



# STIMULATING INVESTMENT INTO THE FOREST AND LAND USE SECTORS IN CAMBODIA, LAO PDR, AND VIETNAM



**Sectors:** Forestry, Agriculture



**Services:** Sustainable Financing, Ecological Markets, Investment

Cambodia, Lao PDR, and Vietnam have all identified Forest and other Land Use (FOLU) sectors as pivotal to deliver their NDC target and have highlighted a major funding gap. Carbon markets and results-based payments can provide finance and investment to make forest protection, sustainable forest and land use, and forest rehabilitation more financially attractive. This study provided recommendations on how to increase investment in the FOLU sector for the three countries.

Across the countries it was found, that for them to access multiple sources of carbon financing requires supporting legal and regulatory structures which can accommodate multiple carbon financing sources (national, jurisdictional, project), across multiple markets (domestic, international, voluntary). To spur private sector engagement and investment there is a need to allow them to be able to capture, at least partially, carbon revenues. This requires a supporting regulatory and nesting framework.

Different forestry activities offer different potential to attract finance. While REDD offers the most significant financing opportunities the funding gap remains huge and innovative financing instruments are needed.

Each country also offers its own specific opportunities and recommended actions.

- In Vietnam, extended rotation, meeting certification for smallholder farmers, would generate significant volumes of carbon removals and supply high-value wood products.
- In Cambodia there remains the need to finalise legislation on the nesting framework and provide more investment into Community Protected Areas and carbon.
- In Lao PDR, there are also opportunities for carbon payments to incentivise out-grower schemes, to supply the burgeoning timber processing capacity in the country.

The study also highlighted the growing possibilities of payment schemes for other ecological services, such as watershed protection and/or biodiversity.