THE BRAZZAVILLE FOUNDATION FOR PEACE AND CONSERVATION

In cooperation with the

STRATEGIC FORESIGHT GROUP

Proposal for a “Congo Basin Blue Fund”

This is a proposal to:

i) establish, by means of an agreement among a group of countries in the Congo Basin, a Congo Basin Blue Fund to enable those countries to shift from forest economies to river economies in a collaborative manner, thereby generating economically and environmentally sustainable development, and achieving peace through cooperation in water, environment and conservation; and

ii) gain the approval of these countries to make a joint presentation in support of a Congo Basin Blue Fund at the COP 22 conference in Marrakesh in November 2016 and to seek an international commitment to finance this Fund as a key part of the COP 22 conclusions.

A joint investment plan to underwrite a new economic model

In view of the continuing problems of poverty and deforestation as well as wider environmental and climate change concerns, there is a strong case for changing the basis of Congo Basin economies from the exploitation of forests to the exploration of the benefits of rivers and their tributaries that flow through the entire basin.

Such a shift will require a Joint Investment Plan in the new “blue economy” designed to deliver both economic and environmental sustainability.

It should focus on the creation of real assets such as navigation lines, small ports infrastructure, water and waste treatment, energy development, irrigation, small dams, small scale industries, agriculture and afforestation. A small amount of resource allocation will be required for institutional capacity building, but it cannot be a substitute for the creation of real blue economy assets.

This shift cannot be carried out alone by any one country but will require a collective effort and access to new resources.
**Congo Basin Blue Fund**

Regional funds such as Congo Basin Forest Fund and Congo Basin Forest Partnership have resources mainly used for institutional capacity building, dialogue processes and administration, and not for creating real economic assets.

It is therefore proposed to establish a special purpose vehicle in the form of a **Congo Basin Blue Fund** with two components:

- An annual renewable window of Euros 100 million in grants with long term commitments for annual renewal, which will enable the generation and servicing of Euro 3 billion in multilateral credit for creating real economic assets

- Euros 1 billion in grants for business development that could be extended for the next steps. This would support the creation of assets for shift from the forest economy to the blue economy

The main condition of the **Congo Basin Blue Fund** will be that funds will only be available for projects which involve cooperation between riparian countries or are included in the Joint Investment Plan and not for purely national projects. Such projects must promote cooperation between riparian countries and directly or indirectly contribute to the cause of conservation and environmental sustainability. The fund will also require tough conditions to prevent default on repayment of the project credit.

The annex to this proposal examines in more detail the financing and the modalities of a **Congo Basin Blue Fund**.

**Timetable**

Below is a proposed timeline for the approval and implementation process:

- Approval by conference of Foreign Ministers and Environment Ministers (May 2016)
- Further work to prepare a detailed proposal (June – August 2016)
- Approval by Heads of State of the Congo Basin (Last week of August 2016)
- Endorsement at the COP22 (November 2016)
- Promotion with Multilateral Donor Banks and others.
Proposal for a “Congo Basin Blue Fund”

Annex

Funding the Joint Investment Plan

It will be difficult to secure funding for the Joint Investment Plan from conventional sources. In this regard, the Green Climate Fund (GCF) reaffirmed at COP 21 in Paris in December 2015 can be cited as an example. The GCF aims at long term climate finance under the auspices of UNFCCC to help developing countries adopt practices that will mitigate and counter climate change. The Fund set itself a goal of raising USD 100 billion per year by 2020. The Fund received pledges of USD 10.2 billion by October 2015. This was further reduced to USD 9.1 billion. Of the total pledges, only USD 5.83 billion were formally agreed upon and only USD 852 million had reached the fund’s accounts. In November 2015 the GCF Board approved eight projects totaling USD 168 million. The Fund has an aspirational target of USD 2.5 billion in 2016.

It can be clearly seen that there is a marked difference between the aspirational goal of GCF which was initially a USD 100 billion and the sum actually available at a level below USD 1 billion. The performance of Global Environment Fund (GEF) and other instruments is similar. The Congo Basin countries can at best hope to attract USD 100 million from these funds for “enabling” activities and not for creation of economic assets. Such a possibility should be used in an innovative and efficient way.

Modalities of a Congo Basin Blue Fund

We are therefore proposing a Congo Basin Blue Fund with two components:

- An annual renewable window of Euros 100 million in grants with long term commitments for annual renewal, which will enable the generation and servicing of Euro 3 billion in multilateral credit for creating real economic assets.

- Euros 1 billion in grants for business development that could be extended for the next steps. This would support the creation of assets for shift from the forest economy to the blue economy.
The annual renewable window may be designed on the lines of the EU-Africa Infrastructure Trust Fund to cover the following:

- Interest rate subsidies (IRS) – can be applied in flexible ways to reduce the total amount of debt payable by the borrower
- Technical assistance (TA) – preparatory work for eligible projects, project supervision and targeted capacity building
- Direct Grants (DG) – to finance project components with social or environmental benefits
- Insurance Premia (IP) - Payment of early-stage premia for launching infrastructure projects
- Payment of Project Implementation Units (PIUs) for the provision of experienced technical and management staff to support the public administrations in the implementation of projects.

If IBRD/World Bank interest rates + commitment fees + front end fees are used as a basis for calculation, there is interest + insurance cost of approximately 3%. Thus, a window of Euro 100 million can help finance projects of Euro 3 billion and have a surplus of Euro 10 million to be used for fund management and technical assistance.

In Africa, there seems to also be a proliferation of sovereign wealth funds such as the Chinese and Arab funds which are “effectively state owned” and are financing major infrastructure work in the region. However, these funds are available to individual riparian countries without any consideration for other riparian countries. This effectively raises the possibility of conflict between countries. Hence, the Congo Basin Blue Fund will place a premium on trans-boundary cooperation and participate in the creation of projects with real economic benefits.

The annual renewable window of the Blue Fund can receive financial support from other bigger environmental funds such as GCF and the Global Environment Facility to the tune of Euro 100 million. It is possible on the ground that the amount will be used for “enabling purpose” to secure credit for real blue economy with the Congo Basin countries implementing the following conventions:

- The Convention on Biological Diversity
- The United Nations Framework Convention on Climate Change
- The United Nations Convention to Combat Desertification
- The Stockholm Convention on Persistent Organic Pollutants
- The Minamata Convention on Mercury
The actual projects for which the annual renewable window will be used could be financed by the World Bank, African Development Bank, Asian Infrastructure and Investment Bank, bilateral donors, sovereign wealth funds and others on project basis.

African Development Bank could anchor the **Congo Basin Blue Fund** as a managing trustee, whereas the Governing Board may include representatives of governments in the region, large multilateral banks and the chief executives of the three main regional institutions (COMIFAC, CICOS, ECCAS) in the basin.

It will be imperative for all countries to come together to strengthen COMIFAC, CICOS, and ECCAS, expand them to cover the entire basin, and use them as anchors to manage the economic shift.