

Horizon Scan of the Belt and Road Initiative

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Harmonizing International and National Environmental Standards in BRI Foreign Investment Projects

Misalignments between:

- **International** and **domestic** legal, environmental, and social standards (i.e., EIA, SIA, and monitoring)
- Different **international standards and safeguards** (IFC, MDBs, and Equator Principles institutions) and the ones by **Chinese financial institutions**
- Risk of increased trade & investments going to '**Pollution Havens**' or countries that have lax legislation and enforcement
 - Current MDB safeguards do not address the core developmental problem facing environmental and social oversight – **weak legal frameworks and implementation capacity at country level** (Humphrey, 2016)

AIIB's Environmental and Social Framework (ESF) for safeguarding of energy projects (Shao and Tan-Mullins)

STUDY: Review of 15 energy projects financed by AIIB

RESULT: 12 (of 15) approved projects are co-financed projects

- Of which 11 are adopting the safeguard policy of the co-financing MDBs
- The other projects all adopt AIIB's ESF

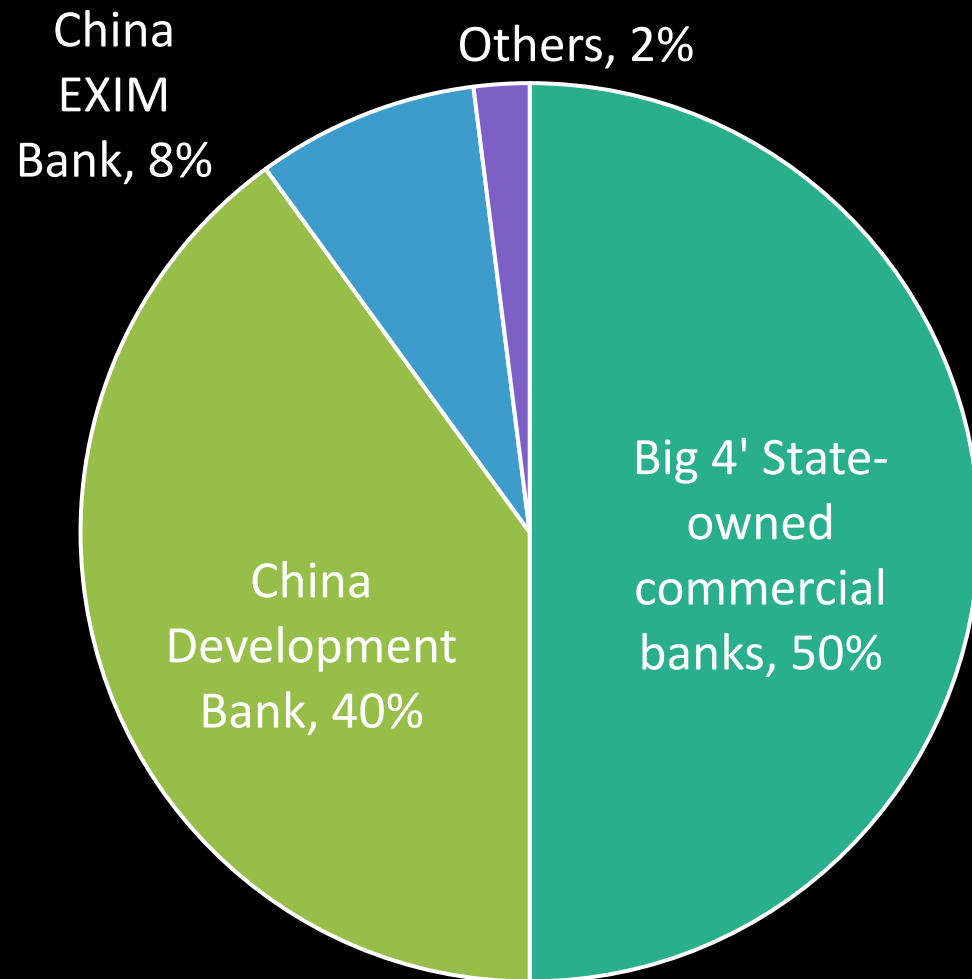
MAIN POINTS:

- AIIB's safeguard mechanism are less mature and comprehensive than other MDBs
- ESF provides a flexible space for adopting the regulatory systems and standards of the recipient country or the procedures proposed by co-finance stakeholder organization(s)

OPPORTUNITY: Governments may level up the safeguard bars with the AIIB's energy projects coming in by releasing new laws or regulations (which can be seen in some projects).

CHALLENGE: AIIB flexibility may also lead to an unsustainable condition if the country's sustainable will and commitment are not that strong

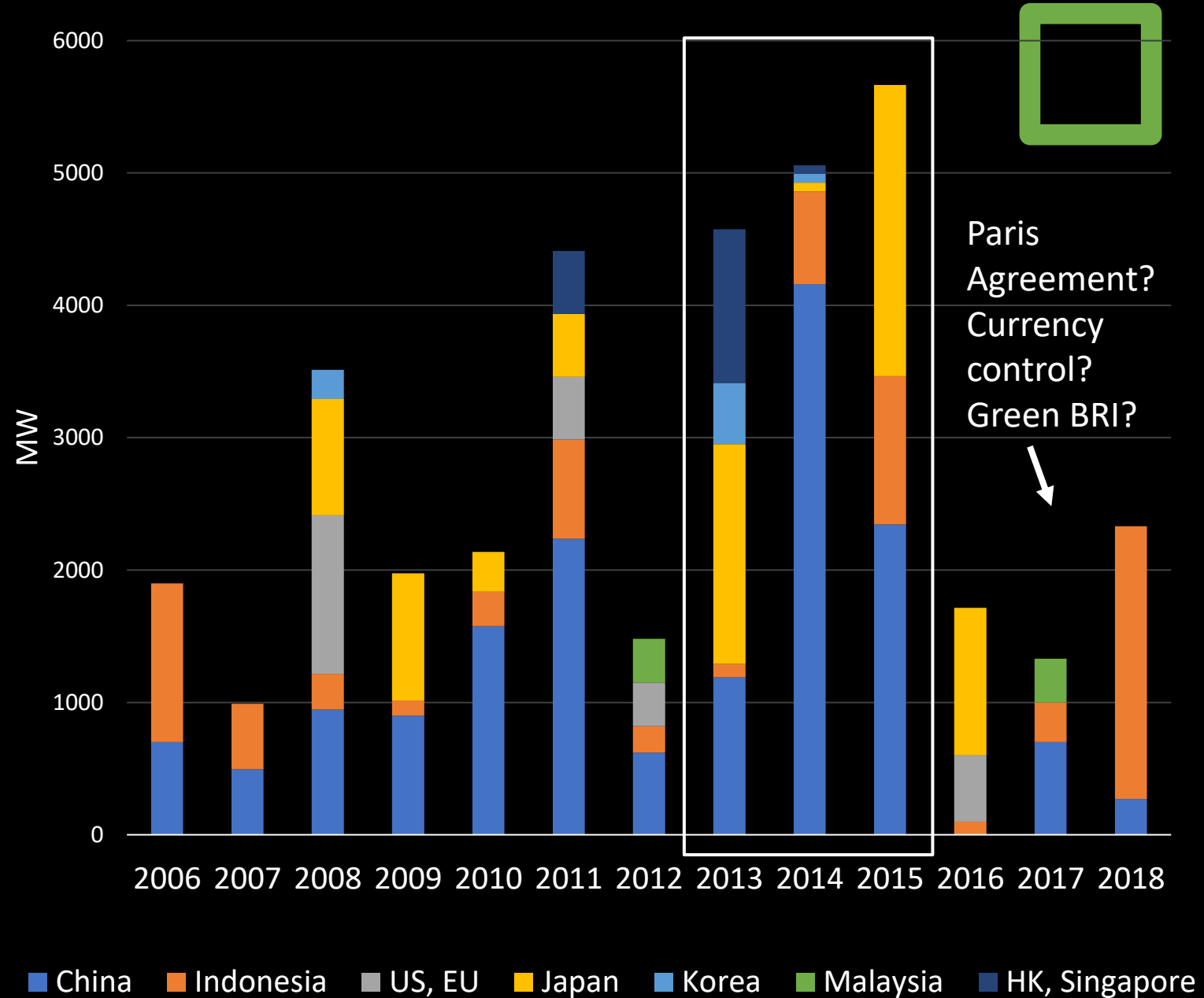
BRI loans and equity investments by source



- AIIB only funds a small amount of BRI projects
- The largest amount of projects are financed by the 'Big 4' Chinese commercial banks
- Followed by China Development Bank and China EXIM Bank
- Most of these Chinese financiers do not have specific guidelines for environmental and social safeguards of projects

Financing of coal power plants in Indonesia

- Chinese banks have become global leaders in the financing of coal power plants
- In Indonesia alone, 14 new deals for coal power plants were made after the launch of the BRI
- Most of these plants will be financed by CDB and China EXIM bank
- 14 new deals will lock country into fossil – dependent future



Source: Tritto, forthcoming.

The Myanmar Project Bank

A whole-of-government platform facilitating the effective, coordinated and transparent identification and financing of major investment projects in Myanmar

[See Project List](#)

- Myanmar: last frontier market of SEA
- Multiple interests by US, EU, Japan, Korea, and China through the BRI's CMEC to build infrastructure
- Government created an open, interactive, web-based platform to promote transparency and facilitate the screening, consultation, and financing of large projects (above USD 1.3 million) in line with the Myanmar Sustainable Development Plan 2018-2030.
- To create a strategic alignment among the flow of development assistance, the allocation of the budget, and the participation of the private sector in infrastructure development
- New PPP Centre oversees the projects' evaluation

Securing the Inclusive Governance and
Management of 'Territories of Life'

and Recognising the Role of 'Culture'
in Conservation of Biodiversity by
Indigenous and Local Communities

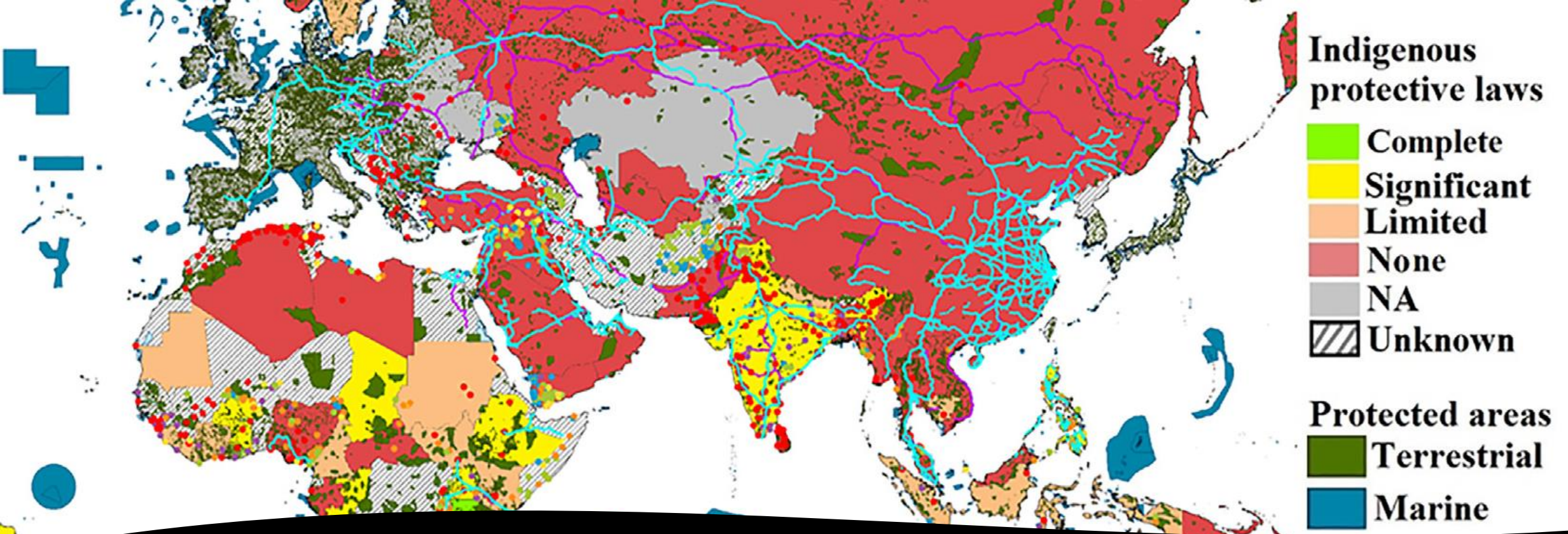
Some definitions

Territories of Life: territories/areas conserved by indigenous peoples and local communities characterized by:

- A close and deep connection between a territory or area and an indigenous people or local community.
- A functioning governance institution through which the custodian community makes and enforces decisions and rules (e.g., land access and use) about the territory, area or species' habitat.
- A system where the governance decisions and management efforts of the concerned people or community contribute to the conservation of nature (ecosystems, habitats, species, natural resources), as well as to community wellbeing → INCLUSIVE GOVERNANCE

Farvar et al., 2018,

ICCA Indigenous and Conserved Communities Association



Indigenous Protective Laws are insufficient

- Over a quarter of the world's land, across 87 countries, falls under local collective governance, overlapping 40% of terrestrial protected areas and numerous key biodiversity areas (KBAs)
- BRI projects transect numerous such territories, but the potential social and environmental impacts are unquantified, and laws often provide insufficient protection
- Custodian communities should be included throughout all stages of planning and implementation to ensure cultural continuity and sharing of benefits, but this seldom happens
- BRI projects need action plans that protect the rights of indigenous and local communities and ensure their full participation in environmental management and other development dialogues relevant to those projects.

China in shaping the future of global environmental governance

Concluding remarks

Key points of conclusion



Many of our identified issues for the sustainability of the BRI suggest that China will need to increase its participation in the structures of global environmental governance



Creation of various policies and guidelines for Greening the BRI



Domestically, high-level policies of “ecological civilization” and other policies such show China’s sustainability commitment



Large gap between environmental commitment domestically and internationally

Key dilemma

Rivalry over infrastructure + Closed door negotiations + political objectives of host countries

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graph TD; A[Rivalry over infrastructure + Closed door negotiations + political objectives of host countries] --> B[Timing (rushed) + conditions of loans & implementations]; B --> C[Unsustainable outcomes (no time for consultations, EIAs and SIAs)];
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Timing (rushed) + conditions of loans & implementations

Unsustainable outcomes (no time for consultations, EIAs and SIAs)

Possible solutions



Adopt more transparent and inclusive processes of negotiations



New cooperative modes of governance are needed to balance a wide range of geopolitical, societal, and environmental interests



Chinese lenders could become more proactive in developing, applying, and diffusing environmental and social standards



Apply the concept of ecological redlines to the BRI?



Commit to not funding of new coal power plants and conversion of deals still under negotiation?

Thank you!



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