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- › FINNFUND DRIVING THE SUSTAINABILITY AGENDA: CASE STUDY, BURAPHA AGROFORESTRY, LAOS

Finnfund driving the sustainability agenda: Case Study, Burapha Agroforestry, Laos

Project: Burapha Agro-Forestry Co., Ltd

Country: Laos

Sector: Forestry and wood products

About the project



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[attachment_id=14943](#)) Burapha Agroforestry, established in 1989 through a Swedish and Lao joint venture, has been implementing eucalyptus, teak, and acacia plantations in Lao PDR utilising a unique silvicultural technique. The tree rows are intercropped with mainly upland rice but also other crops. The intercropping is done the first one or two years of the seven-year tree plantation cycle. [For media \(https://www.finnfund.fi/en/for-media/\)](https://www.finnfund.fi/en/for-media/) <https://www.finnfund.fi> [\(/en/?](https://www.finnfund.fi)

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In 2014, Finnfund identified a company in Burapha with a sound business model and shared values, as Burapha's core identity is founded upon responsible environmental and social management – demonstrated in their Land Selection Criteria. [Looking for investor?](#)

Burapha uses only degraded forest land; prohibits clearing of forested land and large individual trees; requires significant stakeholder consultation and free, prior, and informed consent with potential partnering villages throughout the land identification and land lease processes; and utilizes land suited to rapid tree growth / industrial plantation operations.

Burapha leases land according to a 'bottom-up' approach, meaning the company approaches communities or individual landowners with a proposal to lease land for agro-forestry operations, and in return provides seasonal job opportunities, lease fees, land prepared for intercropping between trees, and assistance for village infrastructure development.

Free, prior, and informed consent has been a benchmark of Burapha's legacy in the country and the company has maintained its social license to operate throughout its tenure in Lao PDR. Burapha's recent successes likely played a role in the Government of Lao ending the moratorium on eucalyptus plantation expansion in the country, with the Prime Minister now promoting the industry for establishment on degraded lands.

The company was also founded by a strong business model, with experienced foresters in management, access to fast-growing plantation trees, and a vision toward expanding the plantation asset to support large scale processing facilities (i.e. current sawmill, plywood mill under construction, planned cellulose biorefinery).

With the new plywood mill in place in 2020, Burapha exports will increase by a factor of 100, from 17 shipping containers to 1,700 shipping containers per annum. Burapha plans to expand its plantation asset to support significant in-country processing of wood-based commodities.

Commitment is key

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attachment_id=14946) Finnfund invests in companies that demonstrate shared values with respect to community, environmental, health, and safety culture and adds value to the client process of developing environmental and social management systems (ESMS) through their experience.

Finnfund requires client commitment to meet robust, industry best practice standards to qualify for Finnfund's involvement in the project.

In the case of Burapha, Finnfund requires adherence to national legislation, the International Finance Corporation Performance Standards, and Forest Stewardship Council Certification for both its forestry operation and plywood manufacturing facility.

When Finnfund enters into a project, due diligence assessments typically find that clients' environmental and social management systems require support and collaborative effort to achieve applicable standards and maintain a culture of continual improvement and action planning to achieve these ends.

Though Burapha's environmental and social policies aligned with Finnfund's expectations in a potential client, Burapha had not yet fully developed and implemented an ESMS that met international lender requirements. Thus, Finnfund have worked with Burapha since 2015 to facilitate advancing their environmental and social management systems and on-the-ground implementation of documented commitments.

Burapha evolution

Between 1989 and 2015, Burapha was progressively refining and implementing their plantation model with a host of participating villages across central Lao PDR. Application of the model required Government authorities and prospective collaborating villages needed convincing that the agroforestry model would work: from an industrial tree plantation perspective, associated village run agricultural yields from between tree rows; and the availability of village labour opportunities with the company.

The success of the Burapha model is now well known to Government of Lao authorities, and the word is spreading amongst villages. Burapha has incrementally expanded plantation lease areas, with more than 4,000 ha planted as of 2019. Associated infrastructure has expanded with an operational sawmill, a nursery capable of supporting expanding operations, and a plywood mill under construction. Burapha has provided labour opportunities to over thousand Lao people in rural areas every year and have trained many for advancement to skilled labour positions.

The 50,000 m³ annual capacity plywood mill will be supplied by 5,000 ha of eucalyptus plantations. The company is currently expanding the plantations towards 15,000 hectares to support further forest industry development in Laos. In the next phase Burapha will expand the plantations to 60,000 ha to be able to supply a state of the art biorefinery. Burapha's expansion will provide significantly more direct and indirect jobs, increased exports, and associated economic benefits at regional and national levels.

Certified and recognised



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[attachment_id=14940](#)) Burapha was the first company in Lao PDR to establish commercial plantations at a time when natural forests were the only, and threatened, source of tropical hardwoods in the country.

At the onset of Finnfund involvement with Burapha, the company had a portion of its plantations and its sawmill FSC certified. Finnfund requested Burapha to work towards FSC Forest Management Certification for its entire landholding which was achieved in 2018. Burapha was a front-runner in achieving FSC certification for plantations and is the only FSC-certified wood processing industry in Lao PDR.

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With the assistance of Finnfund and local environmental and social consultants, Burapha now has completed robust Environmental and Social Impact Assessments (ESIA) and Environmental and Social Management and Monitoring Plans (ESMMP) for both its Agroforestry Operations and Plywood Mill.

It is developing its ESMS for full compliance with IFC Performance Standards and FSC Principles and Criteria, which are comprised of Policy Documents, Management Plans, Standard Operating Procedures, Working Procedures, and associated databases. This documentation informs manager dissemination of information with the aim of ensuring uniform application of Company obligations across operations.

Burapha's achievements are now recognised internationally. The Company was awarded the ASEAN Golden AGROW award 2018. The award recognizes achievements of businesses, entrepreneurs, and innovators in the agriculture sector.



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“Having a sound environmental, health, and safety culture has always been critical for establishing a viable operation in Lao PDR. Attention to these key aspects has provided for the company’s social licence to operate, needing both the approval from the resident population and Government authorities to lease adequate land area to meet operational requirements.

Developing management to meet the rigours of international EHS standards provides further credibility for Burapha with respect to the greater forestry industry, NGOs, embassies, the Government of Lao and Lao people.

Finnfund played an integral role in this process, providing insight and feedback to assist us in continuously improving and maintaining our EHS culture as Burapha expands. Finnfund has experience in forestry and a pragmatic approach to working with clients to meet their standards.”

Martin Forsen

CEO, Burapha

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“We were the first Development Finance Institution to invest in Burapha, paving the way for a handful of other DFI’s to join at a later stage. Sustainable forestry is a key sector for Finnfund and investors to be frontrunners in the developing world where alternatives to native logging are paramount.

At the onset of our cooperation with Burapha our E&S due diligence provided confidence that Burapha's values and commitment to enhancing their management framework merited working through identified gaps.

The Environmental and Social Action Plan, the product of our due diligence exercises, plays a key role in overcoming gaps and achieving international standard environmental and social management systems and performance.

Required actions were identified and prioritised, with a step by step roadmap and time frame for achievements specified. These Actions Plans, which form the basis for client interaction, are usually long-term in nature (i.e. 2-5 years). Burapha's incremental achievement of Action Plan items provided Finnfund the necessary certainty in our investment."

Marjaana Palomäki

Environmental and Social Adviser, Finnfund

Earth Systems was engaged by Finnfund to conduct due diligence assessments of Burapha operations regarding their environmental, health, and social management in 2015 and 2019 and participated in the development of an Environmental and Social Action Plan that focused on Burapha actions required to meet Finnfund obligations.

"The evolution of the Company in four years has been profound. Perhaps most impressive is the notable change in culture regarding workplace safety. Lao people are accustomed to undertaking potentially risky work in short pants with sandals and our history of working in the region suggests typically little demand by Lao employees for occupational, health, and safety protocols.

Whilst Burapha was noted for its compliance with Lao labour laws and equal opportunity employment from the onset of our involvement, lender requirements and the E&S Action Plan appear to have successfully informed the company of a path to continual improvement.

Burapha occupational, health, and safety standards are now first-class. Environmental management has likewise improved. For example, seasonal and perennial streams are now buffered by native vegetation to provide important wildlife corridors, protect water quality and aquatic biodiversity, and retain the natural resources that provide for rural Lao communities. I respected Burapha values in 2015 but have been very impressed by the observable achievements in EHS management since that time."

Justin Mercer

Principal Environmental Consultant, Earth Systems

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