

ZAMBIA'S GREEN FINANCE MAINSTREAMING WORKING GROUP



Amidst intensifying climate and nature threats — from record-breaking droughts to deforestation, biodiversity loss and energy insecurity — Zambia stands at a defining moment. To enable the financial sector address these environmental and climate risks and opportunities, the **Green Finance Mainstreaming Working Group** (GFMWG or the “Working Group”) was established in 2021 through a Tripartite Memorandum of Understanding among the Bank of Zambia (BoZ), Pensions and Insurance Authority (PIA), and the Securities and Exchange Commission (SEC). The GFMWG is Zambia’s first-ever green finance coordination platform. It brings together regulators, ministries, professional bodies, and development partners to jointly shape sustainable finance reforms. The Working Group meets bi-monthly and is chaired on a rotational basis by the three financial sector regulators while SEC also serves as the Secretariat.

ITS MANDATE: TO MAINSTREAM GREEN & SUSTAINABLE FINANCE IN THE ZAMBIAN FINANCIAL LANDSCAPE OF POLICY, REGULATION, INVESTMENTS, RISK MANAGEMENT AND PRODUCT INNOVATION



MEMBER INSTITUTIONS

- BoZ, PIA, SEC
- Ministry of Finance and National Planning
- Ministry of Green Economy and Environment
- Ministry of Lands and Natural Resources
- Zambia Institute of Chartered Accountants, United Nations Development Programme Biodiversity Finance Initiative, World Wide Fund for Nature Zambia, Prospero Limited, and the Global Green Growth Institute.

Executive Summary

Zambia's green finance shift is in motion. Through the Green Finance Mainstreaming Working Group (GFMWG), stakeholders are closing gaps, mobilizing capital, and building tools to drive sustainable investment. The upcoming Green Finance Strategy and Implementation Plan maps financing gaps and opportunities across banking, insurance, pensions, and capital markets. From it, key initiatives are emerging: the Green Bond Market Development paving the way for issuances, and Green Loans Development expanding environment and climate-smart lending for SMEs. Meanwhile, the Green Finance Taxonomy and Tagging & Reporting Framework will create a common standard, boosting accountability and investor trust. Recent workshops and exchanges highlight Zambia's growing leadership in sustainable finance.

HIGHLIGHTS OF KEY WORKSTREAMS

- **Blueprint for Action:** Zambia's Green Finance Strategy maps gaps and opportunities, steering financial markets toward climate- and nature-positive investments.
- **Zambia's Green Bond market is a proven success:** The CEC Renewables bond raised over \$150M, proving strong investor appetite.
- **Green Loans are now a reality:** New guidelines empower banks to fund small and medium-sized green projects, boosting grassroots growth.
- **Clarity is here:** The new Green Finance Taxonomy defines exactly what "green" means for Zambia, fighting greenwashing and building investor trust.



UPDATES ON THE GFMWG KEY WORKSTREAMS



GFMWG
GREEN FINANCE
MAINSTREAMING
WORKING GROUP

1. DEVELOPMENT OF ZAMBIA'S GREEN FINANCE STRATEGY AND IMPLEMENTATION PLAN

Zambia, through the GFMWG, is advancing green finance by aligning the financial sector with climate and biodiversity goals. The Green Finance Strategy and Implementation Plan serves as a key tool to drive real impact, unlocking new funding while ensuring finance supports, rather than harms the environment.

WHY THIS MATTERS

Environmental protection has long received under 1% of Zambia's budget, making it one of the least-funded priorities. Given limited fiscal space, public funds alone are insufficient. The Strategy therefore seeks to unlock private capital and innovative financing to complement national priorities, including the:

- *8th National Development Plan: Puts environmental sustainability at the core of development.*
- *Green Growth Strategy: Builds a climate-resilient, low-carbon economy.*
- *National Biodiversity Strategy Action Plan: Halts biodiversity loss and ensures sustainable ecosystem management.*
- *National Adaptation Plan: Fostering resilience to climate change.*



A ROADMAP FOR ACTION

Launched in February 2024, the Green Finance Strategy and Implementation Plan is meant to provide a 10-year roadmap to mainstream sustainability into Zambia's financial system. It covers the entire sector—banks, capital markets, pensions, insurers, financial institutions, and payment systems—and is built on nationwide consultations. The Strategy aims to:

- ✓ *Identify the financing gap for biodiversity & climate action.*
- ✓ *Propose innovative tools i.e., green bonds, blended finance, & sustainability-linked instruments.*
- ✓ *Strengthen policies & regulations to create an enabling environment for green investment.*
- ✓ *Equip financial institutions to manage climate and nature-related risks.*

The Green Finance Strategy is more than a policy—it is a call to action. By combining smart regulation, innovative finance, and private sector leadership, Zambia can transform its financial system into a driver of green growth.



2. ZAMBIA'S GREEN BOND MARKET DEVELOPMENT INITIATIVE

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Dating as far back as 2018, the Securities and Exchange Commission (SEC), with technical support from the GFMWG, identified green bonds as viable and innovative financing instruments to mobilize sustainable capital in Zambia, aimed at bridging the critical funding gaps for nature and climate action, embarking on a phased approach towards developing the foundation for the country's green bond market.

WHY GREEN BONDS?

Green bonds strategically align Zambia's financial flows with sustainability goals by:

- *Financing large-scale and sector-specific green projects;*
- *Attracting responsible investment and ESG-aligned capital;*
- *Demonstrating compliance with global standards e.g., ICMA Green Bond Principles.*

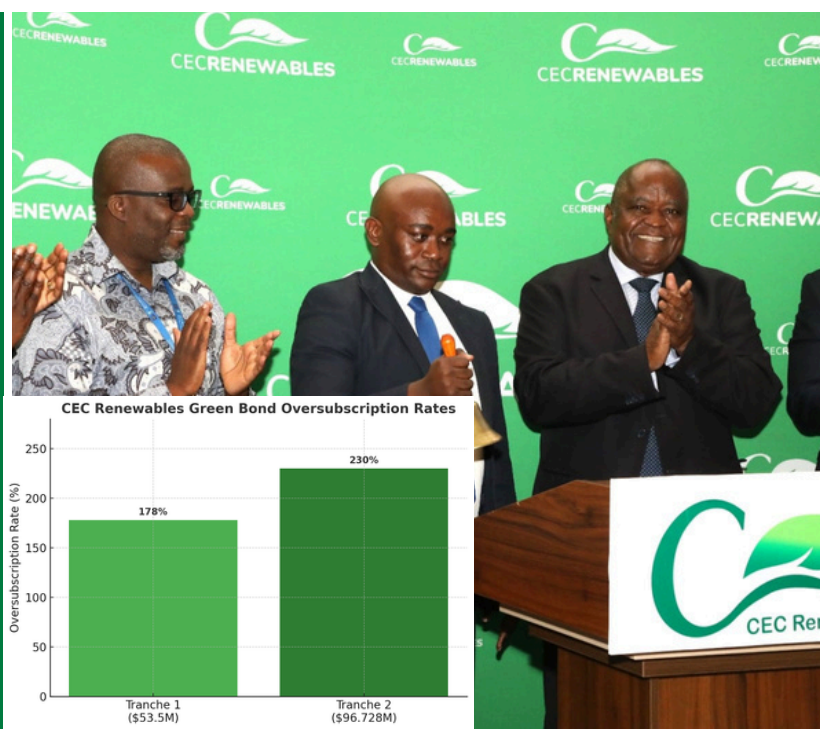
PHASE I FOUNDATIONS: SEEDING THE MARKET FOR GREEN BONDS

Phase I set the cornerstone for Zambia's green bond ecosystem. Key milestones included:

- **Regulatory Foundations:** The SEC issued Green Bond Guidelines in 2019, setting eligibility and disclosure standards, followed by LuSE's adoption of Green Bond Listing Rules to enable formal listings.
- **Market Engagement:** Capacity-building workshops and sensitization sessions were rolled out for regulators, issuers, and investors to strengthen market readiness.
- **Policy Incentives:** With GFMWG advocacy, two major incentives were secured:
 - 15% tax exemption on green bonds listed locally with tenures of 3 years and above.
 - 50% discount on SEC registration fees for green bonds.

ZAMBIA'S CAPITAL MARKET TURNS A NEW LEAF

Copperbelt Energy Corporation's Green Bond Issuance – A Market-Defining Milestone: A standout success from Phase I, CEC Renewables' USD 200 million green bond—launched at COP26—was oversubscribed in both tranches (USD 53.4M and USD 96.7M), underscoring strong investor appetite despite Zambia's debt restructuring. The flagship Itimpi solar project alone delivers a **60 MW capacity**, with an estimated **126 MWh** annual generation, avoiding over 44,000 tons of CO₂ emissions each year. This is clear proof of concept: with credible, bankable projects, Zambia's green finance market is ready and already delivering climate-positive results.



PHASE II FOCUS: UNLOCKING GREEN CAPITAL AT SCALE AND DEEPENING INVESTMENT MOMENTUM FOR NATURE AND CLIMATE

Phase II builds on the institutional and regulatory foundations laid during Phase I (2018–2021), aiming to deepen market readiness, catalyse green capital mobilization across diversified environment aligned portfolios, and position Zambia as a credible green investment destination. Phase II now focuses on maturing the ecosystem and scaling up issuances through:

- ✓ *A comprehensive Green Bond Market Gap Analysis to identify regulatory and operational bottlenecks;*
- ✓ *Technical assistance to prospective issuers on structuring, use-of-proceeds frameworks, and alignment with the Green Bond Principles; and*
- ✓ *Delivering targeted training for underwriters, brokers, and regulators to align Zambia's capital market practices with international green bond standards.*

WHY IT MATTERS: FINANCING THE FULL SCOPE OF GREEN TRANSFORMATION

Green bonds represent a special class of debt instruments, where proceeds are ring-fenced for projects delivering measurable environmental benefits. Unlike conventional (“plain vanilla”) bonds, green bonds are governed by a robust “use of proceeds” principle, ensuring transparency, accountability, and investor confidence.

Green bonds are especially well-suited for long-term initiatives and may include:

- ✓ *Renewable energy and grid upgrades,*
- ✓ *Climate-resilient roads and water systems,*
- ✓ *Biodiversity and ecosystem restoration,*
- ✓ *Sustainable agriculture and land use, and*
- ✓ *Waste and pollution management, etc.*

GREEN BONDS STRATEGICALLY ALIGN ZAMBIA'S FINANCIAL FLOWS WITH SUSTAINABILITY GOALS BY:

- Financing large-scale and sector-specific green projects
- Attracting responsible investment and ESG-aligned capital
- Demonstrating compliance with global standards e.g., ICMA Green Bond Principles.

ZAMBIA'S CAPITAL MARKET GREEN BOND FOOTPRINT

By design, green bonds offer tenor flexibility and attract capital from long-term horizon investors such as pension funds, etc. For Zambia, the scaling of green bond issuances will be critical in supporting its ambitions under the Paris Agreement, the Kunming-Montreal Global Biodiversity Framework, and National Development Plans. Phase II is a key pivot toward deepening Zambia's green capital markets and enabling financial institutions and project developers to access sustainable finance. As the market matures, Zambia is well-positioned to become a regional model in innovative, impact-driven green financing.



UNLOCKING ZAMBIA'S GREEN LOANS MARKET: FINANCING A GREENER AND MORE INCLUSIVE FUTURE



Zambia is entering a new chapter in sustainable finance with the development of the **Banking and Financial Services (Green Loans) Guidelines 2023**, the **Bank of Zambia (BoZ) Green Finance Framework** and initiatives on **ESG under the Bank of Zambia Strategic Plan 2024 - 2027**. The operationalisation of these instruments aim to strengthen climate-and-nature risk management, as well as lay the foundation for unlocking targeted financing for projects with tangible environmental, climate, and nature-positive outcomes, paving the way for Zambia's transition to a green, inclusive economy.

With the support of key stakeholders and partners under the GFMWG, BoZ is implementing initiatives on green finance through a structured approach that includes:

- Development of regulatory instruments to define and assess green loan portfolios.
- Development of strategies for disaster-risk financing.
- Implementation of inclusive green finance (IGF) policies for MSMEs.
- Mainstreaming gender and social inclusion into green lending practices; and
- Providing capacity-building to commercial banks and BoZ staff to enable effective implementation of the Green Loans Guidelines.



WHY GREEN LOANS

Green loans have been identified as one of the financing instruments to meet Zambia's vast financing needs and its vibrant base of micro, small, and medium enterprises (MSMEs), and are fast emerging as a powerful alternative to green bonds, unlocking finance for smaller yet high-impact, environmentally focused projects. Green loans are strategically important in Zambia as they contribute to the following:

- Attainment of the 8th National Development Plan, the National Green Growth Strategy, the National Adaptation Plan, the National Financial Inclusion Strategy Phase Two, and financial sector strategies.
- International commitments under the United Nations Sustainable Development Goals, the Paris Agreement, Nationally Determined Contributions (NDCs), the Sharm El Sheik Accord on Inclusive Green Finance, and the Kunming-Montreal Global Biodiversity Framework.
- Prioritizes gender equity and financial inclusion, ensuring that women and vulnerable groups are not left behind in the green transition; and
- Addresses Zambia's challenge of limited access to affordable climate finance, especially in rural and underserved markets.

3. THE GREEN LOANS MARKET DEVELOPMENT INITIATIVE... *CONT.*

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As part of the implementation of the Green Loans Guidelines, a high-level capacity building workshop was held from 29–30 January 2025. The workshop brought together players from the banking, building society, microfinance and payments systems sub-sectors, financial regulators, and BoZ to deepen technical knowledge on climate-and-nature risk management, sustainable finance frameworks, ESG, and on green loan structuring and eligibility.



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WHY IT MATTERS: FINANCING ZAMBIA'S GRASSROOTS TRANSITION

The Green Loans Guidelines have empowered banks, building societies, microfinance institutions, and other financial institutions to develop nature and climate responsive financial products targeting renewable energy, sustainable agriculture, pollution control, waste management, the circular economy, climate-resilient infrastructure, and more. Unlike green bonds, which typically fund large-scale projects with large ticket sizes, green loans are tailored for segments often underserved by traditional green finance mechanisms by unlocking capital for households, vulnerable people, and MSMEs in order to strengthen their resilience to climate change and environmental conditions, ensure continuity of their operations, improve livelihoods as well as contribute to climate mitigation and adaptation efforts,



With Zambia targeting the mobilization of green finance, green loans represent a pragmatic, scalable, and inclusive solution. As the implementation of the Green Loans Guidelines matures, this instrument is expected to catalyse a broader pipeline of environmentally aligned investments, strengthen the role of the financial sector, and fast-track Zambia's journey toward a climate-resilient and nature-positive future.

ILLUSTRATIVE SCENARIOS OF ZAMBIA'S GREEN LOANS POTENTIAL



ECO-TOURISM WITH A LOCAL TOUCH

When Chipso, a young entrepreneur in Livingstone, secured a Green Loan, she finally brought her dream of a solar-powered eco-lodge to life. Nestled near the Mosi-oa-Tunya National Park, her lodge now attracts international visitors seeking low-carbon travel. Beyond business success, Chipso has created 15 local jobs and ensures her supply chain supports nearby farmers and artisans, outsourcing the market for vegetables, fruits, dairy, poultry, hand-crafted furniture, décor, and curios. Green finance is not just scaling businesses, it has potential to sustain communities and protect Zambia's natural heritage.

YOUTH TURNING WASTE INTO OPPORTUNITY

Armed with ambition and a Green Loan, Tawanda and his youth collective in Lusaka transformed what many saw as a nuisance—plastic waste—into business opportunity. Their recycling startup now processes over 10 tons of plastic a month into building materials and affordable household goods. In just two years, they've created jobs for 20 young people while reducing waste pollution in their community. Green finance is empowering the next generation to innovate for both profit and planet.



WATER SECURITY FOR WOMEN FARMERS

For Agness, a small-scale farmer in Eastern Province, access to water once dictated whether her crops thrived or withered. A Green Loan allowed her to install a solar-powered borehole and drip irrigation system. Today, her farm grows vegetables year-round, feeding her family and supplying local markets. She trains other women farmers in her cooperative, multiplying the impact. With the right financing, women are becoming champions of food security and climate resilience.



4. DEVELOPMENT OF THE ZAMBIA GREEN FINANCE TAXONOMY WITH A TAGGING AND REPORTING FRAMEWORK

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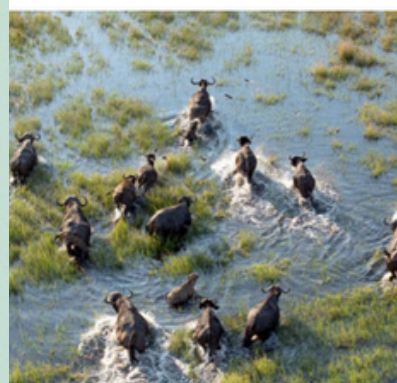
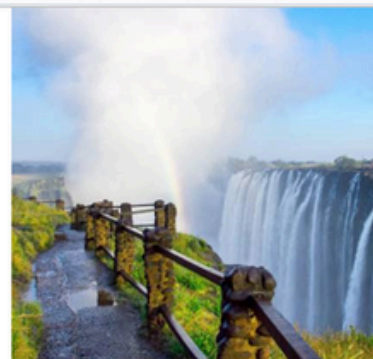
DEFINING GREEN FOR ZAMBIA: TOWARD ADOPTION AND PILOTING OF THE ZAMBIA GREEN FINANCE TAXONOMY

Zambia is on the cusp of a landmark transition in sustainable finance with the imminent adoption and piloting of the **Zambia Green Finance Taxonomy (ZGFT)** and its accompanying **Tagging and Reporting Framework**, a first-of-its-kind initiative designed to bring structure, credibility, and traceability to the country's green financial ecosystem. Officially launched in February 2024 under the stewardship of the GFMWG, this initiative aims to tackle the absence of a localized, official classification system for economic activities considered environmentally sustainable or "green." Without a common definition of what constitutes a green investments, financial institutions, regulators, and project developers face major challenges in:

- ✓ Identifying green financial flows,
- ✓ Mitigating risks of greenwashing, and
- ✓ Aligning capital allocation with national development and environmental targets.

The ZGFT addresses these gaps by providing a science-based, locally tailored classification system, grounded in Zambia's development priorities such as the 8th National Development Plan, Green Growth Strategy, NDC Implementation Framework, and the National Biodiversity Strategy and Action Plans. The taxonomy covers **eight priority sectors** informed by broad multi-stakeholder input and aligned with national environmental objectives, ensuring that projects classified as "green" deliver tangible, measurable environmental outcomes.

ZGFT PRIORITY SECTORS



THE TAGGING AND REPORTING FRAMEWORK: FOLLOWING THE MONEY, CREDIBLY.

A cornerstone of this initiative is the Green Finance Tagging and Reporting Framework, which enables systematic tracking and classification of green financial flows, an area historically difficult to account for, particularly in the private sector. This framework ensures that financial institutions can align their lending and investment portfolios with national climate and nature goals while providing data and transparency to regulators and stakeholders.

- ✓ Enhances transparency and investor confidence;
- ✓ Supports ESG reporting obligations;
- ✓ Aids Zambia's tracking of progress toward its NDCs, SDGs, and other environmental commitments; and
- ✓ Enables data-backed policymaking and market development.

WHY IT MATTERS: STANDARDIZING GREEN, MOBILIZING CAPITAL

The Zambia Green Finance Taxonomy provides clarity, consistency, and comparability, critical pillars for a credible green finance market. By offering a common language and transparent criteria, it enables Zambia to:

- ✓ Reduce greenwashing,
- ✓ Foster investor trust,
- ✓ Improve reporting and accountability, and
- ✓ Channel domestic and international capital into verifiable, impactful green projects.

As Zambia moves to mobilize green financing to achieving its targets, the ZGFT and Tagging Framework serve as strategic enablers, laying the foundation for a robust, transparent, and accountable green finance architecture.

PROGRESS TO DATE: STAKEHOLDER OWNERSHIP AND INSTITUTIONAL ALIGNMENT

Since its inception, the taxonomy's development has been anchored in broad-based stakeholder engagement, including nationwide consultations held in November 2024. These informed the initial draft guidelines, which were subsequently validated through a high-level multi-stakeholder workshop in early 2025.

The draft ZGFT is now finalized, incorporating extensive feedback from financial regulators, private sector actors, development partners, and civil society. Ongoing engagement is underway with key ministries, particularly the Ministry of Finance and National Planning and the Ministry of Green Economy and Environment, to secure its formal adoption as national sectoral Guidelines.

NEXT STEP: PILOTING THE FRAMEWORK IN REAL MARKETS

As part of operationalizing the ZGFT, a targeted piloting exercise is set to be rolled out in Q3 2025. Selected financial sector institutions, including banks, pensions, and insurance entities, will test the taxonomy's tagging and reporting components, generating practical insights to:

- ✓ Refine technical guidance,
- ✓ Strengthen usability,
- ✓ Inform future regulation, and
- ✓ Build market readiness.

This exercise will also yield recommendations for sector regulators on mainstreaming green taxonomy principles into prudential frameworks, sustainable finance disclosures, and portfolio risk assessments.

GFMWG EVENTS AND ACTIVITIES: RECENT UPDATES



THE GFMWG HOSTS A MARKET AWARENESS & ENGAGEMENT WORKSHOP

BRIDGING THE KNOWLEDGE GAP

On 10th April 2025, the GFMWG convened its inaugural Market Awareness and Engagement Workshop—a landmark event designed to raise awareness and foster dialogue on Zambia’s emerging green finance agenda.

A Convergence of Voices:

The workshop brought together an extraordinary mix of market players from across the financial sector—banks, insurers, pension funds, and capital market operators—alongside key government ministries and regulatory agencies.

Together, they explored Zambia’s journey so far, celebrating milestones like the country’s first green bond financing renewable energy, while openly confronting persistent hurdles such as a limited pipeline of bankable green projects and the need to demystify green finance for businesses and communities.

SOME KEY TAKEAWAYS

The discussions revealed three urgent priorities for Zambia’s green finance ecosystem:

1. Defining “green” with integrity – through taxonomies, ESG reporting guidelines, and harmonized standards to avoid greenwashing.
2. Unlocking private capital – by bridging the gap between global instruments like debt-for-nature swaps and local needs, from solar energy to SME financing.
3. Connecting knowledge to practice – making complex concepts accessible for entrepreneurs, farmers, and communities who stand at the frontline of climate risk.



Validating Zambia's Green Future: Taxonomy Workshop Marks Major Step Forward

3 April 2025, Lusaka – the GFMWG hosted a key stakeholder validation workshop to finalize the Zambia Green Finance Taxonomy (ZGFT) and its tagging and reporting system.

The event brought together regulators, policymakers, financial institutions, and development partners to refine the taxonomy—a classification tool that defines green investments in Zambia's context. This milestone sets the stage for unlocking sustainable capital flows aligned with national climate and biodiversity priorities.



“This taxonomy will undoubtedly align Zambia’s financial sector with national environmental priorities and unlock new avenues for sustainable investment,” said **Mr. Frederick Mulenga**, Executive Head of Treasury at Zambia National Commercial Bank.

A pilot phase is now underway with select financial institutions to test the taxonomy’s application. Once finalized, the ZGFT will be submitted to government for formal adoption—reinforcing Zambia’s role as a regional leader in green finance.

14TH & 15TH JULY 2025

ZAMBIA STRENGTHENS GREEN FINANCE CAPACITY

THROUGH A WORKSHOP ON GREEN BONDS



About the workshop

The Working Group, with support from UNDP BIOFIN and Bankers Without Boundaries (BwB), successfully hosted a two-day Green Bond Capacity Building Workshop aimed at deepening local expertise in sustainable finance. Held at The Quorum in Lusaka, the workshop brought together over 80 participants from financial institutions, regulatory bodies, and government ministries. Day 1 focused on market actors—issuers, brokers, and investors—while Day 2 targeted regulators and policymakers. Sessions covered regulatory guidance, green bond structuring, and the integration of Zambia's Green Loans Guidelines and Green Finance Taxonomy. As Zambia continues developing its green bond market under Phase 2 of the initiative, the workshop marked a pivotal step in equipping stakeholders with the tools to scale nature- and climate-positive investments.

Setting the tone on underscoring the transformative potential of green finance in shaping Zambia's sustainable future, Mr. Laurent Rudasingwa, UNDP Deputy Resident Representative, emphasized the broader significance of the workshop, stating:



“This workshop is not just a technical exercise—it is part of a broader movement. A movement to redefine how capital is allocated, how risks and returns are perceived, and how our financial systems can become true enablers of climate resilience, biodiversity protection, and inclusive development.”