

Annexure 1: The Zambian Green Finance Landscape

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The Zambian Green Finance Landscape

The following sections provide an overview of the green finance policy landscape in Zambia. It aims to provide a detailed background to situate the implementation of the Zambia Green Finance Taxonomy.

1.1. Green Finance Mainstreaming Working Group (GFMWG)

The Green Finance Mainstreaming Working Group was formed in 2021 and is premised on the tripartite Memorandum of Understanding (MoU) entered in by the three financial sector regulators – Bank of Zambia (BoZ); Pensions and Insurance Authority (PIA); and the Securities and Exchange Commission (SEC).

The Green Finance Mainstreaming Working Group (“GFMWG”) was established with the aim of harmonising and spearheading efforts aimed towards mainstreaming green finance in the Zambian financial landscape. The membership of the GFMWG is composed of the financial regulators, key government ministries, local financial standard-setting bodies and development partners/technical advisors. The members are – the Bank of Zambia (BoZ), the Pensions and Insurance Authority (PIA), the Securities and Exchange Commission (SEC), the Ministry of Finance and National Planning (MoFNP), the Ministry of Green Economy and Environment (MGEE); the Ministry of Lands and Natural Resources (MLNR), the United Nations Development Programme (UNDP) Biodiversity Finance Initiative (BIOFIN), the World Wide Fund for Nature (WWF) Zambia, and the Zambia Institute of Chartered Accountants (ZICA).

In this regard, the task of the GFMWG is to provide recommendations for strategic, financing and risk management practices that support public and private investment needs to meet sustainability, environmental, social and climate-action goals and thus develop Zambia’s green finance market. Additionally, the GFMWG aims to create enabling frameworks, policies, and financial mechanisms that recognise the interconnectedness of biodiversity and climate change. By doing so, the GFMWG aims to leverage finance more effectively, ensuring that economic activities contribute to both biodiversity conservation and climate change mitigation and adaptation.

In summary, the four (4) thematic areas through which the GFMWG conducts activities to mainstream green finance in the financial sector are supporting – (i) Zambia’s green growth strategies; (ii) green

finance investments, resource mobilisation and financing; (iii) climate-and-nature- related financial risks and financial stability; and (iv) green finance products.

Additionally, in October 2021, the Tripartite Meeting of BoZ, PIA and SEC approved four (4) main projects for the GFMWG to undertake – (i) the green bonds guidelines taxonomy, (ii) the green finance strategy; (iii) green loans guidelines; and (iv) a tagging system.

Given Zambia’s identified need for financial sector mechanisms¹ to disclose and measure green finance and inclusive green finance products and services based on their resource mobilisation (sources of green finance funds), the volumes, values, sex-disaggregation, sectoral disbursement and asset performance of credit, investments and insurance portfolios; and to report on and assess biodiversity and climate change impacts, this project focuses on the mainstreaming of biodiversity and climate change in financial products and services using several approaches/applications relevant to the financial regulators in the GFMWG:

- One application is green budgeting tagging. A green budgeting tool involves - as with Climate budget Tagging (CBT) - the assessment of individual budgeting measures, “tagging” these measures according to whether they are harmful or helpful to green and climate objectives. By employing this tool, information is gathered on how public budget policy is impacting climate and environmental goals (Organisation for Economic Cooperation and Development [OECD], 2020). GBT, as CBT, is one of a set of sustainable finance-related tools.
- Another application is the toolkit by the ‘Alliance for Financial Inclusion (AFI) on Measuring Inclusive Green Finance: Considerations for Supply Side Data, Funding Sources, Risk Management and Reporting’ (the AFI GF Measurement Toolkit), which has been developed by central banks². Inclusive Green Finance (IGF) is a policy area that aims to - mitigate the impacts of climate change and environmental degradation; enable MSMEs to sustainably adapt to climate change; build the resilience of vulnerable populations through financial inclusion via access to savings, credit, and insurance services including the poor or persons with disabilities; promote opportunities for green finance to support a just transition to a sustainable economy; and collect sex-disaggregated data in order to understand the structural issues facing access to green finance for women and women-owned or women-led MSME. The AFI GF Measurement Toolkit entails having relevant and accurate information from financial institutions (FIs) on the

¹ Financial sector mechanisms are based on different sub-sectors under the BoZ, PIA and SEC.

² https://www.afi-global.org/wp-content/uploads/2024/10/Measuring-IGF-Special-Report_isbn.pdf

integration of climate risk management and the provision of green financial services in key segments/sectors. It is crucial for policymakers and respective financial regulators to understand how their domestic financial sectors are integrating green finance and IGF approaches. The AFI Measurement Toolkit enables financial regulators and policymakers to design reporting systems to - monitor the availability of capital for funding-inclusive and green segments; and to track the provision and delivery of supply-side green finance and IGF. The supply-side data from financial institutions, payments processors, insurance providers, credit guarantee providers, etc., that is expected to be generated from the tagging and reporting systems comprises – sources of green funds/deposits, funding allocations, disbursements/ utilisations, fund performance indicators, including transactional data such as volumes and the number of financial instruments deployed.

- The enabling regulations on green finance, such as the Banking and Financial Services (Green Loans) Guidelines and the Securities (Green Bonds) Guidelines, entail the requirement for tagging and reporting systems for financial services providers to report on green projects, IGF and green lending/investments.

1.2. Zambia's Environmental Policy Context

Zambia's environmental policies are founded on a commitment to sustainable development, prioritising both mitigation and adaptation strategies to support socio-economic growth while addressing the impacts of climate change. Zambia's position on environmental issues is inclusive and does not focus solely on climate change, noting the importance of biodiversity, water, forestry and pollution to Zambia's future development agenda. Central to this approach are key national policy documents, including the Eighth National Development Plan (8NDP), Nationally Determined Contributions (NDCs), the National Green Growth Strategy, and the National Policy on Climate Change (NPCC). An overview of the relationships of these policy documents is presented in Figure 1 below.

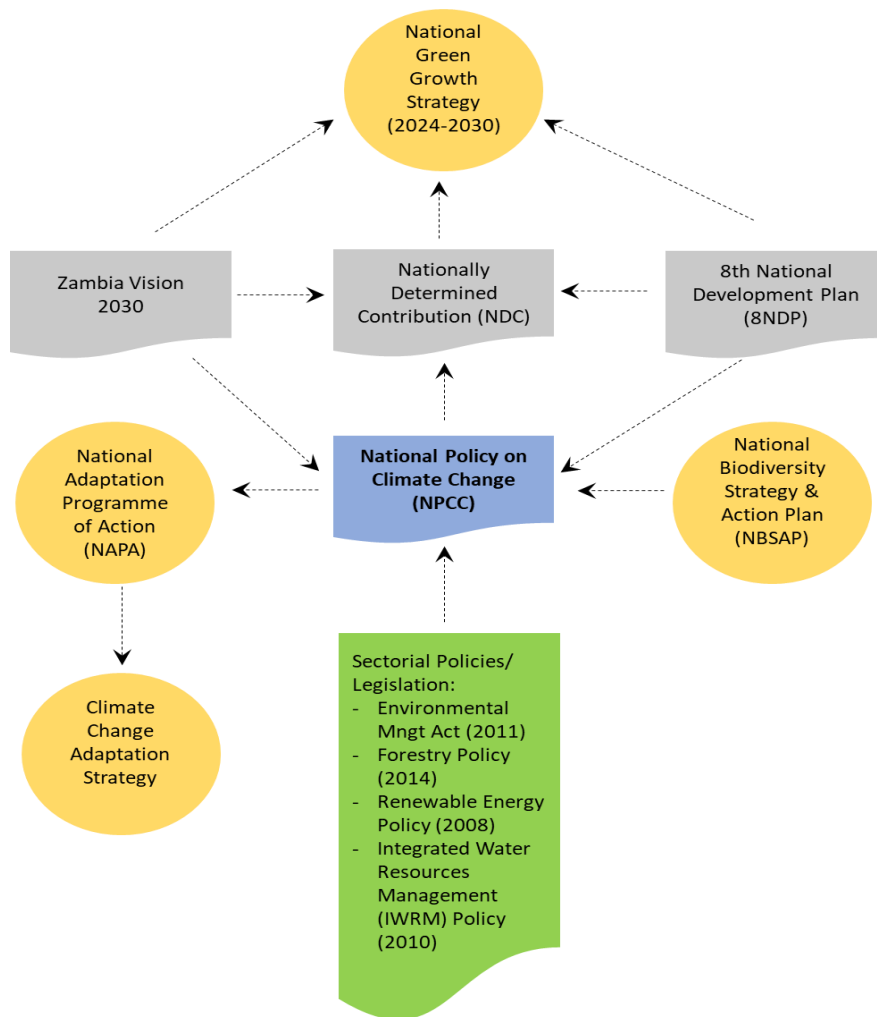


Figure 1: Relationships of the Zambia’s environmental policies

These policy documents collectively guide Zambia's environmental agenda by reducing the country's carbon footprint, strengthening resilience, and fostering a green, inclusive economy that prioritises all spheres of the environment. The following points highlight some of Zambia’s position on key environmental issues.

- i) Mitigation and Low-Carbon Development. A key aspect of Zambia's climate change policy is reducing greenhouse gas emissions in sectors such as energy, agriculture, and land use, which is in line with the country's NDC target of a 47% reduction by 2030 with international support. Key mitigation strategies include expanding renewable energy sources like solar and hydropower, promoting sustainable land use and forest conservation to curb deforestation, and enhancing energy efficiency through green technologies in industrial processes.

- ii) **Adaptation and Resilience-Building.** Adaptation is a key priority in Zambia's climate change policy due to the country's vulnerability to climate impacts. The NPCC and 8NDP both focus on building resilience in agriculture, water resources, and infrastructure to protect communities and the economy from climate shocks. Key adaptation solutions include promoting climate-smart agriculture with drought-resistant crops and improved irrigation, enhancing water resource management to address droughts and floods, and strengthening disaster risk reduction efforts by improving early warning systems and constructing climate-resilient infrastructure. Adaptation and resilience building must not only include sectoral solutions but also build resilient communities through enhanced social resilience.
- iii) **Biodiversity and conservation.** Zambia's forests, wildlife, fisheries, wetlands and protected areas constitute a basis for livelihoods for the majority of our people as a resource base, and indeed, the backbone of the country's economy. The Government of the Republic of Zambia recognises the importance of biodiversity in its contribution to the provision of ecosystem goods and services for national economic development and livelihoods, and in particular, the important role of National Biodiversity Strategies and Action Plans (NBSAPs) in guiding conservation and sustainable use of biodiversity.
- iv) **Sustainable Natural Resource Management.** The National Green Growth Strategy and NPCC highlight the critical role of sustainable natural resource management in mitigating climate change and protecting Zambia's environment, given the economy's reliance on natural resources. Key initiatives include promoting community-based resource management, engaging local communities in the conservation of forests, land, energy, and water, and prioritising biodiversity conservation and land restoration through reforestation and sustainable land management practices. These efforts aim to restore ecosystems, improve soil health, and combat land degradation.
- v) **Green Growth and Economic Transition.** Zambia's transition to a green economy, outlined in the National Green Growth Strategy, integrates environmental sustainability with economic development by promoting low-carbon, resource-efficient growth. Key elements include investing in renewable energy, particularly solar and hydropower, fostering green jobs and industries like renewable energy, sustainable agriculture, and eco-tourism, and enhancing resource efficiency through improved waste management, recycling, and energy-saving practices. This approach aims to stimulate economic growth while minimising environmental impact.

vi) International Commitments and Climate Finance. Zambia's climate change policy aligns with its international commitments under the Paris Agreement, emphasising the need for climate finance and technology transfer to meet its NDC goals. Key aspects include seeking financial support from international climate funds like the Green Climate Fund (GCF) and the World Bank while also encouraging domestic resource mobilisation and public-private partnerships. Additionally, the National Green Growth Strategy and NPCC highlight the importance of international cooperation for accessing green technologies and enhancing capacity-building efforts across various sectors.

vii) Environmental Education and Public Awareness. Zambia's climate change policy prioritises environmental education and public awareness to promote sustainability. The NPCC advocates integrating climate change education into school curricula and conducting public campaigns to engage citizens in climate action.

The 8NDP highlights the importance of empowering communities with knowledge about sustainable practices and the impacts of climate change and biodiversity loss, emphasising collective action as essential for achieving the country's long-term climate and development goals. Collective action refers to the promotion of multi-stakeholder partnerships involving the public sector, private sector and civil society (including communities), aligned to SDG 17.

1.2.1. Institutions, National Policy and Strategic Frameworks for Green Finance

Zambia's green finance landscape is shaped by several national policies and strategic frameworks that promote sustainability, climate resilience and biodiversity protection (Table 1). These frameworks emphasise the importance of mobilising green finance to address the challenges of climate change, biodiversity protection and other environmental issues. Various institutions in Zambia play a crucial role in facilitating and mobilising green finance, both at the national and international levels. These institutions include public, private, international and multilateral organisations working collaboratively to drive sustainable investment. Some key institutions are shown in Table 2.

Table 1: National Policy and Strategic Frameworks for Green Finance

Document	Purpose	Focus/Areas Covered
National Policy on Climate Change (NPCC)	Serves as an overarching framework for coordinating climate change mitigation and adaptation activities across various sectors. The NPCC guides Zambia's response to the environmental and socio-economic impacts of climate change, ensuring a cohesive and strategic approach to sustainable development.	Supporting the implementation of Zambia's NDCs under the Paris Agreement. Facilitating investments in renewable energy, sustainable agriculture, and forest management. Strengthening the resilience of vulnerable communities through climate-smart initiatives.
Eighth National Development Programme (8NDP)	Integrates climate action with development goals, ensuring that Zambia's growth trajectory promotes climate resilience and sustainable economic practices while emphasizing the need for financial resources to support green economic activities.	Investments in renewable energy to reduce carbon emissions and enhance energy security. Climate-smart agriculture to ensure food security while adapting to climate change. Infrastructure development that incorporates climate resilience and reduces environmental degradation.
National Green Growth Strategy	Focuses on transitioning to a green economy by promoting sustainable resource use, renewable energy, and low-carbon development pathways.	The strategy encourages the promotion of green industries and jobs, with a particular emphasis on accessing green finance to support: <ul style="list-style-type: none"> • Renewable energy economic activities (solar, hydropower).

- Sustainable agriculture and forestry.
- Pollution control and waste management initiatives.
- Energy efficiency in industry and infrastructure.

Table 2: Institutions supporting green finance mobilisation in Zambia

Institution	Description/Mandate	Role	Type of Support
Public Institutions			
Ministry of Finance and National Planning	Oversees the implementation of fiscal policies related to Green Finance in Zambia.	Plays a crucial role in the development of public-private partnerships (PPPs), which are vital in mobilizing private capital for green economic activities.	Coordinates the allocation of climate finance from international donors and multilateral institutions, ensuring these resources are effectively utilised for national priorities.
Ministry of Green Economy and Environment	To ensure the protection and conservation of the environment for a Climate Smart and Green Economy.	Responsible for the promotion of effective and sustainable use of the environment while at the same time facilitating support for adaptation to and mitigation of the effects of climate change through low carbon development.	Coordinates governmental priorities regarding environmental issues, including the provision of guidance on climate finance.

National Designated Authority	Acts as the interface for climate funds. Currently, it serves as the focal point for the Green Climate Fund and the Adaptation Fund.	The NDA manages processes and operations related to these Funds in Zambia. It coordinates all climate change programming and financing to ensure that green economic activities are within the development priorities of the country.	Administrative support, climate finance project management and project design support.
International/Multilateral Institutions			
Green Climate Fund (GCF)	A global fund under the UNFCCC, focusing on supporting climate change adaptation and mitigation in developing countries.	Financing climate-resilient and low-emission green economic activities.	Grants, equity, debt, and guarantees for climate adaptation and mitigation economic activities.
Adaptation Fund (GCF)	A global fund under the UNFCCC, focusing on supporting climate change adaptation and resilience in emerging and developing countries.	Provides primarily grant financing to support adaptation and resilience in emerging and developing economies.	Grants.
United Nations Development Programme (UNDP)/BIOFIN Zambia	UN's global development network that supports countries in achieving sustainable development goals.	Provides technical assistance and grants for climate change resilience and sustainable development.	Grants, capacity building, and technical assistance for climate resilience, renewable energy, and green initiatives.

World Bank	A multilateral development finance institution dedicated to reducing poverty and supporting sustainable development.	Provides funding for large-scale green and sustainable development economic activities.	Loans, grants, technical assistance for renewable energy and sustainable development economic activities.
African Development Bank (AfDB)	The African Development Bank is the primary development financing institution in Africa. AfDB supports green and climate investments across Africa.	The AfDB focuses on capital raising and risk mitigation to attract private investment for green investments.	Grants, Loans, Guarantees and Equity.
Global Environment Facility (GEF)	The GEF is composed of multilateral development funds working on delivering environmental economic activities globally.	The GEF is focused on green economic activities focusing on all thematic environmental objectives such as climate change, biodiversity, water and pollution.	Primarily grants.
KfW Development Bank	KfW is the German Development Bank with a mandate to support climate and green investments in developing and emerging markets.	KfW Development Bank focuses on capital raising and risk mitigation to attract private investment for green investments.	Grants, Loans, Guarantees and Equity.
Private Finance Institutions			
ZANACO	One of the largest commercial banks in Zambia, with a focus on supporting sustainable development through green	Financing green economic activities under its “Zanaco Environment & Social Risk Management	Green loans, sustainable financing products, and partnerships with international climate funds for

finance and is currently the only Framework” and partnerships with renewable energy and sustainable
Accredited Institution to the GCF. climate funds. agriculture economic activities.

1.3. Regulatory Environment for Green Finance

The regulatory environment for green financing in Zambia is evolving, with an increasing focus on sustainable development and climate action. The evolving regulatory landscape is driven by the need to address pressing environmental challenges such as climate change, deforestation, and energy inefficiency. Recognizing the role that finance can play in mitigating these issues, the government and financial institutions are increasingly adopting policies that encourage investments in sectors such as renewable energy, climate-resilient agriculture, reforestation, and waste management. At the institutional level, the Financial Sector Regulators - Bank of Zambia (BoZ), Securities and Exchange Commission (SEC), and the Pensions and Insurance Authority (PIA) - are crucial in ensuring that financial instruments, such as Green Bonds, adhere to international sustainability principles.

1.3.1. Securities Act No. 41 of 2016 (SEC)

The SEC, in its role as regulator of the securities market in Zambia, oversees activities related to stocks, bonds, and other financial instruments. With regards to Green Financial Regulations, the Commission has issued Guidelines - Securities (Green Bonds) Guidelines, 2019 - to all issuers of Green Bonds in Zambia under the Securities Act, 2016. See Box 1.

Box 1: Green Bond and Green Loan Guidelines

The Securities (Green Bonds) Guidelines, 2019, issued under the Securities Act 2016, set clear regulations for the issuance of green bonds in Zambia. These guidelines outline procedures for issuing and listing green bonds, including the mandatory appointment of an Independent External Reviewer. A key requirement is the inclusion of a prospectus that features a report from the reviewer, verifying whether the bond qualifies as "green" according to established standards. The guidelines also mandate disclosures on the project selection process, the use and management of bond proceeds, and compliance with reporting requirements as specified in the Act and the Securities (Registration of Securities) Rules.

The Guidelines on Green Loans, published in a government gazette on October 6, 2023, under the Banking and Financial Services (BFS) Act, 2017, aim to regulate and support the provision of green finance in Zambia. The guidelines emphasise the financial sector's role in promoting green and sustainable economic development by funding economic activities that address climate change, biodiversity loss, and land degradation. Their key objectives are to align green finance with international and domestic sustainability commitments, set standards for green loan issuance, ensure transparency and disclosure, and establish policies and practices for managing green loans. The guidelines cover areas such as loan governance, risk management, evaluation, internal management, and disclosure, with specific schedules detailing project eligibility, environmental impact assessments, and sustainability performance targets.

1.3.2. Banking and Financial Services (BFS) Act, 2017 (BoZ)

As regulator of financial institutions that is Banks and other Non-Banking Institutions, the BoZ plays a critical role by establishing and enforcing regulations and prudential standards for its registered entities. With regards to Green Financial Regulations, a government gazette was published to introduce 'Guidelines on Green Loans' under the Banking and Financial Services (BFS) Act, 2017.

1.3.3. Environmental Management Act (2011) – ZEMA

Further, regulatory bodies such as the Zambia Environmental Management Agency (ZEMA) play a vital role in ensuring that economic activities seeking green financing comply with environmental standards.

Through its enforcement of the Environmental Management Act (2011), ZEMA mandates Environmental Impact Assessments (EIAs) for large-scale developments to ensure sustainability. It monitors economic activities to maintain adherence to environmental regulations, promotes cleaner technologies, and integrates sustainable practices. ZEMA's work is critical in aligning green finance with Zambia's environmental policies and global commitments, ensuring economic activities contribute to both growth and environmental protection.

1.4. Reporting and disclosure requirements for green finance

1.4.1. Role of the Zambia Institute of Chartered Accountants (ZICA)

As the institution responsible for regulating the Accountancy profession in Zambia, ZICA plays a vital role in promoting and supporting the adoption of Sustainability Disclosure Standards in Zambia by regulating and promoting compliance with global reporting frameworks such as IFRS and the emerging International Sustainability Standards Board (ISSB) standards. These standards will guide how companies report on environmental, social, and governance (ESG) factors, and while these standards are still evolving, the ISSB has already issued two key standards, namely i) IFRS S1 – General Requirements for Disclosure of Sustainability -related Financial Information and ii) IFRS S2 – Climate-related Disclosures.

ZICA ensures companies, especially in key sectors, adhere to these standards for transparent and consistent sustainability reporting. It also provides capacity-building programs to train accountants and auditors on preparing and auditing sustainability-related disclosures, incorporating Environmental, Social, and Governance (ESG) reporting into their professional skill sets. The Zambian government is in the process of finalising its ESG guidelines. Additionally, ZICA acts as an advisory body to both the government and the private sector, advocating for sustainability reporting and collaborating with international organizations like the ISSB to align local practices with global standards.

1.4.2. IFRS S1 – General Requirements for Disclosure of Sustainability-Related Financial Information

IFRS S1 provides general guidelines for companies to disclose sustainability-related risks and opportunities that could impact their financial performance. It requires entities to report on how

sustainability issues affect their financial position, performance, and cash flows, ensuring transparency and comparability. The standard emphasises materiality, requiring relevant disclosures that are useful to investors in assessing a company’s long-term value.

1.4.3. IFRS S2 – General Requirements for Disclosure of Sustainability-Related Financial Information

IFRS S2 focuses on climate-related disclosures, requiring companies to report on the financial impacts of climate-related risks and opportunities. It aligns with the Task Force on Climate-related Financial Disclosures (TCFD) framework, covering governance, strategy, risk management, and metrics related to climate change. The goal is to provide transparency on how climate issues affect a company’s financial performance, helping investors assess long-term risks and opportunities.

1.5. Key Green Finance Instruments

A variety of financial instruments and mechanisms have been introduced in Zambia to support green finance. These instruments help to mobilise domestic and international resources for green economic activities, focusing on reducing risks and creating incentives for private sector participation.

1.5.1. Green Bonds and Green Loans

The Green Bond market in Zambia is still in its early stages but holds great potential as the country seeks to align itself with global sustainability goals and climate action efforts.

Box 1: What are Green Bonds?

Green Bonds are fixed-income debt instruments used to raise capital for economic activities that deliver environmental benefits, such as renewable energy, energy efficiency, and sustainable agriculture. Zambia is exploring these innovative instruments to attract investment in sustainable development.

The government, through institutions like the Ministry of Finance and National Planning, the Securities and Exchange Commission (SEC), and the Lusaka Securities Exchange (LuSE), has been actively fostering an enabling environment for Green Bond issuance. In collaboration with the SEC and key stakeholders, BIOFIN Zambia has been instrumental in leading the development of Green Bond Guidelines, which were officially gazetted in December 2019. This significant milestone, along with the establishment of Green Bond listing rules in partnership with the Lusaka Securities Exchange (LuSE), has created a solid foundation for future Green Bond issuances. These efforts are expected to drive private sector investment into sustainable infrastructure and other environmentally friendly initiatives.

One of the notable milestones in Zambia's Green Bond market was the issuance by Copperbelt Energy Corporation (CEC), a leading energy company in the country. In 2021, CEC became the first Zambian company to issue a Green Bond, marking a significant development in the market and is expected to attract more green finance in the country. See Boxes 2 and 3.

Box 2: Highlights of CEC Green Bonds

Purpose: The Green Bond issuance is aimed at developing two key assets designed to enhance and expand solar PV generation capacity within Zambia's electricity grid, incorporating battery storage where applicable.

Size of Issuance: The bond has been officially registered and approved by the SEC to the tune of US\$200 million. Structured as a programme, the bond's proceeds will fast-track CEC's ambitions to generate at least 200MW of renewable energy, with a strong emphasis on solar power.

Certification and Standards: The company has adopted the International Capital Markets Association (ICMA) Green Bond Principles (GBP) and committed to report on both the allocation of the net proceeds from the Green Bond and their environmental impact on an annual basis by way of a green impact report effective 2023.

Box 3: ICMA Green Bond Principles

The ICMA GBPs are voluntary guidelines that promote transparency and integrity in the green bond market. They consist of four key components:

1. Use of Proceeds: Funds raised must be allocated to environmentally sustainable projects, such as renewable energy, energy efficiency, and pollution prevention.
2. Process for Project Evaluation and Selection: Issuers should have a clear process for assessing and selecting projects that meet green criteria, including their expected environmental impacts.
3. Management of Proceeds: Issuers must track and allocate the proceeds exclusively to eligible projects, ensuring proper management and oversight.
4. Reporting: Regular, transparent reporting on the use of proceeds and the environmental impact of funded projects is required.

The principles may also encourage external reviews for credibility and alignment with other market standards. Overall, the GBP aim to enhance investor confidence and support sustainable development.

Green loans are also a type of debt similar to green bonds. Green loans are financial instruments that are envisioned to raise debt capital for environmentally friendly projects. In a similar manner to green bonds, green loans usually align with the ICMA green loan principles. Green loans are typically used for smaller tranche sizes and differ from bonds as they are not tradable.

1.5.2. Climate Insurance

Climate Insurance is gaining traction in Zambia, especially in the agricultural sector. Zambia has introduced weather-indexed insurance products that help farmers mitigate the risks associated with climate change, such as droughts and floods. These insurance products provide payouts based on predefined climate conditions (e.g., rainfall levels), enabling farmers to recover from crop losses caused by adverse weather. The Zambia National Farmers Union (ZNFU), in partnership with insurers and development agencies, has been promoting climate insurance as a critical tool for building resilience in rural areas. It must be noted that climate insurance based on parametric insurance triggers may require further development with its access for women and basis risk, which still represent significant challenges limiting uptake in Zambia.

1.5.3. Public-Private Partnerships (PPPs)

PPPs have become an essential mechanism for financing green economic activities in Zambia, particularly in sectors like energy and infrastructure. The government encourages private investment in renewable energy through PPP arrangements, providing regulatory incentives such as tax breaks and guaranteed power purchase agreements (PPAs). The Scaling Solar initiative, supported by the International Finance Corporation (IFC), is one notable example. See Box 4. Under this PPP model, Zambia has successfully launched utility-scale solar power plants to increase its renewable energy capacity and reduce carbon emissions.

Box 4: Scaling Solar Initiative

The Scaling Solar initiative, led by the Zambian government in partnership with the IFC, is one of the country's flagship green finance projects. It aims to rapidly scale up Zambia's solar energy capacity by attracting private sector investment through competitive bidding and public-private partnerships. The initiative led to the construction of several large-scale solar power plants, such as the Bangweulu Solar Project and Ngonye Solar Power Station, each contributing 54 MW of clean energy to the national grid. These projects not only reduce Zambia's reliance on hydropower but also decrease the country's carbon footprint.

Source: <https://www.scalingsolar.org/active-engagements/zambia/>

1.5.4. Green Finance Mainstreaming Policy

Further, under the auspices of the National Financial Sector Development Policy, 2017, the Green Finance Mainstreaming Working Group is currently in the process of developing a Green Finance Strategy. This strategy is aimed at encouraging the development of innovative financial products, including green finance solutions. It emphasises the need for the financial sector to support sustainable development goals (SDGs) by creating an enabling environment for green economic activities.

1.6. Challenges in the Zambia Green Finance Landscape

Zambia's green finance landscape faces several key challenges. Firstly, many small and medium-sized enterprises (SMEs) and local communities struggle to access funding due to high transaction costs,

limited capacity, and a lack of awareness about available opportunities. To address these issues, it is essential to enhance financial literacy and develop tailored financial products that meet the unique needs of SMEs. Secondly, the green finance sector is still developing, with existing regulatory and institutional barriers hindering the smooth implementation of green economic activities. The green bond market, in particular, is nascent and requires a more robust framework to build investor confidence and ensure transparency. BIOFIN Zambia has been very instrumental in this regard through its work with the Green Finance Mainstreaming Working Group. See Box 5.

Box 5: BIOFIN Zambia Initiatives

BIOFIN Zambia has been crucial in promoting Green Finance. It led to the formation of a Green Finance Mainstreaming Working Group with key regulators like the SEC, the Bank of Zambia, and the Pensions and Insurance Authority. BIOFIN supported the creation of the 2019 Green Bond Guidelines (SEC) and provided input for Green Loan Guidelines (BoZ). It is currently developing a Green Finance Tagging System and a Green Finance Strategy and Implementation Plan, which is anchored to Zambia's National Financial Sector Development Policy. Additionally, BIOFIN supports Green Bond Market Development, assists potential issuers, and is conducting a study on nature-related financial risks. It also played a very pivotal role in Zambia's inaugural green bond, issued by the Copperbelt Energy Corporation (CEC).

Lastly, there is a significant gap between the funding required to meet Zambia's NDC targets and the available climate finance. To close this gap, increased foreign inflows, domestic resource mobilization and stronger collaboration between the public and private sectors are crucial. This includes partnerships with civil society organisations that can bolster the implementation of green economic activities, especially in SMEs.

1.7. The UNDP Biodiversity Finance Initiative (BIOFIN)

Implemented by the United Nations Development Programme (UNDP), the BIOFIN project provides support to countries to understand what drives biodiversity loss through detailed country-level assessments. These findings are then used to identify, prioritise, and implement a biodiversity plan with finance solutions through an innovative, stepwise approach to enable positive outcomes in terms of biodiversity and society (UNDP, 2018: ix). Working in partnership with the Ministry of Lands and Natural

Resources and the Ministry of Green Economy and Environment (MGEE), BIOFIN Zambia is implemented at the national level by the UNDP (BIOFIN, 2021).

The first phase of Zambia's Biodiversity Expenditure Review (BER) (conducted 2012-2018) indicated that current financial sector reporting systems do not contain information regarding the amount of biodiversity and climate change-related financial products and services. Information regarding their impact in terms of biodiversity and climate change is also not provided. Without this information, it is hard to discern the biodiversity and climate change impact and contribution of Zambia's financial sector (and its products and services). Further consultations with the financial sector determined the need for a mechanism to report on financial flows related to biodiversity while assessing the impact of financial products and services on biodiversity and climate change.