Optimizing development impact of Belt and Road investment on SDGs

----- Case studies of Kazakhstan and Kyrgyzstan

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Bangkok
26 September 2019
Overview of BRI

• 136 countries and 30 international organizations signed cooperation documents (as of July 2019).
• More than 1,800 projects (*loose definition of BRI projects*).
• Total BRI investment since 2013 estimated btw USD120bn - 575bn (*1-5% of global FDI*) although some put it as high as USD1trn
• Sectoral focus in energy and infrastructure development with an increasing emphasis on manufacturing and even services.
• Partner countries already account for 60% of the world’s population and 30% of its GDP – numbers continue to grow
  Notably in ASEAN, CIS, Sub-Saharan Africa and Eastern Europe.
• Progress remains uneven, with projects scattered both inside and outside the scope of the supposed six economic corridors.
Sectoral and Regional Analysis

**Investments in BRI corridor economies by industry**
- Construction and real estate: 7%
- Chemical engineering: 13%
- Metallurgy and mining: 4%
- Transportation and shipping: 25%
- Other: 5%
- Energy and electric power: 46%

**Investments in BRI corridor economies by region**
- East Asia and Pacific: 34%
- Europe and Central Asia: 32%
- South Asia: 19%
- Middle East and North Africa: 13%
- Sub-Saharan Africa: 2%

Source: World Bank, based on USD575bn of investments in the World Bank’s assumptions. This includes projects in the planning phase.
Implications of BRI

• BRI alters the development landscape

• For China, the BRI allows the country to a “new pattern of all-round opening-up, and [to] integrate itself deeper into the world economic system.”

• For the world, the potential to substantially improve trade, foreign investment and living conditions for citizens in its participating countries

  - but only if participating economies adopt deep policy reforms that increase transparency, expand trade, improve debt sustainability, and manage environmental, social and corruption risks.

• UN Secretary-General outlined the importance of “inclusive sustainable and durable” development and the urgency of “green development” in the context of imminent climate impacts, pledging the support of UN country teams (April 2019)
Linking BRI to global development agenda

• **Improve infrastructure**  --- SDG 9
  Low-income countries are expected to see a significant 7.6% increase in FDI due to the new transport links.

• **Boost trade and investment**  ---- SDG 8
  World Bank suggests that trade will grow from between 2.8-9.7% for corridor economies and between 1.7-6.2% for the world

• **Reduce poverty**  --- SDG 1
  It is estimated that BRI transport projects could help lift 7.6 million people from extreme poverty ($1.90 a day) and 32 million people from moderate poverty ($3.20 a day).

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However, gains will be unevenly distributed (some may incur welfare losses due to huge infrastructure cost)
Strategic location of central Asia in BRI

Source: MERICS 2018
UN DESA BRI-SDGs project
Neighboring countries with different stories

Table 1. Number of China’s BRI and bilateral projects in Central Asia

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Total number by sector</th>
<th>Kazakhstan</th>
<th>Kyrgyzstan</th>
<th>Tajikistan</th>
<th>Uzbekistan</th>
<th>Turkmenistan</th>
</tr>
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<tbody>
<tr>
<td><strong>Total by country</strong></td>
<td>261</td>
<td>102</td>
<td>46</td>
<td>44</td>
<td>43</td>
<td>26</td>
</tr>
<tr>
<td>Trade and industrial development</td>
<td>131</td>
<td>61</td>
<td>17</td>
<td>17</td>
<td>24</td>
<td>12</td>
</tr>
<tr>
<td>Rail and road connectivity</td>
<td>51</td>
<td>14</td>
<td>11</td>
<td>16</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Energy connectivity</td>
<td>48</td>
<td>20</td>
<td>5</td>
<td>7</td>
<td>12</td>
<td>4</td>
</tr>
<tr>
<td>People-to-people projects</td>
<td>31</td>
<td>7</td>
<td>13</td>
<td>4</td>
<td>2</td>
<td>5</td>
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Source: Aminjonov et. al. 2019

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<tbody>
<tr>
<td><strong>Total FDI in Kazakhstan</strong></td>
<td>22,246</td>
<td>26,467</td>
<td>28,885</td>
<td>24,098</td>
<td>23,726</td>
<td>14,847</td>
<td>21,006</td>
</tr>
<tr>
<td>FDI from China</td>
<td>1,718</td>
<td>1,693</td>
<td>2,415</td>
<td>2,246</td>
<td>1,861</td>
<td>504</td>
<td>961</td>
</tr>
<tr>
<td><strong>Percent of Chinese FDI inflows</strong></td>
<td>8</td>
<td>6</td>
<td>8</td>
<td>9</td>
<td>8</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total FDI in Kyrgyzstan</strong></td>
<td>666.1</td>
<td>849.2</td>
<td>590.7</td>
<td>964.5</td>
<td>727.1</td>
<td>1,573.2</td>
<td>814.0</td>
</tr>
<tr>
<td>FDI from China</td>
<td>70.8</td>
<td>149.6</td>
<td>141.2</td>
<td>468.3</td>
<td>221.6</td>
<td>474.4</td>
<td>301.3</td>
</tr>
<tr>
<td><strong>Percent of Chinese FDI inflows</strong></td>
<td>11</td>
<td>18</td>
<td>24</td>
<td>49</td>
<td>30</td>
<td>30</td>
<td>37</td>
</tr>
</tbody>
</table>

Source: National Statistics Committee of the Kyrgyz Republic; National Bank of the Republic of Kazakhstan
Kazakhstan – national context

• The ninth-largest territory and largest land-locked country in the world (UMIC).

• Rich in natural resources. Oil is the main driver of the economy.

• Currently following national strategic documents cover the goals set by the SDGs agenda:
  ➢ Strategy – “Kazakhstan 2050” (be top 30 developed country globally)
  ➢ Five institutional reforms - 100 specific steps program
  ➢ State Programme “Nurly Zhol”
  ➢ "Business Roadmap - 2020“

• China stands for 16 percent of Kazakhstan’s total trade, and external debt to China amounts to USD12.3 billion (7% of total).
Kazakhstan - SDG progress

• Hosted the Mainstreaming, Acceleration and Policy Support (MAPS) mission in late 2016, revealing that the existing national priorities can already help achieve over 60 percent of the SDGs in Kazakhstan.

• The national architecture on SDGs has been officially established in August 2018, which includes a Coordination Council on SDGs under the chairmanship of the Deputy Prime Minister, and five inter-sectoral working groups headed by national coordinators corresponding to 5 P’s of Sustainable Development (People, Planet, Prosperity, Peace, and Partnership).

• The Committee on Statistics of the Ministry of National Economy leads the nationalizing of SDG indicators. As a result, a draft system of 257 indicators was developed to monitor the SDGs, and the SDG Statistical Office was established within the Committee on Statistics.

• Major SDG challenges lies in gender equality, economic diversification (from oil) and environmental protection.
SDG converage in Kazakhstan national planning system

Source: VNR Kazakhstan 2019
Kazakhstan and BRI

• 2013 – Silk Road Economic Belt (BRI “Belt” component) was announced in Astana.

• 2015 - Joint declaration between China and Kazakhstan on conjunction of the Silk Road Economic Belt and Bright Road

• Holding a strategic location in the New Eurasia Land Bridge Economic Corridor and the China – Central Asia – West Asia Economic Corridor.

• Khorgos Gateway (Dry port) and Special Economic Zone

• Two parallel gas pipelines running through Kazakhstan to China, i.e. the “Turkmenistan-China” gas pipeline and the “Kazakhstan-China” gas pipeline.

• Digital Silk Road, announced at the B&R Forum in Beijing in 2017, has been translated to the “Digital Kazakhstan” national program (2018-2022).
Project progress in Kazakhstan

• First national workshops held in Almaty in Dec. 2018
• Second national workshops held in NurSultan in Sept. 2019
• National report (interim 2019)
• Be included in global synthesis report (interim 2019)
• Feed in to the Kazakhstan UNSDCF (2021-2025) development
Findings – Kazakhstan case

- In general, the infrastructure development and industrial production are more relevant to Kazakhstan.
- Investment in connectivity would most probably positively impact Goal 1 No Poverty; Goal 8 – Decent work and economic growth; Goal 9 Industry, Innovation and Infrastructure; Goal 17 Partnerships for the Goals.
- For other SDGs the comprehensive state policy is required in order to increase the positive impact and mitigate risks, especially concerning the environmental impact and economic restructuring.
- Concerns were raised on how the national policy is shaped to fully capture the opportunities provided by the investment and to mitigate its possible risks.
- Availability/discrepancies of data is another concern.
Kyrgyzstan – national context

• A lower middle-income and land-locked country with an HDI of 0.672 in 2017.
• The economy is dominated by small economic entities that typically operate in the informal sector.
• Agriculture sector accounts for 25% of GDP and 30% of employment.
• Gold constituted 25% of industrial production and 48% of exports.
• Foreign remittances from immigrant workers accounted for 30% of GDP.
• Weak economic governance is the key challenge to development. Gender inequality is another outstanding issue, especially in terms of education attainment, employment and political participation.
Kyrgyzstan - SDGs progress

• National Council for Sustainable Development was established to coordinate and assess national development strategies and priorities, headed by the President. MoE acts as the Secretariat.

• A clear vertical of strategic documents of sustainable development:
  ➢ National strategy for Sustainable Development until 2040

• Challenges: high levels of chronic malnutrition, micronutrient deficiencies, poverty, limited access to food and employment, vulnerability to natural disasters and climate change, gender inequalities and limited opportunities for smallholders, etc.
Kyrgyzstan and BRI

- One of the first countries to support the BRI.
- Priority is given to utilize its beneficial geographic position and becoming part of the transportation corridor between Europe and China.
- Other main areas of cooperation include energy, industry, tourism, and agriculture.
- The total amount of funds allocated through bilateral grant and technical and economic assistance since 2015 is about 320 million USD.
- Preliminary agreements were reached on 24 projects for a total amount of about $7 billion.
Project progress in Kyrgyzstan

- Two national workshops held in Bishkek (10/2018 & 09/2019)
- Develop an institutional network among the government (MoE leads), think tanks and CSOs.
- Interim national report
- Preliminary findings from WEFM-e simulation shared
- In-depth training requested to build national capacity to use the forecasting and analysis tool
Findings – Kyrgyzstan case

• The BRI and its infrastructure investments have the potential to contribute to sustainable development and to achieving many SDGs, including SDG 9 (industry, innovation and infrastructure), SDG 6 (clean water and sanitation), SDG 7 (affordable and clean energy) and SDG 13 (climate action).

• Some of the infrastructure and policy reforms envisaged will be difficult to implement, creating risks ranging from fiscal sustainability, to perceived negative environmental and social implications.

• Opportunities for growth and poverty reduction will likely be contingent on appropriate macroeconomic conditions and supportive institutions.
Way forward

• Genuinely demand-driven infrastructure development.
• Improve data reporting and transparency.
• Open government procurement and adherence to high social and environmental standards.
• Develop national productive capacities and human capital to promote structural transformation.
• Civil society engagement and people-to-people cooperation are essential.
• Objective economic analysis helps participating countries choose the kinds of investments and design adaptive policies that will best meet local development needs.
Jointly Building Belt and Road towards SDGs

THANK YOU!

Project website: www.brisdgs.org
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