



DEPARTMENT OF **ECONOMIC AND SOCIAL AFFAIRS**

Additional research on international climate finance, including stakeholder mapping, mapping of existing initiatives and potential actions to increase amount accessed from international funds and alignment with national priorities

09 September 2022

This report was prepared by Latsany Phakdisoth under the capacity development activities of the Development Policy Branch (DPB), Economic Analysis and Policy Division (EAPD), United Nations Department of Economic and Social Affairs (DESA). The Project is funded by the Peace and Development Fund, Sub-Fund on 2030 Agenda. For more information, please contact Namsuk Kim, EAPD/DESA (kimnamsuk@un.org). The content, findings, interpretations, and conclusions as expressed in this report do not necessarily represent the views of the United Nations and its Member States.

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Abbreviations

ADB	Asian Development Bank
AF	Adaptation Fund
DAE	Direct Access Entity
EPF	Environment Protection Fund
GCF	Green Climate Fund
GEF	Global Environment Facility
GGGI	Global Green Growth Institute
Lao PDR	Lao People's Democratic Republic
LDCs	Least Developed Countries
MAF	Ministry of Agriculture and Forestry
MOIC	Ministry of Industry and Commerce
MoNRE	Ministry of Natural Resources and Environment
MPI	Ministry of Planning and Investment
MRV	Monitoring, Reporting and Verifying
NDC	Nationally Determined Contribution
NSCC	National Strategy on Climate Change
NSEDP	National Socio-Economic Development Plan
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PSF	Private Sector Facility
UN	United Nations
UNDESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNOPS	United Nations Offices for Project Services

I. Introduction

The objective of this research is to provide technical support to the development of the climate and environmental finance chapter of the financing strategy for the 9th National Socio-Economic Development Plan (NSEDP). It specifically focuses on identifying *financing policies and actions for the sub-policy area of international climate finance, focusing on increasing financial resources or strengthening alignment to national development priorities*, in the context of Lao PDR's graduation from the list of LDCs which is scheduled for December 2026. This research builds on DESA's initial study on the international climate finance situation in Lao PDR.

The research builds on a number of existing national and sectoral strategies including 9th NSEDP, the Draft National Strategy on Climate Change to the year 2030 (February 2022) (NSCC), Nationally Determined Contribution (NDC) (2020), Climate Change Decree (2019), National Green Strategy of Lao PDR till 2030, Key Achievements of the Five-Year Plan 2016 – 2020 Implementation and Main Directions and Plans for 2021 – 2025 of the Natural Resources and Environmental Sector.

Lao People's Democratic Republic (PDR) is committed to the implementation of low-carbon, climate-resilient development. Significant financial resources will be needed to deliver the mitigation and adaptation actions as well as enhancing the enabling environment for climate-related investment. NDC Mitigation measures highlighted an investment of USD 4.8 billion is estimated towards the 2030 conditional targets¹. According to the Ministry of Planning and Investment (MPI) and United Nations in Lao PDR, based on global estimation, green and resilient infrastructure investment could reach an average 4-5% of GDP for low and middle-income countries annually. In Lao PDR, this would represent around USD 1 billion a year².

Using data from Organisation for Economic Co-operation and Development (OECD) climate-related development finance data, through reporting from donors, United Nations Department of Economic and Social Affairs (UN DESA) climate finance for Lao PDR (2021) shows around USD 987 million were committed to Lao PDR during 2015-2019; whereas the First Biennial Updated Report of Lao PDR (2020) suggests there was just over USD 223 million in ODA flows supported climate change projects in Lao PDR in 2013-14. The figures emphasize enormous gaps between the financials needs and commitments.

[Global Landscape of Climate Finance 2021](#) shows total climate finance has steadily increased over the last decade, reaching USD 632 billion in 2019/2020; However, this is nowhere near enough finance to limit global warming to 1.5 °C.

These global flows are unlikely to meet the aggregated need for climate finance by all developing countries to address their national climate change actions and priorities. There will be

¹ A conditional mitigation scenario represents additional GHG emission reductions efforts that Lao PDR could achieve, contingent upon increased levels of financial support from developed country Parties

² Ministry of Planning and Investment and United Nations in Lao PDR (November 2021). STRUCTURED DIALOGUE 2: SCOPING THE FINANCING STRATEGY-Mapping and identifying financing policy area.

competition over the resources. Lao PDR will, therefore, have to vigorously increase its climate finance readiness- the processes that can enhance the capacity of developing countries to access, allocate, and spend climate finance, and also monitor and report. Climate finance readiness would help recipient countries to enhance their relevant internal financial infrastructure in order to act as full participants in emerging international climate financing arrangements³.

In this context, this paper discusses the country's capacity in terms of planning, accessing, and monitoring, reporting and verifying (MRV) climate finance which are key entry points for increasing access to international climate funds and proposed recommendations for way forwards to attract more climate finance. Alignment to national policies and strategies is taken into consideration when making the recommendations.

Each section outlines the current situation in the country, key barriers, existing relevant measures or potential actions to address them and mapping of existing support from development partners.

II. Key areas of country capacity to increase climate finance

2.1 Planning capacity

Planning allows countries to articulate their climate-related priorities and the financial resources required to meet them during a certain period of time. Building and strengthening national, sectoral, and local planning capacities ensures the integration of climate change and climate finance within national development processes and align climate, economic and social growth pathways. This section examines strategic and financial planning.

2.1.1 Strategic Planning

Lao PDR has a number of strategies, plans and key documents addressing climate change, including: the 9th NSEDP, the NSCC (2010) which is being updated to the year 2030, the National Green Growth Strategy till 2030, the NDC (2020), and the Climate Change Decree (2019).

The strategies and plans are guiding frameworks for the country's low emission and climate resilient development pathways. Next key steps after having the frameworks in place is to mainstream the overarching directions into sectoral plans and translate the plans into actions. This will require technical expertise and cross-sectoral coordination, among others. Limited climate change technical capacity, such as knowledge of climate change issues and impacts and actions to address climate change, adaptation and mitigation technologies, and weak cross-sectoral coordination are highlighted, among others issues, as key barriers in achieving national strategy on climate change and the implementation of Natural Resources and Environmental Sector Five-Year Plan 2016 – 2020.

³ The Nature Conservancy (2012). Climate Finance Readiness: Lessons Learned in Developing Countries.

With regard to cross-sectoral coordination, the 2019 Climate Change Decree issued by the Prime Minister's Office assigns the Ministry of Natural Resources and Environment (MoNRE) to take direct responsibility and coordination with relevant ministries, organizations and local authorities. However, institutional capacities for cross sectoral coordination are yet to become systematic and efficient, given that topics such as natural resources management, environmental protection and climate change are quite new in Lao PDR, compared to other areas. This is particularly the case regarding division of roles and responsibilities, and enforcement of laws and regulations⁴.

With the mentioned challenges, the following recommended actions are proposed:

Recommended Actions	Alignment with national priorities
Strengthen capacity of MoNRE and line ministries and sub-national level on mainstreaming climate change to in their sectoral plan	Draft NSCC program 9: Climate change capacity strengthening
Strengthen capacity of MoNRE and line ministries and sub-national level on translating climate change strategies and plans into actions.	Draft NSCC program 9: Climate change capacity strengthening
Development climate change mainstreaming plan	Draft NSCC program 7: Improve Climate Change Mainstreaming, Enabling Environment and Readiness
Implement and monitor activities/programmes on climate change integration	Draft NSCC program 7: Improve Climate Change Mainstreaming, Enabling Environment and Readiness
Strengthen MoNRE's coordination roles as per indicated in the 2019 Climate Change Decree	National Green Growth Strategy section 3.2.1
Develop and revise legislations, guidelines, mechanisms and tools necessary for delivering the roles and mandates of MoNRE	The 2021-2025 Natural Resources and Environmental Sector plan – objective 5

Source: Compiled by the author

Relevant Development Partners' support:

1. The Government of Lao PDR has requested Asian Development Bank (ADB), through TA-9716 REG: Supporting Ambitious Climate Action through Implementation of Developing Member Countries' Nationally Determined Contributions, to provide technical and capacity building support to ensure inclusive and effective implementation of climate

⁴National Institute for Economic Research (2019). National Green Growth Strategy of the Lao PDR till 2030.

change policies and strategies such as NSCC and the country's revised NDC. The support will include:

- (i) mainstream climate change into national and sectoral strategy and development plans;
- (ii) enhance capacity of key government agencies to implement climate change policies and strategies and develop climate action plans; and
- (iii) establish a monitoring and evaluation (M&E) system/monitoring, reporting and verification (MRV) framework to measure progress on the country's NDC and NSCC targets.

2.1.2 Financial Planning:

Financial planning refers to planning for supply, management, and use of financial resources to fulfil a given aim. Financial planning is a fundamental step in ensuring the effective, efficient, and equitable use of climate finance⁵.

A key capacity here is the ability to cost priority actions and then match those costs to funding sources. For example, Lao PDR may prioritize the funding from the Green Environment Facility (GEF) under the system for transparent allocation of resources (STAR) to priorities identified in Lao's NDC. However, other funding sources besides GEF need to be identified. Decent financial planning relies on the country's capacity to identify and plan on what sources of climate finance will be available for their identified priorities.

The 2021-2025 Natural Resources and Environmental Sector plan foresees the decrease of budget support for implementing the sectoral plan during the period and highlights the potential funding sources to implement the sectoral priorities as below:

A. Internal budget consists of five sources:

- Public investment budget
- Budget support for technical work
- Revenue from technical fees related to land at the central level
- Revenue from technical fees related to land at the provincial level
- Budget from the Environment Protection Fund.

B. External sources of finance include:

- Support from Germany
- World Bank
- Green Climate Fund
- Global Environmental Facility
- Bilateral cooperation with China

⁵ UNDP (2012). Readiness for Climate Finance: a framework for understanding what it means to be ready to use climate finance.

C. Two sources of finance currently being mobilized:

- Cooperation with Hungary and Czech Republic (energy and solid waste)
- Cooperation with the World Bank (waste related project)

Based on this information, more effort is needed to further identify funding sources and match them with climate change priorities of the country.

With the mentioned challenges, the following recommended actions are proposed:

Recommended Actions	Alignment with national priorities
Identify climate financial needs and potential funding sources (match climate change priorities with potentials funding sources)	Draft NSCC program 8: strengthen capacity in climate finance management
Develop and implement climate financial mobilization strategy	Draft NSCC program 8: strengthen capacity in climate finance management

Source: Compiled by the author

Relevant Development Partners' support:

1. UN DESA Lao climate finance analysis (2021) reviews 21 climate funding sources from multilateral, bilateral and private investment channels, the analysis also provides a summary of fund objective, thematic focus, eligibility requirements and fund supported projects to Lao PDR, if any.
2. The MPI-UN initiative on the 9th NSEDP financing strategy includes a specific chapter on Green and climate finance (to which this paper will contribute) will be approved by the end of this year.
3. Potential joint UN initiative on supporting the NDC, including a first step reviewing the existing projects in the Joint Work Plan against the different components under the NDC, would also link to this mentioned financing plan.

2.2 Accessing capacity

Small and developing countries find it extremely difficult to turn to climate finance funds, due to lack of technical capacity and the complexity of accessing process⁶. This situation is no exception to Lao PDR, where access to climate finance funds is entirely dependent on the support from development partners.

⁶ The Commonwealth Secretariat (2022). Toolkit to Enhance Access to Climate Finance - A Commonwealth Practical Guide.

Article 9 of the Paris Agreement states that “The institutions serving this Agreement, including the operating entities of the Financial Mechanism of the Convention, shall aim to ensure efficient access to financial resources through simplified approval procedures and enhanced readiness support for developing country Parties, in particular for the LDCs and SIDS...”⁷. Up till now, access remains anything but simple.

Existing complexity means climate finance is mainly accessed by the international intermediaries who have collected the trust, knowledge, skills and capacities to navigate the complex processes. 87% of the Green Climate Fund’s investments are through international development partners. With external actors defining and leading most climate change initiatives, these are failing to build capacity and deliver sustainability at national and local levels⁸.

2.2.1 Direct access

Direct access means that national or subnational entities become accredited to receive finance directly from funds without going through an international intermediary, e.g a multilateral/ bilateral development organization or a regional development bank. The goal of such direct access is, among other things, to reduce transaction costs and enhance national ownership over available financing.

Two of the large climate funds, the Adaptation Fund (AF) and the Green Climate Fund (GCF), have committed to allowing institutions from developing countries direct access to finance.

For national institutions to be accredited for direct access, it includes demanding criteria for fiduciary and environment and social safeguard standards. Strong national institutions that can meet the robust fiduciary standards necessary for direct access are in many cases not available. Many recipient countries experience difficulties in finding or developing organisations that meet the required staffing, expertise, experience and internal controls to become an accredited implementing entity.

Direct access is a long-term investment process to empower countries to build their capacity and system on climate change issues, and fosters country ownership in addressing climate change. It reduces countries’ reliance on outside or multilateral institutions, promoting sustainability and ownership. In Lao PDR, the National Environment Protection Fund (EPF) submitted a proposal to the GCF to be accredited as a Direct Access Entity (DAE) of Lao PDR in 2019.

In short and medium run, Lao PDR may try to leverage the support from development partners in accessing to climate finance and work with development partners to prepare itself for direct access and enhance national capacity to develop bankable funding proposals.

⁷ United Nations (2015). Paris Agreement https://unfccc.int/sites/default/files/english_paris_agreement.pdf

⁸ The Least Developed Countries (LDC) Initiative for Effective Adaptation and Resilience (LIFE-AR) (2019). LDC 2050 Vision: Towards a climate-resilient future (2019) <http://www ldc-climate.org/wp-content/uploads/2019/09/2050-Vision.pdf>

In light of the situation, the following recommended action is proposed:

Recommended Action	Alignment with national priorities
Identify the appropriate government personnel or team to work closely with development partners when developing climate projects and draft funding proposals.	New

Source: Compiled by the author

Relevant Development Partners' support:

1. In late 2019, the EPF submitted a proposal to the GCF to be accredited as a DAE of Lao PDR and also submitted a proposal for technical assistance from the GCF Readiness Program aiming to build capacity of EPF Office to complete the accreditation process and also assist in building GCF portfolio and preparation of GCF projects. The TA proposal (namely "Completion of the Accreditation of the Environmental Protection Fund as DAE for Lao PDR" or "the Project") proposed a 24 months implementation. The proposal was approved by GCF and the United Nations Offices for Project Services (UNOPS) has been assigned to manage this TA on GCF behalf. A Grant Support Agreement has been signed between the EPF office and UNOPS.

Note: A number of studies suggest obtaining accreditation first through the AF, ahead of the GCF process (which usually takes a longer time) would allow finance to be accessed more quickly while building human and institutional capacity⁹.

2.2.2 Project design capacity

Accessing finance requires recipient countries to be able to formulate projects that meet funding criteria. A common constraint in many developing countries is the limited availability of human resources and technical capacities to identify available fundings and to design, develop and advance project proposals through the various stages and processes required. This limited capacity to effectively present comprehensive activities, outputs and expected accomplishments of project proposals hinders the ability of countries to fully access diverse sources of finance¹⁰.

In case of Lao PDR, beside limited knowledge on available funding sources, technical capacity in climate change adaptation and mitigation, and limited experience to develop proposals; there is a language barrier as the majority of government personnel have limited English language skills

⁹ Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH (2014). First Steps for Making Climate Finance Work in Lao PDR.

The Commonwealth Secretariat (2022). Toolkit to Enhance Access to Climate Finance - A Commonwealth Practical Guide.

¹⁰ The Commonwealth Secretariat (2022). Toolkit to Enhance Access to Climate Finance - A Commonwealth Practical Guide.

which prevents them from fully understanding funding requirements, and better articulating climate change priorities in concept notes and/or proposals¹¹.

With the mentioned challenges, the following recommended actions are proposed:

Recommended Actions	Alignment with national priorities
Develop a handbook on climate finance funds in Lao and English.	New
Establish a climate finance team to disseminate information on available funds and their accessing criteria.	New
Provide a ‘training of trainers’ to selected officials who can continue to train and mentor their colleagues to develop climate projects and prepare funding proposals.	New
Support English language training for the sectors on terminology related to climate change and Climate Funds, e.g GCF, AF and GEF.	New

Source: Compiled by the author

In the long run, a strategic and systematic capacity building programme should be in place to enhance local capacity in project design capacity. The draft NSCC includes a specific programme on capacity building for climate change which includes capacity building at institutional and individual level.

Relevant Development Partners’ support:

1. The UN DESA Lao climate finance analysis (2021) reviews 21 climate funding sources from multilateral, bilateral and private investment channels, which also provides a summary of funding objectives, thematic focus, eligibility requirements and Lao PDR supported projects, if any. Other than that, there is no specific development partner’s support on strengthening the government capacity in project design or development of climate finance funding.

2.2.3 Availability of data

Data is crucial for planning, progress assessment and project development purposes. Climate-vulnerable countries are often burdened with data gaps, e.g inadequate historical climate data

¹¹ UN DESA. Lao PDR Developing the strategic guidelines for climate financing, considering possible linkages between climate financing and post COVID-19 agricultural development in Lao PDR.

https://www.un.org/ldcportal/sites/www.un.org.ldcportal/files/files/documents/2021/Oct/lao_pdr_-_strategic_guidelines_for_climate_finance.pdf

for future projections. This is often due to the absence of climate models and systems that can gather and store such data as well as limited technical expertise for their interpretation and can further limit countries' ability to provide accurate justification in developing financing proposals¹².

The 2019 Decree on Climate Change outlines that MoNRE shall be responsible for developing and maintaining data and information systems on climate change for collection, compilation, management, provision and service in a reliable, accurate and timely manner, using national disaster data and national statistics, in coordination with other relevant ministries and local authorities; and others relevant ministries shall provide information related to climate change from their sectors to MoNRE. Translating this into actions may need detailed instructions and support.

The Draft NSCC, Lao's NDC submitted in 2020, the lesson learnt from the implementation of MoNRE sectoral plan (2021-2025) and the first Biennial Update Report of Lao PDR highlight the issue on limited information and knowledge on climate change vulnerability and impacts, as well as adaptation and mitigation technologies in sectors including communities and ecosystems, which have resulted in challenges to develop evidence-based planning and reporting.

With the mentioned challenges, the following recommended actions are proposed:

Recommended Actions	Alignment with national priorities
Ensure the necessary data is accessible for the public by regular updating studies/report/policy documents to ministry website	New
Develop information and statistics management systems of the Natural Resources and Environment sector to ensure effective planning and sustainable management of natural resources and environment.	MoNRE sector plan 2021-2025 Draft NSCC program 1: Develop and Strengthen Capacity for Climate Change Data and Information, Monitoring and Advisory, and Early Warning Systems
Strengthen capacity for developing and maintaining data and information systems on climate change	Draft NSCC program 1: Develop and Strengthen Capacity for Climate Change Data and Information, Monitoring and Advisory, and Early Warning Systems

Source: Compiled by the author

¹² The Commonwealth Secretariat (2022). Toolkit to Enhance Access to Climate Finance - A Commonwealth Practical Guide.

Relevant Development Partners' support:

See section 2.1.1 on ADB support.

2.3 Monitoring, reporting and verifying capacity

MRV is an important element in assessing the use of climate finance and in strengthening its efficiency and effectiveness, as it helps to increase a general understanding of the scale, distribution and use of funds. It will help to show who gains from accessing financial support and make it possible to identify gaps and needs. It will also help to monitor and evaluate trends and progress in climate-related investment. Lastly, MRV of climate finance will account for how scarce resources are used¹³.

A clear overview of climate finance flows and their use will allow a targeted resourcing and planning of activities towards the country's climate change priorities. A strong MRV system will enhance stronger confidence with climate finance donors.

At this stage, there is no established climate finance MRV mechanism in the country. However, there have been efforts in supporting the government to create the system from development partners such as United Nations Development Programme (UNDP), Food and Agriculture Organization (FAO), Global Green Growth Institute (GGGI) and The World Bank.

The draft NSCC includes a proposed action on establishment of a climate finance MRV system under programme 8.

With the mentioned challenges, following recommended actions are proposed:

Recommended Actions	Alignment with national priorities
Agree on definition of climate finance (what should and should not be counted)	New
Agree on a tool or system to be used for climate finance MRV	New
Agree on ministry that will be in charge of climate finance MRV (MoNRE or MPI)	New
Strengthen MoNRE and line ministries on climate finance MRV	New

Source: Compiled by the author

¹³ Atteridge, A. (2012). Monitoring, Reporting and Verifying Climate Finance: A Framework for Transparency of Support Provided to Developing Countries. SEI Policy Brief.
<https://mediamanager.sei.org/documents/Publications/Climate/SEI-PB-2012-MRV-climate-finance.pdf>

Relevant Development Partners' support:

1. UNDP provided technical support to MoNRE on climate finance monitoring by developing a guidance note on a process to gather data on climate-related Official Development Assistance (ODA) from line ministries;
2. The FAO supported MAF in establishing of Project Management Information System (PROMIS2); and
3. The GGGI supported MPI to include climate change markers into the Official ODA database (ODAMIS) which is administered by the MPI.
4. The World Bank is supporting the Ministry of Finance to develop Charge of Account for environmental activities.

III. Private sector engagement

Private sector does carry out investment that is related to climate adaptation and mitigation, however, they may not be aware that their activities contribute to climate mitigation and/or adaptation, as the private sector still has limited awareness on climate change issues.

Currently, access to international climate funds is mainly done by the government. Some multilateral funds, GCF for example, offer a range of financing instruments to both the public and private sectors in implementing projects that are related to climate change adaptation and/or mitigation.

In order to scale up GCF's activities and de-risk the delivery of capital flows, GCF has set up the Private Sector Facility (PSF), a dedicated division designed to fund and mobilise private sector actors, including institutional investors, project sponsors and financial institutions.

PSF promotes private sector investment through concessional instruments, including low-interest and long-tenor project loans, lines of credit to banks and other financial institutions, equity investments and risk mitigators, such as guarantees, first-loss protection, and grant-based capacity-building programmes.

With the mentioned challenges, following recommended actions are proposed:

Recommended Actions	Alignment with national priorities
Increase private sector awareness of the climate change and funding opportunity	New
Develop a plan for engaging the private sector on climate change priorities.	New

Source: Compiled by the author

Relevant Development Partners' support:

1. The GGGI is active in engaging the private sector in climate change activity, e.g. GGGI has Memorandum of Understanding with the Lao National Chamber of Commerce and Industry to jointly promote green and climate technology entrepreneurship and innovation in Lao PDR.
2. The government through the cooperation among Ministry of Industry and Commerce, MPI and Ministry of Finance has developed green procurement policy; in light of this, MOIC is in the process of examine the possibility of establishing “green label” for some products and hotel with an aim to attract more private sector to involve in green and climate friendly activities.

IV. Conclusion

It could be observed with regard to planning capacity, accessing capacity and MRV capacity, that Lao PDR is at different stages depending on the area. In terms of planning capacity, there is an appropriate number of strategy and policy papers developed to guide the country on climate change adaptation and mitigation activities; and there are some efforts to identify the financial needs and source for the section as outlined in the NDC and the five-year sector plan.

In relation to accessing capacity, activities supporting direct access are ongoing. EPF submitted a proposal to the GCF to be accredited as a DAE of Lao PDR. Similar to other developing countries, Lao PDR has limited project design capacity, and limited data and information on climate change, vulnerability and impacts, adaptation and mitigation technologies. Lastly, on MRV, a strong MRV system would allow the country to understand the scale, distribution and use of support and make it possible to identify gaps in support. Strong MRV system will enhance stronger confidence with climate finance donors. Currently, there is no established MRV system for Lao PDR and MRV is the area that has received continued and systematic support. Summary rating of Climate Finance Readiness capacity for Lao PDR is in Table 1.

Table 1: Summary rating of Climate Finance Readiness capacity for Lao PDR

CF Readiness Capacity	Sub-CF Readiness Capacity	Rating
Planning Capacity	Strategic Planning	Sufficient
	Financial Planning	Partially
Accessing Capacity	Direct Access	Partially
	Project Design Capacity	Limited
	Availability of Data	Limited
MRV Capacity	MRV Mechanism	Limited

Source: Compiled by the author

List of Document Consulted

Atteridge, A. (2012). Monitoring, Reporting and Verifying Climate Finance: A Framework for Transparency of Support Provided to Developing Countries. SEI Policy Brief, <https://mediamanager.sei.org/documents/Publications/Climate/SEI-PB-2012-MRV-climate-finance.pdf>

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[https://www.un.org/ldcportal/sites/www.un.org.ldcportal/files/files/documents/2021/Oct/lao_pdr - strategic guidelines for climate financing.pdf](https://www.un.org/ldcportal/sites/www.un.org.ldcportal/files/files/documents/2021/Oct/lao_pdr_-_strategic_guidelines_for_climate_financing.pdf)

United Nations Development Programme (2012). Readiness for Climate Finance: a framework for understanding what it means to be ready to use climate finance.

Annex. The green and climate finance technical workshop of 9th National Socio-Economic Development Plan (NSED) Financing Strategy report

The green and climate finance technical workshop was organized on August 11th (day 1), Crowne Plaza, Vientiane, Lao PDR. It is one of the three technical workshops organized to collect inputs from government and development partners to the development of NSED Financing Strategy. The workshops objectives and expected deliverables are provided in Box 1.

Box 1: The workshops objectives and expected deliverables

Objectives of technical workshops

Three separate workshops will be taking place, on (1) public finance (domestic and international), (2) private finance (domestic and international), (3) green and climate finance, and social sectors finance.

The workshops' main objectives are to ensure the collaborative identification of concrete actions to finance the 9th NSED. Specifically, they will provide forums to:

Discuss main national policy objectives from the 9th NSED and National Agenda on Economic and Financial Difficulties, and other relevant policy frameworks.

Identify, discuss, and refine concrete actions to increase the volume of available development finance and/or the alignment of existing resources to national development priorities.

Expected deliverables

By the end of the workshop:

- Participants should have gained a better understanding of national financing policy objectives and have had the chance to discuss in details key actions required to achieve them. Bilateral meetings are likely to be organised to dive deeper into each agreed action.
- MPI and its technical assistance team should be in capacity to finalise actions matrices of the 9th NSED financing strategy for the INFF chapters and draft the 9th NSED financing strategy.

In the morning, the green and climate finance technical workshop was proceed with presentations on from the government on relevant national priorities, and presentations from the development partners on green public finance, then followed by group discussion on public finance for green and climate priorities. The afternoon, the workshop started with development partners presentations on green private finance and followed by group discussion on private finance for green and climate priorities. Workshop agenda is available at the end of the report.

The workshop participants are divided into three groups. In the morning sessions the group discussed on key actions for policy objective 5.3.1: the environment-climate agenda is primarily financed through sustainably increasing budget allocations, improved green budgeting for improved allocative efficiency, and the exploration of innovative public financing tools and Policy objective 5.3.2: more international climate finance is mobilised through increased readiness and strategic planning of ODA. In the afternoon session the groups discussed key actions for policy objective 5.3.3: strengthened environmental regulations and standards progressively increase the volume of domestic and international private investments in green growth.

Key actions from the group discussion are summarized as following:

Morning session:

Group 1:

- I. Domestic green/climate/environment funding source
 - a. Currently key funding sources for green/climate/environment sector are from the environmental tax from the mining and hydropower company
 - b. Other future potential funding sources include: carbon tax, land tax and building tax
- II. International green public finance
 - a. To mobilize more international green public finance should more Direct Access Entities and
 - b. Ministry of Planning and Investment (MPI) should work with and mobilized more funding from bilateral donors.
- III. Capacity building
 - a. A manual on how to select quality investment projects should be developed (UNDP is working on this)

Group 2

1. Existing investment strategies should be reviewed and ensure how they are linked to other strategies (in green and climate sector)
2. (Green and climate) related laws should be reviewed and ensure they are consistent of green and climate related policies.
3. Coordination mechanism – requirements for coordination among concerned ministries, particularly MPI, Ministry of Natural Resources and Environment (MoNRE) and Ministry of Industry and Commerce (MOIC) should be identified.
4. Green Education should be given to children as early as possible.
5. The government should materialize green and climate related activities by allocating more investment in this sector.

Group 3

1. Green Bond –is a new topic for us and we need to have more studies on this. E.g what are appropriate legal framework for this and who should issue the bond.
2. Debt for nature swaps –is also a new topic for us, we do not have any experience on it. More sectors should be involved in this topic.
3. Carbon credit - Reducing Emissions from Deforestation and forest Degradation (REDD) issue is under ministry of agriculture and forestry. This topic exists in Laos for a long time and there is a little progress on the topic, therefore we need for information on this topic.
4. Budget allocation constraints – the government has many priorities that concerned social, disaster and infrastructure issues.

Afternoon secession

Group 1:

The proposed actions include:

1. Create incentives for private sector to invest in the green and climate relation sectors by providing low interest loan.
2. The government through the cooperation of MOIC, MPI and ministry of finance has developed green procurement policy; in light of this, MOIC is in the process of examine the possibility of establishing “green label” for some products and hotel with an aim to attract more private sector to involve in green and climate friendly activities.
3. There is a need to strengthen the government capacity on implementation and monitoring of public-private partnership.
4. There should be a study on private financing options such as green banking, BIO FIN (biodiversity finance).

Group 2

1. There is a need to review the existing regulations and laws to check if there are consistent with green and climate related policies.
2. (Majority of Lao businesses are micro, small and medium enterprises (MSME), MSME has limited knowledge and information to excess to funding and in many cases they are not able to meet bank lending conditions, therefore there is a need to review bank lending condition.
3. Green Venture Capital – this concept is available in many countries, but not in Lao PDR. We should study more on this topic.
4. We need to have a clear definition on what “green investment” and “green business” is.

Group 3

1. Support more local organizations, e.g Bank of Lao PDR, to be accredited as Direct Access Entity (for an international climate finance fund)
2. There should be a clear understanding on the number of climate finance funds that current exist, and how many of them that Lao PDR is eligible to access and what are the conditions for access.

Next step

UNRC and MPI will incorporated the inputs form the discussion to the financing strategy and circulated the draft for inputs before finalizing and submitting to the government in end of September 2022.

Programme

Day 1 – Policy area 5.3 Green and climate finance		
08:00 – 08:15	Workshop opening	<ul style="list-style-type: none">Mr. Kalouna Nanthavongduangsy, Deputy Director General of PlanningMr. Matthew Johnson-Idan, Senior Economist, UNRCO
08:15 – 08:30	Structure of the workshop, expected outcomes, methodology	<ul style="list-style-type: none">Mr. Wesley Ramnauth, UNRCO Financing for Development Officer
National development priorities		
08:30 – 08:40	<ul style="list-style-type: none">9th NSEDP Outcome 4 and green growth strategy	<ul style="list-style-type: none">Department of Planning, MPI
08:40 – 08:50	<ul style="list-style-type: none">NDCs and draft climate change strategy	<ul style="list-style-type: none">Department of Climate Change, MoNRE
Part 1 – Green public finance		
08:50 – 09:00	<ul style="list-style-type: none">Green public finance policy objectives	<ul style="list-style-type: none">UNRCO/UNDP
09:00 – 09:10	<ul style="list-style-type: none">Debt for nature swaps	<ul style="list-style-type: none">Mr. David Boland, UNDP consultant
09:10 – 09:20	<ul style="list-style-type: none">Green budgeting	<ul style="list-style-type: none">EU
09:20 – 09:30	<ul style="list-style-type: none">Green bonds, carbon credits, and green ODA	<ul style="list-style-type: none">GGGI
09:30 – 09:40	<ul style="list-style-type: none">Climate finance readiness	<ul style="list-style-type: none">Ms. Latsany Phakdisoth, UNDESA consultant
09:40 – 09:55	<ul style="list-style-type: none">Short break	
09:55 – 11:10	<ul style="list-style-type: none">Group discussion on public finance for green and climate priorities	<ul style="list-style-type: none">Facilitators include: <i>DOP, Department of Planning and Climate Change, MoNRE, Department of Planning, MAF, UNRCO, UNDP, UNEP, UNDESA, EU, GGGI</i>
11:10 – 12:10	<ul style="list-style-type: none">Plenary discussion	<ul style="list-style-type: none">Mr. Kalouna Nanthavongduangsy, Deputy Director General of PlanningMr. Matthew Johnson-Idan, Senior Economist, UNRCO
12:30 – 13:30	<ul style="list-style-type: none">Lunch	
Part 2 – Green private finance		
13:30 – 13:40	<ul style="list-style-type: none">Green private finance policy objectives	<ul style="list-style-type: none">UNRCO/UNDP
13:40 – 13:50	<ul style="list-style-type: none">Green private finance overview (Banks, Insurance, Stock Exchanges, Glasgow Financial Alliance)	<ul style="list-style-type: none">Ms. Elodie Feller, UNEP Finance Initiative
13:50 – 14:00	<ul style="list-style-type: none">Mobilising green investments and improving environmental standards	<ul style="list-style-type: none">UNDP
14:00 – 14:10	<ul style="list-style-type: none">EU facilities for leveraging private sector investment	<ul style="list-style-type: none">EU
14:10 – 14:20	<ul style="list-style-type: none">Green entrepreneurship, green venture capital and green banking	<ul style="list-style-type: none">GGGI
14:20 – 14:30	<ul style="list-style-type: none">Biodiversity and resilience financing: comparative perspectives	<ul style="list-style-type: none">OECD

14:30 – 14:40	<ul style="list-style-type: none"> BIOFIN 	<ul style="list-style-type: none"> UNDP BIOFIN
14:40 – 14:55	<ul style="list-style-type: none"> Short break 	
14:55 – 16:00	<ul style="list-style-type: none"> Group discussion on private finance for green and climate priorities 	<ul style="list-style-type: none"> Facilitators include: <i>Department of Planning (MPI), Department of Planning and Climate Change, MoNRE, Department of Planning, MAF, UNRCO, UNDP, UNEP, UNDESA, EU, GGGI</i>
16:00 – 17:00	<ul style="list-style-type: none"> Plenary discussion 	<ul style="list-style-type: none"> Mr. Kalouna Nanthavongduangsy, Deputy Director General of Planning Mr. Matthew Johnson-Idan, Senior Economist, UNRCO
17:00 – 17:05	<ul style="list-style-type: none"> Closing 	<ul style="list-style-type: none"> Mr. Kalouna Nanthavongduangsy, Deputy Director General of Planning Mr. Matthew Johnson-Idan, Senior Economist, UNRCO