

Strengthening national policy capacity for jointly building the Belt and Road towards the Sustainable Development Goals

A capacity development project financed by UN Peace and Development Trust Fund

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I. Introduction

As Chinese President Xi Jinping announced at the United Nations' 70th Anniversary Summit in 2015, the UN Peace and Development Trust Fund was launched in May 2016. China contributes 200 million dollars to this fund in 10 years, to support activities in the area of peace and security, and the 2030 Agenda for Sustainable Development.

Among a large number of project proposals submitted to the UN Peace and Development Trust Fund, the proposal by the Development Policy Analysis Division (DPAD) in the United Nations Department of Economic and Social Affairs (DESA) has recently been approved.

Entitled “strengthening national policy capacity for jointly building the Belt and Road towards the Sustainable Development Goals”, this project is intended to strengthen national capacity for a group of countries along the Belt and Road in assessing and formulating coordinated integrative policies for supporting their efforts to engage in the international development cooperation under the Belt and Road initiative so as to accelerate the achievement of the Sustainable Development Goals (SDGs).

This capacity development project consists of four components: (1) training and institutional networking of policymakers, (2) broad policy dialogues, (3) joint research and policy analysis, (3) broad policy dialogues, and (4) publication and dissemination.

II. The 2030 Agenda and the Belt and Road: shared vision and principles

The 2030 Agenda for Sustainable Development launched by Member States at the UN Summit for Sustainable Development in 2015 has charted a sustainable future for the world.²With 17 Sustainable Development Goals (SDGs) and 169 targets, which are integrated along the economic, social and environmental dimensions of sustainable development, the 2030 Agenda is an unprecedentedly ambitious, universal, overarching, and transformative action plan.

At the core of the 2030 Agenda is the determination by all Member States to eradicate poverty and hunger in all their forms. This is within the reach of the present generation for the first time in human history.

The scale and ambition of the 2030 Agenda requires a revitalized Global Partnership to ensure its implementation. This Partnership will work in a spirit of global solidarity. It will facilitate an intensive global engagement in support of implementation of all the SDGs and targets, bringing together Governments, the private sector, civil society, the United Nations

² See United Nations (2015, a).

system and other actors and mobilizing all available resources. The successful implementation of the 2030 Agenda and the achievement of the SDGs will highly depend on strengthened international development cooperation at global, regional, national and sub-national levels, by all the stakeholders.

In this regard, the initiative launched by China in 2013 for “jointly building the Silk Road Economic Belt and the 21st Century Maritime Silk Road (the Belt and Road, or B&R)”³ has provided a new open and inclusive platform for international development cooperation, which can make a great contribution to the achievement of the SDGs. Indeed, Chinese President Xi Jinping made it clear, when he met with the visiting UN Secretary-General in 2016, that jointly building the Belt and Road is to push forward the implementation of the 2030 Agenda.

The Belt and Road run through the continents of Asia, Europe and Africa, connecting the vibrant East Asia economic circle at one end and developed European economies at the other, and encompassing countries with huge potential for economic development (figure 1). About 65 countries are along the Belt and Road, accounting for 60 per cent of the world population, 30 per cent of the world gross product, 40 per cent of the world trade, and more than 50 per cent of the global poor people living under the extreme poverty line.



Figure 1. The Belt and Road

Source: Xinhua

³ See China (2015).

The majority of these countries are developing countries, including 9 Least Developed Countries (LDCs), and 12 Land-Locked Developing Countries (LLDCs). These countries are facing special challenges, as well as possess tremendous potential, for sustainable development.

The Belt and Road initiative also welcomes the countries beyond the geographic definition of the Belt and Road to take part in the development cooperation initiative.

The Belt and Road is set to promote win-win cooperation for shared development and prosperity, peace and friendship, through enhancing mutual understanding, trust, and exchanges. The Belt and Road advocates peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit.

While the Belt and Road and the 2030 Agenda are different in their nature and scope, they share in many respects a similar vision and a set of basic principles.

The 2030 Agenda is guided by the purposes and principles of the *Charter of the United Nations*⁴. Meanwhile, as stated in the *Vision and Action on the Belt and Road*, the Belt and Road is also in line with the purposes and principles of the **Charter of the United Nations**.⁵

The 2030 Agenda resolves to create conditions for sustainable, inclusive and sustained economic growth, shared prosperity and decent work for all, taking into account different levels of national development and capacities.

The Belt and Road is set to be harmonious and inclusive, advocating tolerance among civilizations, respects the paths and modes of development chosen by different countries. It supports dialogues among different civilizations on the principles of seeking common ground while shelving differences and drawing on each other's strengths, so that all countries can coexist in peace for common prosperity.

In short, the spirit of the Belt and Road to promote win-win cooperation, common development and prosperity, peace and cooperation, openness and inclusiveness, and mutual understanding and trust, is to a large extent in line with that of the 2030 Agenda for Sustainable Development.

III. Five B&R priority areas contributing to the achievement of the 17 SDGs

The 2030 Agenda for Sustainable Development includes **17 SDGs** (table 1).

⁴ See paragraph 10 in "United Nations (2015, a)".

⁵ See section II Principles in "China (2015)".

Table 1. Sustainable Development Goals

SDG1: End poverty in all its forms everywhere

SDG2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture

SDG3: Ensure healthy lives and promote well-being for all at all ages

SDG4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

SDG5: Achieve gender equality and empower all women and girls

SDG6: Ensure availability and sustainable management of water and sanitation for all

SDG7: Ensure access to affordable, reliable, sustainable and modern energy for all

SDG8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

SDG9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

SDG10: Reduce inequality within and among countries

SDG11: Make cities and human settlements inclusive, safe, resilient and sustainable

SDG12: Ensure sustainable consumption and production patterns

SDG13: Take urgent action to combat climate change and its impacts

SDG14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development

SDG15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

SDG16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

SDG17: Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

The Belt and Road has identified **five priority areas** for international development cooperation (table 2).

Table 2. Belt and Road Five Priority Areas for Cooperation

B&R1: Policy coordination, including building a multilevel intergovernmental macro policy exchange and communication mechanism; coordinating economic development strategies and policies; working out plans and measures for regional cooperation; and providing joint policy support for the implementation of practical cooperation and largescale projects.

B&R2: Facilities connectivity, including improving the connectivity of **infrastructure** construction plans and technical standard systems among countries along the Belt and Road; forming **regional infrastructure network**; and promoting **green and low carbon infrastructure** construction by taking into full account the impact of **climate change**.

B&R3: Unimpeded trade, including improving **investment and trade** facilitation, removing investment and trade barriers and ensuring the implementation of the **WTO Trade Facilitation Agreement**; expanding mutual investment in such areas as **agriculture, both conventional and renewable energy, information technology, biotechnology, new materials and other emerging industries**.

B&R4: Financial integration, including building a currency stability system, investment and financing system and credit information system in Asia; establishing the Asian Infrastructure Investment Bank and BRICS New Development Bank (which are already in operation); strengthening financial regulation cooperation and coordination; improving mechanism of addressing cross-border risks and crisis; and encouraging commercial equity investment funds and private funds to participate in the construction of key projects under the Belt and Road.

B&R5: People-to-people bond, including promoting cultural and academic exchanges, personnel exchanges, media cooperation, youth and women exchanges and volunteer services; expanding tourism; sharing epidemic information and exchanging of prevention and treatment technologies; increasing cooperation in **science and technology** by establishing joint labs, international technology transfer centers; and advancing cooperation on youth employment, entrepreneurship training, vocational skill development, social security management, public administration and management.

As illustrated in figure 2, a recent study has identified a large set of intrinsic linkages from the **five B&R priority areas** to the **17 SDGs**⁶.

⁶ For more detailed analysis, see Hong (2017).

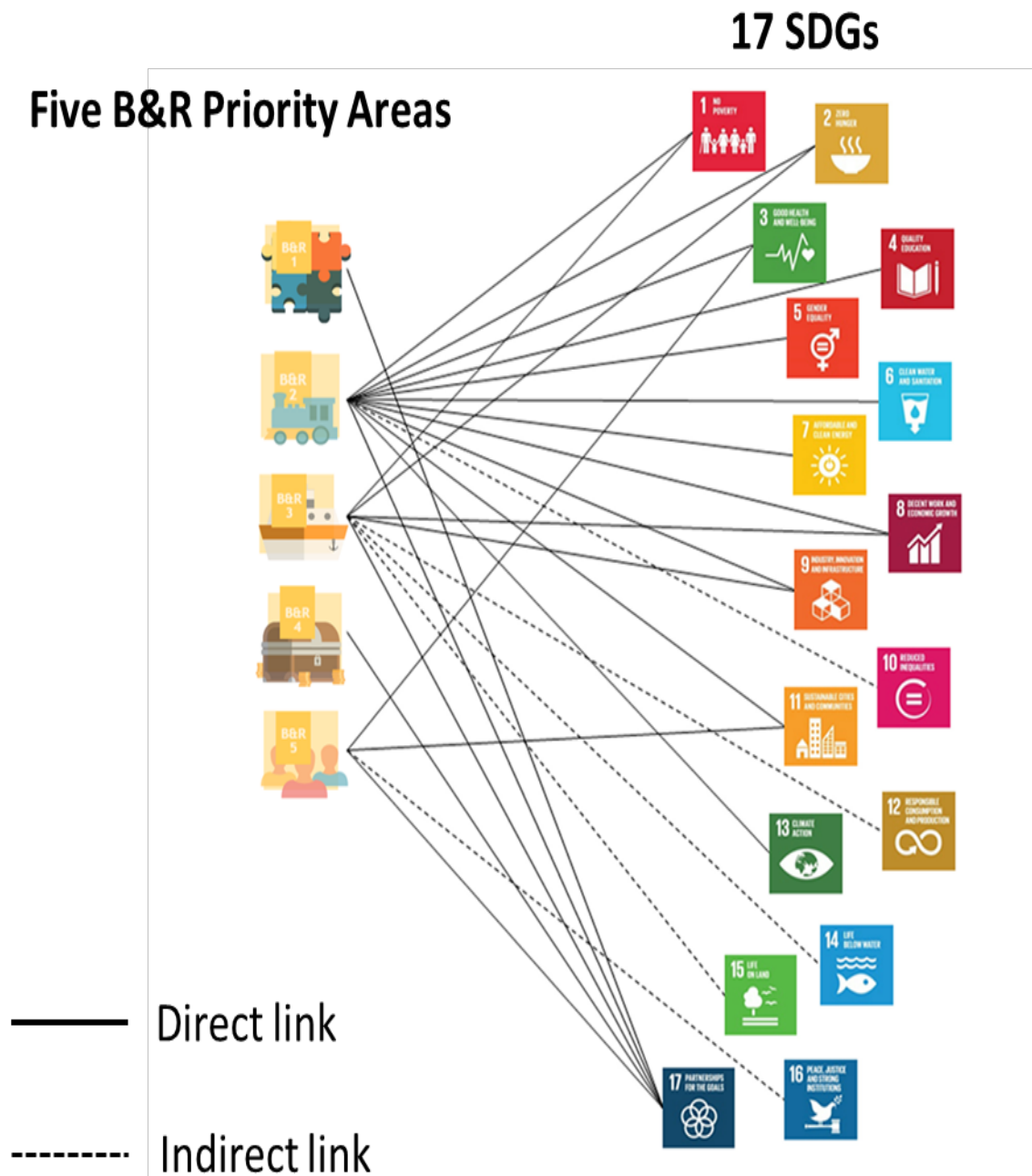


Figure 2. Contribution of the Belt and Road to the achievement of the SDGs

Source: Hong (2017)

A fundamental factor underpinning the five priority areas under the Belt and Road is to promote broad “connectivity” across countries and regions. In fact, in the original Chinese document, the five priority areas are called “Wu Tong”, or translated literally, “five types of connectivity”.

Connectivity is also a cornerstone for achieving the Sustainable Development Goals, as it can advance progress in the three dimensions of sustainable development.

In ***economic dimension***, improved connectivity can increasingly integrate economic activities and resources, such as production, consumption, trade, finance, investment, capital, labour and technology across countries and regions, so that these activities and resources can be more efficiently allocated and organized.

For example, the importance of infrastructure investment for enhancing economic productivity has long been recognized. Public infrastructure raises the marginal productivity of private inputs and the rate of return on private capital. In addition, public infrastructure is beneficial for investment adjustment costs, the durability of private capital, and both the demand for and supply of health and education services, which in turn enhance human capital, thus supporting long-run economic growth.

The effects of infrastructure investment on poverty reduction come from at least two channels: growth and income distribution. First, as infrastructure investment makes positive contribution to economic growth, it reduces poverty through raising the overall living standards in the economy. Secondly, infrastructure can bring income distribution effect in favour of the poor people by improving employment and earnings prospects for the poor people, resulting from growth in the non-agricultural sectors of the economy and by increasing productivity in both the agricultural and non-agricultural sectors. Meanwhile, infrastructure investments in such areas as transport, water, sanitation, irrigation, telecommunications and energy can directly improve the welfare of the poor people by providing access to basic needs.

In ***social dimension***, infrastructure investment can improve social inclusiveness, and improve equality in both opportunity and outcome.

For example, in addition to the distribution effect in favour of the poor people mentioned above, infrastructure can also be a crucial catalyst to accelerate the achievement of gender equality and empower all women and girls.

Appropriate infrastructure provision may release women from time-consuming tasks, which can then be invested in economic or socially beneficial activities. There is considerable evidence of time savings from improved infrastructure provision. An increase in government spending on infrastructure investment has positive impact on economic growth most notably through changes in women's time allocation and their bargaining power over family resources. Increase in the level of information and communication technology (ICT) infrastructure tends to improve gender equality in education and employment. The infrastructure projects can also be a source of women empowerment and promotes gender equality.

In ***environmental demission***, infrastructure investment plays a key role for the much needed structural transformation, in order to achieve sustainable consumption and production patterns, and to combat climate change.

As infrastructure usually has a long life cycle, it has a significant long-term “lock-in” effect on environmental sustainability, in terms of settlement patterns, energy patterns, transportation patterns, and carbon patterns of production and consumption. It is crucial, therefore, to promote green and low carbon infrastructure investment, as underscored in the priority area of B&R2.

IV. The linkages between the Belt and Road and the Addis Ababa Action Agenda

As an integral part of the 2030 Agenda, the Addis Ababa Action Agenda (AAAA) of the Third International Conference on Financing for Development defined seven Action areas to support, complement and help to contextualize the means of implementation targets in the 2030 Agenda.

The AAAA defined seven Action Areas (table 3).

Table 3. Seven Action Areas of Addis Agenda

- A. Domestic public resources;*
- B. Domestic and international private business and finance;*
- C. International development cooperation;*
- D. International trade as an engine for development;*
- E. Debt and debt sustainability;*
- F. Addressing systemic issues;*
- G. Science, technology, innovation and capacity-building.*

As shown in figure 3, the **five Belt and Road priority areas** for development cooperation are also closely linked with the *seven Action areas of the AAAA*.

Five B&R Priority Areas

Seven AAAA Action Areas

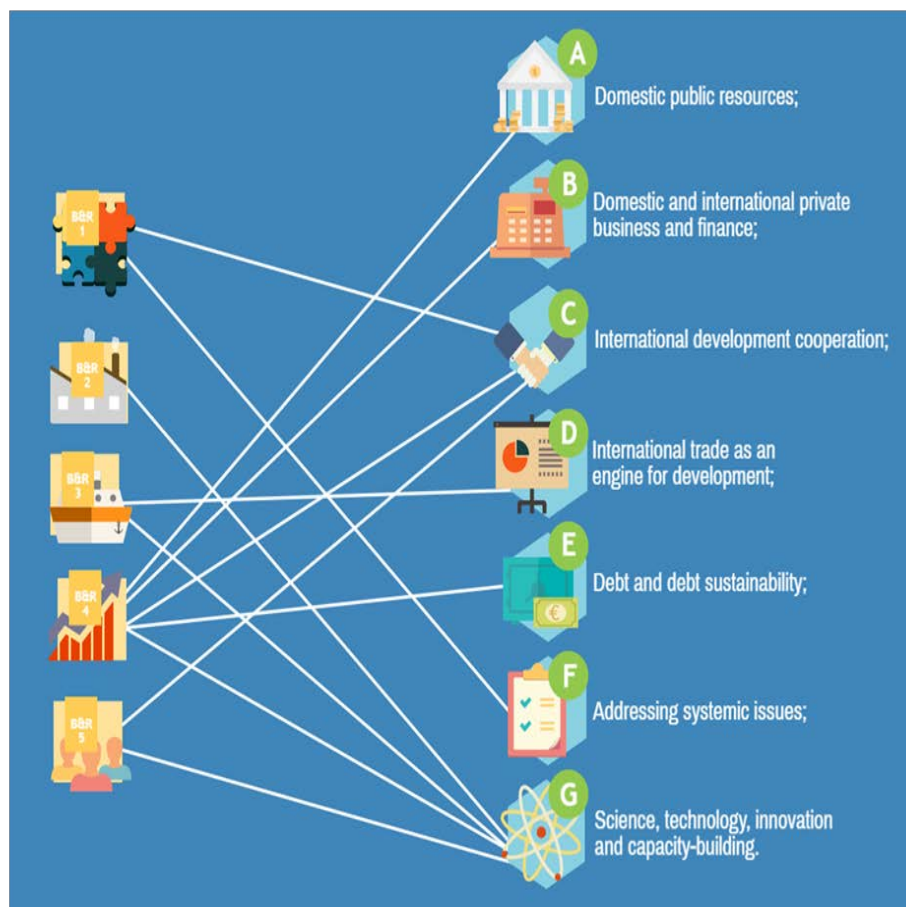


Figure 3. Links from the Belt and Road to the AAAA Action Areas

Source: Hong (2017)

For example, the first three *AAAA Action Areas* (*A*, *B* and *C*) underscore domestic resource mobilization, official development assistance (ODA), and additional financial resources for developing countries from multiple sources. The priority areas for cooperation in **B&R4**, on **financial integration**, can mostly facilitate the advancement in those three AAAA Action areas: the setup of the Asian Infrastructure Investment Bank (AIIB), the Silk Road Fund, and the New Development Bank, as well as the initiative to encourage commercial equity investment funds and private funds to participate in the construction of key projects, are all the concrete steps to mobilize additional financial resources for developing countries.

While *AAAA Action Area D* is aimed to promote international trade as an engine for development, **B&R3** is focused on improving investment and **trade facilitation** and removing investment and **trade barriers**, including a number of specific measures, such as enhancing customs cooperation, **implementing the WTO Trade Facilitation Agreement**, lowering nontariff barriers, improving the transparency of technical trade measures, etc. All

these measures will lead to increases in global trade as well as the exports of developing countries, as intended by *AAAA Action Area D*.

The AAAA underscores that investing in sustainable and resilient *infrastructure*, including transport, energy, water and sanitation for all, is a pre-requisite for achieving many SDGs. However, a huge gap remains in global infrastructure investment. As shown in figure 4, it is estimated that the world needs to invest \$3.3 trillion annually in the narrowly defined economic infrastructure from 2016 through 2030 in order to barely recover the global economic growth to the trend prior to the global financial crisis of 2008,⁷ but the current level of infrastructure investment is only about \$2.5 trillion, with a cumulative shortage of \$13 trillion by 2030. Moreover, in order to meet the need to achievement the SDGs, the gap in the broadly defined sustainable development infrastructure (including not only economic infrastructure, but also social and environmental infrastructure) is even larger.

Dovetailed so well with the AAAA, the priority areas for cooperation as defined in **B&R2, 3, and 4** can indeed make a significant contribution to bridging this gap in infrastructure investment for the achievement of the SDGs.

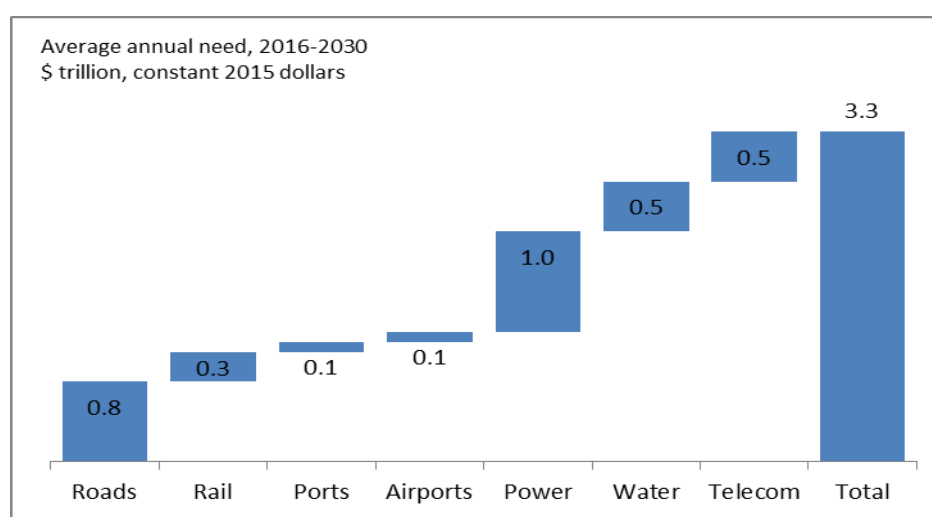


Figure 4. Gap in global infrastructure investment

Source: McKinsey Global Institute (2016)

V. Strengthening national policy capacity for jointly building the Belt and Road towards the Sustainable Development Goals

Since it was unveiled in 2013, the Belt and Road has increasingly gathered momentum. So far, about 100 countries and international organizations have already participated in different forms in the development cooperation under the initiative, including

⁷ McKinsey Global Institute (2016).

some countries beyond the geographic definition of the Belt and Road, such as the United Kingdom, France, and Germany in Western Europe, South Africa, Australia, and even some Latin American countries. Many countries have signed agreements to align their own development strategies and initiatives with the Belt and Road.

A large number of specific cooperation projects in the five broad Belt and Road priority areas have been launched. The Asian Infrastructure Investment Bank is already in operation to finance projects. As a result these and other activities under the Belt and Road, both trade and investment flows in many countries along the Belt and Road have shown more vibrancy in 2015-2016 than other regions, against the backdrop of a generally subdued global trade and investment environment.

This marks just a beginning. The prodigious long-run potential of the Belt and Road for the development of many developing countries, particularly for the achievement of the SDGs, remains largely untapped.

In order to provide assistance to developing countries along the Belt and Road so that they can fully benefit from the potential of the international development cooperation under the initiative and accelerate the achievement of the SDGs, through the linkages from the five Belt and Road priority areas to the 17 SDGs as delineated in the previous sections, UN DESA has launched a capacity development project, under the auspice of UN Peace and Development Fund, to be implemented in the next two to three years, with possibility to be renewed for longer period.

Objective:

The objective of this capacity development project, as defined by its title, is to strengthen the national capacity for developing countries along the Belt and Road in analysing and formulating coordinated integrative policies for supporting their engagement in the international development cooperation under the Belt and Road initiative so as to accelerate the implementation of the 2030 Agenda and the achievement of the SDGs.

Participating countries:

In the first round, 20 countries along the Belt and Road will be included in this project. The remaining countries along the Belt and Road will have opportunity to participate in the future rounds.

Key elements of the project:

- (1) ***Training and institutional networking*** of policymakers and policy researchers in participating countries, through workshops on studies of policies and strategies for development cooperation under the Belt and Road and for the achievement of the SDGs, including the use of modelling tools and other quantitative methods, and forming an international consortium of experts and policy institutions along the Belt and Road;

- (2) ***Policy dialogue*** at different levels, including policy dialogue with national policymakers, policy dialogue among the participating countries, and policy dialogue with international organizations and on international platforms, such as the High Level Political Forum and Development Cooperation Forum at the United Nations;
- (3) ***Joint research and policy analysis*** among the project participants on various policy options and alternative scenarios under the Belt and Road initiative for the achievement of the SDGs, with an special focus on coordinated integrative policies among economic, social and environmental dimensions, the interconnected effects among the participating countries and the spillover effects on the rest of the world;
- (4) ***Publication and dissemination*** of the project outcome, including a report on the latest development in the measures undertaken by participating countries in the five Belt and Road priority areas for cooperation, major achievements, gaps and risks, policy options, and alternative scenarios for the achievement of the SDGs, with an effort to link the specific situation in individual participating countries to the broad global macro trends in the implementation of the 2030 Agenda. If the project is renewed for longer period, this report can become a recurrent biennial publication to update dynamically the development under the Belt and Road and the corresponding progress in the achievement of the SDGs. The report and other outcome of the project will be disseminated to policymakers and the general public through various events.

Partners of the project:

National partners: ministries and agencies, policy research institutions;

International partners: UN agencies, fund and programmes, and Regional Commissions;

Partners within DESA: a number of Divisions.

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