



1.1 The Moskibatana indigenous forest enterprise in Honduras

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Introduction

Indigenous Miskitu communities in Honduras manage and market batana oil, produced from the American oil palm (*Elaeis oleifera*), which is used to make hair care products. Working in partnership with MOPAWI, a local NGO, Rainforest Alliance provided technical assistance to more than 2,000 producers in 40 communities to strengthen local systems of sustainable forest management and social organization for community enterprise development. Successes include Forest Stewardship Council (FSC) certification of more than 55,000 hectares (ha) and the establishment of a producer-led enterprise to improve production, processing and marketing.

A key finding of the initiative is that the world view of the indigenous Miskitu (*cosmo-visión* in Spanish) is compatible with enterprise development and market principles, as long as the social organization of the enterprise respects local norms. The establishment of a local enterprise was driven by a desire to develop local business capacities, and it demonstrated the ability to merge new business models with traditional institutions. Moreover, achieving FSC certification led to the mapping, documenting — and ultimately to the legitimizing — of indigenous management practices. These results have global relevance given the increasing number of indigenous groups in the tropics who are regaining control over ancestral lands.



THE ESTABLISHMENT OF A LOCAL ENTERPRISE DEMONSTRATED THE ABILITY TO MERGE NEW BUSINESS MODELS WITH TRADITIONAL INSTITUTIONS.

Background

There has been a marked shift in tropical forest tenure in the past 20 years. More than 30% of forest land is now under some form of local control (RRI 2012). This is the result of a shift toward decentralized governance, and a growing recognition that security of tenure is fundamental to protecting forests. There is mounting evidence that indigenous and community management can conserve forests as well as, if not better, than strict protection (Porter-Bolland et al. 2012), and that well-managed forests can power economic development through locally driven enterprises (Molnar et al. 2011).

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Honduras has allowed the development of community-based forest concessions (called agroforestry cooperatives) since the 1970s, but has only recently started to recognize indigenous customary tenure. After decades of antagonism between indigenous groups and the government, the first land titles were recently issued to indigenous communities. They cover one million ha in seven territories, some 7% of the country's land area. Now that many of these communities have secure tenure, they can undertake formalized long-range forest management and enterprise development.

The northeastern region of Honduras, known as *La Mosquitia* or the Muskitia, covers two million ha (Figure 1). Its cultural, economic and political dynamics set it apart from the rest of the country.

Figure 1. The Muskitia region, Honduras



Most of the 125,000 people in the region are indigenous. Primarily Miskitu, Pech and Tawakha, with Afro-descendant Garifuna along the north coast, the people of the Muskitia were until recently remarkably isolated from the centres of political and economic power.

Forests still make up 80% of the region, but they are coming under increased pressure for conversion to agriculture. From 2005 to 2010, Honduras had the highest deforestation rate in the Americas. In the Muskitia, deforestation is often linked to narcotics trafficking rings who launder money through illegal land deals and livestock operations. This has resulted in a forest frontier fraught with violence and criminality, which is worsened by the scarcity of civilian government institutions.

In this context, efforts to recognize and strengthen local systems of sustainable management are a critical priority. With funding from the Inter-American Development Bank, USAID and the Ojon Corporation, Rainforest Alliance supported a range of technical assistance activities to document traditional management practices, delineate

management areas, form a new multi-community enterprise, and bring systems up to FSC standards. Coupled with the Honduran government's move to formalize tenure of the region's indigenous territories, this has helped to ensure the sustainability of forest management and built competitive, locally-driven enterprises that provide a viable alternative to deforestation (Box 1).

Box 1. Batana ecology, harvesting and evolving use

The American oil palm (*Elaeis oleifera*) occurs naturally over a large part of the Mosquitia, and is especially common along the low-lying coast. Unlike its well-known relative, the African oil palm (*Elaeis guineensis*), it is rarely planted. It grows in marshland, swamps, secondary seasonally flooded forests and among mangroves. These ecosystems are found around Caratasca and other lagoons, and in the network of canals that branch out from the Kruta River.

Miskitu communities use the leaves of the oil palm in house construction, but they value the fruit more. Harvesting can be undertaken year-round, and is commonly done by men; women typically handle processing. Fruits are sun-dried for two to three days, cooked, and processed with a mortar and pestle to separate the fibrous pulp from the seed. The pulp (*wina batana* in Miskitu) is used in cooking and as a fuel, and the white endocarp surrounding the seed (*kisuma batana*) is processed into batana oil (*ojón*), which has been used for generations as a skin treatment and hair care product.

In the 1990s the Mosquitia Development Association (*Mosquitia Pawisa Apiska*, or MOPAWI) began working with producers to improve batana production and processing. Representatives from a Canadian beauty products firm, the Ojon Corporation, became interested, and in 2003 it began to purchase oil from the Mosquitia. In 2007, the company was acquired by the New York-based cosmetics firm, Estée Lauder Companies. Rainforest Alliance began working with MOPAWI and producer groups in 2009 with two broad goals: FSC certification, and the creation of a community enterprise to improve quality, supply and delivery.

Achieving FSC certification

To prepare for FSC certification, producers engaged an 18-month process that ultimately resulted in the formation of the Moskibatana Multiple Services Enterprise (see Table 1). FSC certificates for forest management and chain of custody were issued to the newly formed enterprise in September 2010.

The following notable outcomes were achieved as a result of FSC certification:

- spatial definition of indigenous natural resource management areas, including the mapping of traditional resource use areas;
- documentation of indigenous natural resource management practices and the design of a management plan for monitoring and control;

- establishment of a standard for the management of non-timber forest products (NTFPs), for which there was previously no formal guidance;
- identification of weaknesses in batana management and chain-of-custody systems, and actions to address these problems to meet certification requirements; and
- establishment of a cooperative enterprise of producers to achieve scale, improve quality, and extend local control over the batana oil value chain.

Table 1. Steps in achieving FSC certification

Activity	Description
Community consultation	Meetings with producers to explain the certification process, potential benefits and information needs; formal approval for seeking certification requested, granted and documented
Resource management documentation	Determination of management areas and documentation of harvesting practices
Chain-of-custody protocol review and control system design	Transport, processing, storage and sales protocols reviewed; controls documented
Development of a monitoring plan	Creation of a plan covering batana harvest, transport and processing
Assessment of legal and regulatory framework	Development of legal, regulatory and technical specifications related to handling, stratification, coverage and mapping
Development of a batana management addendum to FSC interim standards for Honduras	Protocols for auditing the sustainability of batana management established and reviewed by community counterparts and the Honduran Council for Voluntary Forest Certification, as well as regional and international actors
Consultation on group certification and formation of a producer enterprise	Informational events and technical training in the group certification concept, enterprise formation requirements, and producer roles, rights and responsibilities in enterprises
Training in management systems to meet FSC standards	Necessary improvements to the identified group management system drafted, reviewed and approved by Moskibatana
Field auditing	Audit conducted against batana addendum to the FSC interim standard; findings report issued; action plan agreed upon with Moskibatana
Certificate issued	Major corrective actions addressed and FSC certificate issued; action plan to address minor corrective actions agreed for maintenance of certification at the first annual audit

MOPAWI and external consultants led training courses over three months to address the corrective actions identified. Once these corrective actions were completed and verified during a follow-up audit, Moskibatana was issued an FSC certificate. With a management plan in place that documented producers' traditional natural resource practices, Rainforest Alliance begin offering assistance to help producers achieve legal recognition of their enterprise, and to build governance and administrative capacities.

Moskibatana governance structure and functions

Moskibatana is made up of 2,007 producers (1,186 of whom are women) from 40 communities, organized into 36 community committees. Because of the relatively large area covered and the overlapping indigenous and government administrative areas, the enterprise organized itself into five zone councils. Members make up about 8% of the total population of 25,770 individuals in the communities, with one member for every two to three households.

Moskibatana was formally recognized by the Honduran government in November 2011, becoming the first indigenous NTFP enterprise in the country. As part of the formalization process, it developed a governance structure with defined roles, rights and responsibilities for its members and leaders. These were approved by the Honduran Secretariat for Commerce and Industry.

The enterprise is overseen by its General Assembly, which is made up of all members and serves as the ultimate decision-making body. It is led by a seven-member Board of Directors. An Oversight Committee ensures compliance with statutes, agreements and resolutions dealt with by the General Assembly. Elections are held during General Assembly meetings, with one vote for each member and a simple majority required. Elections are staggered to ensure continuity and avoid replacing all leadership positions simultaneously, which can be disruptive. All posts have a two-year period, with a possible second term.

Critically, the group's legitimacy is rooted in its link to indigenous community institutions and structures. Most of Moskibatana's leaders are active in MASTA (*Muskitia Asla Takanka*), the most influential indigenous organization in the Muskitia.

At present, Moskibatana has no paid staff. Key tasks are performed on a voluntary basis by members from various zone councils. MOPAWI still has a role in the governance structure and operations, but the vision is for the enterprise to eventually control all aspects of harvesting, processing and sales.

Enterprise economics and functions

Soon after beginning to provide support to Moskibatana, Rainforest Alliance carried out an assessment of financial performance. Increasing membership and falling demand were among the key issues identified. From 2003 to 2013, the number of producers increased fourfold, while volume per producer has fallen by 70% per year since 2007, and income has declined by 14%. Demand from Ojon, which was the enterprise's sole buyer, has also fallen since 2007.

The cost of producing batana oil was calculated to be 111 lempiras (US\$5.88) per litre, and the selling price was 150 lempiras (US\$7.94). Although this net profit of 26% could be considered acceptable, the average producer sold only 21 litres per year, so the actual annual profit was only US\$43.



The price is set by Ojon Corporation in consultation with producers and is facilitated by MOPAWI. The price has not increased since 2008. Ojon also pays a premium directly to MOPAWI to cover management and transport costs. Once Moskibatana takes control of these functions, the enterprise should be able to capture more revenue by carrying out more tasks.

Technical assistance for capacity building

Moskibatana was initially formed only to hold the FSC group certificate. It became clear, however, that the enterprise could do more than just ensure certification compliance. It could also drive improvements in product quality and expand market opportunities. In order to achieve this, Rainforest Alliance helped to build capacity in several key areas:

- attaining legal status for Moskibatana, formalizing its structure, and participatory awareness-raising regarding governance issues;
- training members in basic business management skills, including baseline analysis, enterprise organization and governance, business planning and financial assessment;
- exchange visits with other community-based natural resource cooperatives;
- assistance for improved value chain monitoring and quality control;
- training in the use of an auto-diagnostic tool for regular self-assessments;
- development and reassessment of enterprise action plans;
- establishment of new business alliances; and
- training in market assessment and business strategies.

During 2010–12, a total of 2,752 people — 56% of whom were women — participated in more than 50 workshops and training events. The emphasis in the early sessions was on building the fundamentals for success, such as organizational structure and governance

mechanisms to ensure effectiveness, participation and transparency. Training later shifted to building capacities to manage the value chain and improve internal control systems. Through the articulation of an overall enterprise strategy and the formulation of a business plan, Rainforest Alliance and MOPAWI supported Moskibatana as it defined its own path and articulated its own goals. Diversification into new markets was a major priority, given the risks involved with having only one buyer.



Results of technical assistance

A key result was the official recognition of indigenous practices in the production of batana oil. Working towards certification required that harvesting, transporting and processing be documented and open to be audited, which supported the visibility of indigenous practices.

Likewise, mapping of traditional management areas helped to make indigenous management practices more widely known. Another result was the creation of a chain-of-custody system. The main challenge in attaining FSC certification was to design a documentation system that could be used by local producers to register and monitor production along the value chain.

The most notable achievement was establishing Moskibatana as the country's first legally recognized enterprise for NTFP producers among indigenous communities. It was essential that Moskibatana be a transparent and well-organized community enterprise that uses participatory processes, ensures consistency with indigenous leadership norms, and articulates clear rules for enterprise governance. These critical foundations for community forestry development often receive less attention than they should. Once Moskibatana was established, the focus shifted to building on longstanding indigenous management practices.

This process helped Moskibatana evolve from being an entity that would simply hold the group FSC certificate to becoming a representative community-owned business with a long-term vision and management plan. Control of production, monitoring and quality has now been handed over by MOPAWI to group members. Achieving full control of all administrative, sales and marketing activities is the critical next step. Members also recommend that processing shift slowly from individual homes to processing centres; this would improve monitoring and quality control while also reducing costs. Such a move would require financing for new infrastructure.

Moskibatana's certification and enterprise development is a powerful example for the region, particularly as more indigenous people gain title to their land. The attention paid to ensuring respect for and linkages with indigenous governance systems, the support of MASTA, and the overall goal of building on — instead of replacing — an indigenous management system provide an important model for the development of new producer groups.



Recommendations

A detailed and scheduled plan of action should be agreed on for handing over control to Moskibatana regarding all enterprise activities, including sales and marketing.

Training in business administration skills, internal management systems, production monitoring, quality control, sales and marketing, with a core group of managing members, should continue.

Support should be given to help Moskibatana obtain financing for improved infrastructure, especially in the consolidation of processing and quality control, to improve efficiencies and increase returns.

Clearer policies should be articulated related to benefit sharing and social investment.

There is an urgent need to identify and build new markets for batana oil. The decreased demand over the last few years from its sole buyer is a clear indication of the risks posed by a lack of market diversification.

Lessons learned

The experience of Moskibatana demonstrates that preparing for and achieving certification can be a transformative process. Mapping and documenting traditional management systems and building on local governance systems to establish a formal enterprise can be an effective way to legitimize and make visible indigenous management systems. Such processes are particularly critical at a time when changes in land tenure make similar models replicable on a much larger scale.



When introducing new management and administration systems, it is important to respect indigenous traditions. Although innovation in business practices is necessary to improve profitability and maximize returns, participants should not replace existing practices with externally imposed structures, but should instead adapt new tools and systems to local traditions and ways of operating, using participatory methods.

Although there is continuing debate, both globally and locally, about the commodification of indigenous livelihoods through the imposition of Northern models of conservation and development (e.g., REDD+), it is clear that many indigenous peoples have themselves long managed natural resources for the purposes of selling them. Miskitu groups are no exception. Moskibatana is an example of an indigenous community enterprise based on traditional practices, with the addition of external principles of business development and entrepreneurship that benefit marginalized communities while also conserving natural resources and local traditions.

Adopting and adapting to new organizational and business practices tend to be slow, however. Continued technical assistance will remain crucial, but it is essential that such support respects Moskibatana's own strategic vision and development plans. These articulate a clear desire to increase members' control over the value chain, and improve the group's capacity to expand markets. Efforts that support financial autonomy will be important steps forward.

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