



Zambia Green Finance Taxonomy 2025



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Special thanks are also extended to the Green Finance Mainstreaming Working Group for co-creating the ZGFT with UNDP Zambia's BIOFIN team.



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ACRONYMS AND ABBREVIATIONS

8NDP	Eighth National Development Plan
AD	Anaerobic Digestion
AFI	Alliance for Financial Inclusion
AMD	Acid Mine Drainage
ASM	Artisanal and Small-scale mining
BAT	Best Available Technology/Technique
BER	Biodiversity Expenditure Review
BFS	Banking and Financial Services Act
BIOFIN	Biodiversity Finance Initiative
BOZ	Bank of Zambia
BPEO	Best Practicable Environmental Option
BREEAM	Building Research Establishment Environmental Assessment Methodology
CAPEX	Capital Expenditure
CATSP	Comprehensive Agricultural Transformation Support Programme
CBI	Climate Bond Initiative
CBT	Climate Budget Tagging
CDM	Clean Development Mechanism
CEC	Copperbelt Energy Corporation
CFM	Community Forest Management
CH₄	Methane
CO₂	Carbon dioxide
COMESA	Common Market for Eastern and Southern Africa
CSP	Concentrated solar power
DNSH	Do No Significant Harm
EIA	Environmental Impact Assessment
ENAMI	Empresa Nacional de Minería
ESG	Environmental, Social Governance
EU	European Union
EV	Electric Vehicle
FAO	Food and Agriculture Organisation
FDI	Foreign Direct Investment
FSC	Forest Stewardship Council
GBP	Great British Pound
GBT	Green Budget Tagging
GCF	Green Climate Fund
GDP	Gross Domestic Product
GEF	Global Environment Facility
GFT	Green Finance Taxonomy
GFMWG	Green Finance Mainstreaming Working Group
GHG	Greenhouse Gases
GIS	Geographic Information System
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
GRI	Global Reporting Initiative
HPGR	High Pressure Grinding Rolls
ICMA	International Capital Markets Association
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IGF	Inclusive Green Finance
ILI	Infrastructure Leakage Index
ILO	International Labour Organisation
IPCC	Intergovernmental Panel on Climate Change
ISIC	International Standard Industrial Classification of All Economic Activities

ISO	International Organization for Standardization
ISSB	International Sustainability Standards Board
LED	Light Emitting Diode
LEED	Leadership in Energy and Environmental Design
MGEE	Ministry of Green Economy and Environment
MIT	Massachusetts Institute of Technology
MLNR	Ministry of Lands and Natural Resources
MW	Megawatt
MSCC	Makes Significant Contribution Criteria
MSME	Micro, Small and Medium Enterprises
MSS	Minimum Social Safeguards
N ₂ O	Nitrous Oxide
NBSAP	National Biodiversity Strategies and Action Plans
NDC	Nationally Determined Contributions
NGO	Non-governmental organisation
NH ₃	Ammonia
NTFP	Non-timber Forest Products
NPCC	National Policy on Climate Change
OECD	Organisation for Economic Co-operation and Development
OPEX	Operating Expenditure
PIA	Pensions and Insurance Authority
PM	Particulate Matter
PPE	Personal Protective Equipment
PPP	Private Public Partnerships
PV	Photovoltaic
REDD+	Reducing Emissions from Deforestation and Forest Degradation
R & D	Research and Development
S & P	Standard and Poor's
SASB	Sustainability Accounting Standards Board
SEC	Securities and Exchange Commission
SI	Statutory Instrument
TCFD	Task Force for Climate-related Financial Disclosures
TSC	Technical Screening Criteria
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environmental Programme
UNEP FI	United Nations Environmental Programme Financial Initiative
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States Dollars
WBCSD	World Business Council for Sustainable Development
WWF	World Wildlife Fund
ZEMA	Zambia Environmental Management Agency
ZANACO	Zambia National Commercial Bank
ZGFT	Zambia Green Finance Taxonomy
ZICA	Zambia Institute of Chartered Accountants
ZMW	Zambian Kwacha
ZNFU	Zambia National Farmers Union

FOREWORD



Environmental challenges remain among the most pressing issues affecting Zambia's socio-economic development. The country continues to experience a growing incidence of climate-induced hazards such as droughts, dry spells, seasonal and flash floods, and extreme temperatures. The frequency and intensity of these events have increased over the past decades, adversely affecting food and water security, energy supply, and the sustainability of rural livelihoods. Our forests, ecosystems, and biodiversity are equally under threat, calling for urgent and coordinated action.

Recognising the risks that environmental degradation and climate change pose to the national development agenda, particularly the attainment of Vision 2030 and the Eighth National Development Plan (8NDP), the Government has identified the urgent need to scale up financial resources to meet the country's green investment requirements. Zambia's green finance landscape remains in its formative stage, with regulatory and institutional gaps that hinder the effective implementation of green economic initiatives. It is against this background that the Government has developed the Zambia Green Finance Taxonomy (ZGFT).

The ZGFT provides a harmonised classification system and a common language for identifying, defining, and categorising environmentally sustainable economic activities. It serves as a tool to enhance coordination, transparency, and alignment across the financial sector and its beneficiaries, while promoting coherence with international standards and best practices. The Taxonomy will support the mobilisation and redirection of financial flows toward low-carbon, climate-resilient, and environmentally sustainable investments, thereby contributing to Zambia's transition towards a green economy.

The development of the ZGFT was anchored on a broad-based, consultative process that engaged stakeholders from both the public and private sectors, development partners, and civil society organisations. This inclusive approach underscores Government's commitment to ensuring national ownership and practical applicability of the framework.

I, therefore, call upon all stakeholders, policy makers, regulators, financial institutions, investors, and development partners, to embrace and utilise the Zambia Green Finance Taxonomy. Together, we can harness green finance as a catalyst for sustainable economic transformation and the prosperity of the people of the Republic of Zambia.

A handwritten signature in black ink, appearing to read 'Mposha', written in a cursive style.

Hon. Mike Mposha MP
Minister of Green Economy and Environment

ACKNOWLEDGEMENTS



The development of the Zambia Green Finance Taxonomy (ZGFT) represents a significant milestone in advancing Zambia's transition toward a green and sustainable economy. This achievement was made possible through a highly consultative and inclusive process that brought together key actors from across the financial, economic, and environmental sectors.

The Ministry of Green Economy and Environment extends its sincere appreciation to all who participated in shaping this important framework. I wish to acknowledge the invaluable contributions from Government line ministries and departments, Members of Parliament, and Provincial Permanent Secretaries who actively engaged in consultative and validation processes at both national and sub-national levels.

Appreciation is also extended to financial regulators, the private sector, financial institutions, civil society organisations, academic and research institutions, and independent experts and consultants whose technical insights enriched the content and practical relevance of the Taxonomy.

The Ministry particularly recognises the exceptional work of the Green Finance Mainstreaming Working Group, which co-developed the ZGFT in close collaboration with the United Nations Development Programme (UNDP) Zambia Biodiversity Finance Initiative (BIOFIN) team. The Working Group comprised representatives from 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), UNDP BIOFIN, the World-Wide Fund for Nature (WWF) Zambia, Prospero Zambia, and the Zambia Institute of Chartered Accountants (ZICA). The Government also acknowledges the consultants, Dr. Kamlesh Pillay and Mr. Mwembe Sichula who led the drafting of the ZGFT. The Ministry also extends its particular appreciations to the United Nations Development Programme for the design and formatting of the document.

To all our cooperating and development partners, and to every stakeholder who contributed to this process, your commitment has been instrumental in shaping a framework that will strengthen green finance governance and catalyze sustainable investment for the benefit of the people of Zambia.

A handwritten signature in black ink, appearing to read 'D. Chibamba', written in a cursive style.

Dr. Douty Chibamba
Permanent Secretary
Ministry of Green Economy and Environment

GLOSSARY OF KEY TERMS

Term	Definition	Notes
Biodiversity and Ecosystem Protection	Activities aimed at conserving, restoring, or sustainably using ecosystems and natural habitats.	Examples: Reforestation, sustainable forestry, conservation farming.
Climate Change Adaptation	Actions that reduce vulnerability or increase resilience to the adverse effects of climate change.	Examples: Climate-resilient infrastructure, drought-resistant crops.
Climate Change Mitigation	Actions that contribute to the reduction or prevention of greenhouse gas (GHG) emissions or enhance GHG removals.	Examples: Renewable energy generation, energy efficiency.
Climate Impact	The effect of climate change on natural and human systems, including environmental, economic, and social consequences.	IPCC AR6 Definition.
Do No Significant Harm (DNSH)	A principle requiring that an activity making a substantial contribution to one environmental objective must not cause significant harm to any of the others.	Adapted from EU Taxonomy Regulation (2020).
Economic Activity	An operation or process that produces goods or services. In the ZGFT context, economic activities are assessed to determine whether they make a substantial contribution to environmental objectives.	ZGFT Framework.
Eligible Activity	An activity that falls within the sectors and criteria defined in the ZGFT as capable of contributing to environmental objectives.	Determined through taxonomy screening.
Enabling Activity	An activity that enables or supports other activities to make a substantial contribution to environmental objectives.	Examples: Manufacturing solar panels, producing energy-efficient materials.
Environmental Objective	A specific environmental goal that the ZGFT seeks to advance, such as climate change mitigation, adaptation, or biodiversity protection.	ZGFT First Edition Objectives.
Fund / Instrument Level Reporting	Assessment of taxonomy alignment for a specific fund (e.g., green fund) or debt instrument (e.g., green loan, green bond, etc.).	ZGFT Reporting Framework.
Green Investment	Allocation of capital to activities, assets, or projects that meet the environmental sustainability criteria of the ZGFT.	Examples: Renewable energy, sustainable agriculture, green buildings.

Term	Definition	Notes
Material Physical Risk	A climate-related risk arising from physical events or long-term changes in climate that could significantly impact assets, operations, or financial performance.	Examples: Floods, droughts, heatwaves.
Minimum Social Safeguards (MSS)	Basic social and governance standards ensuring that economic activities respect human rights, labour rights, and community well-being.	Based on international norms (e.g., ILO, UNGP, OECD).
Non-Eligible Activity	An activity that does not meet ZGFT criteria or lies outside the defined environmental objectives.	For disclosure and monitoring purposes.
Pollution Prevention and Control	Activities aimed at reducing emissions, waste, and pollutants released into air, water, and soil.	ZGFT Future Objective.
Portfolio Level Reporting	Assessment of taxonomy alignment across a financial institution's entire portfolio of assets or investments.	Applies to banks, pension funds, etc.
Resilience	The capacity of systems, communities, and economies to anticipate, absorb, and recover from climate-related shocks.	IPCC Definition.
Significant Contribution (MSC)	The requirement that an activity must make a measurable and substantial positive contribution to at least one environmental objective.	Mandatory ZGFT Principle.
Sustainable	Broader than "green", encompassing environmental, social, and economic dimensions that collectively promote long-term well-being and resilience.	Integrates ESG principles and SDG alignment
Sustainable Resource Use and Circularity	Efficient and responsible use of natural resources to minimize waste and promote recycling, reuse, and regeneration.	To be included in future ZGFT editions.
Sustainable Use of Water and Marine Resources	Conservation and responsible management of freshwater and marine ecosystems to maintain ecological balance.	ZGFT Future Objective.
Users	Entities or individuals who apply, report against, or use the ZGFT for investment, regulatory, or analytical purposes, including financial institutions, project developers, and policymakers.	Includes banks, asset managers, insurers, and government agencies.
Taxonomy Alignment	The degree to which an economic activity, asset, or investment complies with the ZGFT's eligibility criteria and governing principles.	Reporting can be done at portfolio, fund, or instrument level.

Term	Definition	Notes
Transition Activity	An activity that is not fully green yet but has clear, time-bound plans to transition towards environmental sustainability in line with national or global targets.	Supports Zambia's transition to a low-carbon economy.
Transition Risk	Financial risk arising from the process of adjusting to a low-carbon economy, including policy, technology, or market changes.	NGFS / IPCC Frameworks.

EXECUTIVE SUMMARY

At present, there is a significant funding gap to meet Zambia's environmental policy and Nationally Determined Contribution (NDC) targets. To close this gap, increased domestic resource mobilisation and stronger collaboration between the public and private sectors are crucial. Zambia's green finance landscape is still developing, with existing regulatory and institutional barriers hindering the smooth implementation of green economic activities. The green bond market is nascent and requires a more robust framework to build investor confidence and ensure transparency. To facilitate the development of the green finance landscape, the Green Finance Mainstreaming Working Group (GFMWG) 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; Pensions and Insurance Authority; and Securities and Exchange Commission. The GFMWG, with the support of the United Nations Development Programme's BIOFIN programme.

Recognising the need for greater transparency and awareness of green finance opportunities among both public and private actors, the GFMWG commissioned the development of a green finance taxonomy for Zambia. A green taxonomy is described as a classification scheme or system that highlights economic activities that are environmentally friendly. The Zambia Green Finance Taxonomy (ZGFT) will provide a common language and criteria that will support coordination and cohesion among the financial sector and its beneficiaries to identify economic activities that are environmentally sustainable. At a minimum, it identifies economic activities that possess environmental integrity. The ZGFT is explicitly linked to the environmental policy context of Zambia. The ZGFT is envisioned to provide a variety of benefits to stakeholders across the financial sector in Zambia. Firstly, it will ensure that economic activities are assessed holistically to ensure social and environmental risks and opportunities are considered. This will allow for greater consistency and transparency in aligning green activities with international best practices. The use of the ZGFT will assist in the mainstreaming of other green financial instruments. The ZGFT can also enable greater research and development partnerships with universities, private sector innovators, and international institutions to advance green technologies and build local capacity. For example, the ZGFT will assist issuers in understanding what economic activities could be considered green.

There are several potential users and use cases of green finance taxonomies. Users may include investors, issuers, regulators, civil society, policymakers, government agencies and rating agencies, amongst others. Taxonomies may assist investors in identifying and selecting economic activities with green integrity, while issuers may gain benefits such as a greater understanding of designing and marketing their green economic activities. Green finance taxonomies may benefit regulators in setting minimum standards and compliance measures to monitor these standards. In addition, regulators can use taxonomies to screen green financial products, ensuring that they are credible and trustworthy and possess tangible environmental impacts and outcomes.

The initial iteration of the ZGFT has been developed with a limited sectoral focus. It is envisioned that future iterations of the taxonomy will focus on a greater number of sectors and environmental objectives. First, the selection of key eligible economic activities and their importance were identified through a bottom-up stakeholder engagement, with these eligible economic activities validated through follow-up interviews with all key stakeholders. Second, eligible economic activities were prioritised according to their importance to the national economy. The following sectors have been included in the 1st iteration of the ZGFT: Agriculture; Energy and Energy Efficiency; Forestry; Mining; Tourism; Transport; Water; and Waste. In terms of the environmental objectives, the ZGFT covers six environmental objectives including: Climate change mitigation; climate change adaptation; sustainable use of water and water security; biodiversity, ecosystem protection and restoration; pollution prevention; and sustainable resource use and circularity.

Enhancing interoperability is of critical importance in the context of the ZGFT as it will allow for less friction if international capital flows that are regulated according to another taxonomy are mobilised domestically in Zambia and vice versa. This is important in the context of emerging markets and their integration into financial markets. In addition, an interoperable taxonomy lowers the risk of market fragmentation, information asymmetry, and higher transaction costs of verification and assessment of activities. Interoperability must be balanced with national objectives. Therefore, the ZGFT has integrated national goals, development objectives, and commitments while adopting a structure similar to the South African Green Finance Taxonomy, Kenyan Green Finance Taxonomy and European Union Taxonomy, as well as adopting principles and objectives from these taxonomies.

Structurally, the ZGFT is similar to the aforementioned taxonomies. To ensure that eligible economic activities are aligned to the ZGFT, economic activities must be evaluated against Technical Screening Criteria (TSC) that include a description of economic activities by sector and sub-sector; Make Significant Contribution Criteria (MSCC) composed of principles, metrics, and thresholds; specific and generic Do No Significant Harm (DNSH) criteria and Minimum Social Safeguards (MSS) guidance. To ensure that the ZGFT is fit for purpose for the domestic context, additional criteria have been developed focused on co-benefits. Co-benefits refer to secondary benefits that could be realised as a result of the implementation of an environmentally aligned economic activity. Furthermore, given the importance of biodiversity to the Zambian economy, the ZGFT has provided specific guidance under the Biodiversity, Ecosystem Protection and Restoration DNSH criteria, where possible.

The ZGFT is situated within an eight-step process for assessing taxonomy alignment. The ZGFT distinguishes the activities eligible for the taxonomy (activities listed in the regulation) and those that are aligned (eligible activities that meet all the requirements). Once alignment is assessed based on the details of the TSC, the portion of taxonomy-aligned financial flows can be determined. This is undertaken by using financial variables such as a breakdown in revenue, CAPEX, turnover or OPEX. Taxonomy-aligned financial flows may require additional interpretation and disclosure of the assumptions.

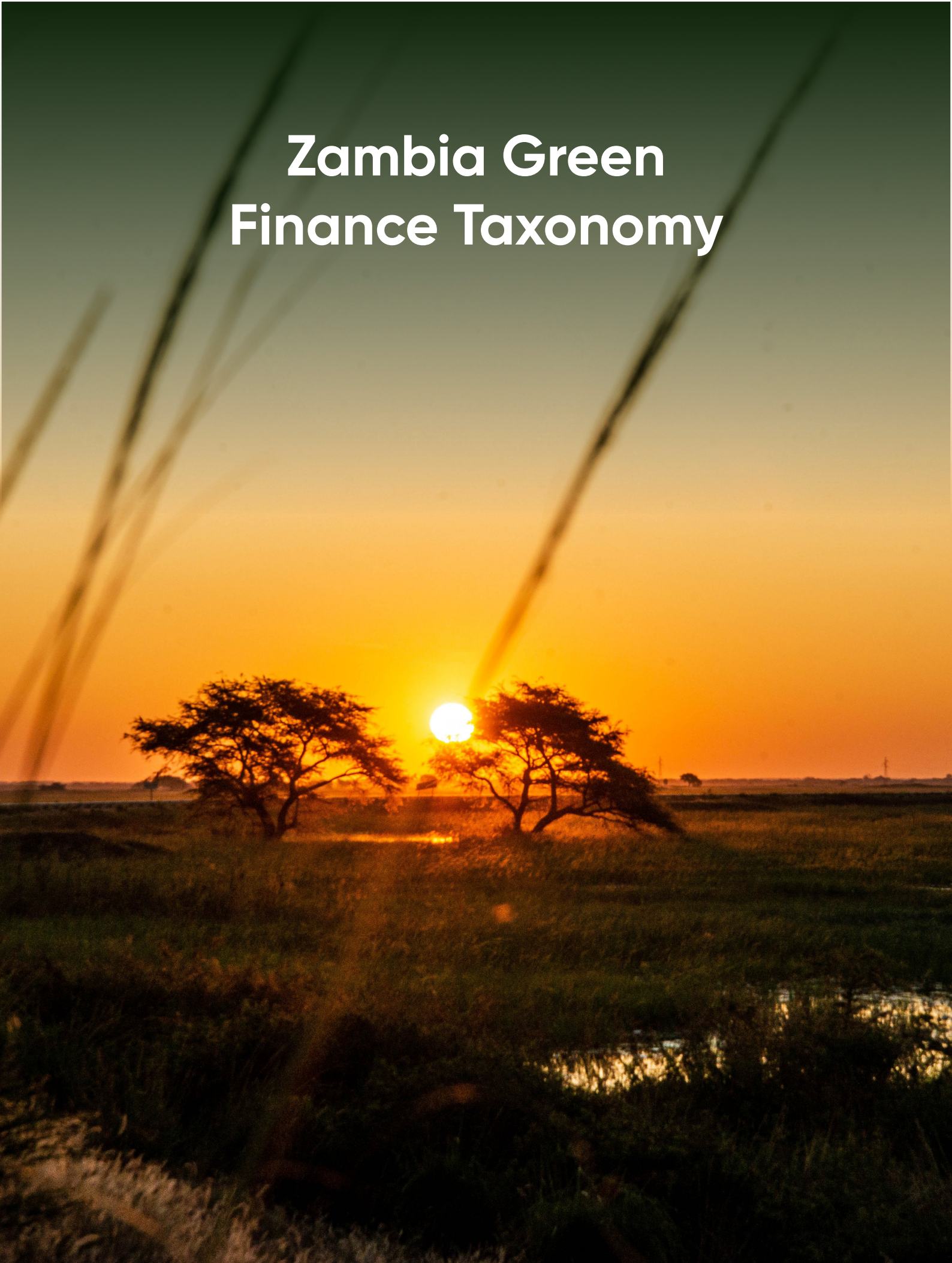
Steps in determining taxonomy alignment using the ZGFT document

Steps	Description	Reference
Step 1	Familiarisation with the principles	Initially, users must note that ZGFT alignment is achieved by fully adhering to the principles. See below.
Step 2	Assess if eligible economic activity is included in the ZGFT	Annexures 2A – 2H.
Step 3	Identification of environmental objective(s) that the eligible economic activity under consideration intends to contribute towards	The assessment of the substantial contributions to environmental objectives is limited to climate change mitigation and climate change adaptation. Future iterations of the ZGFT will focus on other environmental objectives.
Step 4	Evaluate the eligible economic activity's performance against technical screening criteria related to the environmental objective that the eligible economic activity under consideration intends to contribute towards	Annexures 2A – 2H
Step 5	Evaluate the economic activity's performance against the Do No Significant Harm (DNSH) criteria	Section 3 Step 5.
Step 6	Evaluate the eligible economic activity's performance against the Minimum Social Safeguards (MSS)	Section 3 Step 5.
Step 7	Evaluate the co-benefits	Section 3 Step 5.
Step 8	Disclose results	ZGFT alignment is reported using financial metrics. See Section 3 and Annexure 3: Tagging and Reporting Framework.

The following sections discuss the steps in detail.

The current version of the ZGFT is envisioned to be a voluntary tool for the financial sector. As the familiarization with the ZGFT becomes more entrenched in the financial sector, it is the aim of the regulators to introduce formal financial regulation to spur the disclosure and alignment of green financial flows to the ZGFT. The structure of regulations associated with the ZGFT will be decided upon in the future.

Zambia Green Finance Taxonomy



SECTION 1: INTRODUCTION

The GFMWG 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 Zambia Green Finance Taxonomy (ZGFT) is a joint effort by the GFMWG with financial and technical support from the United Nations Development Programme Biodiversity Finance Initiative (BIOFIN) Zambia. The GFMWG has also recognised the need for a taxonomy for green and sustainable activities to guide the tagging and reporting system. Taxonomy refers to a system of classifying and qualifying items. In terms of economic activities, taxonomies can be “sustainable finance”, “green”, or “climate-aligned” – depending on whether the taxonomy is focused on broader environmental impacts, climate change impacts only, or environmental coupled with social impacts (Climate Bonds Initiative [CBI], 2019).

For example, in responding to the need for a shared understanding of activities that can be regarded as “green” and “sustainable”, the European Commission developed an EU Taxonomy for sustainable economic activities (Alessi & Battiston, 2022). The EU taxonomy is a classification system that stipulates which economic activities can be regarded as sustainable and is used by the EU and its member states. The EU taxonomy prompted the development of similar taxonomies and relevant regulations in other parts of the world as well (RSA NT, 2022; Alessi & Battiston, 2022). Defining green economic activities is helpful to governments and financial institutions in tailoring environmental actions, designing green finance products, helpful in safeguarding the market against “greenwashing”, and helpful to investors when directing capital in the sustainable finance space (CBI, 2019). In addition, when not aligned with such measures, stranded assets, increased costs, and regulatory and reputational concerns may result (Alessi & Battiston, 2021: 3). It is within this context of the requirements of both the financial sector and government that Zambia’s GFT, tagging and reporting system is being developed and will be integrated into the reporting frameworks of the country’s three financial sector regulators.

1.1. Objectives of the ZGFT

A green taxonomy is described as a classification scheme or system that highlights economic activities that are environmentally friendly (European Commission, 2021). As a minimum, it identifies economic activities that possess environmental integrity. The primary purpose of a green taxonomy is to provide market transparency for green investors, providing greater certainty and confidence in the market regarding the specific requirements for green economic activities. This ensures that accurate tracking and monitoring of green finance flows in a consistent manner. The initial iteration of the ZGFT has been developed with a limited sectoral focus. It is envisioned that future iterations of the ZGFT will focus on a greater number of sectors and environmental objectives. First, the selection of key eligible economic activities and their importance were identified through a bottom-up stakeholder engagement, with these eligible economic activities validated through follow-up interviews with all key stakeholders. Second, eligible economic activities were prioritised according to their importance to the national economy.

The ZGFT is explicitly linked to the environmental policy context of Zambia, described in Section 1 of Annexure 1: The Zambian Green Finance Landscape. The ZGFT is envisioned to provide a variety of benefits to stakeholders across the financial sector in Zambia. Firstly, it will ensure that economic activities are assessed holistically to ensure social and environmental risks and opportunities are considered. This will allow for greater consistency and transparency in aligning green activities with international best practices. The use of the ZGFT will assist in the mainstreaming of other green financial instruments. The ZGFT can also enable greater research and development partnerships with universities, private sector innovators, and international institutions to advance green technologies and build local capacity. For example, the ZGFT will assist issuers in understanding what economic activities could be considered green. In this regard, the ZGFT is designed to be interoperable with the South African, Kenyan and EU taxonomies. This ensures that major trade partners encourage aligned economic activities. Lastly, the ZGFT will assist the BoZ, SEC and PIA with tracking and reporting requirements (Bain et al., 2019).

1.2. Governance

The GFMWG, with the support of the United Nations Development Programme's BIOFIN programme, commissioned the development of a green finance taxonomy for Zambia.

The Ministry of Green Economy and Environment (MoGEE) will act as the governing body for its implementation, and the MoGEE will facilitate future advancements and refinements of the ZGFT, including the development of environmental objectives and Technical Screening Criteria (TSC) over time. In addition, the MoGEE will coordinate stakeholder engagement and inputs when needed as well as advancing awareness and the understanding of different users. The MoGEE will also ensure that the ZGFT remains relevant, accounting for legislation or technology over time. The MoGEE will also be responsible for handling disputes or once-off cases, where users may require guidance on whether eligible economic activities qualify under the ZGFT, including the prioritisation of economic activities.

1.3. Interoperability with international taxonomies

In the context of sustainable taxonomies, interoperability refers to the ability of different taxonomies to work together seamlessly, enabling the comparison, combination, and exchange of data across various frameworks and standards. More specifically, interoperability determines whether the principles, objectives, sectoral classifications, environmental objectives, and TSC are equivalent to one another. Enhancing interoperability is of critical importance in the context of the ZGFT as it will allow for less friction if international capital flows that are regulated according to another taxonomy are mobilised domestically in Zambia and vice versa. This is important in the context of emerging markets and their integration into financial markets. In addition, an interoperable taxonomy lowers the risk of market fragmentation, information asymmetry, and higher transaction costs of verification and assessment of activities.

Interoperability must be balanced with national objectives. Therefore, the ZGFT has integrated national goals, development objectives, and commitments while adopting a structure similar to the South African Green Finance Taxonomy, Kenyan Green Finance Taxonomy and European Union Taxonomy, as well as adopting principles and objectives from these taxonomies.

SECTION 2: ZGFT USE CASES

The ZGFT will provide a common language and criteria that will support coordination and cohesion within the financial sector and other stakeholders to identify economic activities that are environmentally sustainable. There are several potential users and use cases of green finance taxonomies. Users may include investors, issuers, regulators, civil society, policymakers, government agencies and rating agencies, amongst others. Taxonomies may assist investors in identifying and selecting economic activities with green integrity, while issuers may gain benefits such as a greater understanding of designing and marketing their green economic activities. Green finance taxonomies may benefit regulators in screening green financial products, setting minimum standards and compliance measures to monitor these standards. In addition, regulators can use taxonomies to screen green financial products, ensuring that they are credible and trustworthy and possess tangible environmental impacts and outcomes. Table 1 lists the intended primary users and applications of the ZGFT.

Table 1: Intended users and applications of the ZGFT

User Group	User Example	Typical Uses of Green Finance Taxonomies
Financial market players	Financial sector actors including the banking sector (commercial banks, national development banks and other intermediaries); asset managers, pension funds, insurance (including reinsurance companies); and rating agencies.	<ul style="list-style-type: none"> Enhances the potential for more in-depth disclosure practices, ensuring that negative practices are identified early while positive impacts are amplified. Facilitates stronger engagements between investors and investees. Allows for the identification of potential new green economic activities. Allows for regulatory disclosures to be enhanced while supporting systemic risk detection.
Policymakers and government agencies	Include policy- and lawmakers, government and quasi-government agencies (at all levels of government).	<ul style="list-style-type: none"> Supporting the development and revision of policies, legislation and regulations. Assisting with the identification of development and environmental priorities, including the construction of a project pipeline that is taxonomically aligned. Support the evaluation and implementation of Zambia's sustainable national plans and strategies aimed at greening the economy by understanding underfunded eligible economic activities and eligible economic activities that require more support. Allow for the measurement of green finance flows that are aligned with the economic priorities of the country while supporting the development of public metrics and standards.
Financial sector regulators	Include entities responsible for market oversight.	<ul style="list-style-type: none"> Allows for the detection of systemic risks that are related to the environment that could affect financial stability. Support the development of regulatory frameworks that could support green financial flows within the Zambian financial sector.
International organisations, donor agencies, and multilateral development institutions	Users include regional, international and country-based development and donor institutions.	<ul style="list-style-type: none"> Allows for the assessment of taxonomy alignment to international development and green finance. Support the identification of national priorities that can inform funding strategies of donors and international agencies. Reduces the perceived risks (e.g. greenwashing) for international organisations, donor agencies and multilateral development institutions.

User Group	Example User	Typical Users of Green Finance Taxonomies
Corporates and practitioners	This includes private sector entities that are involved in the real economy (including SMEs) as well as consultancies that are involved in providing environmental and climate consulting.	<ul style="list-style-type: none"> • Allows for the identification of potential green investment risks and opportunities for corporates. • Supplementing sustainability and climate reporting practices. • Verifications for taxonomy alignment.
Project Developers	Project developers and entities issuing corporate bonds issuers and project developers.	<ul style="list-style-type: none"> • Encourage investor and capital market involvement to obtain financing based on ZGFT and theme alignment. • Disclose the taxonomy alignment of capital investment, operating expenses, and turnover.
Civil society	Civil society refers to non-governmental organisations that focus on green economic development and development finance.	<ul style="list-style-type: none"> • Allows for the identification and support of green economic activities aligned to the ZGFT. • May assist civil society in their mandatory financial reporting.

SECTION 3: DETERMINING TAXONOMY ALIGNMENT

3.1. Process overview for evaluating an economic activity as "green"

The ZGFT has an eight-step process for assessing taxonomy alignment (See Table 2). This section provides guidance to assist users in determining the alignment of the eligible economic activity under consideration to the taxonomy. Eligibility refers to whether an economic activity is covered by the ZGFT and can be considered for alignment. Alignment refers to the process of determining of whether eligible economic activities adhere to the guidelines associated with the environmental objectives. The ZGFT distinguishes between the activities eligible for the taxonomy (activities listed in the regulation) and those that are aligned (eligible activities that meet all the requirements). Once alignment is assessed based on the details of the TSC, the portion of taxonomy-aligned financial flows can be determined. This is undertaken by using financial variables such as a breakdown in revenue, turnover or operating expenditure (OPEX). Taxonomy-aligned financial flows may require additional interpretation and disclosure of the assumptions.

Table 2: Steps in determining taxonomy alignment using the ZGFT document

Steps	Description	Reference
Step 1	Familiarisation with the principles	Initially, users must note that ZGFT alignment is achieved by fully adhering to the principles. See below.
Step 2	Assess if eligible economic activity is included in the ZGFT	Annexures 2A – 2H.
Step 3	Identification of environmental objective(s) that the eligible economic activity under consideration intends to contribute towards	The assessment of the substantial contributions to environmental objectives is limited to climate change mitigation and climate change adaptation. Future iterations of the ZGFT will focus on other environmental objectives.
Step 4	Evaluate the eligible economic activity's performance against technical screening criteria related to the environmental objective that the eligible economic activity under consideration intends to contribute towards	Annexures 2A – 2H
Step 5	Evaluate the economic activity's performance against the Do No Significant Harm (DNSH) criteria	Section 3 Step 5.
Step 6	Evaluate the eligible economic activity's performance against the Minimum Social Safeguards (MSS)	Section 3 Step 5.
Step 7	Evaluate the co-benefits	Section 3 Step 5.
Step 8	Disclose results	ZGFT alignment is reported using financial metrics. See Section 3 and Annexure 3: Tagging and Reporting Framework.

The following sections discuss the steps in detail.

Step 1: Familiarisation with the principles of the ZGFT

There are three mandatory governing principles of the ZGFT with an additional voluntary principle. These are as follows:

Mandatory:

- Contributes substantially ('Makes Significant Contribution', MSC) towards at least one environmental objective, including the alignment to TSC.
- Does no significant harm to any of the other environmental objectives (DNSH)
- Meets the minimum social safeguards criterion.

Voluntary:

- Demonstrate co-benefits for social, economic and gender benefits.

For eligible economic activities to be taxonomically-aligned with the ZGFT, they must meet at least the three mandatory principles described above.

Step 2: Assess if eligible economic activity is included in the ZGFT

a) Identify whether the eligible economic activity under consideration is covered by the current edition of the ZGFT.

To determine eligibility, the following steps are typically followed: Identify the International Standard Industrial Classification (ISIC) code, check the ZGFT annexures and verify the activity description.

The sectors and activities classified in the ZGFT have been identified and linked to the macro-economic sectors of Zambia, taking into account the eligible economic activities needed to facilitate the shift to a green economy. ZGFT users will be able to navigate to the macro-sector that most closely corresponds with the activity using the catalogue presented in Annexures 2A – 2H. In addition, users could use the International Standard Industrial Classifications of All Economic Activities (ISIC) codes to identify the eligible economic activity in the catalogue. ISIC codes can be quite broad; therefore, eligible economic activities should be assessed critically to ensure alignment.

Once the eligible economic activity has been identified in the catalogue, the user is directed to the TSC, which provides greater information related to the eligible economic activity under consideration. It is possible that an eligible economic activity does not correspond with any classes included in the catalogue; this means that within the current version of the ZGFT, it does not include the eligible economic activity, or it has been disqualified as not qualifying as an eligible economic activity that contributes significantly to environmental and climate change outcomes or being difficult to assess. If the correspondence of the eligible economic activity to the ZGFT is unclear, the user should engage the coordinating body for the ZGFT, the Ministry of Green Economy and Environment, so that a determination can be made as to whether the eligible economic activity is aligned or not.

Step 3: Identification of environmental objective(s) that the eligible economic activity under consideration intends to contribute towards

a) Identify to which objective the eligible economic activity under consideration substantially contributes.

In order to assess if economic activities are eligible, users must assess whether the ZGFT contributes significantly to the environmental objectives of the ZGFT, as outlined in Figure 1. The first edition of the ZGFT has focused primarily on the following environmental objectives:

- Climate change mitigation
- Climate change adaptation

For both climate change mitigation and climate change adaptation, complete criteria (MSCC, DNSH and minimum social safeguards) under the TSC under eligible economic activities have been provided.

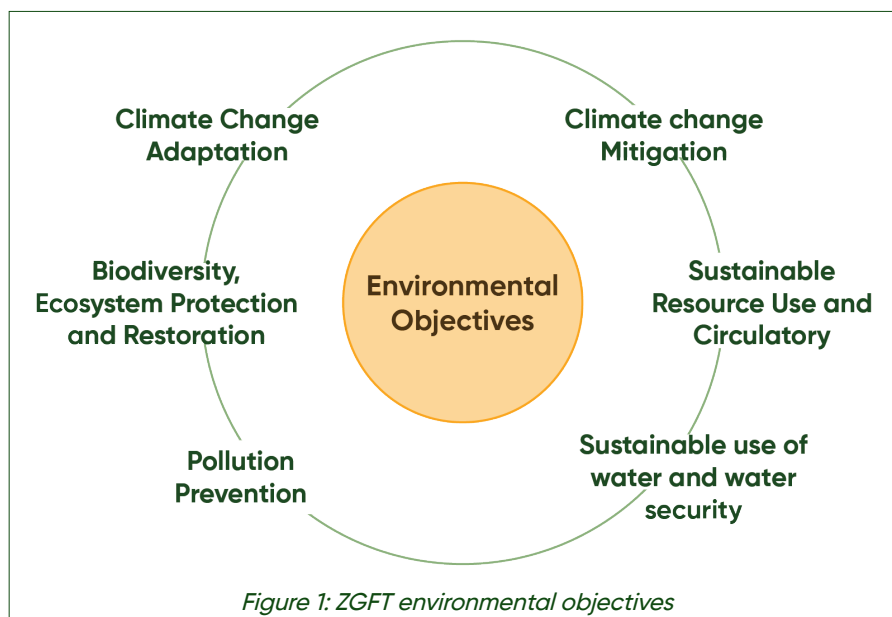
The following environmental objectives will be fully included in future editions of the ZGFT, including:

- Biodiversity and ecosystem protection and restoration
- Sustainable use of water and marine resources
- Pollution prevention
- Sustainable resource use and circularity

At present, these environmental objectives have been assessed using generic DNSH principles but excluded under the MSCC criteria within the TSC. Although the Make Significant Contribution Criteria (MSCC) for biodiversity and ecosystem protection and restoration environmental objective are not provided explicitly, users are encouraged to evaluate this environmental objective in addition to climate change mitigation and climate adaptation. Additional information on biodiversity considerations is provided in Box 6. It is important to note that eligible economic activities can contribute significantly to more than one environmental objective. This should be communicated during the ZGFT alignment assessment.

Box 6: Biodiversity considerations in the ZGFT

Given the importance of biodiversity to the Zambian economy, the ZGFT has provided specific guidance under the Biodiversity, Ecosystem Protection and Restoration DNSH criteria, where possible. Significant contribution criteria related to the other taxonomy objectives are in the process of being developed; therefore, substantial contributions linked to these objectives cannot be assessed at this stage.



The ZGFT recognises two distinct categories of substantial contributions that could apply to climate change mitigation or climate adaptation. These include:

1. *Eligible economic activities that make a substantial contribution based on their own performance.*
2. *Eligible economic activities that create enabling conditions by the provision of products or services that allow for the environmental outcomes to be realised.*

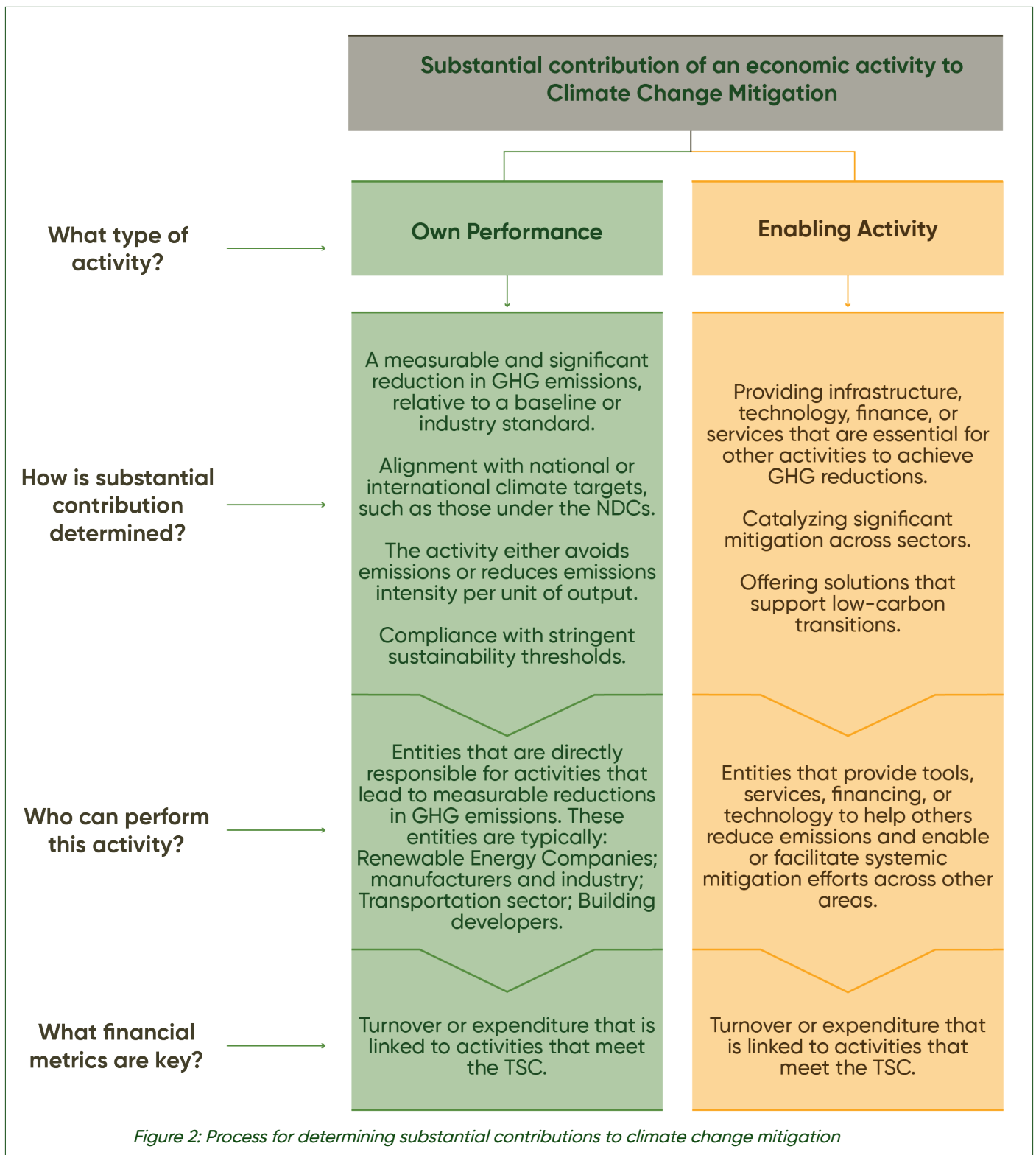
b) Defining substantial contribution to environmental objective 1: climate change mitigation

An eligible economic activity is deemed to contribute significantly to climate change mitigation if it contributes to the stabilisation of greenhouse gas concentrations in the atmosphere at a level that prevents dangerous anthropogenic interference with the climate system. This can be done by avoiding or reducing green greenhouse gas emissions or by enhancing the removal of greenhouse gas emissions (by carbon capture and storage, for example).

Solutions should be consistent with the long-term temperature goal of the Paris Agreement. Activities that support climate change mitigation could include:

- i. The generation, transmission, storage, distribution, or utilisation of renewable energy, incorporating innovative technologies with significant potential for future cost savings or through essential grid reinforcement and extension efforts.
- ii. The enhancement of energy efficiency, excluding activities related to the generation of power.
- iii. The promotion and facilitation of clean or climate-neutral transportation systems.
- iv. The transition toward the utilisation of renewable materials that are sustainably sourced.
- v. The advancement and deployment of environmentally responsible carbon capture and utilisation and carbon capture and storage technologies, which contribute to a net reduction in greenhouse gas emissions.
- vi. The strengthening of terrestrial carbon sinks through strategies such as preventing deforestation and forest degradation, forest restoration, sustainable management and rehabilitation of croplands, grasslands, and wetlands, afforestation, and the adoption of regenerative agricultural practices.
- vii. The development and establishment of energy infrastructure necessary to enable the decarbonisation of energy systems.
- viii. The production of clean and efficient fuels derived from renewable or carbon-neutral sources.
- ix. The facilitation and support of any of the aforementioned activities.

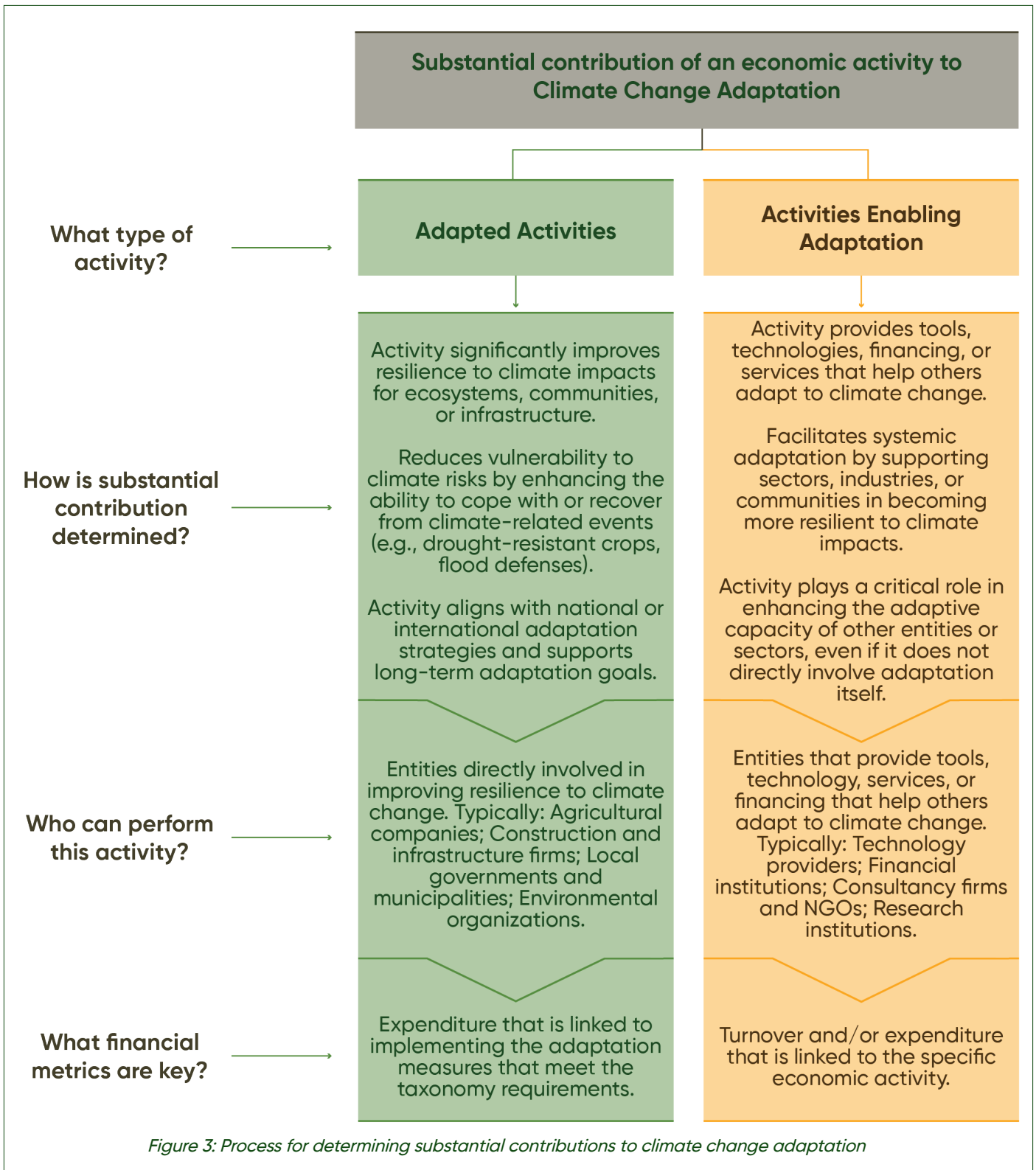
In the Zambian context, transition economic activities are considered critical for enabling low-carbon transition pathways. Therefore, an eligible economic activity is considered to contribute substantially to climate change mitigation when it supports the transition to a low carbon economy. Transitional activities do not hamper the development of low-carbon technologies and alternatives and do not result in the lock-in of low-carbon economic activities while noting the economic lifetime of the economic activities. **Figure 2** below describes the process for determining if an eligible economic activity results in a substantial contribution to climate change.



c) Defining substantial contribution to environmental objective 2 climate change adaptation

The points below aim to guide ZGFT users in assessing substantial contributions to climate change adaptation objectives (**Figure 3**). More specifically, adaptation initiatives refer to:

- Eligible economic activities that result in reduced risk exposure to adverse climate impact, presently or in the future, without affecting or increasing the risk of other people, nature or economic activities (maladaptation).
- Eligible economic activities that provide adaptation solutions that substantially prevent or reduce the risk of adverse climate impacts, presently or in the future, without affecting or increasing the risk of other people, nature or economic activities (maladaptation).



The adaptation solutions referred to in points a and b must integrate the use of the best available climate projections such that they are able to reduce or prevent location-specific or context-specific climate impacts that may affect the economic utility of the activity or result in unintended consequences to the surrounding context.

Regarding the types of physical risks that must be considered by ZGFT users, both chronic or slow onset climate-related hazards (such as average temperature increase and sea level rise) and rapid or acute climate-related hazards (such as extreme rainfall, storm surges, flooding, and heat waves) must be considered, moreover, both financial and non-financial losses must be considered in a detailed climate risk and vulnerability assessment.

This will ensure that eligible adaptation economic activities are fit for purpose. In this context, climate adaptation comprises two types of substantial contribution to adaptation objectives:

- **Adaptation activities:** This refers to eligible economic activities that reduce or eliminate physical risks to the extent possible or in alignment with best efforts.
- **Enabling activities:** This refers to activities that allow for other eligible economic activities that will deliver adaptation and resilience activities to be implemented by removing systemic barriers to adaptation, for example, the installation of weather stations for accurate weather information.

Both types of activities (adaptation or enabling) must align with the TSC and DNSH and comply with the Minimum Social Safeguards (MSS) outlined in the ZGFT.

The following guidelines can be used to assess whether the eligible economic activities substantially contribute to climate change adaptation.

- Eligible economic activities that reduce physical climate risk exposure can be identified through a vulnerability assessment that assesses material risks resulting from current weather and future expected climate change. The assessment must integrate the use of downscaled climate projections where possible. In addition, the assessment must consider both chronic and acute climate-related hazards across a range of scenarios and timeframes while integrating uncertainty.
- The vulnerability assessment must be undertaken across a suitable geographical scale. Vulnerability should be assessed across the expected lifetime of the eligible economic activity and include the assessment of adaptation solutions for existing and new activities and an evaluation of how adaptation solutions could be integrated into operations. Additional guidance can be found [here](#)¹.
- To enable adaptation activities, the resulting increase in adaptation and resilience mainstreaming should be assessed to understand the degree to which the activity can positively influence adaptation outcomes.
- The eligible economic activity must not adversely affect other adaptation efforts. This can result in maladaptation consequences. In addition, eligible economic activities must not hinder adaptation efforts for people, individuals and economic activities.
- Eligible economic activities with adaptation and resilience outcomes should be assessed using measurable and defined indicators, where possible. In addition, adaptation outcomes should be assessed. Updated physical risk and vulnerability assessments should be undertaken every five to ten years, depending on the nature of the risks, exposure, policy context and changing

The essential guidelines and principles related to Substantial Contribution to Climate Change Adaptation within the ZGFT framework are summarised in **Table 3**. It is important to note that the evaluation of adaptation can be assessed using qualitative and quantitative methods.

¹ https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L_202302486

Table 3: Summary of substantial contribution to climate change adaptation

Description	Key Points
Adaptation Initiatives	<ol style="list-style-type: none"> 1. Eligible economic activities that reduce risk exposure to adverse climate impacts, presently or in the future, without causing maladaptation. 2. Eligible economic activities that substantially prevent or reduce the risk of adverse climate impacts.
Use of Climate Projections	<ol style="list-style-type: none"> 1. Best available climate projections must be used to address location/context-specific climate impacts. 2. Adaptation solutions must consider physical risks, both chronic (e.g., temperature rise) and acute (e.g., storms, flooding).
Types of Adaptation Activities	<ol style="list-style-type: none"> 1. Adaptation Activities: Eligible economic activities that reduce or eliminate physical risks in alignment with best efforts. 2. Enabling Activities: Activities that remove systemic barriers to adaptation (e.g., climate adaptation investment strategies).
Assessment of Substantial Contribution	<ol style="list-style-type: none"> 1. Vulnerability assessments must be conducted, integrating downscaled climate projections and assessing both chronic and acute hazards. 2. Enabling activities must show measurable improvements in adaptation and resilience outcomes. In the absence of quantitative methods, qualitative approaches may be used.
Avoiding Maladaptation	<ol style="list-style-type: none"> 1. Activities must not hinder other adaptation efforts for people, nature, or economic activities and must avoid maladaptation.
Measuring Adaptation Outcomes	<ol style="list-style-type: none"> 1. Use defined and measurable indicators to assess adaptation and resilience outcomes. 2. Update physical risk and vulnerability assessments as and when needed to ensure continued relevance.

Step 4: Meet applicable Technical Screening Criteria (TSC)

After a ZGFT user has identified alignment to the eligible economic activity identified in Step 3, the MSCC sub-section of the TSC should be assessed to test the alignment of the eligible economic activity to the environmental objective it intends to substantially contribute to. As previously stated, similar to other taxonomies globally, the current edition of the ZGFT is limited to TSC for MSCC for climate change mitigation and climate change adaptation environmental objectives.

For the MSCC, the TSC possess two components which must be assessed:

- **Principles:** These refer to the underlying theory as to how the activity will contribute significantly to positive environmental and/or climate objectives and outcomes.
- **Metrics and Thresholds:** This refers to the approach by which a ZGFT user will assess the performance of the activity. This includes the definition of a boundary for measurement and the performance criteria that an activity must meet to be considered environmentally sustainable.

The principles, metrics, and thresholds relevant to each eligible economic activity are outlined under the "substantial contribution" criteria. To evaluate whether a given eligible economic activity aligns with the intended objectives, it is necessary to assess its alignment with the prescribed metrics and thresholds. This assessment requires robust and granular data to effectively test compliance with the Technical Screening Criteria (TSC). The integration of external third-party data sources, in conjunction with internal research, can facilitate this process. Notable data providers include MSCI Inc, Institutional Shareholder Services, Sustainalytics, FactSet, Trucost S&P, Carbon Delta, and GS Sustain, as well as specialised tools such as the Taxonomy mapping tool and RepTool. These resources can enhance the rigour and efficiency of the alignment assessment.

If an eligible economic activity is aligned with the metrics and thresholds in the TSC, this alignment should be reported transparently. If the eligible economic activity does not meet the metrics and thresholds, the eligible economic activity is not aligned with the ZGFT. It must be noted that the current edition of the ZGFT may not include metrics and thresholds for a particular eligible economic activity; in this case, users should engage with the coordinating body of the ZGFT such that a determination of the alignment of the eligible economic activity to the ZGFT can be made.

Step 5: Do No Significant Harm

The Do No Significant Harm (DNSH) principle refers to the evaluation of whether an eligible economic activity does not cause significant harm to other environmental and social objectives. The TSC developed for each economic sector under evaluation provides DNSH guidance such that a reporting entity can assess the eligible economic activity in relation to the prescribed criteria. In order to be ZGFT -aligned, the eligible economic activity must adhere to the DNSH guidance. Should an eligible economic activity not meet the DNSH criteria, then it is not ZGFT -aligned. The alignment of an eligible economic activity to the DNSH criteria must be comprehensively communicated to ensure transparency.

Step 6: Comply with Minimum Social Safeguards

Entities reporting against the ZGFT must assess their adherence and compliance with Minimum Social Safeguards (MSS) by ensuring the implementation and mainstreaming of policies, procedures and governance mechanisms that align with Zambian labour law and policy. From an international perspective, compliance with MSS under the following instructions must be prioritised:

- International Labour Organisation (ILO) core labour conventions²;
- UN Global Compact³;
- Organisation for Economic Co-operation and Development (OECD) Guidelines on Multinational Enterprises (MNEs)⁴; and
- UN Guiding Principles on Business and Human Rights.⁵

There are two primary focus areas that MSS should be assessed against in the Zambian context. First, the reporting entity must demonstrate compliance with Zambian labour law and, secondly, management of wider societal and community social risks posed by economic activities.

Within the Constitution of Zambia⁶, Article 14 (2) recognises that no person shall be required to perform forced labour. Article 112 (j) recognises the right of every person to fair labour practices and safe and healthy working conditions. The specific labour laws of interest for Zambia include:

- The Employment Code Act No. 3 of 2019⁷;
- The Industrial and Labour Relations Act, Chapter 269, Volume of the Laws of Zambia⁸;
- Significant decisions by the Zambian Supreme Court⁹.

In terms of the wider societal and community risks posed by proposed economic activities, a robust social due diligence process would be necessary to ensure that risks beyond labour and taxation are considered. Social due diligence processes can include social impact assessments and other related studies. There are several international frameworks that could be used by the user/or the reporting entities. These include:

- OECD guidelines and due diligence guidance for Responsible Business Conduct¹⁰;
- The Equator Principles¹¹; and,
- IFC Performance Standards¹².

² <https://www.ilo.org/international-labour-standards/conventions-protocols-and-recommendations>

³ <https://unglobalcompact.org/>

⁴ <https://mneguidelines.oecd.org/mneguidelines/>

⁵ https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinessshr_en.pdf

⁶ https://www.constituteproject.org/constitution/Zambia_2016

⁷ <https://www.parliament.gov.zm/sites/default/files/documents/acts/The%20Employment%20Code%20Act%20No.%203%20of%202019.pdf>

⁸ <https://www.parliament.gov.zm/sites/default/files/documents/acts/Industrial%20and%20Labour%20Relations%20Act.pdf>

⁹ <https://www.parliament.gov.zm/sites/default/files/documents/acts/English%20Law%20%28Extent%20of%20Application%29%20Act.pdf>

¹⁰ <https://mneguidelines.oecd.org/due-diligence-guidance-for-responsible-business-conduct.htm>

¹¹ <https://equator-principles.com/>

¹² <https://www.ifc.org/en/insights-reports/2012/ifc-performance-standards>

For both the assessment of compliance of MSS in terms of Zambian labour law and wider societal and community risks, the reporting entity must disclose data that demonstrate alignment. This ensures transparency. The ZGFT recognises the need for social and gender considerations to be integrated into the assessment of environmentally aligned economic activities. Therefore, it is recommended that the assessment of MSS in the context of the National Gender Policy (2023)¹³ and Gender Equity and Equality Act (2015)¹⁴ be assessed. Entities are recommended to form partnerships with entities specialised in social inclusion and gender to adapt existing principles. The Zambia Agency for Persons with Disabilities (ZAPD) could provide universal design standards and principles. Similar organisations dealing with gender and the rights of children may provide further measures dealing with these areas. In the following phases, social and gender objectives could be integrated into the ZGFT. This would allow for the necessary time to develop substantive frameworks on gender and socio-economic activities.

Step 7: Assess the potential co-benefits associated with activities – Voluntary

Given the developing country status of Zambia, the ZGFT recognises the need for eligible economic activities to not only deliver environmental benefits but also social and economic co-benefits. Co-benefits refer to secondary benefits that could be realised as a result of the implementation of an environmentally aligned economic activity. Examples of co-benefits include cleaner air, the creation of jobs, improved public healthcare, social upliftment, biodiversity protection and others.

The ZGFT recommends that eligible economic activities with environmental integrity assess the potential co-benefits that could be realised through their implementation. Co-benefits could further demonstrate the value of eligible economic activities to investors while enhancing the argument for incentives.

The principle of co-benefits is not mandatory. Therefore, its integration into disclosure practices is optional but recommended. The assessment of co-benefits should be addressed using quantitative data to demonstrate how critical success factors have been realised. These assessments should be disclosed together with supporting data to enhance transparency. If quantitative data is not available, qualitative approaches may be used to demonstrate the impact and outcomes from a co-benefits perspective.

Step 8: Disclosure of Taxonomic Alignment

If an eligible economic activity is aligned to steps 2 – 6, then it is taxonomically aligned. The disclosure of taxonomic alignment must include the supporting data and information to demonstrate alignment and impact indicators. The metrics will be discussed further in Annexure 3: Tagging and Reporting Framework. The ZGFT is not prescriptive regarding reporting templates. Reporting templates are likely to be determined by the type of user. Guidance for financial sector actors will be provided by the BoZ, SEC and PIA in due course. In the interim, users should adopt the use of international templates or simple formats that capture the key evaluation criteria. Reporting should be machine-readable. A summarised overview of the eight steps of the ZGFT alignment process is given in *Figure 4*:

¹³ <https://www.gender.gov.zm/wp-content/uploads/2024/05/Cabinet-Office-Gender-Policy.pdf>

¹⁴ <https://www.gender.gov.zm/wp-content/uploads/2022/05/The-Gender-Equity-and-Equality-Bill-2015.pdf>

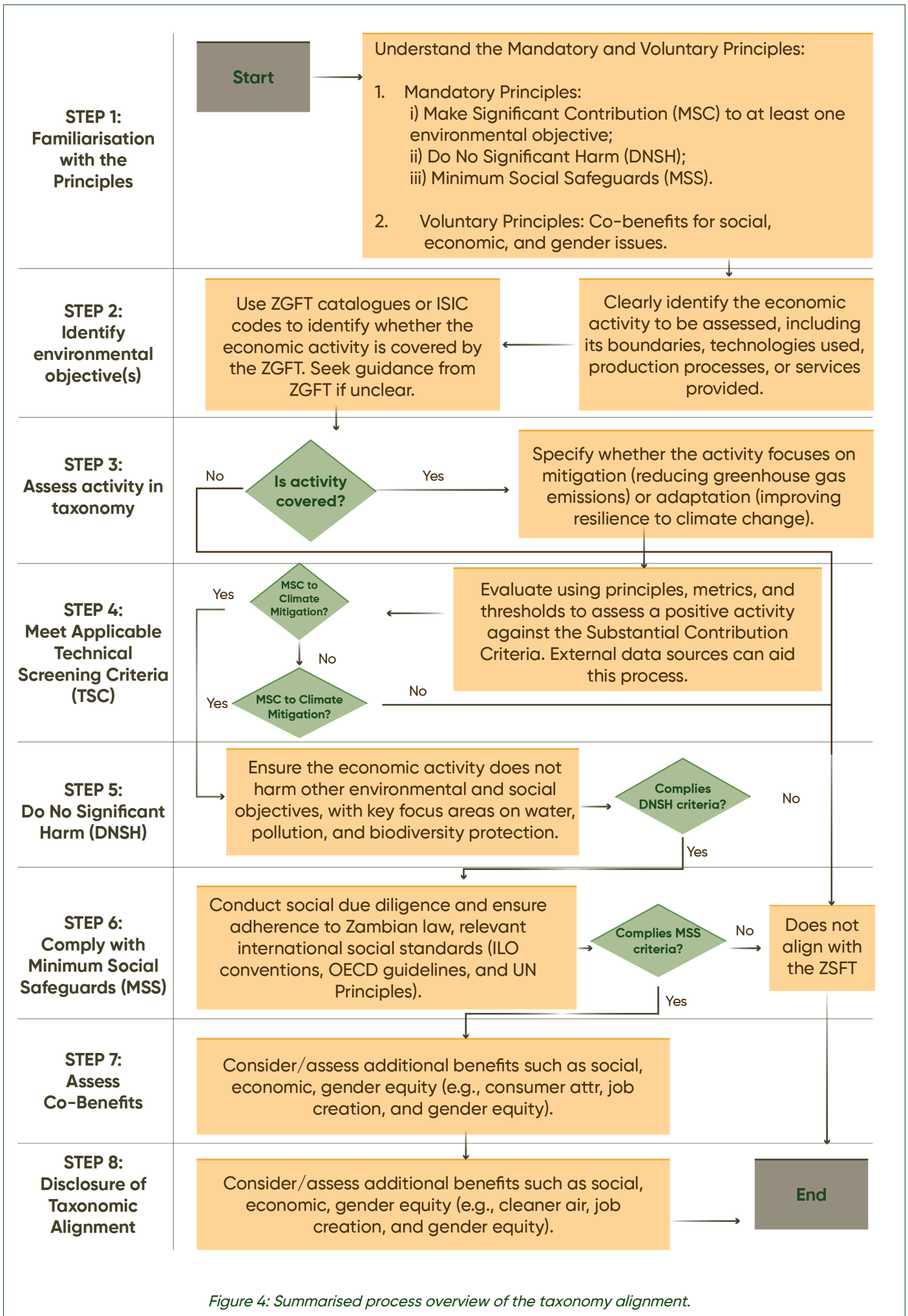


Figure 4: Summarised process overview of the taxonomy alignment.

SECTION 4: GENERAL CHALLENGES AND CONSIDERATION IN APPLYING THE ZGFT

4.1. ZGFT application challenges

4.1.1. Defining and aligning to activities

One of the expected challenges to the use of taxonomies, in general, is the alignment of bundled investment types such as bonds or investment types where the specific environmental and climate activities are not clear. For example, traditional bonds may not disclose or evaluate the specific use of proceeds associated with the bond (as opposed to green bonds); in this case, understanding taxonomical alignment is challenging. If corporates are required to report on taxonomical alignment in the future, it is likely that reporting practices will change to make these assessments more viable. Taxonomies are likely to be difficult to implement for users for regulatory purposes. It is important that the ZGFT is voluntary in the initial edition to ensure that the financial sector is appropriately capacitated. This will ensure the misinterpretation of the ZGFT is avoided.

4.1.2. Availability and quality of data

A key issue that is expected during the implementation of the ZGFT is the availability of granular data of sufficient quality to allow for the assessment of taxonomical alignment. Granular data may not be publicly available; therefore, provisions must be made to manage such data gaps.

4.2. ZGFT application considerations

When financing is extended to a client whose activities span across multiple sectors within the ZGFT, it becomes challenging to allocate ZGFT-aligned financial flows to specific sectors. For example, solar-powered drip irrigation technologies for climate-smart agriculture. In this case, it may be difficult to determine whether the eligible activity is aligned with the agriculture, energy or water sectors. In such instances, priority should be given to the ZGFT sector to which the activity is most directly linked.

In general, it is recommended, wherever possible, to define the investment, loan, credit facility, or use of proceeds at the level of specific economic activities. This allows for the allocation of the entities to be determined across distinct activities for the purpose of ZGFT classification. Identifying the relevant eligible economic activities aligned with the ZGFT at the outset of the assessment process can be advantageous, potentially requiring the prioritisation of an entity's activities based on their materiality. If an assessment cannot be made at the asset/activity/project level, then it is not possible to make a determination on ZGFT alignment.

The points below are suggested guiding considerations for initial users of the ZGFT:

- *Initially, users should focus on economic activities where granular data is available for the undertaking of a ZGFT alignment assessment. In addition, taxonomical alignment assessments can focus on a particular scope or activity such that a portion of the investment portfolio is tested in more detail before being applied to the entire portfolio.*
- *Taxonomical alignment assessments can be complex to assess and may require the involvement of individuals with sustainable finance expertise. In general, reporting entities should make their assumptions and data limitations clear while exercising the precautionary principle in the case of uncertainties.*
- *Generally, the mitigation-related activities will be easier to assess than adaptation-related ones. This is owing to the underlying Monitoring and Evaluation (M & E) framework usually applied to mitigation economic activities where reductions in carbon emissions from a baseline are more easily quantifiable. Adaptation-related economic activities involve the use of scenario analysis to understand whether an investment will mitigate future physical risks. This includes the use of complex climate model outputs and hazard analysis, which possess their own uncertainties.*

4.3. ZGFT aspects for future consideration

The ZGFT is a dynamic document, subject to ongoing review and refinement. The first edition of the ZGFT includes several components that necessitate further technical development, comprehensive review, or additional engagement with stakeholders.

4.3.1. Application of the ZGFT in the Zambian financial sector

The ZGFT is envisioned to be applicable to all stakeholders in the financial sector. Unlike other taxonomies that are only applicable to the banking sector, the ZGFT is envisioned to be used in financial sector actors such as pension funds, asset managers, insurance, development financial institutions, commercial banking, and regulators. It is important to note that the financial sector is not the only potential user of the ZGFT. The ZGFT users may be broader and inclusive of the NGO sector, corporates and policymakers.

4.3.2. Completeness of included sectors and caps in Technical Screening Criteria (TSC)

Given that this edition of the ZGFT is the first iteration of this standard, several eligible economic activities have not been included. This was done for several reasons. First, the selection of key eligible economic activities and their importance were identified through a bottom-up stakeholder engagement, with these eligible economic activities validated through follow-up interviews with all key stakeholders. Second, eligible economic activities were prioritised according to their importance to the national economy (Ministry of Finance and National Planning, 2022). A multi-criteria evaluation was used to undertake this prioritisation by analysing variables such as Gross Domestic Product (GDP), Foreign Direct Investment (FDI), share of total private sector credit and GHG emissions. Noting the iterative nature of taxonomies, stakeholders agreed that TSC for certain sectors would be developed in the future. Stakeholders also agreed that the sectors that were included were required to be fully developed. This is despite the requirement for additional research or the lack of precedent for their inclusion in other taxonomies. For example, the ZGFT is pioneering as the standard now includes fully developed criteria for the mining, tourism and agriculture sectors.

For future iterations of the ZGFT, the following sectors could be included:

- *Manufacturing*
- *Real Estate*
- *Construction*
- *Information and Communication Technology*
- *Financial and insurance activities*

4.3.3. Governance Process

In terms of the development of the ZGFT, the main coordinating body is the MoGEE. Governance responsibilities include the maintenance of the ZGFT and the development of its governance mechanism to ensure its advancement and refinement for future iterations of the ZGFT.

The governance mechanism of the ZGFT will consider the following:

- Provisions for input by a wide range of stakeholders beyond the financial sector, including the public.
- Allowances for the ZGFT to be periodically updated while noting that ZGFT can be updated at any time if required.
- Ensuring fair and robust oversight and coverage across sectors that are important in the development context of Zambia.

4.3.4. Transition elements

The ZGFT must consider the current focus on transition risk under the Task Force for Climate-related Financial Disclosures (TCFD) and the just transition objectives of the national government. The ZGFT aims to be a key standard for green finance regulation in Zambia; however, the ZGFT will consider adapting the taxonomy to integrate transition risk in the future. At present, the Zambian government is considering the transition to a low-carbon economy, both in-country and internationally. In future iterations, the ZGFT will integrate transition risk principles as the financial sector becomes more familiar with its position. Under the current version of the ZGFT, guidance on transitional activities will be taken from the [EU taxonomy](#).¹⁵ Decisions on the qualification of transitional activities will be made on a case-by-case basis.

¹⁵ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852>

4.3.5. Capacity building and awareness raising

The implementation of the ZGFT within the financial sector will require significant capacity building and awareness raising. In addition, significant resources, particularly data, are required by taxonomy users to apply the ZGFT criteria and disclose the results. The GFMWG will facilitate the dissemination of knowledge to the financial sector and other economic sectors. This will be undertaken through online and in-person training, webinars and the development and provision of templates, guidance and tools. In order for the ZGFT to meet international voluntary and mandatory standards and guidelines, the ZGFT has been developed in alignment with international best practices and other green finance taxonomies to smooth any transitions that may occur in the future (Republic of South Africa National Treasury, 2022). There may be divergences in the ZGFT in comparison to other taxonomies; however, capacity building will be undertaken to develop a greater understanding of how the ZGFT reporting enhances and is mainstreamed.

4.3.6. Regulatory Application

The current version of the ZGFT is envisioned to be a voluntary tool for the financial sector, with its oversight being managed by the PIA, BOZ and SEC. As the familiarisation with the ZGFT becomes more entrenched in the financial sector, it is the aim of the regulators to introduce formal financial regulation to spur the disclosure and alignment of green financial flows to the ZGFT. The structure of regulations associated with the ZGFT will be decided upon in the future.



SECTION 5: MAKING SIGNIFICANT CONTRIBUTION AND DO NO SIGNIFICANT HARM CRITERIA PER ELIGIBLE ECONOMIC ACTIVITY

This section provides an overview of the TSC and the generic DNSH criteria that are to be applied when evaluating eligible economic activities.

5.1. Technical Screening Criteria Annexures

The TSC annexures outline the eligible economic activities by sector and sub-sector. Under the sector and sub-sector categories, principles, metrics, and thresholds are provided. This can be described as the MSCC. At present, MSCC is limited to climate change mitigation and climate change adaptation environmental objectives. Given the importance of biodiversity to the Zambian economy, the ZGFT has provided specific guidance under the Biodiversity, Ecosystem Protection and Restoration DNSH criteria, where possible. If specific DNSH criteria are not applicable, users are directed to generic DNSH criteria (Section 5.2). TSC annexures by sector are as follows:

- *Annexure 2A: Agriculture*
- *Annexure 2B: Energy and Energy Efficiency*
- *Annexure 2C: Forestry*
- *Annexure 2D: Mining*
- *Annexure 2E: Tourism*
- *Annexure 2F: Transportation*
- *Annexure 2G: Waste*
- *Annexure 2H: Water*

5.2. Generic Do No Significant Harm Criteria

The following sections outline the generic Do No Significant Harm (DNSH) criteria that are referred to in the sectoral TSC (Annexures 2A – 2H). They provide guidance on the key areas that should be evaluated to determine whether an eligible economic activity may result in unintended negative consequences. It is important to note that specific DNSH criteria are provided in the TSC, with users being directed to generic DNSH when needed. Specific DNSH criteria have been developed as certain economic activities are unique in nature and, therefore require guidance that is tailored.

5.2.1. Climate change mitigation

Generic DNSH criteria related to climate change mitigation refer to safeguards that ensure that activities do not negatively impact climate mitigation economic activities that may be in the nearby environment that result in increasing emissions. Users must ensure that economic activities do not actively contribute to increasing GHG emissions. Users must prioritise the minimisation of emissions associated with fossil fuel energies while prioritising renewable energy use and energy efficiency installations. Users must also avoid the 'lock-in' effect, where certain economic activities indirectly result in increased emissions. Mitigation goals should align with Zambia's NDC communication to the United Nations Framework Convention on Climate Change (UNFCCC) (Ministry of Green Economy and Environment, 2016, 2021). Given the importance of Zambia's natural forests, users must ensure that activities do not affect the carbon sequestration potential of forests.

5.2.2. Climate change adaptation

Generic DNSH criteria related to climate change adaptation refer to safeguards that ensure that activities do not negatively impact climate adaptation solutions of other eligible economic activities that may be in the nearby environment. This is sometimes referred to as maladaptation. All economic activities must consider the physical climate risk exposure and vulnerability to ensure that they are resilient to climate and environmental risk under future scenarios. Therefore, a climate risk and vulnerability assessment may be necessary. The need for a climate vulnerability assessment is expected to be proportional to the scale and timeframe of the investment.

Climate and environmental risk and vulnerability assessments must:

- *Screen the economic activity to identify physical risks that could impact its operational performance over its expected lifespan.*
- *Determine the materiality associated with physical risks.*
- *Identify and evaluate resilience and adaptation solutions that can be used to mitigate or reduce the identified risks.*

Climate and environmental risk and vulnerability assessments must follow best practice and the latest, state-of-the-art science. Moreover, assessments should follow Intergovernmental Panel on Climate Change (IPCC) reports, peer-reviewed scientific literature, and both open-source and commercial models. It is critical that assessments are cognisant of the underlying methodologies associated with climate models.

The climate and environmental risk and vulnerability assessment should be scaled according to the activity's scope and lifespan:

- *For activities with an expected lifespan of less than ten years, the assessment should use downscaled climate projections.*
- *For longer-term economic activities, the assessment should employ high-resolution, state-of-the-art climate projections across multiple future scenarios consistent with the activity's lifespan, including projections spanning 10 to 30 years for major economic activities. Given the underlying issues with climate models, model ensembles should be used.*

Users must create a plan to implement resilience and adaptation solutions that address material physical risks. Resilience and adaptation efforts must avoid maladaptation outcomes. For activities involving the upgrade or modification of existing assets or processes, the identified adaptation solutions must be implemented within five years of initiating the activity. For new activities or those involving newly constructed physical assets, adaptation solutions must be integrated to address the most critical identified risks relevant to the activity. The prescribed resilience and adaptation solutions should be aligned with sectoral priorities identified in local, regional, and national policy frameworks on adaptation.

5.2.3. Sustainable use of water and water security

Ensure compliance with Zambian water legislation, including but not limited to:

- *The Water Resources Management Act (2011)¹⁶*
- *National Water Policy (2010)¹⁷*
- *National Water Supply and Sanitation Policy¹⁸*
- *Irrigation Policy and Strategy (2004)*
- *Ministry of Water Development and Sanitation Strategic Plan 2022–2026¹⁹*

Identify and address risks related to water quality and/or consumption at the appropriate level, ensuring alignment with the Strategic Plan 2022–2026. Where Zambian law requires water use or conservation management plans, these plans must be developed in consultation with relevant stakeholders.

5.2.4. Biodiversity, ecosystem protection and restoration

The importance of biodiversity, both in terms of its intrinsic and economic value, is widely recognised in Zambia. Therefore, the ZGFT has prioritised biodiversity protection and conservation within its DNSH criteria. In terms of biodiversity protection and conservation, eligible economic activities should assess their impact on biodiversity and identify mitigation measures of impacts. The effectiveness of different mitigation measures must be prioritised.

Users must ensure compliance with existing legal frameworks that includes a focus on biodiversity, ecosystem protection and restoration. Legal frameworks could include the Environmental Impact Assessment (EIA) processes guided by Statutory Instrument No.28 of 1997 (SI 28, 1997) as managed by the Zambia Environmental Management Agency (ZEMA). In addition, users can align with national and international standards (e.g. IFC Performance Standard 1: Assessment and Management of Environmental and Social Risks) with the more stringent regulation taking priority regarding the protection of mitigation measures for the protection of biodiversity and ecosystem protection, such as the UNESCO World Heritage and Key Biodiversity Areas.

¹⁶ https://www.parliament.gov.zm/sites/default/files/documents/acts/Water_Resources_Management%2C%20Act%20No.%2021%20of%202011.pdf

¹⁷ <https://www.mwds.gov.zm/wp-content/uploads/2024/11/NATIONAL-WATER-POLICY-2024.pdf>

¹⁸ <https://www.nwasco.org.zm/index.php/media-center/publications/booklets?task=download.send&id=71&catid=7&m=0>

¹⁹ <https://www.mwds.gov.zm/wp-content/uploads/2024/01/FINAL-Min-of-water-2023-202.pdf>

Given the rich biodiversity in Zambia, activities situated near sensitive areas must ensure compliance with national provisions on biological diversity and resources, benefit sharing and access to genetic resources, or international standards, e.g. IFC Performance Standard 6 – whichever is stricter based on the conservation objectives of the protected area. For these activities, the following activities should be considered:

- *A site-level biodiversity management plan and its alignment with IFC performance standards.*
- *Evaluation and prioritisation of mitigation measures that reduce harmful effects on species and natural habitats.*
- *The implementation of robust monitoring and evaluation for biodiversity programmes.*
- *Alignment with other biodiversity conservation strategies such as the Zambia NBSAP.*

5.2.5. Pollution prevention

Users must manage air and water emissions by applying the Best Practicable Environmental Option (BPEO) principle, utilising the Best Available Technology/Technique (BAT) approach, in compliance with Zambia environmental laws such as the Environmental Protection and Pollution Control Act (1999). This ensures that economic activities do not have unintended consequences.

5.2.6. Sustainable resource use and circularity

Users must prioritise resource efficiency by minimising raw material use and promoting renewable or recycled inputs. In the Zambian context, alignment must be created with the Solid Waste Regulation and Management Act (2018), or any other relevant laws. Focus must be placed on reducing waste generation through prevention, recycling and reuse. This mitigates the depletion of natural resources and ecosystems and facilitates the use of circular economy principles. Waste management efforts must prioritise the avoidance of general environmental harm while supporting the mitigation of pollution across the lifecycle of products in accordance with national and international sustainable use best practices. The use of closed-loop recycling systems is emphasised for all technologies. For example, recovering raw materials (e.g., silicon, rare metals) for reuse in renewable energy infrastructure, reducing reliance on virgin materials.

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Appendices



APPENDIX A: MSCC GENERAL GUIDANCE ON ELIGIBLE ACTIVITY SCREENING CRITERIA FOR CLIMATE ADAPTATION

Table 4 provides an outline of the general criteria required to make a determination whether an eligible economic activity has made a substantial contribution to climate change adaptation. Criteria 'A' refers to screening criteria for adaptation activities while Criteria 'B' refers to activities that enable or support adaptation. Generally, an eligible economic activity will meet their Criteria 'A' or Criteria 'B'.

Table 4: MSCC general guidance screening criteria (A) for 'adapted' activities and (B) for activities that enable or support adaptation

Criteria	Description
A1: Reducing material physical climate risks	Activities that reduce material physical risks with climate risk and vulnerability assessments that integrate climate variability and future climate scenarios (including uncertainties) using climate data and projections and future scenarios. Activities must be considered across the lifetime of the activity. Adaptation solutions identified in climate risk and vulnerability assessments may be physical and non-physical in nature.
A2: Supporting system adaptation	Activities must not increase the risks of climate impacts or affect the resilience of others (maladaptation). Adaptation solutions such as nature-based solutions should be prioritised over grey infrastructure solutions. Adaptation and resilience solutions should be aligned with national adaptation priorities.
A3: Monitoring adaptation results	Adaptation outcomes can be assessed through the use of indicators. Monitoring, evaluation and impact studies must be undertaken frequently. This allows for remedial actions to be undertaken if indicators suggest sub-optimal outcomes.
B1. Supporting adaptation of other eligible economic activities	<p>Activities must reduce physical risk exposure in other eligible economic activities or reduce system-wide barriers to the implementation of adaptation. Activities enabling adaptation could include the promotion of technologies, products, practices and governance processes that remove barriers associated with the uptake of adaptation.</p> <p>Assessments to demonstrate the adaptation contribution of activities must assess the current exposure to physical risks using robust data, methods and incorporating uncertainties and its effectiveness of the activity in reducing exposure and vulnerability. Criteria 'B' should also be screened against Criteria 'A' requirements – A1, A2 and A3.</p>

APPENDIX B: LIST OF ACCOMPANYING DOCUMENTS

Annexure 1: The Zambian Green Finance Landscape

Annexure 2: Sectoral Technical Screening Criteria Annexures

Annexure 3: Tagging and Reporting Framework

**These documents can be accessed from the Ministry of Green Economy and Environment.*



Zambia Green Finance Taxonomy

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