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From Global Forest Governance To Privatised Social Forestry: Company-Community Partnerships In The Ecuadorian Choco

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Nearly 200 million hectares of topical forests were lost between 1980 and 1995, which led many conservationists to argue for a ban on all commercial logging and land conversion in tropical forest areas. Both logging companies and national governments were seen as sharing responsibility for the massive destruction of tropical rainforests, and various attempts were made to design new multilateral regimes, and new multipartite institutions for the global protection and sustainable management of key natural resources. In the 1990s, local partnerships were implemented to encourage private sector involvement in sustainable forest management and forest conservation. This paper describes a business partnership between a leading South American wood-processing group and a number of indigenous communities in one of the world's ten biodiversity 'hotspots.' It shows that the decentralisation of the development process, the recognition of local communities as legal entities in the management of natural resources, and the active involvement of profit-oriented firms in biodiversity conservation and poverty alleviation, all contribute to the emergence of new alliances between government, the forestry sector, conservation and human rights organisations, and local forest communities. This case study highlights the role that private companies are able to play in changing environmentally damaging business practices, in fostering social development, and in reforming government policies. It also points to the dangers of uncritical reliance on market mechanisms to promote sustainability.

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The decade of the 1990s saw a worldwide mobilisation to save the remaining tropical forests from destruction. In 1992, the World Bank, which, to this point, had been one of the largest funders of forestry projects in the world, issued a new forestry policy that prohibited its financing of commercial logging or plantations in primary forests, even if the projects were environmentally sound (Lele et al 2000). This stringent policy was a response to fierce attacks by environmentalists and indigenous rights campaigners, who accused the Bank Group of promoting large-scale deforestation in the tropics, as well as the forced displacement of traditional and indigenous communities. The same year, at the Rio Earth Summit, the nascent international debate over the future of the world's tropical rain forests was fuelled with further arguments. Many participants in this debate, motivated as they were by a vision of the world's forests as global commons, called for the creation of a single, overarching global forest governance arrangement. They insisted that a global regulatory body was necessary to regulate the international trade in timber, combat illegal logging, and ensure the proper valuation (economic and non-economic) of all forest goods and services. But after years of campaigning and sustained negotiation efforts, nothing tangible has been achieved, and many environmentalists have become disillusioned. The ineffectiveness of the multilateral agreements signed, the weakness of the organisations set up, and the inefficiency of the policies put in place has led some to think that too much has been invested in attempts to forge an international environmental law framework (Gus Speth, 15 May 2002). To fight the trends which, identified twenty years ago, have continued unabated, the focus must now shift, it is further argued, to bottom up initiatives and local partnerships (Landell-Mills and Ford 1999). A number of researchers are also proposing that the time has come to turn to the private sector, and to encourage the good will of business enterprises, as expressed, for instance, in the voluntary initiatives of the World Business Council for Sustainable Development (WBCSD). Reflecting this new trend of thinking, the World Bank has entirely reviewed its 1992 position. Its new forest strategy allows once more for the funding of forestry projects in natural forests. Far from being a simple come-back, this measure is presented as the most efficient way to encourage private sector involvement in sustainable forest management and forest conservation (Lele 2002).

The privatisation of sustainable forestry and its further expansion in natural forests so far untouched by commercial exploitation remains highly controversial, especially in some NGO circles. However, a wide consensus exists amongst environmentalists and conservationists, who wholeheartedly embrace the reforms that promote the devolution of publicly owned forests to private owners, especially when these are ancestral communities whose customary rights have been recognised formally by states only recently (see, among others, White and Martin 2002, and Edmunds and Wollenberg 2003). They believe that open markets and appropriate financial incentives will ensure the sustainable use of forest resources, as well as increased welfare for poor forest dwellers. This explains why market-based instruments such as FSC (Forest Stewardship Council) certification are widely approved of (Bass et al 2001, Landell-Mills and Ford 1999, and Richards 2000), while company-community forestry partnerships are actively encouraged (Mayers and Vermeulen 2002, Scherr, White and Kainowitz 2002).

I describe here a specific business partnership between a leading South American wood-processing group and a number of indigenous communities in one of the world's ten biodiversity 'hotspots.' I show that the decentralisation of the development process, the recognition of local communities as legal entities in the management of natural resources, and the active involvement of profit-oriented firms in biodiversity conservation and poverty alleviation, all contribute to the emergence of new alliances between government, the forestry sector, conservation and human rights organisations, and local forest communities. This case study highlights the role that private companies are able to play in changing environmentally damaging business practices, in fostering social development, and in reforming government policies. It also points to the dangers of blind reliance on market mechanisms to promote sustainability. I conclude that only with the creation of a world organisation for the protection of the environment will it be possible to co-ordinate the global economy in the interests of ecological rationality and social justice.

Government policies and the forest sector in Ecuador

Government policies, be they taxation, sectoral, or macroeconomic policies have a critical impact, intended or not, on the forest sector (Panayotou and Ashton 1992). The development of industrial logging in Ecuador has been shaped by broad economic trends that are characteristic of many tropical developing countries, where natural forests are used as a source of land for agricultural and livestock development, and as a source of cheap raw materials (chiefly timber) for the development of local industries. Until the mid-1970s, when the oil boom launched the country into a decade of remarkable economic growth, Ecuador was one of the poorest countries in Latin America, largely dependent on agricultural exports, and with very little industry. The rapid accumulation of foreign debt brought about the promotion of industry by import substitution, massive public works programmes, and the mushrooming of the service sector and the government (De Janvry et al 1991: 13). In the early 1980s, oil exports started to fall, the oil boom ran out of steam, and the debt crisis hit Ecuador as it did in the rest of Latin America. Throughout the 1990s, Ecuador was forced to engage in a series of drastic policies and reforms to stabilise the economy and induce structural adjustments to cope with foreign exchange scarcity, and a distorted and non-competitive economy. By the end of the 1990s, the country's economy fell into a severe economic recession, It was caused by, among other factors, the continued fall of oil prices, and the massive infrastructural losses resulting from particularly severe El Niño weather conditions. Inflation had become the highest in the region, leading the government to replace the national currency (*sucre*) with the US dollar in an effort to stabilise the economy. Additional measures, such as IMF-inspired austerity measures and privatisation (especially the doubling of fuel prices, natural gas, and public transport fares) generated widespread popular unrest.

Until the late 1960s, the Ecuadorian forest sector was relatively small and marginal, with a wood market essentially specialised in precious and semi-precious hardwood for furniture, sawn wood for construction, with the addition of firewood and charcoal in Andean urban areas. Wood was extracted from private lands (i.e. natural and planted *hacienda* forests), and from public forests located in the immediate vicinity of towns and cities. During this period, logging in the dense forests of northwest Ecuador

(the Ecuadorian Chocó) was similarly restricted to the banks of main rivers and around natural harbours, where loggers exclusively extracted precious hardwood species such as *guayacán* (*Minquartia guianensis* or *Tabebuya guayacán*) and *chanul* (*Humiriastrum procerum*). Industrial logging did not start in the province of Esmeraldas (presently the main timber producing region in Ecuador) before the 1970s, when large veneer and plywood producing firms were created (Salazar et al 1998). The rise of industrial logging coincided with the agrarian reform, the oil boom, and the construction boom.[1] Industrial logging developed in synergy with the agricultural frontier opened up by the two national land reforms of 1963 and 1975,[2] which expanded the colonisation front into tropical forests on both sides of the Andes. Promoted by the Land Reform Institute (IERAC) and facilitated by the promulgation of the Unoccupied Lands and Colonisation Act (*leyy de tierras baldías*), the distribution of government-held forest land to colonists willing to pioneer small-scale farming and ranching resulted in the logging companies loosing their rights to forest concessions. Logging companies thus resorted to following opportunistically colonists as they grabbed public land along new roads. Colonists had to deforest their newly acquired properties as a means to qualify for government recognition of their occupancy rights. The settlers' primary interest in land conversion, and the logging companies' search for the cheapest roundwood, both encouraged by various government policies and incentives, led to the rapid deforestation of the cloud and rain forests open to colonisation. The colonisation frontier eventually stabilised, but the domestic wood market continued to expand. This sent logging companies deeper in state owned forests, where they reached indigenous and AfroAmerican settlements living traditionally along waterways. A unique deforestation dynamic was triggered. The wood industry, with its over-equipped plywood mills and sawmills,[3] required ever-increasing volumes of wood, while the communities, supplied with chainsaws and other manufactured goods, were encouraged to log liberally. With industrial logging progressing in the most remote corners of northwest Esmeraldas, an entire road system was gradually built by private companies, which self-financed the maintenance of roads built by the State (Sierra 2001:332).

The Ecuadorian forestry sector feels disadvantaged by government policies that have prioritised the allocation of state land and credits to the development of agriculture and livestock. Some companies complain that the non-enforceable, *de jure* ownership of state forests and their use by the government as a security valve has led to a *de facto* open access policy for poor colons, which, combined with the adjudication of customary rights to indigenous people, has not been conducive to sustainable forest management. Other companies acknowledge government policies that have protected the nascent national wood industry, such as the banning of log exports; the banning of foreign operators on

[1] According to Sierra (2001: 331), the Ecuadorian construction sector consumes 60 per cent of the sawnwood produced from natural forests in Ecuador, one-third of which come from Northwest Ecuador.

[2] For analyses of the Ecuadorian Agrarian Reform and its impact on colonisation and deforestation see, Redclift (1978), Preston (1980), Uquillas (1984), Rudel (1993), Southgate and Whitaker (1994), Sierra (1996), and Little (2001).

[3] According to Sierra (2001: 337), they currently work at 60 to 77 per cent of their capacity. He also mentions that veneer exports increased by 268 per cent between 1982 and 1993.

national territory; tax relief and subsidies for plantation owners; and industrialisation incentives that protected and subsidised Ecuadorian veneer and plywood mills as part of the state model for import substitution industries (Rival 2003). USAID economists have offered stringent criticism of these protectionist policies, which they condemn for giving rise to acute distortions in the timber market (Salazar et al 1998). Marcelo León, Head of the Marketing Unit for the CARE-SUBIR project, argues that these policies have led to a vicious circle of spiralling environmental degradation and economic exclusion for poor peasant communities. In the last fifteen years, the pattern of timber extraction in Northwest Esmeraldas has become increasingly exploitative of poor producers located at the beginning of the commodity chain (typically Chachi Indians), who massively exploit both their natural resources[4] and their labour force, while those located closer to the end of the chain (typically local middlemen and traders) realise substantial profits, with maximum profits[5] realised in the processing plants owned by white urban industrialists (Rival 2004).

The company-community forestry partnerships

I examine here the joint ventures between the Durini Group, which is currently seeking FSC certification for its logging operations, and various indigenous communities. This large forestry and wood-processing group operates locally by implementing community forestry projects, and nationally by participating in the elaboration of Ecuador's new forest law. It has also played a major role in the creation of COMAFORS (Corporación de Manejo Forestal Sustentable), which represents the industrial and commercial interests of the Ecuadorian forestry sector in national and international fora, and lobbies the national government on forestry issues. My analysis is based on ethnographic research in various Chachi villages of the River Cayapas basin, interviews with foresters, and an extensive review of project documents.[6]

The Durini group

The Durini Group, Ecuador's oldest and largest timber industry comprises a complex and vertically integrated set of companies (logging, timber, veneer, plywood, furniture-making, retailing companies, and more),[7] plus a private foundation with the status of a

[4] Sierra (2001: 334) has found that excessive waste during felling and sawing amounts to up to 60 per cent of the original timber volume, an estimate corroborated by my own research.

[5] Several people I interviewed estimate that logging companies make a profit of over 200 per cent by purchasing standing trees from poor farmers and indigenous peoples. Léon and his team (SUBIR internal reports, 2001) have shown that one cubic metre of roundwood was sold for an average of 13 USD in Borbón (a regional supply centre providing 8% of Ecuador's lumber) in December 1999. In the same period, one cubic metre of plywood (whose manufacture requires two cubic metres of roundwood) was sold in the capital city, Quito, for 478 USD.

[6] This paper is based on a research project carried out between 2000 and 2003 and funded by the ESRC (ROOO238375).

[7] The firms involved are : ENDESA (Enchapes Decorativos S.A.); BOTROSA (Bosques tropicales S.A.); ACOSA (Aglomerados Cotopaxi S.A.); SETRAFOR (Servicios y Trabajos Forestales); EFOCOL

non-governmental organisation, the Fundación Forestal Juan Manuel Durini (FFJMD). In addition to sharing commercial interests, these companies are also linked through close family connections. Although an integral part of the holding, the private foundation in charge of silviculture, plantation development and sustainable forest management (SFM) has had to work hard to convince the other parts of the holding that its activities are essential to the group's overall economic growth and business prosperity. The firms comprising the Durini Group extract wood from natural forests (mostly from Esmeraldas) and plantation forests, and process it in various products for the domestic and international markets. The logging company SETRAFOR provides approximately 100,000 m3 of wood every month to the plywood mills of ENDESA and BOTROSA. This wood is extracted from natural forests owned by indigenous communities and from lands privately owned by the Durini Group, when it is not purchased from intermediaries who buy it from small farmers, colonists, and indigenous or AfroEcuadorian forest dwellers. SETRAFOR does not make a profit, as the price it charges its sister companies is just enough to cover its operation costs, and break even.

This leading wood-processing group took advantage of import-substitution policies in the 1970s, to boost the eco-efficiency of its industrial operations. Its capital investments in technological improvements resulted in a drastic reduction of wood waste during the processing phase. In the 1980s, it benefited from tax relief, low-interest loans and other government reforestation incentives, which aided the group to establish 2,300 hectares of plantation. The Group was exempted from paying income tax on wood products from its plantations, and it benefited from low commodity prices and other government subsidies to industrialisation. The need to secure regular and cheap supplies of wood in a region where the most accessible timber had already been cut and the agricultural frontier stabilised became increasingly pressing in the 1990s. Anxious to secure its long-term wood supply, the Durini Group aims to rely exclusively on timber from its own plantations and from privately-owned natural forests managed sustainably. To this effect, it developed in the early 1990s an ambitious plan of plantations and reforestation, partly in response to ITTO (International Tropical Timber Organization) directives,[8] and partly to fulfil its long-term objective of relying exclusively on timber from its own plantations and from natural forests managed sustainably. It failed, however, to secure international funding to implement it, because of the international political hostility prevailing at the time against logging companies operating in tropical rain forest areas (Rival 2003). This failure, linked to conditions specific to the Ecuadorian Chocó, and more particularly, to the fact that the agrarian reform allocated forest lands to rural communities under a communal land tenure regime, means that the Group continues to depend heavily on timber from natural forests it does not control directly. This has led the Group to initiate a number of partnerships with indigenous communities. Although the Group would prefer, if given the choice, to acquire more private land and operate in forest concessions owned by the state, it finds the signing of long-term agreements with

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(equipment maintenance and repair); EDIMCA (Empresa Durini Industria de Madera C.A.). The firms MAPRESA and Peña Durini Cia. Ltda are closely related to the Group.

[8] Established in 1983 by the International Tropical Timber Agreement (ITTA), the International Tropical Timber Organization (ITTO) agreed in 1991 to the ambitious objective of prohibiting international trade in tropical wood or wood products not originating from sustainably managed forests by the year 2000.

communities comprising a relatively small number of families and owning large extensions of primary forest to be a satisfactory solution.

The CHACHI communities

The Chachi Indians are a riverine population, traditionally combining fishing and shifting cultivation with hunting and gathering. In the past, they cultivated agricultural products (corn, plantain, and cotton) exclusively for domestic consumption, and traded forest products such as vegetal ivory (*tagua*) and handicrafts (canoes and basketry) once or twice a year. The Chachi cultivate fairly small plots along river banks, sometimes far from their main residence. Today, cash crops such as coffee and cacao are cultivated, but the remoteness of Chachi settlements makes commercialisation hazardous and unprofitable. A community cultivates on average four per cent of the total surface of its territory, the rest being kept as a forest reserve. Forest resources were not traditionally perceived as limited, and access to forest land was subject to little regulation or control. Land was not owned as such, but under the control of those who cultivated, or used it. This situation is completely transformed today, with the creation of permanent settlements with legal status around state schools, the titling of communal lands, and new positions of authority held by teachers and elected community presidents, who are usually closely linked to the Chachi federation (FECCHE, *Federación Ecuatoriana de Centros Chachis en Esmeraldas*). Social organisation was greatly transformed in the 1970s with the creation of bilingual schools throughout Chachi land. People moved their houses to live a more sedentary life around school compounds, with significant environmental consequences. If many communities living along rivers and roads have exhausted their forest reserves, some are still in possession of valuable natural resources.

For the past twenty years, selling timber has constituted a major source of cash income for the majority of Chachi households, who log their forests at non-sustainable rates, and sell their timber at prices that do not cover their labour costs. They participate in both hardwood and softwood markets, the latter being linked to a few large industrial plywood manufacturers. The introduction of chainsaws in the later 1960s considerably changed labour arrangements. Chainsaws are rented, lent, given in exchange for timber, and this with a mix of cash, goods and services between wood producers and middle men. Typically, groups of Chachi men extract wood from forested land they own as a family or as a community, and sell it to an intermediary who has capital, a shop, a small sawmill, and/ or close connections with large timber companies. Women participate indirectly in this activity, by cooking for the men and by providing for the whole family while the men are away cutting or transporting wood. A quote from my 2001 fieldnotes illustrates the exploitative nature of the wood trade.

> The president of a remote up-river Chachi community was approached last month by a Black intermediary who wishes to buy a certain volume of *sande* (*Brosinum utile*). The community leader agreed to form a team of ten relatives to carry out the work. The verbal agreement stipulates that the Chachi team and the Black trader are to share the benefit *a medias*, that is, fifty per cent for the Chachi men (i.e. five per cent for each), and fifty per

> cent for the middle man, each cubic metre being purchased at the price of $24. The going price in Borbón[9] is currently between $30 and $40, depending on the quality of the wood. The team has cut 100 pieces of roughly one cubic metre each, which were rafted half-way to Borbón last week. The whole operation took about a week. The sale should have earned each man $120, but they have returned from Borbón today with roughly $20 each. They have given me a detailed explanation of all the discounts charged by the middleman for damaged logs, repairs to the chainsaw, previous debts contracted by some of the men, and advances received in food, transport, and fuel for the chainsaws.

Field research indicates that Chachi families essentially use timber sale revenues to (1) finance their children's college education (which is very expensive, as it involves living in the city for at least three years); (2) cover medical expenses (medicine and hospital); and (3) cover the cost of ritual and ceremonial activities. A large number of families are still producing for their own consumption, and subsist with less than $12 per month. Some families depend heavily on the material aid they receive through the state schools their children attend, and on government benefits directly paid to mothers. A few relatively wealthier Chachi have purchased agricultural land far away from their native territory, in Santo Domingo, where soils are fertile, and where Tsachila Indians benefit from a much higher standard of living. To my surprise, I also discovered through fieldwork that Chachi women without fixed employment weave baskets[10] not only for domestic consumption, but also for trade, and that the cash needs of the poorest families are almost entirely covered by the basket trade.

It takes a woman between one and two days to weave a medium-size basket, which is sold at a price varying from $0,40 to $1. [11] Some old women with no child care responsibilities weave on average two baskets in one day. In one village, a woman sold twenty-four baskets to a Black trader for $12 (i.e. $0,50 each), knowing that the final sale to the consumer would amount to $6 for each basket. In another remote village, women were selling their medium-size baskets for $0,40 each. A woman I stayed with made ten baskets in one week, and another fifteen. She was released from all other domestic chores, and was working quite late at night using tree sap as fuel for lighting. These

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[9] The largest trading port in the region, where approximately eight per cent of Ecuador's total timber is transacted.

[10] Only a very small number of women living in the Cayapas basin work for wages, mainly as teachers. Chachi women weave a range of artefacts that figure prominently in the house: mats on which people sleep, baskets of various dimensions, with and without lids, in which the family's possessions are stored, and fans. These objects are made with the stem of the 'paja toquilla' palm (*Carludovica palmata*), which is used in other parts of Ecuador for making the famous Panama hats. They do other types of baskets with various other vegetal fibres.

[11] By way of comparison, day labourers (usually poor, older men) earn on average $2 a day to clean the banana plantations of wealthier village members. All the prices given correspond to the Spring and Summer of 2001.

women were also selling cacao for $0,28 a pound. I noticed that older widowed women residing with their married sons sold baskets to buy soap and food, and contribute to the overall household's budget. In a village where a large quantity of timber was cut in 2000-2001, and where fish and game are still abundant, it turned out that in terms of household provisioning, the income generated from selling baskets was actually greater than the income received from timber sales. Whereas baskets had provided a regular income throughout the year, which had been used for essentials such as food, soap, salt or candles, timber had been used to finance weddings and religious events, as well as to cover school costs. In a community meeting, men and women told me: "baskets make us live; we can get cash right away, we can make baskets all the time. With wood, we can get more cash, but it takes time to get the cash." Although I did not have the time to research the basket commodity chain fully, it was clear that a large number of women perceive basket production as a regular, secure source of income, to be contrasted with the market for wood, perceived as much more hazardous, irregular and seasonal. Moreover, women do not get into debts with their basket sales. It is an entirely individual activity, by which only what is already produced is sold. However, men tend to perceive timber sales as making the most significant contribution to the household income.

Chachi people traditionally live in isolated house-groups dispersed along rivers. Residence tends to be virilocal, and each family group is formed around a father and his married sons, sometimes around a group of brothers. Siblings, particularly brothers, are ranked, the eldest son usually succeeding his father, and younger brothers leaving the paternal house. Marriages must be approved by politico-ritual leaders. A person who marries outside the tribe looses Chachi identity and all rights to land. Children of mixed marriages are sometimes re-incorporated when they marry a full-blood partner. Young couples marry after several years of communal life, and the birth of one or two children. Marriage is a sacred link, which cannot usually be dissolved by divorce. Monogamy is strictly enforced, and love affairs severely punished by ritual authorities, who ceremoniously beat the sinners. Houses are associated to one of the four ceremonial centres, or sacred villages (*pueblos*), to which inhabitants converge twice a year for celebrations marking Easter and Christmas. The dead are buried in the ceremonial centres where they married and celebrated ritual events. Deserted the rest of the time, these sacred sites are composed of clan houses, a ceremonial house containing a 'punishment beam' (*cepo*) and musical instruments, and a church with statues of the Christ, the Virgin Mary and various saints. Each ceremonial centre is associated with a traditional authority figure (*gobernador*, or *uñi*), who over-looks celebrations and enforces tribal rules. People say that these sacred villages are essential abodes for the saints, who do not like to be moved around like nomads. Whereas the living travel a great deal and live in many different places, the dead and the saints need to be settled. Ceremonial centres also act as exogamic markers. Men find wives in sections of the river (or in other rivers) that are associated with a ceremonial centre other than their own.

The joint ventures

The Durini Group has initiated a sustainable forestry project based on various community forest management models. In the early 1990s, several twenty-year harvest agreements were signed with Chachi communities, by which the companies ENDESA and BOTROSA are granted the exclusive access to community forests for the sustainable harvesting of various soft wood species.[12] Each participating community is required to form a Forest Committee, which must have the support and approval of all community members. The private foundation (FFJMD) obtains the legalisation of communal forest land on behalf of each community, designs a management plan and a work plan, and executes various agroforestry activities with the villagers. The company SETRAFOR builds the necessary roads, brings its improved machinery, and executes the felling of trees according to low-impact logging and other sustainable forestry management techniques. Third parties, such as the Chachi federation, environmental NGOs, and technical assistance organisations monitor the agreements.

Although novel by their formal and elaborate nature, these agreements are set in a wider cultural context, where norms and expectations as to what buyers and sellers may expect from each other have gradually evolved over the years. Black or indigenous, poor rural dwellers do not enter the wood market as free, knowledgeable and equal economic agents. Rather than fair prices for their wood products, they expect from buyers a whole range of services (food, medicine, fuel, lent equipment, cash advances, financial aid in time of hardship, and so forth) and community projects (roads, schools, teachers' wages, and so forth). The buyers they deal with are generally intermediaries, whose capital and purchase power vary greatly. Some middlemen operate with very limited funds, and do little more than offering a free ride or second-hand clothing. Others are directly sub-contracted by large logging companies, which provide them with equipment and funds. It is in this context that SETRAFOR has operated a range of punctual and verbal buying agreements with small farmers, squatters, colonists or indigenous communities over the years, by which, in addition to agreeing a price, it may agree to build a school, pay for the teacher's salary for a set period of time, or pay for one or more children to be sent to college.

Although not legally binding or enforceable, the harvest agreements signed by ENDESA and BOTROSA with Chachi communities are written, long-term, and much more costly than informal buying agreements. They involve the production of an elaborate forest management plan, a programme of reforestation, the development of agroforestry programmes, and various community projects for which new specialised staff is employed. They represent an effort on the part of the Durini Group to encourage sustainable forestry by aiding the socio-economic development of the families and communities who sell their timber to its companies. These harvest agreements represent more than a business deal, and involve more actors than buyers and sellers. A year after the various agreements were signed between the company and the communities, they were brought together under a single umbrella, the 'ENDESA/BOTROSA-Chachi Participatory Sustainable Forest Management Project.' The executive committee of this

[12] The species harvested are sande (*Brosinum utile*), coco (*Virola sp*), jigua (*Nectandra app*), cuángare (*Otoba sp*), laguno (*Vochysia cacrophylla*) and calade (*Nectandra sp*). These harvest agreements do not cover hardwood species, which the communities are free to sell independently.

project includes the Chachi federation (FECCHE), Fundación Natura (Ecuador's largest environmental NGO), and the German cooperation agency GTZ (*Gesellschaft für Technische Zusammenarbeit*). The mandate of these third party actors is to (1) monitor the execution of the harvest agreements; (2) facilitate the communication between ENDESA, BOTROSA, FFJMD, SETRAFOR, and the Chachi communities; (3) help the communities strengthen their ability to negotiate with the companies; and (4) help the communities monitor the logging and forestry activities taking place on their land.

FFJMD, the private foundation in charge of SFM, has developed detailed forest management plans for each of the Chachi communities with which a harvest agreement was signed. They comprise (1) an ethnological section on the Chachi; (2) a socio-economic section on land tenure, land use, local needs and market conditions; (3) a physical geographic section describing the climate, geology, hydrology, and biology of each Chachi territory; (4) a forestry inventory; (5) a series of maps, including maps realised with the participation of the communities that define family plots, communal forests, and biological reserves; (6) a work plan that details the harvest cycle, the volumes to be extracted, the logging techniques to be used, the preventive measures to protect the rivers, and the evaluation of the non-wood forest products; (7) an environmental impact assessment; and (8) various additional documents and annexes. Many activities relating to the elaboration of the forest management plans were carried out with the communities, such as the forest inventory, the zonification of the community territory in communal and family-owned areas and in areas for agriculture, timber harvesting, reforestation, and the creation of protective forest reserves. A team of agricultural extentionists, foresters, anthropologists, health workers and social development specialists was formed to design and implement agroforestry schemes, and various education and health projects. FFJMD also acted on the Chachi communities' behalf to finalise the land legalisation process, and obtain official communal land titles for each of the partner communities. Finally, the Durini Group has taken the survival of traditional Chachi culture as an important dimension of its work, and it has sponsored a wide range of cultural activities, from the ethnographic documentation of Chachi lore, ethnobotany and shamanism, to the re-introduction of traditional handicrafts and weaving techniques.

ENDESA and BOTROSA pay between $3 and $7 per cubic metre of roundwood extracted under these harvest agreements, a price much lower than those found on the open market, which fluctuate between $20 and $35. The Durini Group defends its price policy on the grounds that (1) road building[13] is very costly, expecially in the first harvest cycle; (2) its companies bear the high cost of doing sustainable forestry, in particular the cost of reforestation; (3) Ecuadorian wood prices are twice those of Brazil, and the world market is very competitive; (4) prices vary because they are calculated according to extraction, road building and transport costs. As Chachi communities and their forests are most remote, the wood, costly to extract, is bought at the lowest price. After each harvest, funds are deposited in three different bank accounts, which correspond to three different funds: a) the forest management fund; b) the harvest fund; and c) the contingency fund. In 1996, social development activities represented 1.03 % of SETRAFOR's annual costs, and, depending on the community where it was bought, between 0.75 % and 0.81 % of the price paid for one cubic metre of roundwood. In the same year, the elaboration of

[13] SETRAFOR's road building costs represented around fifteen per cent of its annual expenditure in 1996.

management plans and licence applications represented 3.74 %, and reforestation activities 0.30 % of SETRAFOR's annual costs.

According to the company managers I interviewed, social investments result more costly than direct payments. However, they allow for the generation of public goods of greater value than the direct distribution of - relatively meagre - profits from timber sales. They also have the great advantage of lessening the risk of criticism by those concerned with the corrupting influence of money, or with the market integration of indigenous people. Villagers are well aware that companies are paying for the wood with services that the government should provide, and that this is the main reason why prices are low. However, they feel they have no other alternative to obtain highly needed roads, medical attention and support for education. SETRAFOR, which, as mentioned above, routinely pays the wages of primary school teachers and offers scholarships in the communities that control forest tracts it wishes to exploit, has extended the practice in the Chachi villages where more formal, legally-binding agreements have been signed, to include paying for the upgrading of school buildings, the training of teachers and other professional development activities, and college studentships (which have benefited primarily the children of teachers and leaders). SETRAFOR and FFJMD have even helped one community to obtain from the government the creation of a new technical college specialising in agroforestry. Moreover, teaming with various NGOs, SETRAFOR and FFJMD have also organised capacity-building workshops in partner Chachi communities to strengthen the level of socio-political organisation and develop awareness of the links between development and the environment. All this explains why the Chachi population on the whole prefers the company's pragmatic response to community demands, over the less targeted and more long-term approach to human development and capacity building adopted by conservation NGOs (Rival 2004).

Social forestry, private sector participation and the cost of sustainable development

This case study shows that it is feasible for firms in the forestry industry to secure their long-term supply and strengthen their position in the market by forming partnerships with indigenous communities. From the late nineteen eighties to the early nineteen nineties, the holding under discussion looked to mobilise the capital necessary to develop plantations in order to cover its growing need for industrial wood. However, the political climate surrounding the Rio Earth Summit pushed the Durini Group to find alternative financial strategies. As a result, the Group decided to involve selected groups of local producers through long-term harvest agreements, which offer a rational business response to ecological constraints, civil society pressures, evolving government policies, and new market opportunities.

The Durini Group grew and consolidated its position under the state model for import substitution industry, which it used creatively to develop modern and technologically eco-efficient mills. Constrained by the depletion of easily accessible forests, and by policies that do not offer financial facilities for the development of plantations, the Group has designed an environmental management system that improves its logging operations, and makes it particularly responsive to the expanding export-market for certified plywood. This new management system involves logging techniques

that are less damaging to the environment, but it also facilitates the expansion of logging operations in natural forests costly to exploit, and previously untouched by commercial forestry. The legal ownership of these remote forests, which used to be under state custody, has now been devolved to indigenous communities. Consequently, in addition to environmental concerns, corporate responsiveness has had to address social and indigenous rights concerns.

This new environmental management system has given a central role to NGOs. For instance, FFJMD, the private foundation created by the Durini Group, has played a key role in the holding, for which it has designed and implemented silviculture, plantation development, and sustainable forestry programmes, including the harvest agreements discussed here. Although an integral part of the holding, the private foundation has had to work very hard to convince the companies that form it that its activities are essential to the holding's overall economic growth and business prosperity. Whereas environmental NGOs, particularly militant organisations close to Green Peace have refused to recognise the private foundation as an NGO (given its obvious links with the private sector which finances it), rival firms have remained highly suspicious of FFJMD's professed green and ethical business positions, viewing them as a new kind of competitiveness-enhancing branding. Throughout the 1990s, FFJMD has had to defend the rightness of its forestry model vis-à-vis a wide range of private, civil society and political actors, both nationally and internationally. In the end, the Durini Group has appeared as a visionary enterprise willing to reform and to promote environmental and social responsibility. In other words, it has gained reputation as a national leader, forward thinking, and capable of complying with the new standards set by global actors and large northern retailers. The Durini Group's leading role was strengthened by the fact that its company-business partnership model includes third party verification by the most established Ecuadorian environmental NGO. As this NGO was already implementing integrated conservation and development projects with the Chachi federation and various Chachi communities, it saw its partnership role (involving negotiation strengthening, monitoring and education) as entirely compatible with its other activities. Moreover, this NGO was keen to collaborate with a progressive company in the development of an innovative project which, if successful, would influence positively other Ecuadorian extractive industries, and, by way of consequence, promote forest conservation. To summarise, it is through the alliance between two 'NGOs,' one directly linked to the private sector, and one representing civil society, that the Durini Group gained trust nationally, and acceptance internationally. This NGO alliance, and community-company partnership it facilitates, became a landmark in the process of NGO evolution. It was one of the first instances in Ecuador, when confrontational forms of activism were abandoned, to be replaced by a will to co-operate with business, and provide technical assistance and services.[14]

The harvest agreements described in this article mark the successful adaptation of South American business enterprises to a new agenda of corporate environmental and

[14] As Utting (2000a: 22-23) notes, developments associated with environmental and social responsibility are as much about politics as they are about competitiveness. And, as he further remarks, corporate elites are not simply reactive to pressure, or accommodating oppositional values; they want to lead change, and secure their position by exercising moral, cultural and intellectual leadership.

social responsibility, driven by new financing policies, and the need to attract foreign direct investment (Richards 2000: 1002). Although the voluntary initiatives taken by the holding discussed here are largely an outcome of its production, technological and trading strategies, they have had a positive impact on Ecuadorian environmental policy. However, their social impact is much more difficult to measure, and less obvious. For the Durini Group, to manage forests sustainably in partnership with local owners and producers is a business imperative; economic performance must be the driving force. The tension between social responsibility and profit-making is clearly revealed in the asymmetry of the wood commodity chain, where, as discussed earlier, poor rural producers are particularly disadvantaged, and maximum profits are realised by white urban industrialists. The company-community partnership does not solve the unfairness of the wood trade, as prices paid to the Chachi communities are extremely low, mainly due to extraction and transport costs, as well as to the continuing under-valuation of both natural resource and primary producer. Although the companies discussed in this article have provided a range of social services to the communities from which they purchase wood, the delivery has been uneven and sporadic. Moreover, due to the low level of organisation, literacy and numeracy in Chachi villages, the companies have retained control over business decisions, as well as over the use of forest harvest funds. This clearly indicates that if voluntary initiatives may go a long way in enhancing economic and environmental performance, social equity, a fundamental component of sustainable development, requires a different type of intervention. As this research shows, Chachi villagers, who already rely on state benefits, are demanding free education and health, and cheaper transport. As the very low price paid for their wood under the harvest agreements is justified in terms of the high costs incurred by the logging company, especially the cost of building roads to access remote parts of Chachi territory, a case can be made for a different type of partnership, one which would involve an investment bank, the Ministry of Public Works, and the provincial government. This partnership would be responsible for developing a rational regional road system, which would correspond to the needs of the rural majority, and would relieve the timber sector from its heaviest financial burden, thus allowing for better prices to be paid to primary producers.

Nearly 200 million hectares of topical forests were lost between 1980 and 1995, which led many conservationists to argue for a ban on all commercial logging and land conversion in tropical forest areas (Speth 2002). Both logging companies and national governments were seen as sharing responsibility for the massive destruction of tropical rainforests, and various attempts were made to design new national and multilateral regimes, and new multipartite institutions for the global protection and sustainable management of key natural resources. However, an international convention on the protection of forests is yet to be agreed, let alone to be implemented through efficient inter-state government structures with sanctioning power. In the mean time, as this case study has attempted to show, there is an urgent need to redefine the role of national governments in promoting sustainable development. Many state-led development programmes have had a detrimental effect on the environment, but this needs not be the case always. The state can be reformed and turned into an environmentally more benign actor, although such endeavour is particularly complex today, given the current pressure to restrict its role, and redefine the boundaries between the private and the public sectors.

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