

Green Belt and Road Strategy

UN Environment

1. Background

In 2013, Chinese President Xi Jinping announced China's intention to develop *The Silk Road Economic Belt* and the 21st Century *Maritime Silk Road* (known as the Belt and Road Initiative) to expand the ancient trade routes in geographic and thematic scope. Through the Initiative, China will enhance economic development and inter-regional connectivity focusing on - *policy, infrastructure, trade, finance and people* – across six economic corridors: a China-Mongolia-Russia corridor, a New Eurasian Land Bridge linking China's coastal cities to Rotterdam in the Netherlands, a China-Central Asia-West Asia corridor, a China-Indochina Peninsula corridor, a China-Pakistan corridor, and a Bangladesh-China-India-Myanmar corridor.

The Initiative will involve trillions of dollars of investments, largely in transportation, energy, and telecommunications infrastructure, industrial capacity, and technical capacity building. Some of this investment will come from two new financing mechanisms, the Silk Road Fund and the Asian Infrastructure Investment Bank (AIIB).

The US\$40 billion **Silk Road Fund** will invest in infrastructure, resource extraction and industrial and financial cooperation. The Fund's shareholders include China's State Administration of Foreign Exchange, the China Investment Corp, the Export-Import Bank of China and the China Development Bank. The Fund welcomes participation from domestic and overseas investors, such as the China-Africa Development Fund and the Asian Infrastructure Investment Bank.

The **Asian Infrastructure Investment Bank** is to complement and cooperate with existing multilateral development banks to address infrastructure needs in Asia. The Bank focuses on the development of infrastructure, energy, transportation, telecommunications, rural infrastructure, agricultural development, water supply and sanitation, environmental protection, urban development and logistics.

China has more than 45 Belt and Road Cooperation agreements with governments and international organizations, established 56 trade and economic cooperation zones along the Belt and Road. By end-2016, the Asian Infrastructure Investment Bank had provided \$1.7 billion in loans for nine Belt and Road projects covering energy, transport, and urban development. It has also signed an agreement with the World Bank to co-finance projects.

2. Rationale for UN Environment's Engagement

The Belt and Road Initiative covers a vast area stretching across three continents and involving some 65 countries. Together, these countries represent approximately 40% of the earth's total land area, 30% of global Gross Domestic Product, 55% of total CO₂ emissions, and 60% of the world's population. The outcomes of this Initiative will, therefore, have a profound impact on the planet and on human development.

With any such large-scale development come significant environmental challenges. In addition to immediate biophysical impacts, if Belt and Road investments lock countries into unsustainable infrastructure, technology, and resource extraction, they will have long-lasting negative impacts that could seriously undermine countries' ability to meet the 2030 Agenda for Sustainable Development. With all Belt and Road investments, care must be taken to

ensure that decisions are based on sound knowledge and science and that social and environmental safeguards are in place so that projects include effective stakeholder engagement and that benefits are equitably shared.

With the right policies and safeguards in place, the Belt and Road Initiative has significant potential to help countries work towards achieving the Sustainable Development Goals and the 2030 Agenda. An annual investment of \$3 trillion to \$5 trillion is likely to be required to achieve the Sustainable Development Goals. The Belt and Road Initiative can play an important part in meeting that requirement. The Belt and Road Initiative presents a window in which UN Environment can help countries use Belt and Road investments to achieve the Sustainable Development Goals.

3. UN Environment's Offer

UN Environment has the convening power to bring together the wide range of stakeholders to work together to ensure the sustainability of the Belt and Road Initiative.

UN Environment has a range of expertise and ongoing work streams that can feed into the work of a coalition of stakeholders and simultaneously help address the challenges and opportunities of the Belt and Road Initiative. The Economy Division's expertise on sustainable cities, including work on sustainable energy, transportation, waste management, and its work on resources and markets, including expertise in working with the banking, investment and insurance sectors, the Science Division's thematic assessments expertise, the Ecosystems Division's expertise on biodiversity and ecosystems, the Law Division's work on environmental governance and legal frameworks, the Communications advocacy work, and the Policy and Programme's work on other special initiatives such as the Inquiry into the Design of a Sustainable Financial System, can all serve as entry points to engage with both China and Belt and Road partner countries. The regional and country offices can serve as the conduits for delivering this expertise at the country level, and as sources of information about countries' needs.

UN Environment's Inclusive Green Economy approach and the Finance Initiative with its emphasis on aligning loans, investments and insurance with sustainable development, provides an effective means of engaging with stakeholders and providing them with the knowledge and tools that can help them create enabling policy environments and enhance capacity for sustainable investments. UN Environment has, through the work of the Finance Initiative and the Inquiry, an extensive network of partners ranging from central banks, finance ministries, the banking and insurance sectors whose engagement will be key to delivering a green Belt and Road.

On the government side, of particular importance is UN Environment's relationship with the government of China. UN Environment has a history of working with China to promote South-South Cooperation through a number of projects funded by China Trust Fund for the Environment. China's own policy guidance on building the Belt and Road stresses that projects should promote green and low-carbon infrastructure and ecological conservation, protect biodiversity, and take climate change impacts into account,¹ and they consider UN Environment to be a key partner in promoting the Sustainable Development of the Belt and Road Initiative. To that end, UN Environment signed a Memorandum of Understanding with China's Ministry of Environmental Protection in December 2016 in which the two parties agreed to cooperate to promote a sustainable Belt and Road.

We are also working together to launch an International Coalition for Green Development on the Belt and Road that will help facilitate China's engagement with a wide range of

¹ China, 2017. Ministry of Environmental Protection of the Government of China, *Guidance on Promoting Green Belt and Road*.

stakeholders globally. Similarly, China's Ministry of Commerce has dedicated a portion of its South-South cooperation funding to supporting UN Environment's sustainable Belt and Road work.

4. Vision and Objectives for UN Environment's Engagement

UN Environment's vision for its Belt and Road engagement is **to incorporate environmental sustainability considerations across the different areas of focus of Belt and Road Initiative.** The **ultimate goal** is **to ensure that investments made under the Belt and Road Initiative contribute to the achievement of the 2030 Agenda for Sustainable Development at the global level.**

Specific objectives to achieve this vision are:

- a) To integrate environmental sustainability in **national policies** that enhance environmentally sustainable investment.

The aim of this engagement will be to understand where policy changes are needed in China or Belt and Road partner countries that would create a favourable enabling environment for more environmentally sustainable investment.

To achieve this objective, UN Environment would facilitate and enhance international policy dialogue between all stakeholder groups relating to the sustainable development of the Belt and Road initiative. UN Environment will convene a coalition of partners and mobilize capacities within its own organization. The coalition includes governments, inter-governmental and non-government organizations, bilateral development agencies, and research institutes, among others, which can contribute to the green Belt and Road by offering their diverse perspectives and expertise, ensuring that Belt and Road investments conform to international norms and good practices.

Many Belt and Road investments take place in the global South where the institutional capacity for managing foreign investments tends to be limited. UN Environment will engage stakeholders in the context of South-South Cooperation, facilitate the sharing of knowledge, technology, tools, and experiences, empower them to participate in related policy making.

Building on existing partnerships, UN Environment will help exemplify good policies and practices while overcome the shortcomings in China's overseas investments. The International Coalition for Green Development on the Belt and Road (the **Coalition**), which is jointly initiated by China and the UN Environment, can serve as a platform for this engagement. It will be important to coordinate with our partners, including other UN agencies, to maximize synergies and avoid duplication of efforts.

Annex 1 provides an indication of the entities within UN Environment that could bring in relevant expertise (see Annex 1).

The result of this engagement is to have enabling policies at the national level for sustainable investments in both China and across a number of Belt and Road countries.

To achieve this, the following will be conducted:

- **Policy dialogues will be held within the Coalition**
- **Best practices and lessons learned** from Belt and Road projects, as well as from other large-scale infrastructure development projects, would be

identified and disseminated, as well as share appropriate international policies, standards, and norms.

- **Building the capacity of Belt and Road stakeholders** to understand the relevance of policy changes for sustainable Belt and Road investments and the use of relevant tools and methodologies. Tools of use could include Environmental Impact Assessment, Life Cycle Analysis, Inclusive Wealth, and Natural Capital Accounting.
- **Engaging with national investment promotion authorities and financial institutions** on the regulatory environment that might be most conducive to fostering environmentally sustainable investment.

b) To strengthen the environmental **governance** for the Initiative.

There are undoubtedly differing opinions and political sensitivities around the Belt and Road Initiative. Some have criticized it as simply being a vehicle to promote Chinese interests overseas, and critics often point to the poor environmental track record of past Chinese investments in overseas projects.

China has shown a willingness to improve environmental performance and become a global leader on climate change and other issues. China looks to UN Environment as a source of expertise to help it and other Belt and Road countries to achieve their sustainable development goals.

UN Environment should not withhold such support but must maintain impartiality and apply international standards and norms for sustainable development. Of particular relevance is the need to assist China and partner Belt and Road countries to strengthen their environmental governance for the Initiative. The coalition of partners will serve as an important vehicle to facilitate dialogue amongst the partner institutions and in turn, the relevant countries and stakeholders. Empowering other stakeholders will also help to balance the influence of China in Belt and Road decision-making and ensure that investments are effectively harnessed to meet the needs of the countries in which they are being made.

UN Environment and its partners must make sure that our work on greening the Belt and Road Initiative presents a balanced view that highlights challenges as well as opportunities for sustainable development. Working with different partners will help to ensure that a variety of different views are represented. UN Environment should also make an effort to seek funding from different donors to support engagement on the Belt and Road Initiative, including the private sector, philanthropies, and faith-based organizations, in addition to our traditional types of donors.

The result of this engagement is to have an effective governance of the Belt and Road initiative that is environmentally and socially responsible.

To achieve this, the following will be conducted:

- Helping to incorporate the views of different stakeholders and the different demands for **ecosystem services and goods** into policy decisions and encouraging investments in ecological infrastructure. This work will support China and Belt and Road countries in using approaches such as Wealth Accounting and the Valuation of Ecosystem Services to incorporate natural capital into policy and investment decisions.
- **Strengthening national legal frameworks** in Belt and Road countries in order to ensure that social and environmental safeguards are effective and that best practices in participatory processes and stakeholder engagement, are in

place. This will also mean support to Belt and Road countries to develop procedures for Environmental Impact assessments and inclusive and transparent stakeholder consultations.

- **Providing scientific assessments and data** to communicate the state of environment in Belt and Road regions, track environmental and social dimensions of the Belt and Road Initiative as it develops, inform decision-making, encourage inclusive and participatory stakeholder engagement, and enhance environmental, social and governance standards for investment. The result of this work will include a Belt and Road Outlook and online data available to Belt and Road stakeholders, providing them with accurate scientific information and data that they use to inform policy decisions.

c) To help promote the sustainability of **foreign investments**.

Building on efforts by China to ensure that Belt and Road countries implement effective governance frameworks and appropriate enabling policy environments, further activities are needed to ensure that actual investment is mobilized towards more environmentally sustainable opportunities.

UN Environment will work to engage with governments, relevant financial institutions as well as private sectors to facilitate more environmentally sustainable investments, for example into clean energy and green transportation infrastructure.

The ultimate result is that those financial institutions that provide the bulk of the financing for the Belt and Road Initiative implement sustainable finance practices, leading to an increase in the share of Belt and Road investments that are truly sustainable.

To achieve this, the following will be conducted:

- **Raising Awareness:** Assisting Chinese, Asian and global financial institutions to see the opportunities to finance sustainable Belt and Road projects and business activities. Supporting China's efforts to share its experiences in the green credit guidelines and green bonds market development with local and regional financial institutions along the Belt and Road to develop new sustainable finance products and services.
- **Managing the Risks:** Building the capacity of national investment promotion authorities in Belt and Road countries to develop and implement sound environmental and social risk management safeguards for foreign as well as domestic investments.
- **Measuring Impact: Make use of existing** diagnostic tools for key financial institutions that provide the bulk of the financing for the Belt and Road Initiative to enhance transparency and accountability related to the green and carbon impacts of loans and investments, e.g., through communication, research and stakeholder engagement on best practice methodologies, tools and processes to ensure ex-ante and ex-post due diligence is adequate to evaluate environmental resilience and the social, environmental and economic impacts of investments, as well as systems and processes to take remedial action if necessary to ensure positive outcomes aligned with the SDGs.
- **Facilitating green trade and technology transfer** between Belt and Road countries, as well as from other partners with the result that countries will have access to green technology and trade in Environmental Goods and

Service Sectors and sustainable trade makes up a higher share of total trade flows between Belt and Road countries.

- **Increasing the scale and spread of sustainable Belt and Road investments** by helping the private sector, the financial sector, and investors understand the benefits of sustainable investment practices in the fields of clean energy, air quality, transportation and others.
- **Developing Green Investment Guidelines for the private sectors** for ensuring environmentally-sustainable business practices and those international and national environmental monitoring instruments are in place.

5. Management Arrangements:

The overarching approach will be to integrate Belt and Road engagement into our existing work, providing an opportunity for the divisions and regional offices to deliver what they are already working on, while at the same time identifying additional country needs that can form the basis of new work streams. Engagement with the Belt and Road Initiative is an opportunity for UN Environment to deliver on its mandate: the approved Programme of Work, Medium Term Strategy, and the 2030 Agenda for Sustainable Development.

a) Internal

As a global initiative that cuts across divisions and regions, UN Environment's Belt and Road engagement would be guided by the Senior Management Team and coordinated by a Green Belt and Road Coordination Team led by the South-South Cooperation Coordinator in the Policy and Programme Division, with technical and substantive support from the relevant divisions and regional offices (see Annex 3). Given the high political visibility of this engagement, the Executive Director may provide direct and timely guidance to the Coordinator as appropriate. The Coordinator will have the full authority to manage the relevant budgets.

Every **six months** the Senior Management Team will use the opportunity of its regular meeting to review progress on UN Environment's Belt and Road engagement and provide guidance to the Coordination Team and the coordinator of this Initiative on additional expertise from across the organization that should be tapped into, areas of opportunity to be explored and ways of harnessing better results if necessary.

The Coordinator will convene on a **bi-monthly basis** a Coordination Team meeting comprising relevant programme officers across the organization and relevant subprogramme coordinators. This team will draw from the lead staff across the organization noted in Annex 1 plus relevant focal persons as deemed necessary by the divisions and regional offices.

Thematic Lead teams for each thematic area would lead a direct engagement with relevant Chinese and other counterparts, as agreed and coordinated with the Coordination Team to ensure this direct engagement will align with our overall engagement strategy.

Regional and country offices of UN Environment will play a key role in our Belt and Road engagement. They serve as our "eyes and ears" in the regions and can help to identify country needs and inform the type of work that we engage in. They are also the primary point of contact for governments and other stakeholders in the regions and will be important partners for project implementation and engagement with policy-makers.

Operationally, the approach for UN Environment's Belt and Road engagement will include two tracks, both will work with International Coalition for Green Development on the Belt and Road. The first track would be an avenue for engaging Chinese stakeholders and facilitating their engagement with international stakeholders. China-funded projects would fall under this track (refer Annex 2).

A second, parallel track would be to work with other international partners through North-South, South-South, and triangular cooperation modalities. This will ensure that no 'one national' perspective is too strongly reflected by engaging other Belt and Road governments and empowering other stakeholders on an equal basis. It would help balance UN Environment's Belt and Road work to allow us to move ahead with activities where political sensitivities associated with the Belt and Road exist.

These two tracks will happen through the Coalition and will require a coordinated effort from UN Environment, taking into account existing workstreams, partnerships, and dialogues that different parts of UN Environment are involved in. For example, when engaging with Chinese investors and the financial sector, it will be important that we use existing channels as much as relevant through the organization's Finance Initiative and the Inquiry into the Design of a Sustainable Financial System so that we do not confuse our external counterparts.

Annex 1 contains an initial stocktaking of contributions that different divisions can make to UN Environment's Belt and Road engagement. One of the first actions for Senior Management Team should be to look at the potential thematic areas of UN Environment's engagement and prioritize them based on expertise and resources available, country needs, and where we can make the most impact. A resource mobilization plan should be produced in due course to support the engagement strategy.

b) Towards external

UN Environment, through its Coordination Team, will jointly participate in the Secretariat of the International Coalition for Green Development on the Belt and Road with Chinese counterparts. This will ensure our overall engagement with China and other Belt and Road countries takes place through the Coalition. The Secretariat will coordinate and identify priority areas and help to establish commissions/working groups of the Coalition. Our respective workstreams may engage directly with relevant working groups through correspondent thematic Lead Teams.

The Coalition will be supervised by an international advisory committee which is co-chaired by Erik and Minister of Environment of China and consists of about 10-12 international eminent persons (see Annex 3).

Annex 1: Thematic Lead Teams within UN

		<u>Policy and Programme Division</u>	<u>Economy Division</u>	<u>Ecosystems Division</u>	<u>Law Division</u>	<u>Science Division</u>	<u>Governance Affairs Office</u>	<u>Communications Division</u>	<u>Regional and Country Offices</u>
Policy	International policy dialogue	South-South Cooperation Unit						Comms support	Programming and implementation support
	Best Practices and lessons learned		Green Growth Knowledge Platform					Comms support	Programming and implementation support
	Capacity Building		Economic Policy Unit					Comms support	Programming and implementation support
	Green Investment and Finance	Inquiry Team						Comms support	Programming and implementation support
Governance	Ecological and biodiversity conservation			Ecosystem Management Team				Comms support	Programming and implementation support
	Strengthen legal frameworks				Environmental law and Multilateral Environmental Agreements			Comms support	Programming and implementation support
	Scientific assessments and data					Thematic Assessments Unit, UN Environment Live		Comms support	Programming and implementation support
Investment	Awareness Raising Risks Management Impact Measuring		Finance Initiative					Comms support	Programming and implementation support
	Green trade and technology transfer		Trade and Environment Hub					Comms support	Programming and implementation support
	Sustainable Belt and Road investments		Energy and Climate Branch, Air quality and mobility Unit						Programming and implementation support
	Developing Green Investment Guidelines for the private sectors						Private Sector Unit		

Annex 2 : UN Environment - Funded Initiatives

1. Global Environment Facility -6 Sustainable Infrastructure Project

Duration: 2018-2019

Partners: Economy Division, Europe Office, Inquiry, UN Environment -World Conservation Monitoring Center, Science Division

Not explicitly on Belt and Road, this Global Environment Facility-funded project will: a) support a sustainable infrastructure working group; b) map planned major infrastructure projects against concerns over biodiversity, carbon emissions, and land degradation. ; c) model green investment scenarios of a specific infrastructure investment, likely in Kazakhstan

2. International Coalition for Green Development on the Belt and Road

Duration: 2018 –

Partners: UN Environment Divisions and Regional Offices, China-Ministry of Environmental Protection, China-ASEAN Environmental Cooperation Center, International Institute for Sustainable Development, World Wide Fund for Nature, Global Green Growth Institute, Organisation for Economic Co-operation and Development, et al.

UN Environment and China's Ministry of Environmental Protection will lead the establishment of an international coalition of governments, international organizations, investors and other stakeholders to promote green and sustainable Belt and Road investments. In March 2018, a preparatory meeting is planned to take place in China and the official establishment is expected before the end of 2018.. Norwegian funding in the amount of USD500,000 has been allocated to support the development and launch of the coalition.

3. Collection and Dissemination of Best Practices, Case studies,

Duration: 2018-2020

Partners: Economy Division, CAEC, Coalition partners

Funded by the China Trust Fund and to be implemented with Chinese implementing partners, this activity will focus on the collection and dissemination of best practices as well as lessons learned from Belt and Road projects, as well as other case studies that may be applicable to Belt and Road development. The project will release regular briefs, which will be compiled and released in a report at the end of the project. Best practices and case studies will be supported and underpinned by data and will be promoted through the relevant knowledge management platforms and partner networks.

4. Environmental Data Cooperation

Duration: 2018-2020

Partners: Science Division, China-MEP, CAEC

Also funded by the China Trust Fund, this activity will involve preliminary work to integrate UNEP Live with the China-ASEAN Environmental Cooperation Centre's Belt and Road Big Data Platform. The objective of the undertaking is to provide Belt and Road stakeholders with access to data and information upon which they can base policy choices and other decisions. The project will also include a pilot program for the release of environmental data briefs for selected Belt and Road countries.

5. Capacity Building Services for Belt and Road Stakeholders

Duration: 2018-2020

Partners: Economy Division, Europe Office, Asia Pacific Office, UN Economic Commission for Europe, International Labour Organisation, International Training Center, International Institute for Sustainable Development

The final output of the China Trust Fund project will focus on building capacity of Belt and Road stakeholders to identify ways in which sustainable development needs can be met by Belt and Road investments and supported by the most up to date environmental data and information. The project will develop and deliver training curricula targeted to two key stakeholder groups: Chinese private sector stakeholders (self-financed) as well as policy-makers and other stakeholder from Belt and Road countries. Training will focus on reducing business risks, green finance/impact investing, and identifying sustainable investment needs and enabling policies.

6. Belt and Road Environmental Outlook

Duration: 2018 -

Partners: Science Division, Regional Offices

UN Environment would like to work with partners to launch a large scale, scientifically credible, and policy neutral Environment Outlook process, which could: a) assess the state of the environment in Belt and Road countries and regions; b) keep track of the environmental and social dimensions of the Initiative with focus on areas impacted by large scale infrastructure, biodiversity hotspots and fragile ecosystems; c)

- inform decision making regarding infrastructure, planning, investment and conservation;
- d) encourage the inclusive and participatory engagement; e)

enhance consistent, high-quality environmental standards for investment. The assessment would employ methodologies used for the Global Environment Outlook (GEO) in addition to conducting field research and using the latest in remote sensing technologies.

7. Greening Belt & Road Development Regional Collaborating Centre - Africa

Duration:

UN Environment and the governments of Kenya and China will establish a regional collaborating centre to promote South-South Cooperation on green innovations and opportunities as a way of helping African countries to acquire the technologies, skills and knowledge to address environmental challenges and foster job creation across the Africa continent. It will also showcase concrete actions that UN Environment and China are taking to green the Belt and Road Initiative. This could potentially be a new model that attracts more funding from China. It is also an innovative way of establishing collaborating centres of UN Environment. Once established, it would be the first centre engaging both the contributing and recipient parties through South-South Cooperation, departing from the conventional bilateral approach of setting up the previous centres.