IFC And Bank Of The Lao PDR Strengthen Partnership To Boost Green Finance, Achieve Climate Goals

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The collaborative effort to boost green finance between IFC and the Bank of the Lao PDR has been strengthened with a new cooperation agreement signed today. This enhanced partnership aims to accelerate necessary reforms to develop guidelines and standards to attract the green capital the country needs to drive its economy and create jobs while promoting a greener and more livable planet.

The impacts of climate change are particularly significant for Lao PDR's economy due to its dependence on climate-sensitive natural resources including water, forestry, and agriculture. To mitigate the impacts and achieve carbon-neutral status by 2050, Lao PDR has set a mid-term target of reducing greenhouse-gas emissions by 60 percent by 2030. Achieving this will require almost $4.8 billion in mitigation measures by 2030 as outlined by Lao PDR's National Determined Contribution. Given public budget constraints, the much-needed funding is expected to mostly come from the private sector.

"The financial sector holds significant potential in directing funds towards green projects and contributing to national environmental objectives, with the Bank of the Lao PDR playing a key role in leading the financial sector in this direction. IFC's further assistance will allow us to foster a policy and regulatory environment conducive for all financial institutions to cultivate widely accessible green finance products in the local market," said Vathana Dalaloy, Deputy Governor of the Bank of the Lao PDR.

This effort started more than a year ago with a market readiness assessment to review the current landscape for green finance in Lao PDR and inform the way forward in greening the financial sector. Now the Bank of the Lao PDR, with IFC's support, will develop a sustainable finance policy framework, establish standards and guidelines for green lending and issuance of thematic bonds, and build the capacity of regulators and market participants.

"Globally, central banks are promoting the green finance agenda and it is great to see the Bank of the Lao PDR facilitating sustainable finance reforms in the country. Given IFC's global experience, IFC is uniquely equipped to assist the Lao financial sector to mobilize private sector capital towards climate-friendly projects with innovative financing solutions including green bonds," said Thomas Jacobs, IFC Country Manager for Viet Nam, Lao PDR, and Cambodia.

Working in Lao PDR since 1998, IFC is committed to supporting the country's development agenda through assisting private sector development, promoting sustainability, and creating job opportunities.

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