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# The Belt and Road Initiative:

## A new means to transformative global governance towards sustainable development

### SNAPSHOT





# The Belt and Road Initiative

*A new means to transformative global governance  
towards sustainable development*

China's Belt and Road Initiative (BRI) is a strategic vision for shared growth and prosperity around the world, based on the concept of connectivity as epitomized by the old Silk Road. The potential impact of the BRI has generated global interest and goodwill due to its potential as a powerful platform for economic growth and regional cooperation; envisioned to involve more than four billion people living in the Asian, European and African regions, in countries that are for the most part emerging and developing.

This third Global Governance Report<sup>1</sup> argues that the BRI has the potential to contribute to a transformative governance agenda, one that is directed towards sustainable development. The BRI can be a key driver of economic dynamism and rising prosperity across the regions it is projected to impact. This makes it outstandingly important given the context of current sluggish world growth. It represents an opportunity to generate development dividends tied to market-based investment and growth initiatives, hence strengthening the growth quality. In conclusion, the report provides meaningful policy recommendations to serve policymakers to ensure the initiative can bring sustainable development and mutually beneficial outcomes to countries and peoples across BRI.

This report has a two-part structure. Each part contains two chapters. The latter chapters build on the insights and analysis of the former ones.



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1. Considering China's rapid rise to the international stage and its expanding influence, UNDP China, in partnership with the China Center for International Economic Exchanges (CCIEE), launched in early 2012 the Global Governance Initiative. This initiative has the objective of producing new ideas and solutions to serve as food for thought for the development of China's own position as a leading figure among developing countries on international global governance issues. The initiative consists of a biannual High-Level Policy Forum on Global Governance (2012, 2014, 2016), followed by policy-informing flagship Global Governance Reports (2013, 2015 and 2017) that summarize and elaborate on the main ideas discussed at the forum. The 2017 report entitled "The Belt and Road Initiative - A new means to transformative global governance towards sustainable development" has been drafted in light of the fruitful discussions that took place during the third High-Level Policy Forum on Global Governance on the 10<sup>th</sup> November of 2016 in Beijing.

# The Belt and Road Initiative in the context of Global Governance and the implementation of the Sustainable Development Goals (SDGs)

## Opportunities and Challenges in current global governance

Global, regional and domestic governance is tied to the dynamics of decision-making and forms of political, social and economic integration dominant in various regions and across various policy fields. Getting global governance arrangements right implies the need for greater coherence and coordination between actors. The 2030 Agenda for Sustainable Development offers a comprehensive international policy framework for sustainable development through an inclusive and cooperative approach.

Figure I - The 2030 Agenda for Sustainable Development



## The Belt and Road Initiative and its potential

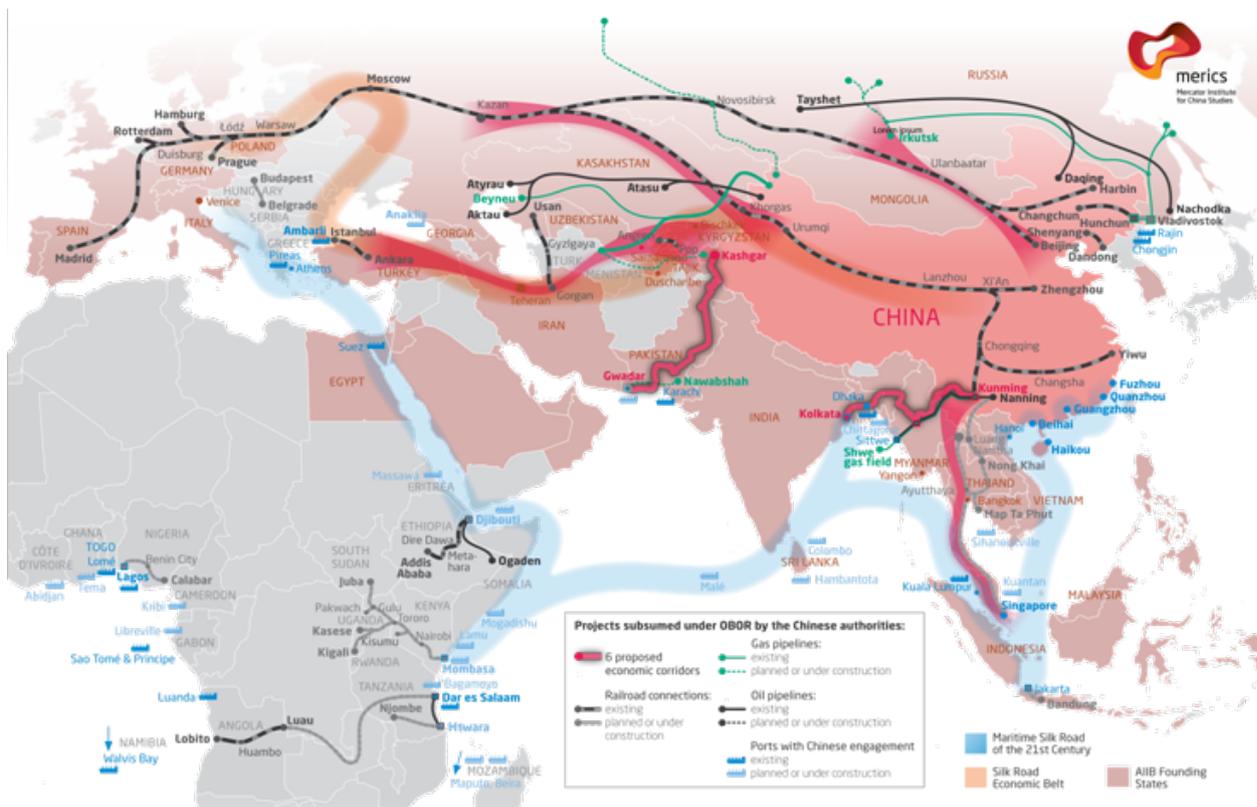
### China as bridge builder and the BRI as game changer

The BRI is a China-led initiative with international implications. With its key theme of connectivity, the BRI aims at integrating regions not only physically, but also economically, socially and digitally. It intends to provide a comprehensive platform for coordinating the development strategies of participating countries, seeking complementary advantages and establishing a dialogue on converging interests.



China and the other BRI countries nevertheless face a major challenge in their attempt to feasibly integrate the initiative into a sustainable development path. As the implementation of a green and sustainable Belt and Road begins, those involved will need to thoroughly examine the core strategy and principles behind the initiative, as well as ensure that local communities at both the provincial and regional levels are fully engaged.

**Figure II. Map of Belt and Road Routes**



Given the immense potential the BRI offers, the delivery of its desired outcomes should create long-lasting results with sustainable development as its core. This report argues that the BRI could maximize its outcomes if it is aligned with the 2030 Agenda for Sustainable Development and the SDGs. This requires that the BRI aims, on one hand, to contribute to the achievement of the sustainable development goals of participating countries in the areas of basic infrastructure, regional development, connectivity and industrialization – as per its stated goals. On the other, it would extend and upgrade the initiative to explicitly aim for a sustainable transformation of the countries along the Belt and Road, ensuring BRI policy domains create leverage towards poverty reduction, environmental sustainability and inclusive social development, deemed key elements for the BRI's success in the long-term. In doing so, the BRI could serve as an accelerator, an effective vehicle to achieve the SDGs. At the same time, in lining up with the SDGs, the BRI would be in the best position to advance the common good of participating nations in every area of development.

### *The transformative potential of the BRI towards sustainable development*

The engagement structure of the BRI itself is complex and multi-level encompassing bilateral, sub-regional and regional layers. BRI countries dispose of a diverse set of governance mechanisms and practices. However, to varying degrees, they all face the same challenges and opportunities when it comes to their engagement. For instance, the articulation between national development objectives and the need to respond to the growing demand for investment opportunities; the development and strengthening of mechanisms in the policy environment for the effective delivery of development goals; and capacity building to channel and create spillover opportunities. The BRI has a lot to offer as a complementary framework to existing global governance, but this will require that partnerships and governance mechanisms will fully unfold their transformative approach. The role of international cooperation, institutional set-ups and policy domains will be therefore strategic.

The 2030 Agenda can provide the proper ground for the BRI engagement to augment the quality of its impact, achieve its desired results and build on existing complementary advantages. It is being subscribed to by all countries along the Belt and Road and depends on concrete actions from global, regional, national and sub-national levels.

**Figure III. BRI and SDGs strategic alignment**

<b>How can the BRI be a transformative means to global governance?</b>	1. Bringing in the 2030 Agenda
	2. Addressing the public goods provision
	3. Encouraging policy coordination and alignment
	4. Empowering country leadership and ownership

This strategic alignment will provide the basis for the BRI to fully serve as a China-led contribution for global goods provision. This report argues that the BRI countries' engagement should be based on their national SDGs implementation strategy, thereby suggesting that this will be the mechanism to guarantee BRI countries' leadership and ownership of their development strategies and ensure the effective and sustainable implementation of the BRI in the long-term.

With the SDGs as a premise for engagement: (1) The BRI could achieve its desired impact; (2) BRI participating countries can engage on the basis of their development demands, while articulating their ownership and leadership throughout the process. (3) International cooperation will be a path to obtaining win-win solutions. (4) China will upsurge its international role as a responsible partner and leader in international development cooperation.

# How to implement the Belt and Road towards sustainable development?

## *Enhancing policy innovation in trade, investment and finance*

As the BRI projects increase in scale, a comprehensive trade, investment and finance architecture that is suitable to the BRI will require a vision that matches the ambitious scope of BRI itself. This is because trade, finance and investment are the three ‘vehicles’ within which all the economic activities of the BRI – building physical infrastructure, sales of goods and services, and related economic activities – will take place. This framework could capitalize on synergies between sustainability, different sectorial policies, and between diverse actions at the local, regional, national and international levels.

While such a comprehensive framework may make opportunities feasible, responsibility and sustainability should be referred to as core features, both for governments and the business sector. Support is needed for marketplace development through marketization, risk identification and management, and the digitization of trade, finance and investment where policies are anchored to sustainable development practices. Reforms need to be made consistent with the SDGs. Leveraging the BRI will be important for supporting the inculcation of best practices in trade, finance and investment – through coordination and technical assistance – and for harmonizing these best practices with other regional approaches, all with a special focus on the least development countries.

Alongside trade and investment agreements aimed at stimulating economic growth, good governance will be needed to manage the unprecedented growth in connectivity, infrastructure investment and the formation of global alliances to channel its demands. Despite these challenges, policy attention coordinated at the national, regional and global levels will help the BRI flourish and produce win-win outcomes.

**Figure IV – Boosting trade, investment and finance**

- A. Addressing project risks**
- B. Addressing barriers to investment, finance and trade**
- C. Ensuring consistency between national and regional policy planning**
- D. Creating an enabling environment for addressing public goods at the regional level**
- E. Ensuring that governments are prepared**

### *How can the BRI enhance development dividends towards win-win cooperation?*

The BRI is intended to respond to different nations' need for sustainable development through enhanced connectivity. A broad list of the BRI's connectivity projects include physical infrastructure, such as mass urban transport systems, housing, roads, energy, water and waste management; social infrastructure, such as hospitals, schools and programs for the balanced development of rural and urban areas; and infrastructure for disaster risk management and digitization.

A key goal for the BRI planners is the development of a reliable roadmap to achieve sustainable development. This requires embedding social and environmental sustainability into BRI projects, in order to develop responsible approaches to connectivity in and across BRI countries.

Developing policies with sustainable outcomes, such as inclusion and green economic instruments that utilize the complementarities inherent in the BRI's projects and programs could maximize sustainable outcomes.

Enabling participation and building capacity are to be prioritized, as these have the potential to strengthen private sector development across the BRI through the provision of assistance to member countries, in order to address constraints to private sector development and link it to a green approach.

## **Conclusion and Policy Recommendations**

The Belt and Road Initiative arises as a window of opportunity for creating an inclusive commitment to sustainable development across and within countries. The SDGs are a meaningful framework through which participating countries can engage and ensure their demands are met while guaranteeing ownership and leadership of the process.

Economic, social and environmental benefits and risks differ across the BRI's outreach. The ambition of the BRI can only develop if there is an aggregate vision of strengths and weaknesses across its outreach. Similarly, the quality at which the BRI fosters its targeted results must rely on the premise of mutually beneficial outcomes. International expectations of China to kick-start the implementation of existing and new BRI-related projects and link them to the core areas of sustainable development are high. Trust and confidence among states will be a core dimension.

The report concludes with the main policy recommendations tailored to:

- Chinese policymakers as the leaders of the BRI,
- Governments and policymakers in the BRI partner countries,

- Business sector, such as Chinese multinationals and local companies,
- Financial institutions, both Chinese and international.

Our recommendations are intended for all above-mentioned actors. While held general, responsibilities and tasks for these actors differ. It is our aim to raise crosscutting issues that need to be addressed through coordinated efforts of all stakeholders involved. Without being exhaustive, these recommendations are structured around the main ingredients essential, in our perspective, to maximize the positive impact of the BRI: inclusiveness, alignment, coherence, coordination and capacity.

### **1. Make inclusiveness the core of the BRI to boost its economic potential, and leverage it to work with other countries towards a more balanced, multi-polar international architecture with China as a bridge builder.**

- » *China should further enhance its role as a bridge builder for South-South Cooperation through responsible leadership and a proactive attitude toward international development cooperation and global governance.*
- » *Efforts should be driven towards fulfilling commitments and ensuring inclusiveness throughout the engagement processes, ensuring the demands of recipient countries across the BRI are being met and substantively engaged throughout the implementation process.*
- » *Crafting consistent regional and multilateral policy frameworks can be an essential step for ensuring real win-win opportunities.*

### **2. Strategically align countries' BRI engagement with the national implementation of the SDGs as a mechanism to guarantee all countries' leadership and ownership.**

- » *Strengthen the strategic alignment of the SDGs national plans with the BRI's projects to facilitate effective implementation and the achievement of sustainability in the long-term; ensure governments play a proactive role in promoting the integration of sustainable development.*
- » *BRI participating countries can engage on the basis of their development demands, while articulating their ownership and leadership throughout the process.*
- » *Ensure that domestic policies aim for long-term effectiveness across sectors and between domestic and international policies, thereby ensuring consistency in decision making across all governance levels, covering planning, design and implementation.*

### **3. Enhance communication at the national, regional and global level to consolidate policy coordination by convening and facilitating dialogue across sectors levels.**

- » *Ensure that structures are in place, including the allocation of sufficient and appropriate resources to achieve effective coordination for policy coherence towards sustainable growth within the BRI context.*
- » *Create mechanisms for collaboration, coordination and policy formulation across the BRI, with a focus on cross-government collaboration, multi-stakeholder engagement and private sector engagement.*
- » *Support community development through governance systems in which all segments of a community have an effective voice in development initiatives.*

### **4. Build capacity for leadership to support effective and coherent policy making across different BRI levels.**

- » *Cultivate the development of political leaders and ensure they are appropriately positioned across different BRI levels for the successful implementation of projects.*
- » *Build up relevant skills and competences to support effective and coherent policy making across different BRI sectors.*
- » *Develop mechanisms to identify the demands of assessment, planning, and monitoring support for the BRI's related development needs.*

### **5. Transform the BRI into a platform for green trade, finance and investment.**

- » *Facilitate and commit to policies that incorporate green trade, finance and investment as part of the BRI project portfolio, and develop approaches to increase the availability of green finance through cooperation with BRI partners in the participating countries.*
- » *Commit to the promotion of a sustainability-supporting trade, finance and investment architecture based on marketization, risk management, and digitization.*
- » *Encourage the streamlining of technologies (e.g. between resource-intensive and green technologies) towards the development of green infrastructure systems (sustainable transport infrastructure, renewables-based electricity, climate resilient and energy and resource efficient infrastructure). Streamlining efforts have to be based on research and development and supported by digitization.*



## 6. Enhance the creation of job opportunities for local communities through systematic support for SME development and life-long learning training in line with each BRI country's needs.

- » *Assist job creation through structured support for human capital training initiatives.*
- » *Provide an enabling environment for local workforce to develop and participate in BRI investments, as well as develop SME potentials.*
- » *Develop policies that align the BRI's economic goals with inclusive growth. Such an alignment is to be based on sustainable development. This could be realized through the adoption of tools such as: the social rate of return, promotion of organizational and technological innovation, incorporation of human capital improvement into BRI projects, and usage of rigorous benchmarking and evaluation tools. Benchmarking tools should incorporate both economic return parameters (e.g. net present value), and social return parameters (e.g. employment generated and the value-addition provided by SMEs).*

## 7. Enabling private sector participation.

- » *Provide support for creating an enabling policy, legislative and regulatory environment for private sector development across the BRI, by providing assistance to member countries to address constraints to private sector development.*
- » *Enhance industrial cooperation, as well as sustainable large-scale industrialization through enabling linkages and spillover opportunities between multinational companies and local companies.*
- » *Support responsible business conduct and use best practices in advanced BRI countries to address obstacles to private sector participation in recipient countries, including: regulatory barriers, insufficient infrastructure, unavailability of skills and human capital, credit and other barriers to small and medium enterprise (SME) development, barriers to the digitization of transactions (e-commerce), sector informality, and the difficulties associated with obtaining medium and long-term finance.*
- » *Strengthen public-private partnership (PPP) policies to recognize the specific value of the public and private sector for particular BRI projects, and calibrate these policies as the source of value change.*



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