



CENTRAL BANK OF LESOTHO
BANKA E KHOLO EA LESOTHO

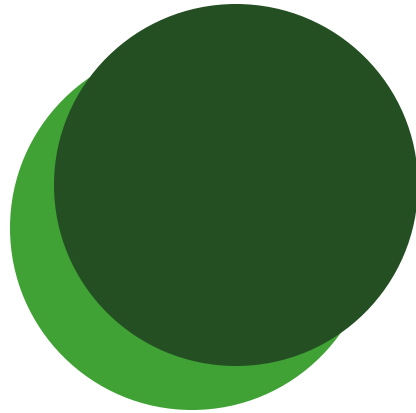
Inclusive Green Finance

Strengthening the financial sector's resilience through climate finance mobilisation and adaptation.

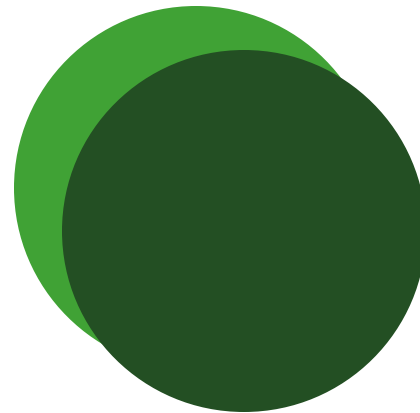
- Adaptation-first orientation
- Proportionate supervisory architecture
- Principles-based, interoperable taxonomy

9-10 JUNE 2026 MASERU, LESOTHO

Masters of Ceremony



Fumane Jonathan
*Central Bank of
Lesotho*



Moroke Moroke
*Central Bank of
Lesotho*

HOUSEKEEPING



Mute your mobile: or turn them to vibrate. If you have to take an emergency call, please leave the room.



Raise your hand: when you would like to contribute or ask any questions.



Use the microphone: when you would like to contribute or ask any questions.

OPENING REMARKS

Lehlomela Mohapi

Deputy Governor
Central Bank of Lesotho



OPENING REMARKS

Nomcebo Hadebe

Head, Africa Regional Office
Alliance for Financial Inclusion



GROUP PHOTO



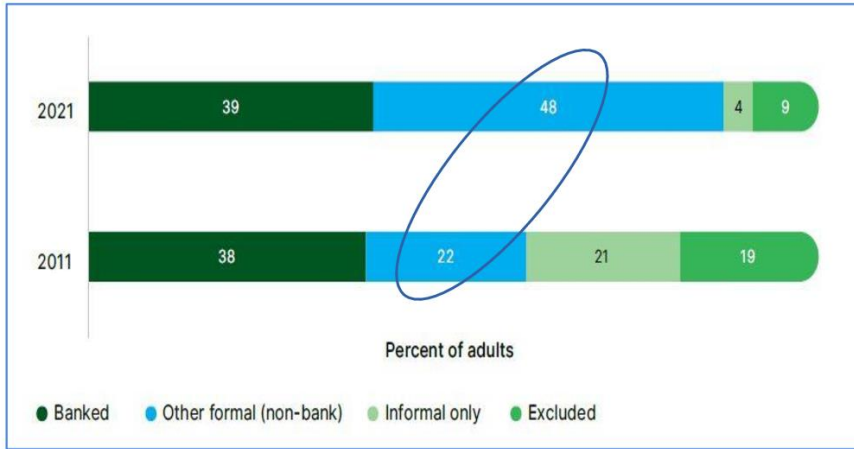
SESSION 1: INTRODUCTION AND CONTEXT SETTING

Francis Makaka Mothibe

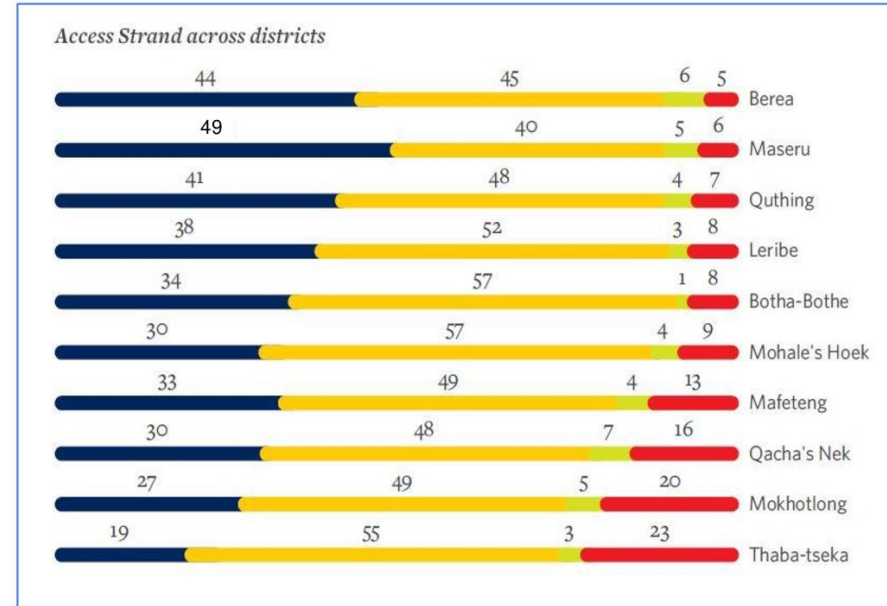
Head, Insurance Supervision
Central Bank of Lesotho



High level of Access to financial services

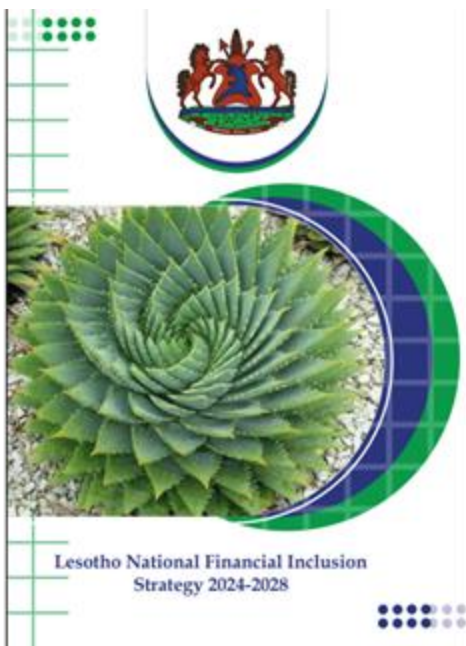


Uneven access to financial services across districts



- ❑ Improved inclusion driven by “other formal”, particularly mobile money (66% of adults)
- ❑ Significant usage of transactions services (mobile money, banks), however 27% of adults yet to be reached

Progress: From NFIS I → NFIS II



Progress against NFIS I targets

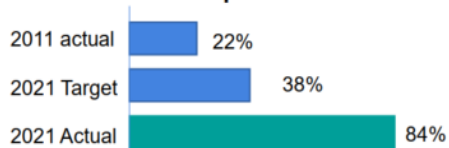
Vision goal: Uptake of formal products



Access to 2 or more formal products



At least 1 formal product via non-bank channel



70% of activities set out in NIFS I completed

Significant regulatory reform e.g. wider use of mobile platform, emergence of MFIs

More than half the outcome level targets achieved, however:

- Banking penetration stagnated at 39%
- 27% of adults still do not have access to a transactions account
- Rural – Urban gap persists: 7 percentage points
- Low formal credit uptake, dropped from 17% to 12% over the 10 years
- Low penetration of non-funeral insurance

THE CASE FOR ACTION

Lesotho's climate-finance challenge is not abstract: vulnerability is high, readiness is low, and formal access to credit remains narrow.

59th

Most vulnerable

ND-GAIN (Notre Dame Global Adaptation Initiative) ranking in the internal inception summary

151st

Most ready

Readiness ranking in the same ND-GAIN reference

12%

Adults with formal credit

Strategic implication: an adaptation-first, inclusion-sensitive response is not optional — it is policy necessity.

CLIMATE RISK IS NOW A FINANCIAL STABILITY ISSUE

AFI's roadmap states that inclusive green finance policies must address climate change without leading to financial exclusion.

Climate shocks

Drought, rainfall variability and environmental stress are already imposing real economic losses.

Financial transmission

Those losses move through incomes, repayment capacity, underwriting exposure and resilience needs.

Policy response

Once climate risk becomes financial risk, it becomes a supervisory, policy and market-development issue.

Climate hazard → economic stress → financial sector risk → supervisory response

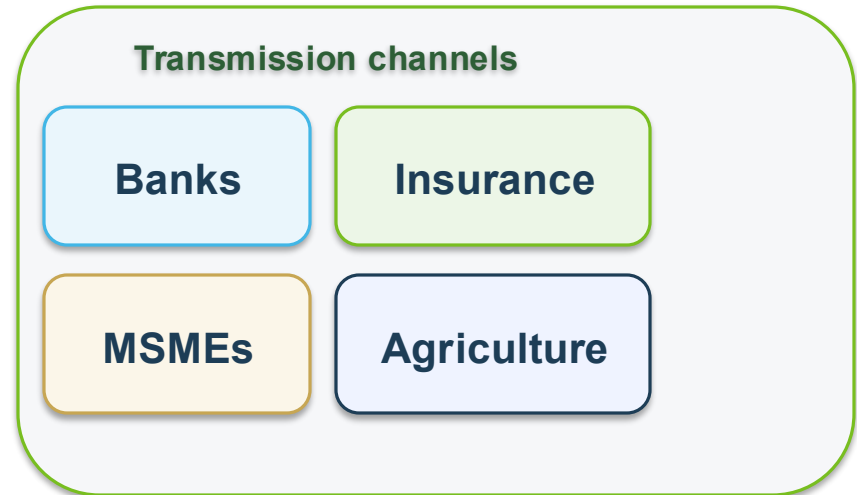
International Standards (BCBS, IAIS, IOPS etc) material supports this direction: FI should have effective risk management systems to identify, assess, monitor, mitigate and report material risks.

Banks: climate shocks can weaken repayment capacity and collateral values.

Insurance: weather-related losses and changing risk profiles place pressure on underwriting and governance.

MSMEs: vulnerability is high, yet adaptive finance is often least available where it is most needed.

Agriculture: remains the primary transmission channel into incomes, enterprise performance and portfolio quality.



FROM CLIMATE VULNERABILITY TO POLICY LEADERSHIP

Lesotho climate context

CBL policy leadership

Leadership challenge: move from vulnerability awareness to deliberate policy architecture.

FROM UNDERSTANDING TO ACTION

This session is designed to create alignment for action — not merely awareness.

01

Clarify the regulatory and policy role of inclusive green finance

02

Connect AFI and other global frameworks to Lesotho's institutional realities

03

Identify priority risks, transmission channels and vulnerable segments

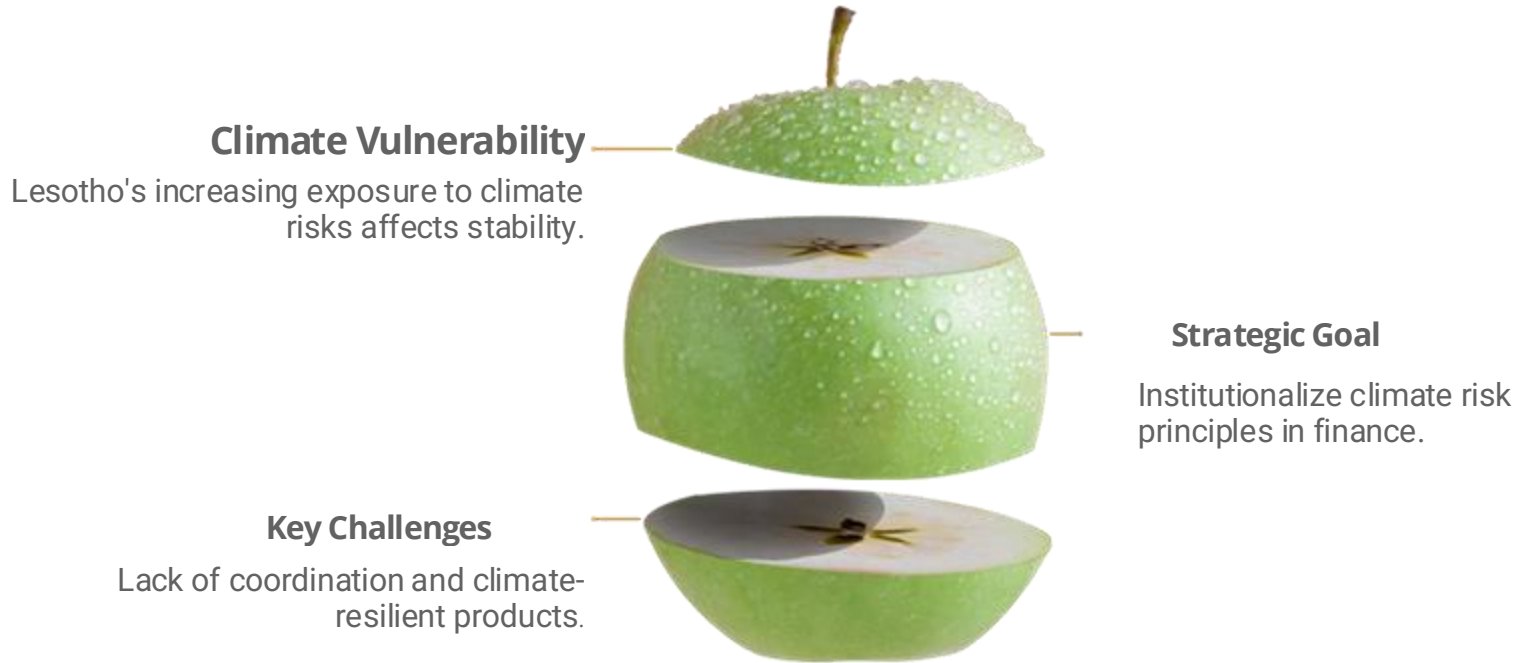
04

Prepare the ground for sequenced action planning and roadmap discussion

KNOWLEDGE
→
ALIGNMENT
→
ACTION

Integrating Climate Risk into Lesotho's Financial Sector

Developing a strategic framework for climate resilience and green finance in Lesotho's financial policies



DELIVERABLES THAT MATTER

The test of this workshop is whether it produces shared direction, practical priorities and implementation momentum.

Shared understanding

A common view of why inclusive green finance matters for Lesotho and for the financial sector.

Policy priorities

Greater clarity on where policy, supervision and market development should focus first.

Roadmap direction

A practical basis for sequencing next steps in the development of the national IGF response.

**Inputs → discussion → prioritisation → action
orientation**

FROM STRATEGIC CONTEXT TO TECHNICAL FOUNDATIONS

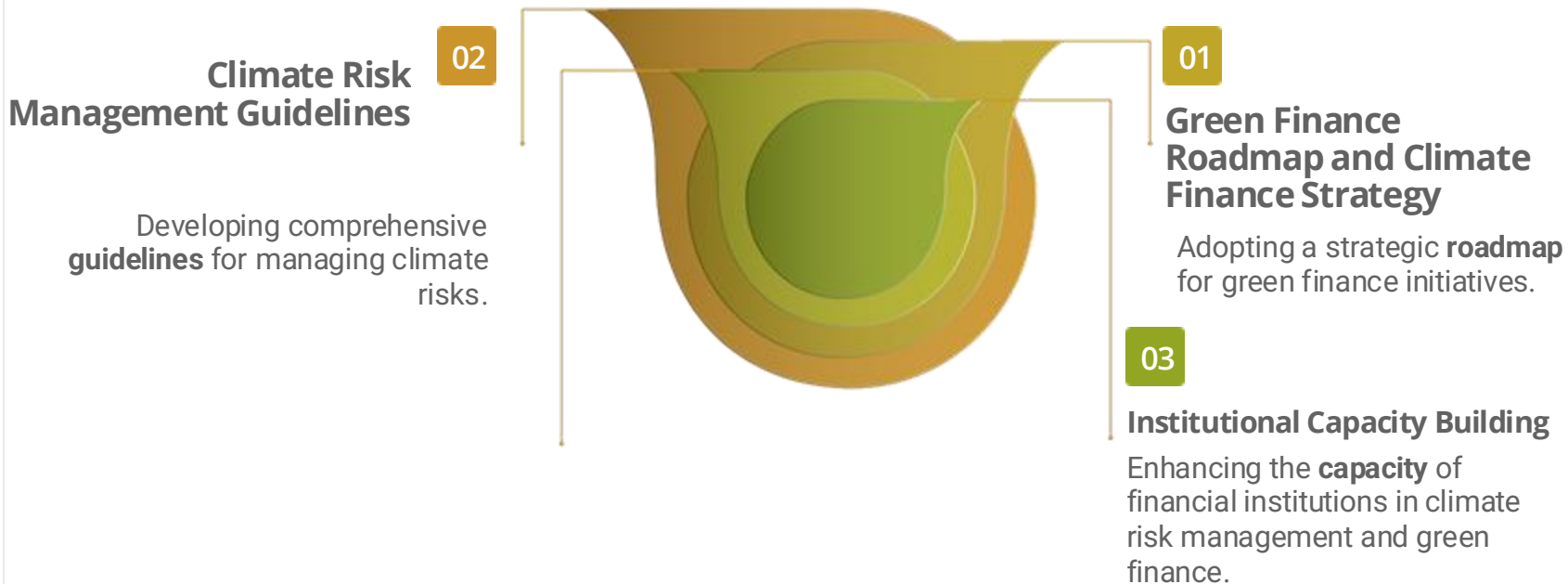
The next phase of the workshop moves from strategic framing into the technical foundations of inclusive green finance.



Next segment: IGF overview, frameworks and implementation building blocks

Aligning Lesotho's Financial Sector with Climate Goals

Establishing a sustainable financial framework for climate resilience in Lesotho





THANK YOU

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SESSION 2: INCLUSIVE GREEN FINANCE

Jeanette Moling

IGF Policy Specialist
Alliance for Financial Inclusion





What is the
AFI Global
Network?

What is the AFI Global Network?



“Financial inclusion is not just a policy goal; it is a fundamental human right and a powerful driver of economic growth and social equity. It is the key to unlocking the potential of billions of people around the world who have long been excluded from the formal financial system.”

Ariff Ali, Governor of the Reserve Bank of Fiji and AFI Board Chair



86 financial sector policymaker and regulators from emerging and developing countries working together to advance financial inclusion **81**



Representing about **85%** of global unbanked population



AFI's goal is to support members to develop and implement successful financial inclusion policies that address country specific challenges



AFI is a non-political, non-profit organization, owned, governed and sustained by members through annual membership fees



Impact of AFI's Network

1200+

Maya Declaration financial inclusion targets

920+

Policy changes

60%

Members' attribution of AFI's contribution to financial inclusion policy changes

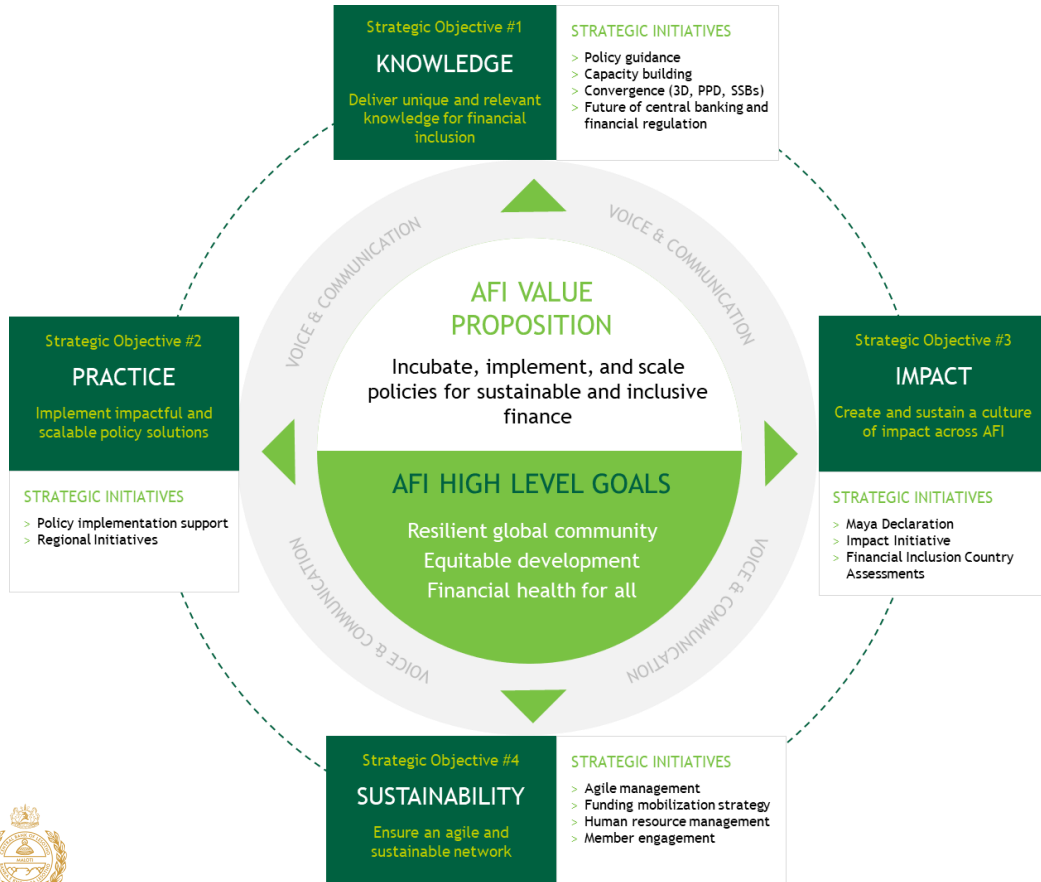
Over

841 Mil

Unbanked people brought into the formal financial system



AFI Phase IV Strategic Plan (2024-2028)



AFI Regional Initiatives

Enhance the network's ability to support its members working on specific regional priorities, sharing regional knowledge and translating global financial inclusion issues into practical implementation at the regional and national level.



AFI Working Groups

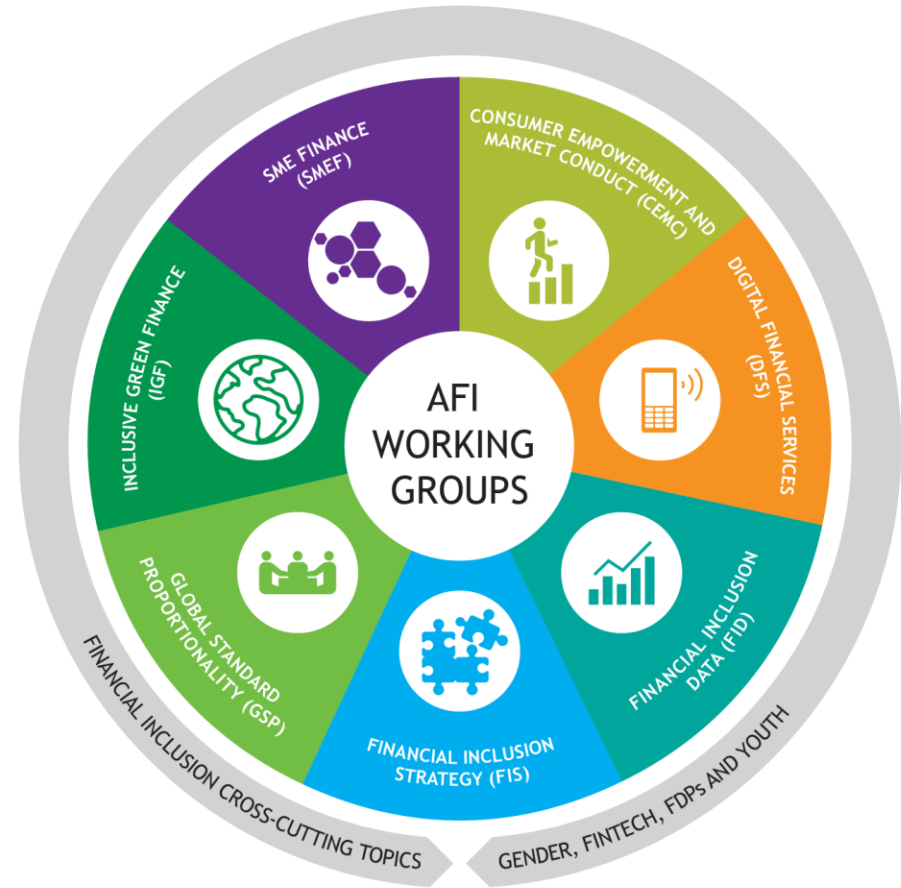


AFI provides its members with financial inclusion policy and regulatory guidance through the Working Groups



The Working Groups meet twice a year to produce knowledge products that are used in the Network to improve financial inclusion

AFI has seven (7) Working Groups based on key thematic areas for financial inclusion: Consumer empowerment, Data, Digital/technology, Financial inclusion strategy, Global Standards, **Inclusive Green Finance** and SME finance.



Working Group Priority Topics 2024




DFS & Market conduct supervision, online fraud, FinEd (DFL & PWD), FinHealth



Open finances, Payment systems and innovations, FinTech Supervision, CBDC




RegTech & SupTech for data, FinHealth, IGF Data, SME Finance Data, gender




NFIS governance framework, M&E, Gender, Youth and FDP, Sustainable Housing



Macro-prudential tools for financial stability, Virtual assets policy framework, Inclusive financial integrity



IGF implementation roadmap, ESRM guidelines, Greening MSMEs, IGF Data, Green taxonomies, IGF FinEd



Agri & supply chain finance, Credit guarantee schemes, Digital-based credit infrastructure

AFI offers 12 services to members



AFI Global Policy Forum



The biggest gathering of financial inclusion policymakers and regulators **globally**



Attracts more than **600** attendees from Central Banks, Ministries of Finance, Standard-Setting Bodies, academia and the private sectors



Will be co-hosted with Bank of Namibia in **September 2025**



Hosts all AFI main services and offerings including Working Group meetings, Committee meetings, the AGM, technical sessions and the **AFI Global Financial Inclusion Awards**



A group of people are harvesting grapes in a vineyard. In the foreground, a white bucket is filled with green grapes. A woman in a red jacket and purple cap is smiling while working. Another person in a white hat is bent over, picking grapes. A man in a striped shirt stands in the background. The sky is overcast with grey clouds.

Inclusive Green Finance

AFI Management Unit - IGF Team



Johanna Nyman
Head of IGF



Laura Ramos
Senior Policy Manager
IGFWG



Jeanette Moling
Policy Specialist, IGF

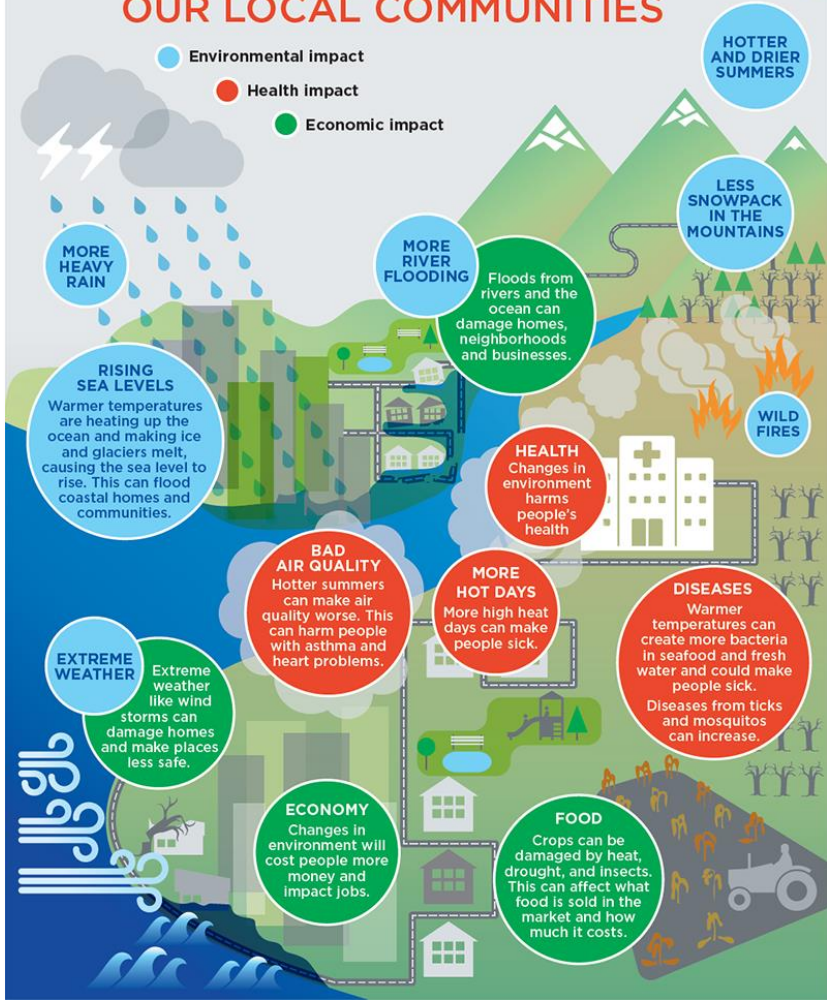
Content

- Climate change impacts
- Climate related risks
- Inclusive green finance
- From theory to practice



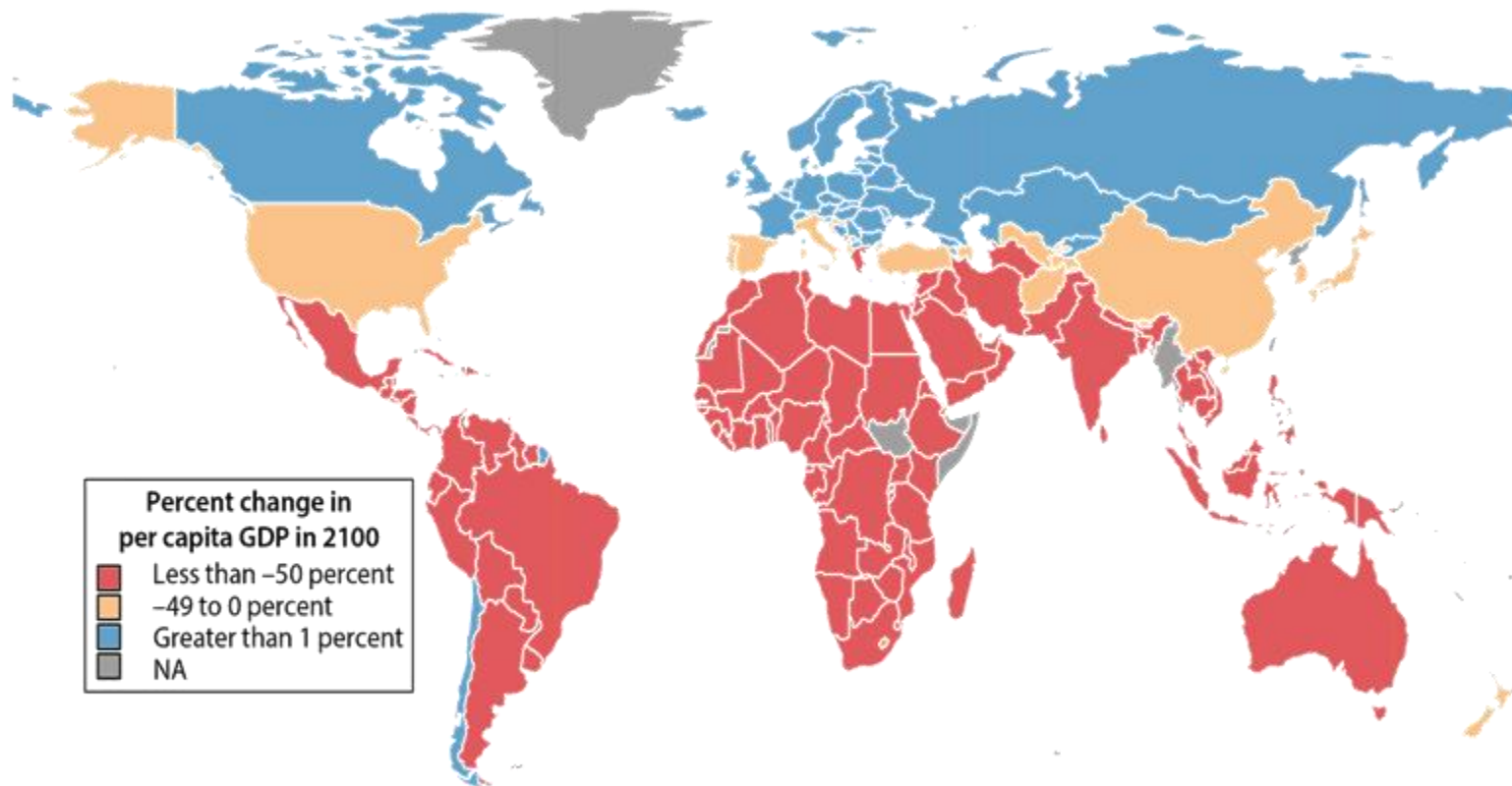
CLIMATE CHANGE IMPACTS

CLIMATE CHANGE IS AFFECTING OUR LOCAL COMMUNITIES



- Without urgent action, climate impacts could push an additional **100 million people** into poverty by 2030 (WBG)
- Global sea level has risen by about 20.3 cm since 1880 - it is projected to rise **another 30 to 120 cm by 2100** (NASA)
- Natural disasters cost about **\$18 billion** a year in low- and middle-income countries through damage to power generation and transport infrastructure alone (WBG)
- In 2020, a record of **50.8 million people displaced** inside own countries by conflict, violence and disasters (IDMC)

Climate Change Effect on per Capita GDP in 2100 by Country



Source: Burke, Hsiang, and Miguel (2015); authors' calculations.

Note: Country-level estimates for GDP per capita in 2100. Figure assumes RCP 8.5, which corresponds to roughly 3.2°C to 5.4°C of warming. GDP loss is associated with the warming from a baseline of 1980–2010 average temperatures. As explained in Burke, Hsiang, and Miguel (2015), estimates include growth-rate effects over the period through 2100.

CLIMATE CHANGE RELATED RISKS

PHYSICAL RISKS



HEAT WAVE

Heatwaves adversely impact human health and wellbeing. The heatwave definition used here currently occurs in around 35% of years.

MAJOR HEAT WAVE

The major heatwave definition used here currently occurs in around 5% of years.

RIVER FLOOD

River flooding causes direct and indirect losses to health, livelihoods, and economic assets. The flooding defined here currently occurs in 2% of years.

HYDROLOGICAL DROUGHT

Water resource droughts affect supplies of water to people and industry. The drought defined here currently occurs in around 6% of years.

AGRICULTURAL DROUGHT

Agricultural droughts affect crop yields, farmer livelihoods, and food security. The drought defined here currently occurs in around 10%-12% of years.

HEAT STRESS FOR MAIZE

High temperatures at critical points in the growing season can adversely affect crop yields. The current chance varies considerably.

GROWTH DURATION

Reduction in time to crop maturity due to higher temperatures would result in lower yields.

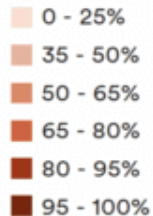


PHYSICAL RISKS: MAJOR HEAT WAVES

These maps show the annual likelihood in 2050 of major heatwaves in each region, which occur with a global average likelihood of 5% today.

- ▶ All scenarios see a rise in risk for heat waves.
- ▶ Globally, the average is increased to 32% in a 1.5°C scenario, and greater than 50% in a No Policy scenario.
- ▶ Significant differences exist within regions and global medians can hide these.

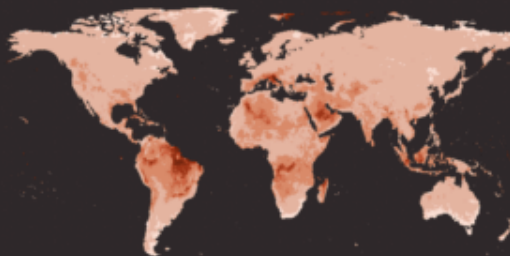
SCENARIO
KEY



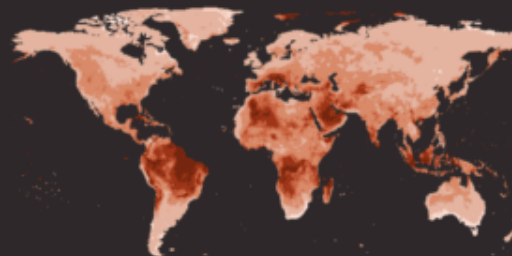
Chance of major heatwave today



Chance of major heatwave in 2050
in a 1.5°C Scenario



Chance of major heatwave in 2050
in a No-Policy Scenario



TRANSITION RISKS



ECONOMY-WIDE ABATEMENT COST

A measure of macro-economic risk affecting all production and consumption activities.

CARBON PRICE

A high carbon price will place additional production costs on carbon-intensive industries, reducing profits.

REDUCTIONS IN GHG EMISSIONS INTENSITY OF GDP

A rapid reduction in emissions intensity indicates a potentially disruptive transition.

FOSSIL FUEL DEMAND REDUCTIONS

If this decreases rapidly, it signals a disruptive shift away from established industries.

COAL PLANT CAPACITY REDUCTIONS

An indicator of lost capital and lost jobs in coal power and upstream sectors (i.e., mining, distribution).

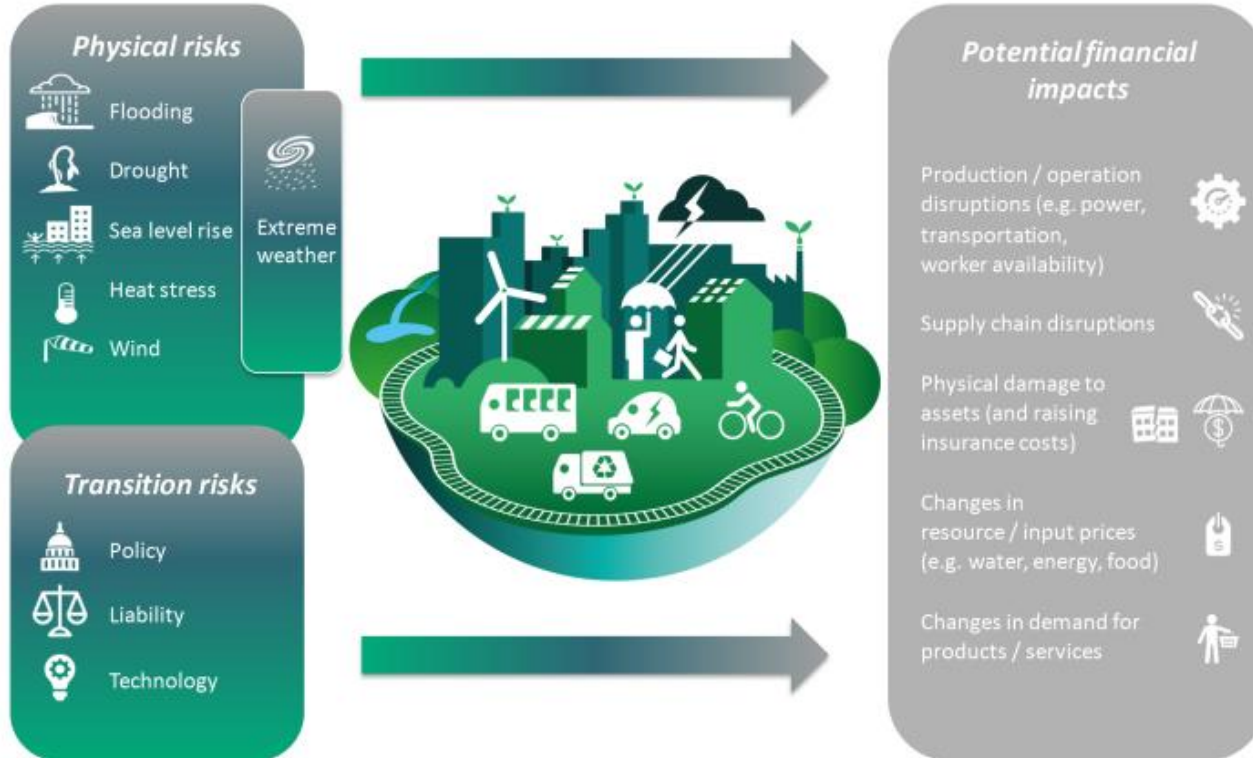
ELECTRICITY PRICES

A rapid increase in electricity price could be associated with rising business and household energy bills and disruption.

CROP PRICES

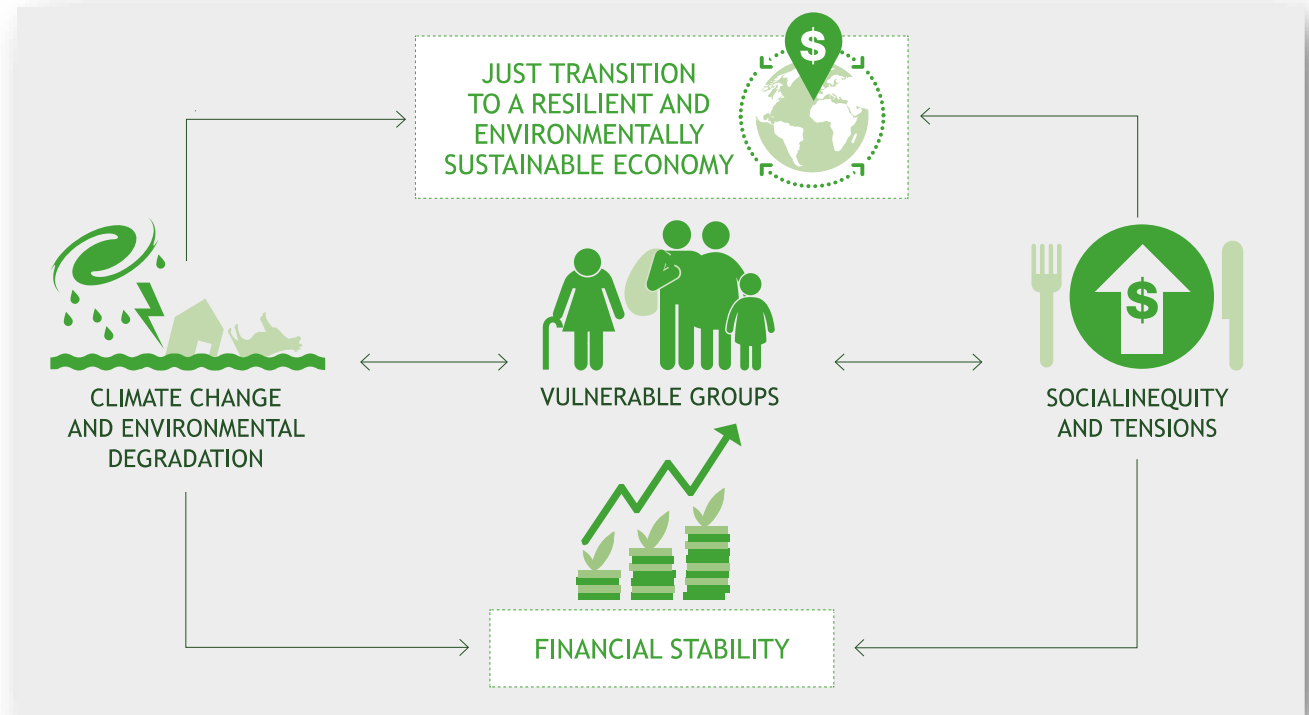
Rising household food prices indicate lower ability to service debt.

Potential Financial Impacts



Inclusive Green Finance - Linking Green Finance and Financial Inclusion

The links between climate change and environmental degradation, vulnerable groups, social inequity and tensions, and financial stability



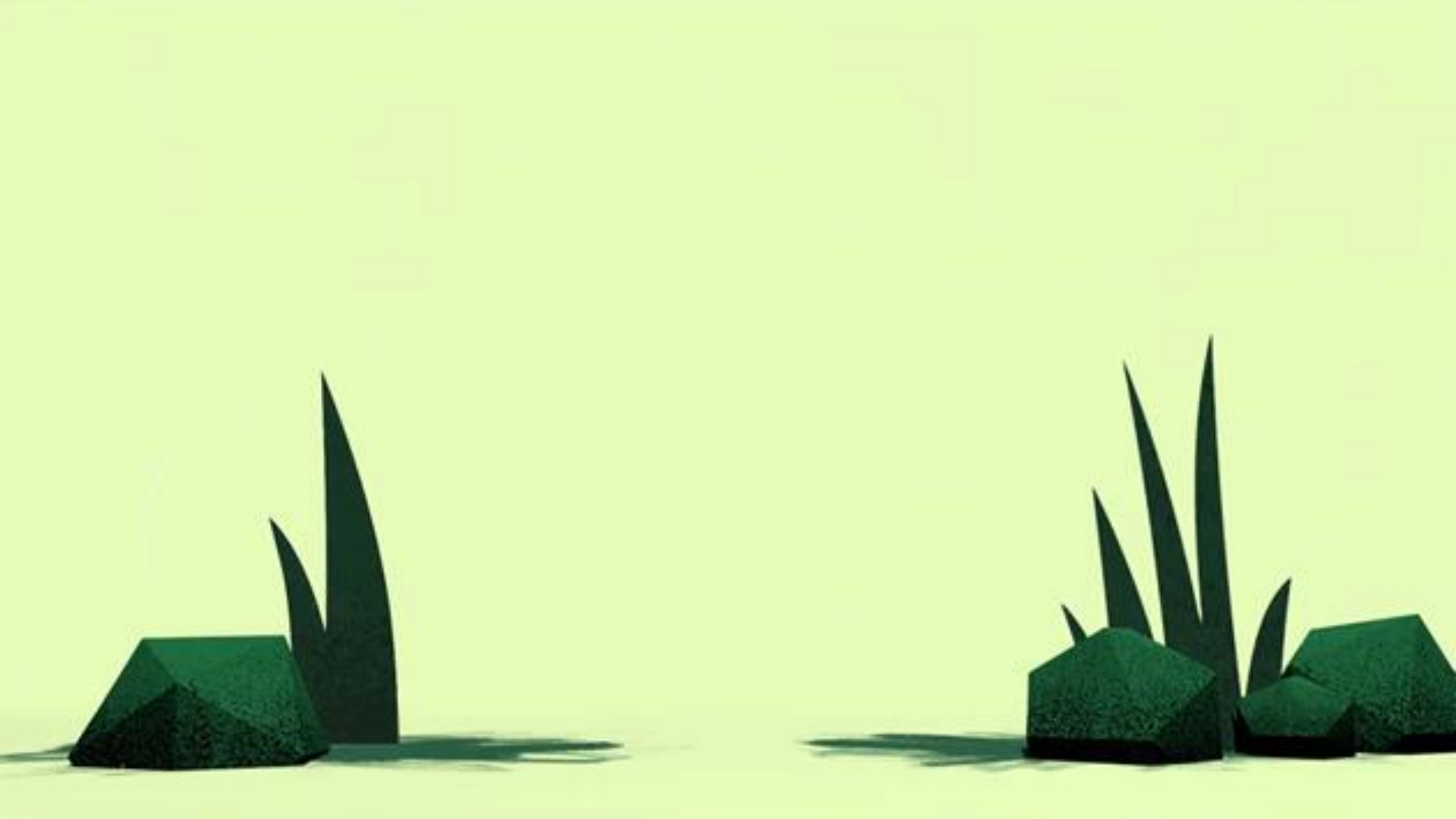
INCLUSIVE GREEN FINANCE

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INCLUSIVE GREEN FINANCE:

Policies and
regulation that aim at
enabling mitigation
and building
resilience to the
negative impacts of
climate change
through financial
inclusion

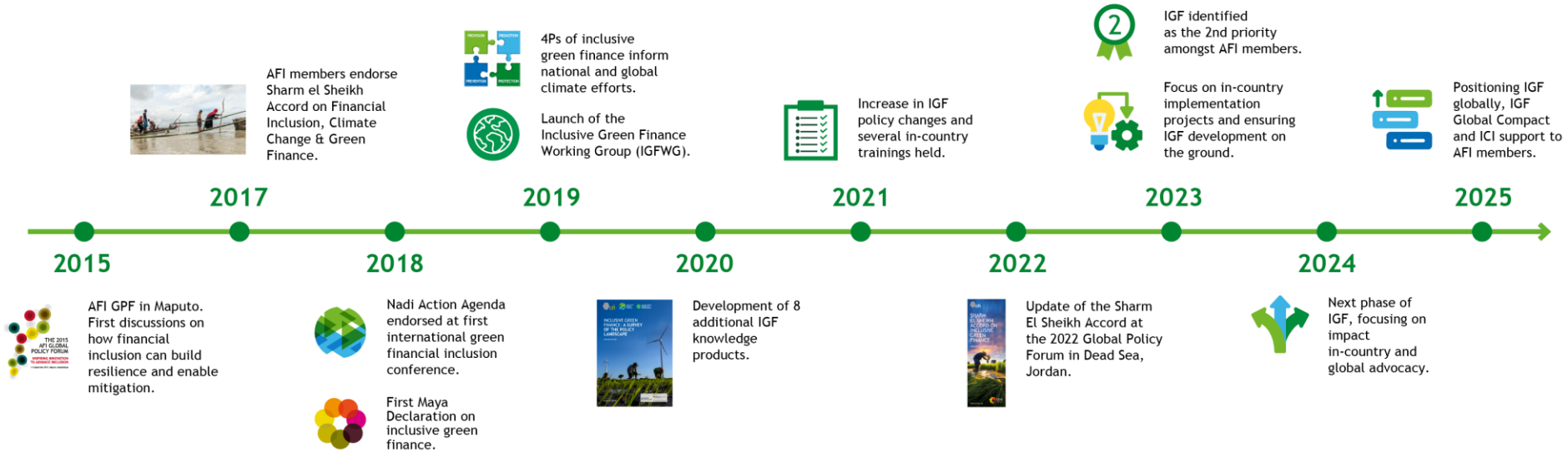




AFIs Inclusive Green Finance Journey

INCLUSIVE GREEN FINANCE: POLICIES AND REGULATION THAT AIM AT ENABLING MITIGATION AND BUILDING RESILIENCE TO THE NEGATIVE IMPACTS OF CLIMATE CHANGE AND ENVIRONMENTAL DEGRADATION THROUGH FINANCIAL INCLUSION

HOW HAVE AFI MEMBERS RISEN TO THE CHALLENGE OF CLIMATE CHANGE?





SAVINGS (ESPECIALY FORMAL)

Buffer against cost increases, diversity risks, access credit, accelerate recovery and reconstruction



CREDIT

Investment in e.g. low-carbon technologies, revive and reconstruction, more resilient housing and agriculture



INSURANCE

Safeguard against the effects of extreme weather events and gradual climate change



DIGITAL FINANCIAL SERVICES

Enabling the spread and use of savings, credit insurance, and payments as well as humanitarian assistance after extreme weather events

FRAMEWORKS ON INCLUSIVE GREEN FINANCE

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THE 4P FRAMEWORK OF INCLUSIVE GREEN FINANCE

PROMOTION policies allow a government to create incentives for the private sector to offer financial services to qualified beneficiaries.



PREVENTION policies aim to avoid undesirable outcomes rather than addressing them after the fact.

PROMOTION

PROVISION

INCLUSIVE
GREEN
FINANCE

PROTECTION



PROVISION policies help a government ensure that financial services are provided to qualified beneficiaries, either directly by the government itself or by private sector fulfilling government mandate.

PROTECTION policies reduce financial risk by “socializing” potential losses through insurance or social payments, or by giving exceptional access to one’s own assets.



AN EMERGING PATHWAY FOR IGF POLICY DEVELOPMENT

A shift of mind-set within the institution

Climate vulnerability assessments and mapping environment related risks as well as existing policies and frameworks

Development of taxonomies and definitions of green finance and IGF

Consider developing Environmental and Social Risk Management (ESRM) Framework

Awareness-raising amongst and capacity building of staff in both financial regulators and financial institutions

National level dialogue and collaboration around inclusive green finance development

Adapt existing policies and regulation or develop new policies to advance IGF



Incorporate gender considerations in inclusive green finance policies



Better understand and leverage digital financial services to advance and enhance IGF



Foster data gathering and develop a country measurement & monitoring framework to track progress

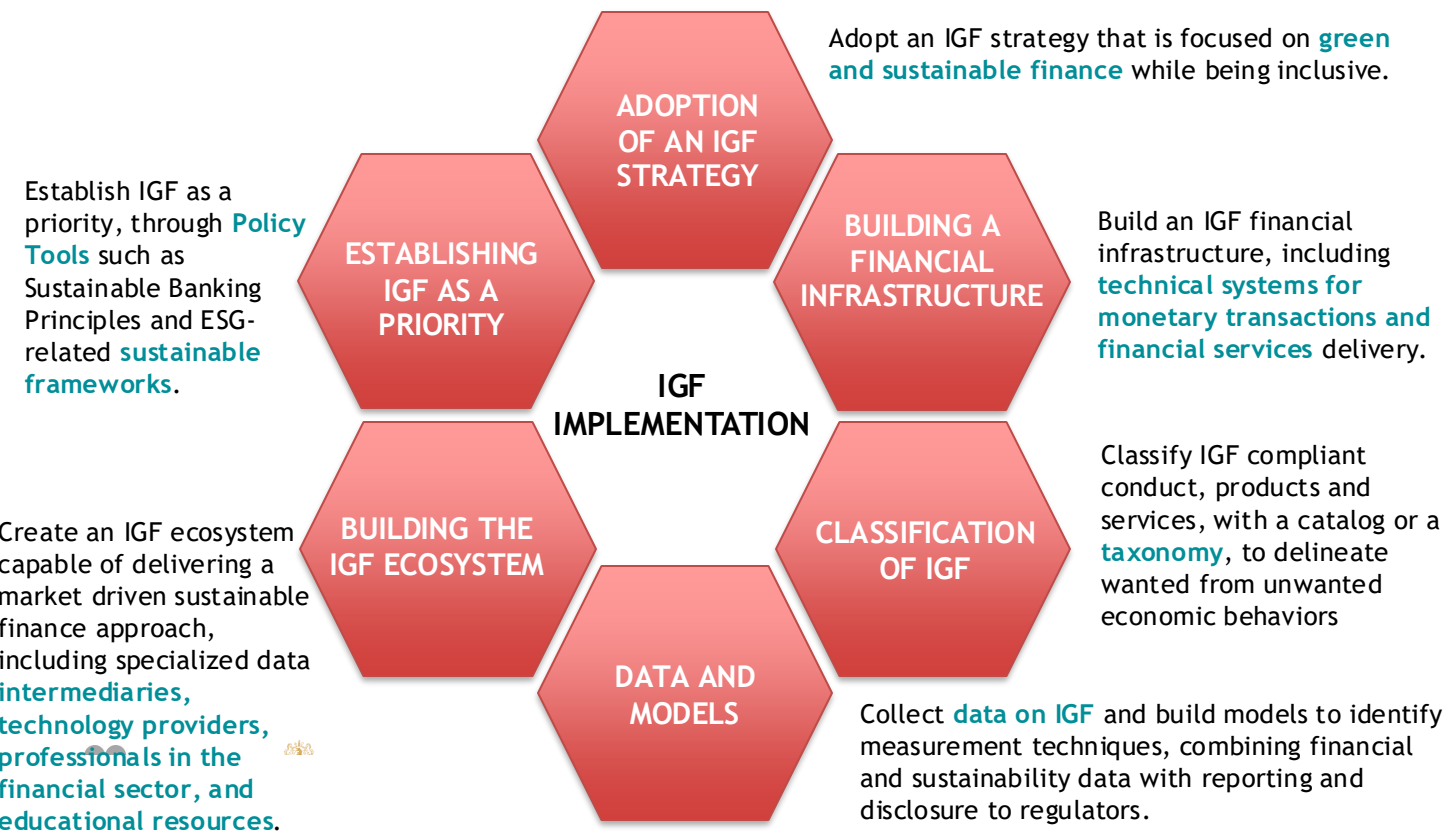


Elevate the importance of the inclusive green finance to standard setting bodies



Consider integrating IGF policies into the recovery during and after the economic crisis following the pandemic


THE BUILDING BLOCKS FRAMEWORK OF IGF




This Special Report identifies inclusive green finance (IGF) as a subset of sustainable finance, shows that a successful IGF framework rests on **six building blocks**, and identifies **five policy tools** that further the framework. It also summarizes the related challenges and provides recommendations for IGF policy implementation.

FROM THEORY TO PRACTICE


IGF IN ADDRESSING CLIMATE VULNERABILITIES

Climate-related Risks	Policy Examples
 <p data-bbox="150 620 562 762">Typhoons and direct implications including floods and landslides</p>	<p data-bbox="633 361 852 401">Philippines:</p> <ul data-bbox="633 412 1804 765" style="list-style-type: none"><li data-bbox="633 412 1804 558">- Updating of Business Continuity Management Guidelines to include disasters associated with natural hazards and pandemics<li data-bbox="633 568 1804 663">- Relaxation of KYC requirements and account opening and maintaining balances<li data-bbox="633 674 1804 765">- Use of digital payment infrastructure to facilitate social payments (G2P) and social aids from private groups.


IGF IN ADDRESSING CLIMATE VULNERABILITIES

Climate-related Risks	Policy Examples
 <p data-bbox="144 649 569 791">Typhoons and direct implications including floods and landslides</p>	<p data-bbox="633 387 763 431">Nepal:</p> <ul data-bbox="633 442 1806 589" style="list-style-type: none">- Refinancing facilities for subsidized loans to rebuild from floods and fires, modelled on a program that supported post-earthquake recovery and reconstruction

IGF IN ADDRESSING CLIMATE VULNERABILITIES

Climate-related Risks	Policy Examples
 <p data-bbox="144 660 569 802">Cyclones and direct implications including floods</p>	<p data-bbox="633 398 710 442">Fiji:</p> <ul data-bbox="633 453 1632 649" style="list-style-type: none">- Establishment of the Disaster Rehabilitation and Containment Facility (DRCF)- Climate risk insurance (ongoing development)- Use of mobile money for social payments

IGF IN ADDRESSING CLIMATE VULNERABILITIES

Climate-related Risks	Policy Examples
 <p data-bbox="272 681 440 721">Droughts</p>	<p data-bbox="633 372 788 412">Nigeria:</p> <ul data-bbox="633 423 1702 721" style="list-style-type: none">- Established the Anchor Borrower's Program to link smallholder farmers with large-scale processors- Subsidies to incentivize bank lending to smallholder farmers facing climate risks- Established the Nigeria Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL)

IGF IN ENVIRONMENTAL CHANGE MITIGATION

Policy Examples

Bangladesh:

- Green Banking Guidelines
- Refinancing facilities to promote low-carbon technologies
- Introduced credit quota of 5 percent of loan portfolio
- Development and implementation of Environmental and Social Risk Management Guidelines (ESRM)

Nepal:

- Directed all banks to dedicate 10 percent of their portfolio to green projects
- Refinancing facilities for banks to offer subsidized loans for green technologies,
- Development and implementation of Environmental and Social Risk Management Guidelines (ESRM)

IGF IN ENVIRONMENTAL CHANGE MITIGATION

Policy Examples

Fiji:

- Issued a renewable energy loan ratio requirement equivalent to 2 percent of deposits and similar liabilities

Seychelles:

- Lower interest loans to MSMEs and to households through the Seychelles Energy Efficiency and Renewable Energy Program (SEEREP) SME loan scheme

IGF IN ENVIRONMENTAL CHANGE MITIGATION

Policy Examples

Jordan:

- Medium-Term Advances to Licensed Banks Program provides subsidized loans for critical development sectors including renewable energy and agriculture

Egypt:

- Natural gas initiative for vehicles and bakeries

Morocco:

- Creation of Innov Investment Fund to support start-ups including renewable energy and cleantech



Q&A



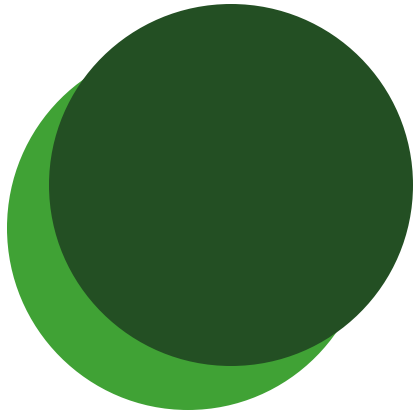
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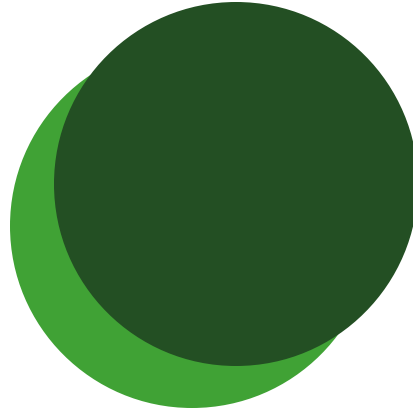
Coffee Break



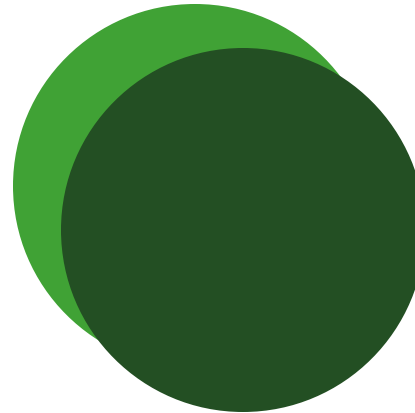
SESSION 3: CLIMATE CHANGE AND ENVIRONMENTAL CHALLENGES IN LESOTHO



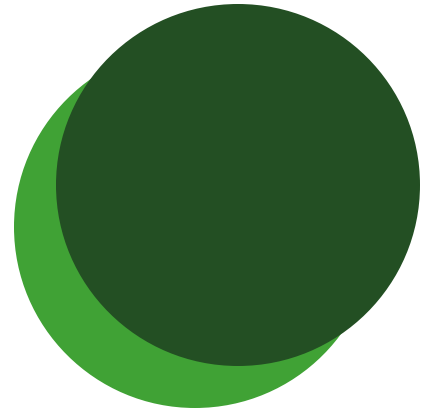
Nomcebo Hadebe
Head, Africa Regional Office
*Alliance for Financial
Inclusion
Facilitator*



Mofihli Phaqane
Min of Local Government and
Chairperson,
*National Climate Change
Committee*

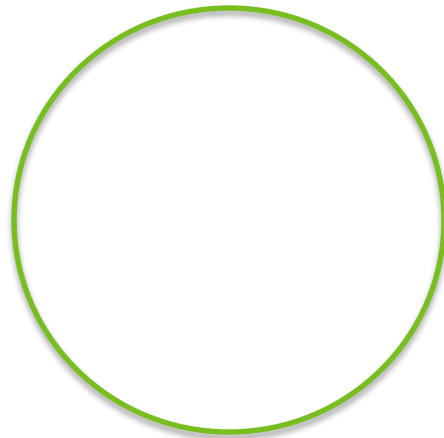


Thabo Qhesi
Private Sector
Foundation Lesotho
*National Climate Change
Committee*



Malintle Kheleli
Geography and
Environmental Movement
*National Climate Change
Committee*

SESSION 3: CLIMATE AND ENVIRONMENTAL CHALLENGES IN LESOTHO



Mofihli Phaqaane

Chair Person

National Climate Change Committee

National Climate Change Committee: Based on Terms of reference (2014).

- National multistakeholder climate change coordination platform.
- Consists of Government Ministries, NGOs and civil society, Private Sector, Research and academic institutions, Observers include development partners and media.
- Its mandate is to advise Government on climate change issues, enhance coordination among stakeholders on climate change issues, promote information sharing and awareness.
- Key message: Climate Change is a cross-cutting development challenge requiring coordination action.

Climate change impacts in Lesotho

- Reduced agricultural productivity
- Food insecurity
- Damage to infrastructure
- Decline in rangelands quality and quantity.
- Reduced water supply
- Compromised water quality

Lesotho's Vulnerability across agro-ecological zones.

- Climate risk and vulnerability assessment was done through National Adaptation Plan (NAP) project, and 4 Agro-ecological zones were assessed.
- **Lowlands and Senqu river valley** are the zones at highest risk.
- Drought was discovered as the most pervasive national hazard.

Lesotho's Response



NDC 2024

Adaptation

- Summary of adaptations needs in landuse planning, Agriculture, Forestry, Water, Energy, Transport Human Health Gender and vulnerable groups, Infrastructure, Environment, Biodiversity and ecosystems, Tourism, Land use, Culture have been outlined

Mitigation

- Bring down greenhouse gas emissions by 24% (6% is unconditional and 18% conditional) below Business-As-Usual emission levels by 2030.
- \$550 million is needed annually to meet its NDC targets



Policies and Strategies in Place

- National Climate Change Policy (2017).
- Nationally Determined Contribution (NDC)
- National Adaptation Plan (NAP) process
- Extended National Strategic Development Plan II.

Climate Finance Needs

- The "Water Tower" of Southern Africa: Lesotho's economy is tied to its water and rangelands, both highly sensitive to climate shifts.
- The Funding Gap: Lesotho requires approximately \$550 million annually to meet its NDC targets, but currently receives only a fraction of this in climate-tagged finance.
- Current Mix: Heavily reliant on public multilateral grants (AfDB, World Bank, GCF) with low private sector penetration.



THANK YOU

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Q&A



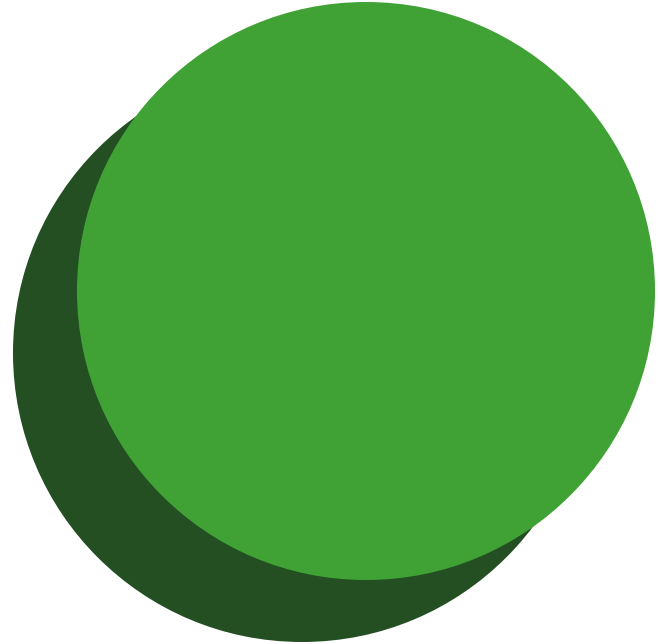
THANK YOU

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SESSION 4: INSURANCE SECTOR INITIATIVES RELATED TO CLIMATE CHANGE IN LESOTHO

Smangela Molumeli

Chief Executive Officer
Zenith Insurance Company
Insurance Association Lesotho (IAL)



Q&A



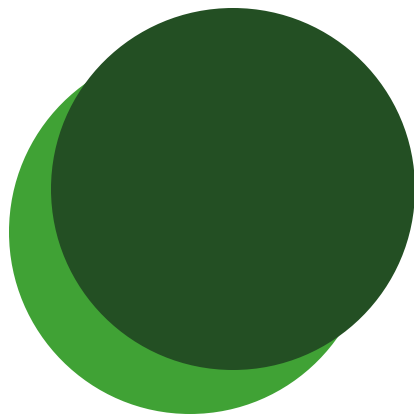
THANK YOU

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LUNCH

SESSION 3: CLIMATE CHANGE AND ENVIRONMENTAL CHALLENGES IN LESOTHO



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Central Bank of Kenya

**CENTRAL BANK OF KENYA – JOURNEY ON INCLUSIVE GREEN
FINANCE – THE KENYAN EXPERIENCE**

PRESENTED AT

**ALLIANCE FOR FINANCIAL INCLUSION – INCLUSIVE GREEN
FINANCE CAPACITY BUILDING WORKSHOP FOR CENTRAL
BANK OF LESOTHO**

PRESENTER: MARTIN GITU

CENTRAL BANK OF KENYA

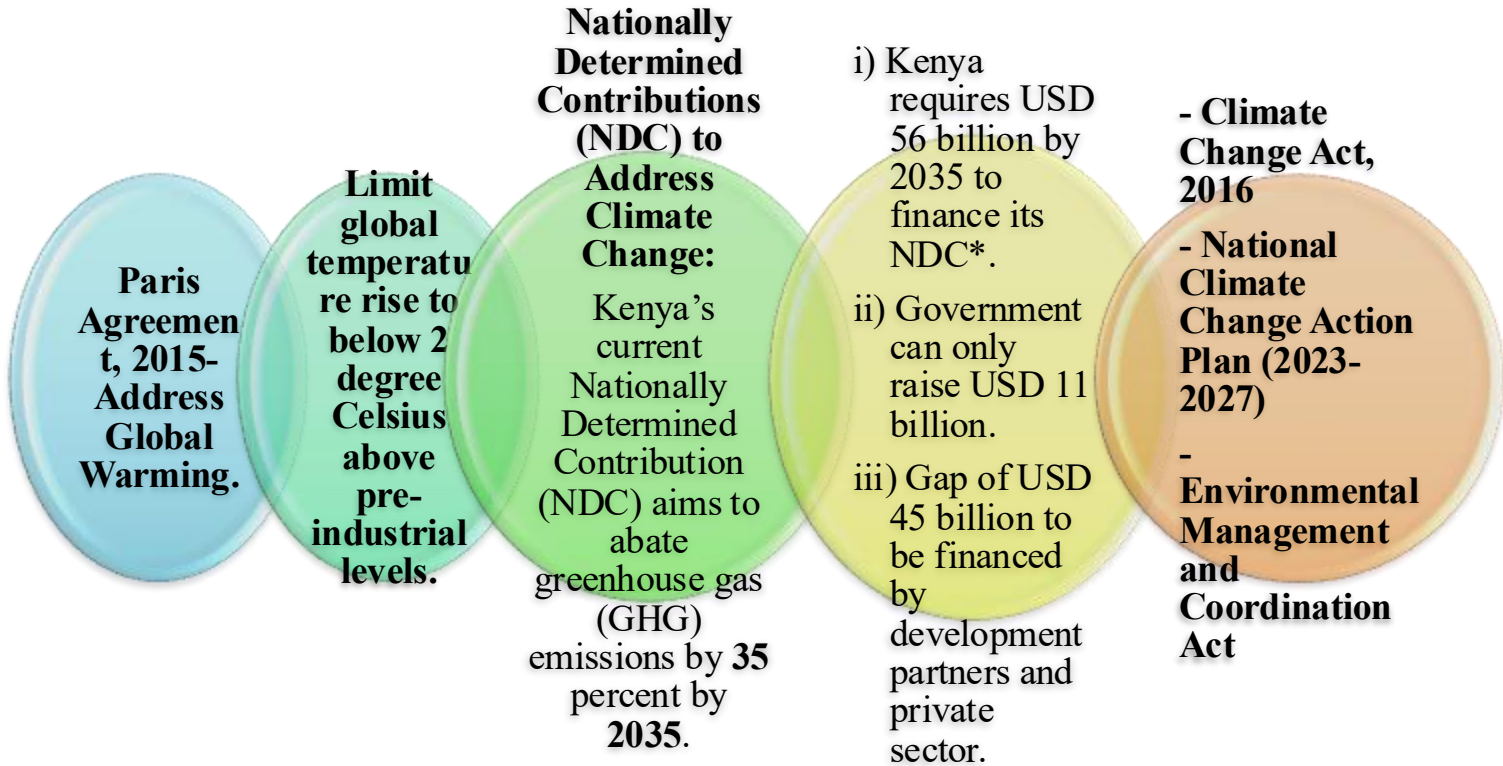
June 9, 10, 2026
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- 1. Key Highlights**
- 2. Overview: Climate Change Trends and Green Finance - Kenya's Perspective.**
- 3. Green Finance Mechanisms and Inclusive Finance – Adaptation and Mitigation**
- 4. CBK's Financial Sector Sustainability / Green Finance Initiatives.**
- 5. CBK Guidance on Green Finance: Climate - Related Risk Management.**
- 6. Challenges and Concerns.**
- 7. Recent CBK Reforms**
- 8. CBK Guidance on Green Finance: Kenya Green Finance Taxonomy.**
- 9. Integration of Inclusive Green Finance: Regulatory Options for African Financial Regulators.**



- Extreme climatic events pose significant risks globally,
- Globally, weather patterns becoming increasingly irregular
- In Kenya socio-economic losses attributable to erratic weather patterns estimated at 3 percent – 5 percent of GDP annually).
- Prolonged droughts, floods and other phenomena (*Wildfires, landslides, heatwaves, rise in sea levels*) have led to the loss of human lives, businesses, properties etc.
- Governments authorities worldwide, including the Kenyan Government, addressing the risks posed by climate change on social inclusion and poverty reduction, as well risks posed to the financial system as a whole.
- Addressing these challenges variously, including via policy development on green finance - renewal energy developments, climate smart agriculture, reforestation, etc.
- Promotion of Inclusive Green Finance is a key pillar under both Kenya’s National Financial Inclusion Strategy (2025-28) and CBK’s current Strategic Plan (2024-27).





* - https://unfccc.int/sites/default/files/2025-05/KENYAS%20SECOND%20NATIONALLY%20DETERMINED%20CONTRIBUTION%202031_2035.pdf

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- Adaptation to environmental change and climate resilience – financial sector actions:
 - Implementation of facilitative regulatory policies to promote resilience-supporting digital service offerings targeting vulnerable population segments – particularly women, low-income segments, small-scale farmers and MSMEs.
 - Launch of risk management schemes targeting MSMEs – for example, the Kenya Credit Guarantee Scheme (2020) – providing partial risk coverage on MSME credit exposures.
 - Awareness-raising and capacity building measures on inclusive finance for financial institutions and the general public to encourage uptake of green finance.
 - Launch of the Kenya Green Finance Taxonomy – to guide implementation of green finance
 - Portfolio Diversification: Set green lending targets to promote sustainable
 - products.
 - Launch of Carbon Trading Framework: Regulatory guidelines for operational carbon markets.



Launch of the Green Bond Programme Kenya (GBPK) - Kenya's first green bond issuance of \$41million issued.

- Mitigation measures for environmental change and climate resilience – financial sector actions:
 - Awareness-raising and capacity building measures on inclusive finance
 - Development and issuance of guidance on climate risk management, incorporating environmental and social risks.



In 2013, CBK introduced the **Internal Capital Adequacy Assessment Process (ICAAP)** for the banking sector – under the Basel II Capital framework.

In 2015, the Kenya Bankers Association (KBA) launched the **Sustainability Finance Initiative (SFI)**. Currently, all banks are participating and over 40,000 bankers have so far been enrolled for the e-learning training modules.

In 2017, the **Kenya Green Bond Programme** was launched to promote financial sector innovation by developing a **domestic green bond market**.

In 2019, CBK issued the **Kenya Banking Sector Charter** whose objective is to promote a sector that *works for and with the Kenyans*. The Charter has four pillars – *customer centricity, risk-based credit pricing, transparency, and ethical*

In November 2020, Kenya's largest bank, KCB Bank, was accredited by the **United Nations Green Climate Fund (GCF)** as the first financial intermediary for the implementation of green financing in East Africa.

In October 2021, CBK issued **Guidance on Climate-Related Risk Management** to banks. *Issuance of the Guidance was also part of CBK's contribution to the 26th UN Climate Change COP26 Glasgow (UK), 2021.*

In 2022, CBK joined the **Network for Greening the Financial System (NGFS)** to cooperate with other central banks on climate action.

In September 2023, Kenya Bankers Association (KBA) launched a “**Climate-Related Risk Financial Disclosures Reporting Template**”.

In April 2025, CBK issued the **Kenya Green Finance Taxonomy** to the banking sector for an initial transitional period of 18 months.

In April 2025, CBK issued the **Climate Risk Disclosure Framework** to the banking sector for an initial transitional period of 18 months.

Purpose:

To guide institutions on how to integrate the climate-related risks into overall risk management frameworks.

Sets out CBK expectations on institutions - consider climate-related risks when formulating and implementing business strategy, governance and risk management frameworks, including on

Promote transparency in the assessment and mitigation of climate-related risks – and their impact on green finance implementation - by setting out reporting and disclosure requirements.

- Sensitization of the banks CEOs/MDs.
- Commercial banks staff sensitization on climate change risk management, and application to Green Finance.
- Submission of board approved implementation plans.
- Quarterly updates on implementation of board approved plans.
- Disclosures of climate-related information to enhance transparency benchmarked to Task Force on Climate-related Financial Disclosures (TCFD).

Models of disclosing climate-related information include:

- *Including climate-related updates as part of the bank's Annual Report.*
- *Through the Sustainability Report, where the bank publishes such a report.*
- *Development of a TCFD Report.*
- *Separate Climate-related report.*



Significant progress has been made in integrating climate-related risks and rolling out Green Finance in bank's **governance and strategy frameworks.**

Initial stages with respect to **risk management and disclosure frameworks.**



Inadequate human resource and technical capacity of banks and CBK, including insufficient human resources and expertise in climate risk management.



Unavailability of reliable data, such as carbon emissions, long-term climate trends, and financial losses linked to climatic events.



Risk of **greenwashing** due to lack of a common definition of green finance.



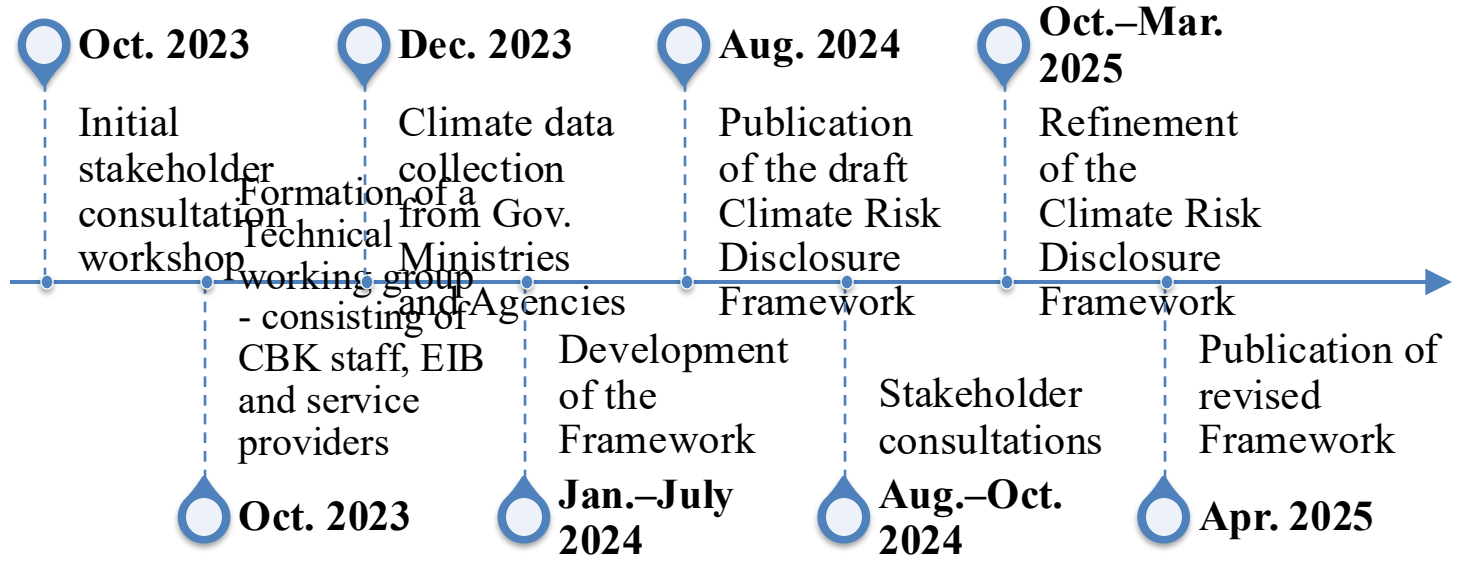
Lack of forward-looking models for assessing climate risks and their impacts.

Greening Financial Systems Project-Supported by European Investment Bank (EIB)

- Developing a green finance taxonomy.
- Identification and mapping of climate risks affecting the financial sector.
- Enhancing the climate risk disclosure framework – Benchmarking to new standards (IFRS S2), BCBS principles

International Monetary Fund (IMF) Resilience and Sustainability Facility (RSF)- USD 551 million (2023 to 2025)

- Incorporating climate risks into government planning and investment framework.
- Mobilising climate-revenue and strengthening efficiency.
- Enhancing effectiveness of existing frameworks to support climate finance **(includes green finance taxonomy and climate risk disclosure)**.
- Strengthening disaster risk reduction and management.



Background, Purpose and Principles

- Journey of climate risk disclosure in Kenya and internationally.
- Promote climate risk management and improve transparency and reporting.
- Principles that underpin the Framework.

Exposure to climate related financial risk

- Physical and Transition Risks.
- Templates for assessing physical and transition risk exposures by sector and region.

Governance

- Board, committee or equivalent body and management, charged with governance.

Strategy for managing Climate Risks and Opportunities

- Understand the impact of climate-related risks on the business environment.
- Role of green finance in addressing the sustainability challenge

Risk Management

- Disclose information about processes and policies for identifying, assessing, and monitoring climate-related risks and opportunities.

Metrics and Targets

- Metrics and targets inform stakeholders on the extent to which climate-related matters have been considered and quantified.

Diagnostic Tool

- Designed to identify the characteristics of the Kenyan

Physical Risk Maps

- Provides climate risk levels for counties in

Climate Risk Disclosure Dashboard

- Development of a climate risk disclosure dashboard

Climate Related Risk Reporting Templates

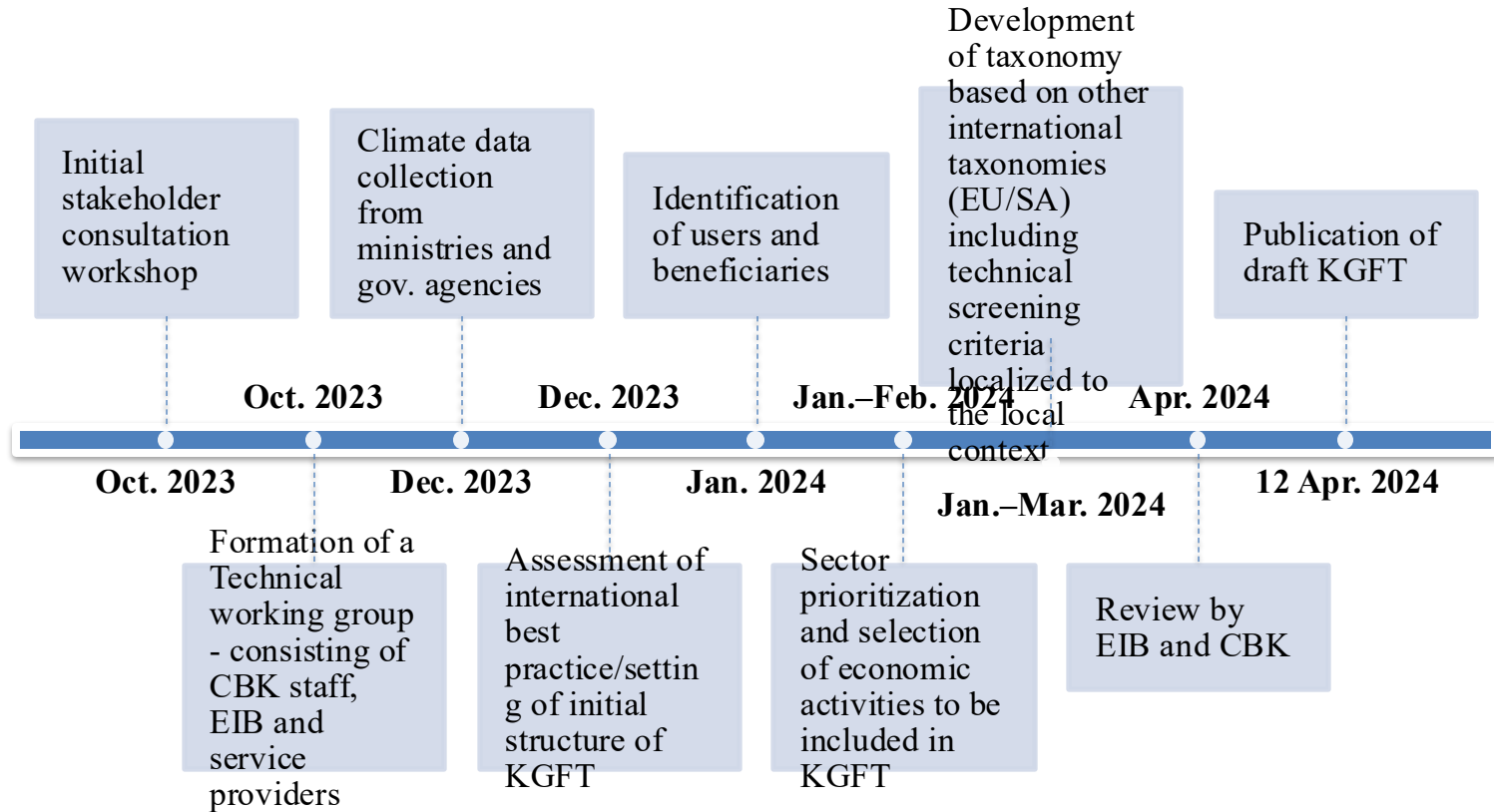
- The templates aim to document existing banking

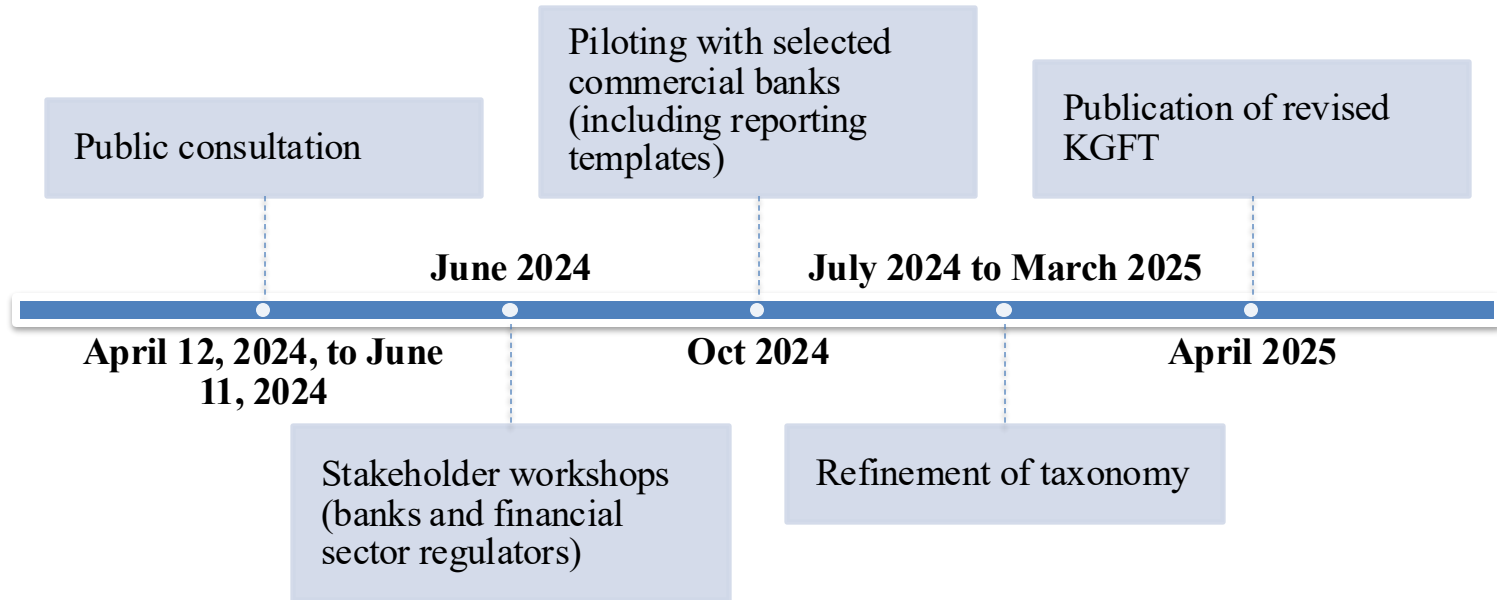


- a) The voluntary reporting period will begin for the accounting period beginning on or after January 1, 2025, for institutions in large peer group.

- b) Voluntary reporting for medium and small peer groups will commence from accounting period beginning on or after January 1, 2026.

- c) Mandatory reporting for all commercial banks will commence from accounting period beginning on or after January 2027.





supporting the Kenyan banking sector as **investors** to make informed investment decisions on sustainable economic activities. *It sets out the*

Banks can focus on how their financial products and investment portfolios align with sustainability criteria.

Then investee companies can focus on how their core business operations and economic activities align with these criteria to enhance their eligibility

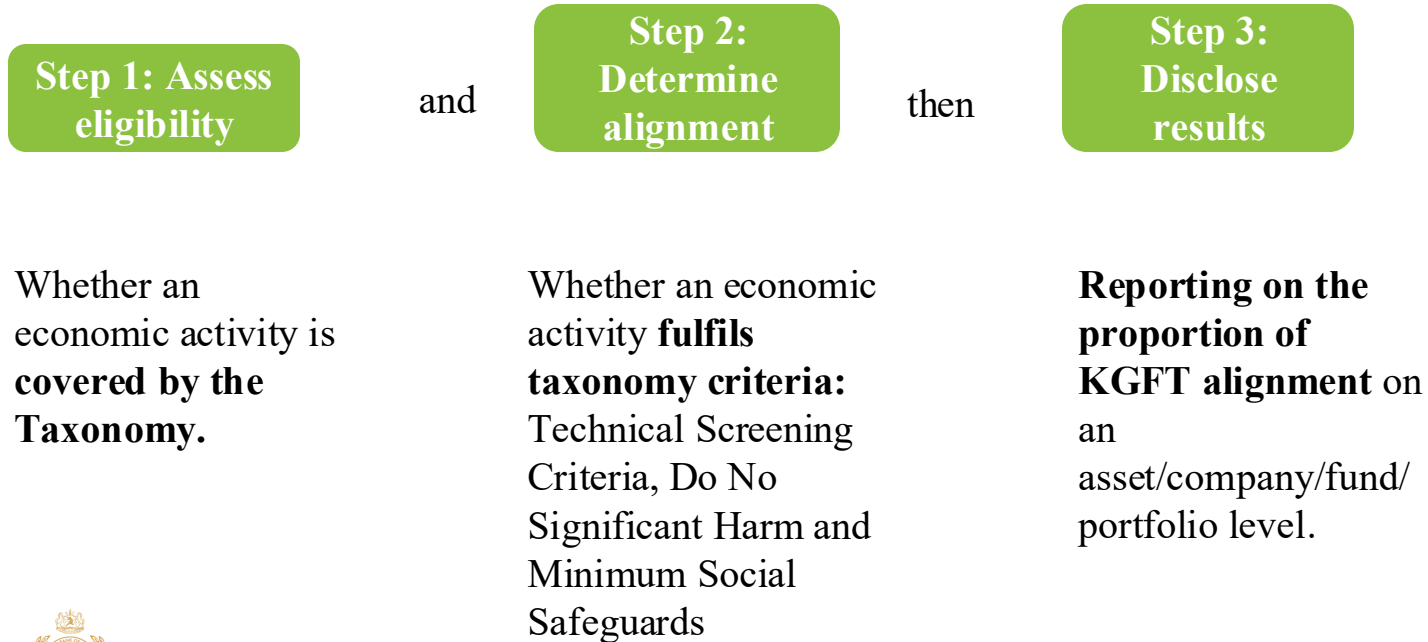
Expected to attract FDI and Private sector green investment.

Leading to an abundance of economically viable 'green' projects working toward national sustainable development.

- (a) **Environmental Objectives:** Climate change mitigation and Climate change adaptation.
- (b) **Application and Scope:** The objective of the KGFT is to enable the banking sector to identify "green" assets (as defined the framework) in their jurisdictions and make informed decisions on environmentally friendly investments.
- (c) **User Guidance:** This section guides users on navigating the document and determining taxonomy alignment and taxonomy-aligned finance. Initially, the primary users will be banking sector players and their key counterparties
 - (d) Companies and project developers
- (e) **Priority Sectors:** It identifies 11 economic sectors and activities making a significant contribution to climate change mitigation and adaptation, and whose impact is most felt.
- (i) **Technical Screening Criteria:** Makes Significant Contribution (MSC), Does No Significant Harm (DNSH), Meets Minimum Social Safeguards (MSS) and Remedial Measures to Transition
- (ii) **Reporting and Disclosure:** taxonomy-aligned finance can be disclosed at an asset/activity-, project-, entity- and/or portfolio-level.



Investees can disclose both eligibility and alignment of economic activities.



The taxonomy is expected to benefit the financial sector in the following ways:-

- i. Provide clear guidance to the financial sector in selecting green investments in line with international best practice and Kenya's national policies and priorities.
- ii. Reduce financial sector risks through enhanced management of climate related risks.
- iii. Reduce the costs associated with labelling and issuing green finance instruments.
- iv. Unlock significant investment opportunities in Kenya in a broad range of green and climate-friendly assets.
- v. Support supervision of climate related risks in the financial sector.
- vi. Provide a basis for regulators to align or reference green financial products.

- i. Defining and alignment to activities: Aligning the types of investment or finance to a specific economic activity as identified by the KGFT.
- ii. Availability of quality data and information to assess alignment with TSC of the KGFT. Appropriate data not publicly available.
- iii. Unavailability of tools to estimate GHG emissions at high level
- iv. Gaps in Technical Screening Criteria – TSC at an early stage of development and application – Not sufficiently tested over time – refinement ongoing.

- i. Capacity Building for CBK and supervised financial institutions.
- ii. Assessing adoption during voluntary period.
- iii. Continuous stakeholder engagement to enhance and refine Green Finance, the CRDF, KGFT and other policies.
- iv. Regulatory Compliance: KGFT and CRDF issued for an 18-month transition period (from date of issuance) where implementation will be voluntary; compliance will be mandatory after the transition period.

- i. Sustainability Concept: Understanding the meaning, implications of sustainability in the domestic context (avoiding wholesale adoption of frameworks developed elsewhere).
- ii. Understanding the financial system's role and limitations in supporting the transition - IGF, not a panacea, can play a key role in supporting vulnerable groups adapt to global environmental change and promote IGF.
- iii Working with market-based initiatives (by regulated players) in transitioning to IGF –adopt a consultative (rather than directive) approach in developing appropriate frameworks.
- iv. Restrict engagement on transition planning within remits and mandates

- v. Adopt Public-Private Partnerships towards building and implementing shared approaches to implementation of Inclusive Green Finance.
- vi. Consider developing domestic, context-specific green rating frameworks for local jurisdictions – to build credibility in home-grown IGF risk frameworks.

Thank You!

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SESSION 3: CLIMATE CHANGE AND ENVIRONMENTAL CHALLENGES IN LESOTHO

Kabinda Kawesha

Manager, Financial Sector Development
Bank of Zambia



OVERVIEW OF THE BANK OF ZAMBIA

- Three (3) financial sector regulators in Zambia - Bank of Zambia (BoZ), Pensions & Insurance Authority (PIA) and Securities & Exchange Commission (SEC)
- BoZ is the central bank responsible for monetary policy, currency management, financial stability, prudential supervision of financial institutions, reserves management, payments systems (national, e-money), financial sector development (financial inclusion, IGF), and advisor to Government
- BoZ headed by a Governor and two (2) Deputy Governors
- Mission - to achieve/maintain price and financial system stability to foster sustainable and inclusive economic development (*this is a revised mission statement*)
- Presence - HQ in Lusaka, Ndola, and Livingstone
- Role of FSPS in green finance/sustainability - to make available resilient and business continuity in the provision of financial systems and services 24/7; payments systems & transfers; mobile money services & agents; lending and green loans; risk management, ESG, reporting



License, regulate & supervise:

- 15 commercial banks
- 9 deposit taking NBFIs
- 1 credit reference bureau (CRB)
- 5 leasing & finance companies
- 26 microfinance institutions
- 64 bureaux de change
- 35 Designated Payments Systems
- 15 Designated payments systems participants/incl banks
- 49 Designated Payments Systems Businesses (including banks, MNOs, fintechs)
- Important payment systems = RTGS; ZIPSS; remittances; money transfers (int'l, local); ATMs: & POS

THE STARTING POINT

There are different pathways to begin the Inclusive Green Finance (IGF) and Sustainable Finance (SF) journey

In response to the country's climate change calamities PIRI, Fiji in early 2010s

AFI 2017 Sharm El Sheik Accord on Inclusive Green Finance (IGF), updated 2022

SSBs - Basel Committee for Banking Supervision (BCBS), Financial Stability Board (FSB)

Sustainable Banking Network (SBN) , Network for Greening the Financial System (NGFS), World Bank, Global Green Growth Institute (GGGI)

African Union (AU) , Southern African Development Community (SADC)
Common Market for Eastern and Southern Africa (COMESA), World Bank, GGGI

Association for African Central Banks (AACB), SADC Committee of Central Bank Governors (CCBG), Committee of Insurance, Securities, and Non-bank Financial Institutions (CISNA)

Inclusive
Green
Finance

Green
Finance

ESG

Climate
Finance



SESSION: BoZ JOURNEY ON INCLUSIVE GREEN FINANCE

1. A commitment made in 2020 under the AFI 2017 Sharm El Sheik Accord on IGF
2. IGF workstream anchored in Financial Conduct and Prudential Supervision depts
3. Capacity building and technical assistance obtained to understand environmental science of global warming, climate change, Paris Agreement, government NDCs, and role of financial sector
4. Established a BoZ Green Finance Framework & Green Loans Guidelines for BoZ and financial institutions. It also enables collaboration with key stakeholders
5. Implementation of the BoZ Green Finance Framework is underway
6. **Working Definition of IGF** - Any product, service, process or financial initiative (organizational strategies, organisations themselves, investment sectors, industry initiatives and policy instruments) that is either designed to protect the natural environment, manage environmental risks, address the challenges of climate change and the transition to low-carbon economic growth

INCLUSIVE GREEN FINANCE FOR BoZ



Executive: Governor and Deputy Governors

Financial Conduct Supervision
(Financial Sector Development)

Prudential Supervision

Statistics & Research
(Economics)

Strategy & Risk Management

Financial Stability

Legal & Board Secretariat

Financial Inclusion and Green Loans for households, MSMEs and vulnerable people

- 2017: Endorsed the AFI Sharm El Sheik Accord on IGF at the GPF
- 2019: Toronto Centre course on Financial Inclusion - selected action point to develop an IGF policy
- 2019: BoZ IGF Team formed with staff from Supervision, Economics, Financial Markets, Legal,
- 2020: BoZ commitment under AFI to develop an IGF policy and joined the membership of the AFI IGF Working Group
- 2020 - 2022: Desktop research, capacity building and developing the stakeholder ecosystem for IGF & green finance
- 2023: The BoZ Green Finance Framework and Green Loans Guidelines approved and being implemented





1. Government, Regulatory and Policy Support on Green Finance

- Stakeholder engagement with Ministry of Green Economy and Environment (MGEE) and Ministry of Finance and National Planning (MoFNP) on the following policies:
 - The 8th National Development Plan
 - Nationally Determined Contributions (NDC) commitments to the Paris Agreement
- BoZ appointed as a member of the MGEE Technical Committee for Green Growth Strategies and contributed to the formulation of the following national strategies:
 - The NDC Implementation Framework 2023-2030
 - The National Adaptation Plan (NAP), 2023
 - National Green Growth Strategy (NGGS), 2024-2030
 - The Zambia Green Growth Index
 - The Green Economy and Climate Change Act, 2024
 - The Zambia Green Finance Taxonomy
 - The draft National Climate & Disaster-Risk Finance Policy
 - World Bank Zambia Country Climate and Development Report, 2026
- BoZ supported MoFNP to integrate IGF into the following policies:
 - The National Financial Inclusion Strategy 2, 2024-2027 (it has an IGF, ESG Pillar)
 - Draft Climate Finance Policy
 - Draft Disaster Risk Finance Strategy

BANK OF ZAMBIA GREEN FINANCE FRAMEWORK FOR BOZ & REGULATED ENTITIES

2. Alignment of National Green Growth and IGF Policies with BoZ initiatives:



- BoZ Strategic Plan 2024 -2027
- BoZ Green Policy
- BoZ Annual Report – sustainability disclosures
- FinScope Surveys for 2020 and 2025 include questions/findings on IGF

3. Prudential Supervision, Financial Stability, Statistics



- Banking and Financial Services (Green Loans) Guidelines 2023 to promote green loans and climate risk management
- Stability and Resilience Facility established during 2025 drought
- Climate change variables integrated in stress testing models, financial stability assessments
- BoZ Green Finance and Green Loans Supervisory Manual & Guidance Note on Climate and Nature-Related Financial Risks
- Gender review of the Green Finance Framework and Green Loans Guidelines (for WSMEs, vulnerable people)
- Training manual developed for BoZ and ESG training conducted for staff
- Draft ESG Directives being developed

4. Financial Services Providers (FSPs)



- Banking and Financial Services (Green Loans) Guidelines 2023 to promote green loans and climate risk management
- Stability and Resilience Facility established by BoZ in 2025
- Training conducted for FSP, including the development of a training manual

5. Partnerships and Coordination in the Financial Sector



- BoZ, PIA, SEC established the Green Finance Mainstreaming Working Group (GFMWG) to work on – national green finance policy; national green finance taxonomy; tagging and reporting system; green bond market development; IGF research studies
- GFMWG members – BoZ, PIA, SEC, UNDP, WWF Zambia, ZICA, MGEE, MoFNP, MLNR, Prospero, GGGI
- Collaborate with other partners eg World Bank, African Union to support and harmonize policy development

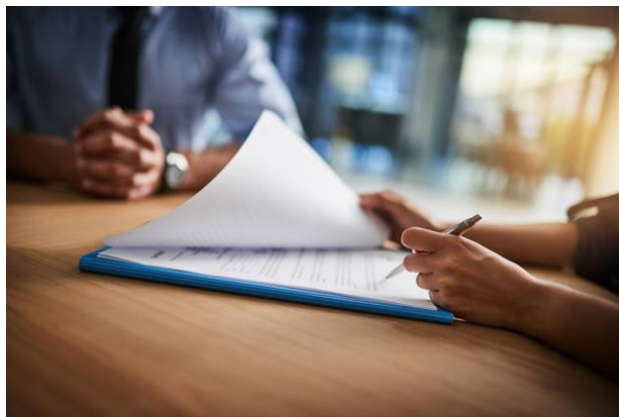
INTERNAL PROMOTION FOR IGF POLICIES

Stakeholder	Activity to Promote IGF
BoZ Executive & Board of Directors	<ul style="list-style-type: none"> • Approved AFI commitment to develop IGF policies • Approval of IGF & ESG activities in the Strategic Plan • Disclosure and reporting of ESG in the BoZ Annual Report (from 2024)
Financial Conduct Supervision	<ul style="list-style-type: none"> • Coordinated a BoZ IGF Team (from Prudential Supervision, Economics, Financial Markets, Legal) to develop IGF policies • Regular publication of IGF articles in the BoZ Zambanker magazine • IGF & ESG banners are placed around the BoZ premises
SPC Tech Committee	<ul style="list-style-type: none"> • Staff from operations depts review draft IGF & ESG regulations
SPC Committee	<ul style="list-style-type: none"> • Directors approve IGF & ESG policies and regulations
IFIC	<ul style="list-style-type: none"> • Reviews financial inclusion, NFIS and IGF activities
Human Resources	<ul style="list-style-type: none"> • Coordinates staff training on ESG

STAKEHOLDER ENGAGEMENT IN DEVELOPING IGF POLICIES

Stakeholder	Type of Engagement
AFI	<ul style="list-style-type: none">• Participation and learning through IGFWG• Adoption/application of knowledge products into Zambia’s policies• Peer review of Zambia’s IGF strategies, regulations, & taxonomy
Ministry of Green Economy and Environment	<ul style="list-style-type: none">• Respect their national ownership and leadership of climate change/environmental; they provide BoZ with TA and training• We provide support in aligning, developing and cascading green growth & IGF strategies/regulations into financial sector, NFIS
Ministry of Finance, PIA, SEC	<ul style="list-style-type: none">• Equal partners in leading Green Finance Mainstreaming WG; co-developing & peer review of IGF & ESG policies; regulations
Financial Institutions	<ul style="list-style-type: none">• Conduct advocacy and advisory services for IGF products• Provide training and developed GF training manual• Supervise climate risk management, IGF and ESG in their operations
Other stakeholders	<ul style="list-style-type: none">• We collaborate with a principle of “one size fits all” to integrate and harmonise their perspectives into IGF policies (similar concepts)

ONE SIZE FITS ALL



**GOVERNMENT
REPUBLIC OF
ZAMBIA**



afi Alliance for
Financial Inclusion
Bringing smart policies to life



African Union
Green Recovery Action Plan
2021-2027



Basel Committee
on Banking Supervision



THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP



Taskforce on Nature-related
Financial Disclosures



TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES



TORONTOCENTRE



WWF



FINANCIAL
STABILITY
BOARD



Bank of Zambia



SECURITIES AND EXCHANGE COMMISSION
Protecting Investors in the Capital Markets



SADC Committee of Insurance, Securities
and Non-Banking Financial Authorities
Set-up under SADC Protocol on Finance and Investment



Central Banks and Supervisors
Network for Greening the Financial System



ZiCA
Competence, Integrity and Virtue
Zambia Institute of Chartered Accountants

THE MOST CHALLENGING PARTS OF PROMOTING IGF OR GREEN FINANCE

- **Difficult to get buy-in when there was no climate change crisis** - solution: approach IGF as a form of “preparedness” eg BoZ had the regulations and framework in place at the time drought crisis was declared so we could implement initiatives immediately
- **Lack of country experience** -solution: learn from the experiences of AFI members eg lessons from Pacific Islands and Fiji at the 2014 GPF made a lasting impression for us to start getting prepared
- **Understanding the environmental science of climate change, GHGs, global warming, Paris Agreement, NDCs, government policies o address them** - solution: requires TA from govt, readings, research eg BoZ publications on ‘Thinking Green’
- **Understanding the peculiarities of sustainable, green & climate finance, climate-smart products/farming, alternative energy** - solution: they become understandable as time passes; attend forums to intercat with experts
- **Losing sight of the beneficiaries of IGF ie. MSMEs, vulnerable people, rural households, youths** - solution: conduct advocacy with banks, MFIs to ensure they provide simple affordable green loans for suitable products; interact with industry & agricultural firms to get to know products that suit these IGF beneficiaries and ask banks if they provide loans for them
- **Few experts to promote IGF across BoZ** - solution: train a lot of staff and have discussion sessions in relevant departments; encourage staff to have the confidence to apply training concepts; and hold them accountable to use this knowledge
- **There is no one size fits all in designing the IGF policies** - start with anything eg we BoZ started with Green Loans Guidelines in order to have a regulatory environment for banks, MFIs to embark on green finance. Now, BoZ putting its ESG frameworks in place. See toolkit for AFI Roadmaps (Building Blocks) for IGF
- **Harmonising the interests of different partners, policy making bodies.** Solution: a one size fits all
- **The Zambia Green Taxonomy** - it’s complex, but give yourself ample time to understand it

APPENDIX

BOZ 2024 ANNUAL REPORT

Extracts on Sustainability Disclosures: Risk Management In The Boz Mandate

To manage the climate change risks, such as drought, energy challenges, pandemics etc the strategic plan earmarked to promote compliance to climate change principles in the supervisory and regulatory framework and adapt monetary policy frameworks to reflect risk management. Some of the initiatives undertaken include:

(a) Stability and Resilience Facility (SRF) – BoZ launched the Stability and Resilience Facility (SRF) on 30 December 2024 aimed at safeguarding financial stability and ensuring the resilience of the financial sector in the wake of the 2023/2024 drought. It is intended to provide liquidity to eligible FSPs for onward lending to viable businesses in the agriculture sector and businesses that were negatively impacted by the electricity shortages. The SRF was established with a funding of K5.0 billion and priced off the Monetary Policy Rate (MPR) with a 24-month moratorium on both principal and interest, with a tenure of up to 7 years. Where the advances applied for are to support environmental sustainability as provided for under Green Loans Guidelines, the applicable interest rates is the MPR less an administrative margin of 300 basis points. Applications are approved by the Stability and Resilience Facility Committee. Funding is supporting an array of activities providing innovative solutions in renewable energy, waste management, water reticulation, climate smart agriculture techniques, expansion of the forest plantations as well as wood waste reduction initiatives. All these projects are expected to contribute to a more sustainable environmental ecosystem

b) Currency Management - BoZ has issued four banknotes (K500, K200, K100, and K50) in the new family, made from a cotton-based paper substrate. At the end of their life cycle, these banknotes can be shredded and disposed of in a landfill. BoZ has also coined two banknotes (K2 and K5) that had a very high circulation velocity as well as a high destruction rate.

(c) Implementation of Solar Energy Solution- The BoZ 2018 Green Policy provides a framework for environmental sustainability activities. To ensure sustainable energy consumption and reduce the negative impact on the environment, especially in the wake of the 2023/2024 drought that had energy challenges, the Board approved the use of alternative energy sources. The Bank has implemented solar power plants at both its Head and Regional offices.

(d) Development of the BoZ Internal ESG Framework - Under the 2024-2027 Strategic Plan, the BoZ commenced the development of an ESG Framework. It will enable BoZ develop matrices that quantify its contribution towards mitigation of adverse environmental impacts.

(e) Adoption of ESG Best Practices in Regulated Entities - BoZ is leveraging its vantage position to influence adoption of ESG best practices in regulated entities based on the domestication and practical application of international bodies such as the NGFS.



BOZ 2024 ANNUAL REPORT

Extracts on Sustainability Disclosures



BOZ BANKING AND FINANCIAL SERVICES (GREEN LOANS) GUIDELINES 2023 - SUMMARY

<i>Purpose of the Guidelines</i>	<ul style="list-style-type: none">• To enable a financial service provider (FSP) to contribute to sustainable development goals, NDCs, national development plans, and green growth strategies by providing green and sustainable finance, while maintaining the safety and stability of the financial system• Ensure a FSP monitors the disclosure and reporting requirements on the part of the borrower
<i>Green Loans</i>	<ul style="list-style-type: none">• Any form of financing or instrument made available exclusively to finance or re-finance, in whole or in part, new and/or existing eligible projects which make a contribution to an environmental objectives (eg climate change mitigation and adaptation and the conservation of biodiversity)
<i>Eligible projects</i>	<ul style="list-style-type: none">• Renewable energy; Energy efficiency; Pollution prevention and control; Environmentally sustainable management of living natural resources and land use; Terrestrial and aquatic biodiversity conservation; Sustainable water and waste management; Climate change adaptation;• Eco-efficient and/or circular economy adapted products, production technologies and processes;• Sustainable /green buildings; nature based assets; transport, infrastructure
<i>Board Oversight</i>	<ul style="list-style-type: none">• Responsibilities - approving, monitoring and evaluating the FSP's green loan policy and strategies• Ensure the institution has adequate resources to offer green loans• Ensure senior management and staff responsible for green loans possess sound knowledge and expertise
<i>Senior Management</i>	<ul style="list-style-type: none">• Responsibilities - developing strategies, procedures and accountability mechanisms to implement green loan policies approved by the Board• Regularly reviewing staff capacity and establishing capacity building plans to enhance competence in green loan financing
<i>Other</i>	<ul style="list-style-type: none">• Assess and monitor risks from green loan activities;• Track and report on the use of the loan proceeds by the borrower

EXAMPLES OF SOME GREEN LOANS PRODUCTS BY FINANCIAL INSTITUTIONS IN ZAMBIA



Access our Green Loans for as low as 15% interest for your alternative power.

Head of IT/EC Negotiation
Call 363
Contact Relationship Manager

First National Bank




IZB **INDO ZAMBIA BANK**
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INTRODUCING INDO GREEN ASSET FINANCE SCHEME
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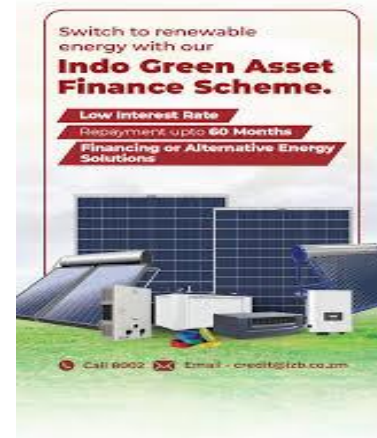


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SESSION 3: CLIMATE CHANGE AND ENVIRONMENTAL CHALLENGES IN LESOTHO

Maria Luisa Grispos

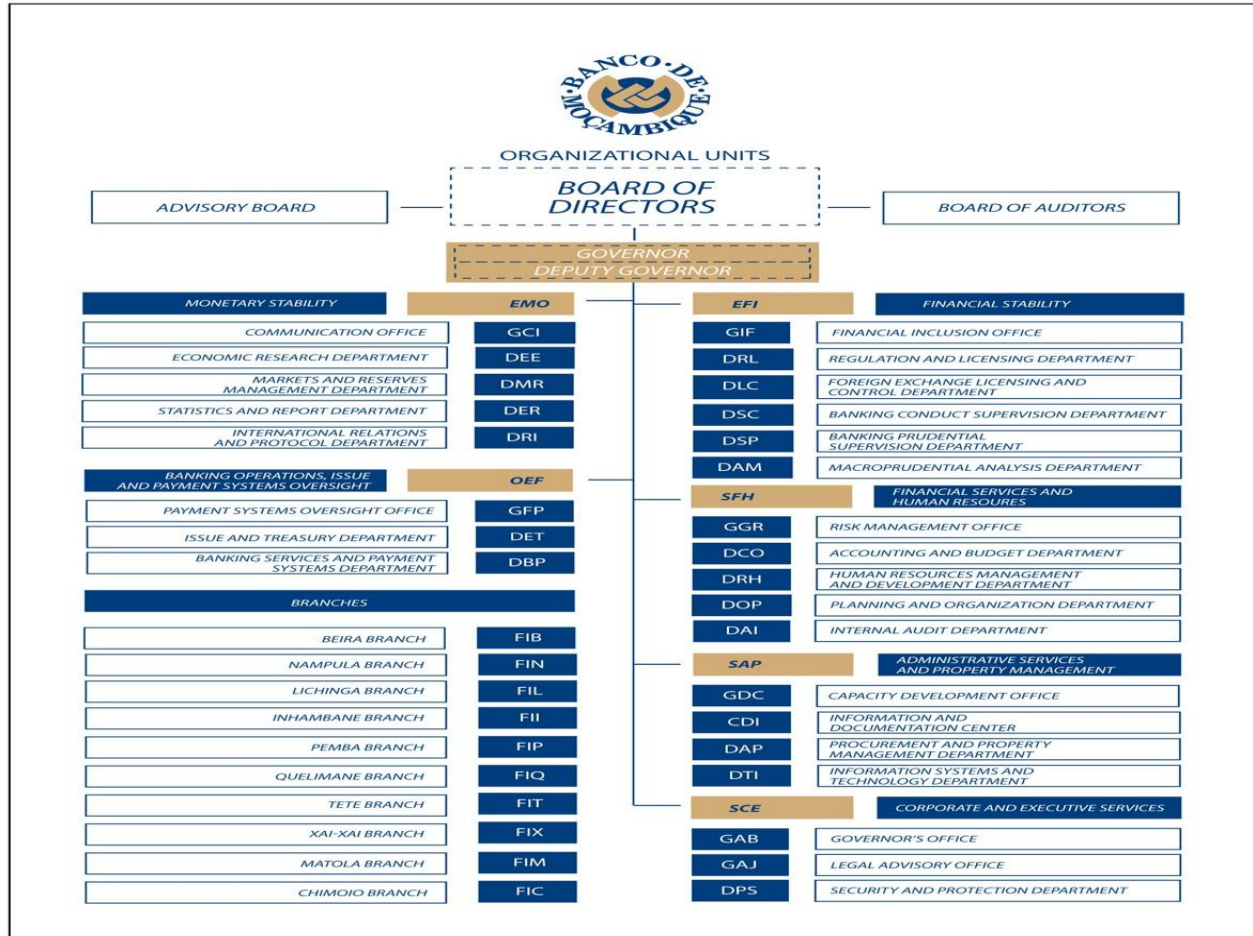
Technical Assistant, Financial Inclusion Office
Banco de Mocambique



Introduction to Banco de Moçambique

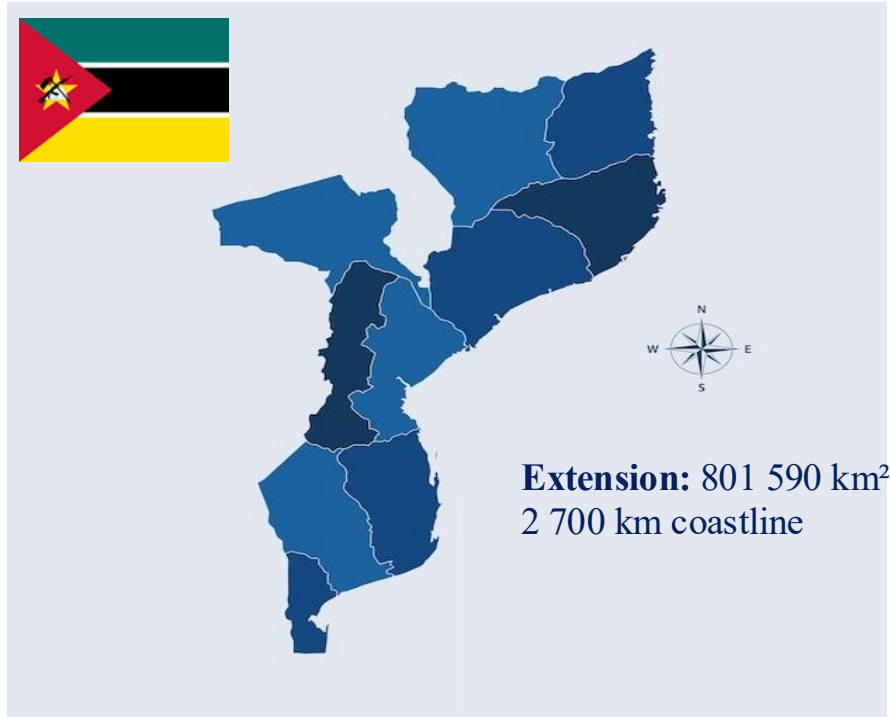


Mission: Preserve the value of the national currency and promote a sound, modern and inclusive financial system.



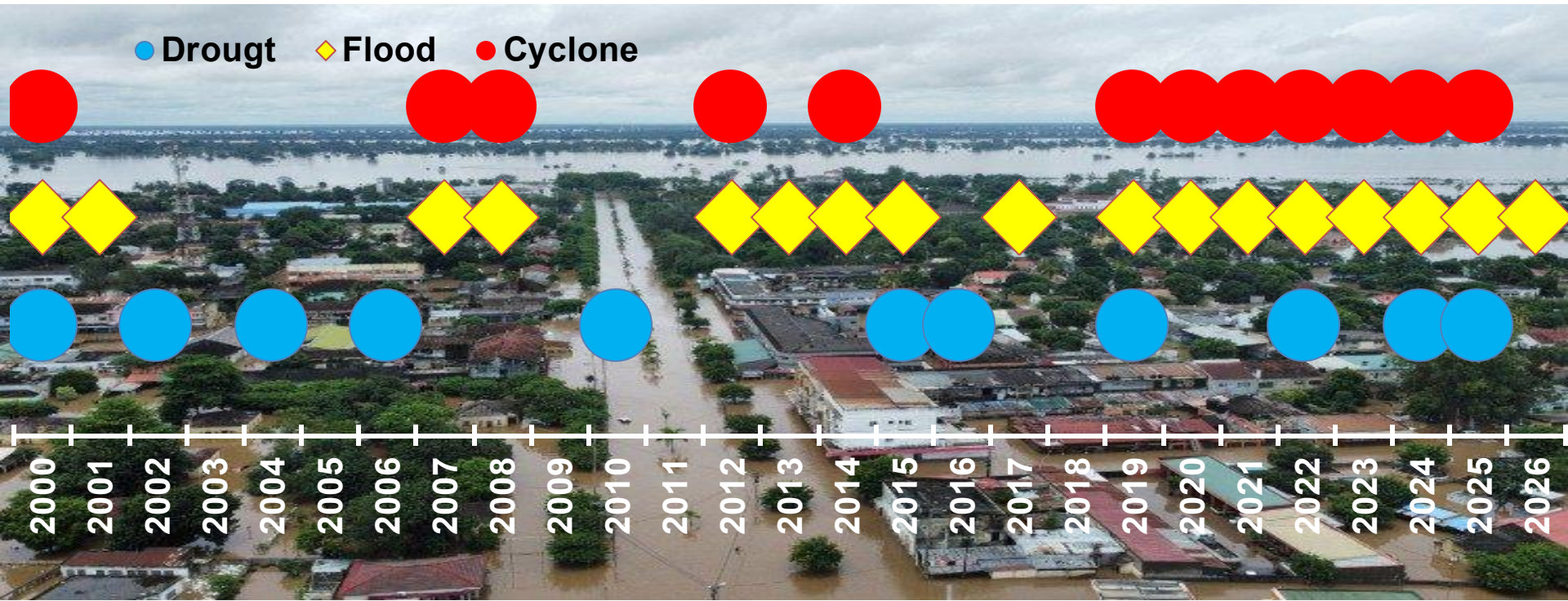
Context and Rationale

Mozambique is a small African economy with significant reliance on agriculture.



- ✓ **Population:** ~35 millions*
65% of the population live in rural area.
- ✓ **Economic Structure:** Agriculture: ~25% of the GDP and employs ~ 70% of the labor force; Industry: ~ 20% of GDP; Services: ~55% of GDP*.
- ✓ **Financial Gap:** climate finance inflows ~ US\$ 1.3 billion (2011-2018), against a US\$16 billion need by 2030**.
- ✓ **Inclusion Deficit:** Only ~30% of adults have formal bank accounts, despite 4+ million mobile wallets***.

Mozambique ranks among the world's most climate-exposed countries, with climate-related events becoming increasingly frequent over the past decade.



causing >US\$3 billion in losses and displacing over 1.5 million people.



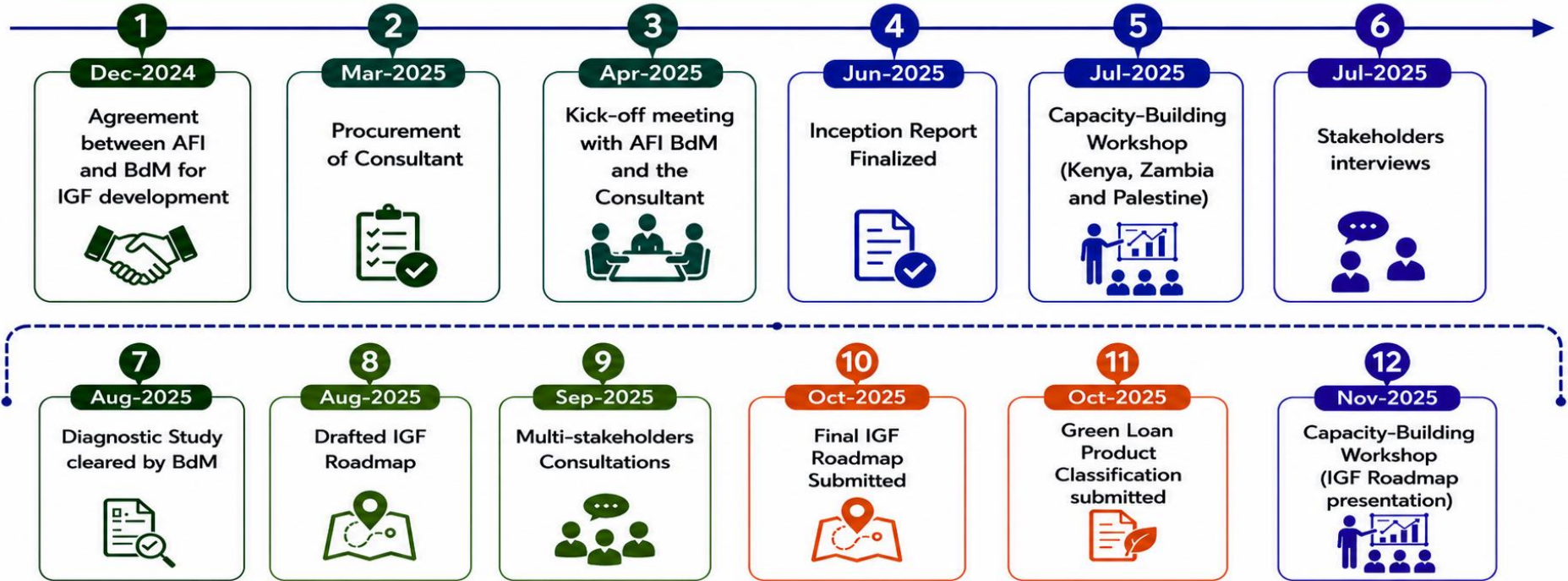
Journey in Inclusive Green Finance

Building on its commitment to AFI's Inclusive Green Finance agenda and integration of IGF into the NFIS 2025-2031 Mozambique launched the development of its national IGF roadmap.

2017  Endorsed the AFI Sharm El Sheikh Accord on IGF

2020  Joined the membership of the AFI IGF Working Group

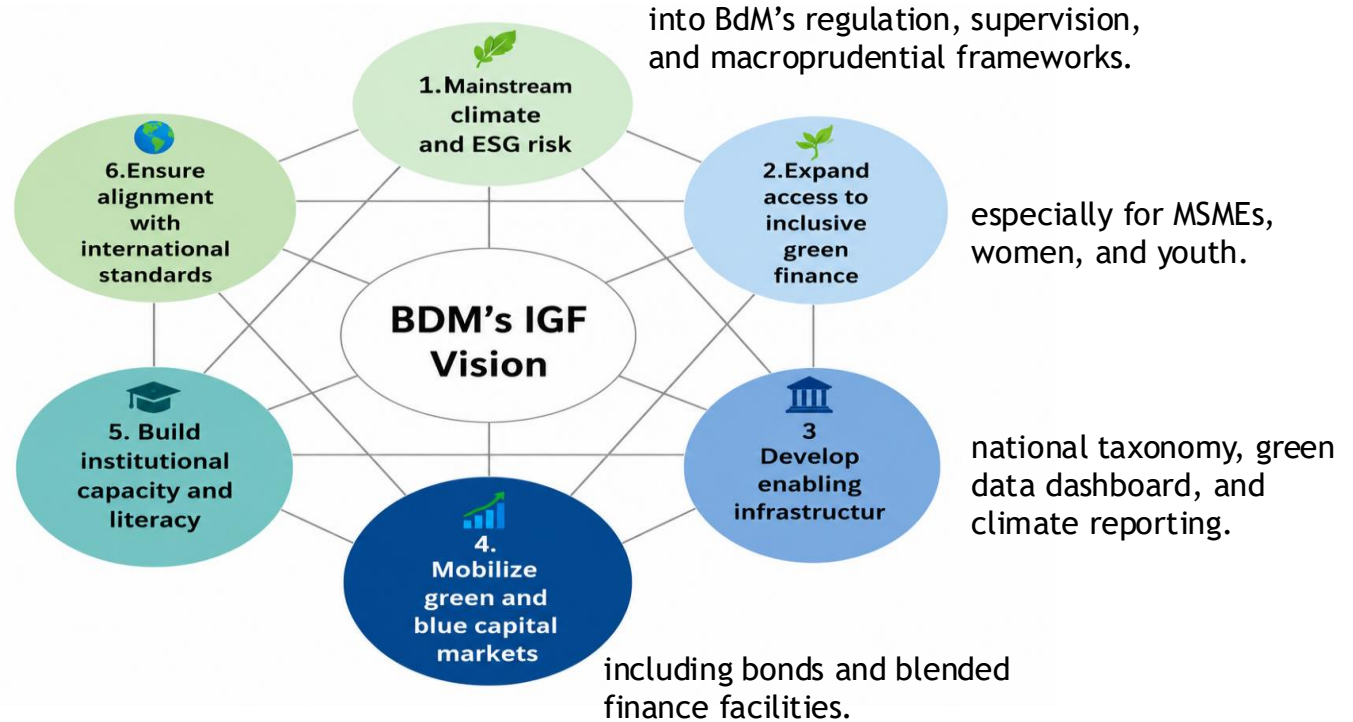
2023  IGF embedded in the NFIS



Strategic Vision and Objectives of IGF Roadmap

Vision Statement:

A resilient, low-carbon, and inclusive financial system that channels investment into green sectors, manages climate risks, and ensures equitable access to finance.



Pillars of the IGF Roadmap



PILLAR 1

Climate Risk Supervision & Integration

Embed climate and ESG risk into prudential oversight, stress testing, and reporting.



PILLAR 2

Sustainable Bonds & Credit

Launch a Sustainable Bonds Decree; pilot sovereign and corporate issuances; expand green credit lines.



PILLAR 3

Green Finance Data & Disclosure

Mandate ISSB-aligned reporting and build a national climate finance dashboard.



PILLAR 4

Institutional & Market Infrastructure

Develop a national pipeline of bankable green projects and a Green Investment Platform.



PILLAR 5

Capacity Building & Awareness

Strengthen BdM, banks, and public institutions through targeted ESG and green finance training.



PILLAR 6

Policy & Coordination Platforms

Establish the IGF Steering Committee under the NFIC and convene an annual Green Finance Forum.



PILLAR 7

Cross-Cutting Innovation & Inclusion

Leverage fintech, gender-sensitive finance, insurance, and digital tools for inclusion.

Governance and Institutional Framework

Governance Tiers: Strong governance ensures alignment, accountability, and sustained ownership.



Other IGF Policies/Iniciatives

- ❑ National Climate Finance Strategy, provides the institutional and policy framework needed to attract greater climate investment;
- ❑ Climate Risk Management Guidelines;
- ❑ Drafted Sustainable Bonds Decree (pending Government approval); and
- ❑ Review of the data collection model, including data on green products.

Main Challenges

- ❑ Fragmented information and weak coordination on ongoing policies among institutions;
- ❑ Ensuring the engagement of all relevant stakeholders to guarantee that no one is left behind; and
- ❑ Limited awareness and technical institutional capacity.

Way Forward

2026-2027:

- ❑ Validation by the NFIS Committee and publication of the IGF Roadmap (scheduled to 15 June, 2026);
- ❑ Launch of the BdM-led IGF Steering Sub-Committee and monitoring dashboard;
- ❑ Approval and issuance of the first sustainable bond; and
- ❑ Publication of the first annual IGF Progress Report and organization of the National IGF Forum.



Key Takeaways and Lessons Learned

- ❑ Effective IGF implementation requires strong multistakeholder coordination at initial stage;
- ❑ Central banks play a critical coordinating role in advancing IGF; and
- ❑ Without targeted and gender-responsive approaches, green finance risks excluding MSMEs, women, and rural populations that are most vulnerable to climate shocks.



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Q&A



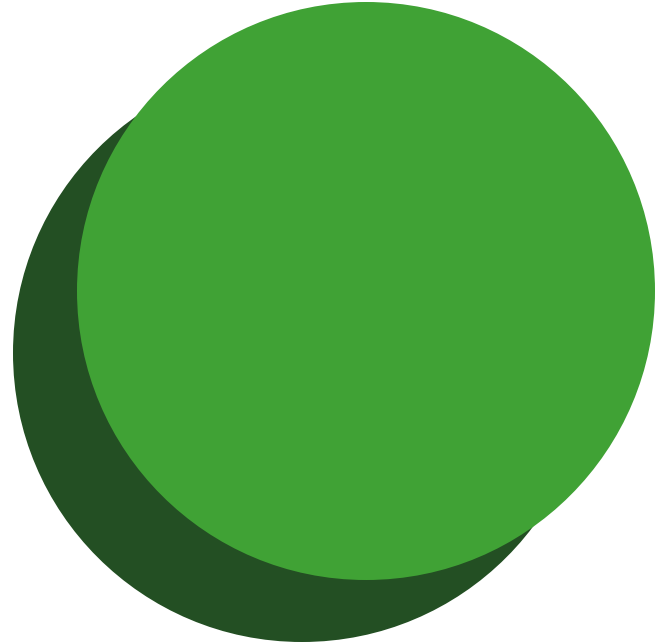
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SESSION 6: ADVANCING IGF IN LESOTHO: PROJECT PRESENTATION

Mathias Knoch

Consultant
Development Aid



INCEPTION & DIAGNOSTIC WORKSHOP · 9–10 JUNE 2026 · MASERU

for the Central Bank of Lesotho

Lead Expert / Team Leader: Matthias Knoch — Inclusive Green Finance & Climate Risk

RFP-AFI-2026-01 · Facilitated by the Alliance for Financial Inclusion (AFI)





What we are here to design

Design an **Inclusive Green Finance Roadmap & Strategy (IGFRS)** and a **Climate Risk Management (CRM) Framework** for the Central Bank of Lesotho — calibrated to a small, capacity-constrained, CMA-anchored financial system with a pronounced **adaptation-first** profile.



Translates, not adds

Operationalises four existing commitments into supervisory practice — not a parallel new agenda.



Proportionate

International standards (NGFS, TCFD, ISSB) applied with local calibration, not transplanted.



Inclusion outcome

Resilience for rural smallholders, herders, women-led MSMEs, youth and pension beneficiaries.

THE WORKSHOP ASK



Endorse the analytical architecture — six diagnostic dimensions, ten CRM modules, AFI 6 Building Blocks & 4Ps mapping.



Confirm or amend the eleven decisions and working hypotheses (DR1–DR11) set out in this report.



Validate the Early Action Matrix (EA1–EA10) as the immediate 12-month action set.



Confirm the institutions and CBL counterparts for the Phase 2 consultation phase.



Note the agreed timeline — original workplan retained with a short extension for the delayed start (DR1, settled).



Why this design — Lesotho in numbers



59th / 151st

ND-GAIN: most vulnerable / least ready (of ~192)



~70%

rural population; drought-dominant hazard set



4 banks

hold ~80% of system assets; 3 SA subsidiaries



~14% GDP

financial-sector contribution; mobile-money rails growing



1:1 peg

loti pegged to rand under the Common Monetary Area



30.1%

unemployment (38.9% youth); 49.7% poverty headcount

Reading: adaptation — not decarbonisation — is the centre of gravity; CMA interoperability is a design constraint, not a preference.





A convergence point — not a new agenda

The IGFRS translates four pre-existing commitments into financial-sector supervisory practice, within CBL's mandate under the Central Bank of Lesotho Act 2000.



NFIS II 2024–2028

Climate & green-finance operational arm of the National Financial Inclusion Strategy II.



NDC 3.0 & NAP

Financial-sector contribution to Lesotho's NDC 3.0 (2025), NCCP 2017–27 and National Adaptation Plan.



MoFDP / MEMNR work

Supervisory & regulatory complement to climate-finance work led by line ministries.



Sharm El Sheikh Accord

Lesotho operationalisation of CBL's 2017 AFI commitments on IGF & climate.

Implication: the IGFRS introduces no new policy obligations — it gives existing commitments a supervisory operating arm.



THE DESIGN SPINE

Five strategic orientations



1 Adaptation-first Resilience and adaptation finance are the centre of gravity, reflecting Lesotho's exposure — not decarbonisation.



2 Proportionality to capacity Three calibrated tiers across banks, insurers and NBFIs; standards applied with local calibration.



3 CMA / SARB interoperability Principles-based taxonomy direction designed for substantive interoperability with the SA Green Finance Taxonomy.



4 Sequenced behind capacity Milestones gated against capacity and data-readiness thresholds; voluntary precedes mandatory.



5 Mobilisation via enablers Climate finance mobilised through institutions, regulatory clarity and market enablers — no new spending mandates.



How the diagnostic is structured

Every CRM module and Early Action is tagged to the AFI 6 Building Blocks (primary anchor) and the 4Ps policy typology (complementary).

6 Diagnostic dimensions

- D1 Macro-financial & climate context
- D2 Supervisory & regulatory architecture
- D3 Sector segmentation & exposure
- D4 Inclusion & consumer-protection baseline
- D5 Data, disclosure & reporting
- D6 Capacity & institutional readiness

10 CRM modules

- M1 Governance & accountability
- M2 Risk identification & materiality
- M3 Measurement & stress testing
- M4 Risk management & integration
- M5–M7 Credit, underwriting, disclosure
- M8–M10 Data, supervisory dialogue, macroprudential

AFI 6 Building Blocks

- BB1 Adoption of an IGF strategy
- BB2 Establishing IGF as a priority
- BB3 Classification of conduct (taxonomy)
- BB4 Data and models
- BB5 Building the IGF ecosystem
- BB6 Building financial infrastructure



Six principles guiding the framework

P1

Inclusion-first lens Every recommendation explicitly considers women, MSMEs, smallholders, herders, rural and remote populations, persons with disabilities and youth — inclusion treated as integral to resilience, not an addendum.

P2

Adaptation-first framing Given Lesotho's vulnerability profile, adaptation is the dominant lens; mitigation and transition risk are treated proportionately.

P3

Market-development orientation The IGFRS mobilises private capital and develops the market for climate-relevant products — not solely supervisory tightening. Demand- and supply-side incentives are made visible.

P4

International alignment & CMA / SARB-PA interoperability Aligns with NGFS, BCBS, IAIS, IOPS, ISSB, SBFN and AFI standards in substance, calibrated to Lesotho; where parent-bank or CMA-peg dynamics make divergence costly, alignment extends to SARB-PA and the SA Green Finance Taxonomy.

P5

Proportionality & supervisory practicality Expectations calibrated to size, complexity and capacity across three tiers, and operationalizable within existing prudential authority. Mandate fidelity: CBL acts only as enabling regulator, supervisor, convenor and data provider — not as a financing agent.

P6

Sequenced, proportionate implementation Multi-year sequencing gated against capacity thresholds; expectations batched into the existing prudential calendar to avoid overload; data-pragmatic — no recommendation conditional on data CBL does not have.



Climate Risk Management – ten modules

M1 Governance & accountability

M2 Risk identification & materiality

M3 Risk measurement & stress testing

M4 Risk management & integration

M5 Credit risk treatment

M6 Underwriting expectations

M7 Disclosure expectations

M8 Data architecture

M9 Supervisory dialogue

M10 Macroprudential surveillance



M1–M4 build the supervisory core · M5–M7 apply it to conduct · M8–M10 extend to data, dialogue and system stability.



Three calibrated supervisory tiers

Expectations are calibrated to the size, complexity and capacity of supervised institutions — applied, not transplanted.

TIER 1

Baseline

All regulated institutions

- Qualitative climate-risk awareness
- Governance expectations
- Entry-level disclosure (voluntary)

TIER 2

Intermediate

Four banks · top 3 insurers · PODCPF

- ESRM integration
- Scenario narratives
- Structured supervisory dialogue

TIER 3

Aspirational

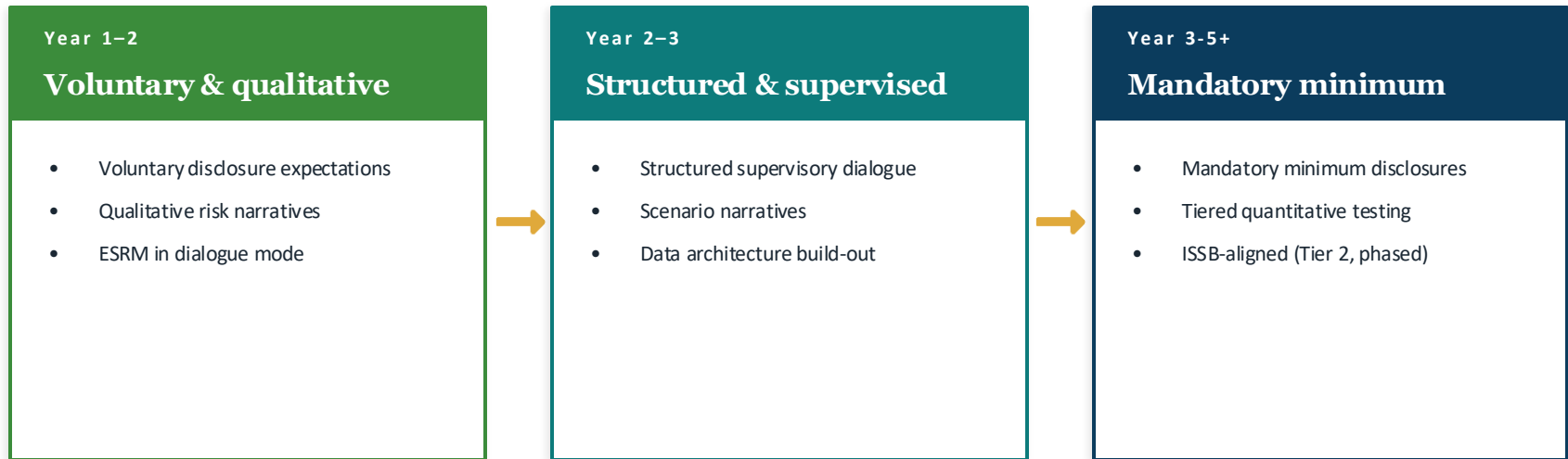
Systemically important institutions

- Quantitative stress testing
- ISSB-aligned disclosure (phased)
- Routine scenario analysis



A voluntary-to-mandatory pathway, capacity-gated

Mandatory disclosures and quantitative stress testing follow voluntary and qualitative phases — never the reverse. Each gate is conditional on data and capacity thresholds.



Capacity gating (§9.3): each transition requires explicit data-readiness and supervisory-capacity thresholds to be met first.



POINTS TO DECIDE & VALIDATE

None is irreversible. Each sets the working hypothesis the team will test in Phase 2. DR1 (timeline) is now settled; DR2–DR11 are for confirmation or amendment at this workshop.

DR1	Workplan & timeline ✓ settled	DR2	Scope confirmation	DR3	Taxonomy direction
DR4	Supervisory operating model	DR5	Voluntary→mandatory sequencing	DR6	Tier 1 vs Tier 2/3 expectations
DR7	Early Action Matrix	DR8	Stakeholder engagement scope	DR9	NFIS II governance alignment
DR10	CBL internal ownership	DR11	GCF Direct Access Entity pathway		





DR1 – DR3: timeline, scope, taxonomy

DR1

Workplan & timeline — agreed

Agreed: Settled with AFI and CBL: retain the original workplan structure, with a short end-date extension to absorb the delayed (mid-February 2026) effective start. Level of Effort (73 expert-days) is unchanged. Detailed on the next two slides.

DR2

Scope confirmation

Proposed (indicative): Endorse the six diagnostic dimensions, ten CRM modules, and the AFI 6 Building Blocks + 4Ps mapping as the analytical architecture for Phase 2.

DR3

Taxonomy direction

Proposed (indicative): Principles-based, adaptation-first taxonomy with minimum safeguards, designed for interoperability with the SA Green Finance Taxonomy. A hypothesis to test in Phase 2 — not a commitment now.





DR1 — timeline decision (settled)



Agreed by AFI and CBL: keep the original workplan structure and extend the end-date to absorb the delayed start. LoE unchanged at 73 expert-days.

Originally tabled

Two scenarios

Compressed (~32 wks) vs standard (~40 wks)

Open decision

Selection sought at pre-kick-off call

Compressed risk

Tight against data collection & consultation

Agreed outcome

Original structure kept

Standard ~40-week phasing retained

End-date extended

Short shift for the mid-Feb 2026 start → final deliverables end-January 2027

LoE unchanged

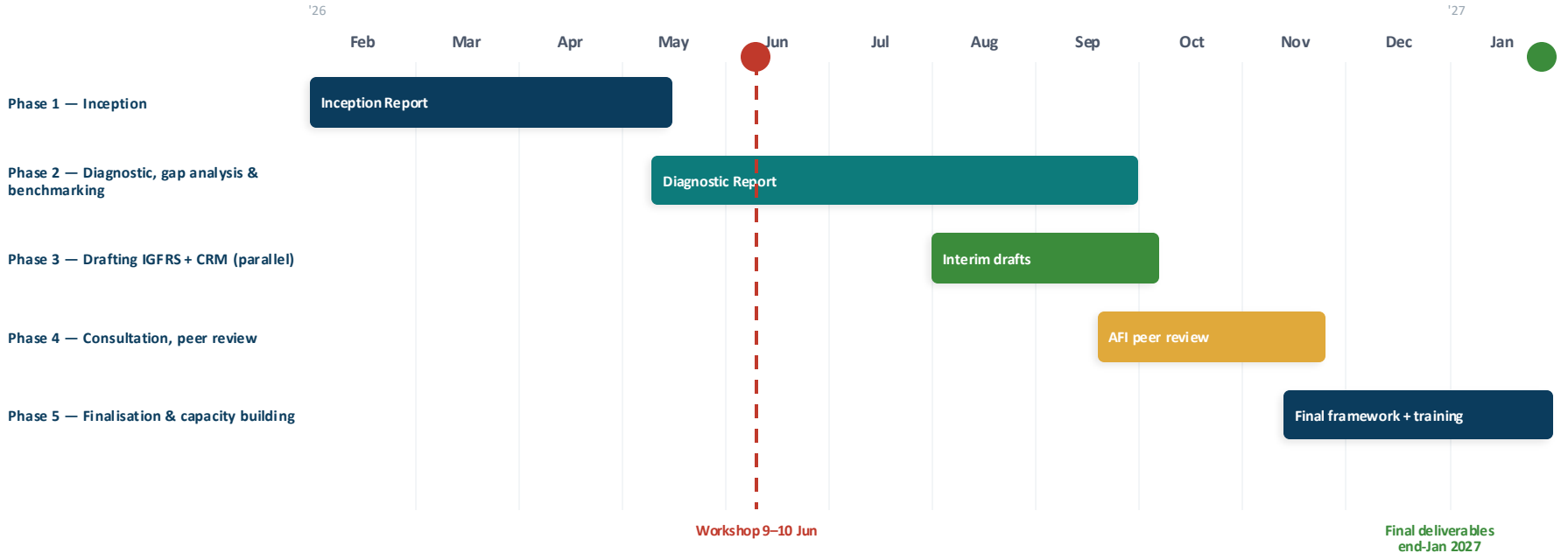
73 Lead-Expert days across seven deliverables

Rationale: the delayed notification compressed the original window. Extending the tail — rather than the effort — protects diagnostic depth, stakeholder consultation quality, and the AFI peer-review step, at no additional cost.



Timeline at a glance — to end-January 2027

Five phases over the extended window. Level of Effort held at 73 Lead-Expert days; the 9–10 June workshop opens the diagnostic phase.



73 Lead-Expert days • **7** contractual deliverables • **~40 wks** effective-start to sign-off (incl. Q1-2027 validation buffer)



DR4 – DR6: operating model, sequencing, tiers

DR4

Supervisory operating model

Proposed (indicative): Hybrid model — a small coordinating Sustainable Finance Cell with embedded focal points in Banking Supervision, Insurance, Financial Stability and Financial Inclusion. Centralised / fully embedded / project-based alternatives remain open.

DR5

Voluntary-to-mandatory sequencing

Proposed (indicative): Voluntary disclosure expectations in Year 1–2; mandatory minimum disclosures from Year 3 — conditional on the capacity and data thresholds in §9.3.

DR6

Tier 1 vs Tier 2/3 supervisory expectations

Proposed (indicative): Differentiated expectations across three proportionality tiers (banks; insurers; non-bank financial institutions). To be tested in Phase 2.



DR7 – DR8: early actions & consultation scope

DR7

Early Action Matrix

Proposed (indicative): Endorse EA1–EA10 as the immediate 12-month action set (Section 15), with CBL ownership confirmed for each action. These become commitments in the final Roadmap.

DR8

Stakeholder engagement scope

Proposed (indicative): Confirm the institutions to be interviewed under the consultation methodology (Section 12) and the CBL counterparts assigned to each diagnostic dimension.





DR9 – DR11: governance, ownership, GCF pathway

DR9

NFIS II governance alignment

Proposed (indicative): Whether the IGFRS Steering Committee sits alongside NFIS II coordination (hypothesis), under it as a sub-committee, or integrates under one umbrella. Hypothesis: alongside, with a defined coordination interface.

DR10

CBL internal ownership

Proposed (indicative): Which arrangement holds primary accountability: Banking Supervision & Financial Stability; Other Financial Institutions Supervision; a new cross-cutting Sustainable Finance Cell; or a hybrid lead with co-leads.

DR11

GCF Direct Access Entity pathway

Proposed (indicative): Whether CBL, Lesotho PostBank, LNDC or another national entity is supported as a Direct Access Entity — with implications for capacity-building and instrument families. Direction sought for Phase 3 framing.





VALIDATE: THE 12-MONTH ACTION SET

Early Action Matrix — EA1 to EA10

Low-complexity, low-cost, high-signal. They deliver visible momentum and lay foundational architecture for later expectations.

EA1 Operationalise existing NGFS membership ≤3m	EA2 Submit SBFN expression of interest ≤6m
EA3 Consolidate into a Sustainable Finance Cell ≤6m	EA4 Issue draft ESRM Guidelines for consultation ≤6m
EA5 CBL-LMS climate / hazard data-sharing MoU ≤6m	EA6 Standing seat on NCCC & GCF Country Platform ≤6m
EA7 Joint SARB-PA session on CMA-coherent expectations ≤6m	EA8 Public CBL position on climate-related risk ≤6m
EA9 Maya Declaration commitment on IGF (consider) ≤12m	EA10 Pilot supervisory dialogue with banks ≤9m





PHASE 2

Consultation & immediate next steps

1

Confirm decisions

DR1–DR11 endorsed or amended at this workshop

2

Lock the workplan

Selected timeline scenario fixes the Chronogram

3

Begin diagnostic

Six dimensions tested against Lesotho-specific evidence

4

Consultation phase

Interviews with confirmed institutions & CBL counterparts

5

Diagnostic Report

Unconfirmed items carried as live questions to test



WORKSHOP — 9–10 JUNE 2026, MASERU

Day 1 Context, IGF foundations, Lesotho climate & sector, peer journeys, action-planning exercise.

Day 2 ESRM guidelines, bank & insurer initiatives, planning session, prioritisation of next steps.

Multi-stakeholder: CBL, banks, insurers, pensions, MNOs, MFIs, line ministries, NCCC, AFI, and regional peers (Kenya, Zambia, Mozambique).

THE DECISION ASK



Note the agreed timeline — Original workplan kept, end-date extended to end-Jan 2027; LoE unchanged. (DR1, settled)



Endorse the architecture — Six dimensions, ten modules, 6 BBs + 4Ps. (DR2)



Confirm or amend hypotheses — Taxonomy, operating model, sequencing, tiers, governance, ownership, GCF. (DR3–6, DR9–11)



Validate Early Actions — EA1–EA10 with owners assigned. (DR7)



Confirm consultation scope — Institutions and CBL counterparts per dimension. (DR8)

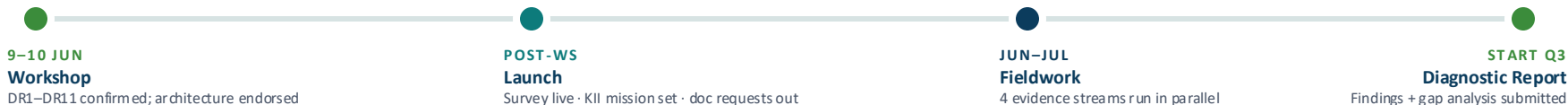


SUGGESTED NEXT STEPS

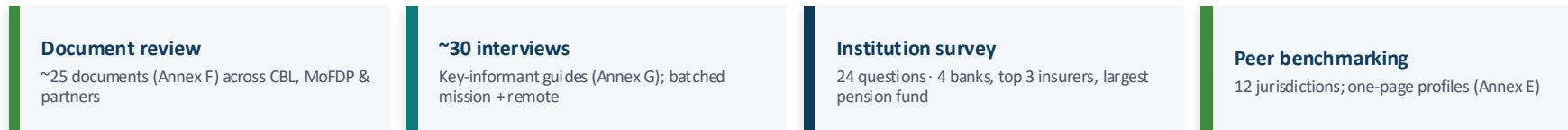
From workshop to Diagnostic Report

Phase 2 begins on inception sign-off. Four evidence streams run in parallel across the six diagnostic dimensions, converging on the Diagnostic & Gap Analysis Report at the start of Q3 2026.

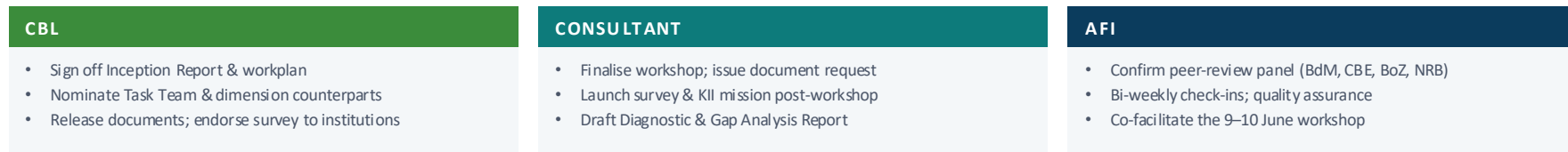
THE RUNWAY · JUNE → START OF Q3 2026



THE DIAGNOSTIC ENGINE · 4 EVIDENCE STREAMS → 6 DIMENSIONS



WHO DOES WHAT NEXT



Discussion, questions, and decisions

Inclusive Green Finance & Climate Risk

RFP-AFI-2026-01 · Central Bank of Lesotho · Alliance for Financial Inclusion





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