



Financial mechanisms to support Vietnamese enterprises in investing and implementing forest carbon projects

From policy to practice

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Working Paper 55

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DOI: 10.17528/cifor-icraf/009389

Tran HN, Pham TT. 2025. *Financial mechanisms to support Vietnamese enterprises in investing and implementing forest carbon projects: From policy to practice*. Working Paper 55. Bogor, Indonesia: CIFOR; Nairobi, Kenya: ICRAF.

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Acknowledgments

We would like to express our sincere thanks to Global Affairs Canada and UBS for supporting this research.

Summary

Developing and implementing forest carbon projects is becoming a new trend in Vietnam. The Vietnamese Government and private enterprises are deeply committed to carbon emissions reduction, forest protection and development, biodiversity conservation and supporting people's livelihoods. However, the costs associated with implementing these projects are high and represent a major obstacle for the private sector to expand its investments in this field.

To encourage businesses to accelerate progress and scale up investments in forest carbon projects, the Vietnamese Government has developed various policies – including financial regulations as well as state budget management and planning – to increase capital resources for sustainable development. It also offers a diverse range of preferential policies for supporting enterprises, such as tax and investment incentives, access to green capital markets, and participation in the domestic carbon market. Businesses face many difficulties accessing these incentives because of capacity and information constraints. Financial policies are inconsistent, while businesses lack detailed instructions, documents and information on implementation procedures. In addition, support from state budgets and financial institutions is limited as they primarily focus on energy and industrial projects that offer collateral and can provide a return on investment, which forestry projects cannot match.

To help businesses participate in the development and operation of forest carbon projects, it is necessary to produce guidance documents in the forestry sector while reforming and facilitating regulations on credit incentives and state budget support for this sector.

1 Introduction

The Paris Agreement, which was adopted in 2015, is an international treaty that legally binds 197 member countries to take actions to mitigate and respond to climate change (UNFCCC 2025). Recognizing the importance of reducing emissions from deforestation and forest degradation, the Paris Agreement and international forest conventions emphasize that nations need to create policies and financial mechanisms to support forest protection and sustainable development.

Vietnam has committed itself to emissions reduction targets of 15.8% with domestic resources and 43.5% with international support by 2030 (Vietnam Government 2022). The country aims to achieve net zero emissions by 2050, prioritizing reductions in sectors such as energy and agriculture as well as land use, land-use change and forestry (LULUCF), along with waste and industrial processes. According to a business-as-usual scenario, the LULUCF sector will absorb 49.3 million tons of carbon dioxide equivalent in 2030 (Vietnam Government 2022).

Vietnam's mitigation measures to reduce emissions and enhance carbon sequestration in LULUCF (Vietnam Government 2022) include the protection of existing natural forest areas in mountainous regions; the preservation of coastal protection forests and special-use forests; improvement of the quality and carbon stocks of degraded natural forests; improvement of the productivity and carbon stocks of large timber plantations; the scaling-up of agroforestry models to boost carbon stocks and conserve soil; as well as sustainable forest management and forest certification. The Government specified these goals in Decision No. 523/QĐ-TTg, dated 1 April 2021, approving the Vietnam forestry development strategy for the 2021–2025 period, with a vision to 2050.

The implementation of greenhouse gas (GHG) mitigation projects by limiting deforestation and forest degradation; conserving and enhancing carbon stocks; and promoting sustainable forest management requires time and financial resources, but state budget expenditure in this field is constrained. It is therefore important to encourage and accelerate private sector investment in forest carbon to foster the implementation of forest protection and sustainable development.

In recent years, the Vietnamese Government has carried out many financial reforms to create incentive mechanisms, including preferential taxes and fees; green credits; green bonds; and government bonds that actively contribute to supplementing resources for economic development activities that promote low carbon emissions. However, many organizations and individuals working in the forest carbon field are still unable to access these financial resources, thereby hampering the optimization of these policies.

In this working paper, the authors review and analyse financial policies and mechanisms that aim to help enterprises invest and implement forest carbon projects. These include: (i) state budget expenditure policies; (ii) tax incentives; (iii) business support in investing and accessing domestic and foreign credits/grants/loans; and (iv) participation in the carbon market. The authors discuss the challenges of policy implementation and propose solutions.

2 The need to diversify financial resources for private enterprises investing in green growth projects and forest carbon projects

To implement the roadmap of response to climate change and net zero emissions, Vietnam needs to increase investment capital to 6.8% of gross domestic product (GDP) each year, or about USD 368 billion by 2040 (World Bank 2022). Investments in resilience alone would cost around USD 254 billion from 2022 to 2040. The decarbonizing pathway to meet international commitments will require an additional USD 144 billion through 2040, including USD 81 billion in investments and USD 33 billion for social programmes (World Bank 2022).

Vietnam's Nationally Determined Contribution (Vietnam 2022) estimates that the financial need for measures of national and sectoral emissions reduction by 2030 amounts to USD 86,834.7 million, including an unconditional contribution of USD 21,741.2 million, and USD 65,093.4 million with international support. To increase GHG emissions reduction in the LULUCF sector, the domestic financial need to achieve the country's targets amounts to **USD 3,927.4 million**, and international support of **USD 1,567.4 million** (Table 1).

Table 1. National contribution to GHG emissions reduction by sectors by 2030

Sector	GHG emission reduction Unconditional Contribution			GHG emission reduction with international support			GHG emission reduction Conditional Contribution		
	Compared to BAU scenario	Reduction amount (Mt CO ₂ eq)	Financial need (millions USO)	Compared to BAU scenario	Reduction amount (Mt CO ₂ eq)	Financial need (millions USO)	Compared to BAU scenario	Reduction amount (Mt CO ₂ eq)	Financial need (millionsUSO)
Energy	7.0	64.8	14,464.4	17.5	162.2	46,097.0	24.4	227.0	60,561.4
Agriculture	1.3	12.4	2,122.8	4.1	38.5	13,979.4	5.5	50.9	16,102.2
LULUCF*	3.5	32.5	3,927.4	1.5	14.1	1,567.4	5.0	46.6	5,494.9
Waste	1.0	8.7	916.6	2.2	20.7	1,809.5	3.2	29.4	2,726. 1
IP	3.0	27.9	310.0	2.4	21.9	1,640.2	5.4	49.8	1,950.1
Total	15.8	146.3	21,741.2	27.7	257.4	65,093.4	43.5	403.7	86,834.7

Note: *increasing GHG removal

Source: Vietnam NDC 2022

Table 1 shows that LULUCF has great potential for reducing emissions compared with other sectors, but it needs considerable financial resources to implement the mitigation commitments in this field. To meet the capital demand, the participation and financial support of both the public and private sectors – both domestic and foreign – play a crucial role.

Private capital equivalent to 3.4% of Vietnam's GDP (World Bank 2022) can be mobilized through state policy interventions to identify and develop projects; investment plans linked to sectoral and national planning; and by unblocking climate finance flows. There are two types of financial instruments that encourage project investment (GGGI 2019):

- **Direct instruments:** using funds and public financial resources to encourage the private sector to invest directly in green projects and GHG emissions reduction activities (through grants, subsidies, technical support with loans); concessional loans (green credit).
- **Indirect instruments:** using funds and public finance to create mechanisms to mobilize more financial resources for private-sector investment in green growth, GHG emissions reduction activities (green bonds), the carbon market and carbon offsets.

The Government issued Resolution No. 84/NQ-CP, dated 5 August 2021, on approving investment policy for sustainable forestry development in the 2021–2025 period, with estimated total implementation capital of VND 78.850 billion. Most of the resources are to be mobilized from other legal capital sources (including the private sector), amounting to VND 65.130 billion (82.6%), while the state budget is to contribute VND 13.720 billion (17.4%).

To implement forest carbon projects, the Cancun Agreements – reached at the 2010 United Nations Climate Change Conference in Cancun, Mexico – highlight the need for sustainable financial plans as well as technical and technological support. The United Nations Framework Convention on Climate Change (UNFCCC) also emphasizes the combination of public-private finance along with bilateral, multilateral and innovative mechanisms to operate emissions reduction projects and implement forest protection and development activities, such as REDD+.

3 Orientation to attract private investment

Vietnam offers financial mechanisms to encourage Vietnamese enterprises (through the Enterprises Law of 2020) and foreign entities (through the Investment Law of 2020) to invest in Vietnam. Business lines and areas eligible for investment incentives include the breeding, growing and processing of agricultural products; forestry products; afforestation and forest protection; and in areas with disadvantaged or extremely disadvantaged socioeconomic conditions (Article 16 of the Investment Law of 2020).

The Prime Minister has introduced various national programmes and strategies on green growth and sustainable development, in which green growth is considered a crucial task for the political system, the public, the business community, as well as relevant agencies and organizations. For example, Vietnam's National Green Growth Strategy for 2021–2030, vision towards 2050, emphasizes the private sector's increasingly important role and aims to attract investment in green growth, while the country's plan for private enterprise sustainability by 2030 promotes participation in the implementation of sustainable development goals.

The Vietnam Politburo issued Resolution No. 68-NQ/TW, dated 4 May 2025, on private-sector development, in which the tasks and solutions include:

- increasing and diversifying capital sources for the private sector;
- reviewing and optimizing credit mechanisms and policies applicable to the private economy;
- introducing a policy to prioritize the granting of commercial credit loans to private enterprises, particularly small and medium-sized enterprises (SMEs), and to encourage industrial enterprises and start-ups to invest in machinery, equipment, new technologies, green and digital transformation, export credit and supply-chain credit;
- introducing special mechanisms and policies to assist SMEs in accordance with market principles and compliance with international commitments. For example, the Law on Support for Small and Medium-Sized Enterprises;
- allocating sufficient funding from central and local government budgets for enterprise support programmes and policies, mobilizing funding from investment funds of enterprises, business associations, industry associations, research institutes and universities;
- promoting the development of green credit. The State will introduce mechanisms for interest-rate support and encourage credit institutions to reduce interest rates on loans to private enterprises that carry out green, circular projects and apply environmental, social and governance (ESG) standards.

Figure 1 describes the financial mechanisms that Vietnam is implementing to encourage businesses investing in this field.

In the following sections, the authors will analyse the advantages and disadvantages of these financial mechanisms.

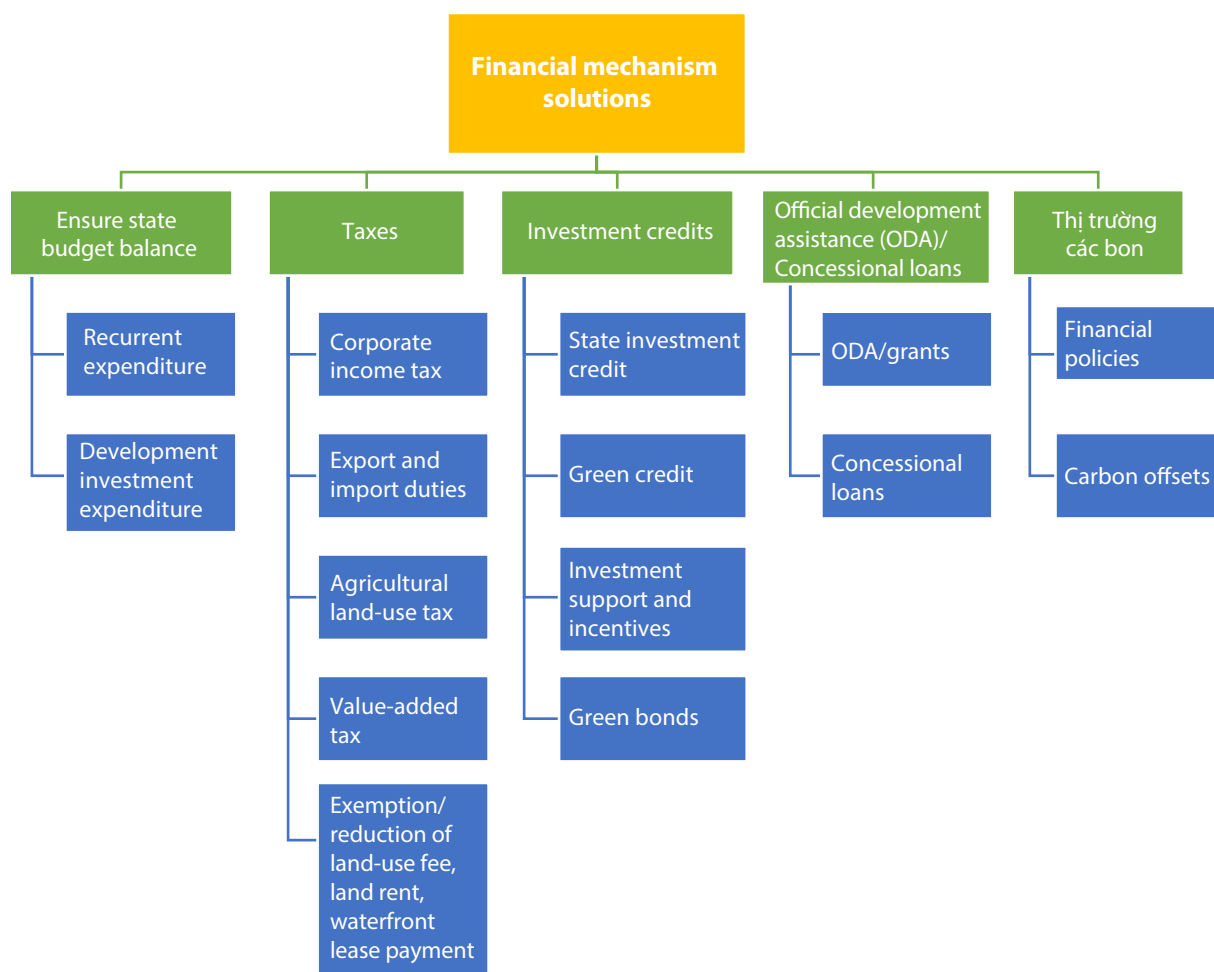


Figure 1. Financial mechanism solutions to support Vietnamese enterprises

3.1 State budget expenditure for forestry

State budget expenditure at central and local levels is carried out in accordance with the State Budget Law and its guiding documents, including development investment expenditure and recurrent expenditure for forest protection and development activities.

During the period 2021–2024, the state budget revenue remained stable at more than VND 7 million billion (Nguyen 2025). State budget expenditure is controlled within its revenue limits, with total expenditure during this period reaching VND 7.85 million billion (Nguyen 2025). For environmental protection, from 2016 to 2024, the state budget was allocated in accordance with the minimum requirement of 1% of state budget expenditure (Figure 2).

Table 2 presents various financial mechanisms, along with the authors’ analysis of their advantages and challenges in practical application.

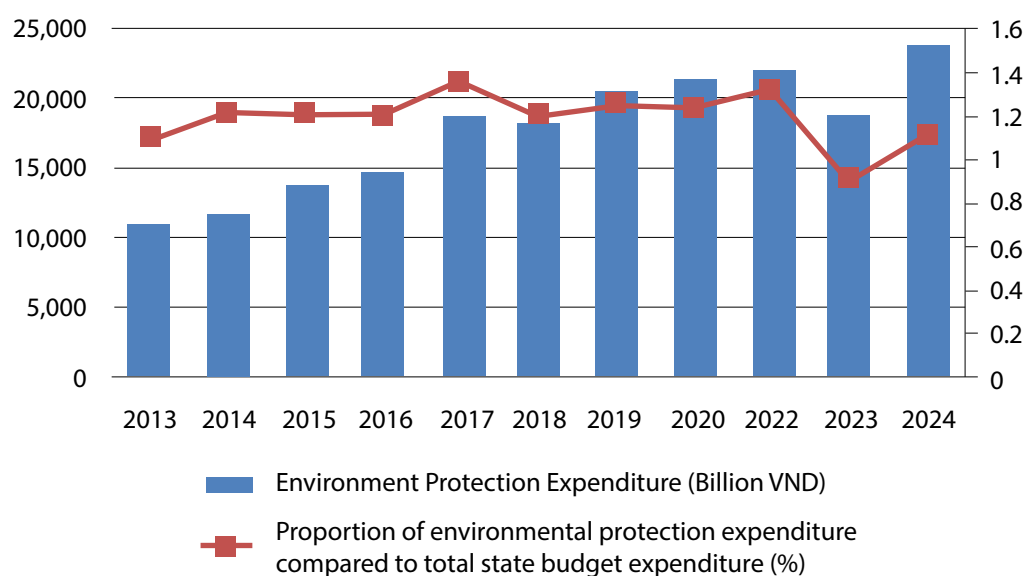


Figure 2. Budget expenditure for environmental protection in Vietnam

Source: Vietnam Ministry of Finance (2025)

Table 2. Financial support policies from state budget

Regulatory basis/ Policy	Advantages	Challenges
Decree No. 57/2018/ND-CP	- The central government budget shall allocate at least 5% of its annual funding for investment and development to provide subsidies to agriculture (including the forestry sector). - Each provincial government budget shall allocate at least 5% of its annual funding for budget expenditure to provide subsidies to agriculture.	- Investment processes and procedures are still complicated, especially for disbursing state budget capital. - Difficulties in balancing and allocating the state budget to the forestry sector and other agricultural activities. Businesses find it hard to access this support.
Decree No. 57/2018/ND-CP and Decree No 58/2024/ND-CP	Ministries and local governments may consider integrating and using funding from socioeconomic development programmes/projects and legal funds to provide subsidies for enterprises investing in agriculture.	No review and assessment of social development projects or their implementation. It is hard to assess the need for financial resources.
Resolution No. 41-NQ/TW, dated 15 November 2004	The State stipulates that annual budget allocations for environmental protection should not be lower than 1% of total budget expenditure to carry out environmental project investment activities and to develop environmental protection strategies/plans, including forest protection and development projects.	- The regulation level is still low compared with the investment demand for environmental protection projects. - State budget is constrained, difficulties in the balancing and allocation of its support.

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Table 2. Continued

Regulatory basis/ Policy	Advantages	Challenges
Decision No. 523/ QD-TTg dated 1 April 2021	• Vietnam has investment policies and support mechanisms for forestry development in accordance with the state budget's capacity in each period. It provides appropriate mechanisms and policies to encourage and create favourable conditions for organizations and individuals in all economic sectors to invest in sustainable forest development. • Supports activities to reduce GHG emissions by limiting deforestation and forest degradation, conserving and enhancing carbon stocks and promoting sustainable forest management (REDD+). • Offers diverse capital sources, including the state budget, that are integrated into national target programmes, plans, other projects; credit for forest environmental services; investment and contributed capital; funding and other legal financial resources.	No specific instructions to mobilize resources for project implementation. The current legislation offers only general guidelines that are difficult to review or apply to the forestry sector.
Resolution No. 198/2025/QH15 dated 17 May 2025	Private-sector enterprises, business households and individuals are supported by the government through interest rates of 2% per annum when borrowing capital to implement green, circular projects that apply ESG standards.	• No specific guidance on the implementation and application of preferential policies. • No detailed regulations, technical instructions and criteria for identifying and classifying green projects regarding the Decision No. 21/2025/QD-TTg issued by the Prime Minister.

3.2 Tax incentive policies

Taxation is an important component of Vietnam's financial policy system and serves as a key instrument for regulating the economy. Tax policy plays a crucial role in creating incentives for developing the green economy while acting as a deterrent to environmentally harmful activities. To encourage the development and implementation of green-growth projects, Vietnam has enacted preferential policies aligned with its environmental protection goals in each development phase (Table 3).

Table 3. Tax incentives for enterprises investing in projects

Content	Preferential level	Regulatory basis
Corporate income-tax incentives	• Exemptions for enterprises cultivating products from crops and planted forests in disadvantaged or extremely disadvantaged areas. • Exemptions on income from the transfer of Certified Emission Reductions (CERs).	• Law on corporate income tax 2025 • Decision No. 130/2007/QD-TTg

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Table 3. Continued

Content	Preferential level	Regulatory basis
	• A tax rate of 10% on income of enterprises from the cultivation of products from crops and planted forests in geographical areas entitled to corporate income-tax incentives; a tax rate of 15% on income of enterprises generating products from crops and planted forests located in geographical areas other than those entitled to corporate income-tax incentives. • A tax rate of 10% for 15 years on income of enterprises from the execution of new investment and environmental protection projects. • Other tax exemptions and tax-reduction policies.	
Export and import tax incentives	• Tax exemption on exports and imports serving environmental protection; imports exempt as fixed assets of investment projects under the Clean Development Mechanism (CDM). • Exemption of import duties on plant varieties, animal breeds, fertilizers and pesticides that cannot be domestically manufactured and have to be imported to serve agriculture or forestry.	Law on export and import duties 2016 Decree No. 134/2016/ND-CP and Decree No. 18/2021/ND-CP
Agricultural land-use tax incentives	• Tax exemption for activities on bare hills and mountains used for forestry production, protection forests and special-use forests. • Tax exemption from three to seven years, depending on type of land, purpose of land use – i.e., for perennial crops converted to new planting; for annual crops converted to perennial crops; reclaimed land use for annual crop production; and land use for perennial crops.	Article 19 (1) Law on Agricultural Land Use Tax 1993; Decree No. 74-CP of 1993 issued by the Government.
Value-added tax (VAT) incentives	Products from plants, cultivated forest, husbandry, aquaculture are not subject to VAT.	Value-Added Tax Law 2024; Decree No. 181/2025/ND-CP
Exemption/reduction of land-use fee, land rent, waterfront lease payment	• An enterprise that has a project eligible for special investment incentives or investment incentives, or an encouraged investment project related to forestry, forest protection, the growing of medicinal plants, non-timber forest products, and organic agricultural production shall have a land area allocated by the Government or be permitted to change the use purpose of an existing land area to build housing for workers, as prescribed in Article 5 of the Land Law, and are exempt from the payment of fees for changing the land-use purpose, as well as the land levy on that land area after the change of use purpose. • Preferential land prices as well as stable land- and waterfront-rental prices for at least five years if an enterprise has a project that is eligible for investment incentives or encouraged investment incentives. • Exemption from land- and waterfront-rental payments is granted to enterprises whose projects are eligible for special investment incentives.	Article 5, Article 6 Decree No. 57/2018/ND-CP
Land centralization support	An enterprise that has a special investment incentive, an investment incentive project or an encouraged investment project may receive support from the Government for the establishment of a material zone and receive a subsidy under this Decree.	Article 7, Decree No. 57/2018/ND-CP

Although the Government has many preferential tax policies for businesses implementing investment projects, there are still many difficulties and problems:

- The legal framework for tax support offered to enterprises is not yet fully developed or harmonized with specialized legal documents. Its feasibility remains low, leading to difficulties for enterprises, especially SMEs, in accessing and implementing it.
- Incentive policies are fragmented and pertain to specific stages of the project development process. Enterprises must consult and review multiple documents to identify applicable policies while having constrained capacity to manage and implement projects.
- Limited access to information and guidance regarding the procedures and processes for applying for tax incentives.

3.3 Preferential policies for enterprises accessing local and international credit sources

3.3.1 State investment credit

This refers to government support, provided through credit instruments, to invest in development projects in sectors encouraged by the state (Dang 2023). State investment credit is provided in a variety of forms (Table 4).

Table 4. Forms of state investment credit

Method	Advantages	Challenges
Investment loans	• Through the Vietnam Development Bank (VDB), enterprises can access state investment credit sources in accordance with Decree No. 32/2017/ND-CP and Decree No. 78/2023/ND-CP amending and supplementing Decree No. 32/2017/ND-CP, for the implementation of development investment projects, as stipulated by the Government in each period. • As of 30 June 2023, VDB's total outstanding debt exceeded VND 182,000 billion, of which the state investment credit outstanding reached nearly VND 43,000 billion, covering more than 559 loan-funded projects (Dang 2023). In 2024, the capital disbursement demand was VND 18,000 billion (VDB 2024). • Additionally, enterprises can access preferential capital from state off-budget financial funds, such as the Local Development Investment Fund, the Vietnam Environment Protection Fund, the Vietnam Forest Protection and Development Fund, and the SMEs Development Fund.	Borrowers receiving state investment credit loans are restricted in scope and must belong to the list of investment and lending sectors (agriculture, primary industries, infrastructure development, social development) or have a project located in areas with difficult or especially difficult socioeconomic conditions. The application process is also complex. Consequently, forest carbon projects have not been able to access this funding source.

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Table 4. Continued

Method	Advantages	Challenges
Investment support	- Investment support means the use of state budget and legal funding sources to partially finance investment capital necessary for forest protection and development, or forest product processing under the law (Article 3 (2) Decree 58/2024/ND-CP). - Investment support capital is allocated from the state budget according to the provisions of the Law on state budget and public investment, specifically: - In cases where the forest owner is an enterprise, it will be granted funding for natural regeneration zoning and promotion; natural regeneration zoning and promotion with additional forestation under the protection forest, special-use forest or natural production forest plan; investing in forestation, nursing of natural forests, enriching protection forests and special-use forests; credit funding for forestation of large-timber forests; investment support for the construction of forestry routes and fire trails in production forest areas. - Forest owners and expected foreign-invested enterprises will receive preferential policies and incentives according to Decree No. 58/2024/ND-CP in the forestry sector, including the granting of funding for special-use forest protection; funding for the development of sustainable forest management solutions and the issuance of sustainable forest management certificates; and protection expenditure for natural production forest during the closed-down period. - Funding for forest fire fighting; support for investments in forest seed-production facilities, scattered tree planting, investment in high-tech forestry zones; other specialized activities. - Enterprises established and operating under the Enterprise Law with afforestation and forest protection projects may receive commercial loan interest subsidies for up to eight years and covering no more than 70% of the total investment. The subsidy equals the difference between the commercial and preferential credit rate for state investments, based on outstanding debt upon application review. For completed and accepted projects, 70% of the support capital is disbursed based on the investment category, with the remaining 30% released after the project is completed (Article 8, Article 15 Decree 57/2018/ND-CP).	Enterprises investing in forest carbon projects often lack access to information on existing policies and incentives. Many forest owners believe that the support only partially meets their actual needs. Businesses face many difficulties in preparing and submitting documents and in meeting the requirements to receive support. SMEs – especially those led by ethnic minorities, local communities, or women – often face greater difficulties in accessing support than larger enterprises.

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Table 4. Continued

Method	Advantages	Challenges
Investment credit guarantees/ Government guarantees	- Investment credit guarantees are a commitment by the designed state investment credit implementing organizations to the lending credit institution, ensuring the borrower's full and timely repayment of debt (Dang 2023). - The Government commits with the lender to make the repayment of principal and interest in case of the borrower's failure to pay the due debt in full (Article 3 (20) of the Public Debt Management Law 2017). - Recipients of sovereign guarantees are any enterprise whose investment projects are subject to investment policy decisions of the National Assembly and the Government, or subject to an investment decision of the Prime Minister, as prescribed in the Investment Law and Public Investment Law or issued sovereign-guaranteed bonds (Public Debt Management Law 2017). - An enterprise is eligible for a sovereign guarantee when it fulfils the relevant conditions, including legal status; the efficiency of a business investment in an investment project, as prescribed by law; a suitable financial proposal; and its ratio of owner's equity to total investment. The enterprise will receive sovereign guarantees for the loan amount and the bond issued for the investment project. The guarantees will cover no more than 70% of the total investment, if approved.	Projects guaranteed by the Government are often large in scale with complex conditions, strict legal and procedural requirements, and rigorous assessments of repayment capacity and collateral. These constraints make it difficult for many businesses, particularly those investing in forest carbon projects, to access this financial channel.
Credit guarantees from the SMEs Credit Guarantee Fund	- The Credit Guarantee Fund commits with a lender to assume the financial obligation of an enterprise (a borrower) if that debtor fails to discharge its obligation when due, or discharges the obligation improperly and inadequately (Decree 34/2018/ND-CP). - The Credit Guarantee Fund will consider granting a credit guarantee for up to 100% of loans to an SME. The level of guarantee allows enterprises to mobilize the maximum possible loan value from lender institutions, thereby securing the financial resources necessary for project implementation.	To be granted the credit guarantee, enterprises must fully meet all conditions specified in Article 15 and Article 16 of Decree 24/2018/ND-CP, particularly for a project in a locally prioritized socioeconomic development sector in each period.

3.3.2 Policy for promoting green credit

The Government promotes green credit, as well as environmental and social risk management in the credit-granting activities of commercial banks, aiming to mobilize and optimize credit institutions' financial resources for the support of enterprises in the implementation of green growth projects (Directive 03/CT-NHNN, 2015). The banking system prioritizes green credits for economic sectors that conserve and effectively utilize natural resources; apply advanced scientific achievements; use energy economically and efficiently; develop clean energy and renewable energy; implement climate change adaptation and mitigation projects; restore natural ecosystems; and conserve nature and biodiversity (Decision No 1604/QĐ-NHNN, 2018).

At the seminar "Promote the implementation of the banking sector's action plan to implement the national strategy on green growth for the 2021–2030 period" in 2025, Permanent Deputy Governor Dao Minh Tu of the State Bank of Vietnam stated that 58 credit institutions had outstanding green loans with a total value exceeding VND 704,244 billion in the first quarter of 2025, marking an annual increase of about 21.2% for the period 2017–2024, when green loans focused on renewable and clean energy (more than 37%) and green agriculture (over 29%).

Credit institutions and foreign bank branches in Vietnam shall apply the provisions of Decision No. 21/2025/QĐ-TTg, dated 4 July 2025, to identify and grant green credit to investment project owners whose projects are certified by authorities competent in the green classification list, including the fields of agriculture, forestry, fisheries and biodiversity. The projects include (i) the annual planting and perennial trees in line with sustainable standards, and (ii) the planting of new forests; improving the quality of natural and planted forests; sustainable forest management; and applying agroforestry methods. These projects are considered for green credit if they meet the environmental protection and benefit requirements through the efficient use of land resources; the restoration of natural ecosystems; the adaptation to climate change; and full compliance with production process requirements. The promulgation of environmental regulations and the confirmation of investment projects in the green classification list help develop the legal framework for green credit; enhance transparency to support businesses in accessing green capital; and promote investment in sustainable development and emissions reduction areas.

3.3.3 Green bond issuance

Green bonds are issued by the Vietnamese Government, local authorities and enterprises in accordance with regulations on bonds to raise capital for environmental protection activities and investment projects that offer environmental benefits (Environmental Protection Law, Article 150). Enterprises issue green bonds to mobilize capital investments in environmental protection projects, including those that support the circular economy, green economy and low-carbon emissions; renovate and upgrade environmental protection facilities; efficiently utilize natural resources, land resources and energy; and develop multipurpose, environmentally friendly infrastructure (Decision No. 1191/QĐ-TTg 2017).

The use of capital mobilized through the issuance of green bonds must strictly comply with the purposes stated in the issuance plan and the information disclosed to investors. Green project areas that are considered include renewable energy; energy saving and efficiency; land-use transition and management; sustainable forestry; sustainable waste management; and green agriculture. An enterprise issuing green bonds operates under the principle of self-borrowing and self-repayment, with full accountability for the efficiency of capital utilization and the ability to meet debt obligations (Decree No. 153/2020/ND-CP).

The Prime Minister's Decision 21/2025/QĐ-TTg on regulating environmental criteria and confirming investment projects in the classification list makes an important contribution to improving the legal framework for green bonds, enabling businesses to expand their access to investment capital for low-carbon emissions projects and forest carbon projects at lower fundraising costs and with more simplified, flexible administrative procedures.

3.3.4 Official development assistance (ODA) and concessional loans provided by foreign donors

Forest carbon programmes/projects benefit both developed and developing countries. Developed nations can reduce emissions at low cost by providing financial support to developing nations in the forestry sector (Morita and Matsumoto 2023). Enterprises can access and mobilize this financial resource by reborrowing all or part of the ODA loan proceeds and concessional loans from the Government, while ensuring compliance with foreign sponsorship policies and Vietnamese laws. Accordingly, enterprises can (i) access and use ODA and concessional loans through participation in private-sector support programmes/projects of managing agencies; (ii) gain access to ODA and concessional loans that ministries, central authorities and provincial People's Committees use to finance project preparation and bidding for investor selection, or to finance state contributions to public-private partnership (PPP) projects in accordance with the provisions in PPPs and specific international treaties as well as agreements on ODA and concessional loans (Decree 114/2021/ND-CP, Article 11).

3.3.5 Challenges in implementing incentive policies for enterprises to invest and access both domestic and foreign credits

The state has numerous capital-mobilization channels and financial support mechanisms to incentivize business investors. However, the practical implementation for investing in forest carbon projects remains limited for several reasons:

- Limited state budget and large public debt lead to a lack of public investment to act as catalytic capital and to leverage the mobilization of green private investment (Ministry of Planning and Investment 2021).
- The total volume of green credit is still relatively low, while the capital disbursement rate is not high, mainly focusing on green industry and green construction.
- The existing policies lack consistency and stability.
- Forest carbon projects are often complex, requiring technical skills, technology, time, high costs and a high level of risk. Therefore, they aren't sufficiently attractive to secure bank participation, so lenders' interest rates remain less than optimal.
- Local authorities and enterprises still have inadequate awareness and capacity to invest in forest carbon projects that have not attracted strong interest from entrepreneurs, project investors and donors.

3.4 Support mechanism for forest carbon projects linked to carbon market in Vietnam

3.4.1 Trading forest carbon credits on the carbon market

Vietnam aims to develop a domestic carbon market that helps achieve the national GHG mitigation targets at a low cost for businesses and society, creating new financial flows for such activities and the green transition (Decision 232/QĐ-TTg, 2025). The GHG absorption activities from forestry are integrated with national plans for GHG emissions mitigation (Decree No. 06/2022/ND-CP, Article 8(3)).

The Government facilitates the development of carbon credit exchange and offset projects, creating outputs for carbon credits and forest carbon credits. Enterprises choose to implement projects according to (i) the domestic carbon credit exchange and offset mechanisms; and (ii) the international carbon credit exchange and offset mechanisms in accordance with Article 6.2 and Article 6.4 of the Paris Agreement, or according to regulations issued by the regulatory authority.

Enterprises develop a methodology for creating domestic carbon credits from forest carbon projects in line with the Ministry of Agriculture and Environment's regulations. Alternatively, the methods are recognized by the UNFCCC or specific ministries in accordance with regulations (Decree No. 119/2025/ND-CP). Simultaneously, facilities are allowed to use these carbon credits to offset up to 30% of their allocated GHG emissions allowances (Decree 119/2025/ND-CP, Article 1(8)), encouraging organizations to buy carbon credits to reduce carbon emissions voluntarily, while increasing the carbon market's attractiveness as well as the trading of forest carbon credits.

Regulations on the development and registration of forest carbon projects in Vietnam are being gradually improved to help businesses develop and invest in projects. However, progress in creating and amending a legal framework for the carbon market has been slow, leading to a lack of motivation and investment environment for enterprises, thereby hampering any practical application (Pham et al. 2022).

3.4.2 Pilot mechanism for the transfer of emissions reduction results and financial management

The Ministry of Agriculture and Environment has signed the payment agreement for emissions reduction results of the North Central Region Emission Reductions programme with the International Bank for Reconstruction and Development of the World Bank. This envisages the transfer of 10.3 million metric tons of CO₂ emission reductions at USD 5 USD/ ton of CO₂. The Government enacted Decree No. 107/2022/ND-CP guiding the financial management of the Emissions Reduction Payment Agreement (ERPA) for forest environmental services according to Article 61(3) and Article 63 of the Forestry Law.

The ERPA and Decree No. 107/2022/ND-CP mark the successful transaction of forest emissions reduction certificates in Vietnam, creating resources for reinvestment in forest protection and development, and applying only to emissions reduction certification from natural forests in the North Central Region. The absence of general regulations means it is difficult for private enterprises to access such agreements, and there is a lack of capacity for organization and implementation. Furthermore, financial management guidelines on forest environmental services from forest carbon sequestration and storage haven't been issued yet. There is also a lack of regulation on the quality management of environmental services, especially regulations on economic and technical norms as well as unit prices for various types of environmental services (Ministry of Natural Resources and Environment 2020). This has led to difficulties in implementing and managing revenues from the transfer of forest emissions reduction certificates.

4 Conclusion and Recommendations

Enterprises with emissions reduction projects targeting deforestation, forest degradation, as well as the conservation and enhancement of carbon stocks in the environmental protection field will receive identical incentives as projects in priority fields in Vietnam. These incentive policies aim to increase profits, boost the internal rate of return, augment the project's attractiveness to investors (through import-duty policies and other tax incentives), and reduce investment risks through financial and non-financial support measures, such as investment policies and credit enhancement mechanisms (GGGI 2016).

Engaging in domestic and international carbon markets creates incentives for enterprises investing in forest carbon projects, accelerating the development of a high-quality forest carbon market. Emissions trading is gradually being implemented, making it possible to increase capital for enterprises reinvesting in forest protection and development projects, while supporting people's livelihoods.

Vietnam has drastically reformed the legal framework for finance and the state budget to boost private investment resources for sustainable development. The system of laws on taxes and fees is constantly reviewed, improved and implemented in accordance with a roadmap suited to national conditions and international integration commitments. Resource mobilization through various sources – such as green credit, green bonds and government bonds – helps supplement capital for economic development activities aimed at achieving low-carbon emissions.

To ensure that preferential state policies effectively reach enterprises engaged in forest carbon projects, Vietnam needs a more coherent and supportive legal and institutional environment. The following measures are recommended:

Develop dedicated legal instruments for forest carbon investment

Current provisions are dispersed across multiple laws and regulations, creating uncertainty for businesses. A separate legal document or decree would provide a unified framework to guide project development and investment. In the short term, preferential policies should be consolidated, and a practical handbook prepared to outline step-by-step procedures, required documentation, and access points for financial resources.

Align public investment with private sector initiatives

Specialized ministries and local governments should allocate budgetary resources for green and forest-related projects while co-financing or directly partnering with private enterprises. This approach can catalyze private investment, promote innovation, and ensure that forest carbon initiatives contribute to both green growth and sustainable development goals.

Establish a domestic carbon-trading platform

A government decree should formalize the creation and operation of a national carbon-trading platform. Complementary financial policies — such as tax incentives, transparent pricing mechanisms, and clear monitoring rules — are critical to foster confidence in the market and support active participation by enterprises.

Provide technical guidance and build appraisal capacity

The agriculture and forestry sectors require detailed technical criteria to be formally included in Vietnam's "green classification list." Clear standards would enable enterprises to qualify for green credit, green bonds, and other financial instruments. In parallel, training programs should be developed to prepare a cadre of qualified appraisers capable of assessing projects in line with these standards.

Integrate green enterprise policies into socioeconomic planning

Policies that promote enterprise-driven green growth should be embedded in national and provincial five-year socioeconomic development plans. Doing so would ensure consistent implementation, avoid fragmented efforts, and enable better coordination among state agencies, local authorities, and private investors.

Strengthen communication and enterprise support mechanisms

Preferential policies and green financing options must be widely disseminated to the business community. This should include clear guidance on how projects can be verified as part of the green classification list, ensuring their eligibility for carbon market participation. Dialogue platforms and support mechanisms should be institutionalized to help enterprises navigate regulatory procedures, access financing, and explore new investment opportunities in forest carbon projects.

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CIFOR-ICRAF Working Papers contain preliminary or advanced research results on important tropical forest issues that need to be published in a timely manner to inform and promote discussion. This content has been internally reviewed but has not undergone external peer review.

In this working paper, the authors review and analyse financial policies and mechanisms that aim to help enterprises invest and implement forest carbon projects. These include: (i) state budget expenditure policies; (ii) tax incentives; (iii) business support in investing and accessing domestic and foreign credits/grants/loans; and (iv) participation in the carbon market. The authors discuss the challenges of policy implementation and propose solutions.

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