



# CONGO BASIN



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BLUE FUND

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**Brazzaville Foundation**  
for peace and conservation





## Congo Basin Blue Fund



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**Proposal by the Republic of the Congo**

**in collaboration with the Brazzaville Foundation for Peace and Conservation**



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# CONGO BASIN BLUE FUND

**Proposal by the Republic of the Congo in collaboration with the Brazzaville Foundation**

**Supported by Angola, Burundi, Cameroon, Central African Republic, Democratic Republic of Congo, Equatorial Guinea, Gabon, Rwanda, United Republic of Tanzania and Zambia**

## **Outline**

The Congo Basin Blue Fund would be designed to help the countries of the Congo Basin finance a shift in their economies from reliance on forest-based resources to much greater use of renewable river and water-based resources. It would thus offer an alternative and environmentally sustainable means of economic development to the benefit of the countries and the peoples of the Congo Basin and, by helping to preserve the forests of the Congo Basin, contribute to international efforts to mitigate global warming. The Fund would also encourage regional peace and stability through enhanced cooperation and collaborative projects.

## **Rationale**

The Congo Basin is second only to the Amazon Basin as one of the world's carbon sinks. Preserving the forests of the Congo Basin has a vital role in mitigating the effects of climate change whereas continuing deforestation will only exacerbate global warming. At the same time the countries and peoples of the Congo Basin must have the right to economic development and improved standards of living.

The aim of this proposal is to reconcile these two objectives by seeking to shift the focus of Congo Basin economies from the exploitation of forests to a new form of sustainable development based on making much greater use of the renewable resources represented by the waters of the Congo and its tributaries. The aim would be to contribute to what the Economic Commission for Africa has called Africa's "Blue Economy" and deliver both economic and environmental sustainability.





It would focus on creating real economic assets such as:

- improved river navigation and transport, including dredging and small ports infrastructure
- hydro-electric projects/small dams
- irrigation projects to increase productivity of existing arable and agricultural land
- fishing and fish farming
- water and waste water treatment
- eco-tourism

This shift to a new Blue Economy will require a Blue Economy Investment Plan (a “blueprint for the blue economy”) to map out potential sectors and identify potential projects..



## **Funding the "Blue Economy"**

This shift cannot be carried out alone by any one country. It will require a collective effort. Above all it will require access to new resources.

The resources of existing regional funds, such as Congo Basin Forest Fund and Congo Basin Forest Partnership, are 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 an annual, renewable window of Euros 100 million with long term commitments for annual renewal.

This money would be used in the form of grants to pay the interest on development loans from international financial institutions and other donors for projects identified by the blue economy investment plan as well as pay for the costs of insurance and other technical charges. This would allow the generation and servicing of up to Euro 3 billion in multilateral credit for investment in new and productive economic assets.





## **Financing the Congo Basin Blue Fund**

In recognition of the contribution that this shift to a Blue Economy represents for environmental protection and the mitigation of climate change in the Congo Basin, it is proposed that the Congo Basin Blue Fund be financed from the Green Climate Fund and the Global Environment Fund.

The Congo Basin Blue Fund will only be available to help fund projects which involve cooperation between riparian countries, have been identified in the Blue Economy Investment Plan and which directly or indirectly contribute to the cause of conservation and environmental sustainability.

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

## **Next Steps**

As a next step, the Republic of Congo, in collaboration with the Brazzaville Foundation and the Strategic Foresight Group, proposes a meeting of Congo Basin countries, international financial institutions, major donors and regional organisations to examine this proposal in detail and to prepare a plan of implementation.

## **Acknowledgements**

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# CONGO BASIN BLUE FUND PROPOSAL

## ANNEX

### Funding the Blue Economy Investment Plan

It will be difficult to secure funding for the Blue Economy 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 the goal of raising USD 100 billion per year by 2020. The Fund had received pledges of only 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 totalling 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 the GCF which was initially a USD 100 billion and the sum actually available which is 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 needs to 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 an annual renewable window of Euros 100 million in grants with long term commitments for annual renewal. This will enable the generation and servicing of up to Euro 3 billion in multilateral credit to be used to create real economic assets and finance the shift from the forest economy to the blue economy.

The annual renewable window could 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• project implementation units run by experienced technical teams to support governments in the implementation of 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 are a number of sovereign wealth funds, such as the Chinese and Arab funds, that are “effectively state owned” and are financing major infrastructure work in the region. These funds are, however, available to individual riparian countries without any consideration for other riparian countries. This raises the possibility of conflict between countries. The Congo Basin Blue Fund will therefore place a premium on cross-border cooperation.

## Financing the Congo Basin Blue Fund

The annual renewable window of the Blue Fund would be eligible for financial support from environmental funds such as GCF and the Global Environment Facility to the tune of Euro 100 million on the grounds 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 which the annual renewable window will be used to support can be financed by loans from the World Bank, African Development Bank, Asian Infrastructure and Investment Bank, bilateral donors, sovereign wealth funds and others on project-by-project basis.

## Management and Governance

The governments of the countries of the Congo Basin will decide on an appropriate institution or a development bank to manage the Blue Fund. The Governing Board may include representatives of governments in the region, large multilateral banks and the chief executives of the main regional institutions (eg COMIFAC, CICOS, ECCAS).

It will be imperative for all countries to come together to strengthen COMIFAC, CICOS, and ECCAS, to expand them to cover the entire Congo Basin, and to use them as anchors to manage the shift from forest economies to the new Blue Economy.





**FOR MORE INFORMATION,  
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