



Lao People's Democratic Republic

Peace Independence Democracy Unity and Prosperity

**Lao PDR Green Climate Fund Country
Programme**

2021 - 2023

Ministry of Natural Resources and Environment

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FOREWORD

Climate change is a global challenge of our time that requires prompt actions to protect environmental and human health secure the future for our children, grandchildren and many generations to come. While the contribution of Lao People's Democratic Republic (Lao PDR) to global greenhouse gas emissions is relatively small, the country has been experiencing the impact of climate change, with more frequent storms and flooding events, increased drought episodes, and intense heat in urban areas. These hazards threaten socio-economic development gains and our path of success to achieving the Sustainable Development Goals.

Recognizing the threats of climate change, Lao PDR has joined the international community by ratifying the United Nations Framework Convention on Climate Change in 1995, the Kyoto Protocol in 2003 and more recently, the Paris Agreement in 2016, showing our full support and commitment to the fight against climate change. Domestically, various policy and regulatory frameworks have been formulated to guide the country's actions on mitigation and adaptation efforts, and climate change has been mainstreamed into national and sectoral development strategies and plans.

Meeting the targets for mitigating greenhouse gas emission and climate change adaptation identified in the Nationally Determined Contribution (NDC) and other climate change-related strategies will require mobilization of a significant amount of climate finance from a wide variety of sources, including international climate finance. The Green Climate Fund (GCF) is a critical source of international climate finance for helping Lao PDR advance our actions and desires to achieve low-carbon and climate-resilient development. It is well established that GCF funding can supplement and leverage government budget, private sector and other international climate finance sources.

The Ministry of Natural Resources and Environment has been officially appointed as the national designated authority (NDA) of the GCF, which plays an important role in coordinating and communicating the country's strategic priorities through the Lao PDR GCF Country Programme. The Country Programme was formulated through a participatory and consultative process with various stakeholders and submitted to the GCF in early 2019. In the effort to keep the Country Programme regularly updated to reflect changes and new priorities, we took a similar approach over the past eight months, which involved synthesizing national and sectoral development strategies, policies and action plans and engaging in intensive stakeholder consultations to identify and confirm priorities with a view to access GCF support during the 2021-2023 period.

The update of this Country Programme is timely as the Government of Lao PDR revised and submitted its NDC and completed its planning for the next Five-year National Socio-economic Development Plan (NSED) 2021-2025. Priorities identified in this Country Programme are well aligned with mitigation and adaptation objectives set in the revised NDC as well as with the endorsed 9th NSED. The update was led by the NDA and made possible through the GCF Readiness and Preparatory Support Programme being delivered by the Global Green Growth Institute (GGGI).

The Government of Lao PDR highly appreciates the support received from the GCF, including two investment projects approved in 2019 and readiness and preparatory support projects with a total financing

of around US\$31.6 million disbursed and committed to supporting climate actions in Lao PDR.. We strongly hope that the updated Lao PDR GCF Country Programme 2021-2023 can demonstrate our priorities and untapped potential for low-carbon and resilient development and our efforts to harmonize the use of GCF and GEF resources as well as other international funding mechanisms. Finally, we look forward to financial and technical resources as well as a strong partnership from the GCF to implement our climate actions and contribute to global efforts in tackling climate change.

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GCF National Designated Authority for Lao PDR

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ABBREVIATIONS

ADB	Asian Development Bank
AFD	Agence Française de Développement
ASEAN	Association of Southeast Asian Nations
CDP	Committee for Development Policy
CO ₂	Carbon Dioxide
CO _{2eq}	Carbon Dioxide Equivalent
DAE	Direct Access Entity
DCC	Department of Climate Change
DPF	Department of Planning and Finance
EIB	European Investment Bank
EPF	Environment Protection Fund
FAO	Food and Agriculture Organization
GCF	Green Climate Fund
GDP	Gross Domestic Product
GEF	Global Environment Facility
GG	Gigagram
GGGI	Global Green Growth Institute
GIS	Geographic Information System
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GNI	Gross National Income
GOL	Government of Lao PDR
GW	Gigawatt
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IUCN	International Union for Conservation of Nature
JICA	Japan International Cooperation Agency
KDB	Korea Development Bank
KfW	German Development Bank for Reconstruction/Kreditanstalt für Wiederaufbau
KOICA	Korea International Cooperation Agency
kt	Kiloton
Lao PDR	Lao People's Democratic Republic
LDC	Least Developed Country
LDCF	Least Developed Countries Fund
LNCCI	Lao National Chamber of Commerce and Industry
LUCF	Land-use Change and Forestry
LuxDev	Luxembourg Agency for Development Cooperation
MAF	Ministry of Agriculture and Forestry
MBT	Mechanical Biological Treatment
MEM	Ministry of Energy and Mines
MOES	Ministry of Education and Sports
MOF	Ministry of Finance
MOH	Ministry of Health

MOIC	Ministry of Industry and Commerce
MONRE	Ministry of Natural Resources and Environment
MPI	Ministry of Planning and Investment
MPWT	Ministry of Public Works and Transport
MW	Megawatt
NAP	National Adaptation Plan
NDA	National Designated Authority
NDC	Nationally Determined Contribution
NEC	National Environment Committee
NSEDP	National Socio-economic Development Plan
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PONRE	Provincial Department of Natural Resources and Environment
REDD+	Reducing Emissions from Deforestation and Forest Degradation
RPSP	Readiness and Preparatory Support Programme
SCI	Save the Children International
TWG	Technical Working Group on Climate Change
UN-Habitat	United Nations Human Settlements Programme
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFCCC	United Nations Framework Convention on Climate Change
UNIDO	United Nations Industrial Development Organization
USAID	United States Agency for International Development
WFP	World Food Programme
WHO	World Health Organization
WWF	World Wide Fund for Nature

EXECUTIVE SUMMARY

Established in 2010, the Green Climate Fund (GCF) is a multilateral climate fund operating under the United Nations Framework Convention on Climate Change to support the efforts of developing countries in limiting their greenhouse gas emissions and adapting to climate change. The GCF Country Programme presents the country's climate change priorities and pipeline development with the GCF. Lao People's Democratic Republic (Lao PDR) submitted its first Country Programme in 2019 as a living document in which updates can be made over time to reflect emerging trends and new developments, including priorities for mitigation and adaptation.

Based on the GCF Country Programme Guidelines, updates have been made to the Lao PDR GCF Country Programme to take into consideration new policy development and priorities related to climate change. Firstly, Lao PDR has revised its Nationally Determined Contribution (NDC) and put forth more ambitious targets to be achieved by 2030. They include setting the course for Lao PDR to achieve net-zero emission by 2050 on the condition of increased additional support. Secondly, the planning cycle for the Ninth Five-year National Socio-economic Development Plan (NSED) 2021-2025 has been completed, with climate change and green growth being reflected in the plan. As a result, sectors have developed their next five-year plan in line with the upcoming NSED. Thirdly, many policies, laws and decrees have been drafted, approved, amended and updated over the past year. These developments provide a strategic framework for identifying the country's priorities for climate change mitigation and adaptation.

The purpose of updating the Country Programme is to engage and coordinate with various stakeholders to identify key areas of priority for accessing the GCF in Lao PDR. Led by the national designated authority (NDA) of the GCF, the Country Programme has been updated through a participatory and consultative process with relevant stakeholders using guiding principles such as alignment with national and sectoral goals, opportunities for multi-sectoral interventions, and opportunities to leverage other funds and private sector investment. Moreover, a balanced view on the need for adaptation and mitigation interventions has been incorporated. As a result, the updated Country Programme identifies five priority areas in relation to the GCF as follows:

1. Enhancing climate-resilient farming and communities
2. Supporting an increase and maintenance of national forest cover
3. Promoting emission reductions in the energy sector
4. Promoting low-carbon and climate-resilient urban development and transportation
5. Enhancing climate resilience in the public health sector

The Country Programme sets out the current pipeline of investment and readiness projects including investment project proposals that have already been submitted to the GCF but not yet approved. The Country Programme is a living document and regular updates will be made to reflect new policies, emerging development and priorities needed to achieve low-carbon and climate-resilient development.

1. INTRODUCTION

1.1 Background

Lao PDR is a landlocked country and classified as a Least Developed Country (LDC). Lao PDR is particularly vulnerable to climate change impacts, particularly floods and droughts, due to its high dependence on climate-sensitive natural resources and low adaptive capacity. Forest cover has declined from 70% of total land area in 1943 to 41.5% in 2005,¹ resulting in Lao PDR changing from being a net sink to a net emitter. In response, the Government of Lao PDR has committed to increasing the proportion of forest to 70% of the total land area, with the latest figure showing that forest cover was 58% in 2015.²

Lao PDR's long-term national development priorities are to transition to an upper-middle-income country by 2030, ensure green economic growth that prioritizes the sustainable use of natural resources, and strengthen resilience to natural disasters. This is summarized in Lao PDR's key strategic development policies:

- Lao PDR's Vision 2030 prioritizes innovative, green and sustainable economic growth.
- Lao PDR's Ten-year Socio-economic Development Strategy 2016-2025 consists of seven strategies, one of which focuses on "green economic growth", and another on "sustainable and green environment with effective and efficient use of natural resources". Lao PDR's 9th National Socio-economic Development Plan (NSED) 2021-2025³ has three overall directions to (1) Continue to make comprehensive preparations to graduate from the Least Developed Country status, ensuring employment and improved living standards of the people with inclusive, equal and fair access to benefits, ensuring political stability, building a peaceful, united, democratic, just, civilised and orderly society, achieving socio-economic development by ensuring a balance between economic, social and environmental development, and effectively implementing the National Green Growth Strategy and the Sustainable Development Goals 2030; (2) Achieve breakthroughs in overcoming weaknesses, shortcomings, and obstacles to development, addressing financial and monetary difficulties effectively, and increasing preparedness to deal with emerging challenges, such as the impact of COVID-19, climate change, and regional and international uncertainties; and (3) develop quality human resources as an important factor in promoting socio-economic development, create quality economic growth by reforming the economic structure in each sector and locality, enhance the use of national potentials by using appropriate information and communication technologies (ICT) to create opportunities and support production of goods and services, as well as the engine for growth to step by step build a strong foundation for economic strength and self-sufficiency. The 9th NSED has six outcome areas, including the fourth outcome area: "environmental protection and disaster risk reduction".
- Lao PDR's National Green Growth Strategy 2030 calls for: "economic growth that is efficient, clean, comprehensive, inclusive, fair and resilient to climate change and global economic uncertainties".

¹ Government of Lao PDR, Lao PDR Second National Communication on Climate Change (2013).

² Government of Lao PDR, Draft Updated Nationally Determined Contribution of Lao PDR (2020).

³ Government of Lao PDR, the 9th Five-Year National Socio-Economic Development Plan 2021 – 2025

Figure 1. Map of Lao PDR



The Government of Lao PDR is strongly committed to the implementation of the 2030 Agenda for Sustainable Development and achievement of the Sustainable Development Goals by localizing and integrating them into the 8th NSEDP and 9th NSEDP as well as sectoral plans. In 2016, Lao PDR adopted its own SDG 18 namely “Lives safe from unexploded ordnance (UXO)” to signify the impacts of UXO contamination on national development. With regard to SDG 13, initiatives have been undertaken to address climate change issues such as: (1) on-going revision of the National Strategy on Climate Change and completed the revision of the Nationally Determined Contribution (NDC); (2) completed climate vulnerability assessment and risk mapping in 18 provinces; (3) initiated the National Adaptation Planning (NAP) process; (4) initiated and prepared the work on building resilience of urban populations with ecosystems-based solutions in six cities of six provinces; and (5) completed drafting the emergency response plan 2021 for the Natural Resources and Environment sector.

1.2 Country Profile

This section provides a brief overview of Lao PDR.

Geographical location	Southeast Asia
Land area	236,800 sq. km
Population	7 million (estimated in 2018) with an average growth of 2.1% per year
Type of climate	Lao PDR has a tropical monsoon climate, with a rainy season from May to September (with an average annual precipitation of 1,300-3,000mm) and a dry season from late October to April. The average temperature is around 20°C in the north eastern mountainous areas and the plateaus and 25 - 27°C in the plains.

National greenhouse gas emissions profile (base year 2000)	Based on the Lao PDR Second National Communication on Climate Change, the national greenhouse gas emissions by sector measured in gigagram of carbon dioxide equivalent (Gg CO _{2eq}) are as follows:				
	Sector	Emission (Gg CO_{2eq})	Sink (Gg CO_{2eq})	Net Total (Gg CO_{2eq})	%
	Energy	1,039.76	0	1,039.76	2
	Industrial process	48.41	0	48.41	0.1
	Agriculture	7,606.34	0	7,606.34	15
	LUCF	43,963.25	2,046.73	41,916.62	83
	Waste	131.88	0	131.88	0.3
	Total	52,789.64	2,046.73	50,742.91	100
Key emitting sectors	LUCF (83%), agriculture (15%), energy (2%)				
Key climate risks	Floods, epidemics, storms, drought				
Key vulnerable sectors	Agriculture, urban development, transport, health, water resources				
National Designated Authority to the GCF	Department of Planning and Finance, Ministry of Natural Resources and Environment				
National Accredited Entities	Currently none. The Environment Protection Fund is applying for accreditation to be the first direct access entity for Lao PDR				
Accredited entities and delivery partners active/present in Lao PDR	ADB, AFD, EIB, FAO, GIZ, IFAD, IFC, IUCN, JICA, KDB, KfW, LuxDev, SCI (Australia), UNDP, UNEP, UNIDO, World Bank, WFP, WWF GGGI, WHO, UN-Habitat				

1.3 Socio-Economic Development Context

Lao PDR is a lower-middle-income country and has the long-term goal to become an upper-middle-income country by 2030. Lao PDR is one of the fastest-growing economies in Southeast Asia (with an average annual growth rate of 7.9% during 2011-2015) but faces a slowdown in the last couple of years, with the economy growing at an average annual rate of 5.8% between 2016 and 2019. Strong growth has been observed in the industry sector, especially in the hydropower and construction sub-sectors, while the largest share of gross domestic product (GDP) comes from the service sector. GDP per capita increased from US\$1,217 in 2011 to US\$2,654 in 2019.⁴

⁴ Government of Lao PDR, Third Draft of 9th NSEDP 2021-2025 (September 2020).

Poverty rates had declined steadily from 23.2% in 2012-2013 to 18.3% in 2018-2019.⁵ However, the majority of the Lao population still lives in rural areas relying on the natural resources sector for livelihood opportunities. Access to electricity, schools, roads and healthcare has improved significantly, hence enhancing many Lao citizens' living standards. As a result, in 2018 Lao PDR passed the two thresholds for gross national income (GNI) per capita and Human Assets Index, and became eligible for graduating from LDC status, provided current progress is sustained until the 2021 review.

Table 1. Lao PDR LDC graduation data over time⁶

CDP LDC review year ⁷	GNI per capita, 3-year average (US\$)	Human Asset Index	Economic Vulnerability Index
2006	350	54.0	57.9
2009	510	62.3	59.9
2012	913	61.4	37.1
2015	1,232	60.8	36.2
2018	1,996	72.8	33.7

The components of the Human Asset Index are detailed in Table 2, illustrating progress across all its dimensions, especially those related to education. For example, since 2006, adult literacy increased from 69% to 85% of the population, and the gross secondary enrolment ratio rose from 44% to 62%.

Table 2. Components of the Human Asset Index⁸

Committee for Development Policy review year	Health		Education	
	Prevalence of undernourishment in total population (%)	Under 5 mortality (per 1,000)	Literacy rate	Gross secondary enrolment ratio
2006	22.0	140.6	68.7	44.0
2009	19.0	84.4	73.2	43.5
2012	22.0	56.8	72.7	44.7
2015	21.8	71.4	72.7	50.5
2018	17.1	63.9	84.7	61.7

⁵ Ibid.

⁶ United Nations, Lao PDR Department of Economic and Social Affairs, Committee for Development Policy Secretariat.

⁷ Note that the Committee for Development Policy (CDP) review dates do not directly align with data for that specific year. They typically refer to the most recently available data point for each indicator. This means that the increases between the 2015 and 2018 reviews are not necessarily representative of changes during the 8th NSEDP period. For example, the literacy rate measured during the 2018 review for Lao PDR is from 2015.

⁸ Ibid.

As a result, Lao PDR's HDI value for 2019 stands at 0.613, which puts the country in the medium human development category and positions it at 137 out of 189 countries and territories. Over the last three decades, Lao PDR's HDI value increased from 0.405 to 0.613, showing an increase of 51.4%.⁹

Despite growth and development gains, challenges persist. Traditionally, economic growth in Lao PDR is dependent on the exploitation of natural resources, which places increased pressure on the environment such as forest areas, biodiversity and water resources. The majority of the Lao people are engaged in the agriculture sector for their livelihood, but growth in this sector has slowed due partly to impacts from natural and climate-related disasters. Malnutrition continues to be a critical issue among children under five with more than 33% of children stunted. There are, however, regional disparities, with 8 out of 18 provinces showing stunting rates above 40%.

More recently, the COVID-19 pandemic has affected many sectors of the economy, especially tourism-related sectors including transport, food and accommodation, and retail trade. It is expected that the pandemic will further intensify the country's macroeconomic vulnerabilities, with economic growth projected to be around 3.3% in 2020.¹⁰ In February 2021, the unemployment rate was reported at 23.4%, a significant increase from the usual rate of 2% and a reflection of the harm caused by the Covid-19 pandemic.¹¹ As a result, the impact of the COVID-19 pandemic may delay Laos's LDC graduation originally expected in 2024.

1.4 Climate Change in Lao PDR

Lao PDR has a tropical monsoon climate, with a rainy season from May to September (with an average annual precipitation of 1,300 - 3,000 mm) and a dry season from late October to April. Floods typically occur during the rainy season when monsoon rains accumulate in the Upper Mekong Basin, while droughts occur during the dry season. The average temperature is around 20°C in the northeastern mountainous areas and the plateaus and 25 - 27°C in the plains.

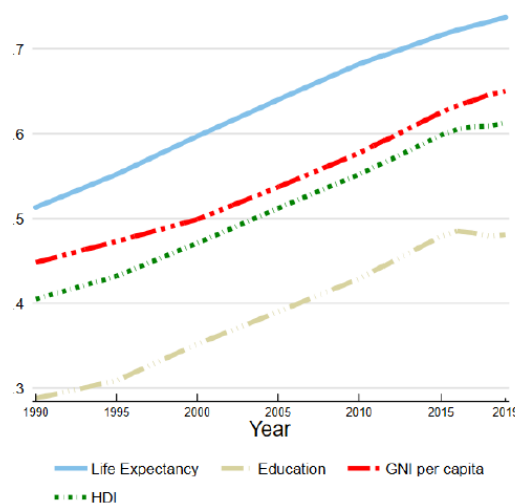


Figure 2. Trends in Lao PDR's HDI

⁹ UNDP, Human Development Report (2020) – Briefing note for countries on the 2020 Human Development Report

¹⁰ Vientiane Times Newspaper, Issue 216, November 5, 2020.

¹¹ Vientiane Times Newspaper, Issue 39, February 25, 2021.

Historical trends show that average annual temperatures have increased, and total annual precipitation has also increased across most part of the country. Moreover, a wide range of potential future changes are projected to occur over the next 20 to 50 years:¹²

- **Model projections indicate a fairly quick and drastic change in the spatial distribution of bioclimatic conditions** across the northern and mountainous regions of the country, with significant warming and modification of rainfall patterns predicted for 2030, and more substantial shifts in this general direction by 2060.
- **Temperatures are projected to increase** across the country and in the Lower Mekong Basin, and across seasons. The only real uncertainty is the magnitude of the increase and how quickly it will occur. By 2060, the average annual basin-wide increase could be as low as 0.4°C or as high as 3.3°C depending on the global emissions trajectory and pattern of changes that follow.
- **Rainfall could increase or decrease with significant variation in the magnitude of change and the location of impacts.** The average change in rainfall by 2060 under the dry and high emission scenario is projected to be -16%, and under the wet and high emission scenario, up to +17% in most part of the country.

1.4.1 Greenhouse Gas Profile

Historically, Lao PDR's contribution to global greenhouse gas emissions was negligible due to its small economy and low energy consumption levels. Using 1990 data for the First National Communication to the United Nations Framework Convention on Climate Change (UNFCCC), Lao PDR was found to emit 24,200Gg CO_{2eq} while 121,614Gg CO_{2eq} was sequestered in the forestry sector. This means Lao PDR was a net sequester in 1990¹³ because of abundant forest cover and minimal economic development activities. However, the trend changed rapidly within a 10-year period and by 2000, Lao PDR became a net emitter. In 2000, Lao PDR emitted a total of 52,790Gg CO_{2eq} and removed about 2,047Gg CO_{2eq} – hence, emitting a net total of 50,743Gg CO_{2eq}.¹⁴ Emissions more than doubled with the majority of greenhouse gas emissions (83%) coming from land-use change and forestry (LUCF), especially forest losses due to timber harvesting, shifting cultivation, forest fire, forest encroachment and development projects. The Third National Communication using 2010 data is being finalized. It is expected that greenhouse gas emissions from the industrial process are expected to increase. In 1990, there was only one cement plant, and now there are 15 cement plants throughout the country in 2020.

1.4.2 Climate Change Hazards

The frequency of extreme weather events in Lao PDR increased from about once every two years before 1992 to every year or even twice a year after 1992. Approximately three-fourths of the disasters in Lao PDR have been climate-related. From 1966 to 2009, flooding was the most frequently occurring climate change hazard, followed by epidemics such as dengue, cholera, diarrhoea and avian influenza (H5N1), and storms and drought.

¹² Mekong River Commission, Mekong Climate Change Adaptation Strategy and Action Plan, November 2017, <http://www.mrcmekong.org/assets/Publications/MASAP-book-28-Aug18.pdf>.

¹³ Government of Lao PDR, Lao PDR First National Communication on Climate Change (2000).

¹⁴ Government of Lao PDR, Lao PDR Second National Communication on Climate Change (2013).

Most storms are followed by severe flooding, which has become more intense and frequent recently, threatening livelihoods almost every year.¹⁵ In the mountainous areas of northern Lao PDR, flash floods are common. Flooding has an adverse impact on housing, health, education, industrial activities and infrastructure (transportation, water and sanitation). The total damage and losses from 2018 flooding events that affected over 600,000 people across the country were estimated at US\$371 million or 2% of GDP.¹⁶ In 2019, six provinces experienced tropical storms and depressions resulting in widespread flooding, affecting more than 764,000 people,¹⁷ and causing loss of lives, disruption to livelihoods and damage of properties. During the rainy season of 2020, a number of localized flooding events were reported throughout the country. For instance, Xayaboury province was flooded in early August following strong winds and heavy rains as Storm Sinlaku moved into Lao PDR. Initial assessment of losses from this event was estimated at LAK12 billion (US\$1.1 million).¹⁸ In mid-October, Lao PDR was hit by Tropical Storm Nangka resulting in serious flooding in Savannakhet province, which forced over 15,000 people to relocate to temporary shelters.¹⁹

The risk of drought is equally high with potentially harmful effects on water resources, agricultural production and food security, hydroelectric power generation, and human health. Severe drought occurred in 1996, 1998 and 2003. It is estimated that 6 out of 17 provinces are already at high risk of drought. The delayed start of the rainy season and prolonged mid-season dry spells affect agricultural production, especially rice cultivation, and these events tend to happen more frequently.

Significant warming is expected in the whole Mekong region and across seasons. Changes in temperature and precipitation will trigger variations in hydrology and deterioration of flood conditions, and perturbations for biodiversity, ecosystems and ecosystems services. Rice and maize yields are anticipated to be negatively impacted, so is hydropower production, navigation, roads, water supply infrastructure and food security.²⁰

1.4.3 Climate Finance Landscape

The first Nationally Determined Contribution (NDC) of 2015 estimates that US\$1.4 billion and US\$0.97 billion would be needed to implement identified mitigation and adaptation policies and actions, respectively, through various sources, including domestic resources. Unfortunately, climate finance is not well defined for Lao PDR as to what counts and does not counts. Moreover, there is no established climate finance monitoring and reporting mechanism to systematically track and report on funds committed to supporting climate-related projects in the country.

Nevertheless, an attempt was made to extract data from the Organisation for Economic Co-operation and Development (OECD) Creditor Reporting System database from 2015 to 2018 to track climate finance flow to Lao PDR through reporting from donors. The results show that around US\$619 million were committed

¹⁵ Government of Lao PDR, Lao PDR First Nationally Determined Contribution (2015).

¹⁶ Government of Lao PDR, Post-Disaster Needs Assessment: 2018 Floods (2018).

¹⁷ AHA Centre, Situation Update: Tropical Storm Podul and Tropical Depression Kajiki, October 14, 2019, https://reliefweb.int/sites/reliefweb.int/files/resources/AHA-Situation_Update-no6-LaoPDR_TS-PODUL-TD-KAJIKI.pdf.

¹⁸ Vientiane Times Newspaper, Issue 150, August 5, 2020.

¹⁹ Vientiane Times Newspaper, Issue 207, October 23, 2020.

²⁰ Mekong River Commission, Mekong Climate Change Adaptation Strategy and Action Plan, November 2017, <http://www.mrcmekong.org/assets/Publications/MASAP-book-28-Aug18.pdf>.

supporting climate change adaptation and mitigation activities in the country, with a large majority of funding received as official development assistance (ODA) grants.²¹

Figure 3. Annual climate change commitments to Lao PDR from 2015 to 2018 through ODA

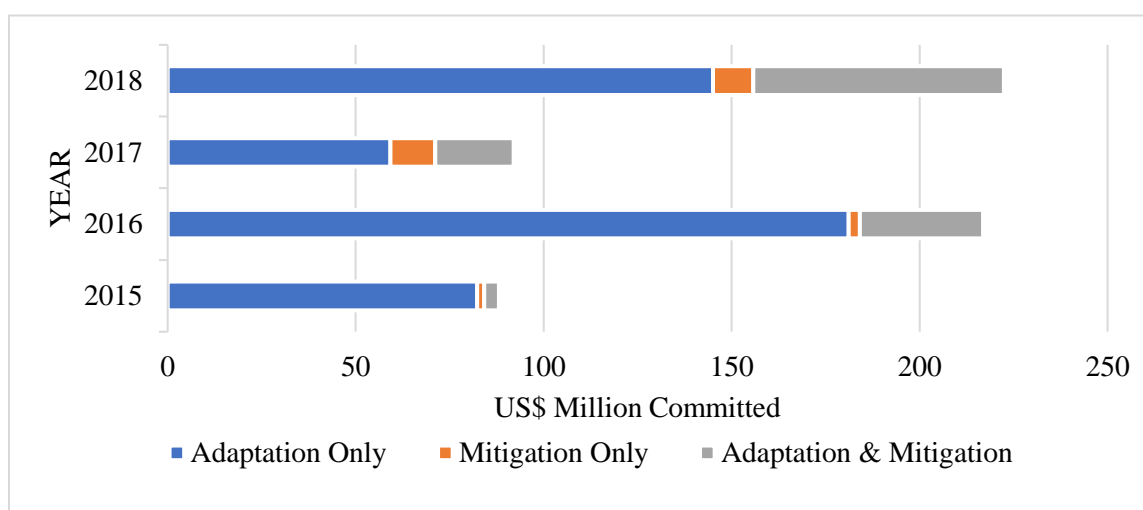
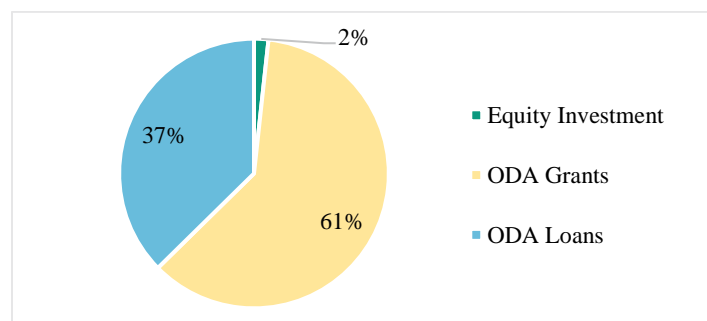


Figure 2 shows that the bulk of climate-related financing support has been targeted at adaptation measures since Lao PDR is vulnerable to the impacts of climate change and building resilience is a priority. Adaptation initiatives have mainly been in water supply, sanitation, and agriculture (accounting for more than half of the adaptation finance), while transport, forestry, and waste management and disposal have made up half of the mitigation finance. Due to its LDC status, ODA grants have accounted for more than 60% of the financial support for climate change projects (Figure 3). Most of the ODA loan projects have been related to infrastructure and livelihood development, including roads, large water supply, electric power transmission and distribution, and agriculture. Interestingly, equity investment has also been reported, mainly for forest plantation and the development of renewable energy.

Figure 4. Climate finance flow to Lao PDR from 2015 to 2018 by financial instruments



²¹ OECD Stat: <https://stats.oecd.org/>. Retrieved on May 28, 2020.

It should be noted that Figures 2 and 3 do not include bilateral cooperation outside of OECD countries that may potentially be counted as climate finance, for instance, assistance or investments from China. Some cooperation and investment projects with China include climate change outcomes, such as the construction of a low CO₂ emissions demonstration area in the economic zone and the Lao-China Railway. Also, the data used has been extracted from the OECD database and is challenging to validate locally. For a more systematic reporting of climate finance, the Ministry of Natural Resources and Environment (MONRE) is currently in discussion with the Ministry of Planning and Investment (MPI) to incorporate climate tagging into the ODA Management Information System²² to monitor climate finance through ODA support to Lao PDR from a recipient perspective.

1.5 Climate Change Policy Response

Lao PDR's climate change challenges are recognized in Lao PDR's key development strategies and plans. Over the last decade, many climate change strategies, action plans, and legislation have been developed to guide and drive Lao PDR's response to climate change. Since 2011, climate change has been integrated into the NSEDPs (more specifically, the 7th NSEDP 2011-2015 and the 8th NSEDP 2016-2020). The 9th NSEDP 2021-2025 includes an outcome on environmental protection and disaster risk reduction. Under this outcome, there are three outputs on (1) sustainable natural resource use and management, (2) green growth and climate action, and (3) disaster prevention, control, and recovery.

1.5.1 Legal and Regulatory Framework

Lao PDR ratified the UNFCCC in 1995 and the Kyoto Protocol in 2003. As a party to the Convention, Lao PDR submitted the First National Communication in 2000, the National Adaptation Programme of Action in 2009, the National Strategy on Climate Change in 2010 with an action plan for 2013-2020, and the Second National Communication in 2013. Lao PDR plans to submit its Third National Communication in 2021.

In 2015, Lao PDR passed a national law on its first NDC, making it the first country in the Association of Southeast Asian Nations (ASEAN) and 26th country in the world to ratify the Paris Agreement under the UNFCCC.²³ Against the targets in the first NDC, only one mitigation target has been achieved by 2020, which is to make electricity available to 90% of the households by the year 2020. To date, 93.7% of the total population has access to electricity. Moreover, good progress has been made on expanding and using large-scale hydroelectricity, so this target has also been achieved. All other targets, however, are not on track.

Table 3 Status of 2015 NDC mitigation measures ²⁴

#	2015 NDC Measure	Horizon	Progress
M1	Increase forest cover to 70% land area	2020	Not achieved
M2	• 30% RE excluding large hydro	2025	Not on track
	• Share of biofuels to meet 10% of transport fuels	2025	Not on track
M3	90% households electrified	2020	Achieved

²² ODA Management Information System, <http://www.oda-mis.gov.la>

²³ UNFCCC, Paris Agreement – Status of Ratification, <https://unfccc.int/process/the-paris-agreement/status-of-ratification>.

²⁴ Government of Lao PDR, Updated Nationally Determined Contribution of Lao PDR (May, 2021).

M4	Transport NAMA	2025	Not started
M5	• Expansion of large hydro to 5,500 MW (2020)	2020	Achieved
	• 20,000 MW (2030)	2030	On track
M6	Climate change action plans	Not available	On track

In 2020, the country updated its NDC to identify more ambitious targets in terms of greenhouse gas emission reduction efforts that could position the country on a net-zero emission pathway by 2050 (provided additional financial support is secured) (Figure 4). The revised NDC brings forward some existing targets from the 2015 NDC, and extends to new sectors to reflect ongoing development and potential areas for emission reductions. Unlike the first NDC, the 2020 NDC includes mitigation targets for both unconditional and conditional scenarios (Tables 3 and 4).

Figure 5. GHG emissions scenarios from all sectors²⁵

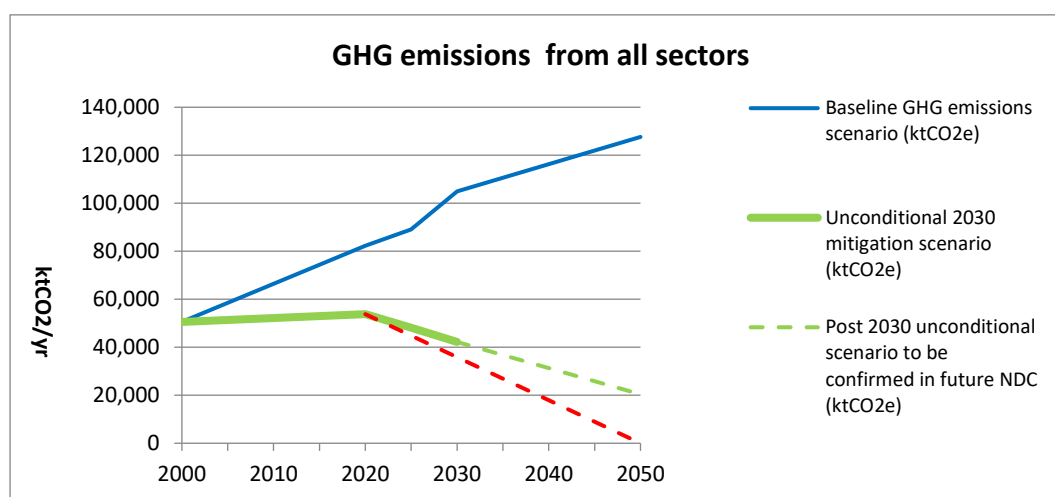


Table 4. 2030 unconditional mitigation targets set in the 2020 NDC of Lao PDR²⁶

Sector	Mitigation target (2020-2030)	Average abatement between 2020 and 2030 (ktCO ₂ eq/year)
LUCF	Reduced emissions from deforestation and forest degradation	1,100
Energy		
Hydropower	13GW total hydropower capacity (domestic use and export) in the country	2,500

²⁵ Government of Lao PDR, Updated Nationally Determined Contribution of Lao PDR (May, 2021).

²⁶ Ibid

Energy efficiency	Introduction of 50,000 energy efficient cookstoves	50
Transport	• New bus rapid transit system in Vientiane Capital and associated non-motorized transport component	25
	• Lao-China Railway	300

Achieving sectoral unconditional targets alone means that Lao PDR could reduce emissions by around 60% compared to the baseline scenario (in 2000). With increased levels of financial support from developed country parties (with estimated financing needs of US\$4,762 million), Lao PDR could achieve even higher emission reductions (Table 4).

Table 5. 2030 conditional mitigation targets set in the 2020 NDC of Lao PDR²⁷

Sector	Mitigation measure (2020-2030)	Average abatement between 2020 and 2030 (ktCO _{2eq} /year)
LUCF	Increased forest cover to 70% of land area (i.e., 16.58 million hectares)	45,000
Energy		
Other renewables	Solar and Wind: 1GW total installed capacity in the country	100
	Biomass: 300MW total installed capacity in the country	84
Transport	30% electric vehicle penetration for two-wheelers and passenger cars in national vehicle mix	30
	Biofuels to meet 10% of transport fuels	29
Energy efficiency	10% reduction of final energy consumption compared to business-as-usual scenario	280
Agriculture	50,000 hectares adjusted water management practices in lowland rice cultivation	128
Waste	Implementation of 500 tons/day sustainable municipal solid waste management project	40

Adaptation objectives have also been updated with a new sector added to include measures that could reduce risks and build long-term resilience, especially using nature-based solutions (Table 5).

Table 6. Long-term adaptation objectives in key sectors set in the 2020 NDC of Lao PDR²⁸

²⁷ Ibid.

²⁸ Ibid.

Sector	Objectives
Agriculture	<ul style="list-style-type: none"> Promote climate resilience in farming systems and agriculture infrastructure Promote appropriate technologies for climate change adaptation, including nature-based solutions and circular economy solutions
LUCF	<ul style="list-style-type: none"> Promote climate resilience in forestry production and forest ecosystems, including in buffer zones of protected areas and other forested areas Promote technical capacity in the forestry sector for managing forests for climate change adaptation Promote integrated land-use planning, and natural resources and environmental management
Water Resources	<ul style="list-style-type: none"> Strengthen water resource information systems Manage watersheds and wetlands for climate change resilience Increase water resource infrastructure resilience to climate change, including through nature-based solutions Strengthen early warning systems in a timely manner
Transport and Urban Development	<ul style="list-style-type: none"> Increase the resilience of urban development and infrastructure to climate change, including through the use of green infrastructure and nature-based solutions Promote ecosystem-based adaptation solutions
Public Health	<ul style="list-style-type: none"> Increase the resilience of public health infrastructure and water supply system to climate change Improve public health services for climate change adaptation and coping with climate change-induced impacts
Energy	<ul style="list-style-type: none"> Build resilience to climate change in the hydropower sector through improved dam safety regulations and guidelines Strengthen technical capacity to use new and innovative technologies to enhance climate resilience and sound management in the energy sector Promote multipurpose use of reservoirs to enhance resilience of surrounding communities and maximize benefits for other sectors

Short-term targets for adaptation measures in the 2020 NDC of Lao PDR are focused on mainstreaming climate change into sectoral strategies and action plans, except the health sector, where the strategy on climate change and health has already been approved.

The **Forestry Law** was amended in 2019 and informs national policy on reforestation and deforestation, sustainable use of forests and forest resources, and the use of forests and forest environmental services, including REDD+. The revised law also clearly specifies the participation of local communities in forest management, the official recognition of village forests in state-managed forests, and the creation of a village forest management planning system that includes commercial logging in village forests. The law requires the increase of forest cover as a sink source for greenhouse gas emissions.

The **Water and Water Resources Law** was updated in 2017 and aimed to improve the sustainability of Lao PDR's water resources. The law is expected to influence the monitoring, management and planning of the country's rivers. The update adds new water rights and use provisions, including wastewater discharge

permits, wetlands and water resources protection, groundwater management, and river basin management. Moreover, the law expands the terms and conditions of large, medium and small-scale uses, and includes articles on environmental flows for hydropower as well as stipulations related to irrigation use.

Meteorology and Hydrology Law was approved in 2017 and aimed to prevent and reduce the impacts of natural disasters on lives and properties, and ensure timely and accurate data provision. It includes articles on the development of meteorological and hydrological stations, and a database system to collect, compile, manage and provide accurate and timely data, including setting up agrometeorological stations.

The **Disaster Management Law** was approved in 2019 and provides a guiding framework for better coordination of disaster prevention, control and recovery interventions. The law strengthens the legislative framework for adaptation, highlights the need for risk reduction and represents a critical shift from a reactive to proactive approach to managing disaster risks.

The **Climate Change Decree** was endorsed in September 2019 to define principles, regulations and measures on managing and monitoring climate-related matters. In principle, the decree provides an overarching legal framework for climate change mitigation and adaptation, including legal mandates and reporting lines among different administrative bodies in relation to climate change. It states that climate change must be mainstreamed into the NSEDPs, and in sectoral and local strategies and plans.

The **Decree on Lao Energy Promotion and Development Fund** was signed in August 2020 to provide legal back-up for the establishment and operation of the fund in order to provide loans for renewable energy promotion and development, notably in solar, wind, biofuel and biogas production.

The **Decree on Disaster Fund** is being debated at the national government level. The decree is being drafted by the Ministry of Labour and Social Welfare to set out mechanisms to mobilize financial support and fast-track emergency responses and relief efforts for affected families, especially in the event of weather extremes.

1.5.2 Climate-related Strategies and Policies including Sectoral Strategies

The **National Adaptation Programme of Action 2009**²⁹ identifies 45 projects to increase resilience in the priority sectors of agriculture, forestry, water and public health, setting out the objective, activities, outputs, implementing agencies, and budget for each project. The **National Adaptation Plan (NAP)** is in its preparation phase and implementation of the plan is expected to start in 2021. As part of the NAP process, long-term adaptation plans will be further elaborated and continue to evolve as more data is gathered and experience gained.

The **National Climate Change Strategy (NCCS) 2010**³⁰ has the overall objective to: “Secure a future where Lao PDR is capable of mitigating and adapting to changing climatic conditions in a way that promotes sustainable economic development, reduces poverty, protects public health and safety, enhances the quality of Lao PDR’s natural environment, and advances the quality of life for all Lao people”. The

²⁹ Government of Lao PDR, National Adaptation Programme of Action to Climate Change (2009), <https://unfccc.int/resource/docs/napa/laos01.pdf>.

³⁰ Government of Lao PDR, National Climate Change Strategy (2010), http://www.la.undp.org/content/lao_pdr/en/home/library/environment_energy/climate_change_strategy.html.

National Climate Change Strategy sets out mitigation and adaptation measures in seven sectors: agriculture and food security, forestry and land-use change, water resources, energy and transport, industry, urban development, and public health. The strategy is being revised and will put a stronger emphasis on gender-responsive climate actions. The revised NCCS, expected to be endorsed soon, will reflect the latest sectoral priorities and international commitments under the Paris Agreement and operationalize the Climate Change Decree adopted in 2019.

To support the implementation of the National Climate Change Strategy, the draft **Action Plan on Climate Change (2013-2020)** sets out climate change actions for the seven priority sectors in the National Climate Change Strategy. Priority climate change adaptation actions include: (i) climate-resilient agriculture and LUCF; (ii) water resources management; (iii) ecosystem-based adaptation solutions; (iv) climate-resilient transport and urban development; and (v) adaptation in the health sector. Priority climate change mitigation actions include: (i) increasing and maintaining national forest cover; (ii) increasing use of renewable energy sources and energy efficiency; and (iii) emission reduction by developing public transport services.

Endorsed in early 2019, the **National Green Growth Strategy 2030** sets direction and basis to ensure the socio-economic development of Lao PDR is in line with green and sustainable approaches. The strategy identifies seven focused sectors: (i) natural resources and environment; (ii) agriculture and forestry; (iii) industry and commerce; (iv) public works and transport; (v) energy and mines; (vi) information, culture and tourism; and (vii) science and technology. Climate change adaptation is prominently placed as a cross-cutting focus area with the objective to reduce vulnerability and enhance resilience. Some relevant indicators from the strategy include: proportion of greenhouse gas emission to GDP (tonne/GDP), average greenhouse gas emission/person/year, percentage of the amount of economic losses caused by natural disasters (% of GDP), and an average number of populations affected by natural disasters.

The **National Forestry Strategy to 2020** sets out to increase forest cover to a total of 70% of land area by 2020 and maintain it at that level going forward. While much effort has gone into this sector over the years, the set target is highly unlikely to be achieved by 2020. The Ministry of Agriculture and Forestry (MAF) is updating and revising this strategy for 2030 with the same 70% target, and will include a stronger emphasis on reducing emissions from deforestation and forest degradation (REDD+), as well as adaptation co-benefits of forest management. The National REDD+ Strategy in Lao language was approved in April 2021, which consists of an analysis and identification of drivers and underlying causes of deforestation and forest degradation, a vision to increase the forest cover to 70% by 2030 in line with the National Forestry Strategy, some targets on the gross emission reduction of 30 million tCO₂e, and five priority programs and 24 projects.

The draft **Clean Energy Promotion Policy in Transportation** includes the strategic development of clean energy vehicles in 2030 and the vision for 2050. The vision to 2050 sets out for Lao PDR to move towards a pollution-free state, reduce the use of fossil fuels in the transport sector, and promote clean energy for eco-friendly development. While the target of 30% clean energy vehicles and 500 new charging stations nationwide is set for 2030, the next five-year sectoral plan of the Ministry of Energy and Mines (MEM) aims to achieve 17% of clean energy vehicles in the national vehicle mix (using 2017 data as a reference) and an installation of 100 charging stations throughout the country.

The **Renewable Energy Development Strategy 2011** includes actions and targets to increase the share of renewable energy to 30% of total energy consumption and the share of biofuels to 10% of transport fuel

demand by 2025. Currently, the strategy is being revised and will include targets for electric vehicles, clean cookstoves and biofuels.

The **National Policy on Energy Efficiency and Conservation 2016** sets a 10% reduction in energy consumption by 2030 compared to the business-as-usual scenario. This target is also firmly set in the updated NDC for Lao PDR under the conditional scenario.

The **Climate Change and Health Adaptation Strategy 2018-2025** sets the vision for people to be healthy and robust, with the overall target of promoting public health and community sectors that protect people's health from unstable and changing climate conditions. The strategy includes various components forming the basis for promoting climate resilience in the public health sector, including vulnerability and adaptive capacity assessment, risk monitoring and warning system, and climate-informed health programming, among others.

The **National Strategy on Water and Water Resources Management, Governance and Utilization** is near its finalization and is expected to be approved in 2021. The strategy acknowledges the threat from climate change to water resources and aims to promote water infrastructure and effective management of groundwater, and wetlands for climate change adaptation.

The draft **Sustainable Solid Waste Management Strategy and Action Plan for Vientiane Capital** are finalized and expected to be approved in 2021. The strategy aims to increase waste collection services, minimize waste generation and promote waste recovery through waste-to-resource initiatives. It also sets out a target for sustainable solid waste management through the promotion of mechanical biological treatment.

2. COUNTRY PRIORITIES FOR GCF I 2021-2023

2.1 Ongoing and Pipeline Climate Change-related Projects

Engagement and bilateral consultations with stakeholders on climate change-related projects reveal that significant investments (grants) have gone into the forestry sector to conserve, restore and protect the forest in line with the national target for forest cover. International organizations like the Food and Agriculture Organization (FAO), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Japan International Cooperation Agency (JICA), World Bank and World Wide Fund for Nature (WWF) are working in this area and focusing on REDD+, sustainable forest management and governance. One of the first two Green Climate Fund (GCF) projects for Lao PDR is to support Lao PDR's emission reduction program through improved governance and sustainable forest landscape management with co-financing from the German Government. The World Bank is planning a large project to improve sustainable forest management and enhance livelihood and tourism opportunities through a combination of financing sources, including the Global Environmental Facility (GEF 7 STAR allocation).

Agriculture is another key area where adaptation to climate change is largely deemed necessary as more than 70% of the Lao population are employed in this sector. Some ongoing projects in this sector include: improving and promoting climate information services for farmers' decision-making (by FAO with support from the GEF, and smaller interventions by CARE International); improving the resilience of vulnerable communities in and near wetland areas (International Union for Conservation of Nature (IUCN) and FAO); and climate-resilient infrastructure for competitive agribusiness value chains (Asian Development Bank (ADB) and World Bank). FAO is developing a proposal for promoting climate-smart agriculture for upland production systems in Lao PDR with funding support from the GEF Least Developed Countries Fund (LDCF).

The Mekong Integrated Water Resources Management has been a flagship project since 2012 with an accumulation of funding of up to US\$51 million supported by the World Bank. Another project is focused on watershed protection, co-financed by ADB and GIZ under the Sustainable Rural Infrastructure and Watershed Management Sector Project and is in the initial implementation stage. Watershed protection work includes preparing provincial land use plans for catchments and land use behavioral change programs in Xiengkhouang, Huaphan, Luangprabang and Xayabouly province. Some projects are in the pipeline: (i) integrated water resources management and ecosystem-based adaptation by the United Nations Development Programme (UNDP) with support from the GEF LDCF; (ii) fostering water and environmental security focusing on transboundary water management for Lao PDR and Vietnam by FAO with support from GEF International Waters; and (iii) groundwater resources management in the Greater Mekong Sub-region including Lao PDR by the United Nations Educational, Scientific and Cultural Organization (UNESCO) with support from the Adaptation Fund.

Building urban resilience is gaining attention to protect urban populations from disaster events, especially flooding. The World Bank provides financial support to reduce the impacts of flooding in Xay District of Oudomxay province. ADB has been financing projects to improve the urban environment by focusing on flood protection, drainage and solid waste management in many cities along the Mekong River. Another GCF investment project approved in 2019 for Lao PDR focuses on building resilience of urban populations with ecosystem-based solutions to be implemented by the United Nations Environment Programme

(UNEP). Moreover, there is a regional effort by UNEP on urban resilience through ecosystem-based adaptation in northern Lao PDR with funding support from GEF. The United Nations Human Settlements Programme (UN-Habitat) recently kicked off a project on building climate and disaster the resilience capacities of vulnerable small towns with grant support from the Adaptation Fund.

A significant size of investment (mostly concessional loans) is currently being implemented for road improvement and sustainable urban transport, such as the bus rapid transit system in Vientiane Capital to ease congestion and improve air quality. Meanwhile, ADB is planning its livable cities investment program for the next 10 years.

Related to greenhouse gas emission reductions in the energy sector, an initiative to promote clean cookstove with funding support from the Carbon Initiative for Development through the World Bank has recently started. UNDP is wrapping up its small project on off-grid solar energy to promote energy access in two remote villages in Khammouan province. With GEF funding, the United Nations Industrial Development Organization (UNIDO) is currently working with the Ministry of Industry and Commerce (MOIC) to pilot palletization technology to reduce the consumption of coal in the industrial sector. The United States Agency for International Development (USAID) and the Global Green Growth Institute (GGGI) are supporting MEM to pilot reverse auction of planned 40MW solar energy in Khammouan and Savannakhet provinces to promote energy security and reduce energy import during the dry season. Currently, MEM, Électricité du Laos (a state-owned company) and EV Laos (a private company) are piloting the use of electric vehicles, and 22 charging stations have already been installed as of January 2021 in Vientiane Capital to raise awareness and provide charging infrastructure for EV cars. While electric scooters have been used for more than two years, two automotive manufacturers – MG and BYD – are currently introducing electric SUV cars in the Lao car market. The Ministry of Public Works and Transport (MPWT) is being supported by GGGI to establish a regulatory framework to facilitate the deployment of electric vehicles in the country.

UNEP and MONRE are implementing a project on strengthening Lao PDR's institutional capacity to comply with the Enhanced Transparency Framework under the Paris Agreement to improve national capacity to track progress. Tracking and monitoring climate finance is one key component of this project. Moreover, CARE International started a project to establish a multi-stakeholder climate and disaster risk financing platform, with a focus on the insurance market.

A list of ongoing projects related to climate change can be found in **Annex 1** and pipeline projects (excluding GCF projects) in **Annex 2**.

2.2 Priority Areas for the Lao PDR GCF Country Programme 2021-2023

The priorities for the Country Programme have been identified through a combination of top-down and bottom-up approaches, starting with reviews of available documents including policies, strategies, and ongoing and pipeline projects related to climate change. Bilateral meetings and multi-stakeholder consultation workshops were conducted to propose and finalize areas of priority for GCF support.

Guiding principles used to identifying priority areas for 2021-2023 for Lao PDR include:

- Alignment with overall country priorities and needs
- Alignment with sectoral priorities and GCF result areas
- Opportunity to leverage other funding supports (co-financing and scaling up results, especially GEF-funded projects)
- Opportunity to develop multi-sectoral projects for larger funding
- Opportunity to engage and mobilize investment from the private sector (e.g., electric vehicles, waste-to-resources initiative, innovative technology acceleration)

Table 7. Priority areas for Lao PDR GCF Country Programme 2021-2023 (not in order of priority)

Areas of priority		GCF result areas
PA 1	Enhancing resilience of farming system and communities through promoting innovative and climate-smart agriculture practices, climate resilient agricultural infrastructures including post-harvest infrastructure, strengthened climate information services, flood and drought management, and groundwater and micro-watershed management	Health, food and water security (adaptation) Livelihood of vulnerable communities (adaptation) Infrastructure and built environment (adaptation)
PA 2	Supporting an increase and maintenance of national forest cover through forest restoration, conservation, improved forest governance and private sector investment	Agriculture, forestry and other land use (mitigation) Ecosystems and ecosystem services (adaptation)
PA 3	Promoting emission reductions in the energy sector and processing industry sector through enhanced energy efficiency measures, diversified renewable energy sources, and possibility of turning CO ₂ into energy	Energy (mitigation) Building, cities, industries and appliances (mitigation)
PA 4	Promoting low-carbon and climate-resilient urban development and transportation through climate-proofing and green infrastructure, flood protection and nature-based solutions, smart city, comprehensive waste management including waste-to-resource initiatives, and promoted use of electric vehicles	Building, cities, industries and appliances (mitigation) Infrastructure (Adaptation) Transport (mitigation) Ecosystems and ecosystem services (adaptation)
PA 5	Enhancing climate resilience in the public health sector through operationalization of early warning system for public health, promoting resilient health infrastructure and improved health services delivery in risk-prone areas, and access to water supply	Health, food and water security (adaptation)

It should be noted that project proposals that have already been submitted to the GCF but not approved remain as a priority for the GCF I period. Through discussion with stakeholders, project ideas that accredited entities are working on have been identified and confirmed. Table 7 lists projects that have already been submitted/resubmitted to the GCF and concrete project ideas that are currently being discussed and will be submitted to the GCF in the next two years. The national designated authority (NDA) will coordinate and work with relevant sectors to identify and develop funding proposals that involve private sector engagement and innovative solutions and technologies for tackling climate change.

Table 8. Funding proposals and concept notes already submitted to the GCF or being developed

Project title		Priority area	Type of GCF proposal ³¹	Project Preparation Facility required	Baseline	Estimated GCF financing (US\$)	Estimated co-financing (US\$)	Accredited entity	Government partner	Estimated submission		
										2020	2021	2022
1	Promoting Climate Resilient Food Systems for Improved Food and Nutrition Security Among the Most Vulnerable Communities in Lao PDR (CRFS)	PA1	FP	N/A	Project proposal was first submitted in 2018. Revised proposal and resubmitted to GCF 2021	32,619,218	N/A	UNDP	MAF		X	
2	Scaling up climate-responsive planning and decision making for resilient agriculture and livelihoods in Lao PDR	PA1	FP	N/A	This GCF funding proposal will build on the successful GEF project for scaling up. Concept note is being developed. Clearance is given by NDA	16,000,000	N/A	FAO	MAF, MONRE		X	
3	REDD+ results-based payment	PA2	FP	TBC	Biennial update report submitted to UNFCCC for verification. Concept note is being developed. Clearance is given by NDA	50,000,000	N/A	JICA	MAF		X	
4	Strengthening climate resilience of the Lao PDR health system	PA5	FP	N/A	Concept note is being improved. Clearance was given by the NDA	41,920,000		SCI (Australia)	MOH, MPWT, MOES		X	
5	Climate friendly agribusiness value chain sector	PA1	FP	N/A	Project was first submitted in 2018. A detailed feasibility study	30,000,000	N/A	ADB	MAF		X	

³¹ Response to a GCF Request for Proposals such as EDA, MSME, MFS or REDD+, Simplified Approval Process (SAP) proposal, or regular funding proposal (FP).

Project title		Priority area	Type of GCF proposal ³¹	Project Preparation Facility required	Baseline	Estimated GCF financing (US\$)	Estimated co-financing (US\$)	Accredited entity	Government partner	Estimated submission		
										2020	2021	2022
					will be conducted, and proposal will be revised and resubmitted							
6	Scaling Up the implementation of the Lao PDR Emission Reductions Programme through improved governance and sustainable forest landscape management (Project II)	PA2	FP	N/A	Project I as part of programmatic approach was approved. Full proposal is being developed	30,000,000	N/A	GIZ	MAF			X
7	Collaborative R&DB Programme for promoting the innovation of climate technopreneurship (multi-country project)	Cross-cutting	FP	Yes	Concept note was submitted to GCF. Project Preparation Facility will be requested to prepare full proposal. Clearance was given by NDA	60,000,000 (for the whole project)	60,000,000	KDB	MONRE, LNCCI			X
8	ASEAN Catalytic Green Finance Facility (ACGF) “Green Recovery Program” for post-COVID infrastructure (multi-country project) ³²	PA2, PA3, PA4	FP	N/A	Funding proposal was reviewed by ITAP and approved by Board 28.	350,000,000 (for the whole project)	N/A	ADB	MOF, MONRE, others	X		

³² It should be noted that participating in this project doesn’t commit Lao PDR to any loans or interest payment until sub-project is approved.

Project title		Priority area	Type of GCF proposal ³¹	Project Preparation Facility required	Baseline	Estimated GCF financing (US\$)	Estimated co-financing (US\$)	Accredited entity	Government partner	Estimated submission		
										2020	2021	2022
9	Leveraging Forecast Based Anticipatory Action for reduced vulnerability in Lao PDR	PA1	FP	N/A	Concept idea was developed and shared with the NDA	10,000,000 (initial request)	N/A	WFP	MLSW, MAF, MONRE			X
10	Lao PDR Flood and Drought Mitigation and Management Project (FDMMP)	PA1	FP		Project concept was developed and shared with the NDA. Clearance is given	10,000,000	43,500,000	ADB	MONRE, MAF		X	
11	Mechanical biological treatment (MBT) of municipal solid waste management to process approximately 500-700 tons of waste Vientiane Capital.	PA4	FP	N/A	Project idea was discussed with stakeholders and the NDA. Concept Note is being drafted for submission	5,000,000	10,000,000	TBD	Vientiane City Office for Management and Service (VCOMS)		X	
12	Green and Resilient COVID 19 Recovery in Agriculture Sector	PA1	FP	N/A	Initial ideas	20,000,000	N/A	FAO	TBD			

3. POLICY, STRATEGY, PLANNING AND INSTITUTIONAL NEEDS

3.1 Summary of Policy and Capacity Needs

Considerable capacity exists within MONRE concerning climate change and the development of project investment proposals. However, the development of GCF projects and investment proposals (and hence the implementation of the Country Programme) will require leadership and engagement from other ministries. Further development of capacity and skills is required across ministries on the following topics:

- Identifying, screening and developing climate change projects, including developing the climate change rationale for projects supported by climate change logic models
- Understanding linkages between sectoral development objectives and Lao PDR climate change policies, targets and action plans
- Accessing and engaging with international public climate finance funders, including the GCF but also co-financiers for GCF projects such as bilateral and multilateral funders
- Preparing GCF funding proposals, including the GCF's results areas and investment criteria
- Improving the tracking of climate finance
- Improving institutional capacity to mainstream climate change into development plans and in Measurement, Reporting and Verification (MRV) of climate change mitigation and adaptation.
- Enhancing inter-sector and inter-agency dialogues and coordination on climate resilience, mitigation and climate-related disaster risk reduction (e.g., by reinforcing the function of the existing Climate Change Committee)
- Strengthening the planning of technical assistance and capacity building required to deliver paradigm shifts in priority sectors (e.g., by developing long-term sectoral technical assistance and capacity building roadmaps)

In order to further engage line ministries and sectoral stakeholders, the NDA is channelling readiness resources to sectors to enhance climate finance coordination and private sector engagement, and define programmatic approaches to financing climate change action. During the workshop organized in October 2020, an assessment was conducted to identify the needs that can be supported through the GCF Readiness and Preparatory Support Programme (RPSP). Discussion with the water resources sector after the workshop also led to the identification of needs that can potentially be supported through the GCF RPSP. These needs are summarized in Table 8.

Table 9. Summary of gaps and needs that can potentially be supported through the GCF RPSP

Sector	Gaps and needs identified
Agriculture	<ul style="list-style-type: none">• Develop policies to support green and sustainable agricultural practices, especially promoting climate-smart agricultural practices• Promote research and development on climate-tolerant rice varieties, exceptionally drought-tolerant varieties

	<ul style="list-style-type: none"> • Improve and increase access to information systems. Information is often out of date and some information like the number of livestock, areas under production, yields and amount of chemicals used are often unavailable • Enhance private sector engagement. For instance, rice millers can play a more active role as input and extension service providers to farmers
Forestry	<ul style="list-style-type: none"> • Improve communication and education at the sub-national and local community levels to raise awareness and understanding of how their practices affect forests positively or negatively • Enhance the technical capacity on geographic information system (GIS) for district-level forest officials to improve their knowledge and work performance. GIS is beneficial for forest demarcation, monitoring, forest fire control and assessing forest encroachment • Strengthen coordination among different ministries at the national and sub-national levels to promote forest-based livelihood options such as ecotourism, private sector investment and harvesting of non-timber forest products
Transport and urban development	<ul style="list-style-type: none"> • Close knowledge gaps on the benefits and advantages of electric vehicles over internal combustion engine vehicles in terms of their total cost of ownership, and the business models for promoting electric vehicles (e.g., battery swapping system to bring down the price of electric vehicles) • Develop and implement policies and financial incentives for promoting electric vehicles, such as tax exemption, subsidy etc.
Health	<ul style="list-style-type: none"> • Provide support in implementing the sectoral adaptation strategy and action plan • Strengthen technical capacity in the health sector to operationalize an early warning system that provides alerts on adverse weather events and health implications • Improve coordination mechanism between relevant stakeholders
Water	<ul style="list-style-type: none"> • Strengthen technical capacity in water resources management, particularly in modelling the impact of climate change on water resources, including surface and groundwater • Improve coordination mechanism between relevant stakeholders, including agencies responsible for infrastructure development • Provide support in developing pipeline projects for GCF investment

The identified gaps and needs in Table 8 will help the NDA prioritize and channel GCF readiness support transparently and effectively to enhance the capacity of relevant sectors in the Country Programme, and thus enable broader access to GCF funding.

3.2 Accreditation Support for Direct Access

Currently, there is no national direct access entity (DAE) for Lao PDR. The NDA nominated the Environment Protection Fund (EPF) to become a national accredited entity and allocated EUR393,652 of GCF RPSP to support the accreditation process in the 2018 budget. Completed in December 2019, this first readiness project delivered by GIZ identified and addressed main gaps and needs in terms of monitoring and evaluation, project management, fiduciary standards, and gender, environmental and social standards as part of the accreditation process. Another US\$400,000 of GCF readiness and preparatory support (in the

pipeline for 2020) has been earmarked to support the completion of EPF accreditation as the DAE for Lao PDR.

Since the formulation of the first Country Programme, the Bank of Lao PDR has expressed interest to become accredited to the GCF and took steps to study more about the GCF. The NDA has been inviting the Bank of Lao PDR to major GCF-related events such as the Private Sector Engagement Workshop and the GCF Annual Meeting to keep the Bank of Lao PDR updated on GCF activities and on potential support. Further discussion took place to explain the accreditation process especially in relation to on-lending fiduciary services that may fit with the Bank of Lao PDR's overall mandate. Currently, the Bank of Lao PDR is assessing GCF requirements and criteria to determine whether or not accreditation is technically feasible. The NDA is also exploring an opportunity to support local private banks and other entities to apply for GCF accreditation especially focused on on-lending instrument.

3.3 Pipeline Readiness Support

Building on initial results of identifying needs and priorities for Readiness support, NDA organized a workshop with relevant sectors to discuss and prioritize readiness support for 2021 cap. At this workshop, an opportunity for support on green and resilient recovery from COVID-19 using GCF readiness support was presented and discussed. It was unanimously agreed that this opportunity should be pursued. In addition, three more ideas were also raised and discussed for potential RPSP for 2021 including support on NDC implementation, policy support on EVs, and enhanced climate finance in the agricultural sector. The NDA continued discussion and consultation with stakeholders to finalize areas for readiness support for 2021 budget.

Table 10. Pipeline GCF readiness and preparatory support

Readiness request name		Description	Estimated GCF financing (US\$)	Partner	Delivery partner	Estimated submission			Status
						2020	2021	2022	
1	Completion of accreditation of EPF as DAE for Lao PDR	Develop capacity for climate change screening of pipelines, undertaking baseline analysis and developing monitoring protocols	400,000	EPF	EPF	X			Approved
2	Market preparation for industrial energy efficiency in Lao PDR	Develop energy efficiency guidelines, design and implement ESCOs development, and conduct energy audits to identify investment opportunities	299,674	MOIC	GGGI	X			Approved
3	Enhancing Lao PDR National Capacity and Coordination in Health and Climate Change	Strengthen capacity of national technical units to manage the National Health Adaptation Plan implementation successfully and access climate finance securely	300,000	MOH	WHO		X		Resubmitted

4	Advancing Lao PDR's National Adaptation Plan (NAP) through Climate Change Vulnerability Assessments for Disaster Risk Management	Advance Lao PDR's NAP through climate change vulnerability assessments for disaster risk management	2,000,000	MONRE	UN-Habitat		X		Resubmitted
5	Support for Mainstreaming Climate Change Adaptation into Sectoral Planning in Lao PDR	Mainstream climate change adaptation into sectoral strategy and action plan in Lao PDR	1,000,000	MONRE and relevant ministries	GGGI		X		Submitted for approval
6	Resilient COVID-19 recovery and transformational pipeline development to boost climate actions in agriculture, land and water sectors in Lao PDR and NDA institutional capacity building	Support resilient COVID-19 recovery and the development of a transformational pipeline to boost climate investments and actions in the agriculture, land and water sectors – the most vulnerable and also largest emitting sectors in Lao PDR	550,000	MAF	FAO		X		Submitted
7	Agriculture Sector Readiness for enhanced climate finance	Agriculture Sector Readiness for enhanced climate finance and implementation of Koronivia Joint Work on Agriculture priorities in Southeast Asia	150,000 for 2021 cap	MAF	FAO		X		Submitted
8	Promoting EVs in Lao PDR	Developing national EV communication strategy; enhance capacity of inspection centers on EV technology; enhance private sector investment in EVs	300,000	MPWT	GGGI		X		Submitted for approval for 2022 cap

4. GCF COORDINATION AND ENGAGEMENT

4.1 Institutional Arrangement

The NDA is the official communication interface between a country and the GCF. The NDA is expected to communicate the country's strategic priorities for financing low-emission and climate-resilient development across its economy, and ensure the Country Programme is aligned with national priorities. Hence, the NDA should have the knowledge and expertise of both mitigation and adaptation efforts and needs in the country.

From 2016 to 2020, the Department of Climate Change (DCC) within MONRE had carried out the roles and mandates of the NDA. In 2021, the Department of Planning and Finance (DPF) within MONRE has been appointed to fulfil the mandates of NDA with DCC as a technical advisor. It is worth noticing that DPF is an operational and political focal point of GEF. This move will ensure greater alignment and complementarity between the two funds.

The **GEF and GCF Committee**, a cross-sectoral committee, will be formally established. The decision has been made to attach the roles and mandates of GEF – GCF Committee to the EPF Board of Directors. The GEF and GCF Committee will approve GCF no-objection letters for investment funding proposals and nominate national entities for accreditation to the GCF.

The current Board of Directors of EPF comprises of a Chairperson, three Vice-Chairpersons and 7 members as follows ³³:

- Minister of Natural Resources and Environment (MONRE), The Chairperson
- Vice-Minister of Finance (MOF), Vice-Chairperson
- Vice-Minister of Energy and Mines (MEM), Vice-Chairperson
- Vice-Minister Natural Resources and Environment (MONRE), Vice-Chairperson
- Vice-Minister of Planning and Investment (MPI), member
- Vice-Minister of Agriculture and Forestry (MAF), member
- Vice-Minister of Industry and Commerce (MOIC), member
- Vice-Minister of Education and Sports (MOES), member
- Vice-President of the Lao Front for National Construction (LFNC), member
- Vice President of Lao Women Union (LWU), member
- Vice President of Lao National Chamber of Commerce and Industry (LNCCI), Member

At the **sub-national level**, each province identifies a provincial coordinator for communication and coordination with the NDA through Environmental and Climate Change Units of the Provincial Department of Natural Resources and Environment (PONRE).

The **Climate Change and Environmental Sub-Sector Working Group** is a cross-sectoral sub-working group co-chaired by the Director-General of DCC and UNDP. This sub-working group is under the Natural Resources & Environment Working Group of the Round Table Meetings, which take place every year (and every five years with the High-Level Round Table Meetings) to provide inclusive forums for supporting

³³ <https://laoepf.org.la/en/about-us/board-members/> (accessed on 02 March 2021)

the design and implementation of Lao PDR's national development plans. The sub-working group provides a platform for dialogue and coordination between the government, development partners and other key stakeholders working in environmental protection, including climate change adaptation and mitigation. The sub-working group provides recommendations on policies, strategies and legal frameworks for environmental management and climate change. The NDA provides updates on GCF activities at each meeting of the sub-working group, including the status of GCF readiness and investment projects and the GCF pipeline.

The **National Environment Committee (NEC)** is a cross-sectoral and non-standing committee chaired by the Deputy Prime Minister. It is the full body for providing overall policy guidance on natural resources and environment, including climate change. Under the guidance of the NEC, MONRE is responsible for natural resources and environmental policies and plans, including tasks related to climate change. The NEC meets on an ad-hoc basis to provide guidance when an environmental issue arises or a need for decision-making on a specific task.

Under the NEC is the **Technical Working Group on Climate Change (TWG)**, a cross-sectoral working group chaired by the Director-General of DCC. The TWG meets on an ad-hoc basis and facilitates communication, cooperation and coordination between climate change and climate finance ministries. The TWG supports the formulation and implementation of climate change strategies and action plans, National Communications, adaptation planning, greenhouse gas emissions inventory, and NDC and other climate change commitments to the UNFCCC. The TWG is a body for technical consultation at the national level in relation to the GCF. The TWG consists of technical representatives from:

- Ministry of Energy and Mines
- Ministry of Science and Technology
- Ministry of Health
- Ministry of Industry and Commerce
- Ministry of Education and Sports
- Ministry of Agriculture and Forestry
- Ministry of Public Works and Transport
- Lao Women's Union

4.2 Stakeholder Engagement

Stakeholder engagement is a critical component of GCF activities in Lao PDR that encompasses stakeholder coordination and engagement by the NDA, and stakeholder engagement by project developers and line ministries in relation to GCF project development and implementation. This section sets out stakeholder engagement and coordination activities led by the NDA, highlighting Lao PDR's commitment to further engage with the private sector. The section also provides a summary of stakeholder engagement undertaken as part of developing and updating the Country Programme. Lao PDR's GCF Stakeholder Engagement Guidelines set out the overall approach to stakeholder engagement to identify, develop and implement GCF projects.

4.2.1 Contribution of Key Stakeholders to the Country Programme

The first Country Programme adopted an inclusive and participatory process to engage stakeholders at the national and sub-national levels, as summarized in Table 11. The list of stakeholders engaged in the first Country Programme is provided in **Annex 3**.

Table 11. Overview of stakeholder consultation process for the first Country Programme

Group	Date	Objectives	Results
National stakeholder consultation	April 5-6, 2018	<ul style="list-style-type: none"> Disseminate information on climate change and GCF 	<ul style="list-style-type: none"> Climate change, climate change status in the country and GCF introduced to key national stakeholders
National stakeholder consultation	May 31, 2018	<ul style="list-style-type: none"> Discuss capacity gap of the NDA and NDA's structure 	<ul style="list-style-type: none"> Capacity building plan/topic for NDA agreed upon NDA structure discussed and reported to Minister for guidance on establishment
Northern provincial stakeholders	June 6-8, 2018	<ul style="list-style-type: none"> Disseminate information on climate change and GCF Identify/update provincial priority needs for adaptation and mitigation 	<ul style="list-style-type: none"> Climate change, climate change status in the country and GCF introduced to key provincial stakeholders Priorities for adaptation and mitigation in northern part of the country identified
Central provincial stakeholders	June 13-15, 2018	<ul style="list-style-type: none"> Disseminate information on climate change and GCF Identify/update provincial priority needs for adaptation and mitigation 	<ul style="list-style-type: none"> Climate change, climate change status in the country and GCF introduced to key provincial stakeholders Priorities for adaptation and mitigation in central part of the country identified
Southern provincial stakeholders	June 20-22, 2018	<ul style="list-style-type: none"> Disseminate information on climate change and GCF Identify/update provincial priority needs for adaptation and mitigation 	<ul style="list-style-type: none"> Climate change, climate change status in the country and GCF introduced to key provincial stakeholders Priorities for adaptation and mitigation in southern part of the country identified
National stakeholder consultation brainstorming workshop	November 21, 2018	<ul style="list-style-type: none"> Review and identify national priorities and funding sources for adaptation and mitigation Discuss approach for GCF stakeholder engagement 	<ul style="list-style-type: none"> First draft of Country Programme agreed National stakeholder engagement process discussed and agreed upon
National stakeholder workshop	January 24, 2019	<ul style="list-style-type: none"> Present the final draft of Country Programme for final comments from stakeholders 	<ul style="list-style-type: none"> Feedback on final draft of Country Programme received
GEF – GCF National Dialogue	12 – 14 February 2019	<ul style="list-style-type: none"> Present the Country Programme, its priorities and relevant guidelines 	<ul style="list-style-type: none"> Present the Country Programme to GEF and GCF

4.2.2 Stakeholder Engagement for Updating the Country Programme

Since this is an update of the first Country Programme published in early 2019, comments and feedback identified through previous processes, including sub-national stakeholder consultations, were taken into consideration when updating priorities. Therefore, only national-level consultations were conducted for the update of the Country Programme. The following activities were undertaken in the updating of the Country Programme:

- A formal announcement to update the GCF Country Programme was made at the Readiness Delivery Partner Coordination Meeting organized in February 2020.
- This was followed by a review of new policies related to climate change being drafted or adopted, and data collection on current and pipeline climate change projects available on the Internet.
- A presentation of the steps and process for updating the Country Programme was made at the GCF Annual Meeting in June 2020 to gather feedback from participants.
- Bilateral meetings with various stakeholders were held from July to August 2020, including with the Lao National Chamber of Commerce and Industry (LNCCI) as a representative of the private sector to identify and confirm priorities, and confirm ongoing and pipeline projects.
- A multi-stakeholder consultation workshop was organized in early October 2020 to discuss the priority areas, as well as identify other gaps and needs for potential GCF readiness support.
- Final draft of the GCF Country Programme was circulated to relevant stakeholders including sectoral ministries and development partners for comments and feedback from April to June 2021.

The list of stakeholders engaged in updating the Country Programme is provided in **Annex 4**.

4.2.3 Way Forward for Stakeholder Coordination and Engagement

The NDA utilizes a range of mechanisms to ensure that key stakeholders are kept informed about GCF activities and are able to provide feedback, especially on the development and implementation of the Country Programme, and on current GCF readiness and investment projects, concept notes and funding proposals:

- **Climate Change and Environmental Sub-Sector Working Group** – The NDA provides updates on GCF activities at each meeting of the sub-working group, including the status of GCF readiness and investment projects and the GCF pipeline.
- **Annual GCF Update Meeting** – The NDA leads an annual open meeting to provide updates and receive feedback on current and future GCF activities for all interested parties, including line ministries, GCF accredited entities, development partners, the private sector and civil society.
- **Cross-sectoral GCF dialogues** with line ministries, GCF accredited entities and delivery partners – The scope, format, timing and mandate of these dialogues have yet to be set, but the intention is to have an ongoing forum where GCF project developers and implementers are able to exchange information, provide feedback and receive updates on GCF activities in Lao PDR.
- **Thematic GCF meetings** with line ministries, GCF accredited entities and delivery partners – The scope, format, timing and mandate of these meetings have yet to be set, and will be demand-driven,

but the intention is to have an ongoing forum for a focused discussion about specific themes as requested by stakeholders.

- **Lao PDR GCF website and quarterly GCF electronic bulletin** – A website to communicate GCF activities in Lao PDR has been developed and kept updated at <http://www.laogcf.gov.la/>. The NDA intends to prepare a quarterly GCF electronic bulletin for interested stakeholders, which summarizes recent country engagement with the GCF, the outcomes of no objection decisions, and the GCF pipeline, including new concept notes, readiness proposals and investment funding proposals received.

Moreover, the NDA will inform line ministries and GCF accredited entities within five working days when any of the following are submitted to the NDA: concept notes, investment funding proposals, project preparation facility requests and requests from national entities for accreditation nomination letters.

4.2.4 Private Sector Engagement

Private sector entities, particularly the banking sector and small and medium enterprises, play an important role in driving the country's development, and therefore have a stake in tackling climate change. They were invited to participate in GCF-related workshops and provided inputs to the first Country Programme. In 2019, structured dialogue with the private sector was organized to identify challenges and opportunities for their engagement in climate change and green growth interventions. LNCCI also participated in GCF-related workshops and was consulted during the update of this Country Programme.

Mobilizing private sector investment is one of the guiding principles for identifying priority areas. Increased proactive engagement with the private sector is a priority for the ongoing development of the Country Programme. Readiness support project on market preparation for industrial energy efficiency in Lao PDR was approved in late 2020 by the GCF. This project will develop energy efficiency guidelines, design and implement ESCOs, and conduct energy audits to identify investment opportunities by private sector, supporting the Priority Area on Promoting emission reductions in the energy sector through enhanced energy efficiency measures and diversified renewable energy sources.

Private sector engagement will be prioritized in relation to further developing the GCF project pipeline, readiness proposals and investment proposals. The pipeline project by the Korea Development Bank (KDB) is focused on promoting private sector entrepreneurship for climate technology. In addition, the GCF Concept Note is being drafted by GGGI to promote sustainable municipal solid waste management in Vientiane Capital through conversion of waste to resources using the Mechanical Biological Treatment (MBT) approach. To ensure that private companies in Lao PDR have the capacity to take advantage of these pipelines, the NDA will strengthen engagement with LNCCI and its members through current and future GCF readiness projects.

5. IMPLEMENTATION, MONITORING AND EVALUATION

5.1 Coordination between GCF and GEF

Ensuring synergies and coherence across the various environmental and climate change-related funding sources is key to financing and delivering green growth in Lao PDR. Lao PDR is developing a plan to maximize coherence and synergies between the two largest public environmental and climate change funds – GCF and GEF.

Currently, GCF and GEF are piloting a “coordinated engagement” approach, whereby countries synergize the programming of GCF and GEF resources, leading to enhanced financing delivery. This collaborative engagement can be undertaken by piloting innovative projects, aligning capacity building and readiness support, or scaling up successful mechanisms or interventions. As part of this approach, GCF and GEF undertook a coordinated dialogue in Lao PDR in February 2019. It is expected that this coordinated dialogue will be organized on a regular basis.

The main areas being targeted for coherence and coordination between GCF and GEF in Lao PDR are:

- Steering and oversight
- GCF and GEF investments in NAP
- GCF-GEF investments

Steering and oversight

Instead of having separate steering committees for the two funds, a combined GEF and GCF steering committee is being created for approving GCF and GEF funding proposals. Having one committee to provide oversight will strengthen coordination and the identification of synergies between GCF and GEF activities in Lao PDR. This will also streamline administration for approving GCF and GEF projects, and enhance the knowledge of key decision-makers on the steering committee regarding the opportunities presented by both funds. The decision has been made to take advantage of the EPF Board of Directors to function as the GEF – GCF Committee. As a result, the Terms of Reference of EPF BOD is being revised.

GCF and GEF investments – NAP process

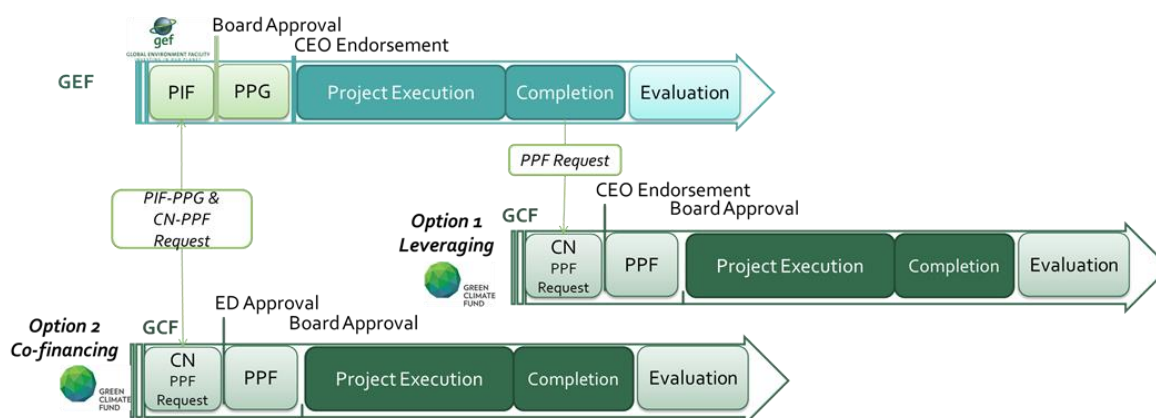
GCF and GEF readiness support could be combined to develop climate change policy frameworks further and identify future GCF and GEF projects. This could include the NDC and NAP processes. For example, GEF support (LDCF) has been approved for the project “Building the Capacity of the Lao PDR Government to Advance the NAP Process”. GEF NAP is expected to produce the provincial adaptation strategies for all 18 provinces. GCF NAP support could fulfil the needs and gaps for adaptation planning at the sectoral and local level, including mainstreaming climate change into sectoral strategies and action plans of key vulnerable sectors and making informed planning decisions for climate change adaptation at the district level.

GCF-GEF investments

There is substantial potential for GCF and GEF to develop and co-finance future climate change projects. This will require coordinated programming and identification of financing priorities, and identification of areas of mutual interest to GCF and GEF in Lao PDR. Figure 5 shows two potential investment approval

arrangements that could be coordinated between GCF and GEF. Option 1 involves GEF leveraging GCF resources for scaling up or replicating projects, and option 2 involves GCF/GEF co-financing investments.

Figure 6. Example of GCF/GEF investment approval arrangements



This would promote an integrated programmatic, multi-sector approach and enable large-scale financing needed to address natural resources and environmental issues, which historically tend to be fragmented spatially and financially. Moreover, GCF resources could be potentially tapped into to scale out and up positive results and innovative solutions emanating from GEF-funded interventions in line with the guiding principles for updating the Country Programme. One pipeline readiness project for 2021 will support the development of GEF – GCF integrated programme/pipeline that could be potentially included in the next update of the Country Programme.

5.2 Leveraging Role of the Environment Protection Fund as Direct Access Entity

There are a number of capable institutions in Lao PDR that are already participating in GCF readiness projects, identifying potential GCF projects and preparing GCF funding proposals. Among these institutions, the EPF is unique and well placed to apply for accreditation to the GCF since it has over 15 years of experience in managing grant funding windows, with a strong network of national and sub-national project developers and project beneficiaries.

The EPF was established in 2005 to strengthen environmental protection, sustainable natural resources management, biodiversity conservation and community development. The EPF is an autonomous national entity, both financially and administratively. The EPF is mandated to mobilize funds from national and international sources to support effective and sustainable natural resources management and environmental protection and channel funds through six windows:

1. Policy implementation and capacity enhancement
2. Biodiversity and community investment
3. Pollution control
4. Water resources management
5. Sustainable land resources management
6. Climate change (recently opened)

The EPF manages the finances of two investment projects approved by the GCF for Lao PDR (one with GIZ and one with UNEP) that will further strengthen EPF's financial management and monitoring capability of climate change projects. In its upcoming five-year strategy, the EPF has included a target to mobilize internal financial resources (from hydropower and mining projects) of approximately US\$1 million per year, of which 10% will be allocated to the Climate Change Window to support projects in this area.

As part of the second readiness project, to be implemented by the EPF, the concept notes for a funding proposal focusing on forest and land use will be developed and submitted to the GCF as EPF's first investment project proposal once accreditation is successfully completed. The EPF may request technical assistance to develop the full funding proposal.

5.3 Implementation Plan

Building on the first Country Programme, an updated Implementation Plan for the updated Country Programme is summarized in Table 11.

Table 12. Implementation Plan for the Lao PDR GCF Country Programme

Area	Action	Timeframe
GCF/GEF coordination	NDA to continue to enhance coherence and coordination of GCF and GEF activities, including identifying co-financed GCF/GEF project funding proposals. Improved coordination mechanism will be an integral part of all readiness and preparatory support projects	Ongoing
DAE support	NDA to work with potential national accredited entities to develop the entities' first GCF investment proposals ahead of achieving accreditation	Ongoing
Facilitation	NDA to support line ministries in engaging with accredited entities to identify and develop potential GCF project funding proposals	Ongoing
Communication	NDA to establish a mechanism, including distribution list, for informing line ministries and GCF accredited entities within five working days when concept notes, investment funding proposals, project preparation facility requests or requests from national entities for accreditation nomination letters are received	Ongoing
Private sector engagement	On-going engagement with the private sector to raise awareness	On going
Planning	NDA to identify readiness needs, project preparation support and next steps required to develop project concepts and funding proposals in line with the priority areas for 2021-2023	Dec 2021

Area	Action	Timeframe
Call for proposal	NDA to develop a mechanism to call for project ideas/concept notes and screen/prioritize them	May 2022
Stakeholder coordination and engagement	NDA to establish mechanisms for maintaining and updating Lao GCF website, quarterly electronic bulletin, Annual GCF Update Meeting, regular cross-sectoral GCF dialogues and, if requested, regular thematic GCF meetings	Ongoing
Monitoring and evaluation framework	NDA to develop a framework for monitoring and evaluation of the Country Programme, including performance and impact indicators	Feb 2022
Country Programme update	<p>NDA to update the Country Programme to align with GCF's cycle (GCF II 2024 – 2027), reflecting:</p> <ul style="list-style-type: none"> • New readiness and investment projects • New priorities for sectors, using programmatic approaches for climate investment planning wherever possible, and taking into account activities already being implemented that relate to the priorities 	Dec 2023

5.4 Monitoring and Evaluation

The Country Programme is a living document and will be updated over time to reflect new developments, including updated climate change adaptation and mitigation priorities, progress in developing GCF readiness and investment projects, and other climate finance developments. The update of the Lao PDR GCF Country Programme 2021-2023 is quite timely as it reflects revised targets of the NDC 2020 and progress in policy development.

A framework for monitoring and evaluating the Country Programme will be prepared to capture key factors such as the relevance, effectiveness and impact of the Country Programme, and stock-take lessons learned for the NDA and relevant stakeholders. The performance indicators to be considered include:

- Number of adaptation and mitigation proposals submitted to the GCF Secretariat from 2021 to 2023, including multi-country proposals.
- The volume of investment project funding approved and disbursed by GCF projects (segregated by type).
- The volume of co-financing mobilized through GCF support.
- The volume of private sector investment mobilized into GCF projects.

The NDA will work with accredited entities and delivery partners who are preparing GCF proposals to include impact indicators incorporated into the monitoring and evaluation framework, as follows:

- Number of policy or regulatory documents developed or amended through GCF support both by readiness and investment projects.

- For adaptation projects, the number of beneficiaries relative to the total population, disaggregated by sex.
- For mitigation projects including REDD+ results-based payments, the volume of greenhouse gas emissions reduced or avoided, and number of beneficiaries disaggregated by sex.
- Number of “green” jobs created through GCF-financed projects.

Annex I. List of Ongoing Projects related to Climate Change

Name of project	Theme	Timeframe	Funding			Entities	
			Amount (in millions)	Source	Instrument	Government	Delivery partner
Agriculture							
Agriculture Competitiveness Project	Cross-cutting	2018-2024	US\$25	IDA	Loan	MAF	World Bank
Greater Mekong Subregion Flood and Drought Risk Management and Mitigation Project	Mitigation	2012-2021	US\$101	ADB	Loan and Grant	MAF, MPWT	ADB, ADF
Climate-friendly Agribusiness Value Chains Sector Project	Adaptation	2019-2025	US\$40.5	ADB	Grant	MAF	ADB
Strengthening Agro-climatic Monitoring and Information System (SAMIS)	Adaptation	2017-2021	US\$5.48	GEF LDCF	Grant	MONRE, MAF	FAO
Integrated Programme for Climate Resilience and Empowerment in Attapeu Province: Building Climate Resilient and Eco-friendly Agriculture Systems and Livelihoods (Climate REAL)	Adaptation	2020-2023	US\$1.8	KOICA	Grant	MAF	FAO
Climate Adaptation in Wetland Areas of Lao PDR (CAWA)	Adaptation	2016-2021	US\$4.7	GEF LDCF	Grant	MONRE, MAF	FAO IUCN
Forestry							
Readiness for Reducing Deforestation and Forest Degradation (REDD+)	Cross-cutting	2014-2022	US\$3.6	FCPF	Grant	MAF	World Bank
Northern Laos Emissions Reduction Payments	Cross-cutting	2019-2024	Up to US\$42	FCPF	Results-based Financing	MAF	World Bank
Additional Financing for Scaling-up Participatory Sustainable Forest Management	Cross-cutting	2013-2021	US\$36.83	IDA, FIP	Loan and Grant	MAF	World Bank
Implementation of the Lao PDR Emission Reductions Programme through improved governance and sustainable forest landscape management	Mitigation	2020-2024	EUR16.1 EUR5.2	GCF BMZ	Grant Grant	MAF	GIZ
Climate Protection through Avoided Deforestation (CliPAD)	Mitigation	FC: 2011-2020	EUR10 (KfW)	BMZ	Grant	MAF	GIZ, KfW

		TC: 2009-2020	EUR10.8 (GIZ)				
Protection and sustainable use of Forest Ecosystems and Biodiversity (ProFEB I & II). ProFEB III is currently being discussed	Mitigation	2017-2021	EUR12.2	BMZ	Grant	MAF	GIZ
Integrated Conservation of Biodiversity and Forests	Mitigation	2015-2022	EUR15.5	BMZ	Grant	MAF	KfW
Village Forestry Management Project	Mitigation	2018-2024	EUR7.0	BMZ	Grant	MAF	KfW
Forest Law Enforcement, Governance and Trade	Mitigation	2020-2026	EUR19.99	BMZ	Grant	MAF, MOIC	KfW
Sustainable Forest Management and REDD+ Support Project (F-REDD)	Mitigation	2014-2021	N/A	JICA	Technical Cooperation	MAF	JICA
Water resources							
Mekong Integrated Water Resources Management	Adaptation	2012-2021	US\$51	IDA	Loan	MONRE, MAF, MRC	World Bank
Urban development							
Building Resilience of Urban Populations with Ecosystem-based Solutions in Lao PDR	Adaptation	2020-2024	US\$10	GCF	Grant	MONRE	UNEP
Building Climate Resilience of Urban Systems through Ecosystem-based Adaptation (EbA) in the Asia-Pacific	Adaptation	2019-2022	US\$1.6 for Lao PDR	GEF LDCF	Grant	MONRE	UNEP
Southeast Asia Disaster Risk Management Project for Laos	Adaptation	2017-2024	US\$31	IDA	Loan and Grant	MPWT, MONRE	World Bank
Pakse Urban Environmental Improvement Project	Cross-cutting	2012-2021	US\$24.25	ADB	Loan and Grant	MPWT	ADB
Greater Mekong Subregion East-West Economic Corridor Towns Development Project	Cross-cutting	2013-2021	US\$47.73	ADB	Loan and Grant	MPWT	ADB
Second Greater Mekong Subregion Corridor Towns Development Project	Cross-cutting	2015-2021	US\$52	ADB	Loan	MPWT	ADB
Fourth Greater Mekong Subregion Corridor Towns Development Project	Cross-cutting	2019-2024	US\$48	ADB	Loan	MPWT	ADB
Building Climate and Disaster Resilience Capacities of Vulnerable Small Towns in Lao PDR	Adaptation	2019-2023	US\$5.5	Adaptation Fund	Grant	MPWT, MONRE	UN-Habitat

Enhancing the Climate and Disaster Resilience of the Most Vulnerable Rural and Emerging Urban Human Settlements in Lao PDR	Adaptation	2017-2021	US\$4.5	Adaptation Fund	Grant	MPWT, MONRE	UN-Habitat
Accelerating Climate Action through the Promotion of Urban Low Emission Development Strategies Project (Urban-LEDS II) in Lao PDR	Mitigation	2017-2021	EUR8 (for whole project)	EU	Grant	MONRE	ICLEI UN-Habitat
Urban Climate Change Resilience in the Cities along the GMS East-West Economic Corridor in Lao PDR	Adaptation	2019-2021	US\$0.41	GCF RPSP	Grant	MPWT	UN-Habitat
Encouraging Climate Adaptation and Mitigation Investments through Private Sector Engagement in Decentralized Wastewater Treatment Systems (DEWATS) and Small-scale Water Supply Infrastructure in Lao PDR	Adaptation and Mitigation	2018-2021	EUR0.94	Nordic Climate Fund	Grant	MPWT, NPSEs	UN-Habitat
Climate Change Vulnerability Assessment and Guidelines for Community- based Sustainable Environmental Management	Adaptation	2019-2021	US\$0.13	UNDP GoAL WATERS	Grant	MPWT, MONRE	UN-Habitat UNDP
Transport							
Lao Road Sector Project 2	Adaptation	2017-2026	US\$170	IDA, AIIB, EIB, Ndf	Loan and Grant	MPWT	World Bank, NDF, EIB, AIIB
National Road 13 Improvement and Maintenance Project	Adaptation	2018-2023	US\$128	IDA, AIIB, NDF, GoL	Loan	MPWT	World Bank, NDF, AIIB
Vientiane Sustainable Urban Transport Project	Cross-cutting	2016-2022	Approx. US\$78.74	ADB, OFID, EUAIF, EIB GEF	Loan and Grant	MPWT	N/A
Energy							
Development of Action Plan for Designing and Implementing Standards and Labelling Programme in Laos	Mitigation	2019-2020	US\$0.344	GCF RPSP	Grant	MEM	UNEP
Lao PDR Clean Cook Stove Initiative	Mitigation	2019-2025	US\$5.58	Ci-Dev, World Bank-ESMAP	Results-based Financing	MEM	World Bank

Reducing of Greenhouse Gas Emissions in the Industrial Sector through Palletization Technology in Laos	Mitigation	2016-2020	US\$1.27	GEF	Grant	MOIC	UNIDO
USAID Clean Power Asia	Mitigation	2019-2021	N/A	N/A	N/A	MEM	USAID
NDC Support Project	Mitigation	2017-2021	US\$0.8	Germany and EU	Grant	MEM	UNDP
Eco-friendly Energy Town Project	Mitigation	2019-N/A	US\$3.2	Korea	Grant	MEM	N/A
Health							
Lao PDR – Scaling-up Water Supply, Sanitation and Hygiene Project	Adaptation	2019-2024	US\$25.9	IDA	N/A	MPWT, MOH	World Bank
Cross-cutting							
Building the Capacity of the Lao PDR Government to Advance the National Adaptation Planning Process	Adaptation	2020-2024	US\$3.5	GEF NAP	GEF LDCF	MONRE	UNEP
Strengthening Lao PDR's Institutional Capacity to Comply with the Enhanced Transparency Framework under the Paris Agreement	Cross-cutting	2020-2023	US\$1.21	GEF 6	Grant	MONRE	UNEP
Second Lao Environment & Social Project	Cross-cutting	2014-2022	US\$38.83	IDA (32), GEF (6.83)	Loan and Grant	Multiple	World Bank
Green Growth Development Policy Operation 2	Cross-cutting	2019-2021	US\$40	IDA	Loan	MOF, MPI	World Bank
Green Growth Advisory Program for Lao PDR	Cross-cutting	2019-2022	N/A: Bank-executed	World Bank Internal Operating Budget	N/A	World Bank with Line Ministries	World Bank
Enhancing NDA Capacity and Access to the GCF in Lao PDR	Cross-cutting	2020-2021	US\$0.24	GCF RPSP	Grant	MONRE	GGGI

Annex II. List of Indicative Pipeline/Planned Projects related to Climate Change (Excluding GCF Projects)

Name of the project	Sector	Theme	Timeframe	Funding			Entities	
				Amount (US\$ million)	Source	Instrument	Government	Delivery partner
Lao People's Democratic Republic: GMS Cross-border Livestock Health and Value Chains Improvement Project	Agriculture	Adaptation	2021-TBD	65	ADB	Loan	MAF	ADB
Flood and Drought Mitigation and Management Project	Agriculture	Adaptation	2021-2028	42	ADB	Loan and Grant	MAF	ADB
Lao PDR Landscapes and Livelihoods Project	Multi-sector Forestry, Agriculture, Conservation and Tourism	Cross-cutting	Preparation Stage Implementation 2021-2028 (TBC)	50 7.37 7.36 (TBC)	IDA GEF-7 STAR Allocation Potential World Bank ProGreen Trust Fund	Loan and Grant	MAF, MONRE, MOIC, Wildlife and Forest Crime- related Agencies	World Bank
Climate Smart Agriculture Alternatives for Upland Production Systems in Lao PDR	Agriculture	Adaptation	Pipeline PIF Approved	4	GEF LDCF	Grant	MAF	FAO
Next phase of Sustainable Forest Management and REDD+ Support Project (F-REDD) <i>* Project title to be determined</i>	Forestry	Mitigation	Scheduled to Start in 2021	N/A	JICA	Technical Cooperation	MAF	JICA
Integrated Water Resource Management and Ecosystem-based Adaptation (EbA) in the Xe Bang Hieng River Basin and Luang Prabang City	Water Resources, Climate Change	Adaptation	Project Preparation Grant	5.33	GEF LDCF	Grant	MONRE	UNDP
Fostering Water and Environmental Security in the Ma and Neun/Ca Transboundary River Basins and Related Coastal Areas (Lao PDR and Vietnam)	Water Resources	Adaptation	PIF Approved	8	GEFTF International Waters	Grant	MONRE	FAO

Integrated Catchment Management to Reduce Flooding and Drought Risks Within Urban	Water Resources	Adaption	Pipeline	2.2	MOE Korea	Grant	MOLSW	UNDP
Groundwater Resources in Greater Mekong Sub-region: Collaborative Management to Increase Climate Change Resilience (Cambodia, Lao PDR, Myanmar, Thailand and Vietnam)	Water Resources	Adaptation	Pipeline Concept Endorsed	4.9 for Whole Project	Adaptation Fund	Grant	MONRE	UNESCO
Environmental and Waste Management Project (under discussion, pre-concept stage)	Urban	Cross-cutting	2022-2027 (TBC)	TBC	IDA	Concessional Loan	MONRE	World Bank
Livable Cities Investment Program	Urban	Cross-cutting	2022-2032 (TBC)	175	ADB	Loan and Grant	MPWT	ADB
ASEAN Climate Readiness Program for Cambodia, Indonesia, Lao PDR, Myanmar, Philippines and Vietnam	Cross-cutting	Mitigation	Pipeline	10 for Whole Project	KOICA	Grant	MONRE	UNDP

Annex III. List of Stakeholders Consulted in Formulating the First Country Programme

<i>Public sector</i>
Central Bank of Lao PDR
Committee of Economy, Technology and Environment, National Assembly
Department of Forestry, Ministry of Agriculture and Forestry
Department of Hygiene and Health Promotion, Ministry of Health
Department of Industry and Handicraft, Ministry of Industry and Commerce
Department of International Cooperation, Ministry of Planning and Investment
Department of International Finance, Ministry of Finance
Department of International Organization, Ministry of Foreign Affairs
Department of Meteorology and Hydrology, Ministry of Natural Resources and Environment
Department of Planning and Cooperation, Ministry of Agriculture and Forestry
Department of Planning and Cooperation, Ministry of Energy and Mines
Department of Planning and Cooperation, Ministry of Agriculture and Forestry
Department of Planning, Ministry of Energy and Mines
Department of Pollution Control, Ministry of Natural Resources and Environment
Department of Small and Medium Enterprise Promotion, Ministry of Industry and Commerce
Department of Social Welfare, Ministry of Labour and Social Welfare
Department of State Budget, Ministry of Finance
Department of Water Supply, Ministry of Public Works and Transport
Environment Protection Fund
Faculty of Environment Science, National University of Laos
Institute of Renewable Energy, Ministry of Energy and Mines
National Agriculture and Forestry Research Institute, Ministry of Agriculture and Forestry
National Assembly
National Disaster Management Office, Ministry of Labour and Social Welfare
Natural Resources and Environment Research Institute, Ministry of Natural Resources and Environment
Permanent Secretary, Ministry of Education and Sports
Provincial Department of Natural Resources and Environment (PONRE)
Public Works and Transport Institute, Ministry of Public Works and Transport
Vientiane Capital (PONRE)
<i>Private sector</i>

Agriculture Promotion Bank
Banque Franco Lao
Banque pour le Commerce Exterieur Lao Public
Joint Development Bank
Lao Development Bank
Lao National Chamber of Commerce and Industry
New Chipxeng Co.
Policy Bank
<i>Non-governmental organizations</i>
Lao Biodiversity Association
Lao Women's Union
Lao Youth Union
<i>Development partners and international organizations</i>
Asian Development Bank
Agence Française de Développement
European Union
Food and Agriculture Organization
Global Green Growth Institute
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
International Union for Conservation of Nature
Japan International Cooperation Agency
Lao National Mekong Committee
Swiss Agency for Development and Cooperation
United Nations Development Programme
United Nations Environment Programme
United Nations Human Settlements Programme
United Nations Industrial Development Organization
Village Focus International
World Bank
World Food Programme
World Health Organization

Annex IV. List of Stakeholders Consulted in Updating the Country Programme

<i>Public sector</i>
Department of Hygiene and Health Promotion, Ministry of Health
Department of Planning and Cooperation, Ministry of Health
Department of Industry and Handicraft, Ministry of Industry and Commerce
Department of Planning and Cooperation, Ministry of Industry and Commerce
Department of International Cooperation, Ministry of Planning and Investment
Department of Planning, Ministry of Planning and Investment
Department of Planning and Finance, Ministry of Natural Resources and Environment
Department of Meteorology and Hydrology, Ministry of Natural Resources and Environment
Department of Water Resources, Ministry of Natural Resources and Environment
Department of Planning and Finance, Ministry of Agriculture and Forestry
Department of Agriculture, Ministry of Agriculture and Forestry
Department of Forestry, Ministry of Agriculture and Forestry
National Agriculture and Forestry Research Institute, Ministry of Agriculture and Forestry
Department of Planning and Cooperation, Ministry of Energy and Mines
Institute of Renewable Energy Promotion, Ministry of Energy and Mines
Department of Energy Planning, Ministry of Energy and Mines
Energy and Mine Research Institute, Ministry of Energy and Mines
Department of Planning and Cooperation, Ministry of Public Works and Transport
Public Works and Transport Institute, Ministry of Public Works and Transport
Department of Transport, Ministry of Public Works and Transport
Department of Planning and Cooperation, Ministry of Science and Technology
Department of External Finance and Debt, Ministry of Finance
Department of Fiscal Policy and Regulation, Ministry of Finance
Department of International Cooperation, Bank of Lao PDR
Environment Protection Fund
Vientiane Capital Office of Management and Services
<i>Mass organizations</i>
Lao Women's Union
Lao Youth Union
Lao Front for National Construction
<i>Private sector and academia</i>

Lao National Chamber of Commerce and Industry
Earth System
Faculty of Environmental Science, National University of Laos
<i>Development partners and international organizations</i>
Asian Development Bank
British Embassy
CARE International
Food and Agriculture Organization
Global Green Growth Institute
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
International Finance Corporation
International Union for Conservation of Nature
Japan International Cooperation Agency
German Development Bank for Reconstruction / Kreditanstalt für Wiederaufbau (KfW)
Korea International Cooperation Agency
Save the Children International
United Nations Development Programme
United Nations Environment Programme
United Nations Human Settlements Programme
United Nations Industrial Development Organization
World Bank
World Food Programme
World Health Organization
World Wide Fund for Nature