

A Brief History of the COATLAHL Cooperative

At Last a Little Optimism

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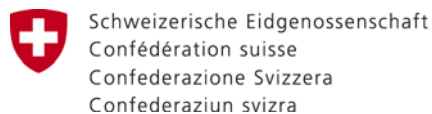


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1. Introduction

This report, prepared as part of a study on community forest enterprises for ITTO¹ by Forest Trends, analyzes the experience of the COATLAHL² Cooperative on the Northern Coast of Honduras.

The document is made up of eleven parts, including this first introductory section. The second part presents a brief historical perspective of community forestry in Honduras. The third section discusses the legal framework in which they operate. The fourth touches on the complex problem of forest tenure. The fifth describes some characteristics of the forests and communities in the area of the case study. The sixth analyzes the main milestones and trends in the history of the COATLAHL Cooperative, while the seventh outlines its organizational and management structure. The eighth section focuses on the economy of the cooperative, past and present, while the ninth considers its environmental and social benefits. The tenth section analyzes some aspects of the interactions of the cooperative with governmental policies and regulations. The eleventh and final section presents the conclusions of this analysis.

2. Historical Perspective of the Social and Political Context³

Significant commercial exploitation of Honduran forests began in the nineteenth century (Wells, 1982, cited in Szaraz, 1991). Nevertheless, until 1974 the government had adopted a *laissez-faire* position. The attention of the central authorities was limited to collecting, as much as possible, the few established taxes.

Things changed drastically with the approval in 1974 of Legal Decree No. 103, or the COHDEFOR⁴ Law. This law established as a policy the nationalization of all the country's forests, granting COHDEFOR, a semi-autonomous state institution with its own legal identity and patrimony, a monopoly over the use, industrialization and commercialization of forest products. Hence, the government attempted to insure that the income generated by the exportation of forest products remained in the country and could be used to promote agrarian reform and other major state projects proposed in the National Development Plan of General Oswaldo López Arellano's government. In addition to this law, the Social Forestry System (SFS) was also created in order to represent the social aspect of the new forestry policy intended to incorporate peasants organized in community-based groups in forest harvesting and management activities (Lazo, 2001).

These deep reforms reflected the social and political conditions that were developing in the first half of the 1970s.⁵ Nevertheless, a short time thereafter, the social environment that had given birth to these

¹ International Tropical Timber Organization.

² Regional Agroforestry Cooperative "Colón, Atlántida, Honduras", Ltda. (Cooperativa Regional Agroforestal "Colón, Atlántida, Honduras", Ltda.).

³ This section is substantially based on Utting, 1993.

⁴ Honduran Corporation of Forestry Development (*Corporación Hondureña de Desarrollo Forestal*).

⁵ The process of 'campesinización' of former banana company workers, many of which had union experiences, had contributed to the deepening of the debate on poverty and the unjust distribution of land. In the country there was also wide recognition that forest exploitation carried out by companies, for the most part foreign, was not contributing to rural and national development. The number of rural organizations grew significantly in this period. In many places, the Catholic Church helped create these organizations and supported calls in favor of agrarian reform and changes in forest exploitation. At the same time, significant changes were occurring in the national military. The armed forces enjoyed enormous popular support after the war of 1969 with El Salvador, which led to the adoption of progressive and nationalist positions. In 1972, General Oswaldo López Arellano, aided by a group of young officials, took control of the country for a second time by a new military coup, promising programs of forest and agrarian reform.

reforms was altered fundamentally. A strong anti-reformist movement, led by AMADHO,⁶ arose in the second half of the 70s. The mass media was flooded with information denouncing the “communist” measures and demanding for the re-privatization of the forest sector, in particular of the lucrative export activities. The reformist policies were gradually weakened and received a critical blow in 1982, when the civil government of President Suazo Córdova replaced the program of agrarian reform with a land titling initiative and began re-privatization of forest-based companies that had been nationalized.⁷

Naturally, the SFS suffered the impacts of these highs and lows. Between 1974 and 1977 some 125 agro-forestry cooperatives were organized, dedicated for the most part to pine resin production, but also to the production of wood, as in the case of the COATLAHL Cooperative. However, as the strong support of these ventures quickly faded, the relationships between the cooperatives and COHDEFOR deteriorated and the SFS gradually lost ground in the COHDEFOR agenda. Although it remained a part of the institutional rhetoric, by the beginning of the 1980s the SFS had already been sidelined. Since then, support for the SFS and its community-based forest enterprises has atrophied within COHDEFOR and been sustained almost entirely by the international community, through multilateral and bilateral assistance programs.

3. The Current Legal Framework and the New Reform Process

The policy of nationalization that was begun in 1974 fully ended in 1992, with the passing of the Law for Modernization and Development of the Agricultural Sector (Legal Decree No. 31-92). Although the primary focus of this law was the regulation of agricultural activity, it incorporated fundamental reforms to the legal forestry framework.⁸ Perhaps the main change was the return of forest possession to its previous owner (before nationalization), of private forests as well as municipal forests owned by local municipalities. This law assigns to AFE-COHDEFOR⁹ the administration of all national forests, the control and regulation of forestry activities undertaken in private and municipal lands, and the management of protected areas. But, the law excludes AFE-COHDEFOR from any responsibility in the direct use of the forest and the industrialization and commercialization of timber (Lazo, 2001).

In some aspects, this law also constitutes an important step for community forestry. It takes up again the concept of the Social Forestry System and recognizes the rural population's usufruct rights to forest resources. In addition, it establishes as a mandate of the new AFE-COHDEFOR the inclusion of the integral development of the rural communities in the forest management plans that it administers. Nevertheless, the Regulation of the *Title VI – Forest Aspects* of this law, which sets a limit on the volume of timber that may be harvested by the SFS organizations, also establishes one of the major legal barriers to the development of these organizations (see Box 3).

Legal Decree No. 31 deeply reorganized the forest sector, but it did not countermand entirely the previous legislation. The legal framework is therefore at present dispersed in numerous norms of different hierarchy. In recent years, this has led to the development of multiple efforts for the preparation and approval of a new Forest Law with the objective of unifying in a single legal instrument the forest legislation of the country. This process has been characterized by extensive participation and diverse attempts to reach an agreement but has been far from easy. It is difficult, perhaps impossible, to predict if and when any such law will be approved.

⁶ Association of Honduran Loggers (*Asociación de Madereros de Honduras*).

⁷ A central role in this process was placed by the Reagan Administration of the U.S., which clearly put forth its demands a little after the Liberal Party of Suazo Córdova won the elections of 1981. If Honduras wanted to continue receiving aid from the U.S., its government had to, among other things, favor titling of land in place of redistribution, cease nationalization of forestry businesses and re-privatize the businesses belonging to COHDEFOR.

⁸ Title VI – Forest Aspects (Articles 71 to 79).

⁹ The abbreviation AFE was added after the approval of Legal Decree No. 31-92, to reflect the new title of State Forest Administration (*Administración Forestal del Estado*) applied by that law to COHDEFOR.

4. Forest Tenure: A Puzzle that is Hard to Solve

Honduras has a territorial area of 112,492 square kilometers, of which 87 percent is considered to be forest. According to the Base Forest Map of 1995, the forest cover of the country is 5,989,600 hectares, equivalent to 53.2 percent of the total area. The majority of this area is comprised of broad-leaf or pine forest, with minor areas of mixed forest and mangrove (Table 1). Between 60,000 and 80,000 hectares of these forests, especially broad-leaved, are lost annually (FAO, 2000; Lazo, 2001). Even so, the forest constitutes one of the natural resources with the greatest potential contribution to the economic and social development of the country.

Table 1. Forest cover in Honduras.

Description	Hectares	% of total national area	% of forest land
Total national surface area	11,249,200	100.0	
Land with forest cover	5,989,600	53.2	100.0
- Broadleaf forest	2,863,500		47.8
- Pine forest	2,512,700		42.0
- Mixed forest	559,100		9.3
- Mangrove	54,300		0.9

Source: CIEF/AFE-COHDEFOR (numbers obtained from the Base Forest Map of 1995).

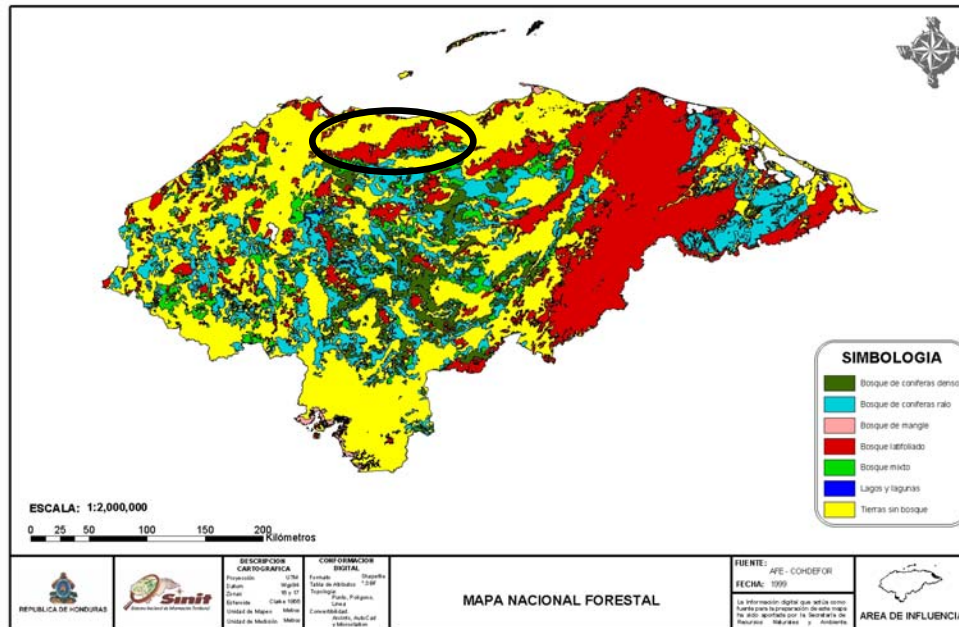
It is estimated that 62.9 percent of the 5,989,600 hectares with forest cover is national property, 14.4 percent is owned by municipalities, and 22.7 percent is private property (Lazo, 2001). But these numbers are estimates and should be considered with caution. Forty percent of the population¹⁰ of the country lives in forested areas (Lazo, 2001). The major part of the national and municipal forests, in particular the pine ones, have *de facto* owners, who frequently enjoy locally recognized ownership rights as a result of several decades of occupation. In addition, parallel to the land titling programs promoted by the government, there is extensive capturing and titling of national lands in rural areas, promoted by local landowners and elites, often employing fraudulent practices. This has created a good deal of confusion. It is common, for example, that a forest estate is at simultaneously considered to be national by the state, claimed as private property by proprietors based on legal titles that are more or less valid, and has been occupied for several decades by one or more local users.

5. Forests and Communities of the Case Study

The management units of the community organizations, affiliated to the COATLAHL Cooperative, are located in the Cordillera Nombre de Dios, a mountainous chain near the Caribbean Sea that crosses from one side of the Department of Atlántida to the other, on the North Coast of Honduras (Figure 1).

¹⁰ On the whole almost 7 million inhabitants (CIA, 2005).

Figure 1. Location of the broadleaf forest of the Cordillera Nombre de Dios on the National Forest Map (black circle).



Note: The color red indicates broadleaf

The forest cover of this mountain range is comprised of humid or very humid forests, which cover approximately 120,000 hectares.¹¹ The rate of annual deforestation varies between 0.2 and 0.5 percent (CEAH, 2004). These ecosystems are characterized by their high biodiversity, with more than 400 arboreal species, of which only 25 species are commercially exploited.

In addition to wood, these forests provide basic environmental services for the population of the region. Among these, water production is the most important. Most of the watershed basins of this mountain range are dedicated to supplying water for human consumption, irrigation or energy generation. The conservation of biodiversity, scenic beauty and recreation are other important functions, particularly in light of the fact that more than 40 percent of the forested area in the zone is located within protected areas.

Aside from these macro-functions, many of the poorest rural families in the region depend on these same forest resources for living essentials such as firewood and charcoal, materials for artisan products and construction, edible and medicinal plants, wild meat, etc.

The human population in this mountain range is racially mixed, and mainly lives in small communities of fewer than 2,500 inhabitants. Many of these communities were established in the last 30 or 40 years, as a result of a migratory influx that reached its peak between the 1970s and 1990s. During this time many inhabitants of the southern and western zone of the country—driven by poverty, drought, lack of arable land and the armed conflicts in Nicaragua and El Salvador—took their few belongings and moved to the humid and sparsely populated areas in the northeast (Markopoulos, 1999; COATLAHL, 2004a). The immediate result of this phenomenon was the destruction of great tracts of forest, as they were converted into agricultural and cattle lands (COATLAHL, 2004a).

¹¹ This data refers only to forest cover of those areas of the Cordillera Nombre de Dios that are found inside the Department of Atlántida, and has been extrapolated from the *Anuario Estadístico Forestal 2001* (CIEF/AFE-COHDEFOR, 2002).

According to the method of evaluating poverty by means of calculating unsatisfied basic needs (UBN),¹² 54.2 percent of inhabitants in the Department of Atlántida are poor (population in homes with at least one UBN) and 26.2 percent are extremely poor (population in homes having two or more UBN) (http://www.casapresidencial.hn/erp/atlantida/Pobreza_NBI.xls). A large proportion of these poor and extremely poor people live on the slopes of the Cordillera Nombre de Dios, and all of the associates of the COATLAHL Cooperative belong to one of these two categories.¹³

6. Milestones and Trends in the History of the COATLAHL Cooperative¹⁴

The COATLAHL Cooperative is one of more than 120 cooperatives promoted by the SFS during the 1970s. It was formed in 1977 and in the following year obtained its legal identity. The objectives defined in the cooperative's statutes closely reflect the philosophy of the SFS of those years: a) Improve the socioeconomic and cultural condition of the cooperative members and their communities; b) Encourage the rational use of natural resources; c) Improve and promote the application of modern techniques of use and diversification of farm and forest products; and d) Protect and watch for the conservation of forests and wildlife in the areas assigned to the cooperative (COATLAHL, 1989).

The life of the organization has been anything but easy. Perhaps the most obvious reflection of this has been the constant decline in its membership. At the time of its foundation COATLAHL was comprised of approximately 700 members in 25 community-based groups (Markopoulos, 1999). By the mid-1990s 13 groups remained with a combined membership of 392 (Sánchez y Del Gatto, 1996). At the moment it has barely 7 groups and 105 members (COATLAHL-Nepenthes, 2005). Understandably, at the same time, the cooperative experienced an accelerated decline in production. While in the 1970s and 1980s production surpassed the threshold of one million board-feet of wood per year (more than 5,500 cubic meters), from the outset of the 1990s, production has undergone a constant negative trend. By the middle of that decade, it had dropped below 400,000 board-feet annually (less than 2,200 cubic meters) (Markopoulos, 1999). And in the last two years (2003 and 2004), annual production has declined to 130,000 and 180,000 board-feet (approx. 1,000 and 700 cubic meters), respectively (AFE-COHDEFOR, 2005).¹⁵ Figure 2 illustrates these tendencies graphically, although they represent much more complex and dynamic phenomena than can be conveyed by any chart.

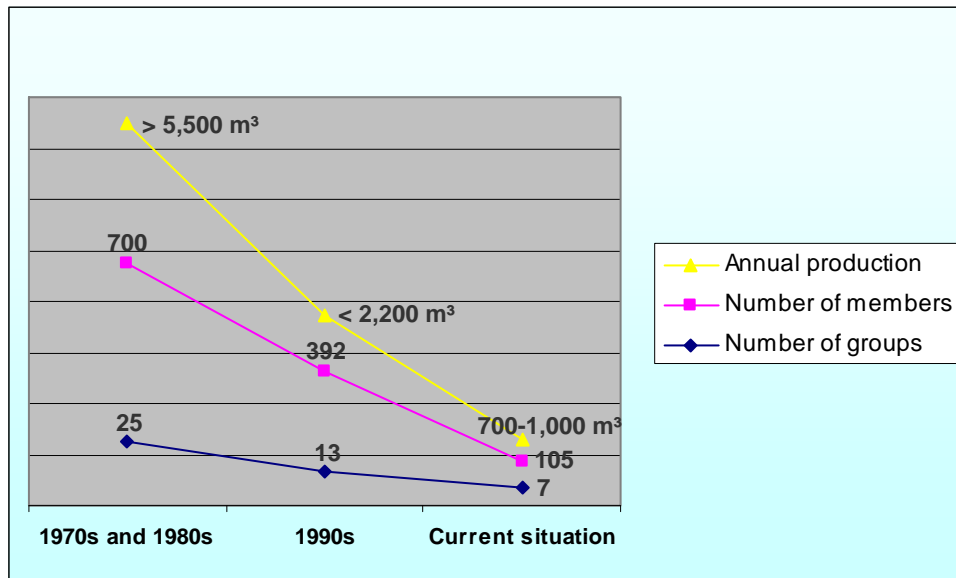
¹² Method that measures the poverty of homes by their lack of basic needs of drinking water, health, schooling of children between 7 and 12 years old, number of dependents per person working, existence of three or more people per house, and the state of the dwelling (INE, 2001).

¹³ It should be clarified that this last conclusion is based on anecdotal data, not on a detailed study of the UBN of the members of the cooperative.

¹⁴ Additional information about COATLAHL can be found on their website (www.coatlahl.com).

¹⁵ This decline in production was even steeper if it is taken into account that from 2000 the cooperative was no longer obligated to buy the entire production output of its member groups. As analyzed in Section 7.1, of the 700 and 1,000 cubic meters that the groups produced in 2003 and 2004, the cooperative bought only 230 cubic meters (33 percent) in 2003 and 380 cubic meters (38 percent) in 2004.

Figure 2. Decreasing trends in the COATLAHL Cooperative.



There were numerous and dynamic driving forces behind these downward trends:

- In the 1980s the main factor contributing to the decline of membership and productivity was over-exploitation of the most valuable timber-yielding species (particularly mahogany, cedar and granadillo)¹⁶ in the forests assigned to the groups of the cooperative. The disappearance of these valuable species reduced significantly, and at times eliminated, the profitability of the work, leading to the dissolution of some groups.
- Internal conflicts within the cooperative's groups and between the groups and inhabitants of the communities were other fundamental contributing factors. The former (internal) conflicts were often caused by poor administrative policies and practices as much in the base groups as in the headquarters of the cooperative, while the latter conflicts were fueled by disputes around illegal logging and land grabbing for agriculture and cattle ranching.
- In the 1990s another important factor was the obligation to produce forest management plans introduced by the Law for the Modernization and Development of the Agricultural Sector. Although it can be considered a necessary and reasonable norm, it actually presented an enormous barrier for the communities, in large part contributing to the disintegration of six member groups of the COATLAHL Cooperative, which enjoyed the least social and natural capital.
- To these factors the suffocating impact of the competition from the harvest and sale of illegal wood must be added, with all of its multiple social, environmental and economic implications. For many cooperative members this has been the main problem faced throughout the life of the organization, which was only exacerbated in 1998 by the establishment of a maximum annual production ceiling of 200 cubic meters for each community group (see Box 3).

Despite these trends and difficulties, the cooperative continued growing in other fields. At the beginning of the 1980s, thanks to a donation from the Embassy of Canada, the cooperative was able to establish a sawmill in the city of La Ceiba to offer sawn lumber to the market. Ten years later, in the early 1990s, the cooperative began to develop a small cabinetmaking workshop for the production of finished or semi-finished wood products. With subsequent contributions and investments, this workshop has gradually emerged as the main economic activity of the central headquarters of the cooperative.

¹⁶ Respectively *Swietenia macrophylla*, *Cedrela odorata* and *Dalbergia tucurensis*.

In 1991 the five groups of the cooperative located inside the AMIs¹⁷ obtained independent forest certification through the SmartWood Program.¹⁸ At the time COATLAHL was the first certified forest producer in Central America and only the second certified community initiative in the world, after some *ejidos* in Mexico (Markopoulos, 1999).

The first mission of SmartWood in 1991 consisted of a brief visit by a single representative. Two years later, in 1993, SmartWood performed another inspection with a team of three consultants and recommended the recertification of the five groups of the cooperative. Both inspections were low profile, developed in the absence of specific guidelines and before the SmartWood Program was accredited by the FSC.¹⁹ In 1996 a new mission from SmartWood was conducted, this time following the Principles & Criteria of the FSC. On this occasion, the evaluation extended to all of the then 13 member groups of the cooperative, but only eight were certified (Markopoulos, 1999). In November of 2000, the chain of custody of the cabinetmaking workshop of the cooperative was certified, permitting the commercialization of finished or semi-processed products with the FSC seal. In September 2003 the seven remaining COATLAHL groups were again recertified by SmartWood, in this case, within the framework of a group certification scheme in which COATLAHL assumed the position of Forest Manager, with the responsibility to fulfill the terms and conditions of the certification contract for the entire group—including seven certified community-based enterprises not affiliated with the cooperative (Almendares and Polanco, 2005). Box 1 summarizes these four phases of certification.

Box 1. Forest certification milestones of the COATLAHL Cooperative.

1991	1993	1996	2000	2003
<ul style="list-style-type: none"> ▪ First inspection carried out by SmartWood. ▪ ‘Certification’ of five groups of the cooperative. ▪ First case of certification in Central America. 	<ul style="list-style-type: none"> ▪ Second evaluation carried out by a team of three people from SmartWood. ▪ ‘Re-certification’ of five groups. 	<ul style="list-style-type: none"> ▪ New evaluation by SmartWood, following the P&C of the FSC. ▪ FSC Certification of eight groups of the cooperative (July 1997). 	<ul style="list-style-type: none"> ▪ Certification of the chain of custody of the workshop of the cooperative. 	<ul style="list-style-type: none"> ▪ Group certification of 14 community forest enterprises, 7 affiliated to COATLAHL and 7 not affiliated. ▪ COATLAHL with role of Forest Manager of the certification group.

7. Organization and Management of the Cooperative

COATLAHL is a second-level regional cooperative, whose partners are local community-based groups. As previously mentioned, it consists of a central office in La Ceiba, which handles primary and secondary processing, and seven local member groups that collectively manage approximately 10,336 hectares (half of which—5,130 hectares—are productive forest) in the Cordillera Nombre de Dios, Department of Atlántida.

The cooperative has three main organizational structures (Figure 3). The *General Assembly*, comprised of four delegates from each base group, represents the highest authority. It elects the *Board of Directors*,

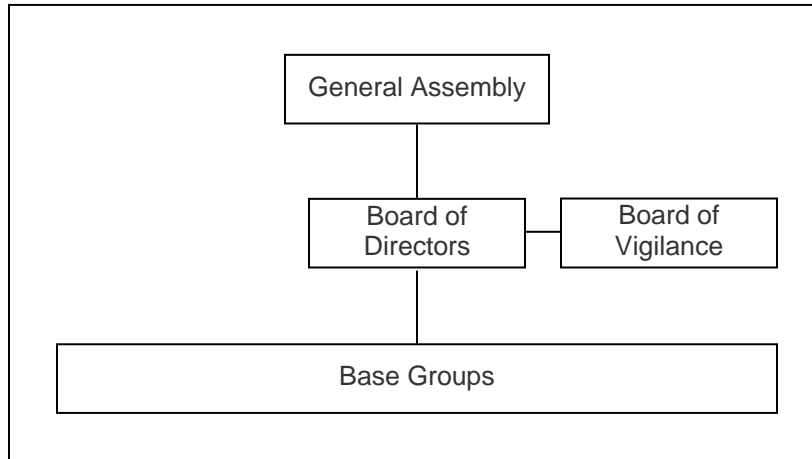
¹⁷ Integrated Management Areas (*Áreas de Manejo Integrado*), promoted at the time by the Broadleaf Forest Development Project (*Proyecto de Desarrollo del Bosque Latifoliado*, PDBL), result of an agreement of technical and financial cooperation between the governments of Honduras and Canada.

¹⁸ Along with the five groups of the cooperative, seven independent groups not affiliated with the cooperative, also located in AMIs of the PDBL, were also certified.

¹⁹ Forest Stewardship Council.

responsible for the management and administration of the cooperative, and also the *Board of Vigilance*, which acts as an entity of control. Each base group has an identical structure to the regional one.

Figure 3. Simplified chart of the Cooperative COATLAHL.



During the 1990s the Board of Directors tried on four occasions to hire a general manager, more as a result of pressure from external development projects than from real conviction. In every case the results fell short of expectations and all attempts were abruptly terminated. Unrealistic expectations of the advantages of having a general manager promoted by projects probably contributed to this. Interference and obstacles presented by the Board of Directors to the various managers was another factor that exacerbated relations. A third factor was the limited experience of the four managers, especially the first two, which not only hampered decision-making but also strained the confidence of cooperative members.

Today the cooperative is administered by the president of the Board of Directors, who also performs the duties of general manager.

8. Economy of the Cooperative

8.1 Policies and Problems of the First 25 Years

According to its statutes, COATLAHL is an agro-forestry cooperative, dedicated to the production and commercialization of forestry and agricultural products. In practice however, its focus has been entirely on wood, buying primary material from the base groups and reselling it (as sawn boards or processed products) in local, national or international markets.

For much of its existence, the purchasing policy of the cooperative was based on a "guaranteed price," pre-established and differentiated according to species and quality. The groups were obliged to sell 100 percent of their production to the cooperative, which was obligated, in turn, to buy 100 percent of the groups' production, regardless of its marketability. In the 1990s, with the exhaustion of valuable species and the increased legal requirements (and costs) for forest production, these inflexible policies became a recipe for failure.

The obligation to buy all production and the small differences between the guaranteed prices for the various wood quality classes created a perverse incentive, pushing many associates to reject the importance of quality in production. In 1997, 45 percent of the wood bought by the cooperative was of third-tier quality and only 20 percent was of first-class quality (Ardón Mejía, 1997, cited in Markopoulos,

1999). Much of the low quality wood did not sell, particularly in the lesser-known wood species, which would frequently rot in the mill yard and generate no income.

The cooperative also subsidized various costs of production for the groups. It provided transportation of wood by truck from the communities to the sawmill in La Ceiba for a below-market price. It offered interest-free advances to cover the payment of taxes and other operating costs but often failed to fully recover the money advanced. It absorbed a large part of the administrative costs of dealing with AFE-COHDEFOR without receiving anything from the groups. And, through support projects, the cooperative also subsidized the majority of forest management costs. In 1997 an executive of the cooperative summarized the situation poetically: "In COATLAHL, all is love."

This 'love' dragged on for years, bringing the cooperative to financial insolvency, rendering it unable to pay the groups for their wood. Delayed payments prompted a loss of confidence in the cooperative on the part of the base groups, thus exacerbating the sale of wood by the associates to local intermediaries, who offered lower prices but immediate cash payments.

This resulted in a vicious cycle: The lack of financial capital impeded the purchase of wood, slowing income from sales and generating greater insolvency. In an attempt to break the cycle, during the late 1990s the cooperative repeatedly went into debt, borrowing money to acquire the working capital to buy more wood. Although the cooperative attempted to take corrective measures,²⁰ there was insufficient analysis and political will to confront the basic economic problems of the cooperative. Very quickly COATLAHL became unable to fulfill its loan payment commitments. In 2000 the total debt absorbed by one bank was more than 1.2-million Lempiras (roughly \$80,000 US\$), and it was evident that the cooperative could not pay it. The only option was to sell their main assets, their lot near the center of La Ceiba housing the offices and cabinetmaking workshop of the cooperative.

That same year the cooperative finally abandoned its official policy of reciprocal obligation in the purchase and sale of wood, effectively recognizing what had already become common practice. Today the cooperative only buys the wood it needs from its affiliates, and it is not obliged to buy from them if it can find better prices in the marketplace. On the other hand, the groups are free to sell their wood to the best buyer. Of the 700 and 1000 cubic meters produced by the groups in 2003 and 2004 (Figure 2), the cooperative bought only 230 cubic meters (33 percent) in 2003 and 380 cubic meters (38 percent) in 2004.

8.2 New Efforts and a Little Optimism

Frankly speaking, at the start of the present decade COATLAHL was an organization in bankruptcy. It had lost its greatest asset. The purchase of wood from its member groups was paralyzed by a lack of capital. The sawmill and cabinetmaking workshop had no material to work with. The staff had been reduced to six employees, and the payment of their salaries was regularly delayed due to a lack of funds. According to many cooperative members and outside observers, COATLAHL was at the end of the road.

But things have turned around in the last two or three years, thanks to the combined efforts of a new Board of Directors and a small group of advisers working with the Good Forest Management and Certification Project (*Proyecto Buen Manejo de Bosque y Certificación Forestal*), financed by DANIDA (Danish International Development Agency) and executed jointly by COATLAHL and the Danish NGO Nepenthes.²¹ For this case study the most relevant aspect has been the change in the marketing strategy of the cooperative. Instead of 'wasting' effort trying to reach an extensive range of potential buyers, as COATLAHL had essentially done for 25 years, their work was concentrated on the identification and fulfillment of niche markets.

²⁰ For example, from 1998 they started to buy only top-quality wood, letting the groups decide how to sell the rest.

²¹ More information about this project is available at the COATLAHL's website (www.coatlahl.com) and Nepenthes' website (www.pronepenthes.dk).

The challenge has been the execution of all the necessary steps to translate this new focus into increased sales and concrete incomes:

- The recertification of the cooperative.
- The identification of market niches interested in buying certified products from the cooperative.
- The design of products that could be elaborated in the cooperative workshop employing lesser-known species to greatest efficiency (maximum value and minimum waste).
- The search for credit.
- The 'professionalization' of production, including the introduction of serial production, quality control throughout the process, and attention to client needs.
- Monitoring the chain of custody.

The results have been impressive. In 2004 COATLAHL has managed to produce three separate exports of a new product (wood doormats) to Denmark, totaling 5,200 pieces (Pictures 1 and 2).²²

Pictures 1 and 2: Construction and packing of a doormat



Photos: Jens Kanstrup/Nepenthes.

Honduras has a very developed export industry of forest products; even so, these were the first experiences for the country in the export of an entirely certified product made exclusively of lesser-known species, finished and ready for the final consumer.

Table 2 shows the financial results of the export of 5,200 doormats in 2004. Table 3 presents an estimate of the outcome for the six community-based forest enterprises that participated in the sale of wood for doormat production.

²² With promotional goals, in the third container they also sent 100 sample wood boxes for charcoal.

Table 2. Financial balance for the export of 5,200 doormats in 2004.

Income	Lempiras	US\$
Loans	996,178.00	54,705.00
Doormat sales	2,060,613.17	113,158.33
Total income	3,056,791.17	167,863.33
Expenses		
Production expenses	1,807,033.99	99,233.06
Loan and interest payment	1,035,900.22	56,886.34
Total expenses	2,842,934.21	156,119.40
Net Profit	213,856.96	11,743.93

Source: COATLAHL, 2005a.

Exchange rate: 1 US\$ = 18.21 Lempiras (Average value 2004).

Note: The sales income includes the sale of 100 sample wood boxes for charcoal; while the production expenses refer to total expenses incurred, including the payment of the wood to the communities.

Table 3. Estimate of the benefits for the sale of the certified wood used in the construction of the 5,200 doormats.

	Unitary Value (Lempiras/br.ft.)	Total Value (Lempiras)	Total Value (US\$)
Income			
Payment 60,840 bd.ft. of wood to CFEs	9.00	547,560.00	30,069.19
Total income		547,560.00	30,069.19
Expenses			
Payment to sawyers	2.00	121,680.00	6,682.04
Payment to sawyers assistants	0.66	40,154.40	2,205.07
Mule rental	2.00	121,680.00	6,682.04
Handling	0.10	6,084.00	334.10
<i>Total costs of local labor</i>		<i>289,598.40</i>	<i>15,903.26</i>
Transportation	0.50	30,420.00	1,670.51
Administrative costs and taxes	1.50	91,260.00	5,011.53
Total expenses		411,278.40	22,585.30
Estimated net profit		136,281.60	7,483.89

Source: COATLAHL, 2004b.

Exchange rate: 1 US\$ = 18.21 Lempiras (Average value 2004).

CFE = Community-based forest enterprise.

As indicated in Table 3, the total cost of labor was Lps. 289,598.40. Roughly sixty people worked for a period of 35 days (2,100 total man days), which implies an average daily pay of Lps. 138.00 per person (approximately US\$7.58). Although the sawyers and mule owners have to reduce the depreciation costs, this value compares favorably with the daily wage in the region, which varies between 80 and 100 Lempiras (approximately US\$4.40 to US\$5.50).

Tables 2 and 3 do not take into account various expenses. For example, they fail to account for the cost of technical assistance by the DANIDA-funded project, the costs of forest management and the costs of certification, while the 'Administrative costs and taxes' expenses in Table 3 only cover a portion of the transaction costs of the process (community meetings, administrative affairs with AFE-COHDEFOR, etc.). On balance, however, the most significant outcome is that—for the first time in more than a decade—the economic prospects for COATLAHL look promising. In 2005 the cooperative expects to export 5,000

doormats and 500 tables, at a unit price of US\$23.10 and US\$130.00 respectively. According to projections, these sales should leave a profit margin of approximately US\$43,800.00 (COATLAHL, 2005b). The achievements (and the inherent challenges) with the international market have also motivated members of the cooperative to strive for a better position in local and national markets. The cooperative intends to devise a business plan to increase sales in La Ceiba and in other towns of the North Coast of Honduras. At the same time, the cooperative is working with the other enterprises involved in the group certification scheme to establish a lumber yard for the sale of dried and dimensioned certified wood in La Ceiba. If successful, these efforts would be very important news in the Honduran wood market.

All in all, financial sustainability may not lie around the corner, but it no longer seems unattainable.

9. Social and Environmental Benefits

Studies carried out in the 1990s suggest that forests assigned to community forest enterprises have suffered smaller rates of deforestation relative to adjacent areas (Sánchez, 1995; Castillo and Roper, 1998). These results are confirmed by anecdotic evidence. In the North Coast watersheds it is common to hear local inhabitants confirm that the better conserved wooded areas are those under management plans implemented by community forest enterprises.

The harvesting activities carried by communities in this part of the country are rudimentary. The wood is sawn in blocks in the forest and then extracted by mules, rivers or simply human power. No real construction and heavy logging equipment is used. The impact on biodiversity, soil, water and natural beauty are therefore minimal.

Paradoxically, this environmental balance could threaten community forest enterprises. In recent years social interest in water has increased significantly, both in communities in the upper and lower parts of watersheds. It is a tendency that will likely continue. This is generating growing public attention towards forest management units. The emerging argument is that it makes little sense to utilize large areas of forest for the benefit of relatively few people through wood production when the same area could benefit many more through the water it could potentially provide.

This incipient conflict should not be overestimated. Nevertheless, it is symptomatic of a deeper challenge faced by COATLAHL: difficult community relationships. The responsibility of forest management is concentrated entirely in the community forest enterprises. Formal arrangements to incorporate the community in decisions regarding forest management do not exist and there are no legal mechanisms to help channel some of the benefits of the production to the general community. The situation is currently exacerbated by the low membership in the cooperative groups. One common perception is that a handful of people—sometimes fewer than ten—have (almost) exclusive rights to a resource that in fact belongs to the entire community. It is not surprising that this perspective has often resulted in illegal logging or the grabbing of land in the areas under management plans.

Things have not always been this way. During previous boom periods in the productive activities of the groups, there were moments of strong social cohesion around these organizations and their operations. This seems to indicate that the social viability at the local level of a community-based forest enterprise does not depend so much on the established institutional arrangements, but on the ability to act as an economic engine for the community, channeling economic benefits to other social groups.

The social benefits within the cooperative deserve a separate discussion. Box 2 briefly analyzes the contribution of the cooperative to the social and political development of its members.

Box 2. Development as Freedom.

As described in Section 2, the SFS was born in the context of a process of political reforms that strictly reflected the particular political and social conditions that were developing in the first half of the 1970s. The growing awareness of the deprivations experienced by the majority of the country's population—poverty, lack of sanitary facilities and education, unequal land distribution, human-rights violations, and more—was the basis for this process of political reform.

These social themes were reflected for years in the structure of the COATLAHL cooperative. Until the mid 1990s, the Committee of Education was a fundamental element of the cooperative, comprised of five members and presided over by the vice president of the cooperative. The training of cooperative members in legislation, forestry, organization, parliamentary norms and basic administration was part of its central function. Many efforts were also made to educate members in 'cooperativism' principles. These tasks were carried out by various members of the Committee of Education, especially in the beginning, with a genuine effort to share with the cooperative's member an integrated analysis of the economic, political, and social elements, that would take into account the multiplicity of institutions and centers of action interacting between them as well as the implications they held for the development of community based organizations and their members.

One could argue that this work represented an initial step in the dissemination of a broader development vision, perceived, citing Sen (1999), "as an expansion of the real freedoms enjoyed by human beings." These efforts, nevertheless, were lost with the economic crisis of the cooperative during the mid-1990s. Until recently the contribution of the cooperative to social and political development of its members appeared to be something belonging to the past. But the new processes of raising consciousness and civil participation at national and local level (for example, the extensive debate around the reduction of poverty and the cancellation of foreign debt, the grassroots struggle of the *Movimiento Ambientalista de Olancho*, etc.), combined with the recent positive economic signs of the cooperative, according to some of its leaders open the prospects for new efforts of social strengthening of their base groups.

10. A forest sector in (permanent) transition

The forest sector of Honduras is in transition. A new framework law that has been under discussion for years should be approved soon. Meanwhile, a framework comprised of several norms of different hierarchy continues in place, which has turned out to favor high levels of discreteness in its implementation by diverse AFE-COHDEFOR administrations. This has contributed to uncertainty and legal barriers in the forest sector, which discourage investment in forest management and perpetuate illegal activities.

A clear example is the issue of rights of access to forest resources. Although COATLAHL has existed for almost thirty years, it still has not been able to secure these rights. In the mid 1990s, AFE-COHDEFOR granted 'usufruct contracts' of national forest areas to the five groups of the cooperative located in the AMIs. The contracts were for thirty years, the length of the cutting cycle according to the management plans. After these first five contracts, obtained largely through the work of PDBL²³, the cooperative began to lobby for the signing of similar contracts for the other groups outside of the AMIs. However, AFE-COHDEFOR's policy of granting these contracts soon clashed with the private sector, including the two

²³ See footnote #17.

primary wood industrial associations (ANETRAMA²⁴ and AMADHO), who argued that the contracts were in reality concessions of national forest and therefore illegal under the 1992 Law for the Modernization and the Development of the Agricultural Sector, which eliminated the system of concessions and established the auction system for the commercialization of national forests. This opposition forced AFE-COHDEFOR to stop signing new contracts although the existing ones were not abrogated.

The following AFE-COHDEFOR administration, during the period of 1998-2002, changed policy, and instead of the long term usufruct contracts it promoted short term 'forest management contracts,' lasting one governmental term (four year maximum). These contracts were signed with numerous organizations belonging to the SFS, including those that previously had received long term usufruct contracts (like some groups of COATLAHL). All contracts expired automatically with the commencement of the new political cycle in January 2002. With the justification, partly valid, that the new Forest Law was going to be approved soon, that the three different AFE-COHDEFOR administrations that have followed each other in the current government period have not renewed the contracts. Groups belonging to COATLAHL, as well as the majority of groups of the SFS, currently do not have legally established rights in regard to the areas they are managing. The only document that to some extent guarantees such rights is the management plan officially approved by AFE-COHDEFOR.

In addition to the lack of secure access rights to forest resources, there are other important barriers in Honduras to the legal logging sector. Box 3 describes the barrier identified by COATLAHL's members as having the largest impact on the economy and membership of their organization.

Box 3. Limits of the harvestable volume.

According to Art. 10 of the Regulation to the *Title VI – Forest Aspects* of the Law for the Modernization and the Development of the Agricultural Sector, rural groups organized under the Forestry Social System that are managing national forests cannot utilize 100% of the annual allowable cut (AAC) established in the management plan, but only 200 cubic meters per organization per year in broadleaf forest and 1,000 cubic meters per organization per year in pine forests. According to the law the remaining volume of the AAC should be auctioned (or assigned through another permit of 200 or 1,000 cubic meters in the following calendar year).

200 cubic meters annually divided between twenty or thirty members do not yield enough profit to justify involvement in forest management. Even more, clearly there is no incentive to protect the forest from illegal cutting and encroaching if one can only utilize a small portion (often less than 20%) of the sustainable production. The application of this norm was very limited for many years because of its visible negative impacts as well as a lack of buyers interested in the auctions. Since 1998, however, application has been stronger (although there has not been a single auction of broadleaf forest). According to members this has been the single largest factor in recent years contributing to their falling production, low membership, and the vulnerability of the forests to illegal logging and deforestation. Fortunately the new Forest Law should eliminate this restriction, reestablishing the AAC calculated in the management plan as the limited amount.

11. Conclusions

Changes in the external context

COATLAHL has existed for almost three decades. At a first glance it may seem that the process has been, at least in part, 'sustainable.' However, in reality it is difficult to imagine that the cooperative would still

²⁴ National Association of Timber Transforming Industries (*Asociación Nacional de Empresas Transformadoras de Madera*).

exist without the significant support and subsidies from cooperating projects in the last ten to fifteen years.

The difficult contextual conditions in which the cooperative performs its activities explain a large part of this external dependence. In order for COATLAHL to sustain itself, important changes in the external context are needed. Three principal changes, on which there is a large consensus, are the following:

- The resolution of the land tenure conflicts over the forests assigned to the cooperative and the recognition of long term access rights in these areas.
- The reduction of illegal logging (it is simply unfeasible to do forest management in an area where 80% of the activity is illegal).
- The reduction of barriers limiting forest management, such as the limits to the harvestable volume or the extremely slow process of administrative affairs with AFE-COHDEFOR. For example, the approval of a management plan may take up to two years. In an attempt to avoid corruption in its peripheral offices, AFE-COHDEFOR has recentralized the approval process, effectively paralyzing the decision-making process for months. All parties involved, including AFE-COHDEFOR, recognize that these legal barriers must be reduced.

The new Forest Law, when approved, should be an important step in the right direction towards solving these problems. Analogously, many see the decentralization of forest management, apparently an irreversible trend, as a unique opportunity to address the problems.

Nevertheless, the lack of progress regarding these themes for so many years, even with a consensus acknowledging them, clearly shows that they are formidable problems and that serious measures will have to be taken if they are to be solved. The scarcity of political action surely has its influence, but is not the only cause (and should not be used as a scapegoat).

The experience of COATLAHL over the past two to three years shows that to achieve successful results it is necessary to develop concrete efforts, well planned and well focused, with achievable and clear objectives, an adequate and realistic timeframe, and above all with a committed and informed staff. Similar efforts, promoted by a balanced group of actors and donors, are necessary regarding the themes of land possession and access rights, illegal logging, and legal barriers.

Future challenges for the cooperative

Market opportunities for the cooperative for the next years are encouraging for the first time in a decade. One challenge for the cooperative as it looks to utilize and prolong these opportunities is the continuity of its marketing staff, currently provided by an outside project. If the economic projections of the cooperative are correct, in theory it is possible that COATLAHL can absorb the wages of these personnel. But the experience in Honduras shows that the 'institutionalization' of qualified professionals, their passage from a project to a respective local institution, is harder than what one might expect. The most experienced professionals tend to be 'captured' by other projects or the private industry. The mutability of the internal politics of the cooperative does not help, since it does not offer many guarantees of labor stability.

On the other hand, the incorporation of external technicians, if it happens, also raises a delicate issue: the risk of its excessive influence in the decision-making of the cooperative, putting in a corner the role of the Board of Directors. In both cases, a lack of or an excessive influence of a technical group, is essential to strengthen the entrepreneurial and monitoring capacities of the cooperative's executives.

The subject of technical assistance also points out a general problem. In the North Coast of Honduras there is a lack of associations, for example, FUNDECOR²⁵ in Costa Rica or FORESCOM²⁶ in Guatemala, able to offer high quality and economically viable assistance services to forest producers. This is not to say that there is nothing or that attempts have not been made, but that the initiatives developed have remained stagnant.

Lessons

COATLAHL offers multiple lessons. A good part of them deal with things that should *not* be done if one wants to promote and strengthen community forestry experiences. For example, do *not* restrain such experiences under a governmental program planned with a top-down approach; do not let it be run by an institution in crisis that, besides, does not treat it as a priority; do *not* leave unresolved for decades fundamental issues such as the rights of access to forest resources; do *not* put meaningless limits on the harvestable volume by community enterprises; do *not* change the rules with each government; among many others.

Nevertheless, the experience of COATLAHL also offers important constructive lessons for similar experiences or assistance initiatives:

1. Contrary to the opinion of various observers, COATLAHL shows that forest certification can be a useful economic tool also in difficult social and political settings, and in a country that does not yet have an internal market for certified products.
2. But, for this to occur, there need to be well directed assistance efforts, specific and realistic in their scope (without trying to cover too much at the same time), practical in their execution, and carried out by dedicated trained personnel. The drawback to this approach, however, is the cost, and therefore the possibility of scaling up.
3. The other side of the coin of the previous lesson is that short-term specialized assistance, lists of 'recommendations', guides, toolboxes, etc., do not produce the desired effects, and sometimes do not accomplish anything, if they are not an integral part of a more complex effort, in which case they can help significantly in decreasing its cost and raising its repeatability.
4. The challenge, then, seems to be in how to combine the assistance in the field, of quality and sufficient duration, with the presence of effective tools that can reduce costs of these efforts and thus increase their repeatability. Once again, it is a matter of finding a balance. The experiences of Costa Rica and Guatemala seem to suggest that the difficulties encountered in the North Coast of Honduras to move toward this balance stem, at least in part, from the lack of associations or local agencies with the capability to offer effective services to community-based forest organizations and small producers. Currently there are some interesting efforts in this direction. The future sustainability of community forestry experiences in this region depends partially on their success.
5. Finally, the COATLAHL experience highlights the illegal markets issue: according to many cooperative members this is the main barrier to market access for legally established community forest enterprises in the North Coast of Honduras. The organizations included in the certification group hope to get around this problem by promoting the development of a local and national market for certified wood products, but for this to be viable a better ways of monitoring and denouncing illegal markets is also needed. If one does not begin to scratch where it itches, all the other perspectives turn gray.

²⁵ Foundation for the Development of the Central Volcanic Mountain Range (*Fundación para el Desarrollo de la Cordillera Volcánica Central*).

²⁶ Community Enterprise of Forest Services (*Empresa Forestal Comunitaria de Servicios del Bosque, S.A.*).

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