



*Comisionado
Nacional de
Derechos
Humanos*



global witness

Independent Forest Monitoring Pilot Project Honduras

Mission Report No. 001

Mission of the Independent Monitor (CONADEH – Global Witness)

Sale of Standing Volume in National Forest

Lot No.:	BN-J0-6-01-07-05
Lot Name:	La Mina
Contract No.:	BN-380-2005
Title Holder:	Johnny Sutton
Company:	Sutton Lumber, S.A. de C.V.

Mission date: 19 de May 2005

Report date: 1 June 2005

1. EXECUTIVE SUMMARY

On 19 May 2005, CONADEHT¹ and Global Witness carried out an Independent Forest Monitoring (IFM) mission in the national forest lot BN-J0-6-01-07-05, located at the site known as La Mina (La Unión Municipality, Olancho). Such lot was auctioned at Public Auction no. BN-01-2005, which took place on Friday 18 February at AFE-COHDEFOR's headquarters². The lot was allocated to Mr. Johnny Sutton after he presented the highest offer per cubic meter.

The mission was the first of its kind carried out as part of the *Independent Forest Monitoring Pilot Project*, currently being implemented in the country. There were no reported problems or obstacles for the development of the mission.

The main conclusions of the Independent Monitor are as follows:

- 1) At the moment of the mission (19 May 2005) there was a delay of 15 days in the payment of the third quota, which was fixed in the payment calendar as being due on 4 May de 2005.
- 2) The second payment was made 24 days late, and the interests due for this delay, established in the fourth clause of the contract, were not paid.
- 3) No irregularities were detected in the execution of the extracting activities.

Considering these conclusions, the Independent Monitor recommends:

- 1) That AFE-COHDEFOR investigates the reason why the interests due to late payments (24 days of delay) were not paid.
- 2) That, if the permit holder has not paid all the quotas due as specified in the contract, AFE-COHDEFOR notes this delay to them and demands payment for the quotas and the interests due for late payment as established in the fourth clause of the contract.

¹ National Commission of Human Rights (*Comisionado Nacional de Derechos Humanos*).

² State Forest Administration – Honduran Corporation of Forest Development (*Administración Forestal del Estado – Corporación Hondureña de Desarrollo Forestal*).

**Subsequent Clarification
(23 September 2005)**

In compliance with the first recommendation, AFE-COHDEFOR's Department of Technical and Environmental Audit carried out the relevant investigation regarding the delay in the payment of quotas of this auction. This investigation verified that there were no irregularities because the company Sutton Lumber had officially applied for an extension for the payment of the quotas. This application had been approved by COHDEFOR through Resolution # CI-MP-048-2005, which authorised the amendment of the payment calendar.

It can therefore be concluded that no field or administrative irregularities were found in this mission.

2. RESOURCES USED

- 1 four-wheel drive
- 2 photo cameras
- 2 GPS
- 1 video camera

3. COMPOSITION OF THE MISSION

The mission was carried out by a team comprised of four members:

- Mr. Fausto Mejía Zelaya, CONADEH
- Ms. Laura Furones, Global Witness
- Mr. Reiner Tegtmeyer, Global Witness
- Mr. Filippo Del Gatto, Global Witness

Two more people joined the mission: Mr. Roger Rivera, President of the Organisation for the Protection of the Environment of La Muralla Nacional Park (OPMA), with its headquarters in La Unión, and Mr. José Menocal, also a local resident of La Unión Municipality and member of the Olanchano Environmental Movement (MAO).

Additionally, during the visit to the lot, Mr. Alirio Méndez, a local resident of the neighbouring community Los Encuentros, and in charge of the extracting activities on behalf of the title holder, also joined the mission.

The mission was the first of its kind carried out as part of the *Independent Forest Monitoring Pilot Project*, currently being implemented in the country. Unfortunately, due to some communication problems prior to the implementation of the mission, it was not possible to have AFE-COHDEFOR's participation in it.

4. CONSTRAINTS

There were no problems or obstacles during the implementation of this mission.

5. RESULTS OF THE MISSION

5.1 General overview of the visited area

Nacional Forest lot no. BN-J0-6-01-07-05, located at the site know as La Mina (La Unión Municipality, Olancho), was auctioned in Public Auction no. BN-01-2005, which took place on Friday 18 February at AFE-COHDEFOR's headquarter, the lot was allocated to Mr. Johnny Sutton after he presented the highest offer per cubic meter (402.00 Lps./m³).

The lot covers 92,78ha, comprising 4,027 pine trees (*Pinus* spp.) to be cut, with a total volume of 4,430.43 m³, and a total sale value of Lps. 1,781,032.86. The contract covers six months, from 04 March until 04 September 2005.

5.2 Main findings

a) *Delay in the payment of quotas*

Table 1 shows the payment schedule as it appears in the fourth clause of contract no. BN-380-2005 between AFE-COHDEFOR and the title holder.

Table 1. Payment Schedule.

Logging Unit	Payment number	Volume m ³	Value Lps./m ³	Total (Lps.)	Deadline for payment
1	1 st payment	637.63	402.00	256,327.26	04 March 2005
2	2 nd payment	781.10	402.00	314,002.20	04 April 2005
3	3 rd payment	1,251.77	402.00	503,211.54	04 May 2005
4	4 th payment	1,437.42	402.00	577,842.84	04 June 2005
5	5 th payment	322.51	402.00	129,649.02	04 July 2005
Total		4,430.43		1,781,032.86	

According to this schedule, at the moment of the implementation of the mission (19 May) the first three payments were already due. However, records at the regional AFE-COHDEFOR office showed that only the first two payments had been made, while the third one was 15 days overdue.

It should be noted that the second payment was made with a delay of 24 days. However, the interests for “any delay over one day” established in the fourth clause of the contract had not been paid.

b) Extracting operations

During the lot inspection, it was verified that the extracting operations were being done according to what is established in the Operational Plan:

- No trees were cut outside the limits of the logging units.
- No seedling trees had been cut.
- Operations in Unit 1 had finished, and the required procedures to reduce erosion were followed, such as building retention barriers on the ground and spreading the residues.
- No other extraction activities had been carried out in Unit 3, which matches the fact that the third quota had not been paid at the time of the mission (the fourth clause of the contract establishes that ‘the payment for the remaining units will be made prior to starting extraction activities in them’). However, this does not justify the delay in the payment of the third quota, since the same fourth clause states that payments cannot be postponed.

6. CONCLUSIONS AND RECOMMENDATIONS

The conclusions of the Independent Monitor on this mission are as follows:

- 1) At the moment of the mission (19 May 2005) there was a delay of 15 days in the payment of the third quota, which was fixed in the payment calendar as being due on 4 May de 2005.
- 2) The second payment was made 24 days late, and the interests due for this delay, established in the fourth clause of the contract, were not paid.
- 3) No irregularities were detected in the execution of the extracting activities.

Considering these conclusions, the Independent Monitor recommends:

- 1) That AFE-COHDEFOR investigates the reason why the interests due to late payments (24 days of delay) were not paid.
- 2) That, if the permit holder has not paid all the quotas due as specified in the contract, AFE-COHDEFOR notes this delay to them and demands payment

for the quotas and the interests due for late payment as established in the fourth clause of the contract.

**Subsequent Clarification
(23 September 2005)**

In compliance with the first recommendation, AFE-COHDEFOR's Department of Technical and Environmental Audit carried out the relevant investigation regarding the delay in the payment of quotas of this auction. This investigation verified that there were no irregularities because the company Sutton Lumber had officially applied for an extension for the payment of the quotas. This application had been approved by COHDEFOR through Resolution # CI-MP-048-2005, which authorised the amendment of the payment calendar.

It can therefore be concluded that no field or administrative irregularities were found in this mission.