Institute
FAO	Food and Agriculture Organisation of the United Nations
FFF	Forest and Farm Facility
FFPO	Forest and Farm Producer Organisation
FLEGT	Forest Law Enforcement, Governance and Trade
FLO	Fairtrade Labelling Organisation
FSC	Forest Stewardship Council
IAIA	International Association of Impact Assessment
IFAT	International Fair-Trade Association
IFFA	International Family Forest Alliance
IIED	International Institute for Environment and Development
ILO	International Labour Organisation
IT	Information Technology
MEA	Millennium Ecosystem Assessment
NEPA	National Environmental Policy Act (USA)
NGO	Non-Governmental Organisation
PDO	Protected Designation of Origin
PEFC	Programme for the Endorsement of Forest Certification
PGI	Protected Geographical Indication
PGS	Participatory Guarantee System
RECOFTC	Centre for People and Forests
REDD+	Reducing Emissions from Deforestation and forest Degradation
ROI	Return on Investment
RRI	Rights and Resources Initiative
SCLO	Small and Community Label Option (of the FSC)
SD	Sustainable Development

SDGs	Sustainable Development Goals
SDPC	System Design for Performance Control
SPP	Small Producers' Symbol
SRM	Stakeholder Relations Management
TSP	Traditional Speciality Guaranteed
UN	United Nations
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation

Executive summary

This FFF working paper is directed towards the leaders of Forest and Farm Producer Organisations (FFPOs) particularly those involving national or international federations which have a mandate to serve their members. Essentially it asks two questions: Do existing labelling schemes do an adequate job of distinguishing elements of FFPO businesses to confer market advantage? Do systems for measuring the contribution of businesses to sustainable development adequately reflect the contribution that FFPOs themselves feel they make?

Sustainable development is a process of enlarging people's freedoms to do and be what they value and have reason to value. It is also a process which doesn't substantially destroy the resources and options for others to do the same in the future. The process involves key actors in society of which business is an integral part. Business now own and manage vast areas of forest land globally – more than half of the total forest area (139 out of 258 million ha) in eight countries in Latin America, Asia and Africa is controlled by industrial timber concessions. Less than a tenth of that same area (23 million ha) is controlled by businesses owned by local communities and indigenous peoples. The role of business in contributing to sustainable development in these landscapes is vital. However, business models differ. Some deliver only a small share of what people value (financial capital) to a limited number of people (the owners of capital). Others are locally owned by forest and farm producers and therefore more accountable to the broader values of a larger number of local people. Concurrently, environmental degradation continues at a rate of 3.3 million ha of forest loss in the tropics annually. And despite increased business activity globally, social and economic inequalities are increasing. This reality suggests a need to better align development objectives, articulated now through the Sustainable Development Goals (SDGs), with that of business.

Business performance (internal) and business impact (external) have in the past been measured as two separate disciplines with different sets of metrics. This has created a gap. Governments, not business are ultimately perceived to have responsibility for the external impacts on the environment and society. Responsibility for internal performance is generally perceived to makes business sense. For the predominant business model, it is much rarer for business to assume responsibility for external impact unless it impacts short or long-term profit. However, the idea that business should have limited responsibilities (or liabilities) is not supportive of sustainable development. For that, an integration between internal performance and external impact is urgently needed to address this disconnect. Ultimately business efficiency should be measured as much by distributional efficiency of benefits (another way of looking at the external impacts) as by the aggregation of profit.

Why do we need to distinguish and measure different types of forest business against their contribution to sustainable development? The answer is straightforward. Increasingly, people care about the products they purchase and are often more inclined to buy from businesses they feel are responsible and contribute to society at large. Governments, which have a duty to respond to the wishes of their citizens might also target more effectively their procurement programmes and incentive schemes towards enterprises that meet additional social objectives. Thus far, the

dominant forest business paradigm is that of largescale industrial concessions, which benefit a few, often very wealthy, owners. At the same time, most rural producers who are farmers, forest users and indigenous peoples are also both owners and employees of some form of individual or group business. The latter forest and farm producer organisations (FFPOs) are often based on variably democratic ownership structure which distributes benefits more widely. Yet there are few mechanisms to differentiate what products and services come from which type of business.

Both individual and group businesses run by FFPOs, when locally controlled, have owners who live with the social and environmental impacts of their management decisions. Their accountability is therefore directly linked with the local people and the environment in which they operate, not with a distant board of directors or shareholders. Performance and impact measurement might be more integrated for such business as a result. However, at present, it is difficult to tell, for two main reasons. First, until recently, there have been few mechanisms to distinguish reliably between different models of business (i.e. different ownership and decision-making structures). Secondly, until now, there have been almost no attempts to measure the contribution of different models of business to what people value (sustainable development). So, any potential alignment between locally controlled forest businesses and sustainable development would at present go unrecognised.

Developing a means for distinguishing these locally controlled business models run by FFPOs from business models that do not have the same built in structures of democracy and accountability would be a first step. Measuring the impact of those different business models on different elements of sustainable development would be a second step. Using such metrics might ultimately shift policy and investment bias and consumer interest in favour of business models that more reliably deliver sustainable development with overall greater benefit to society.

This report advances a basic framework that can be used to distinguish different models. It does so by assessing the degree to which democratic accountability (local control) is in place. It explores briefly whether emerging certification approaches might already enable this distinction. Nothing out there quite does this yet, and while new labels such as the small producer symbol (SPP) come closest, it is limited in geographical and product scope and does not cover some of the areas of democratic accountability that we might wish to measure. The type of distinction we are looking for might be well-suited to a second party Participatory Guarantee System (PGS) – due to the trust-based nature of locally controlled group businesses, but getting global reach would require the backing of an international smallholder alliance such as the International Family Forestry Alliance (IFFA) to endorse regionally varying labelling requirement under a single label.

The report hints at the metrics that could then be used to assess how different types of business model deliver against a broader range of what human's value (and ultimately sustainable development). It goes on to highlight how the collection of such data can be used to compare and business models, allocate resource rights and responsibilities more intelligently or design incentives and support programmes. Alternatively, such metrics could be used internally by the

business itself to improve brand reputation in the market, negotiate prices, or pursue new loan or grant finance.

The aim of this paper is to open a discussion with FFPOs themselves on the benefits of such a framework together with the Forest and Farm Facility (which directly supports forest and farm producer organizations – FFPOs) and it partners in the Forest Connect alliance (a knowledge network for those supporting FFPO businesses). To kick start this discussion the report suggests that FFPOs consider the following:

- Do FFPOs, as organisations see a need and an advantage in championing new labelling options – and how do their ideas fit with the suggestions and framework in this paper?
- To whom or what do FFPOs think a label should apply and for what purposes – and how well might the notions advanced here apply to producers, associations, and businesses who need support, and with what gaps and / or embarrassing inclusions?
- Is linking two proposals: on labelling (that better distinguishes FFPO businesses); and on metrics (improving how different business contributions to sustainable development is measured) perceived by FFPOs to be essential?

1. Background to forest business metrics

1.1 The importance of business metrics in the forest sector

Business is integral to any notion of sustainable development. The reason is that business models are essentially collective attempts to deliver what humans value (Macqueen *et al.* in prep). And development is the process of enlarging people's freedoms to do and be what they have value and have reason to value for the common good (Alkire, 2010). There should, therefore, be congruence between business and sustainable development.

The problem is that business models differ, and the majority aim to deliver only a very small element of what people value (e.g. financial capital) to the benefit of a very limited number of people (e.g. capital shareholders). The results are seen in the loss of ecosystem services upon which humanity depends and growing inequalities (MEA, 2005). The growing scale of business activity has begun to exceed planetary boundaries (Rockstrom *et al.*, 2009) while failing to provide basic social foundations for the poor (Raworth, 2012). In the forest sector, there was an annual forest loss of 7.6 million ha and an annual gain of 4.3 million ha per year between 2010 and 2015. This resulted in a net annual decrease in forest area of 3.3 million ha against a global total of 3 999 million hectares (FAO, 2015).

Measuring business performance and measuring business impact have often been treated as two rather separate disciplines – with two different sets of metrics. This artificial divide is breaking down. Society must eventually clamp down on business whose metrics for internal performance bear no relationship to metrics for external impact. Something more integrated is needed. Somehow, society must align business performance with sustainable development, and develop metrics to assess whether business is "on message".

Nowhere is that more important that for forest and farm businesses which extend their activities across much of the Earth's surface. This report is an initial attempt by the Forest and Farm Facility[1] and the Forest Connect alliance[2] to bridge the two worlds of performance management and impact management for forest business – to align the two sets of metrics such that better internal performance maps directly onto better external impact.

In terms of forest business models, historically most tropical forests have been nominally under government control (72% in 2002 falling to 60% in 2015) (RRI, 2016), but the preferred business model has been to cede that control to capital controlled, industrial-scale, forest business models. For example, in eight tropical countries in Africa, Asia and Latin America, for which the total area of forest was 258.74 million hectares, industrial timber concessions amounted to 139.32 million hectares, as opposed to 23.21 million hectares designated for local control by communities and indigenous peoples (Molnar *et al.* 2011). Yet the annual gain in forest area has come almost exclusively from areas under local rather than industrial control. For example, China expanded its forest cover from 8.6 percent in 1949 to 22.1 percent in 2015, increasing its forest area by over 120 million ha, mostly by handing forest tenure rights to local forest and farm families and their cooperatives who then planted trees to seize the new economic opportunities afforded by forestry (FAO, 2016).

There is little evidence that capital controlled, industrial-scale forest business models have benefitted either the forests, or human development in general (Mayers, 2006). Even where forest industries have established supply arrangements with communities, these were found in general to be not equitable enough to be called partnerships, nor sufficient to lift people out of poverty (Vermeulen *et al.* 2008). Similar criticisms have been levelled at the industrial plantation sector (Gerber, 2011; Schirmer *et al.* 2016). In contrast, recent studies have shown that locally controlled forest businesses, where multiple local owners live with the consequences of their decision, have provided a diversity of environmental and socio-economic benefits (Bowler *et al.* 2010, Porter-Bolland *et al.*, 2012; Seymour *et al.*, 2014; Humphries *et al.*, In press). Of course, all businesses of whatever type will try to spin a story about the benefits of buying their product – and part of that may involve local impacts on sustainable development. This is part and parcel of having a good marketing strategy (see excellent lessons from the Aspen Institute, 2005). But we are interested here not only in the particulars of one product by one business, to look at the broader impacts on sustainable development of very different types of business.

The reason to distinguish different models of business, might be to assess their differential impacts, and then favour through legislative and market mechanisms, models that best deliver sustainable development (i.e. the process of enlarging people's freedoms to do and be what they value and have reason to value - without substantially threatening the resources or opportunities for others to do the same now and in the future). This could begin to diminish systemic general failures to deliver

1 The Forest and Farm Facility (FFF) is a multi-donor funding facility hosted by the FFF in Rome and co-managed by IUCN and IIED that operates both in ten partner countries and with additional regional and global programmes – providing direct support to Forest and Farm Producer Organisation (FFPOs).

2 Forest Connect is an ad hoc alliance of more than 1000 individuals from 94 countries dedicated to protecting forests and reducing poverty by better linking locally controlled forest businesses to each other, markets, service providers and policy processes.

sustainable development by certain types of business and encourage systemic general successes by other types of business – basing any approach on a more rigorous collection of data than has hitherto been the case.

It is important to note at this point that distinguishing and measuring the performance of forest business would have three audiences: first, *the customers* of those businesses – and for whom better performance might translate to preferential purchases; second, the *creditors* of such businesses – for whom better performance might lead to improved financial terms, and third (perhaps most importantly), *the state* whose legislation and its enforcement defines the business operating environment – and for whom better performance might elicit incentives compared to other less beneficial business models. But how would such distinctions and measurements be carried out credibly in practice for forest business models?

Having means to assure consumers, creditors and the state of the sustainable development impacts of forest business is not new. Labelling schemes of various sorts have tried to do just that for some time. For example, established in 1993, the Forest Stewardship Council (FSC), with its economic, social and environmental chambers attempted to do just that. Similarly, the Programme for the Endorsement of Forest Certification PEFC was founded in 1999 in response to the specific requirements of (but not specifically reserved for) small- and family forest owners as an international umbrella organization providing independent assessment, endorsement and recognition of national forest certification systems. In 2005, with pressure from its social chamber that FSC ways of working favoured industrial scale businesses, the FSC General Assembly introduced new streamlined procedures for small and low intensity forests (SLIMFs) to reduce the costs of certification for smallholder businesses. They also passed a motion to explore dual certification with the Fairtrade movement.

The Fairtrade movement also aims to assure consumers of sustainable development impacts. Fairtrade dates to 1946 with craft and agricultural products. In 2006, the potential market advantage of distinguishing locally controlled forest business models led to calls to develop a fair-trade standard for timber (Macqueen *et al.* 2006). With interest from the Fairtrade Labelling Organisation (FLO) an industrial demand survey was conducted which demonstrated high demand for such a market mechanism (Macqueen *et al.* 2008). FLO developed a draft Fairtrade standard for timber (FLO, 2011). But under pressure from environmental groups insisted that this pilot be a dual certification project with the FSC. A programme of pilot testing ensued that ultimately resulted in dual certified Fairtrade-FSC timber products from Bolivia, Chile and Honduras with the first reaching the market in 2012.

Unfortunately, lack of funding led to a suspension of the project in 2015 with a decision for possible continuation in 2016 yet unresolved (FSC, 2015). A major problem was identified as the high costs of dual certification. But this had always been the case for FSC certification. For example, Cashore *et al.* (2006) had pointed to increasing market concentration and negative effects on small-scale businesses that arise due to the high fixed costs of certification and the lack of price premiums to compensate.

Ongoing attempts to resolve this fundamental problem continue. In 2012 the FSC launched the small and community label option (SCLO). This label can only be used on products that contain materials from FSC certified operations that are small, sell small volumes of timber products, and/or are based in a traditional or indigenous community. But, to date the FSC has only 16 producers listed on their SCLO website (www.sclo.fsc.org). This is not exactly reaching the 1.2-1.4 billion forest dependent people (Chao, 2012). In the meantime, new labelling options are emerging that deserve more detailed consideration. Some better means of distinguishing locally controlled forest business is urgently needed. But for whose benefit?

Previous attempts have highlighted the challenge of matching the vision of literate consumers, creditors or state authorities and their certification schemes with the reality of smallholder producers. There is a trade-off between even the minimum requirements of a certification process (to gain market share or credit) and the added costs (which lose market share). Any new efforts need to improve on this trade-off for local forest and farm producers. This is especially important because locally controlled business models are often disadvantaged by comparatively high administrative costs per unit of production both because internal administration of a group business is challenging, and because external administrative costs for legal compliance and certification are often fixed irrespective of scale. They also face greater pressure to redistribute profits at the local level. Unless the benefits of a mechanisms to distinguish and measure their impacts outweigh the costs, justifying it to members will be difficult. Furthermore, both FSC and Fair-trade were strongly linked to a South-North paradigm where the emphasis was on using consumer purchasing power in the North and perpetuating the export for profit model as the primary value addition opportunity in forest product value chains, rather than developing product identity in other, including local, national and regional as well as south-south markets.

With the suspension of the Fairtrade pilots, the possibility of finding a trade-off that works for forest and farm producers themselves might seem far off. But the lack of good alternatives is also an opportunity. New thinking is required about how to distinguish and preferentially support locally controlled business models that are more closely aligned with sustainable development. Indeed, there are signs that producers may be taking matters into their own hands to develop such systems (see section 4.2). The intent of this paper is to map out a way forward – for further discussion with FFPOs

1.2 The advantage of distinguishing and measuring the impact of locally controlled business

This paper assesses options for the collectively vast, but individually small, locally controlled forest and farm businesses that directly affect the livelihoods of 2.4 billion people (Mayers *et al.* 2016). This is an important focus, because in most of the businesses engaged, local forest farmers are both owners and employees within some form of vaguely democratic management structure. The impacts of their businesses are general felt in the local community and environment. Internal business performance is thus quite tightly constrained. Local business owners live with the social

and environmental impacts of their performance management decisions. The gap between metrics for performance management and for impact management might therefore not be so daunting, compared with, say, a corporation driven by strong emphasis on financial quarterly returns to shareholders who are far distant from the impacts of that corporation. This is the first reason we have chosen to distinguish and develop metrics for locally controlled forest businesses.

A second reason why this set of metrics focuses on locally controlled forest businesses is as follows. Available evidence suggests that they and their associations offer particular advantages in delivering human prosperity (Macqueen *et al.* in prep) – which have often gone unnoticed because of lack of quantification of their contribution across these areas. This echoes work by Schuman (2007) that asserts that despite endless media coverage of multinational conglomerates, local businesses give more to charity, adapt more easily to rising labour and environmental standards, and produce more wealth for a community. They also spend more locally, thereby increasing community income and creating wealth and jobs. We wish to help such businesses articulate more credibly their broader contribution to prosperity – to their customers (whose exposure to corporate advertising biases them towards industrial scale business) – to creditors (whose risk profiling biases them towards industrial scale business) - to government legislators (whose time and resource constraints often bias them to favour industrial scale businesses in land and resource tenure and administrative approval processes) - and to donors (whose predilections for a quick fix introduce a bias in favour of industrial scale business).

A third reason for the focus on locally controlled forest farm businesses is that they exist in numbers that give them transformative potential. They accrue wealth locally and empower local entrepreneurship – but across entire landscapes (Macqueen *et al.* 2015). They strengthen social networks and associations – but these can be federated into powerful national and even international forces (De Marsh *et al.*, 2014). They create local incentives for forest landscape restoration – but summed across entire biospheres (Seymour *et al.* 2014). How they operate is fundamental for the implementation of the Sustainable Development Goals (SDGs). It is pivotal to Reducing Emissions from Deforestation and Forest Degradation (REDD+). It is essential to efforts to combat illegality through Forest Law Enforcement Governance and Trade (FLEGT) action plans. It also a major factor in the development of green economies that feed, fuel and furnish poor people. Collectively they offer the transformative scale that planetary solutions require.

1.3 The process of engaging with this issue

Historically, in least developed countries, structures that connected with and supported locally controlled forest businesses and their associations have been weak. The result all too often was economic failure, social conflict and degradation of the forest resource on which those businesses and peoples depended. The Forest and Farm Facility (FFF) and the Forest Connect alliance were both set up to address this situation – and as a result, have worked in close collaboration on this issue.

The FFF was established in 2013 to provide direct support to Forest and Farm Producer Organisations (FFPOs) to strengthen their businesses, engage across multiple sectors of decision-making, and raise their voice in international processes. By 2016, its proven cost-effective delivery mechanism reached more than 400 FFPOs in 10 partner countries over the last four years (with regional and global programmes engaging 30 more). Independent reviewers found the FFF Phase I approach to be both "highly efficient in terms of inputs relative to results" and "highly relevant… filling the gaps in rural development cooperation" with the firm recommendation that "a second phase of FFF should be considered to consolidate and expand its achievements". As part of this Phase II, FFF is keen to help FFPOs distinguish their products and services in the market place. It is also keen to demonstrate more widely the positive impacts that FFPO business can have for sustainable development. For this reason, in 2017, the FFF Management Team partner responsible for knowledge generation (IIED) was tasked with writing this conceptual paper to advance thinking in this area.

IIED and FAO had also co-founded Forest Connect in 2007 to addresses the lack of connectedness of locally controlled forest businesses (Macqueen, 2007a). Forest Connect helps to protect forests and reduce poverty by sharing knowledge amongst those who connect locally controlled forest businesses:

- to each other – with a focus on strengthening forest-farm producer organisations at different levels;
- to service providers – with a focus on building business and financial capacity;
- to buyers and investors – with a focus on enhancing market links and brokering fair deals;
- to governance processes – with a focus on securing commercial forest rights and incentives.

As an ad hoc and open knowledge alliance Forest Connect is co-managed by IIED together with FFF, the Centre for People and Forests (RECOFTC) and the Earth Innovation Institute (EII). It was therefore deemed sensible to join forces between FFF and Forest Connect to achieve a breadth of insight into how to move forward on this issue. At the first international Forest Connect workshop in Edinburgh in 2-4 July 2008, supporters of locally controlled forest businesses from around the world had identified what types of guidance they needed to do their job better (Macqueen and Morrison, 2008) and a toolkit was prepared by commissioned experts. That toolkit was then subjected to testing and enrichment, which formed the substance of the second Forest Connect workshop in Addis Ababa from 16-18 February 2010 (Macqueen and Rolington, 2011). The alliance then focused on how best to prioritise scarce support for locally controlled forestry at a third international Forest Connect workshop in Kathmandu, Nepal from 13-15 February 2013 (Macqueen and Rolington, 2013). With support from the newly established FFF, a compendium of case studies was produced of successful locally controlled forestry business models. This was presented at a joint FFF training and the fourth International Forest Connect network in Hanoi from 15-18 January 2015 (Macqueen *et al.*, 2015a). An emerging priority from that fourth workshop was the need to improve knowledge on risk management from which practitioners could learn. A framework for risk self-assessment was produced as a book of case studies (Bolin and Macqueen, 2016) and a toolkit followed (Bolin

et al. 2016). In the process of developing those risk management products, several of the risks identified had to do with demonstrating the beneficial impacts of FFPO businesses for sustainable development and thereby distinguishing FFPO products in the market place. The natural next step was to commission a conceptual paper to explore how better to distinguish locally controlled forest businesses from their industrial-scale competitors and to measure their contribution to sustainable development – to improve their support from consumers, creditors and the state.

So how might such businesses manage risk and measure their performance, while at the same time articulating their impacts to consumers, creditors and the state? It was this key question that has driven this initial exploration of metrics that function for performance management but can also reliably track the contribution of locally controlled forest business models to a broader set of impacts (and thereby strengthen support for them in programmes linked to FLEGT, REDD+ and the SDGs). An earlier draft of this report also served as a background document, for discussion at the 5th International Forest Connect workshop.

2. The business "performance – impact" measurement gap

2.1 The evolution of business performance metrics

In early history, businesses tended to be family affairs – and in many forest and farm communities in developing countries this is still the case. As early as AD 624, Muslim civilisations had developed accounting systems to measure business performance, using a system of double entry bookkeeping (Zaid, 2004). Double entry bookkeeping involves a balance sheet in which every entry in one sheet, (e.g. where money came from - credit), is matched by another entry in a separate sheet (e.g. what the money is used for - debit). By the middle ages such accounting practices were widely used to monitor business performance in a narrow financial sense (Euske and Zander, 2005). For example, in 1494 business performance measures were described, including (i) market justification for the endeavour, (ii) good mathematical and accounting practice; and (iii) systematic arrangement of business affairs (ledgers, journals, memorandums and the like (Pacioli, 1494).

But in industrial societies, as transportation and technology improved, mass production became possible in factory production lines. This required new business performance metrics relating to lines of authority and communication (between management and workers) and standards of uniformity in both production and accounting practice – with associated measures to incentivise or reprimand the workforce. For example, Josiah Wedgewood in managing his famed pottery factories published in 1780 his "Potters Instructions" that laid out precisely such performance measures.

By 1911, managers had started to take extractive measures of productivity per unit time from

workforce production lines to try and study and boost efficiency (Taylor, 1911). As businesses became ever more complex, control over operations becomes increasingly important, and so in 1912 new areas of business performance measurement began to include not only systematic use of experience, but economic measures to boost production efforts, and other measures to promote personal effectiveness (Alford and Church, 1912). In 1924, the first systematic attempts to quantify Return on Investment (ROI) were introduced in General Motors so that managers could assess where best to direct their money to get the highest return within a large business (Brown, 1924).

With advances in information technology (IT) came the emergence of whole new models of business management. System design for performance control (SDPC) was one such model (Kuhn, 1986) which, alongside ROI, looks at business goals, strategy, organisational structure, training inputs, coordination, monitoring and valuing the performance. Most, but not all the data collected in such systems originally came from accountancy data, but the debate on collecting and using financial and non-financial data grew with the realisation that serving customers was not all about price. New measures beyond economic profit emerged such as customer satisfaction, employee satisfaction, internal operating performance, and intellectual capital. From this new marketing perspective, organisations perform by satisfying their customers with greater efficiency and effectiveness that their competitors (Kotler, 1984). It was realised that there was great value in deciding what to measure – and in 1992, a balanced scorecard approach emerged that tried to ensure that business collected data on at least four areas – customers, learning and growth, internal business processes and finance (Kaplan and Norton, 1992).

With these advances in metrics, measuring business excellence involved an interactive feedback loop that comprises: delighting the customer, improving organisational learning, achieving process excellence and maximising stakeholder value (Kanji, 2002). But should business merely maximise shareholder value – or might they also be expected to maximise value for a wider cross section of stakeholders? Many new frameworks, such as the Performance Prism talk also of improving stakeholder value not only for customers and shareholders, but also employees, suppliers, regulating agencies and the community at large (Bourne *et al.* 2003).

In 1994 Elkington introduced the term, "Triple Bottom Line" to describe how it might be in the interests of business to measure social and environmental performance alongside financial performance (Elkington, 1994). The framework has been widely applied (and watered down through concepts such as Creating Shared Value – Porter and Kramer, 2011), but faces difficulties in the metrics of comparing financial benefits with say social or environmental indicators. It is all very well measuring social or environmental impact, even quantifying them in financial terms, but without some external control, who is to decide whether you take a free ride or pay the bill? Elkington and Porter and Kramer believe in the transformative power of the market itself, but they also acknowledge the need for governments to give a helpful push towards sustainability. Enter the field of business impact metrics.

2.2 The evolution of business impact metrics

Farm business has a long history with the first evidence of crop cultivation some 11 500 years old. Permanent agriculture allowed for the production of surpluses that freed elites to pursue their own interests – and hence rapidly spread at the expense of forest cover. The impacts of deforestation on agricultural fertility were not always appreciated, with much of the so called "fertile crescent" now being relatively infertile. Forest business also has a long history. Westoby (1989) describes how the Pharaohs brought cypress, juniper and cedar by sea from forests of what is now Lebanon and Syria. Chinese emperors decked the summer palace in Peking with timber from far away Szechuan.

Successive maritime powers sourced their timber from afar for their fleets, Venice from the forests of Dalmatia, Britain initially from the Baltic in the 1400s, shifting to the Americas in the 1600s and thence to the forests of India and Burma. It was certainly the case that colonial powers were concerned about the impacts of unsustainable logging. Indeed, it was in colonial territories controlled by the Dutch East India Company in Java and the British East India Company in Southern India that the first requirements for silviculture (forest management) emerged in the 1700s and early 1800s. They involved limiting selective felling, protecting forests by reservation, protecting and tending the next crop of trees and employing trained personnel (Dawkins and Philip, 1998). Silviculture therefore emerged as a response to the impact of threatened naval supplies that followed excessive logging of teak. The forest resource assessments that formed part of systems of scientific silviculture emerging from pioneers, such as Brandis, may be thought of the first form of forest business impact measurement (Brandis, 1881).

But it was not until almost 100 years later that concerns over the impact of business on endangered species led to the ratification of the Convention of International Trade on Endangered Species (1975). Shortly thereafter, concerns over business impacts on forest cover led to the International Tropical Timber Agreement (1983). But it was with the 1987 satellite imagery of more than 7000 fires burning in the Brazilian Amazon that deforestation became an issue for the general public (Humphreys, 1996). The public grew alarmed about the rate and scale of forest loss and began to demand more responsible business behaviour (Poore, 1989).

In the lead-up to the 1992 Earth Summit, social groups, NGOs and forest industries began to talk about how to curb deforestation. Disappointed with the non-legally binding outcome, WWF and several other NGOs pressed for a system to measure the impact of forest industries in terms of sustainable forest management, and in 1993 the Forest Stewardship Council (FSC) was established. This voluntary certification scheme established for the first time comprehensive social and environmental principles and criteria for sustainability with which companies had to comply. Notably, Criterion 8.2 requires: "The Organization shall monitor and evaluate the environmental and social impacts of the activities carried out in the Management Unit, and

changes in its environmental condition" (FSC 2015). These business-specific principles and criteria have subsequently been complemented by many other sets of criteria and indicators for sustainable forest management (e.g., the CIFOR Criteria and Indicators Toolkit Series – Colfer and Dudley, 1999).

In 1969 concerns over social and environmental impacts led in the USA to the publication of the National Environmental Policy Act (NEPA). Although initially targeting federal agencies, the act called for "a systematic and interdisciplinary approach to ensure that social, natural and environmental sciences are used in planning and decision-making". A Council on Environmental Quality (CEQ) was set up as a result to oversee its implementation. In the aftermath of that landmark policy procedures for Environmental Impact Assessment (EIA) were developed. The International Association of Impact Assessment (IAIA) defines EIA as "The process of identifying, predicting, evaluating and mitigating the biophysical, social, and other relevant effects of development proposals prior to major decisions being taken and commitments made" (IAIA, 1999). Environmental impacts are often assessed in relation to the production of industrial products, and there are guidelines to deal with unusual scenarios such as the introduction of genetically modified plants. Often, environmental impacts are hard to quantify (e.g. on landscape beauty or lifestyle quality) and therefore rely on expert opinion and community sentiment aggregated through some form of "fuzzy logic". Methods for EIAs are now standard across much of the world.

As noted above, the criteria and indicators for both sustainable forest management and EIA involve both environmental and social impact assessment. The industrial revolution had led to industrial practices that threatened not only the environment, but also society. This had led to various early works on the social responsibility of business (e.g. Krep, 1940). And after the war Bowen (1953) laid out a comprehensive rationale and theory for corporate social responsibility (CSR).

For some, however, voluntary measures were not enough, and in protest over "survival of the fittest" free trade capitalism, a movement towards fair trade was established (Redfern and Snedker, 2002). In 1958, the first fair trade shop opened selling Puerto Rican embroidery from the Mennonite "Ten Thousand Villages" programme, soon followed in 1964 by Oxfam's establishment of the first "Alternative Trading Organisation" (ATO). The growing number of ATOs led in 1989 to the establishment of the International Fair-Trade Association (IFAT). This was complemented in 1997 by the parallel establishment of the FLO which certifies products as fair trade such that mainstream retailers, even if they not themselves committed wholly to fair trade practices, can at least distinguish products that meet those impact standards. In 2006, discussions commenced around the development of a standard for fair trade timber (Macqueen *et al.* 2006), which ultimately resulted in a pilot project for FSC and Fairtrade dual certification. Of interest is the fact that for Fairtrade certification, FLO requires some form of democratic ownership structure and transparent benefit sharing arrangements within the producer organisation.

The recovery from the Second World War renewed interest more generally in measuring the social impact of business – and particularly its contribution towards poverty reduction. The forest-poverty link has been part of this discussion (Sunderlin *et al.*, 2005). How "poverty" is understood has changed significantly since the end of the Second World War, and this has had a major effect on how impacts on poverty have been measured (for a useful summary see PROFOR, 2008). For example, from 1945 to the late 1960s, poverty was largely measured in terms of monetary income and consumption, using national income statistics and household income surveys. In the 1970s and 1980s there was a renewed focus on basic need, such that impacts were measured in terms of nutrition, food security, health and education. From the 1990s onwards there was a new emphasis on impoverished peoples' goods and services not entering the market, coupled with thinking on local empowerment, security and control over resources. In 1979 Amartya Sen introduced the notion of "equality of capabilities" (Sen, 1979) as the key notion of justice, ultimately leading him to reframe poverty as "capability deprivation" (Sen, 1999).

Responsible forest businesses might therefore be expected to assess through some participatory survey how their business operations impact the full suite of capabilities of affected persons over the full timeframe for which those impacts last (Macqueen, 2007b). The extent to which assessments of those impacted by a business feature in social impact assessment methodologies varies hugely (for example, in 2008 Olsen and Galimidi surveyed 25 different social impact measurement approaches worldwide). Many of these approaches are driven by independent external auditors (even if many are based almost exclusively on the voluntary responses of people within the business itself).

In recent attempts to align internal measurements of how a business impacts society with external impact assessment, it is still rather striking that stakeholder engagement (e.g. with those affected by a business' governance and environmental management, assets, human resources and financial flows) is seen as optional by the representative body for leading global corporations – and that any final decisions are the unique preserve of a "management response" (WCBSD, 2007).

A parallel set of discussions has been advanced, particularly strongly by Indigenous peoples around a different concept of "well-being" or "buen vivir". This incorporates a broader definition of "self-determined development" which incorporates key elements of relationship, responsibility and reciprocity to neighbours, community and the earth beginning with a direct and continuing connection to a landscape and place or territory. It could be argued that some elements of "corporate social responsibility" for businesses attempt to address elements of this – without incorporating the deeper more spiritual and social dimensions of the worldview. A growing desire to contribute to community and feel a stronger bond to the landscape has seen the growth in regional and local farmer's markets not just in wealthier countries, and the idea of loyalty to "locally grown" and regionally produced products and locally owned businesses. Many people want to know the story behind the products they use, putting a name and a face to the producers.

2.3 The business "performance-impact" measurement gap

So, while there has been a great convergence between the (usually internal) metrics for measuring business performance, and the (usually external) metrics for measuring business impact – a gap still exists. It might be attributed to two main issues:

(a) Perceived relevance of different metrics - Firstly, there is likely to be a gap because of perceived differences in the relevant scopes of what might be measured for internal performance versus external impact. In a timber processing company, for example, performance metrics might focus on internal time-use efficiencies (of little perceived interest to those studying external impact), while impact metrics might be interested in water pollution (of little perceived interest to those studying internal performance). Yet as one looks in more detail these obvious differences seem less substantial. For example, internal time-use efficiency will have major implications for employment and working conditions – which are surely a legitimate area for assessing business impact. Similarly, water pollution if unconstrained is ultimately likely to be the subject of litigation which would affect internal performance.

(b) Perceived responsibility for areas to which different metrics apply – Secondly, the gap exists because certain business models, while acknowledging responsibility for their internal performance (and the metrics associated with that), do not acknowledge responsibility for some of the areas to which business impact metrics might apply. So, for example, an industrial forest corporation would certainly acknowledge responsibility for internal performance metrics linked to quarterly financial returns (it is legally obligated so to do). But it might not acknowledge responsibility for metrics on local employment or poverty reduction – deferring that responsibility instead to the Government. Even in areas where performance and impact overlap (e.g. satisfaction of customer, shareholders and regulators) certain businesses do not perceive themselves to be accountable to the public affected by their business operations. For example, an industrial timber corporation might try to minimise its tax contribution because, in its view, it is the government and not business that is responsible for setting tax laws and providing public goods to local communities. It might abide by the bare minimum in terms of water quality because, in its view, it is the government and not the business that should be setting water quality standards.

While the first reason is practical (perceptions of where boundaries lie), the latter is politically pernicious – because it rejects the interests of the common good in favour of the more limited (usually financial) interests of a favoured few through a denial of responsibility.

Fortunately, as has been noted many times before, the "private sector" is not a homogenous sector. There are many different types of business model, with different ownership and accountability structures (see Macqueen, 2007). In locally controlled forest business models (e.g. local non-profit businesses and associations or co-operatives) the owners generally live in the environment in which the impacts of the business occur. In mainstream business models (e.g. corporations) it is much rarer for owners to live in the environment where the business impacts

are felt. To counter this, more advanced thinking for how to align corporations with sustainable development is exploring models of "Stakeholder Relations Management" (SRM). The idea is that SRM can gather feedback on business impacts to shape corporate behaviour (see Steuer *et al.* 2005) – but in practice there is no "accountability" for sustainable development in such a model as the decision-making power still lies with the capital shareholders, not those consulted in the environment where impacts are felt. It might provide a nudge in the right direction – but it does not close the performance-impact gap.

Within locally controlled business models there is the possibility of a more direct local accountability mechanism to ensure the external impacts are considered in a more integrated fashion with internal performance (e.g. local owners react to local impacts). Possibility, yes, but practice is a different thing. How the possibility might be concretised practically in pursuit of more sustainable development is the topic considered in the next section.

3. Bridging the business "performance-impact" measurement gap

3.1 Democratic accountability as the key means of bridging the gap

In trying to foster sustainable development by eliminating the gap between business performance metrics and business impact metrics – the key area of concern, as noted above, is the pernicious disregard for the common good within some business models (area "b" above). But for both underlying reasons for the gap between performance and business metrics, a greater insertion of democratic accountability would help to close the gap. This is acknowledged by academics studying corporations, even if proposed solutions such as SRM are not an adequate response (see Steurer *et al.*, 2005). For both reasons (e.g. "a" Perceived relevance of metrics and "b" Perceived responsibility for the areas to which metrics might apply) greater democratic oversight helps to broaden understanding of how particular metrics, beyond the obvious core, might enhance business performance (or not) and ensure that the common good trumps the personal interests of the favoured few.

That being the case, it might therefore be appropriate to develop an entirely new sort of metrics. Such metrics might chart, not the endless particularities of social or environmental impact (the subject of innumerable existing certification schemes), but instead, the degree of democratic accountability embedded within business models that determines what is measured and holds business accountable to it.

This is an important shift in emphasis. It rejects the notion that there is one single applicable set of standards that might apply to all business. It affirms instead, that the best people to hold business accountable to broader common good, are those affected by the impacts of those business. It measures, therefore, the degree to which they

are in fact able to hold the business accountable. This is important, because there will be inevitable trade-offs in business activities that only those affected are able adequately to negotiate. For example, is an increase in local employment and income generation more or less important than a slight loss in water quality, and up to what threshold? It would be almost impossible to prescribe from the outside answers to such trade-offs. But by ensuring local democratic accountability, decisions of this type can be made and adjusted with the changing value perceptions of local people.

But of course, there are also broader national and global-level impacts of business that require consideration. For example, it might be the case that myriad local businesses, even those held locally accountable, might opt to reduce forest cover and biodiversity in search of locally beneficial wellbeing. So, at some point, national or global governance structures must override local business interests in cases where those local interests compromise national or global goods. If national and international governance structures ultimately must intervene to protect such national or global goods, why not make them wholly responsible for such goods, and leave business models out of it? Well, the answer to that is quite simple. Of course, national and global governance can and should be accountable to the national and global public. But there is no reason whatsoever that those same governance structures should not distinguish between business models that are accountable to and therefore serving the local public good, and those that are not. Indeed, it is highly surprising that such distinctions have not already been made and applied. That might not mean eliminating less accountable models of business. But it would certainly mean favouring those models of business that deliver local public goods through licensing, incentives, technical and financial support. After all, if particular business models are reducing the cost of the provision of local public goods normally paid for by national or global governance structures (i.e. investing in sustainable development otherwise paid for by the state), why should they not be compensated for that fact.

It is the contention of FFF, and the Forest Connect alliance, that locally controlled forest businesses run by FFPOs often deliver more to local people than some other models of forest business, notably industrial-scale corporations. But we want to be able to distinguish clearly between the types of business models and then prove the case through metrics that measure business impacts in various areas pertinent to sustainable development. This requires careful thought because the metrics must be able to discern particular impacts, for example on gender inclusion, and not just assume that simply by having democratic governance all will be well. For a metric system like this to work – it would be necessary first to decide in which particular areas of "sustainable development" it might be desirable to distinguish the democratic accountability of forest business. We turn to this in the following section.

3.2 Value categories in which democratic accountability might be necessary

Fortunately, this is not at all as difficult as it first might sound. Sustainable development can be defined in line with capability theory (Sen, 1999; Alkire, 2010):

> "*a process that direct people's freedoms to do and be what they value and have reason to value in line with the common good, and that empowers them in that pursuit*".

We would also want to add that it is a process which doesn't substantially destroy the resources and options for others to do the same in the future (notions of sustainability and intergenerational equity. This immediately raises the question of what people value. The difficulty here, is not so much discerning that to which people ascribe value – but in grouping clusters of non-commensurate values in a way that is acceptable to all concerned. We use here a sustainable development framework that disaggregates that to which people ascribe value into three clusters and six different categories of non-commensurate values – and one that is fully endorsed in United Nations Declarations of Human Rights (UN, 1948) and resonates with the many previous attempts to cluster human development values (see Alkire, 2002, Macqueen, 2014, 2016a).

These categories of "that to which people ascribe value" also map onto six areas of business concern as shown in the square bullets below. Because these categories reflect a comprehensive outlook at what people, and businesses, value – they have already proven useful as categories within which to assess business risk. So, for example, the Forest Connect alliance recently developed a framework and toolkit for risk assessment which has now been piloted in more than 10 countries (see Bolin and Macqueen, 2016, Bolin *et al.* 2016). Sustainable development involves freedom to pursue:

- *Values based on familiarity*
  - Care for environmental and cultural heritage and beauty
    - Business concerns over resource access and management
  - Material health and wellbeing
    - Business concerns over financial health
- *Values based on passions*
  - Personal and reproductive fulfilment
    - Business concerns over operational capacity
  - Cognitive identity and purpose
    - Business concerns over brand identity
- *Values based on common interest*
  - Affirmative social relationships
    - Business concerns over market relationships
  - Personal and collective security
    - Business concerns over the policy environment

To move towards the full entirety of what people value or have reason to value for the common good (i.e. sustainable development) democratic oversight must permeate business in the six areas categories defined below (Table 1). We refer in this paper to such democratic oversight using the shorthand "local control". As seen in Table 1, we advance the idea that democratic accountability in business should not merely refer to decisions over resource rights or the distribution of benefits arising from business, but also broader issues, such as the objectives to which businesses aspire, the opportunities for staff development they provide, the nature of the relationships they develop in the market and more broadly, and the representation of those businesses in local, national and perhaps even international decision-making. Only when the democratic accountability in business extends to all of these areas are we likely to align business performance and impacts with those of sustainable development.

Table 1. Making business work for the common good

Basis of action	Familiarity – values of appreciation		Creativity – values of passion		Common interest – values of relationship	
Ideological value pursuit	Business models aligned with the common good					
Development outcome	Conserved abundance and beauty for all	Healthy levels of material comfort	Productive society with gender-equal opportunities	Decent work, social stability and family time	Relational trust and friendship	Law and order for social justice
Business constructs	Democratic oversight of resource rights and land-use	Democratic control of business-benefits	Democratic alignment of business and brands with local values, male and female	Democratic control over access to vocational education for upward mobility	Democratic cooperation towards inclusive market access	Democratic representation in decision-making and law enforcement
What humans value	**(a) Stewardship of natural and cultural heritage**	**(b) Material health and wellbeing**	**(c) Sense of identity/ purpose**	**(d) Creative fulfilment of potential**	**(e) Affirmative social relationships**	**(f) Present and future security**
Business constructs	Unplanned or competitive approaches to rights and land use	Distribution of business benefits to those with capital	Alignment of business and brands with opportunities for enhancing wealth and power	Limited access to vocational education maintaining low labour costs	Elites control access to market value chains	Corrupted officials and judiciary to protect elites
Development outcome	Scarcity and restricted beauty	Illness and inequitable vulnerability	Culture of listless, sexist escapism	Drudgery, social unrest and family breakdown	Global mistrust and ghettoed securitisation	Corruption, conflict and injustice
Ideological value pursuit	Business models aligned with self interest					

Source – Adapted from Macqueen *et al.* 2016.

3.3 The legitimacy with which we might measure democratic oversight in each value category

What is the legitimacy of developing metrics based on democratic oversight or local control over forest business? It should be noted immediately that we are not attempting to do this in a vacuum. There are major bodies of preceding work, including inter-governmental treaties and conventions and independent systems of certification, criteria and indicators that apply to forest business. But as noted above, we are here less interested in measuring the particular performance or impact characteristics, and more interested in justifying the legitimacy of measuring the degree of local control over those performance or impact metrics. It is useful to chart the legitimate grounds for the effort, to draw out any lessons that might be pertinent to our own measurement approach. A full summary of the justification is provided in Annex 1, but we have summarised the main points in Table 2 below.

Table 2. Summary of the inter-governmental treaties and conventions and international certification systems that justify local democratic accountability in business (see Annex 1).

Categories of democratic accountability in business	Inter-governmental treaties and conventions and international certification systems that call for democratic accountability in each area (and the degree to which this can be inferred to imply to accountability in business)
Democratic oversight of resource rights and land-use	Direct – UN Declaration on Human Rights (1948), Indigenous and Tribal People's Convention (1989), Rio Declaration on Environment and Development and Agenda 21 (1992), Forest Stewardship Council Principles (2015), Sustainable Development Goals (2015) Indirect – Convention on Biological Diversity (1992)
Democratic control of business-benefits	Direct – Non-Legally Binding Instrument on all types of forests (2007) Fairtrade standards (2015), Sustainable Development Goals (2015) Indirect - UN Declaration on Human Rights (1948), Paris Agreement (2015), Forest Stewardship Council Principles (2015)
Democratic alignment of businesses and brands with local values, male and female	Direct - UN Declaration on Human Rights (1948), International Covenant on Economic, Social and Cultural Rights (1966), ILO digest on the freedom of association (2006), Fairtrade timber standard (2011) Indirect - Sustainable Development Goals (2015)
Democratic control over access to vocational education for upward mobility	Direct – Convention on Technical and Vocational Education (1989), ILO decent work agenda (2008), Sustainable Development Goals (2015) Indirect - UN Declaration on Human Rights (1948),
Democratic cooperation towards inclusive market access	Direct – Marrakesh Declaration on the World Trade Organisation (1994), Fairtrade standards (2015) Indirect - UN Declaration on Human Rights (1948), ILO Declaration on fundamental principles and rights at work (1998),), International Covenant on Economic, Social and Cultural Rights (1966)
Democratic representation in decision-making and law enforcement	Direct - UN Declaration on Human Rights (1948), International Covenant on Civil and Political Rights (1997) Indirect - Sustainable Development Goals (2015)

Source - Adapted from Macqueen 2013.

The main take-home message of this analysis is that democratic accountability in many of these areas is either directly or indirectly inferred by several inter-governmental treaties and conventions or by international certification schemes that have widespread public acceptance. That is not to say that democratic accountability within business models is necessarily mandated by any of these documents (it is not). But we can certainly conclude that it is legitimate to distinguish between businesses for which such democratic accountability is inbuilt, (and for which distribution of benefits are shared and which prioritize social and group welfare) and those for which it is not. Indeed, in the search for sustainable development it is undoubtedly our duty so to do.

4. Developing a framework for measuring democratic accountability (local control) in forest and farm business

4.1 What a framework to distinguish democratic accountability might look like

In previous sections, we have suggested that: (i) it is important to measure the contribution of business to sustainable development; (ii) there is a gap between the internal performance metrics and the external impact metrics applied to the predominant model of forest business that is concurrent with a degradation of forest ecosystems; (iii) greater democratic accountability (local control) in six different areas of forest business would reduce that measurement gap; (iv) it is legitimate to distinguish between business models that have such democratic accountability from those that do not; (v) making that distinction and measuring the impact of different business models on different areas of sustainable development could help improve the contribution of forest business to sustainable development.

In this section (Table 3) we lay out a basic framework that could be used to assess the degree to which that democratic accountability (local control) has been put in place. This could be used to distinguish locally controlled business from other forms of business with less local control. This might enable locally controlled forest businesses to make a claim for support either with consumers in the market place or in relation to some market mechanism (see the section 4.2 below on labelling approaches). It might enable locally controlled businesses to pursue procurement policies in their favour or incentive programmes of Government. Finally, it might help locally controlled businesses make a case for support from development aid programme.

The framework in Table 3 is very much an initial generic statement of what might be done to distinguish locally controlled forest businesses. In

each category, representative FFPOs themselves would need to discuss and agree viable indicators that accurately reflect the extent of local control over the business. It might then be possible for some overarching federation, such as the International Family Forestry Alliance or the Global Alliance for Community Forestry to endorse the approach so that it is widely recognised.

If it were possible to agree a mechanism for distinguishing the businesses controlled by local FFPOs from other types of business, this might ultimately form the basis of some form of labelling. But before going further down that route, it is important to take stock of what already exists or is emerging. An initial attempt to do that is presented in the following section. Further detail is provided by the "Guide to guides" (FAO, in press) a toolkit on labelling for forest and farm producers, which complements other toolkits developed by FFF and Forest Connect on supporting small forest enterprises (Macqueen *et al.* 2012), organisational development (FAO, 2017) and risk management (Bolin *et al.* 2015).

Table 3. Metrics for distinguishing between businesses that are locally democratically accountable from those that are not with some suggestion of indicators

Value categories for sustainable development	Stewardship of natural and cultural heritage	Material health and wellbeing	Sense of identity/ purpose	Creative fulfilment of potential	Affirmative social relationships	Present and future security
Scored criteria to assess democratic accountability of business to local people's values	Democratic oversight of resource rights and land-use	Democratic control of business-benefits	Democratic alignment of business brand with local development objectives	Democratic control over access to vocational education	Democratic cooperation towards inclusive market access	Democratic representation in decision-making and law enforcement
2. Indicator of full business alignment (catering to local participants and non-participants in locally owned business – e.g. landless people)	Local general assembly oversees business owned and managed by local forest owners	Distribution of business profits agreed by local business owners and endorsed by local general assembly	Business objectives and brand agreed in local general assembly	Vocational education and employ-ment options for both men and women agreed in local general assembly	Market access is pursued by some local general assembly with cooperation between business groups and multiplier effects	Local general assemblies or federations or association directly represent local stakeholders in policy and decision-making processes
1. Indicator of reasonable business alignment (catering to needs of local business participants)	Business owned and managed by local forest owners	Distribution of business profits agreed by local business owners	Business objective and brand agreed by local business owners	Vocational education for both men and women agreed by local business owners	Market access is pursued by local business owners but without broader cooperation	Local business owners have indirect representation through an association or federation
0. Indicator of little business alignment (catering to non-resident owners of shareholders)	Business owned by individuals non-resident in the area of forest operation	Distribution of profits decided by individuals non-resident in the area of forest operation	Business objective and brand decided by individuals non-resident in the area of forest operation	Vocational education decided by individuals non-resident in the area of forest operation	Market access is pursued for the benefit of non-resident business shareholders with little loyalty to specific areas	Business owners represent their own interests, not those of local residents in policy and decision-making

Source - Adapted from Macqueen 2013.

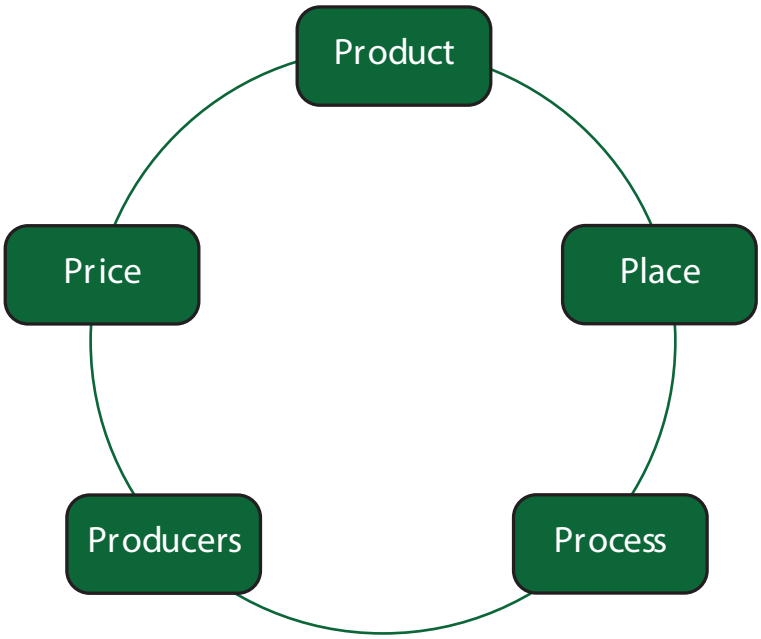
4.2 The degree to which emerging labelling approaches already distinguish locally controlled forest business

Labels can be defined as "symbols associated with a product or an organisation, created by a professional body, whose logo is affixed to or associated with it, to certify the origin, quality, producers or production process in accordance with standards" (adapted from Durochat *et al.*, 2015). They act as claims of business or product characteristics (de Boer, 2003) and focus on invisible or "credence values" to do with how the product is produced rather than "search" or "experience" values (e.g. the colour of wood, or the taste of a mango) which are already easily appreciated by consumers.

Many labels exist. They enable purchasers or supporters to align their specific requirements with the market offer available. In the most general terms labels draw attention to, define and guarantee one or more of five possible sets of characteristics (Figure 1). Three of these (Product, Place, Process) are widely used. Producers - defining and guaranteeing the nature and degree of control of the business owners is a relatively recent phenomenon, and the focus of this paper. Price is a fifth set of characteristics, usually not included in such schemes as it is ubiquitous – although we mention it here because of some attempts to guarantee producer premiums, while others develop their brand image around low price.

Labels often define and guarantee more than one characteristic. For example, a label such as Organic Fairtrade guarantees both that the *product* is produced without the use of chemical fertilizers, pesticides, or other artificial chemicals, and that the *process* involves principles of fair-trade. Many of the *place* labels (e.g. Appellation d'Origine Contrôlées, AOC) define not only where the product came from, but also the locally embedded production *process* (Ibery, *et al.* 2005).

Figure 1. Typical product characteristics that might be distinguished by labels



In addition, many of the *process* labels also include specification about the rights of *producers*. For example, the FSC label includes Principles 2-5 dealing with recognition of local people's tenure rights, Indigenous Peoples rights, community relations and worker's rights, and social sustainability. Almost all fair-trade labels also require processes involving organisations of *producers* comprising mostly smallholders. Fairtrade USA expanded this to cater for smallholders who were not yet organised into a producer organisation and so trading intermediaries are also allowed. These overlaps and differences complicate any simple scheme of categorisation, such as that attempted in Table 4.

Table 4. Examples of the focus of different types of labels commonly used to distinguish forest businesses or products

Characteristic	Examples of labels	Focus of label
Product	Organic / agro-ecological	Specification of the quality of the product with guarantees about non-use of chemical fertilizers, pesticides, or other artificial chemicals (e.g. Australian Certified Organic, Canadian Organic, EU Organic, PGS organic produce India, Japanese Agricultural Standard, USDA Organic, Quezon PGS Philippines etc.)
	Biodynamic	Specification of the quality of the product, equivalent to organic agriculture but treating soil fertility, plant growth, and livestock care as ecologically interrelated tasks in which spiritual and mystical perspectives developed by Rudolf Steiner are emphasised (e.g. Demeter certified biodynamic)
Place	Geographical origin	Specification of the place in which a business is based and from which a product comes, with guarantees of quality, local environmental distinctiveness and locally-embedded production skills (e.g. Protected Designation of Origin – PDO or Protected Geographical Indication – PGI, or Traditional Speciality Guaranteed - TSP, alongside varied other indications of provenance, and traceability mechanisms, for example in log tracking systems)
Process	Sustainable forest management	Specification of the production and trade processes with guarantees about sustainability of the production process, including environmental social and economic principles (e.g. Forest Stewardship Council – FSC or Programme for the Endorsement of Forest Certification – PEFC).
	Fairtrade	Specification of the production and trade processes with guarantees about the trading conditions, producer's rights, process of sustainable development and role of fair trade organisations (e.g. Fairtrade International, World Fairtrade Organisation, Fairtrade USA, ECOCERT Fair Trade, Organic Fairtrade and Organic Solidarity, Fair for Life, Forest Garden Products, Naturland Fair etc.)
	Sustainable development	Specification of the production and trade processes with guarantees on the integration of sustainable development into supply chains, such as respect for rights, health and safety, environmental impact, community relations, integrated land use etc. sometime for specific products (e.g. Rainforest Alliance and Sustainable Agriculture Network, UTZ Certified (Coffee, Tea, Cocoa, Palm oil) Proterra (Soy) 4C (Coffee), Bonsucro (Sugarcane) etc.)
	Sustainable construction	Specification of the production process from origin to end use with guarantees on raw materials, energy use, carbon emissions, waste flows etc. (e.g. BREEAM-NL for buildings, Cradle to Cradle (C2C), EU Ecolabel, Meer met Minder etc.)
Producers	Smallholders	Specification of the producers with guarantees about who owns the business and produces the product (e.g. the Small Producers Symbol (SPP) – plus many of the Fairtrade labels listed above)
	Artisanal family farmers	Specification of the producers with guarantees about their smallholder nature and the customary production methods (e.g. Sello Manos Campesinas, Familia de la Tierra)
	Cooperatives	Specification of the type of business organisation with guarantees about the distribution of benefits to member owners (e.g. Zen-Noh and Zenkyoren in Japan, National Agricultural Cooperative Federation (NACF) in Korea, CHS Inc in USA, Covea in France, The Cooperative Group UK, BayWa Suedzucker and Agravis in Germany, Fonterra Co-operative Group in New Zealand, Metsäliitto in Finland, Lantmännen and Södra in Sweden etc.)
Price	Brand / trademark	Specification of the retail organisation producing the forest product and its commitment to values – including affordable price (e.g. American Signature, Bassett Furniture Industries, IKEA, Habitat, Steinhoff, Howdens, XXXLutz, JYSK, Otto Group etc.)

Source - Adapted from Durochat *et al.* 2015.

A first point of note is that some of these labels are rather restricted in scope (i.e. organic labels limiting undesirable characteristics such as the use of unwanted chemicals in food production). Other labels have broader ambitions. For example, sustainable development labels establish benchmarks towards a whole array of good practices. Similarly, the various producer labels have broad livelihood outcomes in view. It is the latter sort of label that we are interested in promoting to close the gap between business activity and sustainable development.

A second point of note is that some existing labels go quite far down the road of insisting on local control (e.g. fair trade). They insist on democratic and participatory producer organisations *when* trade deals with such groups and when the trade is from South to Northern consumers (e.g. most fair-trade labels). But most of those labels are open to production by contract farmers or plantations under particular conditions which they specify, and few cater for South-South trade or North-North trade with exceptions such as Organic Solidarity (Durochat *et al.* 2015).

Cooperative producer labels clearly guarantee that the product comes from democratic and participatory producer organisations, but with no limits on the size of production unit holdings and no unifying label to make it easy for consumers or supporters to know what they are buying into.

It is only the Small Producer Symbol (SPP) that offers a single label that *restricts* eligibility to producer organisations and makes demands on the maximum size of production units. Some of the emerging Participatory Guarantee System (PGS) labels such as Sello Manos Campesinas or Familia de la Terra are also limited to smallholder production units, though not so particular about producer organisations. Two issues remain. Firstly, the SPP label is only applicable to developing countries and is currently only operational in Central and South America with a small foothold in Asia. Secondly the SPP label is currently only applicable to agriculture, handicraft and beekeeping – which would exclude many of the mainstream timber products common to forestry businesses.

A further issue to consider is the cost of certification. Costs are usually incurred when labelling schemes require a "professional body" to legitimise the certification. There are trade-offs between numerical reach, credibility and costs of the "professional body'. For example, the options for labelling include:

- Self-certification – the label is issued by the manufacturer to denote their own product, place, process, or producer characteristics. Self-certification programs do not carry endorsements or the credibility of an impartial third party. However, they do provide distinct advantages in controlling costs and providing flexibility in the type and amount of information provided to consumers. The co-operative labels and the brand trademarks in the section above involve self-certification.

- Participatory guarantee systems (PGS) – the label is issued by a network of peers (producers and consumers together) credible to do so within particular geographies, politics and markets that they serve – based on a shared vision of what they want, participation, transparency, trust, and a learning process in which there is horizontal sharing of power (IFOAM, 2017). Some examples of PGS schemes include PGS organic produce India, PGS Quezon, Sello Manos Campesinas or Familia de la Terra.
- Third party certification systems – the label is issued by a labelling body affiliated to the accreditation body (the standard owner). But the labelling body only issues a label following audits by certification bodies who are accredited by the standard owner. The audits assess compliance with standards (i.e. principles and criteria) set by a standard setting body – either the accreditation body itself, or working groups set up to serve it. Some examples of better known third party certification schemes in the table above include EU organic, FSC and PEFC, Fairtrade international and UTZ certified.

Self-certification is limited in terms of numerical reach to a single business, and its credibility rests on many different factors related to that business (N.B. for some longstanding cooperative businesses trust can be very high), but it is low cost. In many direct sales situations labelling may be absent, but this does not mean there are not other ways to self-certify, for example through the telling of compelling stories. PGS usually serve a limited number of businesses in a geographical area, in part because they rely on the trust and credibility between business peers and customers, and they too are relatively low cost. Third party certification systems can support unlimited numbers of businesses, tend to have high credibility (N.B. this can come into question if commercial expansion of the scheme is a high priority), but are expensive.

The notorious high per unit cost of third party certification schemes discriminates against small-scale. Now, not all locally controlled forestry businesses are small scale. Some of the cooperatives listed above are among the world's larger forest sector businesses. But there is a tendency for local control to equate with small per unit production sizes – which makes third party certification less cost-competitive for those businesses. Conversely, the high trust needed to establish locally controlled group businesses makes them ideally suited to PGS. The problem with PGS to date is that there are few examples with mainstream forest sector products such as logs, primary processed sawn wood, furniture and other secondary processed products. Nor are PGS schemes readily expandable beyond geographical trust-based regions – as might be required in a broader "locally controlled forestry" branding. One option here might be for a global body such as the International Family Forestry Alliance (IFFA) and its colleagues at the Global Alliance for Community Forestry (GACF) and the International Alliance for Indigenous and Tribal Peoples of the Tropical Forests (IAITPTF) to act as guarantors for an array of regionally agreed "locally controlled forestry" PGS systems, all using the same label.

In looking at the options for distinguishing locally controlled forest businesses based on their democratic accountability (and ultimately sustainable development impact as suggested below) several conclusions can be drawn. First, nothing out there that quite does this yet. Second, of what

is out there, the small producer symbol (SPP) comes closest but is limited in geographical and product scope and does not cover some of the areas of democratic accountability that we might wish to include from Table 3. Third, the type of distinction we are looking for might be well-suited to a PGS scheme – due to the trust-based nature of locally controlled group businesses. Fourth, the range a scale of such a scheme might benefit from the backing of an international smallholder alliance such as IFFA to endorse regionally varying labelling requirement under a single label. The FFF believes these options merit further consideration within the many FFPOs supported by the facility.

4.3 Options for other metrics to quantify the impacts of such democratic accountability

Any scheme to distinguish locally controlled forest business from other types of business would not have as its core measurement of the sustainable development impacts of locally controlled forest and farm businesses. But if it were possible to reliably distinguish locally controlled forest businesses from other types of business, looking at the respective impacts of different types on sustainable development would of course be a natural follow-on. For example, it would be interesting to assess whether locally controlled forest businesses had any particular advantageous impacts on:

- forest landscape restoration (FLR) and sustainable forest management (SFM);
- income generation, gendered income distribution and multiplier effects in the local economy;
- alignment of business objectives within broader frameworks that pursue sustainable development / prosperity;
- vocational training toward the full development of the human personality;
- social organisation that improves terms of trade in markets;
- political representation that shapes and improves land use decision-making and law enforcement, for example, strengthening indigenous peoples claims to their territorial and access rights.

Now, the labelling option we are investigating is about measuring the degree to which forest and farm business is democratically accountable (or locally controlled) such that local people are empowered to shape their own destiny. The justification is that, ultimately, it is the enterprise of local people that will deliver sustainable development, and which must balance the complex trade-offs between local needs and global goods (informed undoubtedly by international mechanisms that incentivise particular practice in the interests of the public good such as climate change adaptation and mitigation).

Despite that fundamental start-point, however, it still might prove highly advantageous to develop quantified data collection protocols to measure impact in for each of the value categories

associated with sustainable development. In that way, the business itself or some external party could assemble data on the contribution of locally controlled forest and farm businesses to sustainable development. Indeed, it might be possible also to conduct comparable assessments of different business models (contrasting locally controlled business models with capital controlled, industrial scale models) in terms of their relative contribution to sustainable development.

Quantifying the impact of business in a range of different categories would allow those tasked with forest governance to assemble evidence about the impact of different types of business. Rather than treating the private sector as one homogenous group (a highly outdated notion) it might be possible to differentiate more intelligently among businesses in the allocation of resource rights and responsibilities, the administrative requirements of formal registration, the taxes collected and incentives offered, the technical, business and financial support services provided and so on based on their impacts.

The collection of such data could be built into business reporting formats, or collected through regular government surveys (complementing the existing surveys of population, economic well-being, health and so on) to provide data on the contribution of business to the SDGs or to find much more practical ways of designing business that delivers prosperity. Even without the buy-in of government, businesses could use such data to improve their brand reputation in the market, negotiate better prices, attract new members and employees, pursue additional loan or grant finance. Of course, even this would miss some crucial elements. For example, trust and believability go beyond measurement. They are based in some level of reciprocity and transparency and ultimately a sense of legitimacy that comes from direct contact with the customer.

Exactly what quantitative indicators might be practicable and useful for different purposes needs further discussion – notably by FFPOs themselves. The point here is merely to point out that impacts of business on sustainable development should be the subject of routine reporting, and indeed already are in increasing numbers of voluntary round tables and investor dialogues.

4.4 Concluding recommendations

In this report, we have argued for the need to distinguish business models that are locally controlled from those that are externally controlled. The basic reason being that local businesses with a high degree of democratic accountability are more likely to deliver what people value and have reason to value for the common good, defined here as sustainable development. New thinking is needed on the link between the interest of the common good and business. Developing a framework of metrics for distinguishing *business models*, rather than their results in terms of performance and impact, could help bring the structural change needed to improve business contributions to sustainable development.

Now is the time to do this for the forestry sector. Why? There have been several attempts to bring greater fairness and responsibility to the forestry sector in the past. Noteworthy FSC's certification schemes aimed at improving access to smallholder producers (SLIMF) or the

development of labels (SCLO) to distinguishing community and indigenous people's products in the market. However, in 2015 the pilot projects of dual FSC-Fairtrade timber certification were suspended due to the high costs of dual certification and uptake of SCLO amongst smallholder businesses is limited. The experience of developing systems for implementing REDD+ has had a similar experience to that of international certification schemes such as the FSC, where the costs of ensuring credibility and transparency are simply too high and presents a barrier for smallholders. At the same time, no REDD+ mechanism or sustainable forestry management certification scheme can be successful without this majority of the forest private sector.

As an opportunity, the global framework for achieving the SDG's is now a priority agenda for governments and donors who are looking to implement this in remote rural areas where their services and impact may have limited reach. Corporations are already rushing to position themselves as implementers of the SDGs (PWC, 2015). But are they the best bet? Quantified data on the contribution of locally controlled forest and farm businesses to several the SDG's could position them favourably for government and donor support. Even better if the advantage of supporting democratic locally controlled business models compared to others is recognised this could result in consumer buy-in to the model.

How might a framework of metrics for distinguishing locally controlled business be used? For example, to inform risk registers of business themselves but also of government and finance institutions who need to take responsible decisions on how to allocate rights and resources; to help businesses improve by gathering data in areas that are likely to improve their internal and external decision making; to use concrete data to back up negotiations for market purposes or space in a political dialogue of importance to the business. There possibilities are many. Most important is that the use and benefit of such framework is be clear from the perspective of the business from the outset. Along with any expectations from both the supporters and the users themselves e.g. business, government and NGOs. Finally, learning how to truly add value to such frameworks or labels by attaching enhancing stories to them is key. Bringing in middlemen and marketing networks, media and all the other tools available for selling could greatly enhance impacts. And there is a need to find the niches in which this might start through government procurement, demographic assessments, consumer surveys and so on.

What would it take to further develop the ideas presented here? Much thinking has already gone into distinguishing locally controlled forest products in the market and as a result there is an abundancy of sustainability and fair-trade certification or label options available. This report is not suggesting a new one is necessarily needed but that some better means of doing this is. In November 22-24th 2016 a workshop was organised with Forest Connect alliance members to discuss the suggested framework and jointly identify metrics that could help measure local versus external control. The intention now is a process of review and comment by experts within FFPOs to see whether there is appetite to move forward. The main questions that will need to be clarified are What metrics? For what purpose? and Who's benefit? Another important discussion will also need to be had on how accreditation and verification would be carried out and by whom?

The development of a joint methodology endorsed by FFPOs, the FFF and the Forest Connect alliance members could also serve landscape sectors other than forestry, such as agriculture and tourism. Influencing and improving existing branding systems so that they more truly identify and promote the kinds of businesses that promote sustainable development may be as important as developing new branding systems. It can also inform other monitoring initiatives for the implementation of the SDG's, corporate actions, and broaden the discourse on sustainable development to more actively engage with the role of business as an active player in delivering development for the common good.

Ultimately the final test of the worthiness will be real improvements in the quality of life and wellbeing, health and regeneration of sustainable rural economies that provide meaning and value to the greatest number, and to those who have been left behind. But as a first step, this paper attempts to stimulate a discussion with FFPOs themselves on the benefits of such a framework together with the Forest and Farm Facility (which directly supports forest and farm producer organizations – FFPOs) and it partners in the Forest Connect alliance (a knowledge network for those supporting FFPO businesses). To kick start this discussion the report suggests that FFPOs consider the following:

- Do FFPOs, as organisations see a need and an advantage in championing new labelling options – and how do their ideas fit with the suggestions and framework in this paper?
- To whom or what do FFPOs think a label should apply and for what purposes – and how well might the notions advanced here apply to producers, associations, and businesses who need support, and with what gaps and / or embarrassing inclusions?
- Is linking two proposals: on labelling (that better distinguishes FFPO businesses); and on metrics (improving how different business contributions to sustainable development is measured) perceived by FFPOs to be essential?

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Annex 1

Detailed justification for the legitimacy of measuring indicators of local control, drawn from international conventions, declarations and goals.

(a) Basis for measuring the degree of local control over business-related *stewardship of natural and cultural heritage***.** The United Nations Declaration on Human Rights (UN, 1948) affirms "the right freely to participate in the cultural life of the community, to enjoy the arts and to share in scientific advancement and its benefits". The subsequent Indigenous and Tribal Peoples Convention - 169 (ILO, 1989) commits Governments to: "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". It also states that: "rights of ownership and possession of the peoples concerned over the lands which they traditionally occupy shall be recognised"; and "the rights of the peoples concerned to the natural resources pertaining to their lands shall be specially safeguarded. These rights include the right of these peoples to participate in the use, management and conservation of these resources". Implementing and measuring the degree of local control over land and forest resources is directly implied by these agreements – although the latter provisions only apply to indigenous and tribal peoples.

Nevertheless, the Rio Declaration on Environment and Development, and its associated Agenda 21 (UN, 1992a) broadens the scope beyond indigenous peoples when it advocates for: "Launching or improving opportunities for participation of all people, including youth, women, indigenous people and local communities in the formulation, development and implementation of forest related programmes and other activities, taking due account of the local needs and cultural values". This implies the need to measure the involvement of local people in the implementation of forest activities – though it falls short of prescribing full local control in forest-related businesses.

Similarly the Convention on Biological Diversity (UN 1992b), requires contracting parties to: "protect and encourage customary use of biological resources in accordance with traditional cultural practices that are compatible with conservation or sustainable use requirements"; "support local populations to develop and implement remedial action in degraded areas where biological diversity has been reduced"; and "adopt economically and socially sound measures that act as incentives for the conservation and sustainable use of components of biological diversity". Again, while not explicit, it is difficult to see how this could be achieved without implementing and measuring local control in businesses relating to those resources.
Moving from agreed conventions to the development of forest criteria and indicators (e.g. CIFOR, 1999a) it is clear the consensus is sustainable forest management refers not just to forest's ecological integrity, but also to the contribution of forests to local people's well-being, differentiated by stakeholder group (CIFOR, 1999b).

In the more specific criteria and indicators of major forest certification schemes, issues of local control, or at least participation receive detailed treatment. For example, two of the ten principles for forest stewardship deal specifically with ownership and use rights within the Forest Stewardship Council scheme (FSC, 2015): Principle 2 - Tenure and use rights and responsibilities – to define, document and legally establish long-term tenure and use rights; Principle 3 - Indigenous peoples' rights – to identify and uphold indigenous peoples' rights of ownership and use of land and resources. While again referring specifically to indigenous peoples' ownership rights (for the well-being of other communities, see below) these principles provide a strong endorsement for measuring the degree of local control over stewardship of natural and cultural heritage. As has been argued elsewhere, locally controlled businesses are best placed to balance the complex trade-offs between environmental stewardship and welfare because their owners live with the economic, social and environmental consequences of their decisions (Macqueen *et al.*, 2015b).

The Sustainable Development Goals (SDGs) also affirm local control and the need to measure it. For example, Goal 13 - Climate action and Goal 15 - Life on Land should be read in conjunction with the target under Goal 1 to: "ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including Microfinance". Locally controlled forest businesses also have a critical contribution to make to Goal 7 – Affordable and clean energy, since much of the world's poor depends on biomass energy for cooking and heat. Also for Goal 6 – Clean water and sanitation, since water catchments are invariably forest watersheds. The high level of impact of forest business activities on these goals should render some measure of local control imperative.

(b) Basis for measuring the degree of local control over business-derived *material health and wellbeing***.** The UN Universal Declaration of Human Rights (UN, 1948) affirms "the right to life and liberty… the right to own property alone as well as in association with others… the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services… the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection". Similarly, the International Covenant on Economic, Social and Cultural Rights (UN, 1966a) affirms: "the right of everyone to an adequate standard of living for himself and his family, including adequate food, clothing and housing, and to the continuous improvement of living conditions". This affirms the end point (adequate health and well-being) without specifying the business means to that end or the degree of local control.

Nevertheless, the more specific 2007 Non-legally binding instrument on all types of forests (UN, 2007) advocates "the protection and use of traditional forest-related knowledge and practices in sustainable forest management with the approval and involvement of the holders of such knowledge, and promote fair and equitable sharing of benefits from their utilization" alongside

"enabling environments to encourage… investment by and involvement of local and indigenous communities, other forest users and forest owners and other relevant stakeholders, in sustainable forest management". This very much suggests that the end point (adequate health and well-being) should be achieved through the active involvement of local people in business models.

The Paris Agreement (UN, 2015) that followed the framework convention on climate change implies a similar thing in stating that: "adaptation action should follow a country-driven, gender-responsive, participatory and fully transparent approach, taking into consideration vulnerable groups, communities and ecosystems, and should be based on and guided by the best available science and, as appropriate, traditional knowledge, knowledge of indigenous peoples and local knowledge systems, with a view to integrating adaptation into relevant socioeconomic and environmental policies and actions, where appropriate". The implication is that local knowledge should be integrated into adaptation actions, but again without specifying the business modality of this.

Within the Forest Stewardship Council scheme, a further two of the ten principles for forest stewardship deal specifically with the distribution of benefits derived from forest business (FSC, 2015): Principle 4 - Community relations and worker's rights – to maintain or enhance forest workers' and local communities' social and economic well-being; Principle 5 - Benefits from the forest – to maintain or enhance long term economic, social and environmental benefits from the forest. These principles certainly require attention to benefit sharing but again fall short of requiring local control over that benefit distribution.

The fair-trade movement, however, is more explicit that, to qualify as "Fairtrade" the production system must involve a Fairtrade Association within which "at least half of the members must be small producers" (FLO, 2015). In the draft timber standards that was published in 2011 but discontinued in 2015 for lack of funding, it was prescribed that: All producers and workers operating under the defined scope of the Fairtrade certificate are
registered as members of the Fairtrade Association" and that this was "an instrument for the social and economic development of its registered members". Moreover, it was required that "Profits should be equally distributed among the producers" and that elected committees should "manages the Fairtrade Premium transparently on behalf of the membership of the Fairtrade Association". Thus, to qualify for "Fairtrade" status, ensuring and measuring the local control over business-derived material health and wellbeing was very much an essential part. And it might rightly be asked, to what extent unfair trade has any legitimacy?

We have already noted that SDGs call for local control in forest and business, and note also that this is vital to achieving Goal 1 – No Poverty, Goal 2 – Zero hunger, and Goal 3 – Good health and well-being. The presence of these goals should inspire metrics that assess the scale of contribution of forest and farm business models to these goals.

(c) Basis for measuring local control over a business-related *sense of identity and purpose.*
The UN Universal Declaration of Human Rights (UN, 1948) affirms the right to freedom of opinion and expression…to hold opinions without interference … the right to a nationality… the right to change his nationality… the right to freedom of thought, conscience and religion; this right includes

freedom to change his religion or belief, and freedom, either alone or in community with others and in public or private, to manifest his religion or belief in teaching, practice, worship and observance". This certainly affirms the right for individuals to express their opinions – but says little about the degree to which businesses should reflect the opinions of those they impact.

The International Covenant on Economic, Social and Cultural Rights (UN, 1966a) goes slightly further in affirming that: "all peoples have the right of self-determination. By that right they freely determine their political status and freely pursue their economic, social and cultural development". But the text then qualifies the right by saying that "the State may subject such rights only to such limitations as are determined by law only in so far as this may be compatible with the nature of these rights and solely for promoting the general welfare in a democratic society". In other words, the needs of the few cannot trump the needs of the many, i.e. the general welfare of the democratic society. This statement clearly endorses the right of a collective group to freely pursue its economic social and cultural development (e.g. local control over business related identity and purpose) if it is in line with general welfare of society.

These statements are backed by the digest on freedom of association (ILO, 2006) which emphasises: "The right of occupational organizations to hold meetings in their premises to discuss occupational questions, without prior authorization and interference by the authorities, is an essential element of freedom of association." Local control over business-related identity and purpose clearly fall within the sphere of this fundamental labour right.

In the suspended Fairtrade timber standard (FLO, 2011) it was clear that "there must be no discrimination regarding participation by Fairtrade Association members in the democratic process to elect Fairtrade Committee members, or otherwise participate in Association activities". In other words, democracy in deciding the identity and purpose of the business was a required function of Fairtrade certification. This is important, because what one wants as an individual does not necessarily equate with what one thinks is best for society. Indeed, the identities of many companies, and the trillion dollars of advertising that promotes those identities, often entices individual consumption or behaviour that would be rejected if reframed in terms of its contribution to the general welfare of society.

The degree and importance of local control is surely also implied by SDG Goal 8 – Decent work and economic growth, which in its fuller title talks of sustained, inclusive and sustainable economic growth and full and productive employment and decent work for all. The extent of local control within forest and farm businesses is also pertinent to Goal 12 – responsible production and consumption.

(d) Basis for measuring local control over the business-related *creative fulfilment of potential***.** The UN Universal Declaration of Human Rights (UN, 1948) affirms "the right to education… directed to the full development of the human personality…the right to work, to free choice of employment, to just and favourable conditions of work and to protection against unemployment… the right to equal pay for equal work…the right to form and to join trade unions for the protection of his interests". The International Covenant on Economic,

Social and Cultural Rights (UN, 1966a) affirms that: "education shall be directed to the full development of the human personality and the sense of its dignity, and shall strengthen the respect for human rights and fundamental freedoms". These provisions certainly don't preclude the contribution of business to the full development of human personality – but neither do they require it.

The Convention on Technical and Vocational Education (UNESCO, 1989) goes somewhat further in affirming both the: "right to equal access to technical and vocational education and towards equality of opportunity to study throughout the educational process"; and to: "frame policies, to define and to implement, in accordance with their needs and resources, and curricula for technical and vocational education… taking into consideration economic, social and cultural development needs and the personal fulfilment of the individual." This wording still does not in itself require that forest businesses should provide vocational education to their members, but it does frame the overall intention that such education should be provided in line with economic needs – which is a step in that direction.

Much more prescriptive are the four equally important strategic objectives of the ILO (2008), through which the Decent Work Agenda is expressed. These include: "(i) promoting employment by creating a sustainable institutional and economic environment in which individuals can develop and update the necessary capacities and skills they need to enable them to be productively occupied for their personal fulfilment and the common well-being…(ii) developing and enhancing measures of social protection – social security and labour protection – which are sustainable and adapted to national circumstances…(iii) promoting social dialogue and tripartism as the most appropriate methods for adapting the implementation of the strategic objectives to the needs and circumstances of each country; translating economic development into social progress, and social progress into economic development; facilitating consensus building on…decent work strategies and programmes; (iv) respecting, promoting and realizing the fundamental principles and rights at work…that freedom of association and the effective recognition of the right to collective bargaining are particularly important to enable the attainment of the four strategic objectives; and that the violation of fundamental principles and rights at work cannot be invoked or otherwise used as a legitimate comparative advantage…". The specific emphasis on education within the economic environment – is suggestive of vocational education tailored to (if not provided by) the business. In addition, the wording on social dialogue and collective bargaining in attaining the four objectives provides strong grounds for measuring the degree of local control.

The degree of local control within forest and farm businesses will surely have a bearing on the degree to which society can achieve SDG Goal 4 – Quality education, which in its fuller title is to: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. The same applies to Goal 5 – gender

equality where it will be important to ensure that opportunities within locally controlled forest and farm businesses are equally open to men and women.

(e) Basis for measuring local control over business-related *affirmative social relationships*
The UN Universal Declaration of Human Rights (UN, 1948) affirms the right to freedom of peaceful assembly and association … the right to marry and to found a family … without distinction of any kind, such as race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status. The Declaration on Fundamental Principles and Rights at Work (ILO, 1998) recognises the following fundamental rights: "(a) freedom of association and the effective recognition of the right to collective bargaining; (b) the elimination of all forms of forced or compulsory labour; (c) the effective abolition of child labour; and (d) the elimination of discrimination in respect of employment and occupation."

The International Covenant on Economic, Social and Cultural Rights (UN, 1966a) affirms the: "right of everyone to form trade unions and join the trade union of his choice, subject only to the rules of the organization concerned, for the promotion and protection of his economic and social Interests". This is reiterated by ILO (2006) which affirms the "Right of workers and employers, without distinction whatsoever, to establish and to join organizations", the "Right of organizations to draw up their constitutions and rules", that "Workers and their organizations should have the right to elect their representatives in full freedom and the latter should have the right to put forward claims on their behalf." and furthermore that "Freedom of association implies not only the right of workers and employers to form freely organizations of their own choosing, but also the right for the organizations themselves to pursue lawful activities for the defence of their occupational interests." These texts certainly present a strong case for local control within a business organisation through organised assemblies – but it does little to qualify relationships between businesses.

The Fairtrade movement tackles this issue head on. Under its stated purpose (FLO, 2016) it is stated that "Fairtrade is a strategy that aims to promote sustainable development and to reduce poverty through fairer trade. Making changes to the conventional trading system that aim to benefit small producers and workers in the South and increasing their access to markets are the main goals of Fairtrade". This intention is clear – that local control over production should return a greater portion of the value of a product to local producers in a system otherwise stacked against them.

The intentions of Fairtrade resonate well with the SDG Goal 10 – Reduced inequalities and also Goal 16 – Peace, justice and strong institutions which in its fuller iteration reads "Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels. The emphasis on accountable and inclusive institutions should surely also apply to forest and farm businesses.

(f) Basis for measuring local control over business-related *present and future security*
The UN Universal Declaration of Human Rights (UN, 1948) affirms "the right to take part in the government of his country, directly or through freely chosen representatives… the right to

security of the person… to equal protection by the law… the right to be presumed innocent until proved guilty". This very much asserts that it is a right to take part in Government and infers that some form of representation is often the way forward. Forest and farm businesses should therefore have some means of representation in Government – and in practice this is often mediated through association or federation at regional or national level.

The International Covenant on Civil and Political Rights (UN, 1966b) affirms that: "everyone shall have the right to freedom of expression; this right shall include freedom to seek, receive and impart information and ideas of all kinds, regardless of frontiers, either orally, in writing or in print, in the form of art, or through any other media of his choice". These provisions of free speech suggest that members of locally controlled forest and farm business should be able to articulate the risks that challenge their livelihoods – in other words, help to shape governance and thereby improve their present and future security.

The United Nations Policy Document on governance (UNDP, 1997) defines governance as: "the exercise of political, economic and administrative authority in the management of a country's affairs at all levels. Governance comprises the complex mechanisms, processes and institutions through which citizens and groups articulate their interests, mediate their differences and exercise their legal rights and obligations". The same policy documents go on to note that governance includes the private sector – as the institutions that comprise the private sector also have legal rights and obligations. The five principles of good governance include: Legitimacy and voice, strategic direction, performance, accountability and fairness (Graham et al. 2003). Local control over forest and farm business is directly implicit in the first, fourth and fifth of these.

In the forest sector, concerns over illegal logging have given rise to a range of responses by different stakeholders – including, notably, the US Lacey Act and the EU Forest Law Enforcement Governance and Trade (FLEGT) Action Plan. A major component of FLEGT in-country work with supplier countries has been multi-stakeholder consultations about the definitions of legality and what might be within the resulting Voluntary Partnership Agreements (VPAs) and associated Legality Assurance Systems (LAS). Yet these consultation processes have rarely been able to marshal elected representatives of the significant numbers of locally controlled forest and farm business actors – in part because they themselves have not been organised into such representative structures. Improving the degree of local control over representation towards present and future security of those businesses would be a major step forward.

The SDGs do not mention governance explicitly, but they do point towards the need for a broad partnership for sustainable development in Goal 17 – Partnerships for the goals, which presumably involves forest and farm businesses. Good governance is also implied by the presence of Goal 9 – Industry, innovation and infrastructure – for which greater local control over business representation in governance would obviously contribute.

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