The Belt and Road Initiative and SDGs: Potential Linkages, Opportunities and Challenges

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At the United Nations Sustainable Development Summit held in 2015, 193 Member States of the United Nations, pledged commitment to the 2030 Agenda for Sustainable Development.

Ambitious Agenda: includes 17 goals and 169 targets, requires balancing the 3 dimensions of sustainable development and ensuring the principle of ‘leaving no one behind’

The implementation of SDGs presents a great challenge: requires to adopt integrated approaches to design policy, mobilize resources, build partnerships and strengthen institutions.
Background: The Belt and Road Initiative (BRI)

- BRI was launched by the People’s Republic of China in 2013.
- Five key areas of cooperation:
  - Policy Coordination
  - Facilities Connectivity
  - Unimpeded Trade
  - Financial Integration
  - People-to-People Bond
Background: Links between BRI and SDGs

BRI - 5 Priority Areas

- Policy Coordination
- Facilities Connectivity
- Unimpeded Trade
- Financial Integration
- People-to-people Bond

17 SDGs

Direct link

Indirect link

Source: Hong (2017)
# Background: Links between BRI and SDGs

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<th>BRI Priority Areas</th>
<th>SDGs with Direct Link</th>
<th>SDGs with Indirect Link</th>
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<tr>
<td>Policy Coordination</td>
<td>SDG 17</td>
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<tr>
<td>Facilities Connectivity</td>
<td>SDG 1, 2, 3, 4, 5, 6, 7, 8, 9, 11, 13, 17</td>
<td>SDG 10</td>
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<tr>
<td>Unimpeded Trade</td>
<td>SDG 8, 9, 17, 1, 2</td>
<td>SDG 12, 14, 15</td>
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<td>Financial Integration</td>
<td>SDG 17</td>
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<tr>
<td>People-to-people Bond</td>
<td>SDG 3, 11, 17</td>
<td>SDG 16</td>
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Source: Hong (2017)
SDGs and BRI – Context of Sri Lanka

- Sri Lanka has pledged commitment to the 2030 Agenda on Sustainable Development

- Sri Lanka recognizes the BRI as an important initiative in strengthening cooperation along the silk road

- Sri Lanka has played a central role in the ancient Silk route due to its strategic location that connects the East and the West.


Objective

- Explore potential impact/contribution of projects and activities related to the BRI on the achievement of SDGs
1. Facilities Connectivity
Facilities Connectivity: Colombo Port City Project

- **Vision**: Build a world-class city for South Asia, which will include high quality facilities such as healthcare, education, entertainment, hotels and restaurants and a marina.

- **Sri Lanka’s single largest FDI**: Initial investment of US$ 1.4 billion (total investment ~ US$15 billion).

- **The project plays an important role in the BRI** as Colombo port city provides a key link between Asia and Europe in the silk road, due to its strategic location.

- **Locational advantages**: Half of all global container shipments and two-thirds of world’s oil cargo transportation are within 10 nautical miles from SL.

Source: CHEC Port City Colombo (Pvt) Ltd., Port City, Colombo Face Sheet. (2018); CHEC Port City Colombo (Pvt) Ltd., Port City Colombo, Master Plan (2018) & IPS KII
Facilities Connectivity:
Colombo International Container Terminals (CICT)

- The First and only Deepwater terminal in South Asia capable of handling the largest vessels afloat
- Constructed in the Port of Colombo, under the Colombo South Harbor expansion project, CICT has 3 million TEUs capacity
- CICT has been recognized as one the most successful Chinese investment projects in Sri Lanka.
- Awarded the best Container Terminal in Asia in the Under 4 million TEUs category at the 2019 Asian Freight, Logistics and Supply Chain Awards (AFLAS) for the third time.
- Implemented under a 35-year Build-Operate-Transfer (BOT) agreement between CICT and Sri Lanka Ports Authority (SLPA)
- Investment of USD 500 Mn.
- The strategic location of the port in the center of the East/West shipping route has enabled it to act as a gateway to global trade providing the most efficient connections, especially along the silk road.

Construction of 96 km long extension of the Southern Expressway from Matara to Hambantota

It was developed in four sections:

- Sections 1: from Matara to Beliatta (USD 683 Mn)
- Section 2: from Beliatta to Wetiya (USD 360 Mn)
- Section 3: from Wetiya to Mattala (USD 252.5 Mn)
- Section 4: from Mattala to Hambantota via Andarawewa Project (USD 412 Mn)

Project commenced in 2016 & has been completed.

Funded through project loans from China EXIM Bank

This is expected to improve connectivity between Colombo and major economic centers (including Hambantota port and industrial zone)

Source: Department of External Resources, 2019 and Road Development Authority, 2018 (http://www.rda.gov.lk/supported/project_progress_pmu/esep/esep1.html)
Facilities Connectivity: Hambantota Port Development Project

- Aims to develop Hambantota port into a global maritime Centre - to become a world-class sea port with global connectivity

- It is a multi-purpose port; Services offered: port services, maritime services, port related industrial zone, integrated logistics and business incubator

- Potential impact on trade, investment and employment over time: as port operations expand over time and industrial parks commence operations

Enhancing Facilities Connectivity: Potential opportunities

- Provides a gateway for Sri Lanka to improve its overall logistics performance & competitiveness as a logistics hub in the Silk Road

![Logistics Performance of Sri Lanka, World Bank, Logistics Performance Index (LPI), 2018](https://lpi.worldbank.org/)

- Investment in facilities connectivity will enable Sri Lanka to improve its position in logistics performance and catch up with other leading ports/cities

- It may also have positive impacts on trade, investment, employment creation over time
## Facilities Connectivity: Potential Linkages/Impact on SDGs

<table>
<thead>
<tr>
<th>Facilities Connectivity</th>
<th>SDG Links</th>
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<tbody>
<tr>
<td>Colombo Port City Project</td>
<td>8.1, 8.3, 8.5 (employment opportunities, e.g. Port City project is expected create new job opportunities; Also Hambantota port, with the expansion of the port and commencement of the industrial zone)</td>
</tr>
<tr>
<td>Colombo International Container Terminals (CICT)</td>
<td>9.1 - Develop quality, reliable, sustainable and resilient infrastructure including regional and trans border infrastructure….</td>
</tr>
<tr>
<td>Extension of Southern Expressway Project (ESEP)</td>
<td>9.2 - Promote inclusive and sustainable industrialization by 2030, significantly raise industry’s share of employment and GDP…</td>
</tr>
<tr>
<td>Hambantota Port Development Project</td>
<td>11.7 - By 2030, provide universal access to safe, inclusive and accessible, green and public spaces…. (Port City Project)</td>
</tr>
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<td></td>
<td>17.6- 17.7 - Building multi-stakeholder partnerships</td>
</tr>
<tr>
<td></td>
<td>17.3 – Mobilize additional financial resources for developing countries from multiple sources</td>
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</table>
2. Unimpeded Trade
China is an important trading partner for Sri Lanka - the second largest import origin of Sri Lanka, accounting for 18.5 per cent of total imports in 2018.

However, China accounts for only about 2 of Sri Lanka’s total exports (in 2018). It is the 9th largest export destination for Sri Lanka.
There is potential for expanding trade between Sri Lanka & China

The Joint Feasibility Study on a China-Sri Lanka Free Trade Agreement, 2014: finds that the proposed FTA will increase trade in certain product sectors of interest to Sri Lanka including, but not limited to - tea, rubber products, fish and fisheries products, textile and clothing, coconut products, gems and jewelry, fruits and vegetables, machinery and electronics.

China-Sri Lanka Free Trade Agreement (CHSLFTA)

- 6 rounds of negotiations held so far
- Consensus is yet to be reached on tariff liberalization schedule and phasing out period
China has merged as a major development partner and an investor for Sri Lanka. During 2005-2017, China accounted for the highest amount of FDI in Sri Lanka.

Department of External Resources, 2018, Annual Report 2018
Trade & investment under the BRI: Opportunities and Challenges

- Potential to improve trade and internment activities along the BRI goes beyond the bilateral trade and investment cooperation with China.

- Opportunity to capitalize on improved trade and investment activities along the silk road.
  
  Estimates reveal that BRI increases trade flows by: 4.1 per cent among participating countries (Baniya, S., Rocha, N. & Ruta, M., 2019, Trade Effects of the New Silk Road: A Gravity Analysis); BRI transport projects could increase trade between 1.7 and 6.2 percent for the world (World Bank, 2019, Belt and Road Economics: Opportunities and Risks of Transport Corridors).

In order to benefit from the expanded economic activities along the silk road, there are certain areas we need to improve on:

- Creating an enabling environment for trade and investment by improving efficiency of administrative and regulatory processes.

- Ensuring policy consistency is key to strengthening investor confidence.

- Assisting local SMEs to integrate into value chains along the silk road.

<table>
<thead>
<tr>
<th>Link to SDGs</th>
<th>Some Targets</th>
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<tbody>
<tr>
<td><img src="image" alt="8 DECENT WORK AND ECONOMIC GROWTH" /></td>
<td>8.1 and 8.3 (improved trade and investment can have a potential impact on economic growth and employment of the country)</td>
</tr>
<tr>
<td><img src="image" alt="17 PARTNERSHIPS FOR THE GOALS" /></td>
<td>17.3 – Mobilize additional financial resources for developing countries from multiple sources</td>
</tr>
<tr>
<td><img src="image" alt="9 INDUSTRY, INNOVATION AND INFRASTRUCTURE" /></td>
<td>17.11 Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries’ share of global exports by 2030.</td>
</tr>
<tr>
<td></td>
<td>Bulk of ODA from China is for infrastructure</td>
</tr>
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3. People-to-People Bond
Tourism Industry:
- A major source of foreign exchange for Sri Lanka
- China, as the second major source of tourists in Sri Lanka, accounts for 12.7% of total tourist arrivals (2017).
- The number of tourist from China has increased significantly in recent years.
There is greater potential to improve tourism through enhanced connectivity along the silk road.

- A study by World Tourism Organization (UNWTO) 2019 highlights that there is opportunity for tourism growth under BRI over time due to enhanced air and maritime connectivity and greater economic and trade integration along the silk road

(World Tourism Organization (UNWTO) 2019, The 21st Century Maritime Silk Road Tourism Opportunities and Impacts)

Prioritize on bridging gaps in the tourism industry in catering to rapidly growing demand

- Need to improve industry capacity and address gaps in human resources
The number of Undergraduate & Postgraduate Scholarships awarded by the Chinese Government (2013 to 2018)

About 70% of the scholarships for undergraduate studies have been for Medicine.

Source: Ministry of City Planning, Water Supply & Higher Education
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<td>Tourism</td>
<td><img src="image" alt="Decent Work and Economic Growth" /></td>
<td>8.9 – By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products</td>
</tr>
</tbody>
</table>
| Education           | ![Quality Education](image) | 4.3  By 2030, ensure equal access for all women and men to affordable and quality technical vocational and tertiary education, including university  
4b  By 2020, substantially expand globally the number of scholarships available to developing countries….
4. Financial Integration

• Sri Lanka is among the 21 founding members that signed the MOU on the establishment of the Asian Infrastructure Investment Bank (AIIB) in October 2014

• Two development projects were approved by the Asian Infrastructure Investment Bank (AIIB) in April 2019

1) Colombo Urban Regeneration Project (US$ 200 million)
   - Implemented by the UDA under the Ministry of Megapolis and Western Development.
   - Objective is to improve housing conditions of low-income communities through investments in the construction of affordable housing and the redevelopment of land

2) Reduction of Landslide Vulnerability by Mitigation Measures Project (US$ 80 million)
   - Objective is to reduce risk and damage from landslides through the implementation of physical mitigation measures and enhancement of policy and regulation associated with landslide management
   - implemented by National Building Research Organization (NBRO) under the supervision of Ministry of Public Administration and Disaster Management.

Source: ERD and AIIB
# Financial Integration: Potential Linkages/Impact to SDGs

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<td>17.3 – Mobilize additional financial resources for developing countries from multiple sources</td>
<td>11.1 – By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums</td>
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<tr>
<td>Projects approved by AIIB</td>
<td></td>
<td>13.1 - Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries</td>
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<tr>
<td>Urban Regeneration Project</td>
<td></td>
<td>1.5  By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters</td>
</tr>
<tr>
<td>Reduction of Landslide Vulnerability by Mitigation Measures Project</td>
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<td>15.3  By 2030, combat desertification and restore degraded land and soil including land affected by desertification and floods….</td>
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5. Policy Coordination

- High-level exchanges and visits between Sri Lanka and China

- MOUs signed between Sri Lanka and China include:
  - “Comprehensive Implementation of Investment, Economic and Technological Cooperation” (07.04.2016): objectives - enhance Investment, economic and technological cooperation and improve cooperation on enterprises between both countries
  - “Promotion of Investment and Economic Cooperation” (16.05.2017): objectives - promote sustainable social and economic development, expansion of export & increase employment opportunities.
  - “The Outline of the Medium and Long-term Development Plan for Investment, Economic and Technological Cooperation” (16.05.2017): objectives - promote rapid, stable and orderly development of the bilateral investment, economic and technological cooperation, to improve the level and quality of bilateral investment and promote social, economic and friendly cooperation.


- Potential Links to SDGs: SDG 17
Some concluding remarks...

- Potential contribution/impact of BRI on several SDGs

- Several measures needed to maximize the potential impact of BRI related projects/activities on SDGs. e.g. creating an enabling environment and ensuring policy consistency is key to successful implementation of projects.

- BRI related activities have to be complemented with other national, sectoral and regional policies/strategies

- Benefits to vulnerable/marginalized communities - to ensure that no one is left behind
Thank you

For more information contact: ganga@ips.lk
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