

**United Nations Joint Programme on Green and Climate Finance
INCEPTION REPORT
REPORTING PERIOD¹: 29 APRIL – 31 DECEMBER 2025**

<p align="center">Programme Title & Project Number</p>	<p align="center">Country, Locality(s), Priority Area(s) / Strategic Results</p>
<ul style="list-style-type: none"> • Programme Title: United Nations Coordinated Technical Assistance to the Government of Lao PDR on Green and Climate Finance • MPTF Office Project Reference Number: 00141380 	<p><i>Country/Region: Lao PDR</i> <i>Priority area/ strategic results: Green and Climate Finance; Financing National Plans; Sustainable Economic Transformation.</i></p>
<p align="center">Participating Organization(s)</p>	<p align="center">Implementing Partners</p>
<ul style="list-style-type: none"> • UNDP • UNEP • UN-Habitat • FAO 	<ul style="list-style-type: none"> • Ministry of Finance • Ministry of Agriculture and Environment • Ministry of Industry and Commerce • Investment Promotion and Management Committee • Provincial Administrative Office of Champasak • Governor's Office of Champasak • Maynor's Office of Pakse • Provincial Administrative Office of Savannaket • Governor's Office of Savannaket • Mayor's Office of Kaysone Phomvihane • Bank of Lao PDR
<p align="center">Programme/Project Cost (US\$)</p>	<p align="center">Programme Duration</p>
<p>Total approved budget as per project document: USD 2,153,975 MPTF /JP Contribution by Agency:</p> <ul style="list-style-type: none"> • UNDP: USD 1,154,885 • UNEP: USD 525,000 • UN-Habitat: USD 414,090 • FAO: USD 60,000 	<p>Overall Duration (months): 24 months Start Date: 18/12/2025 Original End Date : 29/04/2027 Current End date: 29/04/2027</p>
<p>TOTAL: USD 2,153,957</p>	
<p>Programme Assessment/Review/Mid-Term Eval.</p>	<p align="center">Report Submitted By</p>
<p>Assessment/Review - if applicable <i>please attach</i> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Date: <i>dd.mm.yyyy</i> Mid-Term Evaluation Report – <i>if applicable please attach</i> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Date: <i>dd.mm.yyyy</i></p>	<ul style="list-style-type: none"> ○ Name: David Blackman ○ Title: Senior Economist ○ Participating Organization (Lead): UNRCO ○ Email address: david.blackman@un.org

¹ The actual start date is the date of the first transfer of the funds from the MPTF Office (18 December 2025) as Administrative Agent to Participating Agencies. The reasons for deviations are provided in the Sec III of the report.

EXECUTIVE SUMMARY

The United Nations Joint Programme on Green and Climate Finance in Lao PDR was signed on 29 April 2025, with funds disbursed by the Multi-Partner Trust Fund Office on December 18, 2025. In the interim period prior to disbursement, the four Participating UN Organizations (PUNOs) of the Joint Programme – UNDP, UN-Habitat, UNEP, and FAO – responded flexibly to ensure the Joint Programme remained on track and on schedule according to its deliverables. PUNOs managed resourcing effectively – including co-financing from alternative sources where necessary – to begin their preparatory work, develop governance and administrative arrangements, and establish the necessary partnerships to begin implementation in 2026.

During the reporting period, the Programme laid the essential groundwork for advancing green and climate finance related workstreams in Lao PDR. Through a range of preparatory efforts, including strengthened partnerships across institutions and the delivery of early technical assessments and knowledge products, the Joint Programme has established the administrative arrangements and operating procedures of a dedicated Sustainable Finance Hub within Lao PDR's Ministry of Finance. With the Sustainable Finance Hub and other key building blocks now in place, the Programme is well positioned to accelerate implementation and begin delivering tangible, on-the-ground results from 2026 onwards.

During the reporting period, the Joint Programme delivered the following results. Given the programme's official start date of 18 December 2025, achievements are presented in two phases to distinguish between preparatory actions undertaken prior to formal commencement and planned activities moving into implementation in 2026.

Prior to 18 December 2025, the Joint Programme focused on foundational and preparatory work, including:

- **The first Joint Programme Steering Committee in October 2025**, marking an important governance milestone and providing strategic direction for the programme. The meeting endorsed the programme's governance and coordination arrangements, confirmed the operationalisation of the Climate and Sustainable Finance Hub, and aligned stakeholders on priority areas for implementation, including Payment for Forest Environmental Services (PfES), local government climate finance readiness, and sustainable budgeting reforms. The meeting also provided the platform to reflect on the development of the 10th NSEDP Financing Strategy, bridging priorities from the 9th NSEDP Financing Strategy on policy reforms for financing green growth and climate action. The Government re-affirmed stronger integration of green and climate finance priorities in the 10th NSEDP Financing Strategy which in turn ensured the relevance of the UN Joint Programme activities.
- **City-level diagnostics in Kaysone Phomvihane and Pakse focusing on financial landscapes, investment gaps, and institutional capacity for low-emission, climate-resilient urban development.** These findings informed the development of tailored city-level guidelines, mapped priority sectors for climate mitigation and adaptation investments, and supported public-private partnership strategies. The Programme also strengthened local government capacity to access and manage green finance, convened a stakeholder consultation workshop to validate recommendations, and prepared a session for the Lao National Urban Forum 2025 to raise awareness of urban green investment opportunities, laying the groundwork for scalable and replicable climate investment models.
- Important preparatory work on **sustainable public financial management and environmental fiscal reforms in Lao PDR** using UNEP internal expertise and resources. Preparatory work included applying the Sustainable Budgeting Approach (SBA) to national fiscal data, developing fiscal intelligence briefs, and building a framework for integrating climate and environmental priorities across the budget cycle.

Following 18 December 2025, the Joint Programme transitions into its implementation phase. Planned activities for 2026 include:

- **The establishment of a Climate and Sustainable Finance Hub within the Ministry of Finance (MOF).** The Hub serves as a central coordination platform for integrating green and climate finance workstreams across government sectors. This represents a critical institutional milestone for coordinating and mobilizing sustainable financing.
- **Multi-stakeholder engagement in support of a payment for forest environmental services (PfES) scheme in Lao PDR,** including early consultations to increase awareness, consensus-building, and readiness for implementation.

UN inter-agency coordination has been effective in achieving these results, ensuring a coherent and integrated approach to supporting government priorities.

I. Purpose

The United Nations Joint Programme on Green and Climate Finance in Lao PDR is designed to support the government in achieving specific national and international development goals through a two-fold approach of technical assistance and governance coordination.

The primary objective of the joint programme is the achievement of Objective 5.3.1 of the 9th National Socio-Economic Development Plan (NSEDP) Financing Strategy, which seeks to ensure that "green growth and climate-resilient development are financed through sustainably increasing budget allocations, improved green budgeting, strategic mobilisation of ODA, and increasing private investments in an enabling business environment". To achieve this objective, the programme focuses on addressing policy and resource allocation gaps through the implementation of the "Green and Climate Finance" chapter of the 9th NSEDP Financing Strategy, expanding technical assistance to bridge existing challenges in policy implementation, and strengthening inter-ministerial coordination to enhance overall policy coherence and effectiveness across government sectors.

The programme's outcomes are aligned with both national strategies and the United Nations' strategic framework for Lao PDR. It contributes directly to Outcome 4 of the Lao PDR–United Nations Sustainable Development Cooperation Framework (2022–2026), which aims to strengthen the capacity of institutions and people to manage natural resources and promote risk-informed, climate-resilient green growth. At the national level, it supports Outcome 4 of the 9th NSEDP, with a focus on enhancing environmental protection and reducing disaster risks. A key governance outcome is the establishment and operationalization of a Sub-Committee on Green and Climate Finance, alongside a dedicated Hub to serve as a secretariat for cross-ministerial coordination.

At the technical level, the programme aims to strengthen the capacity of government institutions to implement policy measures such as green budgeting and environmental fiscal reform, while incentivizing the private sector to adopt greener and more circular business models. It also seeks to better align economic and environmental priorities, reducing trade-offs between revenue generation and environmental sustainability, and to ensure sustained financing for climate-resilient development from the 9th to the 10th NSEDP period. Overall, the programme contributes to advancing SDG 17.14 on policy coherence for sustainable development and SDG 8.4 on decoupling economic growth from environmental degradation.

II. Results

i) Narrative reporting on results:

Overall, the Programme has made moderate but meaningful progress despite disruptions during the reporting period - particularly transitions owing to machinery of government changes. While most results have been at the foundational and enabling level, the Programme has successfully established the

institutional, technical, and coordination basis required to support higher-level outcomes in subsequent phases. The emphasis on early-stage system building has been appropriate and strategic, positioning the Programme for accelerated implementation from 2026 onward.

A key achievement has been the establishment of the Climate and Sustainable Finance Hub as a central entry point for integrated green and climate finance efforts across government. The Hub is expected to play a critical role in strengthening coordination, aligning policies and financing instruments, and bridging sectoral silos. By serving as a platform for collaboration across institutions and stakeholders, it lays the foundation for a more coherent and programmatic approach to green and climate-related investments and policy development.

The Programme has also demonstrated strong capacity to convene and sustain multi-stakeholder engagement across government entities, development partners, the private sector, and civil society. Early consultations on Payment for Forest Environmental Services (PfES), forestry carbon, and green finance diagnostics have contributed to increased awareness, shared understanding, and initial consensus-building on complex policy areas. These processes have strengthened relationships, supported alignment around emerging priorities, and created a basis for more coordinated implementation moving forward.

Partnerships have been central to the progress achieved. Collaboration among participating UN agencies has enabled a coherent and integrated approach to green and climate finance, bringing together complementary expertise across public finance, environmental policy, and sustainable investment. This joint approach has supported the development of key institutional mechanisms, analytical work, and preparatory outputs, while ensuring alignment with national priorities.

UN coordination under the Joint Programme has been effective and constructive, particularly in joint planning, division of staff, and information sharing. The Joint Programme Steering Committee has provided a platform for strategic oversight, while technical-level coordination has enhanced efficiency, reduced duplication, and strengthened the overall quality of support.

Cross-cutting considerations are increasingly reflected in Programme implementation. These include the integration of climate and environmental sustainability into economic and financial planning, as well as efforts to engage private sector actors in green investment opportunities. The Programme has also taken initial steps toward inclusive approaches by ensuring that diverse stakeholder perspectives inform the design of financing mechanisms and policy tools.

Although outcome-level changes have yet to materialize, the Programme has made important progress in establishing the enabling environment, institutional architecture, and partnerships necessary to drive integrated green and climate finance. The Climate and Sustainable Finance Hub, in particular, represents a key institutional innovation that will anchor future efforts. Together, these foundations position the Programme to scale up implementation and deliver more tangible results in the next phase.

- **Outcomes:**

The Programme contributes to two interrelated outcome areas: (i) expanding technical support for the implementation of green and climate finance priorities, and (ii) enhancing coordination and coherence of governance mechanisms under the 9th NSEDP Financing Strategy. These two streams, technical assistance and governance support, work in parallel to address both capacity and institutional gaps in operationalising green and climate finance in Lao PDR.

Under the first outcome area, the Programme made initial progress in expanding technical support during the reporting period. Preparatory work was initiated with key government counterparts. This included

scoping missions in areas such as PfES and regulatory reform supporting green finance. Foundational analysis and early-stage studies were also conducted into PfES and environmental-fiscal reform, which have begun to inform priority actions under Chapter 5.3 of the 9th NSEDP Financing Strategy. Technical assistance in support of these activities will commence immediately in 2026.

Under the second outcome area, the Programme supported enhanced coordination and coherence through the establishment and initial operationalisation of governance structures. The convening of the first Joint Programme Steering Committee Meeting and the launch of the Climate and Sustainable Finance Hub marked an important milestone in strengthening oversight, strategic guidance, and alignment among stakeholders. In addition, progress was made in advancing coordination mechanisms linked to the 9th NSEDP Financing Strategy, including support towards operationalising the Sub-Committee on Green and Climate Finance. These efforts will contribute to improving cross-ministerial dialogue, clearer institutional roles, and stronger alignment across government entities and development partners. However, these coordination mechanisms are still being consolidated, and their full institutionalisation will require continued engagement.

The main beneficiaries of the Programme are government institutions, especially the Ministry of Finance, Ministry of Agriculture and Forestry, Ministry of Industry and Commerce, Bank of the Lao PDR, Investment Promotion and Management Committee and sub government in Champasack and Savannakhet. Indirect beneficiaries include private sector actors, who benefit from clearer policy direction and incentives for sustainable investment, as well as the broader population through the long-term impact of more sustainable, climate-resilient, and inclusive economic development.

- **Outputs:**

The UNJP is structured around two primary outputs designed to bridge the gap between Lao PDR's environmental ambitions and its available resources. Output 1 focuses on governance and coordination support, specifically aimed at the establishment and operationalization of the Sub-Committee for Green and Climate Finance and the creation of a Green and Climate Finance Hub to act as its secretariat and coordination mechanism. Output 2 provides targeted technical assistance for the implementation of eight specific policy actions under Chapter 5.3 of the 9th NSEDP Financing Strategy.

Output 1: Governance and coordination support to the establishment and operationalisation of the Sub-Committee for Green and Climate Finance

Activity 1.1 – Support the formulation of Sub-Committee for Green and Climate Finance and establish a Green and Climate Finance Hub as its secretariat and coordination mechanism for green and climate finance initiatives.

Under Output 1, Activity 1.1, UNDP leads the provision of governance and coordination support to establish and operationalise the Sub-Committee for Green and Climate Finance, as well as the Climate and Sustainable Finance Hub, which serves as the secretariat and coordination mechanism for the Sub-Committee.

By establishing a dedicated Sub-Committee and a supporting Hub, the UNJP aims to create a structured platform for inter-ministerial dialogue, strategic oversight, and coherent decision-making. The Sub-Committee is intended to deliver high-level guidance and oversight for the implementation of green and climate finance priorities under the national Financing Strategy, while the Hub ensures continuous technical support, coordination, and follow-up. Together, these mechanisms are intended to strengthen policy coherence, improve alignment of technical assistance, and ensure that green and climate finance initiatives are effectively integrated into national planning and fiscal policy processes. Ultimately, this governance framework is designed to move beyond ad hoc and project-based approaches, enabling a more institutionalised, government-owned system capable of sustaining and scaling green and climate finance efforts over the long term.

The formal establishment of the Sub-Committee on Green and Climate Finance and related coordination mechanisms is expected in 2026, following the confirmation of government counterparts amid ongoing institutional restructuring.

Given the delays in receiving funds, during the reporting period, UNDP raised co-financing from the INFF Facility to support the design of the Climate and Sustainable Finance Hub from early to end 2025. This included review of documents, consultations with PUNOs and government ministries. These efforts contributed to the development of the Hub's operational manual, which defines its mandate, core functions, day-to-day operations, reporting lines, and coordination arrangements across relevant ministries and agencies.

The operational manual was subsequently reviewed and formally presented to the Minister of Finance. Following this, the Economic and Fiscal Policy Department (EFPD), as the host of the Hub, undertook internal decisions regarding staffing and institutional arrangements. The Director General of EFPD was appointed as the Director of the Hub, while a Deputy Director General was assigned to oversee its day-to-day operations, supported by designated EFPD staff.

The Climate and Sustainable Finance Hub was officially launched by UNDP and the Government of Lao PDR during September 2025, coinciding UNDP's high-level visit of the Regional Director for the Asia-Pacific.

During the reporting period, UNDP team initiated a recruitment as a preparatory step to ensure staffing of the Climate and Sustainable Finance Hub results in full operationalization early on. Terms of Reference for an international Chief Technical Advisor and a national Hub coordinator were developed, and recruitment was completed during the reporting period.

Output 2: Technical support to the implementation of actions under the 9th NSEDP Financing Strategy chapter on green and climate Finance

Output 2 focuses on providing targeted technical assistance to address critical gaps in the implementation of the 9th NSEDP Financing Strategy's chapter on Green and Climate Finance. While Output 1 establishes the necessary governance structures, Output 2 leverages the expertise of PUNOs to support the government in executing ten specific activities linked to national policy actions.

Activity 2.1 Assessment and development of long-term policy and legislative reforms to strengthen the sustainability practices in the extractives sector.

This activity led by UNDP in collaboration with the Ministry of Industry and Commerce (MOIC), aims to strengthen sustainability in Lao PDR's extractive sector through policy and legislative reforms. It seeks to address key economic and environmental trade-offs by assessing the sector's true contribution to national revenue and its environmental impacts, while generating evidence on revenue foregone due to tax exemptions and preferential treatments to inform fiscal reforms. The activity also supports the development of legal due diligence tools to improve oversight of concession agreements and provides recommendations to update regulatory frameworks in line with the 9th NSEDP's climate-resilient development pathway. Importantly, it promotes engagement with the private sector to ensure practical and widely supported reforms. Overall, the activity contributes to more transparent, efficient, and sustainable resource management, in line with Action 8 of the Financing Strategy, including the temporary moratorium on new extraction projects.

During the reporting period, there is no significant progress made, while preparatory discussions and consultations were undertaken to strengthen readiness for implementation, including initial engagement with MOIC to refine the scope and approach of the activity. The next steps include presenting the detailed design of sub-activities and working closely with MOIC to validate priorities, define implementation arrangements, and initiate analytical workstreams.

Activity 2.2 Budgeting for Sustainable, Resilient and Inclusive Growth

This activity led by UNEP in collaboration with MoF, aimed at transforming public financial management in Lao PDR by integrating environmental, economic, and social considerations into the national budget process. The activity focuses on mainstreaming climate and environmental priorities across all stages of the budget cycle through the development of a Sustainable Budgeting Approach (SBA), including the Lao PDR Sustainable Budgeting Method and its application to the 2023 budget to establish a baseline. It seeks to enhance transparency and evidence-based decision-making, enabling better alignment between fiscal policies and sustainable development objectives, while also fostering a local knowledge ecosystem by building capacity and transferring tools to national institutions. In addition, the activity leverages synergies with existing initiatives, such as gender budgeting support, to ensure a coherent and adaptable approach. Overall, it contributes to strengthening inclusive, resilient, and environmentally sustainable fiscal policy in line with Action 14 of the 9th NSEDP Financing Strategy.

During the reporting period, UNEP undertook preparatory work using internal expertise and resources to build readiness to support the Ministry of Finance. This included developing a Fiscal Intelligence Brief applying the Sustainable Budgeting Approach (SBA) to Lao PDR's 2024 fiscal data using publicly available sources. The analysis demonstrates a triple-lens approach to assess fiscal sustainability and proposes a framework for future engagement, focusing on improved data access, technical collaboration, and integration with ongoing PFM reforms. Recruitment of a joint national consultant is underway to support the next steps.

Activity 2.3 Promote Innovative Green Finance

This activity led by UNDP and the Climate and Sustainable Finance Hub, aimed at helping Lao PDR address its debt challenges while mobilizing new resources for climate and environmental priorities. The activity focuses on laying out the groundwork for innovative financing instruments, including exploring debt-for-nature swaps as a mechanism to restructure debt while supporting conservation objectives. It also seeks to close technical knowledge and capacity gaps related to the design and valuation of such instruments, while fostering cross-sectoral collaboration between finance and line ministries to ensure that environmental and social considerations are fully integrated. Through capacity building, global knowledge exchange, and the development of strategic policy tools, the activity supports informed decision-making and the alignment of financing solutions with national priorities. Overall, it contributes to advancing sustainable debt management and green financing in line with Action 18 of the 9th NSEDP Financing Strategy.

During the reporting period, preparatory work was undertaken for the Hub's bilateral missions with line ministries to introduce its mandate, map existing green finance initiatives in Lao PDR, and identify technical assistance needs that the Hub can support. These consultations aim to strengthen inter-ministerial coordination and ensure that priority gaps and opportunities are clearly defined. The findings from these engagements will inform the design and sequencing of sub-activities under this component, ensuring that interventions are demand-driven, well-targeted, and aligned with national priorities.

Activity 2.4 Development of a report and capacity-building programme highlighting the policy recommendations to improve the environmental sustainability of the financial sector

Led by UNEP Finance Initiative in collaboration with the Bank of Lao PDR (BoL), the activity aims to strengthen the environmental sustainability of Lao PDR's financial sector by supporting the implementation of Action 50 of the 9th NSEDP Financing Strategy. The activity focuses on developing an evidence-based report that draws on international policy and regulatory practices to provide tailored recommendations for the domestic context, alongside a targeted capacity-building programme to enhance BoL's institutional knowledge and technical expertise in sustainable finance. Through close coordination with national stakeholders and partners such as IFC, the initiative ensures strategic alignment with broader financial sector reforms. Ultimately, it supports informed policymaking, helps identify regulatory gaps and best practices, and lays the foundation for developing sustainable finance frameworks or roadmaps in line with the country's green growth and climate resilience objectives.

During the reporting period, limited progress was made under this activity. However, UNEP FI undertook initial technical groundwork, including the preparation of a draft report outline and a capacity-building concept note, which were shared with the Bank of Lao PDR. It will serve as a basis for renewed engagement with the current counterpart in Q2 2026.

Activity 2.5 Environmental Fiscal Reform and Premarket Interventions

This activity led by UNEP in collaboration with MoF, aims to advance environmental fiscal reform in Lao PDR by supporting the implementation of Action 51 of the 9th NSEDP Financing Strategy. The activity focuses on conducting a comprehensive assessment of the costs, benefits, and feasibility of environmental fiscal measures, while supporting ongoing efforts to develop the Environmental Tax Law. It seeks to promote sustainable economic transformation by exploring mechanisms to price environmental harm, influence behavior, and mobilize resources for priority sectors. Through evidence-based analysis and policy innovation, the activity will generate actionable recommendations and a costed reform plan, contributing to greener growth and positioning Lao PDR as an attractive destination for sustainable investment, in close coordination with the Climate and Sustainable Finance Hub.

During the reporting period, UNEP advanced initial analytical preparatory work using their own resources to inform environmental fiscal reform efforts. This included preparing a Fiscal Intelligence Brief incorporating Environmental Fiscal Reform (EFR) mapping based on Lao PDR's 2024 fiscal data. The work highlights entry points for using fiscal instruments to address environmental challenges while supporting broader economic objectives. It will also identify priority areas for engagement with the Ministry of Finance, particularly around data, policy analysis, and alignment with ongoing reform processes. Recruitment of a joint national consultant is ongoing to facilitate continued technical support and dialogue.

Activity 2.6 Multi-stakeholder consultations towards a Payment for forest Environmental Services (PfES).

Led by FAO in collaboration with the Ministry of Agriculture and Environment (MAE), the activity aims to advance the development of a national Payment for Forest Environmental Services (PfES) scheme in Lao PDR. The initiative seeks to generate sustainable domestic finance to support public revenue and address fiscal constraints, while leveraging contributions from industry actors, particularly hydropower companies, that benefit from well-managed forest ecosystems. Through multi-stakeholder consultations with government agencies, industry, and hydropower companies, the activity will foster mutual understanding, build consensus, and ensure private sector buy-in. It will also support the drafting of PfES legislation and develops a feasible design and roadmap for piloting and scaling the scheme nationally, drawing on lessons from Viet Nam's successful PfES experience.

During the reporting period, a kick-off workshop was held, and the Steering Committee and Technical Working Group for PfES in Lao PDR were convened, receiving strong national support for PfES as a mechanism to monetize forest ecosystem services and generate public revenue, particularly from sectors such as hydropower. A feasibility study, drawing on the Viet Nam model, is currently underway to assess design options and implementation modalities. The first consultation was held in August 2025, followed by a second in November 2025. Drafting of the legal framework for PfES is also underway, with targeted completion by February 2026. The legal framework aims to clearly define eligible ecosystem services, identify responsible beneficiaries and contributors, establish transparent payment mechanisms, and provide the statutory authority to implement and enforce the PfES scheme. In parallel, a draft roadmap for forest PES has been developed and is being updated to reflect the evolving policy and implementation context.

Activity 2.7 Support to non-environmental ministries to build green and climate finance capacity.

This activity led by UNDP in collaboration with MoF and the Investment Promotion and Management Committee (IPO), aimed at strengthening the technical capacity of ministries outside the environmental sector to strategically mobilize and utilize green and climate finance. The activity focuses on training a core group of specialists from government entities and private sector partners involved in implementing Chapter 5.3 of the Financing Strategy, developing accessible training materials, and providing targeted support to IPO to screen, assess, and promote sustainable investments. It will also facilitates cross-ministerial coordination to develop high-value resource mobilization proposals, particularly for adaptation financing, and supports coherent participation of non-environment ministries in UNFCCC COPs through preparatory sessions and financial support.

During the reporting period, limited progress was achieved, with only initial discussions held with IPO and MOF to refine the activity's scope and approach and expectation for COP contribution. The Climate and Sustainable Finance Hub will incorporate COP preparation into its workplan to ensure better coordination, clearer ownership, and more timely delivery of related outputs.

Activity 2.8 Incentivising urban investment in green growth.

This activity led by UN-Habitat in collaboration with local authorities in Kaysone Phomvihane and Pakse cities, aimed at promoting public and private investment to support Lao PDR's transition to low-emission, climate-resilient urban development. The activity builds on the Urban LEDS project by strengthening greenhouse gas inventories and climate risk assessments, diagnosing financial challenges and revenue potential for local governments, and mapping key climate mitigation and adaptation investment opportunities in sectors such as renewable energy, waste management, sustainable transport, and green infrastructure. It will also develop tailored city-level guidelines, institutionalizes capacity-building through training for officials and stakeholders, fosters public-private partnerships by reducing investment risks, and ensures that lessons learned are scaled up and shared.

During the reporting period, UN-Habitat focused on strengthening local governments' capacity to access and manage green and climate finance, working closely with authorities in Kaysone Phomvihane and Pakse. Initial city-level diagnostics were completed, assessing urban financial landscapes, investment gaps, and institutional challenges, drawing on data from Multi Layered Vulnerability Assessment (MVA), and desk reviews conducted in 2025. The findings are informing the development of city-level guidelines for climate investment, including private sector engagement modalities. A Stakeholder Consultation and Validation Workshop was held on 17 March 2026 in Kaysone Phomvihane, providing a platform to review and validate recommendations and build consensus on opportunities and constraints

for green and climate finance. In addition, UN-Habitat prepared a dedicated session on the Joint Programme for the Lao National Urban Forum 2025 to raise awareness and strengthen stakeholder understanding of local green investment opportunities.

Activity 2.9 Focused support sharing experience from forest carbon to other sectors

This activity, led by FAO in collaboration with MAE, aims to leverage lessons from the forestry sector to inform broader national carbon market policies. The activity facilitates cross-sectoral knowledge exchange by documenting forestry experiences and sharing them through technical workshops with multi-sectoral stakeholders, ensuring alignment with national green and climate finance strategies. Building on FAO's advisory support under the UN-REDD+ Programme, it creates a dedicated platform for inter-sectoral dialogue to enhance policy coherence, reduce fragmentation, and strengthen the effectiveness of carbon trading regulations. The initiative also engages private sector actors to ensure that national carbon market legislation is practical, implementable, and responsive to non-government participants.

Activity 2.10 Supporting the implementation of measures to unlocking biodiversity finance

This activity is UNDP-led initiative in collaboration with MAE, aimed at ensuring Lao PDR's biodiversity finance action plans are effectively implemented nationwide. The activity builds on existing government efforts, including the National Biodiversity Strategy and Action Plan (NBSAP) and the 2024–2027 biodiversity finance action plan, while facilitating global engagement through international conferences and peer-learning. It also seeks to raise public awareness on the importance of biodiversity finance, incentivize private sector investment, particularly in agroforestry, eco-tourism, and banking access, and strengthen national ownership by promoting broad participation and knowledge sharing, ensuring that biodiversity strategies are both bankable and implementable.

UNDP, through the Biodiversity Finance Initiative (BIOFIN) project funded by GEF, has worked closely with MAE to advance biodiversity finance in Lao PDR. Key achievements to date include the completion of the Policy and Institutional Review, Biodiversity Expenditure Review, and Financial Needs Assessment, providing a solid foundation for investment planning. Under this UNJP activity, efforts will continue with the development and finalization of the Biodiversity Finance Plan, supported by an international specialist to help the Government design actionable financing strategies. Building on UNDP's groundwork, the UNJP aims to translate biodiversity priorities into bankable and implementable interventions, strengthen national ownership, and facilitate targeted investment in sectors such as agroforestry, eco-tourism, and biodiversity-linked financial instruments.

III. Delays in implementation, challenges, lessons learned & best practices:

While delays in funds disbursement led to an effective commencement date of December 2025, implementation arrangements were also affected by mergers of multiple government ministries after Joint Programme approval during the second quarter of 2025. These mergers required some adjustment from the initial Joint Programme design and governance arrangements, and resulted in delays in consultations between PUNOs and government counterparts – both within the Ministry of Finance and among other partnering government entities.

In response, the programme adapted by prioritizing preparatory and technical groundwork. This included the development of draft analytical outputs, capacity-building concept notes, and continued stakeholder coordination to maintain engagement and readiness. Progress was also made in advancing key operational frameworks and institutional arrangements to facilitate a smoother transition into full implementation.

Key insights from this period highlight several important considerations:

- Flexibility in work planning proved essential in navigating evolving institutional contexts.
- Initiating technical groundwork early allowed progress to continue despite implementation constraints.
- Continuous stakeholder engagement was critical in maintaining trust and alignment during a period of transition.
- Finally, early alignment of administrative, technical, and coordination processes helped reduce potential bottlenecks and better position the Programme for delivery.

Risk analysis indicates that some of the risks identified during the design phase have materialized. Institutional restructuring has posed a moderate operational risk, affecting coordination, continuity of engagement, and the establishment of governance mechanisms. Delays in administrative and operational processes have also affected activity sequencing and implementation timelines.

An emerging risk relates to competing priorities and coordination pressures during the transition period, which may slow decision-making and implementation progress. However, these risks remain manageable and have been mitigated through adaptive planning, continued technical engagement, and proactive preparation for upcoming activities.

No major programmatic revisions were formally undertaken during the reporting period; however, the sequencing of activities has been adjusted, with a strategic shift toward preparatory work in 2025 and full implementation planned for 2026.

ii) Indicator Based Performance Assessment:

Output/Indicator/Baseline/Target ²	<u>Achieved</u> Indicator Targets	Reasons for Variance with Planned Target (if any)	Source of Verification
Output 1: Governance and coordination support to the establishment and operationalisation of the “Financing Strategy for the 9th NSEDP subcommittee on Green and Climate Finance”			
<i>Activity 1.1: Support the formulation of Sub-Committee for Green and Climate Finance and establish a Green and Climate Finance Hub as its secretariat and coordination mechanism for green and climate finance initiatives.</i>			
Indicator 1.1.1 Sub-Committee established Baseline: 0 Target: 1 (Q1 2026)	0	Approval and coordination processes ongoing	Draft TORs, meeting notes
Indicator 1.1.2 Reports to Financing Strategy National Committee Baseline: 0 Target: 2 (Q3 2025 & Q1 2027)	0	Dependent on formal establishment of Sub-Committee	Minutes of meetings
Indicator 1.1.3 Number of M&E, climate finance workshops conducted for Sub-Committee, MoF and MAE Baseline: 0 Target: 2 (Q1 2026 & Q1 2027)	0	As most activities start from 2026, the M&E should move to Q4 202	Content developed for capacity building
Output 2: Technical support to the implementation of actions related to the 9th NSEDP Financing Strategy chapter on green and climate Finance			
<i>Activity 2.1: Assessment and development of long-term policy and legislative reforms to strengthen the sustainability practices in the extractives sector.</i>			
Indicator 2.1.1: Economic, social and environment impacts and revenue forgone in the mining sector in Lao PDR is assessed Baseline: 0 Target: 1 (Q1 2027)	0	Activity scheduled for later phase	Project progress reporting
Indicator 2.1.2: Consultation with the private sector conducted Baseline: 0 Target: 4 (2 by Q1 2026 & 2 by Q1 2027)	0		Minutes of consultation
Indicator 2.1.3: Long-term strategic recommendations for the extractive sector in Lao PDR including legal tools are developed Baseline: 0 Target: 1 (Q1 2027)	0		Strategic document
<i>Activity 2.2: Budgeting for Sustainable, Resilient and Inclusive Growth</i>			
Indicator 2.2.1: Development of Lao PDR Sustainable Budgeting Method Baseline: 0 Target: 1 (Q1 2026)			Sustainable Budgeting Approach Final Report

² Outputs, indicators and targets are **outlined** as per the Programme Document

Output/Indicator/Baseline/Target ²	<u>Achieved</u> Indicator Targets	Reasons for Variance with Planned Target (if any)	Source of Verification
Indicator 2.2.2: Three capacity building workshops Baseline: 0 Planned Target: 3 (Q3 2025, Q1 2026, Q1 2027)			Workshop outcome documents
<i>Activity 2.3: Promoting Innovative Green Finance</i>			
Indicator 2.3.1: Knowledge products on innovative environmental and climate financing are produced and disseminated Baseline: 0 Target: 2 (Q1 2027)	0		Knowledge products developed
Indicator 2.3.2: Knowledge sharing study tour organised Baseline: 0 Target: 1 (Q1 2027)	0		Study tour outcome report
Indicator 2.3.3: Stakeholder consultation/policy dialogue on innovative financing (including private sector) Baseline: 0 Target: 1 (Q1 2027)	0		Concept notes for consultations/dialogues
<i>Activity 2.4: Development of a report and capacity-building activities to improve the environmental sustainability of the financial sector</i>			
Indicator 2.4.1: Report to improve environmental sustainability of the financial sector Baseline: 0 Target: 1 (Q1 2026)	0		Report
Indicator 2.4.2: Report to Dissemination activity / capacity building Baseline: 0 Target: 1 (Q1 2026)	0		Event outcome document
<i>Activity 2.5: Environmental Fiscal Reform and Pre-market Interventions</i>			
Indicator 2.5.1: Costed plan and policy recommendations for environmental fiscal reform Baseline: 0 Target: 1 (Q1 2026)	0		Environmental fiscal reform plan and policy recommendations
Indicator 2.5.2: Dissemination event Baseline: 0 Target: 1 (Q1 2026)	0		Event outcome document
<i>Activity 2.6: Multi-stakeholder consultations towards a Payment for forest Environmental Services (PfES)</i>			
Indicator 2.6.1: Roadmap for forest PES reform Baseline: 0 Target: 1 (Q1 2026)			Roadmap document
Indicator 2.6.2: Draft decree for forest PES Baseline: 0 Target: 1 (Q1 2027)			Draft forest PES decree

Output/Indicator/Baseline/Target ²	<u>Achieved</u> Indicator Targets	Reasons for Variance with Planned Target (if any)	Source of Verification
<i>Activity 2.7: Support to non-environmental ministries to build green and climate finance capacity.</i>			
Indicator 2.7.1: Number of climate specialists trained Baseline: 0 Target: 40 (Q1 2026, Q1 2027)			Training material
Indicator 2.7.2: Number of climate specialists trained – private sector Baseline: 0 Planned Target: 10 (Q1 2026, Q1 2027)			Training material
Indicator 2.7.3: Number of resource mobilisation proposals developed Baseline: 0 Planned Target: 2 (Q3 2025, Q1 2026)			Proposals developed
Indicator 2.7.4: COP 29 / 30 preparatory events Baseline: 0 Planned Target: 2 (Q3 2025, Q1 2026)			Event Outcome Documents
Indicator 2.7.4: Number of staff trained to apply screening tools, due diligence and impact promotion at the Investment Promotion Department, MPI Baseline: 0 Planned Target: 20 (Q1 2026, Q1 2027)			Training reports
<i>Activity 2.8: Incentivising investment in urban green growth</i>			
Indicator 2.8.1: Diagnostic of key challenges in accessing/effectively leveraging green finance for local governments and private sector Baseline: 0 Planned Target: 2 (Q3 2025)			Diagnostic document
Indicator 2.8.2: Baselines for key Own Source Revenues (estimating revenue potential) for two local governments including private sector contributions Baseline: 0 Planned Target: 2 (Q1 2026)			Own Source Revenue document
Indicator 2.8.3: Overview of key climate-friendly investment opportunities at local level with private sector focus contributions Baseline: 0 Planned Target: 1 (Q1 2027)			Investment opportunities document Participant records of consultations
Indicator 2.8.4: Guidelines for city level climate investment (including private sector) Baseline: 0 Planned Target: 1 (Q1 2027)			Guidelines document
Indicator 2.8.5: Training materials and workshop on green finance for public and private sectors Baseline: 0 Planned Target: 1 (Q1 2027)			Training materials Workshop documentation including participant records, agenda and evaluations

Output/Indicator/Baseline/Target ²	<u>Achieved</u> Indicator Targets	Reasons for Variance with Planned Target (if any)	Source of Verification
Indicator 2.8.6: Engagement with MPI for Scaling Up Capacity Building Initiative Including Private Sector Baseline: 0 Planned Target: 1 (Q1 2027)			Meeting records
<i>Activity 2.9: Focused support sharing experience from forest carbon to other sectors</i>			
Indicator 2.9.1: Experience-sharing event on forestry carbon delivered to multi-sectoral stakeholders Baseline: 0 Planned Target: 2 (Q3 2025, Q1 2026)			Experience sharing event outcome document
<i>Activity 2.10: Supporting the implementation of measures to unlocking biodiversity finance</i>			
Indicator 2.10.1: Number of stakeholders (including private sector) consulted in preparation of the biodiversity finance action plans and international conferences related to biodiversity finance Baseline: 0 Planned Target: 60 (Q3 2025, Q1 2026)			JP Annual progress Report
Indicator 2.10.2: Campaigns to raise awareness on biodiversity conservation and finance Baseline: 0 Planned Target: 3 (Q3 2025, Q1 2026, Q1 2027)			Knowledge products