Bridging the Local Infrastructure Financing Gap through Domestic Capital Markets

**Location:** Tanzania, Tanga Region, Tanga District
City of Tanga, Muheza Town, Horohoro Village, Kasera Village

**Project Cost:** The issue size of the Tanga UWASA bond offering is planned as a 63.4 billion Tanzania Shillings bond (USD 23.1 million equivalent) to be released in tranches.

**Financing Need:** USD 21,248,000

**Development Impact:** Municipal Finance, Infrastructure development

The Tanga Water Infrastructure Green Revenue Bond is the first of its kind and a historic capital markets transaction in Tanzania. City Bridge Investment Facility, as the lead development finance and technical partner, is supporting Tanga Water Supply and Sanitation Authority (Tanga-UWASA), an autonomous sub-national entity, to issue a “green revenue bond” through the Dar es Salaam Stock Exchange. The 10-year bond proceeds will finance Tanga city’s water supply improvement and expansion project, with the aim of increasing clean water production, treatment, and distribution capacity for the city of Tanga and nearby townships of Muheza, Horohoro and Kasera.

**Investment Rationale**

Rapid population growth and migration of people from rural settlements to urban areas coupled with the increasing trend of investment in industrial and commercial sectors have increased the demand for water and sewerage services in the recent years.
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While that is the case, and eventually causing the demand for water to plummet, the capacity of Tanga UWASA to provide water and sewerage services has not been improving amid inabilities to increase investment in water supply and sewerage services infrastructures, while significant component of the existing infrastructure being highly dilapidated.

Access to clean water remain one of the big developmental challenges in Tanzania and developing countries in general. Limited access to clean water contributes to environmental degradation because unserved communities find other ways to get water to survive. With reality of climate change at hand, problems related to clean water access are likely to compound especially in urban areas characterized with high population.

The Tanga UWASA water infrastructure green revenue bond is timely and poised to demonstrate that the Capital Markets are an established domestic source for project financing for sustainable development activities.

UNCDF Support

The City Bridge Investment facility is supporting Tanga UWASA to access long-term and sustainable financing solutions, by providing both technical guidance and financial support. This transaction is done in close collaboration with the government of Tanzania i.e., Ministry of Water, Ministry of Finance & Planning & the Capital Market and Securities Authority (CMSA) and other key national and international institutions. UNCDF has provided USD 200,000 in form of Grant Capital to support the utility on post issuance activities (after official launching of the green revenue bond).
Socio-Economic Impact and Additionality

- **Environmentally and socially responsible investment**
  - Finance sustainable water management systems/infrastructure
  - Climate resilience initiative to protect the water sources & improve livelihood of the upstream community

- **Improved livelihood of Tanga City, Muheza, Horohoro and Kasera**
  - Expanding public access to safe and affordable drinking water to 6000 new households & its overall population of 451,885 people
  - Reliability and sustainability of water supply for 24hrs a day
  - Job creation and business opportunity evolved due to water availability

- **Improved healthy & hygiene**
  - Reduce incidence of waterborne diseases caused by use of untreated water from uncontrolled local sources

- **Women Economic Empowerment**
  - Reduce the daily burden of water collection that falls on women and provide time for productive activities

- **Increased revenue:**
  - Forecasted revenue are expected to increase year by year as more customers will be served.
  - Building national capacity: bond issuance strengthens the Tanzania financial markets and reduce pressure on government budget

For more information: www.uncdf.org/dual-key
The UN Capital Development Fund makes public and private finance work for the poor in the world’s 46 least developed countries (LDCs).

UNCDF offers “last mile” finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development.

UNCDF’s financing models work through three channels: (1) inclusive digital economies, which connects individuals, households, and small businesses with financial eco-systems that catalyze participation in the local economy, and provide tools to climb out of poverty and manage financial lives; (2) local development finance, which capacitates localities through fiscal decentralization, innovative municipal finance, and structured project finance to drive local economic expansion and sustainable development; and (3) investment finance, which provides catalytic financial structuring, de-risking, and capital deployment to drive SDG impact and domestic resource mobilization.

This policy brief’s content directly comes from the UNCDF’s flagship publication – Local Government Finance is Development Finance. For more information about the book, download here or via + QR code.

For more information on the work of the Local Transformative Finance Practice, visit https://www.uncdf.org/local-development-finance