



global witness

Illegal logging in the Río Plátano Biosphere

A farce in three acts



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Abbreviations

| | | | |
|--------------|---|---------|---|
| ADD | Avoided deforestation and degradation | GTZ | Gesellschaft für Technische Zusammenarbeit (<i>German international cooperation agency</i>) |
| AFE-COHDEFOR | Administración Forestal del Estado – Corporación Hondureña de Desarrollo Forestal (<i>State Forest Administration – Honduran Corporation of Forest Development</i>) | ICF | Instituto de Conservación y Desarrollo Forestal (<i>Institute of Forest Conservation and Development</i>) |
| ASI | Accreditation Services International | IFAD | The United Nations' International Fund for Agricultural Development |
| CBRP | Componente Biosfera de Río Plátano (<i>Río Plátano Biosphere Component</i>) | IFM | Independent Forest Monitoring |
| CCAD | Comisión Centroamericana de Ambiente y Desarrollo (<i>Central American Commission for Development and the Environment</i>) | MAB | Man and Biosphere, a UNESCO protected area category |
| CIDA | Canadian International Development Agency | MAO | Movimiento Ambientalista de Olancho (<i>Olancho Environmental Movement</i>) |
| CITES | Convention on International Trade in Endangered Species of Wild Fauna and Flora | NGO | Non-Governmental Organisation |
| CONADEH | Comisionado Nacional de los Derechos Humanos de Honduras (<i>the Honduran Human Rights Commission</i>) | ODI | Overseas Development Institute |
| CUPROFOR | Centro de Utilización y Promoción de Productos Forestales (<i>Centre for the Use and Promotion of Forest Products</i>) | PARN | Procuraduría del Ambiente y Recursos Naturales (<i>State Attorney for the Environment and Natural Resources</i>) |
| DATA | Departamento de Auditoría Técnica y Ambiental de la AFE-COHDEFOR (<i>Department of Technical and Environmental Auditing of AFE-COHDEFOR</i>) | PBRP | Proyecto Biosfera del Río Plátano (<i>Río Plátano Biosphere Project</i>) |
| DEI | Dirección Ejecutiva de Impuestos (<i>Tax Revenue Authority</i>) | PES | Payment for Environmental Services |
| EU | European Union | PRORENA | Programa de Recursos Naturales (<i>GTZ's Natural Resources Programme</i>) |
| FAO | Food and Agriculture Organisation of the United Nations | REMBLAH | Red de Manejo de Bosque Latifoliado Hondureño (<i>Humid Broadleaf Forest Management Network</i>) |
| FEHCAFOR | Federación Hondureña de Cooperativas Agroforestales (<i>Honduran Federation of Agroforestry Cooperatives</i>) | REDD | Reduced Emissions from Deforestation and Degradation |
| FEMA | Fiscalía Especial del Medio Ambiente (<i>Special Environmental Public Prosecutor</i>) | RFNO | Región Forestal Nor-Occidental (<i>North-Western Forest Region</i>) |
| FLEG | Forest Law Enforcement and Governance initiative | RHBRP | Reserva del Hombre y la Biósfera del Río Plátano (<i>Río Plátano Man and the Biosphere Reserve</i>) |
| FLEGT | The EU Forest Law Enforcement, Governance and Trade initiative | SERNA | Secretaría de Recursos Naturales y Ambiente (<i>Secretariat for Natural Resources and the Environment</i>) |
| FONAFIFO | Fondo Nacional de Financiamiento Forestal (<i>National Fund for Forest Financing</i>) | SFM | Sustainable Forest Management |
| FRA | Región Forestal Atlántida (<i>Atlántida Forest Region</i>) | SSF | Sistema Social Forestal (<i>Forest Social System</i>) |
| FSC | Forest Stewardship Council | UNESCO | United Nations Educational, Scientific and Cultural Organisation |
| KfW | Kreditanstalt für Wiederaufbau (<i>German Bank for Reconstruction</i>) | UEP | Unidad Ejecutora de Proyectos (<i>Projects Implementation Unit</i>) |
| | | USAID | United States Agency for International Development |
| | | VPA | Voluntary Partnership Agreement |

Notes:

- In Honduras, the established convention is that 1m³ of round wood equals 180 board feet.
- This report uses constant conversion rates of US\$1 = 18.90 lempiras.
- The term mahogany refers to bigleaf mahogany (*Swietenia macrophylla*) in the context of this report unless stated otherwise.

1. Overview

Honduras, a country rich in natural resources and cultural diversity, struggles against poverty and environmental degradation: it is the third poorest country in Latin America and the second poorest in Central America.

Poverty is much more acute in a rural context, so forested areas largely coincide with the poorest ones¹. The country is well suited to forestry practices, and 41.5% of its territory is currently covered with forests². However, decades of agricultural colonisation and the expansion of cattle ranching have resulted in extensive deforestation and related environmental degradation, most notably the deterioration of water resources and soil erosion. In a country that is prone to hurricanes and flooding, environmental degradation worsens the impact of these natural disasters.

Severe governance failure in the Honduran forest sector is threatening the country's largest protected area, the UNESCO-accredited Man and the Biosphere Reserve of Río Plátano (hereafter the Río Plátano Biosphere), and the people living in and around it. Corruption at the highest level and a complete lack of accountability have led to environmental destruction and undermined the rights of local people and their efforts towards sustainable forestry^a.

This report makes the case for greater national and international efforts to strengthen forest governance and the rule of law. It is based on Global Witness' on-the-ground research, interviews with key actors and a review of existing official documents and other sources of information^b. It aims to: (i) document, expose and analyse this case, (ii) identify lessons that can be learned in Honduras and elsewhere and (iii) present a series of recommendations for the various parties involved, in particular the Institute of Forest Conservation and Development (ICF), which is the new Honduran forest authority created by the Forest Law approved on 13 September 2007^c.

The Río Plátano Biosphere has a long history of illegal logging. This report, however, focuses on one particular case: the legalisation of so-called 'abandoned' timber in 2006-2007, and its links to state mismanagement. It illustrates how illegal logging is often not only tolerated, but also promoted, by the authorities in charge.

As this report will describe in more detail:

- In his inauguration speech on 27 January 2006, President Zelaya committed to eradicating illegal logging in the country, but just a few months later the Honduran forest authority at the time (AFE-COHDEFOR) implemented a policy that achieved the opposite: it approved regulatory procedures to effectively legalise illegally-logged mahogany, and did so contravening the law and without any consultation or independent oversight. The implementation of these resolutions spurred a race to illegally log the Río Plátano Biosphere.
- The policy was part of a carefully designed plan to launder illegal timber from the most important protected area in the country.
- Two months later, the regulatory procedures were suspended as a result of pressure from civil society and an investigation carried out by the Special Environmental Public Prosecutor (FEMA). However, there remained a strong determination to legalise this timber and a new, more sophisticated plan, was rolled out. This included the establishment of



'It is the role of the Honduran state to establish the legal and political framework for the management and infrastructure to guarantee the conservation of its diversity and the benefit of the population.' The sign shown on the Río Plátano Biosphere Administrative Centre.

contracts with local cooperatives and the subsequent auction of the timber so that the people who financed the illegal logging were able to buy that same timber, now apparently legal.

- As a result, as much as 8,000m³ of mahogany were illegally felled. More than 14.7 million lempiras (approximately US\$780,000) of public funds were indirectly delivered to well-known illegal timber traffickers.
- Cooperatives at a local level suffered greatly from this experience. Illegal logging of mahogany decreased the value of their forests and jeopardised the opportunity to develop viable community forestry initiatives. Vested interests manipulated some of these organisations to launder illegal timber and in so doing undermined their credibility.

The case presented here had dramatic consequences in the Honduran context. However, it should also be looked at within a broader context. What this report documents will unquestionably resonate in other areas around the world experiencing similar issues. What characterises such cases is the disparity between political rhetoric and the vested interests driving the actions of government institutions. Such poor governance goes unchecked in part due to the lack of a transparent and participatory process in the management of the forest resources.

At a time when forests have taken centre stage in climate change negotiations, the need to tackle illegal logging and associated deforestation and degradation is more pressing than ever. Deforestation accounts for around 20% of global greenhouse gas emissions and addressing this problem is seen by many as the most cost effective way of reducing these harmful emissions. A post-Kyoto agreement could help to ensure that forests are left standing so that they can be used sustainably by the people living in and around them. Good governance in Honduras and elsewhere is an essential prerequisite for the protection and sustainable use of forests. This, coupled with addressing the drivers of deforestation and empowering forest dependent communities, should be the focus of any forest and climate strategy. Sustainable forest management could play a significant role in supporting the livelihoods of local populations and fighting poverty, while at the same time maintaining the ecological value of forests.

2. Background

Located in north-east Honduras, and covering an area of over 800,000 hectares – almost 7% of the whole country – the Río Plátano Biosphere is the largest protected area in Honduras, and one of the most significant areas of the Mesoamerican Biological Corridor^d. In 1982 it was the first protected area in Central America to be included in the UNESCO's World Cultural and Natural Heritage programme. As such, one of the main objectives in the management of the Río Plátano Biosphere is to harmonise conservation with the sustainable use of its resources and the preservation of cultural values.

The area includes three different zones (see Map 1): a core zone, which is the least disturbed by human activity, albeit not safe from threat; a buffer zone, where the pressure of humans is most felt, as seen by substantial ongoing change in land use; and a cultural zone, comprising half of the total area of the reserve and characterised by the presence of indigenous populations.

Box 1: Facts and figures about the Río Plátano Biosphere^{3,4,5}

- Total area: 832,332 ha
- Core zone: 211,081.48 ha (25.4%)
- Cultural zone: 423,905.52 ha (50.9%)
- Buffer zone: 197,345 ha (23.7%)
- Altitude: 0 to 1,326 m
- Location: spread over three departments^e in Honduras: Gracias a Dios, Colon and Olancho
- Population: in 1998 approximately 41,000, of which around 52% of mixed racial ancestry (ladino), 43% miskito, 3% garifuna^f, 1% pech and 1% tawahka
- Animal species: over 400 bird species and 200 reptile and amphibian species
- Plant species: over 2,000 species estimated
- Other values: watershed protection, wetlands, animal refuge, archaeological sites, indigenous cultures, tourism.

^a Truly sustainable forest management (SFM) in situations such as the Río Plátano Biosphere will only be attained through successful small and medium scale enterprises at a community level. Although the term SFM has been widely used, so-called SFM practices have often failed to meet the purpose of striking a balance between society's increasing demand for forest products and the preservation of forests. On the other hand, on an industrial scale, 'SFM' has an extremely poor record in the tropics, with few if any examples where it has delivered durable economic benefits, alleviated poverty or been environmentally sustainable. There are however countless illustrations of how industrial scale logging has led to extensive forest loss, exacerbated poverty for forest-dependent people, loss of biodiversity, corruption, state looting and in some cases, such as in Liberia, Cambodia or the Democratic Republic of Congo, full blown conflict.

^b Allegations in this report were put to Santos Cruz, Manuel Flores Aguilar, Santos Reyes Matute, Roger Moncada, Milworks Internacional and Maderera Siprés on 15 October 2008. At the time of publication of this report, Santos Cruz and Milworks Internacional had responded. These responses have been incorporated, where appropriate, into the relevant sections of this report. None of the other people addressed provided a response.

^c AFE-COHDEFOR has been the forest authority in Honduras for over 30 years. The 2007 Forest Law abolished this institution and replaced it with a new one: the Institute of Forest Conservation and Development (ICF), the new head of which was appointed in May 2008.

^d The Mesoamerican Biological Corridor is a multinational initiative to maintain ecological connections throughout the Central American isthmus. The initiative includes eight countries (Belize, Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, and Panama) and is coordinated by the Central American Commission for Development and the Environment (CCAD – Comisión Centroamericana de Ambiente y Desarrollo).

^e Honduras is divided into 18 departments, which are in turn divided into municipalities.

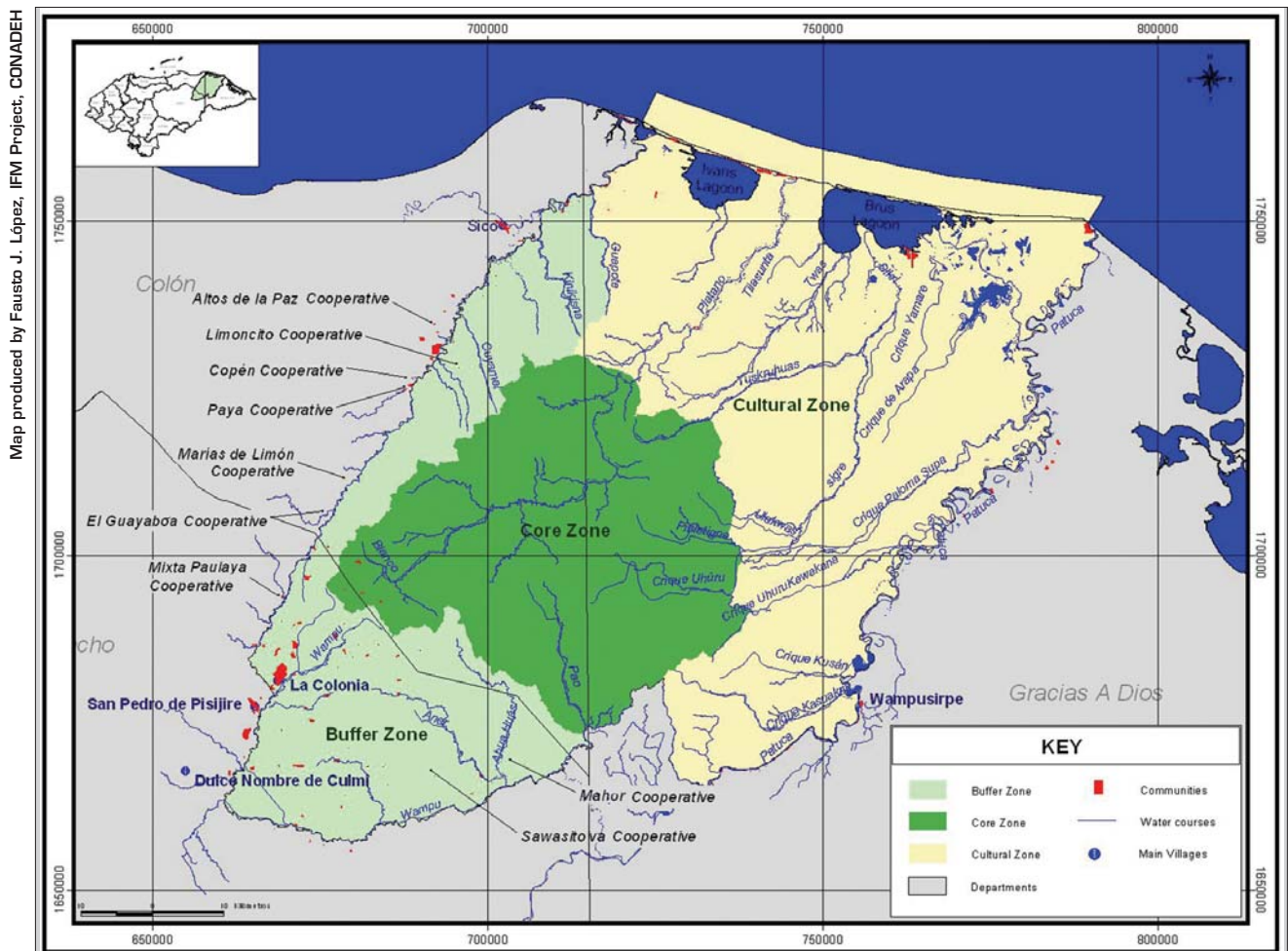
^f The garifuna are Afro-Caribbean people, and as such not an indigenous group. However, they conserve their own culture, language and traditions and are therefore considered an ethnic minority, often grouped with indigenous people.

Much of the area of the reserve is covered by Atlantic broadleaf forests⁶, making it one of the most important ecosystems of this type in Central America. It also boasts a broad range of other ecosystems, such as pine forests, mangroves and coastal lagoons. About 75% of the area is mountainous, often featuring steep slopes, making it significantly susceptible to degradation if its vegetation is disturbed.

The Río Plátano Biosphere forests are home to a wide variety of species, both plants – including the

largest (and one of the last commercially viable) mahogany (*Swietenia macrophylla*) and cedar (*Cedrela odorata*) populations in the country – and animals, including threatened species such as the jaguar (*Panthera onca*), the puma (*Puma concolor*) and the ocelot (*Felis pardalis*). A growing human population also lives in the area and directly depends on it for subsistence. Furthermore, the Río Plátano Biosphere is acknowledged as an archaeological site of historical importance.

Map 1: The Río Plátano Biosphere



Note: this map only includes the cooperatives which were involved in the 'abandoned' timber case.

For decades, this area has experienced significant pressure from the change of land use to agriculture and cattle ranching⁷. Furthermore, illegal logging of valuable harvestable species, such as mahogany and cedar, is widespread in many parts of the reserve^{8,9}. All this has resulted in soil erosion, a decrease in the quantity and quality of water resources, and an increased threat to the survival of the species living in the area. This degradation was internationally acknowledged and resulted in the reserve being included on the list of World Heritage in Danger in 1996. Despite being removed from the list in 2007, it would be misleading to

assume that the area is now safe from threats, as this report will illustrate.

The industrial extraction of timber in the area that is now the Río Plátano Biosphere started in the 1920s when the Trujillo Railroad Company reached the Río Paulaya valley¹⁰. Subsequently, at various times during the last century, there were periods of intense industrial logging, promoted by timber entrepreneurs such as Jim Goff in the north of the area in the 1950s and Jack Casanova in the south from the 1960s^{11,12}. Most of the logging activities were uncontrolled, as the forest sector was subject to little regulation at the time.

As was the case in the past, logging is currently almost exclusively focused on mahogany, although the actors and methods used have changed entirely. It is no longer a case of industrial companies or sawmills, but rather hundreds of loggers working in independent teams of two or three people, locally known as *chemiceros*. They use chainsaws to fell trees and to cut the timber into blocks and planks in the forest, and then transport them by mules or rivers to the nearest road.

These loggers are sometimes members of local cooperatives belonging to the Forest Social System (SSF), administered by AFE-COHDEFOR at the time the events described in this report occurred (see Box 2). However, in most cases they are simply individual loggers working for timber traffickers. Cash advances and sometimes fuel, oil and other provisions are provided for the loggers to enter the forest and extract timber with a commitment to subsequently provide it for an agreed price. These relationships are often structured in three levels. At the top is a timber trafficker providing advances to a local leader, who in turn acts as a link between the trafficker and the loggers. The latter constitute the lowest level and carry out the actual timber harvesting and transporting activities.

The subsequent sale of the timber is sometimes

conducted in secret, without any legal documentation, in particular when the final destination is the local market, as is the case for the villages of Dulce Nombre de Culmí in the south of the region and Sico in the north-west. However, the majority of mahogany is sent to the country's main urban centres. The traffickers then try to reduce risks during transportation by providing legal documentary support for the timber.

The need to legalise the timber has led to underhand tactics. Only SSF cooperatives have the right to harvesting permits in the Río Plátano Biosphere, so many traffickers, using corrupt and intimidating practices, attempt to infiltrate these organisations and manipulate their performance to their own ends. Many of the local leaders who work with the traffickers are directors or at least members of local cooperatives. In some cases, the degree of manipulation by traffickers is so pervasive that local people speak of 'ghost' organisations: entities that do not have an organised social basis at the community level, nor do they have an allocated area of forest to manage, and only exist on paper to comply with official bureaucratic procedures. As this report will describe, such dysfunctional cooperatives – abused by influential traffickers – played an instrumental role in the 'abandoned' timber case.



Degradation in the Río Plátano Biosphere is obvious in some areas and is threatening its integrity

Box 2: The Forest Social System: good intentions, poor implementation

The Forest Social System (SSF) is a government programme established in 1974 under Honduran legislation and recently confirmed by the 2007 Forest Law. Its objective is to promote the participation of rural populations in the conservation and management of forest resources. The community-based organisations linked to the SSF in the Río Plátano Biosphere can follow different legal formats: some are cooperatives, others are partnerships with trading objectives and others are peasant associations⁹.

Hailed as an attempt to address rural poverty and forest degradation, the SSF looked like a

win-win situation, and substantial resources were invested in establishing and building the capacity of these cooperatives. Many donors have supported SSF at various times, most notably the German International Cooperation Agency (GTZ), the United States Agency for International Development (USAID) and the Canadian International Development Agency (CIDA). The cooperatives in and around the Río Plátano Biosphere are currently being mainly supported by two US organisations, Rainforest Alliance and GreenWood. The latter works through its local partner, MaderaVerde Foundation.

Cooperatives involved in the 'abandoned' timber case

| Name | Community | Municipality | Department |
|---|-----------------|-----------------------|------------|
| Sawasito cooperative | Sawasito | Dulce Nombre de Culmí | Olancho |
| Mahor cooperative | Mahor | Dulce Nombre de Culmí | Olancho |
| Mixta Paulaya cooperative | Paulaya | Dulce Nombre de Culmí | Olancho |
| El Guayabo cooperative | El Guyabo | Iriona | Colón |
| Altos de La Paz cooperative | Altos de La Paz | Iriona | Colón |
| Limoncito cooperative | Limoncito | Iriona | Colón |
| Romero Barahona Association (Copén cooperative) | Copén | Iriona | Colón |
| Martínez Fúnez Association (Paya cooperative) | Paya | Iriona | Colón |
| Marias de Limón Association (Marias de Limón cooperative) | Marias de Limón | Iriona | Colón |

Despite initial expectations, undermined by poor governance and corruption, many of the SSF organisations have failed to benefit from the management of their forests, and at worst provided a smokescreen for unscrupulous timber traffickers that have used them to gain easy access to timber.

This report will specifically refer to the nine

cooperatives involved in the 'abandoned' timber case. These are: Altos de La Paz, Copen, El Guayabo, Limoncito, Mahor, Marias de Limón, Mixta Paulaya, Paya and Sawasito. Three of these – Marias de Limón, Mixta Paulaya and Sawasito – stand out as the most problematic, each specifically linked to a local timber trafficker.

⁹ Given that the majority of these organisations are cooperatives and all of them are locally known as 'cooperatives' (irrespective of their legal format), this term is used throughout this report to refer to such organisations.



Local timber storage yard and workshop in the Guayabo cooperative

3. Empty promises: “no more illegal logging in our forests”

On 27 January 2006, José Manuel Zelaya Rosales assumed office as the new president of Honduras. In his inauguration speech he strongly emphasised his government's environmental commitment. In addition to making a strong pledge not to approve any further opencast mining, President Zelaya was explicit in declaring his aim to eradicate illegal logging:

“[...] tomorrow our Armed Forces will embark on a programme to protect our forests and promote reforestation in Honduras. [...] no more illegal logging in our forests, no more illegal tree felling. We will declare bans where necessary and let nobody disregard these, as the full rigour of the law will be applied. These are our forests, and we must manage them.”¹³

To fulfil his promise, President Zelaya also committed to investing 1% of the national budget in financing reforestation schemes and protection activities in forest areas. Showing a proactive attitude unheard of in previous Honduran presidents, the day after he was sworn into office he travelled to the Department of Olancho^h with several ministers and a military delegation to officially launch the Honduran forest protection and reforestation programme.

Thus, only a few hours had passed after the celebrations for the new president had ended when a high-profile control and surveillance operation was initiated by the Honduran Armed Forces in the country's main protected areas. The Río Plátano Biosphere was the priority area in this operation from the outset, with some 100 military personnel permanently posted in the area.



A helicopter from the Armed Forces lands near the Sawasito cooperative

The military operation received a lot of media attention and gave rise to high expectations of rapid results. In their desire to demonstrate the effectiveness of their work to the public and the president, the Armed Forces soon began to issue information, promptly echoed by the media, on large quantities of timber ‘confiscated’ in the country's forests. For example, on 30 March 2006, just two months after the start of the operation, an article in *La Tribuna*, one of the leading newspapers in Honduras, reported:

“Since President Manuel Zelaya Rosales declared the protection and conservation of natural resources as a priority, the Armed Forces have confiscated some 6 million board feet [33,000m³] of timber, valued at 184 million lempiras.”¹⁴

A few weeks later, reports in two other major Honduran newspapers told of the confiscation of 8–10 million board feet (45,000–55,000m³):

“During the first stage of the forest protection operation, some 20 clandestine sawmills were discovered and closed down and approximately 10 million board feet of hardwood and pinewood were confiscated.”¹⁵

Gobierno incapaz de frenar la tala ilegal

Headings in local papers report on the inability of the government to stop illegal logging and the legalisation of timber in protected areas, to be subsequently sold to traffickers

Denuncia diputado
COHDEFOR legalizará madera decomisada para venderla a los traficantes

Cohdefor legaliza tráfico en áreas protegidas

Un “tráfico de madera” fue favorecido. El total de bosque de estas zonas protegidas representa el 30 por ciento de las más de tres millones de hectáreas de bosque en toda Honduras

^h The Department of Olancho is the largest in Honduras. Traditionally, it has been the department with the highest forest production, and is also the area with the most severe problems of deforestation and forest degradation.

“In the military operations that started on 28 January of this year, 8 million board feet of hardwood have been confiscated [...]”¹⁶

According to the Armed Forces, the majority of this timber was ‘abandoned’ when the groups trafficking it became aware of the presence of military personnel in the protected areas¹⁷ⁱ. In all probability, the figures supplied by the Armed Forces did not just include timber that had been actually confiscated, but also an estimate, based on information provided by local informants, of the possible volumes of timber hypothetically present (and ‘abandoned’) in the areas under military surveillance. This would explain the vast difference between the figures given by the Armed Forces in the first months of 2006 and the data later provided by AFE-COHDEFOR for confiscated timber over the entire year, some 600,000 board feet (3,330m³)¹⁸ – less than 10% of the military’s figures. Furthermore, Santos Cruz, the Deputy General Manager of AFE-COHDEFOR at the time, stated that the Armed Forces provided “extremely alarmist” data, and that they had no capacity to estimate the volumes of timber abandoned in the area under their surveillance. According to him, these figures were issued to attract media attention¹⁹.

Regardless of the real amount of timber that was left in the forest, what followed was a relentless repetition of a deceptive story about the existence of significant quantities of ‘abandoned’ timber in the country’s forests. In this story the interests of different parties converged. In addition to showing the success of the military operation, the focus on the ‘abandoned’ timber also proved advantageous to the owners of the timber. The scale of the military operation and its permanent nature prevented the usual tactic employed by timber traffickers in previous military crackdowns (hide the timber and wait until the military operation concluded) and obliged them to seek alternatives. Repeating an approach already used in the aftermath of Hurricane Mitch (see Box 3), timber traffickers started to spread the idea that large quantities of timber were deteriorating in the forests, the loss of which would be severely detrimental to the country. In fact, it is likely that in many cases the timber traffickers or their associates in the communities were the original source of information for the Armed Forces’ estimates on the volumes of ‘abandoned’ timber.

As this story spread out, AFE-COHDEFOR also became involved. As a semi-autonomous institution that

Box 3: Logging mahogany ‘dead timber’ in the Sico-Paulaya valley²¹

Between 2000 and 2001 intense forest exploitation took place in the Río Plátano Biosphere. This period coincided with a policy established by AFE-COHDEFOR which allowed permits to be issued for ‘dead timber’, that is, timber from trees that had been felled by natural causes (Hurricane Mitch, in particular) or by the change in land use to agriculture or livestock raising. In Sico-Paulaya alone – the western boundary of the Río Plátano Biosphere – a volume of 8,696m³ of timber was authorised, 93% of which was dead timber.

However, evidence suggests that around 80% of timber production was illegal, because permits to harvest dead timber were in fact used to legalise timber from recently felled trees, often logged within the Río Plátano Biosphere. It was known from the outset that these permits were being abused and throughout these two years there was a constant flow of information and evidence to support this. However, AFE-COHDEFOR maintained this policy for the full duration of this period, until a new political cycle, with its new forest administration, commenced. In all likelihood, vested interests and pressures influenced this policy, despite the widely known negative impacts.

received virtually no money from the Finance Ministry, it had to generate its own resources by selling timber from Honduran forests and by other means, such as imposing fines for administrative infringements and carrying out auctions of confiscated timber. Its involvement was probably partly due to the desire to generate additional income by the sale of ‘abandoned’ timber, but it was also unquestionably the result of external interference and pressures.

Although there was no concrete information on quantities or locations of the timber, on 25 April 2006, the AFE-COHDEFOR Management Board approved Resolution N° 236-01-2006 on timber from broadleaf forests ‘in situation of abandonment’²⁰, establishing the possibility of legalising this timber through local cooperatives linked to AFE-COHDEFOR’s SSF.

ⁱ Military crackdowns carried out in previous years show that the reaction of loggers and intermediaries followed a similar course: hiding the timber and chainsaws, waiting for the commotion to die down, then returning to the usual *modus operandi*. This was probably the initial reaction in this case also. Timber that had already been felled was left ‘abandoned’ in the forest, because it was impossible to remove it due to the military surveillance.

4. Act One: Tailor-made policy for illegal logging

The approval of Resolution N° 236-01-2006 on 25 April 2006 represented the official starting point of the ‘abandoned’ timber case. As documented in Independent Forest Monitoring (IFM) Report N° 14²², this resolution was passed in contravention to the law. The conclusions and recommendations of the report, summarised in Box 4, show that the system for the legalisation of ‘abandoned’ timber established by Resolution N° 236-01-2006 – issuing small-scale logging permits called *ventas locales* (local sales) to community-based cooperatives – was unlawful, as the procedure defined by law for the legalisation of forest products of illegal origin was their confiscation and subsequent sale through public auctionⁱ.

Memorandum N° GG/146-06 from the AFE-COHDEFOR General Manager’s Office²³, issued just a day later to establish practical methods for the implementation of this resolution, actually increased the risks associated with the proposed legalisation. In fact, while the resolution established that the first step was an obligation to “carry out an inventory of timber discovered abandoned and, with the authorisation of AFE-COHDEFOR and surveillance of the Armed Forces, transfer it to [authorised] storage yards [...]”, the memorandum revoked this requirement, establishing in its place that “[...] the timber shall not be measured at the place at which it is currently located, but instead removed without measurement [...]” to the storage yards.



Typical harvesting operation in the Río Plátano Biosphere. A mahogany log is planked using a chainsaw

Box 4: Main conclusions and recommendations of IFM Report N° 14

IFM Report N° 14 concerns Resolution N° 236-01-2006 ‘Timber from Broadleaf Forests in Situation of Abandonment’ by the AFE-COHDEFOR Management Board and the Memorandum N° GG/146-06 issued by the AFE-COHDEFOR General Manager. According to the report, both of these could constitute abuses of authority as Article 349 of the Honduran Penal Code characterises the issuance or implementation of “resolutions or orders that contravene the Constitution or the legal framework” as an abuse of authority and a violation of the duties of civil servants. Based on this and other conclusions, the report sets out the following recommendations:

- AFE-COHDEFOR’s General Manager should immediately revoke Memorandum N° GG/146-06, which, by eliminating the requirement to do an inventory of the abandoned timber on site (prior to its transportation), allows an abusive and non-transparent use of Resolution N° 236-01-2006.
- For the hardwood timber that was abandoned during operations carried out in previous months, Resolution N° 236-01-2006 should be revoked and the procedures established by law to confiscate and subsequently sell the timber by public auction should be followed. Should this be unfeasible logistically, AFE-COHDEFOR’s Board of Directors should issue a new resolution for the utilisation of this timber in social projects at local level (without authorising its entrance to the market). Any system that is established should, in any event, include a mechanism for the independent supervision and control of its implementation. This independent supervision could be carried out, for example, jointly by the Honduran Human Rights Commission (CONADEH), the Environmental Public Prosecutor (FEMA) and the State Attorney for the Environment and Natural Resources (PARN). With regard to the financing of these verification activities, it should be examined if the necessary funds could be generated by establishing a small payment for each board foot legalised.
- FEMA and the PARN should contest this resolution judicially and determine whether there was an abuse of authority in its issuance and implementation.

ⁱ The new Forest Law has changed this provision, establishing that illegal forest products will be assigned to state institutions implementing educational or capacity building programmes for timber transformation, or to community projects, rather than letting such products enter the market (Art. 106 of the 2007 Forest Law).

By cancelling the requirement to conduct an inventory before moving the timber, the memorandum opened a significant breach in the procedures for the legalisation of 'abandoned' timber. Without a prior inventory and an effective chain of custody (see Box 5), it was not possible to determine whether the legalised timber was timber that had already been felled and 'abandoned' (as it should be), or if the timber was logged subsequently as a result of the ease by which it could be legalised. In other words, the memorandum created a strong incentive to continue logging timber illegally.

The arguments presented in IFM Report N° 14 were echoed by Honduran civil society groups (especially the Honduran organisation Fundación Democracia sin Fronteras) and the media, prompting a reaction from FEMA. As a result of investigations the latter conducted, on 29 June 2006 the AFE-COHDEFOR General Manager

ordered the suspension of Resolution N° 236-01-2006²⁴, annulling the effect of Memorandum N° GG/146-06. However, in the two months in which this resolution was in force more than 1,000m³ of illegally felled mahogany were legalised through local sales to three cooperatives in the Río Plátano Biosphere (see Table 1).

Table 1: volume of timber sold through local sales based on Resolution N° 236-01-2006

| Cooperative | Volume (m ³) |
|-----------------|--------------------------|
| Sawasito | 400.00 |
| Marías de Limón | 177.58 |
| Mixta Paulaya | 588.72 |
| TOTAL | 1,166.30 |



One of the many mahogany trees felled in Río Plátano Biosphere. Logging, even when done selectively, is often the first step towards permanent forest destruction through land use change

Box 5: Logging mahogany 'dead timber' in the Sico-Paulaya valley

In the forest sector, the term 'chain of custody' usually refers to a system used to trace timber from the point of harvest in the forest through each stage to its final destination (be it retailers at the local market or the port of export for internationally traded timber products). This can potentially be used to guarantee that the timber has been logged and traded within the law, thus supporting efforts to combat illegal logging.

At an early stage in the case documented in this report, an Inter-Institutional Committee (see Box 6) established a methodology with a view to implement a chain of custody system for the 'abandoned' timber, described by the independent monitor in IFM report N° 23 as "efficient, cost-effective and viable"²⁵. It was also hoped that this system would then be expanded to other broadleaf areas in the country and subsequently adapted to work effectively in pine areas. The structure of the chain of custody designed is shown in the diagram below.

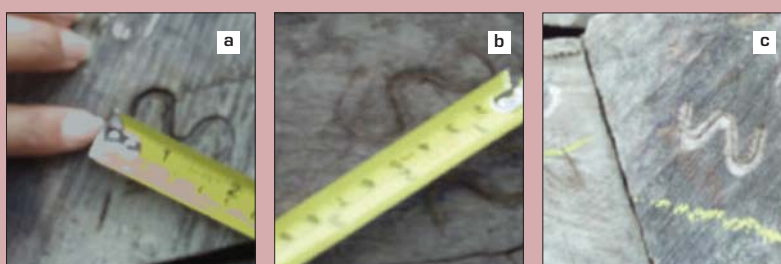
The marking was made using a chisel with a cooperative identification number at its end (see Box 6), and an accompanying three-digit identification code was written in charcoal on the log. This system had the obvious advantage of being economical but the drawback of potentially being easily counterfeited and misused. For example, as reported in IFM report N° 35, logs with forged marks were found in one of the storage yards to which timber was transported²⁶.

Nonetheless, thanks to the system, it was possible to identify some illegal activities, such as the inclusion of recently felled timber in the 'abandoned' timber lots. It also enabled verifying the presence at the premises of Milworks Internacional, one of the most important timber processing companies in the country, of timber stolen from one of the authorised storage yards (see Section 6.3).

Unfortunately, despite these specific positive outcomes, overall the system designed for this case did not meet the original expectations. Although there is no question that the system was designed with the best intentions, the reality is that AFE-COHDEFOR failed to implement it

successfully. This resulted in one of the key elements in the chain – the internal permits allowing the transportation of timber between communities and local authorised storage yards – being misused by some traffickers. These permits – which were different from official transportation permits issued by AFE-COHDEFOR for legal timber – were specifically designed to ensure that only inventoried timber reached the authorised storage yards. However, traffickers also used them to transport freshly cut timber, circumventing the military control operation ordered by the president. This generated a parallel flow of illegal timber, probably as large as the amount of 'abandoned' timber officially legalised.

This case exemplifies the pros and cons of a chain of custody system. While it can be a powerful tool to fight illegal logging, it can also have negative consequences as loopholes in the system are found and abused. This enables the laundering of timber by providing legal documents for timber that has been obtained illegally, thus making it indistinguishable from legal timber.

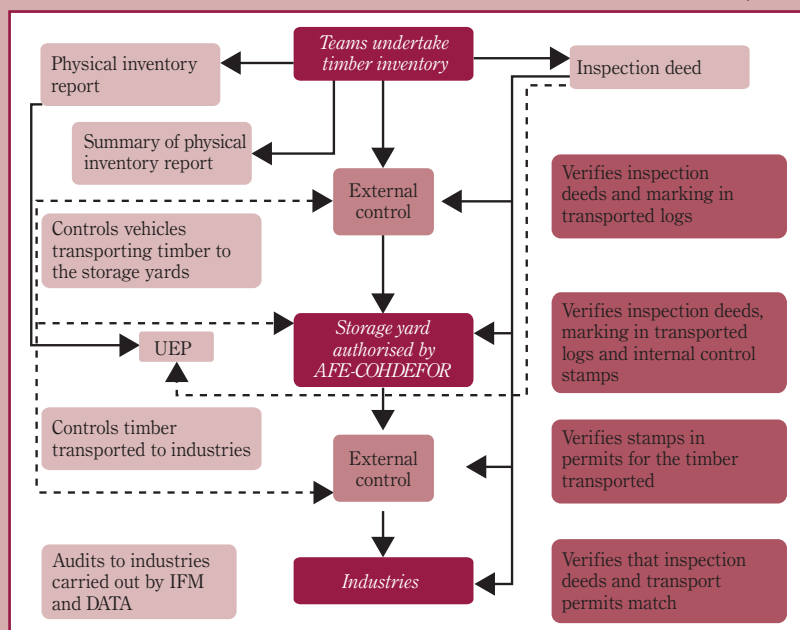


Original 's'-shaped marking (picture a), and two examples of forged marks (pictures b and c).

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Flowchart for the suggested methodology for the chain of custody

Source: CONADEH, IFM report N° 23



5. Act Two: New tactics for continued laundering



and some of the negative consequences, which started with a new wave of illegal logging and legalisation of timber, through to payments made to local

The suspension of Resolution N° 236-01-2006 was a blow to the timber traffickers and AFE-COHDEFOR officials who had promoted its approval. But it turned out to be only a temporary setback. Even before its suspension, new arrangements for administrative procedures for the 'abandoned' timber were underway²⁷. The new approach was much more complex and implied a formal compliance with the law as well as a broader participation of different stakeholders. In summary, the main steps in this new mechanism were as follows:

- Carrying out an inventory of the 'abandoned' timber in the Río Plátano Biosphere (see Box 6);
- Establishing service contracts between AFE-COHDEFOR and local cooperatives for (i) the identification and measurement of the 'abandoned' timber during the inventory, (ii) its transportation to authorised storage yards, and (iii) its surveillance;
- Selling the timber at public auction.

The implementation of these three steps was slow and controversial. The following sections describe them

cooperatives that subsequently ended up in the hands of timber traffickers. Moreover, in some of the timber auctions the buyers colluded among themselves so that the same individuals who had financed the illegal logging of timber were able to buy the same timber, now legalised.



Soldiers from the military deployment guarding timber in a storage yard

Box 6: The 'abandoned' timber inventory

To carry out the 'abandoned' timber inventory, a special Inter-Institutional Committee was set up, including AFE-COHDEFOR, the Armed Forces, CONADEH (as an independent monitor) and representatives of local cooperatives. The work was conducted during three field missions between 26 June and 29 August 2006.

The batches of timber inventoried were assigned to nine SSF cooperatives in the region. To formalise this link, an inspection deed was drawn up at the end of the inventory in each area detailing the following points: (i) name of the cooperative that 'owned' the timber; (ii) locations at which the inventory was conducted; (iii) number of batches and total pieces per batch; (iv) total

volume in board feet and m³; and (v) marking number assigned to the cooperative (a number from 1 to 9 was assigned to each cooperative and chisels were made with these numbers so each piece of timber could be permanently marked). The deeds also included undertakings by the cooperatives to transfer only that timber detailed in the deed to the agreed storage yards, without exceeding the inventory volumes.

The following table offers a summary of the main results²⁸. In total, almost 22,000 pieces of timber were inventoried, giving a total of over 2,000m³. In accordance with the provisions, this should have been the maximum volume of 'abandoned' timber to be legalised after the suspension of Resolution N° 236-01-2006. However as described in Section 5.1, this limit was not respected.

| Cooperative | Number of pieces | Volume (board feet) | Volume (m ³) | Volume (% of total) |
|-----------------|------------------|---------------------|--------------------------|---------------------|
| Sawasito | 1,079 | 2,290.00 | 12.72 | 1 |
| El Guayabo | 1,144 | 6,423.11 | 35.68 | 2 |
| Mahor | 816 | 9,814.79 | 54.53 | 2 |
| Altos de La Paz | 1,178 | 23,818.47 | 132.32 | 6 |
| Limoncito | 1,249 | 26,696.48 | 148.31 | 7 |
| Copen | 1,687 | 32,661.00 | 181.45 | 8 |
| Paya | 2,172 | 45,094.00 | 250.52 | 11 |
| Mariás de Limón | 3,523 | 69,911.98 | 388.40 | 18 |
| Mixta Paulaya | 8,895 | 178,241.76 | 990.23 | 45 |
| TOTAL | 21,743 | 394,951.59 | 2,194.16 | 100 |

5.1 5,500m³ of illegal mahogany... and counting

The suspension of Resolution N° 236-01-2006 marked a turning point in the ‘abandoned’ timber case, dividing the process into two easily distinguishable stages: stage

one - direct sales of the timber to local cooperatives; and stage 2 - the subsequent service contracts with local cooperatives followed by public auctions. Table 2 summarises the total amount of alleged ‘abandoned’ timber extracted in each stage with AFE-COHDEFOR’s authorisation.

Table 2: Official volumes of ‘abandoned’ timber extracted from the Río Plátano Biosphere²⁹

| Cooperative | Local sales based on Resolution 236-01-2006 (m ³) | Subsequent service contracts with local cooperatives (m ³) | Total (m ³) | Percentage of total (%) |
|-------------------------|---|--|-------------------------|-------------------------|
| Sawasito | 400.00 | 827.16 | 1,227.16 | 31 |
| El Guayabo ¹ | – | – | – | – |
| Mahor ¹ | – | – | – | – |
| Altos de La Paz | – | 114.80 | 114.80 | 3 |
| Limoncito | – | 152.96 | 152.96 | 4 |
| Copen | – | 177.11 | 177.11 | 4 |
| Paya | – | 263.37 | 263.37 | 7 |
| Marías de Limón | 177.58 | 370.85 | 548.43 | 14 |
| Mixta Paulaya | 588.72 | 903.21 | 1,491.93 | 37 |
| TOTAL | 1,166.30 | 2,809.46 | 3,975.76 | 100 |

¹ According to the information received from the presidents of El Guayabo and Mahor cooperatives, these two organisations did not participate in the case of the ‘abandoned’ timber because the Inter-Institutional Committee by mistake included in the inventory timber legally coming from their forest management plans, which therefore was transported and marketed with regular AFE-COHDEFOR permits. In the case of Mahor there was a small volume of ‘abandoned’ timber, but part of it was lost during an overflow of a local river and the remaining amount was legalised through the Sawasito cooperative.



Stockpile of ‘abandoned’ timber eventually given to the Sawasito cooperative near the Aner river in the southern part of the Río Plátano Biosphere

The official total volume added up to nearly 4,000m³. However, the opportunity to legalise illegal timber prompted a new wave of illegal logging in the Río Plátano Biosphere. According to IFM Report N° 36, in 2006 alone at least 5,500m³ were illegally logged in the reserve. The possibility that at least 1,500m³ were extracted without authorisation was even acknowledged by the AFE-COHDEFOR General Manager³⁰. Other stakeholders suggested that the total amount could have been much higher. For example, according to local people interviewed during Global Witness’ investigations, the parallel flow of illegal timber encouraged by the ‘abandoned’ timber process could have been as large as the volume officially legalised by AFE-COHDEFOR. Therefore, the total volume of timber extracted from the reserve could potentially have been as high as 8,000m³.

Box 7: The Sawasito cooperative

This case, described in detail in IFM Report Nos. 36 and 45, represents a particularly dark chapter in the ‘abandoned’ timber case:

1. Before the suspension of Resolution N° 236-01-2006, the Sawasito cooperative received the second greatest benefit from it (see Table 1).
2. After the suspension of the resolution, the Sawasito cooperative obtained the largest increase from the quantity of timber initially inventoried by the Inter-Institutional Committee (see Box 6) to the quantity of timber that AFE-COHDEFOR subsequently authorised it to transport.
3. It was also the cooperative that received the most lucrative contract from AFE-COHDEFOR for the transportation of timber (see Table 3).

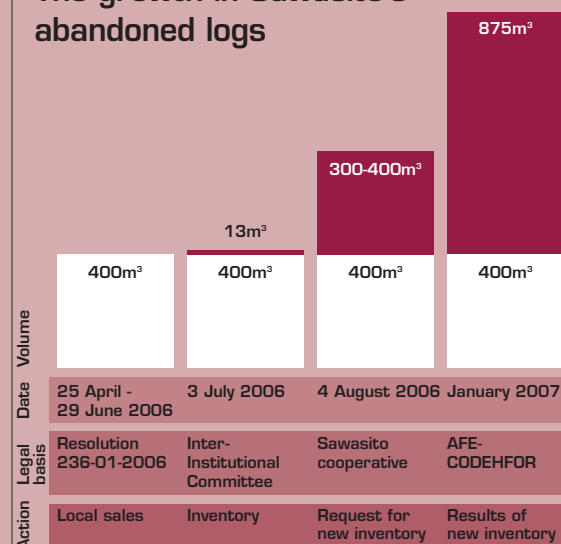
In accordance with the established procedures, on 3 July 2006 the president of the Sawasito cooperative signed the deed of inspection drawn up by the Inter-Institutional Committee. In this, the cooperative undertook not to transport more timber than had been inventoried and detailed in the deed (approximately 13m³). However, as Memorandum N° DRBRP-010/2007 from the Río Plátano Biosphere Regional Director describes³¹, on 4 August 2006 the Sawasito cooperative requested a new inventory of 300–400m³ of timber that was supposedly ‘abandoned’. This new inventory was finally conducted in January 2007, giving a result of just under 900m³, in other words, over twice the volume estimated by the cooperative in August 2006.

The fact that the Sawasito cooperative extracted 400m³ of ‘abandoned’ timber before the suspension of Resolution N° 236-01-2006 leads to the conclusion that the great majority of the alleged ‘abandoned’ timber in its area was extracted by means of local sales. This hypothesis seems consistent with the fact that the cooperative could only inventory 13m³ at the time of the work of the Inter-Institutional Committee. The

subsequent request to inventory a further 300–400m³ and the fact that ultimately the quantity of ‘abandoned’ timber doubled the initial estimate by the cooperative, clearly suggests that this was not a matter of ‘abandoned’ timber but rather timber that had recently been logged illegally.

Despite this, AFE-COHDEFOR decided to recognise this timber as ‘abandoned’ timber and ultimately signed a contract with the cooperative for over US\$330,000 for its transfer to the city of La Ceiba. As will be discussed in Section 5.3, this was an excessive payment for the contracted services. Preferential treatment was given to an organisation manipulated by external interests, ostensibly a well-known local timber trafficker, Santos Reyes Matute. He is alleged to have financed illegal logging activities and subsequently to have used the cooperative to legalise the timber through the ‘abandoned’ timber mechanism.

The growth in Sawasito's abandoned logs



The Sawasito stockpile of ‘abandoned’ timber in July 2007



5.2 Recently felled timber instead of 'abandoned' timber

The entire 'abandoned' timber process was justified with the aim of avoiding the loss of already felled timber.

However, there is abundant evidence that some timber traffickers and local leaders used this opportunity to undertake further illegal logging activities in the Río Plátano Biosphere. The case of the Marías de Limón cooperative provides an example of this (see Box 8).

Box 8: The Marías de Limón cooperative

Marías de Limón is a dysfunctional cooperative controlled by Roger Moncada, a well-known local timber trafficker and at the time of the 'abandoned' timber case, the Vice-Mayor of Dulce Nombre de Culmí village. This cooperative epitomises two of the most relevant failures in this case: the inclusion of freshly cut, non-inventoried timber into the flow of legalised timber and the preferential treatment given to a cooperative in the hands of an individual with political clout.

Initially, Marías de Limón received two local sales of 'abandoned' timber based on Resolution 236-01-2006. Due to the suspension of this resolution, the second local sale was only partially completed. Marías de Limón was then assigned almost 70,000 board feet (390m³) of timber by the subsequent Inter-Institutional Commission inventory.

An investigation carried out by the IFM team in February 2007 uncovered recently logged timber, both unmarked and fraudulently marked, in two storage yards (see IFM report 35)³². There were also signs that some of the timber had been washed with quicklime in an attempt to conceal its intense red colour and make it appear older. Furthermore, part of this timber was not being stored at an authorised storage yard but instead at the home of Mr. Moncada,

These irregularities were acknowledged by AFE-COHDEFOR by withdrawing eight of the 14 batches to be sold, as this timber appeared to have been recently felled. Furthermore, the presence of non-inventoried timber in the 'abandoned' timber flow was also confirmed with the issuance, in March and April 2007, of two indictments against Marías de Limón for the illegal logging of 192m³ of timber. The fine for these violations added up to over US\$15,000 and this amount was deducted from the payment due for the transportation of the timber.

The following pages present several other arguments that suggest that recently felled timber was labelled 'abandoned' timber. Although the suspension of Resolution N° 236-01-2006 at the end of June 2006 was a positive step, the two months in which it was in force were more than sufficient to have negative consequences. An internal report produced by the Río Plátano Biosphere Component (Componente Biosfera Río Plátano – CBRP)^k at the end of January 2007 describes how, even six months after the suspension of Resolution N° 236-01-

2006, there continued to be an incentive for illegal logging³³. This was partly due to the Sawasito cooperative's request for a new inventory, which AFE-COHDEFOR agreed to do but undertook only in January 2007. This allowed illegal loggers to operate freely, knowing their timber could be legalised. In parallel with this, the whole process of transporting and auctioning the timber took several months causing confusion and allowing a parallel flow of illegal timber to be added to the 'abandoned' timber.



Timber transported down the river using local boats

^k The Río Plátano Biosphere Component (Componente Biosfera Río Plátano) is part of GTZ's Natural Resources Programme (PRORENA) in Honduras.

5.3 State pays US\$1 million to timber traffickers

Once the inventory was completed, AFE-COHDEFOR began the process of recovering the ‘abandoned’ timber by authorising its transportation to storage yards. Given the logistical difficulties of this transfer, AFE-COHDEFOR

decided to contract this to local cooperatives making use of their experience and equipment (mules, light vehicles, etc.). The services contracted included the initial work of identification and volumetric measurement of the timber, its transportation and the subsequent guarding of the storage yards until the auctions took place. Table 3 summarises the payments made to these organisations.

Table 3: AFE-COHDEFOR’s payments to cooperatives³⁴

| Cooperative | Volume remunerated (board feet) | Unit payment (lempiras/ board foot) | Total payment (lempiras) | Approximate volume (m³) | Approx. total payment (US\$) |
|-----------------|---------------------------------|-------------------------------------|--------------------------|-------------------------|------------------------------|
| Sawasito | 144,584.71 | 42.00 | 6,253,296.00 | 803 | 330,862 |
| El Guayabo | - | - | - | - | - |
| Mahor | - | - | - | - | - |
| Altos de La Paz | 20,664.60 | 37.00 | 764,590.20 | 115 | 40,455 |
| Limoncito | 27,532.90 | 37.00 | 1,018,717.30 | 153 | 53,900 |
| Copen | 31,879.00 | 37.00 | 1,179,523.00 | 177 | 62,409 |
| Paya | 47,406.60 | 37.00 | 1,754,044.20 | 263 | 92,807 |
| Mariás de Limón | 66,753.88 | 37.00 | 2,469,893.56 | 371 | 130,682 |
| Mixta Paulaya | 162,578.58 | 37.00 | 6,015,407.46 | 903 | 318,276 |
| TOTAL | 501,400.27 | 501,400.27 | 19,455,471.72 | 2,785 | 1,029,391 |

These contracts represent one of the most controversial aspects of the ‘abandoned’ timber case in the Río Plátano Biosphere. Apart from the Sawasito contract, which was the last to be negotiated, the contracts agreed by AFE-COHDEFOR and the cooperatives explicitly stated that payments by the former would only be made once the timber had been auctioned and paid for by the purchasers. This was an understandable measure in administrative terms, given AFE-COHDEFOR’s lack of liquid assets. However, it certainly did not favour the local cooperatives. None of the organisations listed in Table 3 had the financial capital to bear the costs of transporting and guarding the timber. The following comment by a member of the Mixta Paulaya cooperative, reported in IFM Report N° 15, illustrates the situation:

“When they were going to extract the timber, he [the cooperative president] came to me and said, well, as the cooperative members don’t have any money, nobody has any money, then we have to give the opportunity to the others, the big guys...”³⁵

In short, this resulted in the traffickers who financed the illegal logging of timber pre-financing its transfer to the storage yards. They were able to buy the same timber at the auctions and were subsequently reimbursed when AFE-COHDEFOR paid the cooperatives. Memorandum N° DRBRP-010/2007 from AFE-COHDEFOR’s Río Plátano Biosphere Regional Director confirms this:

“The purchasers of the timber at the majority of the auctions were the same people who had acted as intermediaries with the cooperatives and are those who supposedly financed the task of transporting and guarding the timber.”³⁶



Initial loading and transporting of timber out of the forest to nearby communities

Box 9: The Mixta Paulaya cooperative

The figures in Tables 2 and 3 demonstrate the preferential treatment that this organisation received. First, it received over 50% of the volumes granted on the basis of Resolution N° 236-01-2006 (Table 2). Subsequently, the cooperative was allocated 45% (around 990m³) of the total volume inventoried by the Inter-Institutional Committee. As a consequence, they received the second largest amount of funds from AFE-COHDEFOR for inventorying, transporting and guarding ‘abandoned’ timber (Table 3).

Written at the start of the ‘abandoned’ timber case, IFM Report Nos. 14 and 15 describe how this particular cooperative has experienced organisational disintegration over several years. The two IFM reports highlight the Mixta Paulaya cooperative as a typical case of so-called ‘ghost’ organisations: discredited and dysfunctional entities used for fraudulent purposes by influential traffickers, in this case Manuel Flores Aguilar, to cover up their illegal logging activities. In fact, the process of social deterioration and abusive manipulation of this cooperative had been documented before³⁷. IFM Report N° 15 also indicates that in 2004 AFE-COHDEFOR had obtained concrete evidence of the use of documentation from this cooperative for the laundering of illegal timber.

This should have made AFE-COHDEFOR query the participation of this cooperative in the ‘abandoned’

timber process. However, not only was this organisation granted the largest quantity of timber, but it was also allocated timber from outside its area of jurisdiction, in areas belonging to other cooperatives and even in another department (Colón rather than Olancho). The fact that the Mixta Paulaya cooperative gained access to the majority of the timber seems to be directly linked to the possibility that it received prior information on AFE-COHDEFOR's intentions. This hypothesis is clearly set out in IFM Report N° 36 on the illegal market for mahogany in the Río Plátano Biosphere:

“...it makes sense to think that this cooperative [Mixta Paulaya] received information and as a result prepared sufficiently in advance to carry this action through. This reveals the possibility that the people involved in financing the illegal logging of trees had prior knowledge to allow the legalisation of mahogany considered as ‘abandoned.’”

This begs the question of why there was so much support and assistance from AFE-COHDEFOR for a weakened, corrupt organisation. This was surely not a matter of chance. Global Witness research indicates that, despite attempts of many officials and technicians to try and change the way the institution worked, long-established relationships existed among high-level political actors willing to return favours to local businessmen who contributed financially to the campaign of the ruling party.



Constructing timber rafts before floating them downriver

As described in IFM Report N° 36, timber traffickers are well known locally and each one is well aware of which his timber is (even if they may call it 'abandoned'), so it is only natural that the 'owners' of the timber should pre-finance its transportation. Although there were some significant differences in the arrangements between the cooperatives and traffickers^l, in the three most lucrative cases – Sawasito, Marías de Limón and Mixta Paulaya – the names of the cooperatives were used by influential traffickers. AFE-COHDEFOR funds were paid to these organisations but allegedly ended up in the hands of the people who had initially promoted the illegal logging and subsequently took on the tasks of transportation and guarding. In these three cases, more than 14.7 million lempiras (approximately US\$780,000) of public funds were indirectly delivered to well-known illegal timber traffickers. This financial cycle is illustrated in Figure 1.

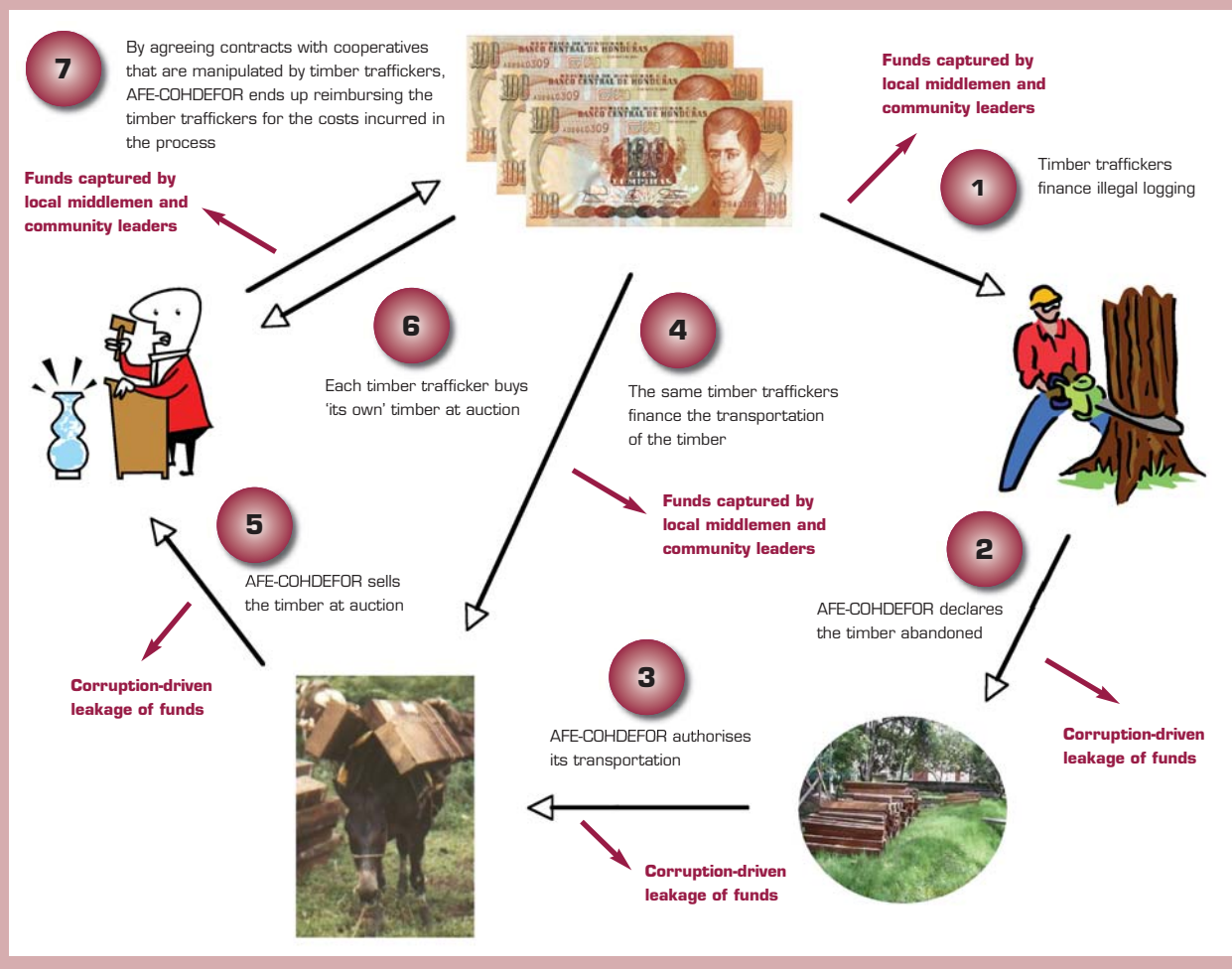
To show a commitment to accountability, a new Inter-Institutional Committee was set up, charged with the task of negotiating a payment per board foot with each cooperative. In spite of this, the amounts agreed and paid to the cooperatives (or intermediaries in the cases

of Sawasito, Marías de Limón and Mixta Paulaya) for these services represent another controversial aspect of the case.

As can be seen in Table 3, in all cases payments were 37 lempiras per board foot (US\$1.96/board foot), with the exception of Sawasito where a payment of 42 lempiras per board foot was agreed (US\$2.22/board foot) because the remuneration included transporting the timber to the city of La Ceiba.

Although there are few studies on the costs of the production and transportation of timber in the Río Plátano Biosphere, Table 4 gives the information provided by a recent publication on this subject³⁹. The costs shown in this table include sawing the timber in the forest and transporting it from the harvesting sites to La Ceiba. Therefore, they include a heavier workload than the services required for the 'abandoned' timber, which only requires the inventorying of the already felled timber, its transfer to local storage yards^m and subsequent guarding. Despite this, the total cost (11.30 lempiras/board foot) in Table 4 is significantly less than the amount per board foot paid by AFE-COHDEFOR. Such a considerable difference cannot be explained

Figure 1: The money cycle in the legalisation of 'abandoned' timber³⁸



^l In the case of Altos de La Paz, Limoncito, Copén and Paya, the cooperatives managed to maintain a certain amount of control over the process, mainly because of their greater social capital and higher organisation level.

^m With the exception of the already-mentioned case of Sawasito.

solely by errors in estimation. Given the way things evolved, fundamental questions arise as to whether the negotiation of the payment also took into account – in addition to the money invested in conducting the inventory and transporting and guarding the timber – the funds required so that the influential traffickers behind the three main cases (Sawasito, Marías de Limón and Mixta Paulaya) could recover the money used to finance the illegal logging of timber subsequently declared as ‘abandoned’.

Table 4: Cost of production and transportation of timber in the Río Plátano Biosphere: the case of ‘Sociedad Colectiva Romero Barahona y Asociados’ in Copén community⁴⁰

| Activity | Cost (lempiras/ board foot) | Cost (US\$/ board foot) |
|--------------------------------------|--------------------------------|----------------------------|
| Sawing timber (labour) | 2.00 | 0.11 |
| Fuel and lubricants | 0.50 | 0.03 |
| Transportation to Copén | 4.00 | 0.21 |
| Floating logs downstream to Palacios | 2.00 | 0.11 |
| Transportation by boat to La Ceiba | 2.50 | 0.13 |
| Loading and unloading boat | 0.30 | 0.02 |
| TOTAL | 11.30 | 0.61 |

5.4 Fixed auctions

After the suspension of Resolution N° 236-01-2006, AFE-COHDEFOR decided to follow the procedure established in the law and auction the ‘abandoned’ timber. Table 5 presents the results of these auctions and Annexes 1 and 2 list the purchasers of the timber, both in the auctions and in the direct sales.ⁿ

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Details of timber batches auctioned, above, and participants in one of the timber auctions, below

Table 5: Auctions of ‘abandoned’ timber from the Río Plátano Biosphere⁴¹

| Auction number | Location | Date | Volume offered (board feet) | Volume sold (board feet) | Approx. volume auctioned (m³) | Percentage auctioned (%) |
|----------------|-----------|------------|-----------------------------|--------------------------|-------------------------------|--------------------------|
| RBRP-01-2006 | Sico | 31/10/2006 | 127,483.10 | 127,483.10 | 708 | 100 |
| RBRP-02-2006 | Sico | 29/11/2006 | 91,243.43 | 0.00 ¹ | - | 0 |
| RBRP-03-2006 | Marañones | 06/12/2006 | 83,709.10 | 83,709.10 | 465 | 100 |
| RBRP-01-2007 | La Ceiba | 15/01/2007 | 91,243.43 | 84,246.70 | 468 | 92 |
| RBRP-02-2007 | Marañones | 29/03/2007 | 94,516.37 | 18,139.58 | 101 | 19 |
| RBRP-03-2007 | Marañones | 17/05/2007 | 62,872.36 | 0.00 ¹ | - | 0 |
| RFA-01-2007 | La Ceiba | 13/02/2007 | 6,996.90 | 5,330.10 | 30 | 76 |
| RFNO-01-2007 | San Pedro | 06/06/2007 | 15,918.02 | 0.00 ² | - | 0 |
| RFNO-02-2007 | San Pedro | 10/08/2007 | 136,189.76 | 3,090.67 | 17 | 2 |
| RFNO-03-2007 | San Pedro | 07/09/2007 | 220,206.39 | 0.00 ¹ | - | 0 |
| RFNO-04-2007 | San Pedro | 11/10/2007 | 220,206.39 | 4,971.70 | 28 | 2 |
| RFNO-05-2007 | San Pedro | 15/10/2007 | 82,135.60 | 0.00 ¹ | - | 0 |
| TOTAL | | | 1,232,720.85 | 326,970.95 | 1,817 | |

Notes:

¹ Auctions declared void due to lack of bidders.

² In Auction N° RFNO-01-2007 there were bidders and some batches were sold, but not the batches of ‘abandoned’ timber from the Río Plátano Biosphere.

ⁿ If three consecutive auctions were unsuccessful, AFE-COHDEFOR had the right to sell forest products of illegal origin through direct negotiation with potential buyers.

In the first auctions, almost all of the timber offered was sold. However, the auctions were manipulated, as stated in Memorandum N° DRBRP-010/2007 from the Río Plátano Biosphere Regional Director:

“The participants have colluded in the distribution of the timber batches prior to the auction[s] in order to allocate them among themselves at the base price without offering any increase [in price].”⁴²

The same Memorandum also indicates that, in these first auctions, the purchasers were often known local timber traffickers, (see quote in Section 5.3), following the steps shown in Figure 1.

The lack of bidders for auction N° RBRP-02-2006 represented an attempt by purchasers to pressurise AFE-COHDEFOR into lowering the base price at the auctions. However, AFE-COHDEFOR did not give in to this pressure and maintained its price. At the following auction – albeit in a different location and with a different lot of timber – 100% of the volume offered was sold.

Subsequently, in an attempt to try to break this vicious circle, AFE-COHDEFOR decided to transport the timber to the city of San Pedro Sula and conduct the auctions there. The timber was divided into small batches to encourage its purchase by small and medium-sized workshops in the city. Despite these good intentions, the information presented in Table 5 shows that the results did not meet initial expectations. In total, around 1,200m³ of timber were transported from the Río Plátano Biosphere to San Pedro Sula. However, out of these only about 45m³ were successfully auctioned, leaving over 95% unallocated at auctions, which were subsequently disposed of through direct sales.

It is difficult to know why the auctions in San Pedro Sula were a failure. A possible explanation is the form of payment established in the contracts between AFE-COHDEFOR and the cooperatives. Since all the contracts, except that of the Sawasito cooperative, required payment after the sale of the timber, the traffickers who had advanced the money for the fulfilment of the contracts needed to buy the timber promptly at the auctions. However, in the San Pedro Sula auctions, the vast majority of the timber was associated with the contract between AFE-COHDEFOR and the Sawasito cooperative, which had established a monthly repayment irrespective of whether the timber was sold or not. It is possible that this could have removed the incentive for the timber traffickers to buy the timber quickly.

There is another theory to help explain the problems of the auctions in San Pedro Sula. According to information collected during Global Witness’ investigations, for many timber traffickers the real value of buying timber at auction was the fact that with the timber purchased, they received legal timber transport permits (*facturas de transporte*) from AFE-COHDEFOR. By fraudulently reusing each transport permit several times, they were able to transport and launder illegal timber. This only applies to auctions held in remote rural areas like the Río Plátano Biosphere, because the permits allow the timber to be transported from there to the country’s main urban centres. For the auctions held in San Pedro Sula, the country’s main timber processing industrial centre, the transport permits only covered short, local routes, and therefore it would have not been easy to use them to fraudulently transport timber from further away.



The Río Plátano Biosphere Administrative Centre in Marañones, where key implementation aspects of the ‘abandoned’ timber case were developed

6. Act three: The aftermath



The consequences of the 'abandoned' timber case were felt at many levels. The following sections look into the economic, social and environmental costs of the 'abandoned' timber case and the underlying institutional failure that led to them.

6.1 Financial costs

AFE-COHDEFOR's need to generate its own funds through timber sales and other means partly explains why it got involved in the 'abandoned' timber case. It is, therefore, worth exploring what the financial outcome of the case was for AFE-COHDEFOR. Table 6 compares the income obtained from the sale of 'abandoned' timber (12 auctions and several direct sales) with the payments made by AFE-COHDEFOR to the cooperatives (details given in Table 3) and municipalities.

It must be emphasised that the positive result of Table 6 does not take into account all the costs (salaries, expenses, transportation, etc.) incurred by AFE-COHDEFOR and other institutions (e.g. the Armed Forces, CONADEH and FEMA). Table 7 presents a partial estimate of some of these costs in the specific case of the Sawasito cooperative. Assuming that 80% of the Sawasito timber was sold at 50 lempiras/board foot and the remaining 20% at 40 lempiras/board foot, this operation had an overall negative impact on Honduran public finances. This analysis cannot be extrapolated to the entire 'abandoned' timber case,^o but illustrates that there were many significant additional expenses for the state. If a detailed calculation of these expenses were to be conducted, in all probability the financial outcome would be much lower than that indicated in Table 6. In addition, these calculations do not consider the many costs associated with the negative social and environmental implications of the case.

6.2 Environmental and social costs

In addition to the financial implications of the 'abandoned' timber case, there are significant environmental and social impacts. The race to log as much as possible while Resolution N° 236-01-2006 remained in force – and even afterwards – resulted in an increase in the degradation of the forest's resources, most notably the already decimated mahogany population. According to five new forest management plans produced in 2008⁴⁵, there is an average of nearly one mature mahogany tree per hectare in the forest areas under management within the Río Plátano Biosphere Reserve, equivalent to a volume of around 5m³ per hectare. It is also worth noting that these plans also state that mahogany is the only species

valuable enough to make it worth harvesting in the areas under management⁴⁶. Therefore, the illegal felling of 8,000m³ corresponds to the commercial depletion of 1,500 hectares of mahogany rich forests. However, mahogany has a patchy distribution and the inventory was made in those areas richer in this species. In other words, the logging of 1,500 trees of mahogany imply the depletion of thousands of hectares, which then lose their potential for community forestry. This in turn increases the likelihood of conversion to ranching or agriculture as a rational economic land use decision by communities who would otherwise have been able to manage the forest sustainably.

Illegal logging of mahogany is not new in the Río Plátano Biosphere. The fact that barely any mahogany remains outside protected areas is a consequence of ongoing illegal harvesting activities. According to FEMA, in 2003 and 2004 alone over 11,000m³ of mahogany were illegally extracted from within the Río Plátano Biosphere, resulting in a loss to the state of approximately US\$3 million in unpaid taxes⁴⁷.

Beyond the economic impact, this unsustainable logging hampers the genetic diversity of the species and further decreases its viability, especially since it is the trees that would otherwise provide seed for regeneration that tend to be logged. Given that depleted forests tend to be more vulnerable to land use change, the decimation of mahogany represents a clear threat to the integrity of the reserve and the people living in and around it. International recognition of the vulnerability of this species has led to its inclusion in Appendix II of the Convention on International Trade in Endangered Species of Wild Flora and Fauna (CITES) (see Box 10)^p.



The Río Plátano Biosphere is a poverty-stricken area. Rural populations depend on their local natural resources for their livelihoods

^o In financial terms, the Sawasito case was unique in several aspects: it involved higher costs in terms of security by the Armed Forces and transport, and it also presented problems with the auctions in San Pedro Sula.

^p CITES Appendix II includes species not necessarily threatened with extinction, but in which trade must be controlled to avoid utilisation incompatible with their survival; see (www.cites.org/eng/disc/how.shtml, accessed April 2008).

Table 6: Comparing total revenues with payments to cooperatives and municipalities⁴³

| REVENUES ¹ | Lempiras | Approx. US\$ | PAYMENTS | lempiras |
|------------------------------------|---------------------|----------------|-----------------------------|---------------|
| Auctions | 15,713,596.20 | 831,407 | Cooperatives | 19,455,471.72 |
| Direct sales | 9,395,691.40 | 497,127 | Municipalities ² | 611,844.46 |
| TOTAL | 25,109,287.60 | 1,328,534 | | 20,067,316.18 |
| BALANCE (revenues-payments) | 5,041,971.42 | 266,771 | | |

Notes:¹ Full details are provided in Annex 3.² AFE-COHDEFOR agreed to transfer 10% of the net revenues from the sale of 'abandoned' timber to the municipalities of the Río Plátano Biosphere. At the time of completing this report these payments had been delayed, but in this table the total amount that should be paid to the municipalities has been estimated according to the following calculation: 10% (subtotal auctions + subtotal direct sales – subtotal cooperatives).**Table 7: Estimate of revenue and costs in the case of the Sawasito cooperative⁴⁴**

| Description | Unit of measurement | Total quantity | Unit price (lempiras) | Total price (lempiras) | Approx. total US\$ |
|--|------------------------------|----------------|------------------------|------------------------|--------------------|
| REVENUE | | | | | |
| Direct sale of timber in San Pedro Sula | board feet | 48,888 | 80% at 50 20% at 40 | 7,146,624 | 378,128 |
| Revenue subtotal | | | | 7,146,624 | 378,128 |
| COSTS | | | | | |
| Payment to Sawasito cooperative | board feet | 148,888 | 42 | 6,253,296 | 330,862 |
| Payment to the Municipality of Dulce Nombre de Culmí | 10% net revenue ¹ | | | 89,333 | 4,727 |
| Transport from La Ceiba to San Pedro Sula | board feet | 148,888 | 3 | 446,664 | 23,633 |
| Inventory in January 2007: | | | | | |
| Salaries of 2 AFE-COHDEFOR technicians for 3 days | Fee/day | 6 | 267 | 1,600 | 85 |
| Expenses of 2 AFE-COHDEFOR technicians for 3 days | Expenses/day | 6 | 250 | 1,500 | 79 |
| Fuel for transport | Gallons ² | 20 | 80 | 1,600 | 85 |
| Guarding by the Armed Forces: | | | | | |
| Salaries of 4 soldiers for 7 months | Fee/month | 28 | 4,500 | 126,000 | 6,667 |
| Transportation | Journeys by helicopter | 10 | 30,000 | 300,000 | 15,873 |
| Food ³ | Month | 7 | 10,800 | 75,600 | 4,000 |
| Costs subtotal | | | | 7,295,593 | 386,011 |
| BALANCE (revenue – costs) | | | | -148,969 | -7,883 |

Notes:¹ 10% (revenue subtotal - payment to Sawasito cooperative).² 1 Honduran gallon = 3.95 litres³ The monthly cost of food for soldiers was estimated using a cost of 30 lempiras per meal and three meals a day for each soldier over a period of 30 days per month.

Box 10: Why mahogany matters. International efforts to save it from extinction

Mahogany (*Swietenia spp.*) is one of the world's most sought-after timber species and the most valuable in Latin America. The majority of it is exported to markets outside the region, the United States in particular. Decades of logging have resulted in substantial decimation of the original populations. Though logged selectively, the disappearance of economically viable mahogany from forests is often the first step to further deforestation and forest destruction. As trees continue to disappear, the price of this timber continues to rise.

Brazil was the main supplier of mahogany to the international market throughout the 1990s, with substantial amounts of the timber reported to be illegally sourced. In 2001, the Brazilian government imposed a two-year moratorium on the logging, transport and export of mahogany, subsequently followed by further measures and restrictions on logging mahogany, which has dramatically reduced Brazil's official exports. While this was good news for Brazilian forests, other countries experienced a significant increase in the pressure to make up for the resulting shortfall of the mahogany supply. From 2000, Peru took over as the main exporter, a dubious honour as the legality of much of Peru's timber is questionable: it has been widely reported that mahogany is being cut in protected areas and its harvesting is often linked to the exploitation of local populations and the threat to the survival of voluntarily isolated indigenous groups. Nicaragua and Ecuador have also experienced public scandals that have brought to light the scale of the issue⁴⁸.

There is no doubt that the illegal logging of and trade in mahogany is mainly a response to a timber hungry market. Importing countries can and should play a key role in ensuring timber of illegal origin is identified and excluded from the market. International tools to achieve this include the following:

- CITES: the aim of this multilateral environmental agreement is to prevent international trade in specimens of wild animals and plants from threatening their survival. CITES, a potentially powerful legal instrument with 173 parties, acknowledged the vulnerability of mahogany by including all *Swietenia macrophylla* in its Appendix II in 2002, a decision which came into effect the following year. Since then, although recommendations from the CITES mahogany programme have resulted in some progress with Peru's management of its illegal trade, it still

presents a serious problem. Tens of thousands of cubic meters of timber of illegal origin having been exported and re-exported with official CITES permits⁴⁹. Earlier this year, however, despite an objection from Peru, mahogany was included in the review of significant trade (one of the CITES compliance mechanisms), bringing with it some hope that the review will lead to stronger trade controls.

- Amendment to the Lacey Act: This piece of legislation goes beyond CITES as it is not restricted to specific species, but is geographically limited to the US. The original act dates from 1900 and regulates trade in fish, wildlife and a limited number of plant species. It makes it illegal to import, export, transport, sell, receive, acquire or purchase any specimens if they have been taken, possessed, transported or sold in violation of any foreign law. Since most mahogany exports end up in the US market, the amendment of this act in May 2008 to include timber, wood products and other plant species, could prove a very powerful legal instrument to stop this illegal trade. Still needing to prove its worth, Honduran mahogany exports could be a good case to test the effectiveness of this law.
- The Forest Law Enforcement and Governance (FLEG): FLEG is a series of regional, ministerial-level political processes aimed at addressing and combating illegal logging. Led by the World Bank, a FLEG process in Latin America and the Caribbean region has recently seen some preliminary development. The full potential of this initiative remains to be seen. Declarations signed in other regions around the world where FLEG initiatives are underway – East Asia and Pacific, Africa, and Europe and North Asia – have yet to translate into tangible results on the ground.
- The EU Forest Law Enforcement, Governance and Trade (FLEGT) initiative: Two components of FLEGT are to set up a licence scheme, and additional legislative measures, that will eventually exclude illegal timber from the European market. Bilateral agreements (so-called Voluntary Partnership Agreements or VPAs) between individual timber exporting countries and the EU are being developed, with Ghana at the forefront of this process after signing the first of such agreements in September 2008. Although Honduran timber exports to the EU are much less significant than those to the US, establishing a VPA could be a good opportunity to strengthen governance and the rule of law in the country.

Social costs have also been dramatic. The sensitive nature of the case of the ‘abandoned’ timber has given rise to great controversy and tensions between the various actors involved. None of the solutions put forward seemed to please everyone. The option of burning the timber in an attempt to break the vicious cycle of illegal logging was perceived by many as an intolerable waste that Honduras could not afford. The possibility of limiting the use of timber to a local level, thus preventing it from reaching the national and international market, did not have enough support either.

Even if, as officially stated, the objective of Resolution N° 236-01-2006 was to benefit local populations, allowing local sales through organisations who were members of the SSF was not only against the legal framework, but also fuelled serious social conflicts.

Conflicts have occurred both within the cooperatives – where problems due to a lack of transparency and inequity in revenue distribution were reported – and amongst cooperatives, the most prominent example being the Mixta Paulaya cooperative. By claiming 45% of all the inventoried timber, it caused widespread discontent among the other cooperatives which accused it of having privileged information, playing unfairly and invading areas beyond its jurisdiction. Several cooperatives even issued a statement expressing their disagreement with the implementation of Resolution 236-01-2006, arguing that it only benefited the Mixta Paulaya cooperative⁵⁰. However, this as well as other social conflicts remain unresolved.

The impacts on the integrity of these cooperatives are equally concerning, as the very nature of community forestry can be undermined by these unlawful practices. The spirit under which the SSF was established – equity of access for all members to sustainably manage forests and benefit from them – has been jeopardised. Concerns have been raised about the inequity in the distribution of the timber in the legalisation process. In the case of Sawasito, for example, it has been reported that only a few members of the cooperative benefited from the process⁵¹.

6.3 Tracing stolen timber: from the Río Plátano Biosphere to Milworks Internacional in San Pedro Sula

One of the pre-established storage yards for the Mixta Paulaya cooperative was located in the community of Plan de Flores, Limón Municipality, Colón Department. In accordance with the inspection deeds of the ‘abandoned’ timber inventory, this yard should have been storing 76m³. The timber at this site was due to be auctioned in the first auction of ‘abandoned’ timber (N° RBRP-01-2006); however, shortly before the auction, 72m³ disappeared from the yard.

As described in IFM Reports Nos. 31 and 48, after this discovery, AFE-CODEHFOR and FEMA commenced an investigation and the majority of the stolen timber^q was discovered on the premises of one of the main mahogany-processing companies in Honduras, Milworks Internacional SA de CV, in the Calpules tax-free industrial processing zone in San Pedro Sula. Documentation presented by the company showed that the timber in question had been sold to it by the distributor Maderera Siprés SA de RL de CV. According to IFM Report N° 31, the subsequent audit of these companies by AFE-COHDEFOR confirmed the illegal sale of timber by Maderera Siprés and the presence of nearly 200m³ of illegal mahogany at Milworks Internacional.

Neither Maderera Siprés nor Milworks Internacional are new names in the issue of the illegal trafficking of mahogany in Honduras. The links between these two companies and information on their illegal activities have already been documented in the report *The illegal logging crisis in Honduras*⁵³, which states that the Public Prosecutor found evidence that Milworks Internacional had altered the official permits issued by AFE-COHDEFOR and that there were discrepancies between the amounts of timber registered in the company’s books and the amounts AFE-COHDEFOR had authorised to be harvested. This led to the Public Prosecutor launching an investigation, which remains pending.

Table 8: Timber confiscated from Milworks Internacional⁵²

| Description | Volume (board feet) | Approx. volume (m ³) |
|---|---------------------|----------------------------------|
| Sale of timber from Maderera Siprés to Milworks Internacional without documentary support | 8,243.22 | 45.80 |
| Timber received without invoices | 11,741.02 | 65.23 |
| Timber with the Inter-Institutional Committee mark | 15,741.08 | 87.45 |
| Total confiscated timber | 35,725.32 | 198.47 |

^q Recognisable by the Inter-Institutional Committee’s mark stamped on the end of each piece of timber.

Milworks Internacional was granted a Forest Stewardship Council (FSC) chain of custody certification in January 2006 and to date continues to freely export mahogany products to the US.

On 15 October 2008, Global Witness wrote to Milworks Internacional requesting clarification about the issues above. On 7 November 2008, Milworks Internacional sent a response to this letter, which did not address the specific questions posed by Global Witness, but stated the following:

“immediately after we realized that our purchase procedures and controls had not been followed when the shipment in question was brought to our facilities, we implemented additional measures to minimize the possibility of a recurrence. Soon after, we reached the conclusion that we could not trust the authenticity of the documentation that presumably proved the legality of the lumber, and consequently decided to suspend the purchases of lumber of Honduran origin, until the new forest law had been implemented [...] we were unknowingly dragged and unfairly involved [...] We are also contemplating other legal actions against some officials who colluded with the perpetrators, covered up facts, manipulated and destroyed evidence, and changed dates at their convenience with the intent of creating a superficially plausible basis for an illegal fine, which we refused to “negotiate”.

This case demonstrates the results that can be achieved even with limited resources when there is a rapid response and coordination between government institutions, in this case AFE-COHDEFOR and FEMA. It also indicates the potential for an efficient system for timber tracking, given that the simple marking system used by the Inter-Institutional Committee was a key factor in discovering this illegal timber.

| Milworks Internacional S.A. de C.V. | | | | | | |
|--|----------------|--|-----------------------|-------------------|------------|--------------------|
| Primary Contact: | | Mrs. Maribel Talhami | | | | |
| Primary Address: | | Km 7 Carretera a La Lima Zip Calpules San Pedro Sula HONDURAS | | | | |
| Phone: | | 504-559-3366 | | | | |
| Fax: | | 504-559-3377 | | | | |
| Email: | | h_maribelt@marvin.com | | | | |
| Web Site: | | | | | | |
| SmartWood Certifications | | | | | | |
| Code | Issued | Expires | Category | Group Certificate | FSC Tenure | Standard |
| SW-COC-389 | 1/25/2006 | 1/24/2011 | FSC Chain-of-Custody | NO | PRIVATE | FSC CoC STD-40-004 |
| Species | | | | | | |
| Common Name | Trade Name | | Scientific Name | | | |
| Cedro macho | | | Carapa guianensis | | | |
| Mahogany | | | Swietenia macrophylla | | | |
| Products | | | | | | |
| Product | Description | | | | Quantity | |
| Doors | Mahogany Doors | | | | | |
| Services | | | | | | |
| Assembly | | | | | | |
| Custom manufacturing | | | | | | |
| Custom sawing | | | | | | |
| Finishing | | | | | | |
| Kiln drying | | | | | | |

Milworks Internacional FSC certificate

7. Institutional failure: Power behind the scenes

AFE-COHDEFOR repeatedly acted in an unlawful or, at the very least, negligent way in the ‘abandoned’ timber case (see Box 11). Such conduct cannot be solely attributed to incompetence. According to a number of informed sources, including AFE-COHDEFOR officials, Deputy General Manager Santos Cruz was the key promoter who, in collusion with Manuel Flores Aguilar and other timber traffickers, helped plan and implement the sequence of events that made up the ‘abandoned’ timber case. It is difficult to imagine how the entire laundering mechanism could have succeeded without his direct involvement and backing, as well as that of other officials inside AFE-COHDEFOR.

At the time the ‘abandoned’ timber case occurred, between 2006 and 2007, officials reported that there was an informal split of tasks at the top of AFE-COHDEFOR. Ramon Alvarez, the General Manager of AFE-COHDEFOR and an expert in pine forests, assumed responsibility for all issues relating to this type of forest; Santos Cruz, the Deputy General Manager of AFE-COHDEFOR, was placed in charge of broadleaf forests and was a major agent in shaping the policy on ‘abandoned’ timber. This is illustrated by the fact that Santos Cruz signed several key documents related to it. More specifically, the information available suggests that:

- From the outset, Santos Cruz promoted the ‘abandoned’ timber story inside AFE-COHDEFOR.
- Allegedly, he was the instigator of Resolution N° 236-01-2006 and Memorandum N° GG/146-06, both of which were unlawful and counter-productive to their stated objectives.
- As soon as these two legal instruments were issued, Santos Cruz signed two key authorisations⁵⁴: the first allowed the Mixta Paulaya cooperative to transport ‘abandoned’ timber and the second authorised the private premises of Manuel Flores Aguilar, one of the most powerful timber traffickers in the Río Plátano Biosphere, as a storage yard for such timber. It is worth noting that this was not the first time that AFE-COHDEFOR had authorised his private premises as storage yards⁵⁵. Furthermore, as described in Box 9, the Mixta Paulaya cooperative is known to be a ‘ghost’ organisation, manipulated and used by Manuel Flores Aguilar.
- As shown by the hand-written memo presented on page 29, Santos Cruz put personal pressure on local AFE-COHDEFOR staff to implement Resolution N° 236-01-2006 in favour of specific organisations. The memo refers to the allocation of four local sales of ‘abandoned’ timber to the Sawasito cooperative, an organisation also taken over and exploited by local timber traffickers, notably Santos Reyes Matute.
- The negative media coverage of the two authorisations and the hand-written note, all of which appeared in the newspaper *El Heraldo* on 26 and 27 June 2006, did nothing to reduce Santos Cruz’s

Box 11. Main concerns about AFE-COHDEFOR’s (mis)management of the ‘abandoned’ timber case

| Issues | Arguments against AFE-COHDEFOR’s behaviour |
|-----------------------------------|--|
| Resolution N° 236-01-2006 | It established a mechanism for the legalisation of ‘abandoned’ timber, contravening the procedure defined by the law at the time for the legalisation of forest products of illegal origin. |
| Memorandum N° GG/146-06 | Issued one day after the approval of Resolution N° 236-01-2006, it changed the procedure established in the resolution to carry out an inventory of ‘abandoned’ timber. By doing this, it eliminated any limit to the amount of ‘abandoned’ timber that could be legalised and fuelled a race to log as much as possible before the resolution expired. |
| Authorisation of storage yards | Resolution N° 236-01-2006 established the transportation of ‘abandoned’ timber from its logging sites to authorised storage yards in communities surrounding the Río Plátano Biosphere. The most important storage yards authorised by AFE-COHDEFOR were located inside the premises of well-known timber traffickers deeply involved in financing illegal logging inside the Río Plátano Biosphere. Furthermore, some key authorisations were not signed by AFE-COHDEFOR’s General Manager, Ramon Alvarez, as they should have been, but by its Deputy General Manager, Santos Cruz. |
| Local sales to cooperatives | While Resolution N° 236-01-2006 was in force, local sales of ‘abandoned’ timber were issued to three cooperatives: Sawasito, Marías de Limón and Mixta Paulaya. Mixta Paulaya received the majority, yet is widely known to be a ‘ghost’ organisation used by influential timber trafficker Manuel Flores Aguilar to disguise illegal logging activities. The cooperative was granted local sales by two separate AFE-COHDEFOR forest regions (Olancho and Atlántida). This is a prohibited procedure for AFE-COHDEFOR, showing the preferential treatment received by this cooperative. According to local AFE-COHDEFOR technicians and representatives of local cooperatives, Manuel Flores Aguilar has close ties with Santos Cruz. |
| Contracts with local cooperatives | Seven local cooperatives received contracts, from AFE-COHDEFOR after the suspension of Resolution N° 236-01-2006, with Sawasito, Marías de Limón and Mixta Paulaya once again receiving the largest volume of contract payouts. Amounts paid by AFE-COHDEFOR for the services contracted were overpriced. In total, more than US\$780,000 of public funds were indirectly handed over to well-known traffickers of illegal timber. |
| Collusion in the public auctions | In the first round of timber auctions, carried out in small villages around the Río Plátano Biosphere, the purchasers of the timber were known local traffickers who colluded amongst themselves to avoid competition in the auctions. AFE-COHDEFOR has acknowledged these problems yet failed to address them. |

influence behind the scenes. When AFE-COHDEFOR was forced to suspend Resolution N° 236-01-2006, Santos Cruz was allegedly the main behind-the-scene promoter of the new policy for the legalisation of the 'abandoned' timber. He allegedly sponsored the idea of establishing contracts between AFE-COHDEFOR and local cooperatives, which eventually resulted in the flow of hundreds of thousands of US dollars of AFE-COHDEFOR's scarce funds into the hands of well-known illegal timber traffickers.

El Heraldo, 27/06/06



Santos Cruz

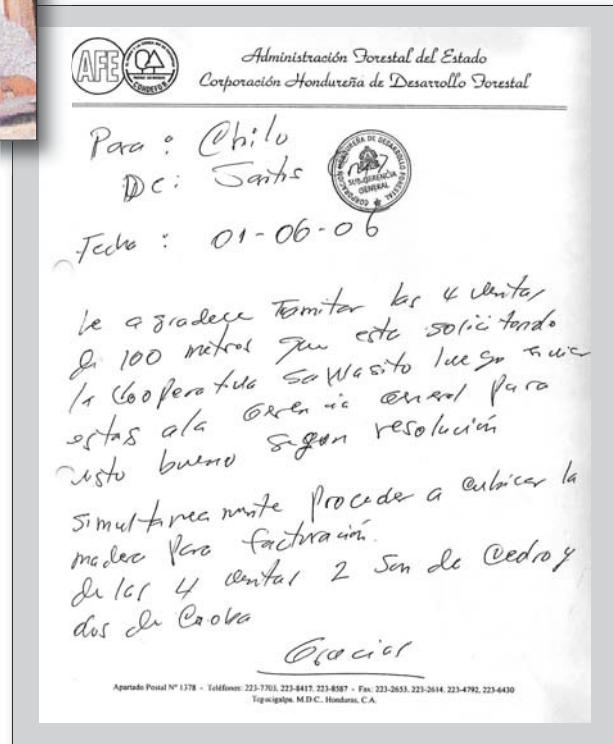
It is difficult to tell Santos Cruz' motives for his involvement. According to verbal reports from members of the communities of the Río Plátano Biosphere, Manuel Flores Aguilar and other timber traffickers paid Santos Cruz one lempira for each board foot legalised, possibly totalling tens of thousands of US dollars. However, no concrete evidence to support this suspicion has come to light. It may well be that his motivation was not financial, but that his good services in favour of local timber traffickers, which in turn put cash into the party's political campaigns, were a way of strengthening his personal alliance with the party. Santos Cruz was appointed Deputy General Manager of AFE-COHDEFOR due to his close links with President Zelaya's family, and it was the President himself who nominated him for this post. Such close relationship also explained his appointment (subsequently aborted) on 3 April 2008 as the first Director of the newly-created ICF. The latter was however met with strong and almost unanimous opposition by civil society as a result of the public awareness about his reputation and his involvement in the 'abandoned' timber case. The image on page 33 reproduces the text of a press release issued in April 2008 by a group of local and international non-governmental organisation (NGOs) opposing his appointment.

Despite his power, it is clear that Santos Cruz is not the only person behind this case. This mechanism could only succeed with the involvement of important local figures and intermediaries, and three names emerge as essential pieces in the puzzle: local timber traffickers Manuel Flores Aguilar, Santos Reyes Matute and Roger Moncada, who manipulated three local cooperatives (respectively, Mixta Paulaya, Sawasito and Marias de Limón) to personally benefit from the 'abandoned' timber case. 82% of the 'abandoned' timber was legalised through these three cooperatives and the funds allocated to them were transferred indirectly to the three timber traffickers.

Global Witness wrote to Santos Cruz putting these allegations to him and giving him the opportunity to respond. In his letter, he denied most of the allegations made against him and declined to comment on others. He stated that there was no division of tasks at the top of

AFE-COHDEFOR, that he was consulted on Resolution N° 236-01-2006 and Memorandum N° GG/146-06 and knew about them before they were published but was not involved in writing, supporting or promoting them.

Ramón Álvarez also chose to respond to Global Witness in support of Santos Cruz's position that there was no division of tasks.



Hand-written memo by Santos Cruz pressing for the allocation of four local sales to the Sawasito Cooperative



A mahogany tree stands tall in the Río Plátano Biosphere

8. Looking ahead: tools for the present and the future

8.1 Municipal and Community Consultation Committees: an opportunity to improve civil society participation?

When situations like this occur, members of the cooperatives are the first to lose confidence, but the outside perception of the cooperatives is also damaged, risking loss of much-needed technical and financial assistance. All this weakens local organisations and acts as a disincentive to responsible forest management.

The new Forest Law provides for the creation of new mechanisms of public participation, with Article 21 establishing so-called Forest, Protected Areas and Wildlife Consultation Committees. These are to be built at four different levels: national, departmental, municipal and community. The main purpose of these structures is to ensure local information from the field flows up to the national level and is acted upon. Furthermore, the Consultation Committees are also expected to perform a key function in monitoring both compliance with the

new legal framework and performance of the various stakeholders in the sector (Articles 27 and 28). They could, therefore, play an important role in preventing and managing cases like the one described in this report.

For these structures to work effectively, they should be granted adequate human, logistical and financial resources. However, this is not enough: crucially, there needs to be an appropriate balance in the composition and power distribution within the committees, as they could be undermined if they are taken over by powerful traffickers or their proxies. Should this be the case, the committees could do more harm than good, as illustrated by the 'ghost' cooperatives. There is, therefore, as much an opportunity to make good use of the Consultation Committees as there is a risk of them becoming dysfunctional and mismanaged. This will depend on the willingness of the ICF and other stakeholders to empower these structures and allow them to fulfil their role with no interference. There is a lot to gain from this approach, in particular by conciliating forest production and environmental conservation, and also by placating social unrest.

8.2 Independent Forest Monitoring (IFM): achievements and challenges

Since IFM started in Honduras in mid-2005, there has been much progress in institutionalising it within the forest sector, to the extent that it is currently widely seen as an essential component in supporting the pursuit of good governance and law enforcement. CONADEH has been remarkably successful in positioning itself as a new stakeholder in the forest sector, and through the documentation of illegal activities and its more recent social audit pilot initiatives, it is contributing to increased transparency, accountability and equitable management of forest resources. These social audits are an important precursor to the new Consultation Committees.

Further strengthening IFM

However, it is, essential to strengthen IFM further and adapt it to the evolving circumstances, particularly the institutional and legislative changes stemming from the new Forest Law. The new legal framework presents both opportunities for and challenges to the continuation of IFM. A key element to explore is how to build on recent improvements to the structure of IFM in Honduras to include a robust and inclusive system of checks and balances through meaningful and coordinated participation of the main stakeholders in the forest sector. In January 2007, CONADEH promoted the creation of an inter-institutional consultation mechanism, with an unprecedented broad representation – as well as the CONADEH IFM team, it is comprised of representatives of government institutions (AFE-COHDEFOR, FEMA, PARN, the Tax Revenue Authority (DEI) and the Defence Secretariat, which includes the



A howling monkey on a tree in the Río Plátano Biosphere

Armed Forces), civil society (Honduran Forest Agenda, Alliance for Forest Conservation, the two Professional Forest Associations, the Honduran Federation of Agroforestry Cooperatives and the National Anticorruption Council) and the private sector (the Honduran Loggers' Association).

The current role of this mechanism is to discuss and review IFM reports, a task which is expected to continue and consolidate with time. However, there seems to be room to further capitalise on the space created and the platform could be used to coordinate efforts to resolve reported cases of illegality and contribute to achieving sustainable forest management in the country. This latter aspect should also include the Consultation Committees established in the new Forest Law as pivotal actors. Setting up shared mechanisms between different institutions would ensure effective tracking to completion of reported cases.

Broader participation should encourage the monitor to further strengthen day-to-day investigation and reporting activities by developing and implementing clear procedures related to monitoring activities, which would result in additional professionalism and a greater impact of the IFM work. Procedures such as these should focus on clearly defining how the monitoring activities are selected, planned, implemented and followed up.

Finding a difficult balance

The case of the 'abandoned' timber provides a good example of the risks and pressures of IFM. Initially, its report on Resolution N° 236-01-2006 was instrumental in the suspension of the resolution. Immediately afterwards AFE-COHDEFOR made increasing

demands on the monitor to do something to solve the crisis. Perhaps it is this fact that explains why the monitor did not just focus on documenting the case and providing recommendations, but also got actively involved in seeking solutions. Indeed, while maintaining its monitoring function, it also played a lead role in carrying out the inventory of the 'abandoned' timber and also became part of the Inter-Institutional Committee that negotiated the contracts with the cooperatives.

It is arguably justifiable that a choice was made to support the forest authority in implementation and not just by providing recommendations. The excessive workload and lack of adequate resources in AFE-COHDEFOR is widely known, and Honduras is not alone in this regard. This common situation among forest authorities in developing countries results in weak institutions where staff have to deal with more than they can effectively manage, which leads to demotivation and frustration⁵⁶.

However, there is also a risk in this approach. The perception of a monitor's independence is key to the success of IFM⁵⁷. According to some members of the cooperatives and other external observers, the reputation of IFM has been undermined by the monitor's role in the Inter-Institutional Committee. There is, therefore, a very delicate balance that the monitor needs to strike. IFM is a powerful tool, and as such it is likely to be challenged and discredited by those who want to see it fail. It is, therefore essential, for the monitor not to give in to pressures and to maintain its high standards of independence and professionalism at all times.



The CONADEH office in Olancho

9. Epilogue

“...see how you thoughtlessly destroy the forests, so that there will soon be none left. So you also destroy mankind...”

Uncle Vanya, Anton Chechov (1899)

Over a quarter of a century after the Río Plátano Biosphere's international importance was acknowledged by its inclusion in UNESCO's World Cultural and Natural Heritage programme, the area remains as vulnerable as ever. Illegal logging has continued to prevail, ostensibly supported by some high-profile political figures. This report demonstrates the disparity between political rhetoric and the vested interests underpinning the actions of government institutions.

Marred with irregularities, the process of the legalisation of the 'abandoned' timber has left behind frustrated and conflict-ridden communities, environmental destruction and social turmoil. The US\$1 million paid to local cooperatives, the great majority of which ended in the hands of local timber traffickers, represents ten times the annual operating costs incurred by AFE-COHDEFOR in the Río Plátano Biosphere Reserve in the period 2005-2007. At a forest level, a single mahogany tree can cost US\$30. By the time it reaches San Pedro Sula, a cubic meter of this timber can be worth US\$1,200.

Despite being a progressive social forestry concept on paper, the system of cooperatives is too often infiltrated and abused by industrial scale interests. It is therefore essential that good governance instruments, such as transparency, accountability, participation and rule of law, are better applied at all levels including local cooperatives.

At the time of the completion of this report, in December 2008, the case of the 'abandoned' timber was coming to a close and the incentive to log illegally had seemingly decreased. According to local information, since the second half of 2007 there has been a significant reduction in the illegal extraction of timber from the Río Plátano Biosphere. Though this is unquestionably positive, there is no hard evidence showing that it is a lasting structural change. In fact, mirroring the cyclical nature of other illegal activities, it is possible that this is a temporary fluctuation in intensity. As has been the case in the past, it would come as no surprise to discover that new arguments are found to justify issuing permits or any other mechanisms that allow timber to be harvested 'as a special exception and for the very last time'.

After over 30 years of existence, AFE-COHDEFOR has recently been replaced by the ICF. It appears few will miss the old institution, whose credibility has been

gradually eroded over the last 10–15 years to the point where public opinion considered it one of the country's most corrupt institutions⁵⁸. However, it is fair to say that in recent years some concrete efforts have been made to drive positive change within AFE-COHDEFOR. Despite being strongly criticised by some civil society groups, the last General Manager of AFE-COHDEFOR was the first to recognise and prioritise the issue of illegal logging. Nevertheless, the case of the 'abandoned' timber marked another dark chapter in the institution's history. By promoting policies that fuelled illegal logging and the abuse of local organisations, its decision-making processes were yet again biased towards vested interests. Two different trends coexisted: on the one hand, efforts were being made to bring about positive change, but on the other collusion and injustice persisted. It would be over-simplistic to assume that corruption within the institution was the only reason for this situation. The problem was much broader and cannot be explained without taking into account the many internal and external pressures to which AFE-COHDEFOR was subjected.

Even if certain individuals tried to push for lasting changes within the institution, the underlying problem was the way the political and economic systems work in the country and how government institutions are perceived. For those in power, AFE-COHDEFOR, like other public entities, was an instrument for trading favours. Corrupt officers were only part of a bigger system based on favouritism and collusion. When seeking solutions and improvements in the forest sector, it is essential to bear this in mind as an important aspect shaping the local reality. Only meaningful political will that is translated into action can lead to bringing the forest sector under control.

Fortunately, Honduras now has an opportunity for positive change in the form of a new, long-discussed Forest Law and a new forest authority. This new law should theoretically prevent a case like this from occurring again, as, unlike the previous law, it clearly establishes a prohibition for impounded illegal timber to be legalised through public auctions. From now on, any confiscated illegal timber should be donated to community projects or used for timber transformation training purposes. Thus, the incentive to log illegally and launder the timber, which fuelled the case presented here, should be eliminated.

However, as stated above, other mechanisms and loopholes are likely to be exploited – labelling timber as 'dead', 'submerged', etc. Therefore, the risk will continue, and minimising it will rely on successful implementation of the Forest Law. The way the new forest authority, the ICF, is shaped and operates, will require tackling the underlying governance failures that hampered AFE-COHDEFOR throughout its existence, namely political patronage and systemic corruption.

COMUNICADO PÚBLICO

“DEMANDAMOS UN PROCESO DE TRANSICIÓN DE LA COHDEFOR AL INSTITUTO DE CONSERVACIÓN FORESTAL (ICF), APEGADO EstrictAMENTE A LA LEY FORESTAL Y EL NOMBRAMIENTO DE UN DIRECTOR (A) EJECUTIVO (A) CON ALTOS CRITERIOS DE IDONEIDAD PERSONAL Y PROFESIONAL”

La Coalición por la Justicia Ambiental junto a representantes de organizaciones ambientalistas y de derechos humanos nacionales e internacionales externamos nuestra posición frente a las decisiones del Poder Ejecutivo al someter el proceso de transición de la antigua COHDEFOR al ICF bajo el liderazgo del Consejo de Desarrollo Agrícola (CODA), órgano totalmente ineficiente e incompatible con el sector forestal y promover al Ingeniero SANTOS CRUZ, actual Sub Gerente de COHDEFOR, al cargo de Director Ejecutivo del ICF, según ha trascendido públicamente, contraviniendo lo establecido en la Ley Forestal, Áreas Protegidas y Vida Silvestre:

PRIMERO: Como es de conocimiento público, las organizaciones aquí representadas junto a amplios sectores sociales participamos activamente por más de ocho (8) años en impulsar el proceso de aprobación de la Ley Forestal, Áreas Protegidas y Vida Silvestre, con el propósito de alcanzar un verdadero desarrollo de las comunidades a través del aprovechamiento racional y sostenible de nuestra flora y fauna y de la transformación del Sector incluyendo un saneamiento en toda la estructura administrativa y operativa de la COHDEFOR para dejar atrás todos los vicios e intereses del pasado que llevaron al fracaso a esta institución.

SEGUNDO: En diciembre de 2007 el Ministro de la Secretaría de Agricultura y Ganadería (SAG), Ingeniero Héctor Hernández, con instrucciones del Presidente de la República conformó una Comisión Técnica de Transición de COHDEFOR al ICF, coordinada por el Consejo de Desarrollo Agrícola (CODA) e integrada por instituciones públicas y privadas relacionadas con el sector forestal; esta Comisión tiene como fin, de acuerdo con publicaciones hechas en distintos medios de comunicación y otros documentos como ayudas memorias de sus reuniones, de instalar el nuevo sector forestal, evaluar al personal que actualmente labora para COHDEFOR, gestionar los requerimientos financieros para atender el pasivo laboral, diseñar el proyecto de estructura organizativa y operativa del ICF y redactar el proyecto de Reglamento de la Ley Forestal, Áreas Protegidas y Vida Silvestre.

TERCERO: De acuerdo a lo establecido en los artículos 18 numerales 2, 5 y 26, 198, 202 y 207 de la Ley Forestal, Áreas Protegidas y Vida Silvestre, las atribuciones anteriormente mencionadas no le corresponden su coordinación al CODA sino al ICF, el que deberá diseñar, formular, coordinar, ejecutar y evaluar las políticas y actividades del sector forestal, crear y modificar su organización interna y evaluar el desempeño, cesantía y reconocimiento de derechos para empleados de COHDEFOR bajo el control del Tribunal Superior de Cuentas (TSC), quién velará porque el traslado de los recursos forestales y fauna del país se haga de manera ordenado, transparente, sano y probó.

CUARTO: De manera proactiva reiteramos la petición formulada al señor Presidente de la República, Manuel Zelaya Rosales, mediante carta de fecha 14 de Febrero de 2008, que establece lo siguiente:

- 1) Crear mediante Decreto Ejecutivo una Comisión de Transición de alto nivel que asegure un proceso de traspaso de autoridades, bienes y activos de manera ordenada, transparente y eficiente entre COHDEFOR y el ICF;
- 2) Que dicha Comisión se integre con la participación de las instituciones del Estado que integran el sector forestal, con la apertura para diferentes organizaciones y sectores sociales a fin de garantizar la participación ciudadana y la transparencia.
- 3) Que la Comisión de Transición demande del Tribunal Superior de Cuentas la práctica de una auditoría detallada de los activos y pasivos de COHDEFOR e

informar dentro del plazo de 60 días de los resultados de la citada auditoría;

- 4) Que la Comisión de Transición solicite a la Contaduría General de la República, dependencia de la Secretaría de Finanzas para que, de inmediato levante el inventario de todos los bienes de COHDEFOR que serán traspasados al ICF;
- 5) Que la Comisión de Transición solicite a la Secretaría de Estado en el Despacho de Finanzas, levantar el balance general de ingresos de los recursos financieros con que cuenta COHDEFOR, tanto de origen nacional como de la Cooperación Internacional;
- 6) Que la Comisión de Transición prepare un Plan de Acción inmediato que conlleve la propuesta de evaluación curricular, técnica, psicométrica e historial sobre el desempeño del personal que podría formar parte de la nueva Institucionalidad, los términos de referencia y bases del concurso público para la selección del nuevo personal del ICF y el inventario de los Convenios de Manejo o Co manejo, así como, los Planes de Manejo celebrados y aprobados en las áreas protegidas y de vida silvestre, con el fin de establecer el tipo de relaciones y procedimientos que deberán llevarse para subsanar los problemas inherentes;
- 7) Que la Comisión de Transición asegure que todos los programas y proyectos relacionados con el tema forestal, áreas protegidas y vida silvestre, financiados con fondos internos o externos y administrados por cualquier dependencia o ente Estatal, pasen a formar parte del patrimonio del ICF;
- 8) Que la Comisión de Transición asegure que la estructura organizativa y operativa del Instituto Nacional de Conservación y Desarrollo Forestal (ICF), se haga estrictamente dentro del marco de las disposiciones de la Ley Forestal y de la Administración Pública, manteniendo la independencia que le corresponde como Sector Forestal.

QUINTO: Alertamos que las acciones iniciadas por el Poder Ejecutivo a través de la Secretaría de Agricultura y Ganadería (SAG) y el Consejo de Desarrollo Agrícola (CODA), están al margen de la Ley y su ejecución anuncia el fracaso de la nueva institucionalidad y del sector forestal, acarreado lo actuado por estas autoridades, nulidad y consecuente responsabilidad;

SEXTO: Demandamos del Poder Ejecutivo que el nombramiento del Director (a) Ejecutivo del ICF cumpla con las disposiciones contenidas en el artículo 15 de la Ley Forestal Áreas Protegidas y Vida Silvestre, observando los requisitos para ser Secretario (a) de Estado y Director (a) de Instituciones Autónomas, en consecuencia, quien sea nombrado en tal cargo no deberá estar cubierto por ninguna inhabilidad, ni tener denuncias abiertas en el Ministerio Público, ni dedicarse al rubro de la industria de la madera, ni representar los intereses del sector empresarial del país y contar a la fecha con la solvencia extendida por el Tribunal Superior de Cuentas. Ha trascendido públicamente que el cargo de Director Ejecutivo del ICF recaerá en el Ingeniero SANTOS CRUZ actual Sub Gerente de la COHDEFOR, al respecto manifestamos nuestra desaprobación a tal nombramiento, porque entonces solo se estaría cambiando de nombre a la institución y la política de gestión sería la de la antigua COHDEFOR.

SÉPTIMO: Con alto compromiso por los intereses generales del país, al señor Presidente de la República, Manuel Zelaya Rosales, solicitamos que en el marco de la transparencia y participación ciudadana seleccione mediante concurso y escrutinio público a la persona que dirigirá el Instituto Nacional de Conservación y Desarrollo Forestal, así como, a los Sub directores de Desarrollo Forestal y de Áreas Protegidas y Vida Silvestre, para que en beneficio de la nueva institucionalidad en dichos cargos primen los criterios de idoneidad personal y profesional.

Tegucigalpa, MDC 8 de Abril de 2008

COALICIÓN POR LA JUSTICIA AMBIENTAL

MOSQUITIA, PAWISA APISKA (MOPAWI)
RED ECOLOGISTA HONDUREÑA
PARA EL DESARROLLO SOSTENIBLE (REHDES)
CARITAS DE JUTICALPA, OLANCHO
FUNDACIÓN DEMOCRACIA SIN FRONTERAS (FDSF)
FUNDACIÓN PICO BONITO

MOVIMIENTO AMBIENTALISTA DE CAM PAMENTO OLANCHO (CAM)
ASOCIACIÓN POR UNA SOCIEDAD MÁS JUSTA (ASJ)
ALIANZA VERDE
CONFEDERACIÓN DE PUEBLOS INDÍGENAS AUTÓCTONOS DE
HONDURAS (COMPAH)
GLOBAL WITNESS

*CAMPO PAGADO

Press release issued by local and international civil society groups opposing the appointment of Santos Cruz Santos Cruz as Director of the ICF

Recommendations

Three years have passed since the president pledged to end illegal logging in Honduras. With only one year left in his term, little has been achieved. His stated commitment has not been translated into reality beyond the deployment of the Armed Forces in protected areas. While perhaps effective in some cases, this is neither sustainable in the long term, nor sufficient action to address the fundamental problems.

A much more systematic, conscientious and integrated approach is required to tackle the underlying causes of illegal logging in Honduras. Therefore, the president should use his final year in office to substantially scale up, capitalise on and commit to the new law, by ensuring its effective implementation.

The recommendations presented below are ranked in order of priority within each heading. Priority should be given to issues that need to be addressed as a matter of urgency, but also to issues that are easier to achieve in the short term.

Priority actions by the relevant Honduran law enforcement and judicial authorities:

End the impunity:

- Santos Cruz should immediately resign from his role as Deputy Director of the ICF, otherwise its credibility will be in question.
- The Environmental Public Prosecutor (FEMA) and the Anti-corruption Prosecutor should investigate Ramón Álvarez, Santos Cruz, Manuel Flores Aguilar, Santos Reyes Matute and Roger Moncada for any role they might have played in the 'abandoned' timber case.
- As part of these investigations, FEMA and other units in the Public Ministry should request that the Financial Information Unit within the Bank and Insurance Commission subpoena the bank statements from the last five years of Ramón Álvarez and Santos Cruz for any evidence of illicit earnings in this case.
- All other individuals who have breached the law in the 'abandoned' timber case should be identified, a comprehensive investigation into their activities should be conducted, and administrative action and/or criminal proceedings should be undertaken as appropriate.
- The president should appoint a multi-stakeholder commission, which includes government institutions, civil society groups and the private sector, to undertake a thorough review of the deployment of the Armed Forces. The review should include an analysis to ascertain if this was a cost-effective measure.

Agencies should work together to enforce the law. They should:

- Strengthen the deterrent effect of law enforcement by providing appropriate levels of publicity and transparency around it, including establishing a case tracking system which provides regular progress updates to the public.
- Strengthen existing mechanisms for local people to effectively and safely report illegal logging activities, such as by guaranteeing anonymity and protection as required.
- Prioritise the distribution of information and the training of communities on the mechanisms and steps required to present complaints.
- Prioritise the protection of the Río Plátano Biosphere. This should include adequate control and monitoring of all activity within the boundaries of this protected area and improved coordination between relevant stakeholders. Payments for Environmental Services (PES) or payments for avoided deforestation and degradation (ADD) should be explored as funding sources for such activities.

It is never possible to implement and enforce the law through policing efforts alone; the active participation of local people is essential and should be prioritised. Thus the Government of Honduras, through its forest authority, the ICF, should adopt the following funding and resource priorities:

Strengthen communities and the SSF system:

- Work with cooperatives to support and monitor the improvement of internal governance, and devote greater efforts to strengthen them against external vested interests.
- Help resolve the social conflicts in and around the Río Plátano Biosphere, by working with other relevant institutions^a.
- Ensure the active participation of the relevant stakeholders^a through opening spaces for meaningful participation and debate, ensuring all views are taken into account in a balanced way.
- Develop a sustainable economy based on non-destructive uses of forest under community management such as those related to PES or ADD.
- Provide an enabling environment for cooperatives to be economically productive, including the approval and monitoring of appropriate management plans for local cooperatives.
- Assess and capitalise on (i) the pilot initiative of a log tracking system to be tested in the Copén community in 2009^b, and (ii) the methodology designed and implemented to track the 'abandoned' timber^c, to roll out a robust system which ensures timber from all cooperatives is effectively traced throughout the product chain.

Develop a culture of learning and participation in the ICF:

- Put in place explicit policies, and support them with appropriate training and performance appraisals, which improve the willingness of staff to pilot new approaches – particularly the participatory approaches implied above – and to document, evaluate and learn from them.
- Ensure that participatory mechanisms such as civil society Consultation Committees^r are built in a transparent, robust manner, with a balanced distribution of power among participants. This could start by developing pilot initiatives aimed at building and strengthening them.
- Ensure that, as stated in the new law, all confiscated timber is used in educational and capacity building programmes or community projects, and under no circumstance does the timber enter the market. Request the Independent Monitor to observe this process each time.
- Ensure that the appointment of all staff is open to public scrutiny, and that no individuals with questionable track records hold positions of power.
- Increase the efforts to end the export of forest products of illegal origin by strengthen collaboration with timber consuming countries^w.
- Protect the threatened mahogany population by spearheading submission of a proposal to the next Conference of the Parties to CITES to amend the annotation to Appendix II listing of *Swietenia macrophylla* to include all processed products^x.
- Support the strengthening of the IFM initiative implemented by CONADEH by (i) clarifying the roles of independent observer versus active participant in policy decisions such as those related to the disposal of confiscated timber; and (ii) setting a high standard for active participation in the inter-institutional consultation mechanism and encouraging the other parties to this mechanism to do likewise.

The IFM project implemented by CONADEH should:

- Develop with the ICF, other ministries, and donors a long-term funding arrangement so CONADEH is able to continue operating independently and adapt to the realities emerging from the new legal framework.
- Reassert its mandate to 'defend the people's fundamental rights and strengthen the rule of law'⁶⁰ by monitoring the performance of the ICF, the occurrence of political interference in decision-making processes such as the allocation of logging rights, and any bias in law enforcement and delays or failure to bring perpetrators to account.

The Forest Stewardship Council (FSC) National Initiative should:

- As a matter of urgency undertake the steps established in the Dispute Resolution Protocol to

asses whether, based on the evidence presented in this report and elsewhere, Milworks

Internacional's certificate should be revoked.

- In collaboration with civil society groups, closely monitor all certified companies in the country and report any cases of incompliance to Accreditation Services International (ASI) at the FSC International Center to trigger the relevant investigation, raise a Corrective Action Request, and suspend those logging companies that fail to meet FSC requirements.
- Redouble its efforts to develop national standards for Honduras based on and exceeding the existing international generic standards.

Timber importing countries should:

- Ensure that no illegally logged timber is imported into or traded in their countries. As the main recipient of Honduran mahogany, the United States should make the greatest efforts to exclude illegal timber.
- Seek the cooperation of the Honduran law enforcement agencies to consider Milworks Internacional as a potential test case under the new amendment to the Lacey Act.

The international donor community, in particular the group of sixteen main donors to Honduras (known as G-16), should:

- Support the ICF by providing technical and financial support, but monitor the delivery of improved governance in the ICF against this provision, in order that donor investments are protected against and not outweighed by counter-productive policies and practices.
- Support capacity building for local cooperatives to operate within the law, monitor the use of their resources and hold the Honduran government to account.
- Provide financial support to deliver training to replicate and disseminate tools for solving social conflict among local people.
- Monitor activity in the Río Plátano Biosphere to identify the possible need for recommending to UNESCO that it is again placed on the threatened status list.

^r These should include the Consultation Committees, the Río Plátano Biosphere Component of GTZ's Natural Resources Programme (PRORENA), CONADEH and civil society groups.

^s This should include the Honduran Institute of Cooperatives, the Honduran Federation of Agro-forestry Cooperatives, PRORENA, national and international NGOs working in the area and local civil society groups.

^t This project is funded by the US Forest Service and implemented by Fundacion MaderaVerde with the technical assistance of the British company Helveta.

^u Despite its weaknesses, this methodology provides some interesting lessons and a basis to build on.

^v See Section 8.1 in this report.

^w See Box 10 on recent European and US initiatives to combat illegal logging and the Central American Forest Law Enforcement and Governance processes.

^x CITES trade controls are currently limited to logs, sawn wood, veneer sheets and plywood.

10. ANNEXES

Annex 1: List of buyers of the 'abandoned' timber at auctions

| Auction | Volume Offered (board feet) | Buyer | Volume Bought (board feet) | Unit Price (lempiras/ board foot) | Total Price (lempiras) |
|--------------|--------------------------------|--------------------|-------------------------------|---|---------------------------|
| RBRP-01-2006 | 127,483.10 | Caoba de Honduras | 25,166.90 | 45.00 | 1,132,510.50 |
| | | Paulino Matute | 41,845.70 | 45.00 | 1,883,056.50 |
| | | Demarco Collection | 11,440.00 | 45.00 | 514,800.00 |
| | | Vladimiro Martinez | 6,386.50 | 45.00 | 287,392.50 |
| | | Jorge Martinez | 42,644.00 | 45.00 | 1,918,980.00 |
| | | Subtotal | 127,483.10 | | 5,736,739.50 |
| RBRP-02-2006 | 91,243.43 | / | 0.00 ¹ | / | / |
| RBRP-03-2006 | 83,709.10 | Melvin Aguilar | 17,642.90 | 50.00 | 882,145.00 |
| | | Leoncio Guevara | 19,590.20 | 50.00 | 979,510.00 |
| | | Victor Amador | 46,476.00 | 50.00 | 2,323,800.00 |
| | | Subtotal | 83,709.10 | | 4,185,455.00 |
| RBRP-01-2007 | 91,243.43 | Melvin Aguilar | 71,984.70 | 50.00 | 3,599,235.00 |
| | | Yoni Euceda | 12,262.00 | 50.00 | 613,100.00 |
| | | Subtotal | 84,246.70 | | 4,212,335.00 |
| RBRP-02-2007 | 94,516.37 | Melvin Aguilar | 18,139.58 | 50.00 | 906,979.00 |
| | | Subtotal | 18,139.58 | | 906,979.00 |
| RBRP-03-2007 | 62,872.36 | / | 0.00 ¹ | / | / |
| RFA-01-2007 | 6,996.90 | Jorge Martinez | 1,760.80 | 40.00 | 70,432.00 |
| | | Jorge Martinez | 3,569.30 | 40.00 | 142,772.00 |
| | | Subtotal | 5,330.10 | | 213,204.00 |
| RFNO-01-2007 | 15,918.02 | / | 0.00 ¹ | / | / |
| RFNO-02-2007 | 136,189.76 | Caoba de Honduras | 3,090.67 | 60.00 | 185,440.20 |
| | | Subtotal | 3,090.67 | | 185,440.20 |
| RFNO-03-2007 | 220,206.39 | / | 0.00 ¹ | / | / |
| RFNO-04-2007 | 220,206.39 | Demarco Collection | 4,971.70 | 55.00 | 273,443.50 |
| | | Subtotal | 4,971.70 | | 273,443.50 |
| RFNO-05-2007 | 82,135.60 | / | 0.00 ¹ | / | / |
| TOTAL | | | 326,970.95 | | 15,713,596.20 |





Annex 2: List of buyers of the 'abandoned' timber through local sales

| AFE-COHDEFOR Forest Region | Buyer | Volume Bought (board feet) | Unit Price (lempiras/ board foot) | Total Price (lempiras) |
|-------------------------------|-------------------------|-------------------------------|---|---------------------------|
| RBRP | Jorge Martinez | 6,548.43 | 40.00 | 261,937.20 |
| | Subtotal | 6,548.43 | | 261,937.20 |
| RFNO | Maderera Abigail | 60,140.41 | 50.00 | 3,007,020.50 |
| | Industria Bush | 38,050.05 | 50.00 | 1,902,502.50 |
| | Sedeco | 20,000.00 | 50.00 | 1,000,000.00 |
| | Jose Alex Amaya | 2,037.41 | 50.00 | 101,870.50 |
| | Oscar Andres Moreno | 1,027.33 | 50.00 | 51,366.50 |
| | Muebles Vica | 101.08 | 50.00 | 5,054.00 |
| | Baudilio Espinoza | 6,662.83 | 50.00 | 333,141.50 |
| | Jose Arturo Cardenas | 102.00 | 50.00 | 5,100.00 |
| | Juan Vicente Landaverde | 742.00 | 50.00 | 37,100.00 |
| | Juan Ramon Andrade | 1,105.00 | 50.00 | 55,250.00 |
| | Danilo Lopez Fuentes | 341.32 | 50.00 | 17,066.00 |
| | Elvin Roberto Posas | 399.58 | 50.00 | 19,979.00 |
| | Artesanos De Honduras | 30,110.44 | 40.00 | 1,204,417.60 |
| | CUPROFOR | 46,462.871 | 30.00 | 1,393,886.10 |
| | Subtotal | 207,282.32 | | 9,133,754.20 |
| | TOTAL | 213,830.75 | | 9,395,691.40 |

Annex 3: Comparing total revenues with payments to cooperatives and municipalities⁵⁹

| REVENUES | | | Total revenue | | PAYMENTS | Total payment | |
|--------------------------------------|-------------------------------|----------------------------------|----------------------|------------------|---------------------------------|----------------------|------------------|
| Auctions and direct sales | Volume auctioned (board feet) | Sale price (lempiras/board foot) | (lempiras) | Approx. US\$ | Cooperatives and municipalities | (lempiras) | Approx. US\$ |
| Auctions | | | | | Cooperatives | | |
| RBRP-01-2006 | 127,483.10 | 45.00 | 5,736,739.50 | 303,531 | Sawasito | 6,253,296.00 | 330,862 |
| RBRP-02-2006 | 0.00 ¹ | - | - | - | Altos de La Paz | 764,590.20 | 40,455 |
| RBRP-03-2006 | 83,709.10 | 50.00 | 4,185,455.00 | 221,453 | Limoncito | 1,018,717.30 | 53,900 |
| RBRP-01-2007 | 84,246.70 | 50.00 | 4,212,335.00 | 222,875 | Copen | 1,179,523.00 | 62,409 |
| RBRP-02-2007 | 18,139.58 | 50.00 | 906,979.00 | 47,988 | Paya | 1,754,044.20 | 92,807 |
| RBRP-03-2007 | 0.00 ¹ | - | - | - | Marias de Limón | 2,469,893.56 | 130,682 |
| RFA-01-2007 | 5,330.10 | 40.00 | 213,204.00 | 11,281 | Mixta Paulaya | 6,015,407.46 | 318,276 |
| RFNO-01-2007 | 0.00 ¹ | - | - | - | | | |
| RFNO-02-2007 | 3,090.67 | 60.00 | 185,440.20 | 9,812 | | | |
| RFNO-03-2007 | 0.00 ¹ | - | - | - | | | |
| RFNO-04-2007 | 4,971.70 | 55.00 | 273,443.50 | 14,468 | | | |
| RFNO-05-2007 | 0.00 ¹ | - | - | - | | | |
| Subtotal | | | 15,713,596.20 | 831,407 | Subtotal | 19,455,471.72 | 1,029,390 |
| Direct sales | | | | | Municipalities | | |
| RBRP | 6,548.43 | 40.00 | 261,937.20 | 13,859 | 10% net revenues ³ | 611,844.46 | 32,373 |
| RFNO | 130,709.01 | 50.00 | 6,535,450.50 | 345,791 | | | |
| | 30,110.44 | 40.00 | 1,204,417.60 | 63,726 | | | |
| | 46,462.87 ² | 30.00 | 1,393,886.10 | 73,751 | | | |
| Subtotal | | | 9,395,691.40 | 497,127 | Subtotal | 611,844.46 | 32,373 |
| TOTAL | | | 25,109,287.60 | 1,328,534 | | 20,067,316.18 | 1,061,763 |
| BALANCE (revenues - payments) | | | 5,041,971.42 | 266,771 | | | |

Notes:

¹ Auctions declared void due to lack of bidders.

² In the negotiation with CUPROFOR (Centro de Utilización y Promoción de Productos Forestales) the price used (30 lempiras/board foot) is an estimated average price, calculated considering that approximately 23% of the volume was sold at 45 lempiras/board foot and approximately 77% at 25 lempiras/board foot.

³ AFE-COHDEFOR agreed to transfer 10% of the net revenues from the sale of 'abandoned' timber to the municipalities of the Río Plátano Biosphere. At the time of completing this report these payments were delayed, but in this table the total amount that should be given to the municipalities has been estimated according to the following calculation: 10% (subtotal auctions + subtotal direct sales - subtotal cooperatives).

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