Early Warning System

FMO-61685

ECUA AMERICA TEAK S.A.S.

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Quick Facts

Countries	Ecuador
Financial Institutions	Netherlands Development Finance Company (FMO)
Bank Risk Rating	B
Borrower	ECUA AMERICA TEAK S.A.S.
Sectors	Agriculture and Forestry
Investment Type(s)	Loan
Investment Amount (USD)	$ 3.00 million
Loan Amount (USD)	$ 3.00 million

Project Description

WHO IS OUR PROSPECTIVE CLIENT?

Ecua America Teak ("EAT") is an Ecuadorian forestry company with a total land bank of 1,085 ha, consisting of 869 ha planted with high-quality teak and a sawmill to produce boards and blocks. EAT is an investee company of Arbaro Fund; a fund focused on sustainable forestry projects in Latin America, the Caribbean, and Sub-Saharan Africa.

WHAT IS THE FUNDING OBJECTIVE?

EAT intends to expand the existing plantation by another 500 ha, upgrade its sawmill and acquire new machinery and equipment within the next years. FMO will finance this expansion with the proposed loan.

WHY DO WE WANT TO FUND THIS PROJECT?

FMO's funding is additional by filling a need for capital with a long tenure, which is a barrier to finance for the forest sector. FMO believes that sustainable forestry is a forestry operation that is economically viable, environmentally sound and socially beneficial. Forestry plantations managed in a sustainable way can provide a sustainable supply of wood, alongside positive environmental and social impacts. For FMO, wood plays a vital role in the decarbonisation of the economy, and the fact that there is an increased global demand of wood means that sustainable forestry, including plantation forestry, is essential to achieve a more climate friendly economy, and protect existing forests.

ENVIRONMENTAL AND SOCIAL RATIONALE

This concerns an E&S B+ categorized investment, as the company engages in primary production and primary processing of teak (own operations and a supply chain) which comes with potential adverse environmental or social impacts that extend site boundaries and might in part be irreversible, although they can be prevented and addressed through relevant mitigation measures. E&S characteristics of this specific investment include assessment of the land acquisition process, history of the land and no deforestation, production practices and use of agrochemicals, labour and accommodation conditions, organizational Health and Safety, biodiversity, and pollution risk management. The E&S context include potential environmental and social risks in their company's supply chain -not limited to- child labor, and poor working conditions. ESG performances will be focused on the assessment and management of these risks (own operations, and supply chain) by incorporating Good International Industry Practices, including World Bank Group (WBG) Environmental, Health and Safety (EHS) General Guidelines, and International Sustainable Standards for Agriculture Practices. This will allow the company to steer their efforts to design and implement mitigants considering the root causes, enablers, and unique characteristics of the country of production and population. FMO's environmental and social due diligence indicates that the investment will have impact which must be managed in a manner consistent with the following IFC Performance Standards in particular: PS 1 - Assessment and Management of Environmental and Social Risks and Impacts PS 2 - Labor and working conditions PS 3 - Resource Efficiency and Pollution Prevention, PS 4 - Community Health, Safety and Security, and PS 6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources. The following Performance Standards, PS 5 Land Acquisition and Involuntary Resettlement, 7 Indigenous Peoples and 8 Cultural Heritage, are not applicable in this period, as the land have been acquired through willing buyer-willing seller transaction, and no impact on Indigenous Peoples, nor cultural heritages has been identified. Nevertheless, as expansion plans are included, mechanisms and requirements defined by all PSs have been considered to ensure the company manages potential impacts if they become applicable in new acquisitions. FMO will periodically review the project's compliance with the Performance Standards.

Investment Description

- Netherlands Development Finance Company (FMO)

Contact Information

ACCESS TO INFORMATION

As part of FMO's ex-ante disclosure (disclosure of transactions before contracting), you can send requests or questions for additional information to: disclosure@fmo.nl

ACCOUNTABILITY MECHANISM OF FMO

Communities who believe they will be negatively affected by a project funded by the Dutch Development Bank (FMO) may be able to file a complaint with the Independent Complaints Mechanism, which is the joint independent accountability mechanism of the Dutch Development Bank (FMO) and the German Investment Corporation (KfW). A complaint can be filed in writing, by email, post, or online. The complaint can be filed in English or any other language of the complainant. The Independent Complaints Mechanism is comprised of a three-member Independent Expert Panel and it can provide either problem-solving, compliance review or both, in either order. Additional information about this accountability mechanism, including a guide and template for filing a complaint, can be found at: https://www.fmo.nl/independent-complaints-mechanism