

ZAMBIA

MAINSTREAMING GREEN FINANCE INTO ZAMBIA'S FINANCIAL SECTOR

Green Bond Market Development for Zambia



Objective

- Increase use of proceeds in green bonds towards biodiversity conservation (Baseline = 0%, Target 30%).



Key Achievements: Strategic Policy Signals on Green Bonds

- Green bond guidelines developed and gazzeted.
- Green Finance Mainstreaming Working Group (GFMWG) formed and functioning.
- Green Finance Coordinating Unit formed by Securities and Exchange Commission (SEC).
- Green Bonds mainstreamed in the Capital Market Masters Plan by SEC



Key Achievements: Positive Incentives for Green Bonds

- Withholding Tax on interest income for Green Bond Investors zero rated by MOFNP
- 50% discount on processing and registration fees for green bonds with SEC and Lusaka Securities Exchange



Work in Progress

- Technical Assistance Facility for green bond issuers
- Compendium (portal) for Green Bond Issuers
- Green Bond Taxonomy for Zambia
- Lobbying for incentives for issuers (make issuers costs become tax deductible)
- Structuring derisking package (hand-holding support, guarantees etc)



Challenges

- Effect of Zambia's sovereign debt stock on green bonds market development.
- Scepticism and lack of awareness by potential issuers
- Ticket size
- Viability of nature bonds vs climate change mitigation green bonds



Key Recommendations for other Countries

- Green Bond Market Development takes a while, be patient!!
- Identify key partners early and invest in awareness and capacity building.
- Institutionalise the key green bond market development processes.



Ongoing finance solutions aimed at mainstreaming biodiversity

- Green Finance Policy and Implementation Plan for Zambia's Financial Sector
- Green Finance Tagging and Reporting system for Zambia's Financial Sector
- Green Loans Guidelines by Zambia's Central Bank (Bank of Zambia)
- Green Finance Guidelines for the Banking Sector (Bank of Zambia)
- Green Finance Guidelines for Insurance players by the Pensions and Insurance Authority (PIA)