

Case study



Unlocking domestic finance through East Africa's first subnational green bond

A catalytic transaction that mobilized Tanzanian capital markets, empowered local institutions, and opened a new frontier for municipal finance in Sub-Saharan Africa



Background

Tanga is a coastal city in northeastern Tanzania with a population of over 450,000 people. Known for its strategic location on the Indian Ocean and its growing economic potential, the city has long struggled with aging water infrastructure, limited coverage, and supply disruptions. Despite being one of Tanzania's key urban centers, the city's ability to invest in sustainable water systems had been constrained by limited public resources and a lack of access to long term domestic capital.

Development finance solution

In 2024, the Tanga Water Infrastructure Green Bond became Tanzania's first ever subnational green bond and one of the first such issuances in Sub-Saharan Africa. It was issued by the Tanga Urban Water Supply and Sanitation Authority (Tanga UWASA) and raised the equivalent of 20.8 million US dollars in local currency from domestic and foreign investors. The bond was listed on both the Dar es Salaam Stock Exchange and the Luxembourg Green Exchange. It passed international listing standards without any sovereign guarantee, proving that subnational entities from frontier markets can meet global capital market benchmarks, signaling their readiness to international investors.

The Tanga bond was not just a financial transaction. It was designed to increase visibility for Tanzania's growing domestic capital market and to demonstrate that local public institutions in developing countries can access private capital to deliver basic services.

This kind of transaction had never been done before in Tanzania. Subnational public entities did not have the expertise or support systems to structure credible, bankable deals, and domestic investors had limited confidence in lending to city authorities. UNCDF stepped in to close that gap. Over the course of two years, UNCDF served as the lead technical and financial advisor. It supported the full structuring of the bond, advised on risk mitigation, and helped set up governance systems that met international standards.

UNCDF also provided catalytic funding, through a one million US dollar grant through its Last Mile Finance Trust Fund, UNCDF helped absorb early risks and crowd in investment. In the end, the bond was 103 percent oversubscribed. Of the total raised, 65 percent came from domestic investors, such as pension funds, insurance companies, fund managers, and financial institutions. The remainder came from the public, including members of the diaspora and small business owners. The resulting leverage ratio was 1 to 20.

Tanga bond was designed to increase visibility for Tanzania's growing domestic capital market.



Outcome

The Tanga bond raised capital to finance a major expansion of the city's water infrastructure, including increasing water production and supply capacity from 45,000 to 60,000 cubic meters per day; extending the water distribution network by 60 kilometers to connect 6,000 new households; rehabilitating 110 kilometers of old piping to reduce water losses from 30 to 20 percent; installing 12,000 smart pre-paid meters to improve billing and revenue collection; and protecting the Zigi River and its surrounding villages to ensure sustainable water sourcing. By financing these upgrades, the bond will improve the reliability and sustainability of clean water services for Tanga's entire population.

Around 26,000 people are expected to gain access to clean water for the first time. Revenue improvements will also help Tanga UWASA maintain its services long term. Construction is expected to last 18 months, after which the full impact will begin to be realized over the 10-year lifecycle of the bond. Beyond the direct impact on communities, this pioneering initiative is already triggering interest in replication across Tanzania and beyond. Inspired by the success of the Tanga issuance, five public entities in Tanzania, including the Dar es Salaam Water Utility, Morogoro Water Utility, the National Food Reserve Authority, the Road Fund Board, and Dar es Salaam City—have expressed interest in launching similar bond instruments, with early-stage assessments indicating a combined financing potential of up to \$153 million over the next two years, span key development sectors such as clean water and sanitation, food security, transport infrastructure, and urban development.

Importantly, the model piloted in Tanga is no longer just a national blueprint. It is becoming a regional one. Building on this momentum, UNCDF is now developing a regional fundraising proposal with the ambition to scale this innovative approach to five countries across Eastern and Southern Africa: Tanzania, Kenya, Malawi, Zambia, and Uganda. The regional expansion reflects both the adaptability of the model and the demand from governments and institutions looking for sustainable and scalable ways to finance critical infrastructure. By embedding catalytic finance and market-based instruments into public finance systems, UNCDF is laying the foundation for a new generation of development financing, one that is domestically driven, market anchored, and globally relevant.

This replication effort could represent a turning point. It shows how a well-structured subnational green bond, when backed by the right blend of technical support, financial innovation, and local leadership, can lay the foundation for broader transformation.

The model piloted in Tanga is no longer just a national blueprint.

UNCDF is developing a regional proposal to scale up this approach.



[Watch the full story](#)

At a glance

Unlocking domestic finance through East Africa's first subnational green bond

Initial size	\$20.8 million equivalent in Tanzanian shillings (TZS), raised through local bond issuance
Private capital mobilized	\$20.8 million with 65% from domestic institutional investors (pension funds, insurers, asset managers)
Leverage ratio	1:20 – \$1 million catalytic grant from UNCDF leveraged \$20.8 million in private capital
Project types	Water production and treatment upgrades, pipeline rehabilitation, smart metering, environmental protection
Investment instruments	Subnational green bond, listed on the Dar es Salaam Stock Exchange and the Luxembourg Green Exchange
Issuer	Tanga Urban Water Supply and Sanitation Authority (Tanga UWASA)
Management & structuring support	Tanga UWASA with UNCDF as lead technical and financial advisor
Partners	UNCDF, FSD Africa (Financial Sector Deepening Africa), The United Republic of Tanzania Ministry of Finance and Ministry of Water and Irrigation, Dar es Salaam Stock Exchange, Capital Markets and Securities Authority, Central Bank of Tanzania, Luxembourg Green Exchange
Technical support	Policy support, governance structuring, risk mitigation, transaction design, investor engagement, listing compliance, post issuance support
Geographic focus	Tanga City, Tanzania; now expanding to Tanzania (national replication) and 5-country regional scale-up across Eastern and Southern Africa
Replication pipeline	5 public entities in Tanzania under early-stage preparation; combined estimated issuance potential of up to \$153 million

About

UN Capital Development Fund

United Nations Capital Development Fund (UNCDF) mobilizes and catalyses an increase in capital flows for impactful investments in high-risk markets, especially in Least Developed Countries, Small Island Developing States and countries in special situations. By crowding in capital through the deployment of risk-absorbing financial instruments, mechanisms and structuring advisory, UNCDF contributes to job creation, sustained economic growth and equitable prosperity in more than 70 countries.

In partnership with UN entities and development partners, UNCDF operates with speed and agility to deliver scalable, blended finance solutions to drive systemic change and pave the way for commercial finance and scale up by development finance institutions and multilateral development banks.

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