



news - FMO Supports forestry company Mekong Timber Plantations' expansion in central Laos

NEWS

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FMO announced today a USD 12mln senior debt facility, together with Building Prospects Fund, to Mekong Timber Plantations (MTP), the largest forestry plantation company in Laos. This loan will help finance MTP's expansion of plantation area, together with the construction of an integrated mill, enhancing the use of timber and adding significant value to products domestically. The loan also supports enhanced climate mitigation via sustainable plantation expansion and the creation of durable wood products, which provide long-term carbon storage.

The financing comes in the form of an 8-year senior debt facility, with USD 7 mln provided by FMO and USD 5 mln provided by Building Prospects, a fund which FMO manages on behalf of the Dutch government. The two loans complement equity financing committed in 2017 by the Tropical Asia Forest Fund, a private equity fund specialising in sustainable forestry and managed by global timber investment firm New Forests.

Mekong Timber Plantations has over 24,000 ha of land located throughout central Laos, with nearly 11,000 ha of plantation area, where eucalyptus and acacia are grown. The plantation forest estate and management are certified by the Forest Stewardship Council, the highest and most widely renowned standard for wood harvested from sustainably managed forests, meaning that all forestry carried out is both environmentally responsible and socially sustainable, while remaining economically viable.

However, given that most of its plantations are reaching maturity, the trees must be processed on an industrial scale. New Forests and MTP developed the company's strategy to build an integrated saw log, veneer, and chipping mill. The facility will allow them to convert timber crops initially into veneer products while using processing residues to generate woodchips for regional pulp markets. Over time, the mill will also process higher-value saw log products in line with the maturation and quality improvements of the timber plantation.

With FMO's financing, MTP will be able to commence construction of the mill in 2021. The proposed mill will greatly expand MTP's timber utilisation, diversify their forestry strategy, and provide significant opportunities for local employment, while capturing higher value for local production in the more rural parts of Laos. The financing will also be used by MTP to expand their current plantation area over the next 5 years, further solidifying their growth in the forestry field. FMO's and Building Prospects' loans will therefore play a pivotal role in the realization of MTP's integrated plantation and processing strategy together with New Forests, thus creating one of the leading sustainable plantation forestry businesses in Asia.



Anton Timpers, Manager Agribusiness, Food and Water at FMO said, "We are thrilled to support Mekong Timber Plantations' ambitions of expansion with our partner Building Prospects Funds. I strongly believe that MTP is in a unique position to provide much-needed stimulation for Laos' local economy with their innovative and sustainable business model. We are excited to see how our financing will impact the local economy and look forward to our continued collaboration for the foreseeable future."

Floor van Oppen, Fund Manager Building Prospects added, "We are very pleased to join FMO in this deal supporting the expansion of Mekong Timber Plantations. This loan will help MTP to process more durable wood products, meaning more carbon from felled trees will remain captured for longer. By supporting MTP with this loan we also take a nice step forward to achieving Building Prospects' goals, which aspire to strengthen value chains, and boost economic activities that have a positive impact on climate action."

Media contacts

For questions about financing or funding possibilities, business offerings and acquisition, please use the [contact form](#). The number below is for **media inquiries only**.

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