Developing Indigenous Community Forestry Enterprises: Where Tradition Meets the Market
A Case Study of Moskibatana (Muskitia, Honduras)
Contents

Preface 3
Executive Summary 5
Introduction 7
The Forests of the Muskitia, and Batana Ecology, Harvest and Use 8
Rainforest Alliance Intervention 9
Moskibatana Governance Structure and Functions 11
Financial Viability Analysis 14
Rainforest Alliance Technical Assistance 15
Results of Rainforest Alliance Technical Assistance 17
Lessons Learned and Recommendations 18
Annex I: References 19
Annex II: Key Informants 19

Acronyms

CoC  Chain-of-Custody
FSC®  Forest Stewardship Council®
IDB/MIF  Inter-American Development Bank’s Multilateral Investment Fund
MASTA  Muskitia Asla Takanka
MOPAWI  Muskitia Development Association
NTFP  Non-timber forest product
PRONADERS  National Rural Development Program
REDD+  Reducing Emissions from Deforestation and Degradation
SMEs  Small and Medium-sized Enterprises
Over the last two decades, countries across the tropics have devolved increasing authority over natural forests to local actors. The ability of those actors to manage forests sustainably and make forestry a competitive land-use choice has therefore taken on a growing importance. In response to this changing landscape, a range of efforts around the globe are supporting community-based forest management by working to improve the capacity of local people to manage their natural resources and develop local enterprise. In spite of the abundance of manuals, methodologies and other tools to guide technical assistance, there is a relative paucity of systematic analyses of the results of such efforts: experiences, lessons learned and recommendations for improving assistance to local forestry development.

This case study is one of 10 produced under “Forest Conservation through Certification, Markets and Strengthening of Small and Medium-sized Forest Enterprise,” a five-year project supported by the Multilateral Investment Fund (MIF), a member of the Inter-American Development Bank (IDB) Group. Led by the Rainforest Alliance, the project involves approximately 100 community operations and small and medium-sized enterprises (SMEs) in Guatemala, Honduras, Mexico, Nicaragua and Peru. The project’s central aim is to improve local livelihoods through sustainable forestry and enterprise development. Although the support needs, contexts and development levels of partner communities vary tremendously, the project’s unifying strategy is to improve business capacities, market access and financial support for enterprise development in order to secure sustainable forest management and livelihood development.

The case studies in this series were carefully selected to cover all five countries where the project is active, and to reflect the full range of participants—from highly incipient community operations, to second-tier business alliances among multiple well-developed, certified enterprises. Special attention was also paid to ensuring representativeness with respect to forest ecosystems (temperate and tropical), tenure arrangement (permanent and concession) and production focus (timber and non-timber). In all of the studies, the impact of Rainforest Alliance technical assistance on enterprise development was analyzed, including a critical assessment of priorities for future assistance. Beyond enterprise-specific examples, two studies take a more thematic approach, analyzing experiences with markets for lesser-known species and financial mechanisms.

Taken together, the 10 studies support the growing body of research demonstrating that community-based production forestry can be an effective approach to conserving forest resources while also generating significant social and economic benefits for marginalized communities. At the same time, however, these studies tell a more nuanced story. The diversity of contexts and enterprises represented sheds light on the development of community forestry in its many forms—towards multiple and sometimes contested goals—while chronicling both successes and failures. As such, each case stands on its own to inform similar cases around the world, while also forming a part of the broader story this series tells about the variable trajectories of community forestry development.

Although a guiding goal of many projects—including the present one—is to achieve financial sustainability for community forest enterprise, the importance of external technical assistance in building local capacities is also clearly fundamental. However, the effectiveness of such assistance is not always optimal, which is why each case includes an assessment of the results of the Rainforest Alliance technical assistance that was received. In several cases, insufficient data and/or a lack of indicator consistency—not to mention confounding external factors (storms, market fluctuations, political upheaval and social conflict) and the absence of truly scientific controls—make it impossible with full confidence to attribute change solely to Rainforest Alliance support, especially given the active presence of other actors at all project sites. This caveat notwithstanding, it is clear that, in each case, project interventions produced concrete results. The studies aim to extract lessons from these results and recommend ways forward.

Finally, while the bulk of these studies have been prepared and published by staff of the Rainforest Alliance, they would not have been possible without the collaboration and dedicated efforts of many others including a host of government agencies, civil society partners, academic institutions and private sector actors. Above all, the communities themselves must be recognized and congratulated for the time that they invested in assisting with the compilation and review of these studies. All contributors are specifically acknowledged in each separate case study. Although the contributions of all of these actors are fundamental, the content of these studies is the sole responsibility of the Rainforest Alliance, except where other institutions have taken a co-publishing role.

The table on the following page presents a breakdown of the 10 case studies that were produced as part of this project.
<table>
<thead>
<tr>
<th>No.</th>
<th>Case Study</th>
<th>Location</th>
<th>Key Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Awas Tingni community</td>
<td>North Atlantic Autonomous Region, Nicaragua</td>
<td>- Indigenous community forestry&lt;br&gt;- Incipient forest enterprise development&lt;br&gt;- Social and institutional foundations for community forestry</td>
</tr>
<tr>
<td>2</td>
<td>Moskubatana non-timber forest product (NTFP) enterprise</td>
<td>Muskitia, Honduras</td>
<td>- Indigenous community forestry&lt;br&gt;- NTFP management and Forest Stewardship Council® (FSC®) market development&lt;br&gt;- Development of a new forest enterprise</td>
</tr>
<tr>
<td>3</td>
<td>Ejido El Largo</td>
<td>Chihuahua, Mexico</td>
<td>- Integrated forestry development planning&lt;br&gt;- Community forest enterprise competitiveness</td>
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<tr>
<td>4</td>
<td>CAIFUL agroforestry cooperative</td>
<td>Rio Plátano Biosphere Reserve, Honduras</td>
<td>- Local forest enterprise development&lt;br&gt;- Benefits of forest enterprise at the community scale</td>
</tr>
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<td>5</td>
<td>Analysis of forest management in community concessions</td>
<td>Maya Biosphere Reserve, Guatemala</td>
<td>- Impacts of certified community forestry silvicultural and management systems&lt;br&gt;- Investments by community enterprises in conservation and monitoring</td>
</tr>
<tr>
<td>6</td>
<td>Brazil nut production and enterprise</td>
<td>Madre de Dios, Peru</td>
<td>- NTFP enterprise development&lt;br&gt;- Financial and administrative capacity building</td>
</tr>
<tr>
<td>7</td>
<td>TIP Muebles</td>
<td>Oaxaca, Mexico</td>
<td>- Commercial cooperation among community forest enterprises&lt;br&gt;- Furniture value chain development</td>
</tr>
<tr>
<td>8</td>
<td>Tres Islas native community</td>
<td>Madre de Dios, Peru</td>
<td>- Indigenous community forestry&lt;br&gt;- Landscape approach&lt;br&gt;- Incipient forest enterprise development</td>
</tr>
<tr>
<td>9</td>
<td>Building markets for lesser-known species</td>
<td>Maya Biosphere Reserve, Guatemala</td>
<td>- Development of new markets for lesser-utilized commercial timber species&lt;br&gt;- Diversification of a second-tier community forestry business model</td>
</tr>
<tr>
<td>10</td>
<td>Financial mechanisms for community forest enterprises</td>
<td>Regional</td>
<td>- Design, operation and impacts of mechanisms to increase forestry producer access to credit</td>
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</tbody>
</table>
EXECUTIVE SUMMARY

Developing Indigenous Community Forestry Enterprises: Where Tradition Meets the Market

The last two decades have seen a marked shift in tenure over tropical forests. Upwards of 30 percent of forests in the tropics is now under some form of local control (RRI 2012). This trend is taking hold as a result of a variety of factors—from wider shifts towards decentralized governance to a growing recognition that secure tenure is fundamental to protecting forests—and it is beginning to bring about the redress of indigenous claims to customary lands that in many cases have long been denied. The growing empirical evidence that indigenous and community forests can perform at least as well as strict protected areas when it comes to conserving forest (Porter-Bolland et al. 2012), and that managed forests can power economic development via locally driven enterprise (Radachowsky et al. 2012), is also helping to turn the tide.

While Honduras has allowed for the development of community-based forest concessions (called “agro-forestry cooperatives”) since the 1970s, the country has only recently begun to recognize indigenous customary tenure with formal titles. After decades of antagonism between indigenous groups and the Honduran government, a period that produced negligible progress on tenure issues, the past few years have seen the first land titles in history issued to indigenous Miskitu groups. As of July 2014, some 970,000 hectares of land had been titled to seven indigenous territories, representing approximately seven percent of the country’s land area. With these titles in hand, a sizeable share of Honduras’ indigenous communities have secured an inalienable, permanent tenure base, setting the stage for formalized long-range forest management and enterprise development. Significantly, the foundation for the development of such enterprises is already in place in many cases.

This case study chronicles work undertaken with indigenous Miskitu communities in the Kruta-Caratasca basin, at the extreme eastern tip of Honduras, to manage and market batana oil, an NTFP that is harvested from the American palm (Elaeis oleifera) and used in the manufacture of hair care products. Working in close partnership with
local Honduran NGO MOPAWI—which has been supporting indigenous Miskitu communities for more than 25 years—the Rainforest Alliance provided technical assistance to more than 2,000 producers in 40 communities over a period of four years. Among the considerable achievements that have resulted from this assistance are the certification of more than 55,000 hectares of forestland to Forest Stewardship Council (FSC) standards and the establishment of a multi-community enterprise, called Moskibatana, to improve and facilitate the production, processing and marketing of batana oil by its members.

The core finding of this case study is that indigenous Miskitu world view (“cosmo-visión” in Spanish) is not incompatible with enterprise development that is based on natural resource management. Processes that were undertaken to achieve FSC certification were driven by market logic and led to the mapping, documenting and, ultimately, legitimizing of indigenous management practices. Moreover, the founding of a local NTFP enterprise among Miskitu communities, which was also driven by a desire to develop local business capacities, demonstrates the ability to merge new business models with traditional institutions. As such, these efforts stand as an important model for other groups as land titling unfolds across the Muskitia. Furthermore, these findings have global relevance given the increasing number of indigenous groups in the tropics that are gaining control over ancestral lands that comprise resources suitable for enterprise development.

Specifically, the study found the following key results and lessons learned:

- Based on Miskitu batana harvesting traditions, formal guidelines for sustainable management of NTFPs have been developed, demonstrating that indigenous management practices can be used to develop national-level standards for the sustainable management of forest resources.
- The Moskibatana enterprise, which was established to group together individual producers, has a clear and participatory governance structure that respects indigenous norms and is linked to local institutions.
- Ensuring such consistency with traditional decision-making systems is critical to achieving genuine community support and a functioning enterprise.
- Moskibatana has extended local involvement in business activities, including production monitoring, quality control, enterprise administration, sales and marketing, but increased community control over such processes is necessary.
- Decreased demand for batana oil over the last few years is a clear indication of the risks posed by the lack of market diversification.

If Moskibatana is to realize its full potential as a community enterprise, considerable challenges remain to be tackled, and continued support is necessary. The following recommendations are advanced:

- Continued investments in internal management systems are necessary if Moskibatana is to mature into a full-fledged enterprise.
- Renewed training in business administration, production monitoring, quality control, sales and marketing are essential to build a core group of “managing members” that is capable of exercising full control over enterprise operations.
- There is a need to strengthen enterprise vision and capacities, particularly at the community and individual producer levels.
- Obtaining financing for infrastructure improvements—above all, the consolidation of processing and quality control—will be fundamental if Moskibatana is to improve efficiencies and increase returns.
- Clearer benefit-sharing and social-investment policies should be articulated.
- It is urgent that new markets for batana oil— and, potentially, other by-products of Elaeis oleifera—be identified and built upon.
Introduction

The northeastern region of Honduras—commonly referred to in Spanish and English as “La Mosquitia” but rendered locally as the Muskitia—is characterized by cultural, economic and political dynamics that set it apart from the rest of the country. Covering two million hectares, the Muskitia encompasses all of Gracias a Dios Department, as well as parts of both the Olancho and Colón departments. The majority of the Muskitia’s estimated population of 125,000 is indigenous, primarily Miskitu, Pech and Tawakha. The Garifuna, an Afro-descendant group, also populates a portion of the region, along the north coast.

Like their neighbors on the Atlantic Coast of Nicaragua, the communities of the Honduran Muskitia have until recently remained remarkably isolated from the centers of mestizo political and economic power. From the time of the Spanish conquest, through the period of the region’s alliance with Britain, up to Honduran independence and on through most of the 20th century, the Muskitia remained largely cut off from much of the rest of the country. Even today, there is no road connecting Tegucigalpa to the Muskitia’s main town, Puerto Lempira; it can only be reached via air or water. Lack of access to the most basic services (electricity, potable water, education and healthcare) is common even in the main towns. Food insecurity is high; 70 percent of children under the age of five are malnourished (UNICEF 2013).

Partly due to its isolation, the Muskitia is still home to a diversity of natural ecosystems that house globally important biodiversity. From closed broadleaved tropical forest in the interior to extensive pine savannahs and coastal flooded forest and mangroves, forest formations in the Muskitia account for 80 percent of its land area, representing about a quarter of Honduras’ remaining natural forest. A host of globally threatened wildlife species can still be found in these forests, including jaguar, white-lipped peccary and Baird’s tapir. While the region’s biodiversity is a reflection of its continued isolation, it is also an important indicator of the sustainability of the traditional management systems employed by the Muskitia’s indigenous groups. The management of natural ecosystems for one such product—batana—is the subject of the present case study.

As in nearly all formerly isolated areas in the tropics, the forests of the Muskitia are coming under increased pressure. Non-indigenous colonists—both landless smallholders from other parts of Honduras as well as large-scale ranchers—have converted an increasingly large area of forest to agricultural use. The fact that virtually no land in the Muskitia was titled until recently left the area particularly vulnerable. From 2005 to 2010, Honduras had the highest deforestation rate in the Western hemisphere (FAO), due to waves of colonist conversion, with the vast bulk of this deforestation occurring in the Muskitia. The growing presence of narco-trafficking rings and their central role in forest conversion—laundering drug money through illegal land deals and extensive livestock operations—has resulted in a forest frontier fraught with violence and criminality. The relative absence of civilian government institutions and the increasing presence of the military has added to tensions and failed to stem the tide of illegality.

In this context, efforts to recognize and strengthen local systems of sustainable forestry are a critical priority. In line with its global strategy—and following the objectives of the IDB/MIF-supported project “Forest Conservation through Certification, Markets
and Strengthening of Small and Medium-sized Forest Enterprise”—the Rainforest Alliance has been supporting the development of sustainable NTFP management and enterprises among indigenous Miskitu producers since 2009. With funding from USAID and the Ojon Corporation, the work has been concentrated around the Kruta-Caratasca basin in the department of Gracias a Dios, in the Villeda Morales and Puerto Lempira municipalities—areas that overlap with the indigenous territories of Watiasta, Ainasta, Katainasta and Auhya Yari. A range of technical assistance activities have taken place to document traditional management practices, delineate management areas, bring production and chain-of-custody systems up to FSC standards and form a new multi-community enterprise to improve efficiencies among more than 2,000 producer participants.

The Forests of the Muskitia, and Batana Ecology, Harvest and Use

From the 800,000-hectare Rio Plátano Biosphere Reserve—Honduras’ largest protected area—to the lagoons of Cape Gracias a Dios on the country’s easternmost edge, the Muskitia is home to a diversity of forest ecosystems. The tropical broadleaved forests of the interior provide habitat for globally important species such as jaguar, tapir and white-lipped peccary, and are one of the few remaining natural forest areas in Mesoamerica with substantial commercial stands of mahogany. Moving south-east from Rio Plátano, a broad expanse of pine savannah dominates, with gallery forests along waterways. Closer to the coast, around the extensive lagoons that dominate the extreme eastern part of Honduras, soil drainage is very poor and seasonally flooded ecosystems are the norm.

The American oil palm (Eleias oleifera) occurs naturally over a relatively extensive area of the Muskitia but it is most commonly found along the low-lying coast, from the mouth of the Patuca River, southeast along the extensive lagoons, to the cape. Unlike its well-known relative, the Africa oil palm (Eleias guineensis), the American oil palm is rarely planted; it can be found in secondary, seasonally inundated forests and among mangroves, but is
more common on _terra firme_ formations among marshlands and swamps. Such ecosystems exist around the Caratasca Lagoon, smaller lagoons and the network of canals that branch out from the Kruta River. It is here where the American oil palm has been managed and harvested by indigenous Miskitu communities for generations.

The palm can grow to more than six meters in height, with a width of about 1.5 to 2.5 meters at the base of the trunk up to a mature crown of 20 to 30 fronds that can span 10 meters in diameter. Local communities use _Elaeis oleifera_ leaves in house construction, but the species’ most economically important uses come from its fruit. Fruiting typically begins once the palm has reached three to five years of age. Fruits are ovoid and between one and three centimeters long, borne in compact clusters of 85 to 150 individuals along an infructescence that is typically 30 to 40 centimeters long and weighing up to 15 kilograms. At any given time, mature palms can typically have 10 to 11 fruit clusters; fruiting is year-round, and fruits are considered ripe when red.

Harvesting can be undertaken year-round but is usually concentrated from June to December. The work is carried out by hand with hatchets or machetes, removing only ripe clusters, which are then transported on foot or by boat to processing areas, usually the home. While harvesting and transport are commonly done by men, women typically take over at the processing stage. The fruits are left in the sun for a period of two to three days to allow for separation and then cooked and processed by hand with a mortar and pestle to remove the epicarp and separate the fibrous pulp from the seed. The pulp of the mesocarp, which is called _wina batana_ in Miskitu, is used locally as a frying medium and biofuel. The white endocarp layer surrounding the seed—_kisuma batana—is also processed into oil. Known also as _ojón, batana_ has been used for generations by Miskitu communities as a skin treatment and hair care product.

Traditionally, _batana_ oil was used only locally, although by the 1980s a small domestic market for the product had developed. In the early 1990s, the Honduran NGO Miskita Development Association (MOPAWI, by its Miskitu acronym) began working with _batana_ producers to improve the organization of production and processing activities. Several years later, representatives from a Canadian beauty products firm visited the Miskitia to research the oil. By 2003, the company—which took the name Ojon Corporation from _ojón, the Miskitu word for Elaeis oleifera—began purchasing oil from producers that were organized by MOPAWI. In 2007, Ojon Corp. was acquired by the Estée Lauder Companies, the New York-based cosmetics firm.

With financing from Ojon Corp., the Rainforest Alliance began working with MOPAWI and _batana_ producers in 2009 to achieve two broad goals: the certification of _batana_ production to FSC standards and the formation of a community enterprise that could better organize supply and improve delivery of a quality product. Such assistance was soon expanded with support from both USAID and the IDB/MIF project under whose auspices this case study has been produced.

In September 2010, an FSC certificate for forest management and chain of custody was issued to a newly formed organization called the Moskibatana Multiple Services Enterprise, a group of more than 2,000 producers from 40 communities in four indigenous territories. The certificate covers 55,600 hectares around the Caratasca Lagoon that are under management for _batana_ production. Moskibatana achieved formal legal registration shortly thereafter and has been the focus of technical training aimed at increasing local capacity for processing, enterprise management and market development. This case study summarizes the activities undertaken by the Rainforest Alliance to meet these aims and assesses the results of more than three years of technical support.

**Rainforest Alliance Intervention**

Since 2005, the Rainforest Alliance has supported the work of agroforestry cooperatives in the Río Plátano Biosphere Reserve. Thanks to a growing presence in the country, as well as a recognized track record in building local capacity to manage enterprises and realize the multiple benefits of certification, the Rainforest Alliance was approached by Ojon Corp. to support the certification of _batana_ oil producers in the region.

Given the Rainforest Alliance’s conflict-of-interest policy (which prohibits the provision of both technical assistance and certification audit services to the same forestry client) and the likelihood of RA-Cert serving as the certifying body for this audit, the Rainforest Alliance was not directly involved in the steps, outlined below, relating to _batana_ management and certification. This work was handled by MOPAWI—an organization with extensive experience in the region and deep technical knowledge of _batana—as well as by external consultants.

Although the Rainforest Alliance did not provide direct technical assistance to the _batana_-oil producers, it is worth documenting the steps these producers took to achieve certification, given the important results that followed and because the endeavor ultimately provided the basis for the organization of Moskibatana.

**Key Steps in Achieving FSC Certification**

To prepare for and achieve FSC certification for the management and processing of _batana_, producers were engaged in an 18-month process that would ultimately result in the formation of Moskibatana. Table 1, on the following page, summarizes the important steps taken.
<table>
<thead>
<tr>
<th>Activity</th>
<th>Description</th>
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<tbody>
<tr>
<td>Community consultations</td>
<td>Informational community meetings with producers to explain the proposed certification process, potential benefits and informational needs; formal approval for seeking certification requested, granted and documented</td>
</tr>
<tr>
<td>Resource management documentation</td>
<td>Determination of management areas and documentation of harvesting practices, through document review and field research</td>
</tr>
<tr>
<td>Chain-of-Custody (CoC) protocol review and control system design</td>
<td>Transport, processing, storage and sales protocols reviewed; controls documented to inform design of a CoC system</td>
</tr>
<tr>
<td>Elaboration of monitoring plan</td>
<td>Creation of a monitoring plan covering batana harvest, transport and processing</td>
</tr>
<tr>
<td>Assessment of legal and regulatory framework</td>
<td>Development of technical documents on handling, evaluation of results and use limits; legal, regulatory and institutional requirements identified as well as technical specifications such as areas under handling, stratification, coverage and mapping</td>
</tr>
<tr>
<td>Elaboration of a batana management addendum to the FSC interim standard for Honduras</td>
<td>Protocols for auditing the sustainability of batana management established and reviewed by both community counterparts and the Honduran Council for Voluntary Forest Certification, as well as regional and international actors; after two rounds of review and revision, addendum approved for use</td>
</tr>
<tr>
<td>Consultation on group certification and formation of producer enterprise</td>
<td>Informational events and technical trainings on the group’s certification concept, enterprise formation requirements and producer roles, rights and responsibilities in enterprise association</td>
</tr>
<tr>
<td>Management to standards trainings</td>
<td>Necessary improvements identified, based on the batana certification addendum; group management system drafted, reviewed and approved by Moskibatana</td>
</tr>
<tr>
<td>Field auditing</td>
<td>Audit conducted against batana addendum to the FSC interim standard; findings report issued, including major corrective actions (CARs) required for certification; action plan agreed upon with Moskibatana</td>
</tr>
<tr>
<td>Certificate issuance</td>
<td>Major corrective actions addressed and FSC certificate issued; action plan to address minor CARs agreed upon with Moskibatana for maintenance of certification at first annual audit</td>
</tr>
</tbody>
</table>

Several notable outcomes were achieved as a result of the certification process:

- Spatial definition of indigenous natural resource management, including the mapping of traditional resource use areas in a region where legal tenure and title were lacking
- Documentation of indigenous natural resource management practices and the design of a management plan for monitoring and control
- Establishment of a standard for NTFP management, an area of natural resource management for which there was previously no regulatory or other formal guidance
- Identification of weaknesses in the batana management and chain-of-custody systems, and action to close these gaps to meet certification requirements
- Establishment of a cooperative enterprise among producers to achieve scale, improve quality and extend local control over the batana value chain

As noted above, several major corrective actions were identified during the certification audit. Among the most critical were:

- An incomplete documented control system for the management of chain of custody
- The lack of a system for the use and control of the FSC label on certified products
- The lack of adequate training among producers to manage chain of custody
- The lack of a documented and established system for managing group certification
- The need to evaluate each producer to ensure compliance with FSC protocol
- The need for documentation of consent among producers to participate in the enterprise

MOPAWI and external consultants led trainings over a three-month period to address these major corrective actions. Once this process was completed and verified in a follow-up visit, Moskibatana was issued an FSC certificate on September 29, 2010, the first of its kind in Honduras. With the management plan in place to document producers’ traditional natural resource practices, the Rainforest Alliance was able...
to step in and begin offering direct assistance to help producers achieve legal recognition of a new enterprise and build up management and governance capacities. This stage began in 2010, at the outset of the IDB/MIF project, in concert with MOPAWI.

**Moskibatana Governance Structure and Functions**

As specified above, the Moskibatana Multiple Services Enterprise is made up of 2,007 producers (1,186 of whom are women) from 40 communities who are organized into 36 community committees. Taking into account the relatively large area covered by its members and the overlapping indigenous and Honduran government administrative jurisdictions they represent, the enterprise has been organized into five zone councils. Table 2, on the next page, gives a breakdown of Moskibatana’s membership—by community, council zone and municipality—as well as specifying its corresponding areas.

With a total population of 25,770 individuals in the 40 communities, the enterprise’s membership makes up roughly eight percent of the Muskitia region’s population, with about one member for every two to three households, meaning that the enterprise reaches a significant area of the easternmost part of the Muskitia.

With assistance from the Rainforest Alliance, Moskibatana became a legally registered enterprise, and was formally recognized by the Honduran government on November 15, 2011. As part of the process of structuring and formalization—which was accompanied by a series of technical trainings and participatory dissemination workshops, detailed below—the enterprise developed statutes in line with legal norms, and these were approved by the Honduran Secretariat for Commerce and Industry, a first for an indigenous NTFP enterprise in the country. Moskibatana has a defined governance structure that follows the norms outlined in these statutes, with clear roles, rights and responsibilities for members and enterprise leadership. The organigram below shows the overall structure of the enterprise.
It should be noted that MOPAWI also has a formal—albeit “dotted-line”—role in Moskibatana’s governance structure. At present, the enterprise is not ready to operate independently of external support. MOPAWI’s continued technical assistance along the value chain, as well as its role in the sale of batana to buyers, is a formalized part of Moskibatana’s current operations. As it builds its capacities over time, however, the enterprise’s vision is for local actors to increase their control over all activities, including sales.

As presented in Figure 4, the enterprise is overseen by its General Assembly, which is made up of all producer members and serves as the ultimate decision-making body. The enterprise is led by a Board of Directors, which includes seven members:

- President
- Vice President
- Secretary
- Treasurer
- Three voting members

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### Table 2
Moskibatana membership, corresponding populations, administrative units and area certified

<table>
<thead>
<tr>
<th>Community</th>
<th>Number of Members</th>
<th>Total Population</th>
<th>Zone Council &amp; Corresponding Municipality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kalpu</td>
<td>81</td>
<td>5,087</td>
<td>Zone 1: Lower Río Kruta (KAMTBAWAT)</td>
</tr>
<tr>
<td>Kokotingni</td>
<td>30</td>
<td></td>
<td>Villeda Morales and Puerto Lempira municipalities</td>
</tr>
<tr>
<td>Usibila</td>
<td>24</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kruta</td>
<td>80</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kanko</td>
<td>74</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tikiuraya</td>
<td>250</td>
<td>4,070</td>
<td>Zone 2: Upper Río Kruta (KAKTBAWAT)</td>
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<tr>
<td>Uhsan-Turhalaya</td>
<td>37</td>
<td></td>
<td>Puerto Lempira municipality</td>
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<tr>
<td>Siakwalaya</td>
<td>79</td>
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<tr>
<td>Kuri</td>
<td>179</td>
<td></td>
<td></td>
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<tr>
<td>Tuburus</td>
<td>134</td>
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<td>Suabila</td>
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<td>Krahkra</td>
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<td>Liwa</td>
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<tr>
<td>Sih-honduras</td>
<td>14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tanslaya</td>
<td>26</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Suba</td>
<td>11</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Laka Tabila</td>
<td>65</td>
<td>2,779</td>
<td>Zone 3: Laka Llano (LATTBAT)</td>
</tr>
<tr>
<td>Tailiyari</td>
<td>33</td>
<td></td>
<td>Puerto Lempira municipality</td>
</tr>
<tr>
<td>Ahuastingni</td>
<td>9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ahuasluhpia</td>
<td>22</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dakratara</td>
<td>59</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lakanara</td>
<td>39</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tumtumtara</td>
<td>65</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Table continues on next page*
Additionally, an Oversight Committee—composed of three members—ensures Board compliance with enterprise statutes, as well as agreements and resolutions made by the General Assembly of producers.

All posts are held for a two-year period by individuals who are re-electable for one additional two-year term. (After an interim period of four years has passed, the same individual may be re-elected to any position.) Elections are held during meetings of the General Assembly, via direct voting by each member, with only a simple majority required. Elections are staggered in order to ensure continuity and avoid replacing all leadership positions simultaneously, which can be disruptive.

Following enterprise statutes, both the Board and Oversight Committee must hold meetings at least once a month, though the rule has not been adhered to in practice. Instead, meetings have been held when there is a forthcoming harvest, when sales are undertaken or when external trainings are organized. The General Assembly is required to meet once a year and has done so since its founding. To date, it has not been called upon to organize an “extraordinary” session.

Having been elected by enterprise members, Moskibatana leadership bases much of its legitimacy on a history of community leadership and advocacy in the region. A majority of its leaders are also active in the leadership of MASTA (Muskitia Asla Takanka), the most influential indigenous organization in the region, which has played a key role in advocating for indigenous rights for decades and is the Honduran government’s key counterpart in the land-titling process.

At present, Moskibatana does not have any paid technical staff positions, such as a director of technical services, accountant or marketing staff. Key enterprise functions are performed without remuneration by the enterprise’s “managing members,” individuals representing each zone council who carry out key activities along the batana value chain including:

- Harvest planning and production organization
- Harvest assistance and monitoring (fruit selection)
- Processing controls (fruit storage, seed drying, selection, seed cooking and oil storage)
- Quality control
- Sales
- Client follow-up

### Table 2 (cont’d)

<table>
<thead>
<tr>
<th>Community</th>
<th>Number of Members</th>
<th>Total Population</th>
<th>Zone Council &amp; Corresponding Municipality</th>
<th>Certified Management Area (ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kauquira</td>
<td>85</td>
<td>3,486</td>
<td>Zona 4: Karatasca-Aurata (LAKTANIBAT)</td>
<td>12,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Puerto Lempira municipality</td>
<td></td>
</tr>
<tr>
<td>Prumnitara-Katski Almuk/Uhumbila-Yahurabila</td>
<td>29</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tansin-Aurata</td>
<td>28</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benk</td>
<td>63</td>
<td>10,348</td>
<td>Zona 5: Villeda Morales (WATBAT)</td>
<td>14,500</td>
</tr>
<tr>
<td>Karaswatla</td>
<td>32</td>
<td></td>
<td>Villeda Morales municipality</td>
<td></td>
</tr>
<tr>
<td>Klupki</td>
<td>42</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Irlaya</td>
<td>62</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mangotara</td>
<td>47</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pakwi</td>
<td>45</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raya</td>
<td>87</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Titi</td>
<td>52</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tusidaksa</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>San Bernardo</td>
<td>18</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>40</strong></td>
<td><strong>2,007</strong></td>
<td><strong>25,770</strong></td>
<td><strong>55,600</strong></td>
</tr>
</tbody>
</table>

Additionally, a item—composed of three members—ensures Board compliance with enterprise statutes, as well as agreements and resolutions made by the General Assembly of producers.

All posts are held for a two-year period by individuals who are re-electable for one additional two-year term. (After an interim period of four years has passed, the same individual may be re-elected to any position.) Elections are held during meetings of the General Assembly, via direct voting by each member, with only a simple majority required. Elections are staggered in order to ensure continuity and avoid replacing all leadership positions simultaneously, which can be disruptive.

Following enterprise statutes, both the Board and Oversight Committee must hold meetings at least once a month, though the rule has not been adhered to in practice. Instead, meetings have been held when there is a forthcoming harvest, when sales are undertaken or when external trainings are organized. The General Assembly is required to meet once a year and has done so since its founding. To date, it has not been called upon to organize an “extraordinary” session.
Production and processing activities (largely in settlement areas) are undertaken by members in agreed-upon management units. Once processed into oil, the product is brought by members to one of the 11 collection and storage centers owned by Moskibatana. These sites are used for quality control, input registration and the organization of sales to the product’s sole buyer, a US-based firm that in turn sells it to Estée Lauder’s Ojon Corp. MOPAWI provides continuing and critical support along the value chain, with five of its staff members assisting Moskibatana producers in harvesting, transport, processing, storage, sales and business administration. Moreover, a majority of the activities and information that relate to commercialization are still managed directly by MOPAWI.

The long-range goal, however, is for Moskibatana to develop into an independent enterprise controlling all aspects of harvesting, processing and sales. It is understood that years of technical assistance are sometimes necessary to build permanent local capacities, and all partners recognize the enterprise’s need for a phased approach to achieving independence. At the same time, there is the risk that a paternalistic approach may hinder local development or, even worse, that technical assistance providers may have difficulty distancing themselves from arrangements where they benefit. For more on this dynamic, see the lessons learned/recommendations section of this case study.

With respect to community relations, there is no specific requirement that Moskibatana report on its activities, earnings, benefits, etc., to community bodies or other local organizations from which its membership is drawn. When interviewed on this point, informants stated that such reporting was essentially being carried out “informally,” because Moskibatana’s membership covers such a wide representation of households in each community.

Likewise, the enterprise is not specifically required to support community development or social projects. However, in practice, a portion of the profits from batana sales have helped finance a number of community initiatives over the years, all of which have been facilitated by MOPAWI and co-financed by Ojon Corp. Such initiatives have included the building of an agro-ecological technical training center and a hurricane shelter in the community of Tumtuntara, as well as a demonstration plot for experimentation with alternative agricultural approaches.

Finally, Moskibatana’s statutes require that 10 percent of the profits from batana sales be deposited into a trust to guarantee enterprise solvency; the remaining profits are to be divided among producers according to harvest volumes and processing yields. In practice, however, the 10-percent rule has not been followed. Alternatives to benefit-sharing and enterprise reinvestment are discussed in greater detail later in this study.

### Financial Viability Analysis

In 2011, the Rainforest Alliance undertook a baseline diagnostic assessment of the Moskibatana enterprise, in order to better understand financial viability concerns that had been voiced by members. As shown in Table 3, below, despite a four-fold increase in the

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of producers</th>
<th>Price/liter (Lempiras)</th>
<th>Liters sold</th>
<th>Total income (Lempiras)</th>
<th>Volume/producer</th>
<th>Income/producer (Lempiras)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>500</td>
<td>80</td>
<td>4,500</td>
<td>360,000</td>
<td>9</td>
<td>720</td>
</tr>
<tr>
<td>2004</td>
<td>1,000</td>
<td>80–90</td>
<td>31,500</td>
<td>2,720,000</td>
<td>32</td>
<td>2,720</td>
</tr>
<tr>
<td>2005</td>
<td>1,400</td>
<td>100–112</td>
<td>54,788</td>
<td>3,219,300</td>
<td>39</td>
<td>2,299</td>
</tr>
<tr>
<td>2006</td>
<td>1,700</td>
<td>142</td>
<td>120,922</td>
<td>17,170,924</td>
<td>71</td>
<td>10,100</td>
</tr>
<tr>
<td>2007</td>
<td>2,020</td>
<td>142</td>
<td>104,000</td>
<td>14,768,000</td>
<td>51</td>
<td>7,311</td>
</tr>
<tr>
<td>2008</td>
<td>2,020</td>
<td>150</td>
<td>96,000</td>
<td>14,400,000</td>
<td>48</td>
<td>7,129</td>
</tr>
<tr>
<td>2009</td>
<td>2,007</td>
<td>150</td>
<td>88,000</td>
<td>13,200,000</td>
<td>44</td>
<td>6,576</td>
</tr>
<tr>
<td>2010</td>
<td>2,007</td>
<td>150</td>
<td>63,000</td>
<td>9,450,000</td>
<td>31</td>
<td>4,708</td>
</tr>
<tr>
<td>2011</td>
<td>2,007</td>
<td>150</td>
<td>42,000</td>
<td>6,300,000</td>
<td>21</td>
<td>3,139</td>
</tr>
<tr>
<td>2012</td>
<td>2,007</td>
<td>150</td>
<td>42,000</td>
<td>6,300,000</td>
<td>21</td>
<td>3,139</td>
</tr>
<tr>
<td>2013</td>
<td>2,007</td>
<td>150</td>
<td>42,000</td>
<td>6,300,000</td>
<td>21</td>
<td>3,139</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>688,710</strong></td>
<td><strong>94,188,224</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>
number of producers since 2003, batana income per producer dropped at an average annual rate of 14 percent in the six years preceding 2013, while per producer volumes dropped by more than 70 percent during this period. Relatively stable per-unit prices and a larger membership are also partly responsible for the drop in per-producer income.

Decreasing production—already a concern to producers—emerged as a key issue. The sole reason for the drop in production was decreased demand from Ojon Corp., which continues to be the enterprise’s sole end-buyer of batana. This problem is addressed further, below.

Secondly, the Rainforest Alliance’s analysis found that the cost of producing one liter of batana was about 111 lempiras, or US $5.88 at the 2011 exchange rate. With a sale price of 150 lempiras ($7.94) per liter, producers stood to earn just 39 lempiras per liter, a net profit of 26 percent. While acceptable as a net rate of return, the actual monetary amount equals a profit of just over US $43 annually for an average producer who sells 21 liters per year. If enterprise statutes were followed, Moskibatana would take 10 percent of the sales profits and dedicate them to a trust. To date, this has not been done; owing to decreasing sales, members have opted to distribute all income directly to producers.

Producers are paid the price that is set by Ojon Corp. in consultation with them, and MOPAWI acts as a facilitating agent. The 150-lempira price has stayed constant since 2008. Ojon Corp. also pays a premium above 150 lempira directly to MOPAWI, to cover management costs, as well as costs that MOPAWI incurs during product transport from the Muskittia to San Pedro Sula. Over time, the goal is for the Moskibatana enterprise to take control of these functions, at which point a higher price could be negotiated with Ojon Corp. and other buyers.

**Rainforest Alliance Technical Assistance**

Beginning in early 2010, the Rainforest Alliance commenced direct technical assistance to Moskibatana in tandem with the certification process. Though Moskibatana was initially formed to be the holder of the FSC group certificate, it quickly became clear that the enterprise could do more than just ensure batana management and chain-of-custody compliance; it could also drive improvements in product quality and expand market opportunities.

Rainforest Alliance assistance to Moskibatana has included the following main areas of intervention:

- Formalization of enterprise structure and participatory awareness-raising with regard to Moskibatana governance
- Attainment of legal status for Moskibatana as a formal enterprise
- Training for members in basic business management skills, including enterprise organization and governance, business planning and financial assessment
- Exchange visits with other more advanced community-based natural resource management cooperatives
- Assistance with improved value-chain monitoring and product quality control
- Baseline diagnosis
- Training in the application of an “auto-diagnostic” tool for periodic updates and enterprise self-assessments
- Development of enterprise action plans based on diagnoses
Development of new business alliances
Training in market-potential assessments and market-access strategies

Table 4, above, summarizes trainings undertaken by the Rainforest Alliance during the period from 2010 to 2012, which is when technical assistance activities took place with IDB/MIF financing.

Over a three-year period, a total of 2,752 people—56 percent of whom were female—participated in more than 50 workshops and training events. (Many participants, however, received training more than once, on different topics, so the total number of people trained is lower.)

It is important to note the sequential nature of the training that was offered. Because the work focused on a new enterprise, the emphasis was placed on building the fundamentals for success—the social structure and governance mechanisms that ensure effectiveness, participation and transparency. Training later shifted to building the capacities to manage the *batana* value chain and improve systems of internal control. In tandem with this work, and using the results of the Rainforest Alliance enterprise diagnostic tool, assistance focused on the potential for improvement, allowing Moskibatana to undertake periodic self-assessments. The diagnostic analyzed several key areas including:

- Legal compliance
- Member participation and transparency
- Management capacity
- Accounting controls
- Production and marketing
- Finance and credits
- Business solvency

The Rainforest Alliance organized a series of participatory trainings and workshops to address opportunities for improvements and provide tools that were adapted to the local context of Miskitu communities including:

- Production monitoring protocol
- Basic financial accounting system
- Client management protocol
- Action plan for increased market access
- Cost and yield assessment
- Cost-reduction methods for *batana* production/processing

Through the articulation of an overall enterprise strategy, as well as the formulation of a business plan, the Rainforest Alliance supported Moskibatana as it defined a path toward its goals.

The Rainforest Alliance also provided assistance in the preparation of proposals to leverage funds for equipment and working capital. One such proposal, in the amount of US $470,000, was recently submitted to the National Rural Development Program (PRONADERS), together with the international NGO CARE, and is awaiting approval. Such financing would provide critical capital for investments in value-added production, quality control, administrative capacity and market outreach.

A key takeaway from the exchange visit that the Rainforest Alliance organized with more advanced SMEs was the transformative impact of diversified markets. Moskibatana has had this goal from its founding, recognizing the major risk involved with having only one buyer for its product. Developing new markets is a major priority for the enterprise. Toward this end, a marketing strategy was produced.
and reviewed, and the Rainforest Alliance assisted Moskibatana in its pursuit of new markets and buyers (one domestic and one within South America). More on this is included below.

**Results of Rainforest Alliance Technical Assistance**

Nearly all of the Rainforest Alliance’s assistance to Moskibatana has been undertaken in partnership with local NGO MOPAWI, building on the latter’s more than 25-year history of spearheading advocacy for indigenous rights and economic development in the Muskitia. MOPAWI has played and continues to play a central role in batana production and marketing, and was the agency that backstopped Moskibatana throughout the process of preparing for certification. While the Rainforest Alliance focused on enterprise development, this section will look more broadly at the results of the entire batana undertaking since 2010.

One of the key results of assistance is the documentation and subsequent official recognition of indigenous practices for the management of batana. Working towards certification required that harvesting, transporting and processing be documented and made auditable, thus adding to the official “legibility” of indigenous practices. Likewise, the mapping of management areas under traditional use helped to make indigenous natural resource management practices more visible.

At the same time, the drafting and application of a standard for NTFP management—which was previously unregulated by the Honduran state—helped to strengthen the ability to monitor compliance with best practices, as well as to demonstrate the viability of indigenous management systems. Indeed, the standard that was developed was largely a documentation of traditional management practices.

Another key result of the certification process was the creation of a chain-of-custody system (i.e., product traceability) that could be documented and controlled. The chief challenge in attaining FSC certification (and a significant achievement of the endeavor) was the design of a documentation system that could be used by local producers to register and monitor production along the batana value chain.

On the enterprise side, the founding of a legally recognized enterprise for NTFP producers was an accomplishment of primary importance. Moskibatana is the first of its kind among Miskitu communities in Honduras. While legal recognition was fundamental, the work of formally structuring the enterprise through a participatory process—ensuring that it was linked to indigenous leadership norms—and articulating clear statutes for enterprise governance were even more important for the long-term sustainability of the operation. These processes established the basis for a more transparent and better-organized community enterprise. Recognizing that this critical foundation for community forestry development often receives less attention that it requires, the Rainforest Alliance invested about half of its technical assistance resources in these formative processes.

Once agreement on a clear and transparent structure for Moskibatana was reached and legally recognized, the focus shifted to enterprise development. Although it was a new business, Moskibatana was building on longstanding indigenous management practices; thus a baseline diagnostic of the business operation was conducted to identify areas ripe for development. The methodical process of business planning and development produced several important results including:

- Consolidating Moskibatana as an enterprise, as opposed to just a collection of producers
- Creating a pathway for enterprise development, including the identification of clear areas for priority action
- Delivering tools for Moskibatana’s periodic self-assessment, to track progress against goals that were determined by its own enterprise strategy

This diagnostic analysis was the first time any such formalized process had been undertaken with these producers, helping Moskibatana to move from being a body charged simply with holding the group FSC certificate, to a representative community-owned business with a long-range vision and plan.

In terms of actual production and controls, several important results can be reported. The first is the handover of production monitoring, registry and oil quality control by MOPAWI to Moskibatana members. For years, MOPAWI had managed these processes, but now it is the enterprise itself that carries them out. Moving toward full enterprise control of all administrative, sales and marketing activities is a critical next step. With respect to quality control specifically, several analyses have resulted in the recommendation by members that the operation slowly shift its processing activities away from individual home sites to Moskibatana processing centers. Such a move will allow for much more effective monitoring and control of these activities, while reducing costs. A full transition depends on receiving financing to improve infrastructure.

![A spoonful of palm fruit after cooking](image)
Finally, it is critical to underline the powerful example that has been set in the region during the entire process of Moskibatana’s certification and enterprise development, particularly as indigenous land titling takes hold. The strong attention paid to ensuring respect for and linkages to indigenous governance systems, the support of MASTA and the overall goal of building on (instead of replacing) an indigenous management system all serve to advance an important model for the development of similar enterprises in the Muskitia. Now that Miskitu groups are in a position to take formal, state-recognized control of their natural resources, Moskibatana’s example—although still highly incipient—can serve as a valuable reference point for similar efforts.

Lessons Learned and Recommendations

From studying Moskibatana’s formation, the technical assistance provided and an analysis of the major results, several important lessons can be extracted:

- 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 proved to be effective means to legitimize and make visible Miskitu indigenous management. This was particularly critical at a time when land titling across the Muskitia make this model replicable on a much larger scale, around a large potential range of natural resources.

- When introducing new systems for management and enterprise administration, it is critical to build on indigenous traditions. Although innovation in business practices is necessary to improve profitability and maximize returns, assistance should not attempt to replace existing practices with externally imposed structures but should instead work to adapt tools and systems to local traditions and ways of operating, using participatory methods.

- Miskitu “cosmo-visión” is not incompatible with enterprise. While there is continuing debate, both globally and in the Muskitia, around the “commodification” of indigenous livelihoods through the imposition of “Northern” models of conservation and development (e.g., REDD+, etc.), it is clear that the Miskitu people themselves have long managed natural resources for sale. Moskibatana is an example of an indigenous community enterprise that is based on traditional practices but one that is also adopting external principles of business development and entrepreneurship to benefit marginalized communities while conserving resources and local traditions.

- This process of adoption and adaptation of new organizational and business practices, however, is necessarily slow and iterative. Continued technical assistance from outside groups will be crucial, but it is essential that such groups follow Moskibatana’s own strategic vision and enterprise development plans, which have been written down and agreed upon. These plans articulate a clear desire to increase Moskibatana’s control over the value chain and improve its capacity to expand markets and product lines over time. Assisting the enterprise in capturing its own financing and successfully managing credit will be important steps forward in this regard.

With these lessons in mind, and with an eye toward informing future assistance to Moskibatana, the following recommendations are advanced:

- Continued investments in internal management systems are necessary if Moskibatana is to mature into a full-fledged enterprise.

- Continued upgrading of business administration skills, production monitoring, quality control, sales and marketing will be essential to ensure that a core group of “managing members” become capable of taking full control over enterprise operations.

- A detailed and time-bound plan of action that phases in the hand-over of control to Moskibatana over all enterprise activities, including sales and marketing, should be agreed upon.

- To improve efficiencies and increase returns, Moskibatana must be able to access financing for improved infrastructure—above all, the consolidation of processing and quality control.

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

- Decreased demand for batana over the last few years from its sole buyer is a clear indication of the risks posed by the lack of market diversification, demonstrating the urgent need to identify and build new markets for the product.
ANNEX I

References


ANNEX II

Key Informants

Elsser Brown
Technical Director, MOPAWI

Evarista Calderón
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