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## THE BELT AND ROAD INITIATIVE AND THE SDGs: TOWARDS EQUITABLE, SUSTAINABLE DEVELOPMENT

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# Will the Belt and Road Initiative Boost Least Developed Countries Towards Sustainable Development?\*

Namsuk Kim<sup>1</sup>

**Abstract** This article reviews the progress of least developed countries (LDCs) towards LDC graduation and to achieving the Sustainable Development Goals (SDGs). It shows that the Belt and Road Initiative (BRI) could contribute to filling the financing gap and speed up progress. LDCs are defined as low-income countries with structural handicaps to achieving sustainable development. The comparison between SDG monitoring indicators and LDC identification indicators shows that progress towards the SDGs and towards the graduation from the LDC category are in general heading in the same direction. Estimates show that, under the business-as-usual scenario, only about half of LDCs could become eligible for graduation by 2030, while at the same time remaining a long way from the SDGs. There remains a significant financing gap which calls for additional cooperation initiatives, and the BRI to provide critical and necessary enabling conditions in this area.

**Keywords:** Belt and Road Initiative, least developed countries, Sustainable Development Goals, financing for development, United Nations, graduation.

## 1 Introduction

Least developed countries (LDCs) are a group of countries that are identified by the United Nations (UN) as having severe challenges in achieving sustainable development. The category was created in 1971, allowing these countries access to special support measures from the international community, such as trade preferences, technical assistance, and aid. The list of countries to be included in the category is reviewed against a set of criteria every three years (UN 2015).

While remarkable socioeconomic progress has occurred around the world throughout the past decades, the majority of LDCs, which constitute the poorest and most vulnerable group of countries, by and large did not share in this global progress. The principle of

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universality written into the 2030 Agenda for Sustainable Development (2030 Agenda) and represented by the phrase 'leave no one behind', would only be accomplished when those countries that start furthest behind – LDCs – are able to catch up and achieve the SDGs and the 2030 Agenda's other identified targets. The upcoming decadal programme of action for LDCs is expected to formulate the action agenda for 2021–30, which has the same end point as the 2030 Agenda. The 2030 Agenda's universal and integrated set of goals and targets address the root causes of poverty and the need for development that works for everyone, a priority for the LDCs (UN 2015).

To support LDCs to be on track towards the SDGs, it is critical to identify where the challenges are and how they will evolve up to 2030. But it is a difficult task to forecast and estimate progress towards the SDGs because the 2030 Agenda covers a wide spectrum of economic, social, and environmental aspects, with 17 goals, 169 targets, and 232 official indicators to measure progress. In this context, this article reviews the connection between achievement of the SDGs and LDC graduation (which uses just a few indicators); the current trajectory and required acceleration for LDC graduation; and the role of the Belt and Road Initiative (BRI) in financing for development in LDCs.

The progress made for enabling LDCs to move towards graduation has not been successful enough. Since the establishment of the category, the number of LDCs has increased from 25 in 1971 to 47 in 2018. During this period, only five countries have been able to make sufficient progress to graduate from the LDC category, and only 14 countries have met the criteria for graduation during the past decade, 2011–20 (UNDESA 2018a).

Recognising the development challenges that LDCs face, the international community has provided support measures to those countries, some of which are exclusive to LDCs.<sup>2</sup> However, as seen above, the support measures for LDCs have not been sufficient at enabling LDCs to make progress against the SDGs and graduate from the LDC category. This is the reason why alternative and additional cooperation platforms, such as the Belt and Road Initiative (BRI), should be explored.

The Government of the People's Republic of China launched the initiative of jointly building the Silk Road Economic Belt and the twenty-first century Maritime Silk Road in October 2013. The Belt and Road is envisioned to become a road of peace, prosperity, opening up, green development, innovation, connected civilisations, and clean government. It maps out a grand vision for international development cooperation, covering five key areas – policy coordination, infrastructure connectivity, unimpeded trade, financial integration, and people-to-people bond – which are extensively and intrinsically linked to the SDGs. By the end of March 2019, 173 cooperation agreements with 125 countries and 29 international organisations had been signed

with China (Office of the Leading Group for Promoting the Belt and Road Initiative 2019). The majority of these countries are developing countries, including LDCs, land-locked developing countries (LLDCs), and small island developing states (SIDS).

Section 2 presents an overview of the connection between the SDGs and LDC graduation, based on the indicator and target-level comparison. Section 3 reports the results from the statistical exercises on the prospects of LDC graduation by 2030. Section 4 presents the financing needs for LDCs and role of the BRI. Section 5 concludes.

## **2 Graduating from the LDC category and achieving the SDGs**

The LDC classification criteria aims to fully reflect the international development context that continues to change over time, and thus these criteria are periodically reviewed and adjusted. Since the 2030 Agenda was adopted, it has become clear that the opportunities and challenges of LDCs in the implementation of international agreements, and especially the SDGs, needs to be explored in order to ensure coherence and synergies between different international agendas.

LDCs are defined as low-income developing countries suffering from severe structural impediments to sustainable development (UNDESA 2018b). The three criteria used to identify LDCs are gross national income (GNI) per capita, the Human Assets Index (HAI), and the Economic Vulnerability Index (EVI).

GNI per capita provides information on the overall level of resources available to a country. The threshold for inclusion is set at the three-year average of the level of GNI per capita, which the World Bank defines for identifying low-income countries. For instance, in the latest review in 2018, the threshold for inclusion in the LDC category was US\$1,025. The threshold for graduation was US\$1,230, which is set at 20 per cent above the inclusion threshold (UNDESA 2018b).

The HAI is a measure of the level of human capital. Good health is a critical part of human wellbeing and improving the health status of the population leads to productivity increase, educational attainment, and poverty reduction. Education is another major element of human wellbeing in itself, and a low level of education implies lower productivity and a limited capacity to absorb technological advances. The HAI consists of five indicators on health and education: (1) the number of the population undernourished; (2) the child mortality rate; (3) the maternal mortality rate; (4) the gross secondary enrolment rate; and (5) the adult literacy rate. The HAI threshold for inclusion into the LDC is set at 60. The graduation threshold is set at 10 per cent above the inclusion threshold at 66 (UNDESA 2018b).

The EVI measures the structural vulnerability of countries to economic and environmental shocks. High vulnerability is a major impediment to sustainable development in view of heightened exposure to shocks

Table 1 Linkages between LDC indicators and SDG indicators

LDC indicators			
SDG indicators			
Group A	Group B	Group C	Group D
Constraint	Outcome and constraint*	Reviewed as potential LDC indicators**	Other indicators
Population remoteness	GNI per capita (8.1.1)	1. Poverty rate (1997, 2008)	About 200 indicators mostly related to policy
	Under-five mortality rate (3.2.1)	2. Stunting (2015)	
	Undernourished (2.1.1)	3. Births attended by skilled personnel (2014)	
	Secondary school enrolment (4.1.1)	3. HIV infections (2008)	
	Literacy rate (4.6.1)	3. Mortality attributed to cardiovascular disease, etc. (2015)	
	Maternal mortality rate (3.1.1)	4. Participation in education and training (1997, 2011)	
	Export concentration (8.2.1; 9.b.1; 10.a.1; 1710.1; 1711.1; 1712.1)	4. Information and technology skills (2005)	
	Share of agriculture (2.4.1; 8.9.1; 9.2.1; 14.7.1; 15.1.1)	5. Legal framework (2011)	
	Population in low coastal zones (11.5.1; 11.b.1; 11.b.2)	6. Drinking water (2011)	
	Instability of exports (10.a.1; 1710.1; 1711.1; 1712.1)	8. Jobs in tourism (2008, 2011)	
	Victims of natural disasters (1.5.1; 11.5.1; 11.b.1; 11.b.2; 13.1.2)	9. Access to road (1991, 1997)	
	Instability of agricultural production (2.a.1; 2.b.1; 2.b.2; 2.c.1)	9. Mobile network (2005)	
	Access to electricity*** (7.1.1)	10. Income of bottom 40% (1999, 2008, 2011)	
	10. Population below 50% of median income (1999, 2008, 2011)		
	10. Resource flows for development (2010)		
	10. Remittances cost (2008, 2011)		
	11. Disaster economic loss (2002)		
	12. Material consumption (1991)		
	16. Homicide (2008, 2011)		
	16. Conflict deaths (2008, 2011)		

Notes \* Directly or indirectly related SDG indicators are in parentheses.

\*\* Number represents corresponding SDG, and the years in which the CDP considered the indicator are in parentheses.

\*\*\* Used as an LDC indicator during 1991–99.

Source Author's tabulation from the UN Committee for Development Policy (1971–2018).

and their long-lasting negative impacts. Vulnerability depends mainly on the magnitude and frequency of such shocks, and on the structural characteristics of the country concerned. The EVI is composed of eight indicators, grouped into two main components: an exposure index and a shock index. The exposure index includes: (1) population; (2) remoteness; (3) merchandise export concentration; (4) the share of agriculture, hunting, forestry, and fishing; and (5) the share of population in low elevated coastal zones. The shock index includes: (6) the instability of exports of goods and services; (7) victims of natural disasters; and (8) the instability of agricultural production. The EVI threshold for inclusion into the LDC category is set at 36. The graduation threshold is set at 10 per cent below the inclusion threshold at 32 (UNDESA 2018b).

The indicators used as LDC criteria have been selected on the basis of their relevance to measuring structural impediments, their methodological soundness, and the availability of data; namely, their frequency and coverage. In order to ensure comparability across countries, all indicators are based on internationally available data.

There is a fundamental difference between the objectives of SDG monitoring indicators and the LDC classification indicators: while SDG monitoring indicators aim to measure *outcomes* of development progress, LDC indicators attempt to measure *structural factors* that hinder development. This difference in objectives results in the differences in the selection and interpretation of indicators.

Despite the difference, there is an overlap between the SDG review indicators and LDC indicators, because some of the indicators can have characteristics of both development outcomes and structural handicaps to varying extents. For example, low levels of human capital are major challenges for countries, not only because they are a manifestation of unsustainable development (an outcome), but also because they limit the possibilities for economic production and growth, prevent poverty eradication, exacerbate inequalities, and hamper resilience to external shocks (a structural handicap). For this reason, many indicators on health and education are used for LDC classification as well as SDG monitoring.

Table 1 illustrates the linkages between LDC indicators and SDG indicators, grouping the indicators into four groups. Group A is the LDC indicators that are regarded as structural impediments only, with little relation to action or policy, at least in the medium term. Group B represents indicators that are used both for LDC identification and SDG monitoring. Group C includes SDG indicators that have been reviewed in the past by the Committee for Development Policy (CDP) as possible LDC indicators but not adopted for various reasons. Indicators in Group D have not been considered for LDC indicators yet.

In sum, making progress towards LDC graduation is well in line with making progress towards the SDGs. Almost all the LDC indicators

currently or previously in use are closely linked with SDG monitoring indicators in various goals and targets. Only two LDC indicators are regarded as structural indicators and bear little relation to an action-oriented SDG monitoring framework. A significant number of SDG indicators and areas have been reviewed in the past for possible inclusion in the LDC criteria but rejected for various reasons. The reasons for discarding the indicators are: duplication, data deficiencies, no structural impediment, and country-specific issues.

### 3 LDC graduation prospects and SDGs specific to LDCs

The next question is, how fast are the LDCs making progress towards graduation? The official graduation eligibility process was formulated in 1991. In principle, at least two out of the three criteria must pass the graduation thresholds, in order to be eligible for graduation. When a country is identified as eligible for graduation for two consecutive triennial reviews, then an additional procedure is implemented for a possible graduation (UNDESA 2018b). As an exception, a country is eligible for graduation if its GNI increases to a sufficiently high level – defined as at least twice the graduation threshold level – even if that country has not satisfied the graduation thresholds for both the HAI and the EVI (UNDESA 2005). This is called an *income-only* graduation criterion, and the income-only graduation threshold was set at US\$2,460 in the 2018 review of the LDC category.

The projected number of LDCs that may meet the graduation threshold depends heavily on the estimation methods and assumptions. In its estimations, the United Nations Conference on Trade and Development (UNCTAD) (2016) applied the income trajectory based on the GDP forecast of the International Monetary Fund (IMF), and logarithmic trends of the HAI and EVI, and suggested 13 projected graduation cases between 2021 and 2024. Drabo and Guillaumont (2016) considered more closely the possible graduation cases based on the income-only criterion. Assuming the per capita income growth rate is sustained at the same rate as in 2001–14, 14 countries would be projected to meet the income-only criteria between 2018 and 2030. If the average growth rate is one percentage point higher, or increased to 7 per cent per year, 17–24 LDCs may meet the income-only criterion between 2018 and 2030. Similarly, Kawamura (2014) used average annual growth rates of three criteria observed during the period 2000–10 and suggested that 11 countries may become eligible for graduation by 2021.

While the aforementioned papers use the official Triennial Review data, released every three years, to forecast future graduation eligibility, this article uses annual data of the same composition, methodology, and data source to maintain consistency over time. The data are unbalanced panel data, covering all 47 current LDCs from 1993 to 2018.

The graduation threshold for income is set as 20 per cent higher than a three-year moving average of the low-income country (LIC) thresholds used by the World Bank. This article projects these income thresholds



**Table 2 Projected number of LDCs meeting graduation criteria by 2030**

Country	Scenario 1: Average annual growth rate	Scenario 2: Compound annual growth rate	Scenario 3: Linear time trend	Scenario 4: 7% minimum growth (SDG)
1 Afghanistan	G, H	G, H		G, H
2 Angola*	IO, H	IO, H	IO, H	IO, H
3 Bangladesh*	G, E, H	G, E, H	G, E, H	G, E, H
4 Benin	G, E, H	E, H	E, H	G, E, H
5 Bhutan*	G, H	G, H	G, H	G, H
6 Burkina Faso				
7 Burundi				
8 Cambodia	G, H	G, H	E, H	G, E, H
9 Central African Republic				
10 Chad				
11 Comoros				IO
12 DR Congo				
13 Djibouti	G, E, H	G, E, H	G, E, H	IO, E, H
14 Eritrea	IO	IO		IO
15 Ethiopia	G, E	G, E	E, H	G, E
16 Gambia				
17 Guinea				
18 Guinea-Bissau				
19 Haiti	G, E			G, E
20 Kiribati*	IO, H	IO, H	IO, H	IO, H
21 Lao PDR*	G, H	G, H	G, H	G, H
22 Lesotho	G, H		G, H	G, H
23 Liberia				
24 Madagascar				
25 Malawi				
26 Mali	G, H			G, H
27 Mauritania				
28 Mozambique				
29 Myanmar*	G, E, H	G, E, H	G, E, H	G, E, H
30 Nepal*	E, H	E, H	E, H	E, H
31 Niger				
32 Rwanda	E, H	E, H	E, H	E, H
33 Sao Tome and Principe*	G, H	G, H	G, H	G, H
34 Senegal			E, H	G, H
35 Sierra Leone				
36 Solomon Islands*	G, H	G, H	G, H	G, H
37 Somalia	E, H			E, H
38 South Sudan				
39 Sudan				IO
40 Timor-Leste*	IO, H	IO, H	IO, H	IO, H
41 Togo	E, H	E, H	E, H	E, H
42 Tuvalu*	IO, H	IO, H	IO, H	IO, H
43 Uganda				
44 United Rep. of Tanzania	E, H	G, E, H	E, H	E, H
45 Vanuatu*	G, H	G, H	G, H	G, H
46 Yemen			G, H	G, H
47 Zambia	IO, H	IO, H	G, H	IO
<b>Number of countries meeting criteria</b>	<b>26</b>	<b>22</b>	<b>23</b>	<b>30</b>

Notes Criteria met for graduation for the first time: G = GNI per capita; E = EVI; H = HAI; IO = income only. \*Denotes countries already identified meeting criteria by 2018 review. Income graduation threshold is projected based on historical thresholds of low- and middle-income countries by the World Bank (2019a).

Source Author's own calculation based on projections using the annual data of LDC criteria.

based upon its historical trend assessment. The thresholds for the HAI and the EVI are fixed at 66 (or above) and 32 (or below), respectively, and therefore, there is no need to project their thresholds. It is notable that the EVI and HAI tend to change slowly over time, because they consist of many sub-indicators that do not change quickly. As the EVI and the HAI only change incrementally over the years, changes in many LDCs follow a straight line which can be approximated locally by a linear trend, or a simple average growth rate.

#### **Scenario 1: Average annual growth rate**

In this baseline scenario, countries make progress between 2019 and 2030 at the same average annual growth rates (AAGRs) as over the past ten years, 2009–18. This is a method commonly used in the above-mentioned existing research on prospects of LDC graduation. All three criteria – GNI per capita, EVI, and HAI – are estimated based on this method. Assuming that the progress made in the past ten years will continue until 2030 in all three criteria, the total of 26 LDCs may meet graduation thresholds (see Table 2). Sustained growth in GNI per capita until 2030 appears to be the deciding factor to achieve this result.

#### **Scenario 2: Compound annual growth rate**

The compound annual growth rates (CAGRs) for 2009–18 are used in this scenario to project the path. In this scenario, the total of 22 LDCs may meet graduation thresholds by 2030 (see Table 2). The income growth is almost the same, or lower for some LDCs when the CAGRs are used, compared to the cases where we use the AAGRs.

#### **Scenario 3: Linear time trend**

In this scenario, countries follow the long-term historical trend in all LDC criteria until 2030. A simple time variable, instead of the time dummies, is used for estimating the linear time trend, and for the parsimony of the model. Based on the linear trend, 23 LDCs may meet the graduation criteria at least once by 2030 (see Table 2).

#### **Scenario 4: SDG target 8.1 on 7 per cent minimum growth rate**

SDG target 8.1 is to sustain per capita economic growth in accordance with national circumstances, and in particular at least 7 per cent per annum GDP growth in the LDCs. Scenario 4 is to have a minimum of 7 per cent growth for GNI per capita for all LDCs, while the HAI and EVI follow the historical trend in Scenario 1. With this adjustment, compared to Scenario 1, four additional countries meet the criteria, with 30 LDCs meeting the graduation criteria by 2030. It is also notable that 17 LDCs still would not be able to meet the LDC graduation criteria, even with a 7 per cent annual growth rate, if their progress on improving human assets and reducing structural vulnerability is limited.

To summarise, the statistical exercise suggests two different prospects:

- 1 Business as usual: Scenarios 1, 2, and 3 (based on historical trend) predict that 22–26 LDCs, about 50 per cent of the current total, may meet the graduation criteria by 2030;

2 Optimistic result: Scenario 4 (SDG target of minimum growth of 7 per cent) suggests that 30 LDCs, about 64 per cent of the total, may meet the graduation criteria by 2030.

To achieve the optimistic result, therefore, an unprecedented pace of growth in many LDCs is required. The statistical analysis suggests that LDCs need to have a minimum of 7 per cent income growth (meeting the SDG target), for a substantive share of LDCs to be able to meet the graduation criteria by 2030. The result implies that the LDCs are not making progress fast enough to become eligible for graduation and to achieve the SDGs.

A total of 18 of the 169 SDG targets refer explicitly to the LDCs, and dozens more are of central importance to their development success (UNCTAD 2018a). But there are not many SDG targets for LDCs with specific numeric targets.

SDG target 8.1 is to ‘Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries’ (UN 2015: 19). According to the World Bank data, only five LDCs achieved over a 7 per cent growth rate in 2017. While the average growth rate is around 6.4 per cent for Asian LDCs, African and Pacific Island LDCs show only a 4 per cent growth rate on average in 2017 (World Bank 2019a).

SDG target 9.2 is to ‘Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry’s share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries’ (UN 2015: 20). The average share of the industrial sector in LDCs remains at 25 per cent in 2016, which is the same as 2006 (World Bank 2019a). Not only is this well off-target overall, but also there exists a huge variance across LDCs. Resource-rich LDCs in general have a high proportion of GDP from the industrial sector; for example, Angola and DR Congo. Whereas LDCs with limited productive capacity have a relatively low share in industry; for example, Gambia and Kiribati. In order to achieve SDG target 9.2, it is critical for those LDCs with low productive capacity to make much faster progress in transforming their economic structure.

SDG target 17.11 is to ‘Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries’ share of global exports by 2020’ (UN 2015: 27). As of 2016, the share is estimated as 0.9 per cent, only a 0.1 percentage point increase from 2006 (UNCTAD 2018b). It is apparent that to achieve the SDG targets set for LDCs, there is a huge need for support to boost income growth, economic transformation, and global integration.

#### **4 The Belt and Road Initiative as an accelerator for LDCs**

Since its inception in 2013, the BRI has expanded from Asia to Europe, Africa, Latin America, and the South Pacific. The BRI evolved to cover five priorities for international development cooperation; namely, policy coordination, infrastructure connectivity, unimpeded trade, financial integration, and people-to-people bond. Over 140 entities, countries, and international organisations have either signed Memoranda of Understanding (MoUs) or expressed interest to cooperate under the initiative (Office of the Leading Group for Promoting the Belt and Road Initiative 2019).

The BRI has substantial financial backing with estimates as high as US\$1tn, pledged by Chinese financial institutes, investment funds including the Silk Road Fund, the China–Africa Fund, state-owned commercial banks, and private investors (World Bank 2019b). Lending through multilateral development banks, such as the Asian Infrastructure Investment Bank, has contributed to overall BRI financing and elevated China's global developmental role.

From 2013 to 2018, the value of trade between China and the countries along the Belt and Road surpassed US\$6tn, accounting for about 27 per cent of China's total trade in goods. During the same period, China's direct investment in those countries surpassed US\$90bn (Baniya, Rocha and Ruta 2019). A total of 30 out of 47 LDCs signed cooperation agreements under the BRI with China on cooperating to improve infrastructure, direct investment, and export promotion.<sup>3</sup>

The BRI holds substantial potential to generate welfare benefits for participating countries and contribute to the implementation of the SDGs. The five priority areas of the BRI have many possible direct and indirect linkages with various SDGs (Hong 2017). Direct linkages are concentrated in SDG 1 (no poverty), SDG 8 (decent work and economic growth), SDG 9 (industry, innovation, and infrastructure), SDG 10 (reduce inequality), and SDG 17 (global partnership).

The channels of the BRI affecting SDG progress at the country level remain to be seen, because the possible linkages are very complex. Many SDG targets are intertwined with synergies and potential trade-offs which lead to the necessity of prioritising some SDGs in many developing countries with limited financial resources. In this context, financing for the SDGs funded by the BRI could be a crucial element for many developing countries.

While supporting LDCs to make progress towards LDC graduation and to achieve the SDGs requires a major step-up in international cooperation, all sources of financing for LDCs have not displayed any significant increase in recent years and some of them have dropped in the past couple of years. It has become clear that the required need for financing for development in LDCs is not likely to be met at the current trend of financial flows to LDCs. Alternative and additional financial

sources need to be explored. In this context, it is notable that the BRI is starting to provide a significant amount of flow to LDCs (OECD 2018b).

To look into the details further, a few external income sources are of importance for LDCs: export revenue; foreign direct investment (FDI); remittances; and official development assistance (ODA).

#### 4.1 Export

While exports, particularly commodity exports, are one of the major income sources for LDCs, recent trends in international markets have not been favourable. Global demand for commodities has been weak and has kept the price low in the past five years. LDCs' total export revenues fell from US\$255bn to US\$190bn between 2013 and 2016 (UNCTAD 2018b). The overall trade share of LDCs has been increasing very slowly over the past decade (World Bank 2019a).

BRI investment in improving transportation may contribute to lowering travel times and increasing trade. The magnitude of the impact varies across estimation methods. The World Bank estimates that travel times will decline by up to 12 per cent once major economic corridors, which cover many LDCs in Asia, are completed (World Bank 2019b). Travel times to the rest of the world are estimated to decrease by an average of 3 per cent, showing that non-BRI countries and regions, which include many LDCs in Africa, will benefit as well. Subsequently, trade may rise from between 2.8 and 9.7 per cent for corridor economies and between 1.7 and 6.2 per cent for the world. De Soyres *et al.* (2018) estimate that planned investments under the BRI can reduce shipment time by 3.6 to 4.5 per cent, and trade costs by 3.2 to 4.0 per cent. Reed and Trubetskoy (2019) find large potential benefits from increased market access in high-density cities with poor infrastructure. Zhai (2018) estimates that countries can export 5.6 to 10.9 per cent additionally, helped by BRI investment.

#### 4.2 Foreign direct investment

FDI inflows to LDCs are estimated at only US\$25bn in 2017, showing a decline from US\$37bn in 2015 (UNCTAD 2018c). They are concentrated in a limited number of LDCs, including a few fast-growing Asian LDCs and resource-rich African LDCs. Nine out of the 47 LDCs, namely, Bangladesh (US\$2.2bn), Cambodia (US\$2.8bn), DR Congo (US\$1.3bn), Ethiopia (US\$3.6bn), Mozambique (US\$2.3bn), Myanmar (US\$4.3bn), Sudan (US\$1.1bn), Tanzania (US\$1.2bn), and Zambia (US\$1.1bn), account for 80 per cent of all FDI flows to LDCs in 2017 (*ibid.*).

Countries that lie along the Belt and Road corridors fall short of their potential FDI by 70 per cent. With the new transport links supported by the BRI, low-income countries are expected to see a significant 7.6 per cent increase in FDI (World Bank 2019b).

#### 4.3 Remittances

Remittances to LDCs were around US\$37bn in 2017, slightly decreased from 2015–16 (World Bank 2019a). While this amounts to about

7 per cent of the world total, remittances are a significant source of external finance in a number of LDCs, and their resilience compared with other financing flows may contribute to easing the balance of payment pressure. But the largest recipients of remittances are heavily concentrated in just a few LDCs. Bangladesh (US\$14bn in 2016), Nepal (US\$7bn), Yemen (US\$3bn), Haiti (US\$2bn), Senegal (US\$2bn), and Uganda (US\$1bn) accounted for as much as three quarters of personal remittances flowing to LDCs (UNCTAD 2018b).

While people-to-people bond is one of the five priority areas of the BRI, data on the migration or remittances related to the BRI are currently very limited. This is an area for further research and policy coordination is required.

#### 4.4 Official development assistance

If private flows cannot fill the financing gap, official flows need to rise to support LDCs. The ODA represents about 70 per cent of LDCs' total external finance (OECD 2018a). SDG target 17.2 calls for:

developed countries to implement fully their official development assistance commitments, including the commitment by many developed countries to achieve the target of 0.7 per cent of ODA/GNI to developing countries and 0.15 to 0.20 per cent of ODA/GNI to LDCs. ODA providers are encouraged to consider setting a target to provide at least 0.20 per cent of ODA/GNI to LDCs (UN 2015: 26).

However, net ODA disbursement to LDCs remained at US\$26bn in 2017 and has not shown a significant increase since 2015 (OECD 2019). Only seven Development Assistance Committee (DAC) members provided ODA over 0.15 per cent of GNI in 2012–16 (UNCTAD 2018c). While data are limited, it is estimated that China provided official aid of US\$8bn in 2014 (AidData 2017). The figure rises to US\$37bn in 2014, with seven African countries in the top ten recipients (*ibid.*). More recent data would be able to indicate how much aid the BRI has added.

Given the current trend of external financial flows to LDCs to finance their development towards the SDGs, it is extremely challenging to achieve this and make progress towards LDC graduation, particularly in Africa, without the BRI and other additional support. Also, implementing the BRI should not assume automatic SDG benefits, as each country is contextually unique and operating at a range of development stages, with different economic structures and therefore priorities in development strategy. It will be critical to assess the extent of the positive impacts of the BRI and their impact on the development of LDCs in order to formulate optimal investment policies.

## 5 Conclusion

Member states of the UN reaffirmed their commitment to the full, effective, and timely implementation of the 2030 Agenda for Sustainable Development, as well as the support for mainstreaming it into the national development policies and programmes of LDCs.

To fulfil these commitments, it is critical for the governments of LDCs and their development partners to understand how these various agendas are interlinked, how to prioritise their development policies, and how to identify available resources to finance them.

A comparison of the two sets of indicators for LDC classification and SDG progress-monitoring reveals that there is a substantial overlap: 11 out of the 17 SDGs have targets explicitly linked to LDC criteria. Likewise, 12 out of the 14 LDC indicators are closely related to the SDG indicators. Therefore, making progress towards LDC graduation is in line with almost all development progress towards achieving the SDGs. Accelerating improvement in human assets and structural transformation would also contribute to achieve many SDG targets.

Forecasts of the progress towards the SDGs in LDCs are not favourable. Based on statistical analysis of historical trends, only 22–26 LDCs (47–55 per cent of the total) may meet graduation thresholds by 2030. An optimistic hypothetical scenario, which meets the SDG target of achieving 7 per cent annual growth for all LDCs, predicts that 30 LDCs (64 per cent of the total) may meet the graduation criteria by 2030. Even if all LDCs achieve high growth in income, about one third of LDCs will not be able to meet the graduation thresholds by 2030 unless fast progress is also seen in improving human assets and reducing structural vulnerability.

To boost the speed for LDCs to achieve the SDGs, another engine is needed – the BRI. Within a short period of time since its inception, the BRI has been able to prove its significant potential to accelerate SDG progress. In particular, the BRI can contribute by filling the gap in development financing for LDCs through various channels to its priority areas: unimpeded trade for LDCs to export; financial integration to raise FDI and ODA; and people-to-people bonds to increase remittances.

The SDGs and the BRI are two distinct agendas but share common objectives, which could be instrumental in supporting the development progress of LDCs. These interlinkages are potential synergies, not yet realised. One of the most important tasks to maximise the development impact of the BRI is to assess the country-specific factors that affect the channels between the BRI and the SDGs in LDCs, and to identify which channels the BRI can contribute to the most.

### Notes

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- 1 Namsuk Kim, Economic Affairs Officer, Department of Economic and Social Affairs, United Nations, USA, [kimmamsuk@un.org](mailto:kimmamsuk@un.org)
- 2 The list of LDC-specific support measures can be found at [www.un.org/ldcportal](http://www.un.org/ldcportal).
- 3 Yemen is currently not in the BRI list due to the Yemen Civil war, according to Yidaiyilu official website, [www.yidaiyilu.gov.cn/gbjg/gbgk/77073.htm](http://www.yidaiyilu.gov.cn/gbjg/gbgk/77073.htm).

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