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REPOA Brief

Financing the Blue Economy for Tanzania's Marine and Inland Water Transformation

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Key Messages

National Blue Economy ambitions cannot be realised through public and donor finance alone - scalable impact requires frameworks that systematically mobilise private and domestic capital.

Blended finance currently offers the most practical leverage for blue investment, but its effectiveness is constrained by weak project pipelines, governance gaps, and limited enterprise readiness.

Without a unified national blue finance framework, financing will remain fragmented, infrastructure heavy, and misaligned with its inclusiveness and sustainability objectives.

Introduction

Finance and investment mobilisation are central to the realisation of Tanzania's Blue Economy ambitions. Blue finance, defined as financial instruments, mechanisms, and investment flows that support the sustainable use, protection, and regeneration of marine, coastal, and inland water resources has emerged as a critical enabler of the National Blue Economy Policy (2024). It provides the means through which strategic intent is translated into infrastructure, enterprise development, ecosystem protection, and climate resilience.

To date, financing for Blue Economy–related interventions in Tanzania has been dominated by public budgets and development partner resources. Multilateral institutions such as the World Bank and African Development Bank, bilateral partners including the European Union and Japan, and United Nations agencies have supported port modernisation, fisheries governance, marine conservation, climate adaptation, and trade facilitation initiatives through grants, concessional loans, and technical assistance (World Bank, 2020; UNCTAD, 2019). These investments have delivered substantial infrastructure and policy gains, most visibly in ports and trade corridors.

However, the current blue finance landscape remains project based, fragmented, and weakly catalytic. Public and donor resources have had limited success in leveraging domestic and international private capital at scale. Financing is skewed toward capital intensive infrastructure, while small scale fisheries, coastal small and medium enterprises (SMEs), and nature based solutions receive modest, episodic support. As a result, the scalability, inclusiveness, and long term financial sustainability of Blue Economy investments remain constrained (OECD, 2020).

Against this backdrop, Tanzania faces a strategic transition moving from donor driven and state funded interventions toward diversified, risk sharing, and market mobilising finance frameworks. This policy brief examines the effectiveness of existing blue finance instruments including blue bonds, blended finance, and risk mitigation mechanisms, assesses systemic constraints, and outlines policy directions to strengthen alignment between finance, development priorities, and international good practice.

Methodology and Data

This study employed a mixed methods research approach to generate a comprehensive understanding of the research problem through the integration of qualitative and quantitative evidence. A convergent design was adopted, allowing parallel collection and analysis of data from multiple sources, with findings integrated during interpretation to strengthen validity through triangulation.

First, a comprehensive documentary and literature review was undertaken to establish the conceptual and empirical foundations of the study. The review covered peer reviewed academic literature as well as grey sources, including policy documents, legal and regulatory frameworks, government strategies, institutional reports, publications by international and non governmental organisations, and comparative research on the blue economy in selected countries globally. This review informed the analytical framework, identified knowledge gaps, and guided the design of empirical tools.

Second, the study conducted secondary analysis of existing data obtained from official statistics, institutional databases, and published reports. These data were examined to identify trends, patterns, and structural dynamics relevant to the research objectives. Where necessary, data were reorganised and synthesised to enhance comparability and analytical relevance.

Third, key informant interviews (KIIs) were conducted with more than 60 respondents, comprising over 20 institutional actors and approximately 40 additional key respondents in Dodoma, Dar es Salaam and Zanzibar in March and April 2026. Participants were purposively selected based on their expertise, institutional roles, and involvement in policy formulation, regulation, implementation, or programme delivery. Semi structured interview guides enabled consistent coverage of key themes while allowing flexibility to explore context specific insights.

Qualitative data were analysed using thematic analysis, while secondary quantitative data were subjected to descriptive and trend analysis. Ethical principles, including informed consent, confidentiality, and responsible data use, were observed throughout the study.

Findings

The Current Structure of Blue Finance in Tanzania

Tanzania's blue finance ecosystem is best characterised as nascent but evolving. Public spending and development partner funding dominate investment flows, delivering important gains in hard infrastructure, regulatory reform, and climate alignment. However, these flows remain weakly integrated with domestic capital markets and private investment strategies. As a consequence, blue finance has struggled to transition from discrete projects toward sustained investment pipelines capable of generating long term economic and environmental returns (OECD, 2020).

A further structural imbalance lies in the allocation of finance. Capital intensive projects particularly ports and transport corridors attract the bulk of funding due to clearer revenue streams and stronger institutional sponsorship. In contrast, fisheries, aquaculture, coastal SMEs, and ecosystem restoration projects face high perceived risk, informality, and limited aggregation, making them less attractive to conventional financiers despite their centrality to livelihoods and food security.

Blue Bonds: Promise and Practical Constraints

Blue bonds are frequently cited in Tanzanian policy discourse as an aspirational instrument. International experience, notably the Seychelles sovereign blue bond, demonstrates their potential to mobilise capital while ring fencing proceeds for marine sustainability (World Bank, 2018). In principle, Tanzania's extensive marine and inland water resources make it a strong candidate for such instruments.

In practice, however, blue bonds remain a medium term prospect. Key constraints include the limited pipeline of bankable, revenue generating blue projects; underdeveloped systems for tagging and tracking expenditures against blue outcomes; fiscal and debt management considerations; and relatively shallow domestic capital markets for thematic bonds (UNCTAD, 2021; OECD, 2020). Premature issuance without adequate preparation risks reputational damage and weak performance. Blue bonds should therefore be approached as a sequenced objective, contingent on stronger project preparation facilities and outcome based budgeting.

Blended Finance as the Most Active Instrument

Blended finance combining concessional public or donor capital with commercial investment is currently the most relevant blue finance instrument in Tanzania. It directly addresses core market failures, including high perceived risk in fisheries and coastal enterprises, long payback periods, and positive externalities not fully priced by markets (OECD, 2018).

In Tanzania, blended finance has been applied primarily in port development, renewable energy linked to coastal zones, and certain public–private partnership (PPP) projects. The Nyerere Bridge in Kigamboni represents a notable example of successful domestic blended finance involving the National Social Security Fund and government, illustrating the potential for long term returns when revenue streams and governance arrangements are robust.

However, the effectiveness of blended finance diminishes markedly at the community and SME level. High transaction costs, weak enterprise balance sheets, and limited aggregation constrain scale. Field evidence suggests that concessional capital deployed without parallel investment in governance reform, compliance systems, and market access yields fragile outcomes. Blended finance is therefore most effective when embedded within ecosystem level reforms, rather than treated as a standalone financing solution.

Risk Mitigation and De-Risking Tools

Risk mitigation instruments including partial credit guarantees, political risk insurance, and technical assistance grants play a crucial role in attracting private investment, particularly in ports and logistics. Yet their deployment remains uneven across Blue Economy sectors. Fisheries and inland water transport face significant environmental, regulatory, and market risks that are often assumed rather than actively managed through tailored insurance or guarantee products (UNEP, 2022).

Moreover, existing risk mitigation mechanisms are rarely designed with gender inclusion and small scale operators in mind, limiting their developmental reach. International experience suggests that targeted de risking instruments can unlock investment in smallholder dominated sectors when aligned with aggregation and enterprise support models (OECD, 2018).

Systemic Gaps in the Blue Finance Framework

Across instruments, several systemic weaknesses persist: heavy donor dependence; limited mobilisation of domestic private capital; weak linkage between finance, policy reform, and enterprise capability; and the absence of a unified national blue finance taxonomy or coordination framework. These gaps reinforce fragmentation and undermine investor confidence. International experience demonstrates that blue finance is most effective when embedded within integrated investment frameworks, supported by clear eligibility criteria, monitoring systems, and public–private coordination platforms (OECD, 2020; UNCTAD, 2021).

Conclusion and recommendations

Tanzania has made substantial progress in strengthening trade facilitation and logistics within its Blue Economy ecosystem, supported by clear policy intent, international commitments, and targeted infrastructure investments. Nonetheless, regulatory fragmentation, coordination gaps, and incomplete digital integration continue to constrain the full realisation of benefits. Addressing these challenges through harmonised governance, integrated planning, and secure digital systems is essential for positioning Tanzania as a competitive, resilient, and sustainable maritime trade hub in the Western Indian Ocean and Great Lakes regions by attracting blended finance and long-term private sector investments.

A number of recommendations are offered to address existing bottlenecks:
First, Tanzania should prioritise the development of a national blue finance and investment framework that provides a coherent foundation for mobilising public, donor, and private capital. Such a framework should define eligible blue sectors and activities, establish sustainability and inclusiveness criteria, and align financing instruments with national development and climate objectives. A common taxonomy would enhance credibility, reduce fragmentation, and build investor confidence.

Second, blended finance should be strategically scaled by strengthening project preparation and enterprise readiness. Dedicated facilities for feasibility studies, aggregation of small scale projects, and governance support would improve bankability, particularly in fisheries, aquaculture, and coastal SMEs. Financial instruments must be integrated with policy reform, compliance systems, and market access strategies to ensure durability.

Third, risk mitigation tools should be expanded and tailored to natural resource based blue sectors. Parametric insurance, climate linked guarantees, and ecosystem based risk instruments could significantly enhance resilience and attract long term capital, especially where climate variability poses growing threats. Inclusion objectives should be explicitly embedded in the design of guarantees and insurance products.

Fourth, blue bonds should be treated as a sequenced objective rather than an immediate solution. Preparatory efforts should focus on building a pipeline of revenue generating projects, strengthening expenditure tagging systems, and deepening domestic capital markets to ensure that eventual issuance supports credibility and long term performance.

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