A new financing model

Planting Empowerment forms partnerships with groups of small-scale landholders and indigenous communities to establish agroforestry plantations on deforested or degraded land. What distinguishes this model from conventional timber plantations are its leasing agreements. These agreements maintain local land ownership while the partners also share in the profits from the plantations.

Originally a tropical forestry enterprise that focused on native mixed hardwood plantations, Planting Empowerment evolved into an agroforestry company. It was apparent that raising capital for its novel model would be difficult, as investors wanted revenue early in the life of the project. To overcome this, Planting Empowerment began experimenting in Panama with an agricultural crop that would fit both economically and biologically in native forests. Plantain, a staple and familiar crop with a stable market, was selected.

Benefits from intercropping with plantain included cost efficiencies in weed control, increased return on labour for local partners — and, most importantly — early revenues. The company provides information about innovative field management practices to its employees. Planting plantain between trees, along with tending and harvesting, requires 40 days of labour per hectare in the first year in addition to time taken to tend the trees, and 20 days in the second and third years. The wages earned from this work are valued by the community, and the intercropping benefits the growth of the trees.

After testing pilot agroforestry plots of plantain and hardwoods that produced early revenue, Planting Empowerment negotiated short-term financing through Kiva Microfunds. Based on an understanding of the economics associated with this novel model, Kiva approved a credit limit 50% higher than what it allocates for financing hardwood plantations. Planting Empowerment currently facilitates more than US$50,000 in short-term loans from Kiva for this innovative plantain-hardwood agroforestry system.

Challenges include the expansion from pilot to large scale, managing disease, maintaining ongoing tending of trees, and establishing a consistent market for the goods. To address these challenges, Planting Empowerment contracted an agronomist to train staff in identifying and treating crop diseases, and balancing the time spent managing the crops and the trees. The lack of adequate transport for getting produce to market is another challenge that currently limits the available markets, since partners must depend on intermediaries. This results in smaller-than-expected profits.

Learning is continuous and two-way. Planting Empowerment and its partners continue to learn about the process as they establish more plantain-hardwood agroforestry projects. Importantly, this initiative has led to a new type of financing that is helping to scale up the partnership.

Chris Meyer and Mateo Johnson, Planting Empowerment, Panama