

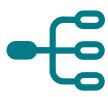



BRI RECOMMENDATIONS AND BEST PRACTICES MATRIX

	REQUIRE AND CONDUCT A RIGOROUS, COMPREHENSIVE, AND TRANSPARENT PROJECT PREPARATION PROCESS	ESTABLISH A PROJECT PREPARATION FUND (PPF)	DEVELOP A BRI "STANDARD CONTRACT" WITH REQUIRED, RECOMMENDED, AND OPTIONAL PROVISIONS
  HOW WOULD IT WORK?	<p>Chinese Government, Project Developers, and Contracted Companies</p> <ul style="list-style-type: none"> Prior to project approval, Chinese authorities should require that a rigorous and transparent project preparation process be undertaken. Conduct risk and life cycle assessments for new materials, processes, and methods. Cancel or substantially change projects found to be financially or otherwise nonviable. Design project based on careful assessment. 	<p>Chinese Government</p> <ul style="list-style-type: none"> Establish a BRI PPF fund. Award grants as needed to support states considering BRI projects to fund analysis of needs, viability, and factors relevant to decision-making and project design. PPF advisory contracts should be open to international firms and competitively bid on. 	<p>Chinese Government</p> <ul style="list-style-type: none"> Use International Federation of Consulting Engineers (FIDIC) standard contracts as a template for developing a standard contract for BRI with mandatory and optional provisions. Make BRI standard contract publicly available. Conduct oversight to ensure contracts meet FIDIC standards.
 WHAT WOULD IT ACCOMPLISH OR PREVENT?	<p>Improve Project Oversight</p> <ul style="list-style-type: none"> Many developing countries lack the resources or capacity to conduct appropriate viability analysis. Minimize risk of project failure through thorough pre-project viability analysis and due diligence. Provide project financiers and developers with a clearer understanding of the local political, social, environmental, and economic context. <p>Invite International Participation</p> <ul style="list-style-type: none"> Nonviable projects do not attract private and international investment and can saddle host governments with unsustainable debt. <p>Build Support for the BRI</p> <ul style="list-style-type: none"> Reduce the likelihood of debt-for-equity swaps and environmental or social damage, which can result in resentment toward China and the BRI. 	<p>Host Country Capacity</p> <ul style="list-style-type: none"> Host countries may lack the capacity, resources, or expertise necessary to evaluate projects. Better alignment with host countries needs. Bolster developers and host countries capacity to identify and navigate potential issues. <p>Attract Private Capital</p> <ul style="list-style-type: none"> Projects that undergo a comprehensive assessment have greater viability and credibility on the international market and facilitate international public and private participation. Rigorous assessment during the pre-project stage reduces the risk of failure and lowers project costs. 	<p>Project Quality</p> <ul style="list-style-type: none"> The lack of consistency between contracts yields inconsistent approaches and outcomes. Reduce risk of delays and resulting costs. Establish standard dispute resolution procedure mitigating potential delays and costs. Improve project oversight through the role of the engineering consultants. <p>Increase Multilateral Support</p> <ul style="list-style-type: none"> Improve credibility of BRI by adhering to internationally-recognized standards.
 REFERENCE	<p>International Standards</p> <ul style="list-style-type: none"> The G20 "Principles for the Infrastructure Project Preparation Phase" and APEC's "Guidebook on Quality Infrastructure Development and Investment". The World Bank's "A Diagnostic Framework for Assessing Public Investment Management" outlines the essential features and necessary steps prior to embarking on the construction phase of an infrastructure project with public investment. The ADB provides multiple guidelines on how to conduct project preparation assessments. <p>Chinese Precedent</p> <ul style="list-style-type: none"> The CBRC's "Standardization of Banking Services Enterprises to 'Go Out' and Strengthen the Guidance of Control and Risk Prevention" states that financial institutions should conduct an in-depth and independent assessment of the environmental, legal, and social risks in evaluating a project's feasibility. CHINCA's "Guidelines of Sustainable Infrastructure for Chinese International Contractors" outline what should be included in a project feasibility report. The NDRC and Ministry of Housing and Urban-Rural Development's "Guiding Opinions on Boosting Development of Whole-Process Engineering Consulting Services" emphasize the importance of conducting comprehensive project feasibility studies. 	<p>International Standards</p> <ul style="list-style-type: none"> The World Bank, European Bank for Reconstruction and Development (EBRD), and ADB have prepared or established project preparation facilities. <p>Chinese Precedent</p> <ul style="list-style-type: none"> The "Guiding Principles on Financing the Development of the Belt and Road" state that China will use public funds for the planning and construction of major projects. The Asian Infrastructure Investment Bank (AIIB) established a PPF in 2016. The Ministry of Finance and the New Development Bank signed a PPF agreement in 2017. 	<p>International Standards</p> <ul style="list-style-type: none"> The World Bank, EBRD, and ADB all use FIDIC standard infrastructure development contracts. <p>Chinese Precedent</p> <ul style="list-style-type: none"> China's Ministry of Construction, State Industrial and Commercial Administration Bureau, and NDRC use standard contracts in domestic tendering. China's State Council adopted regulations requiring disclosure of major construction and other related information domestically.

BRI RECOMMENDATIONS AND BEST PRACTICES MATRIX

	ACTIVELY ENCOURAGE BLENDED FINANCING	ADOPT AND REQUIRE OPEN AND TRANSPARENT BRI PROJECT PROCUREMENT PROCESSES	CONDUCT RIGOROUS, TRANSPARENT, COMMUNITY-ENGAGED, AND PUBLICLY AVAILABLE ENVIRONMENTAL AND SOCIAL IMPACT ASSESSMENT (ESIAs)
 HOW WOULD IT WORK?	<p>Chinese Government and Development Banks and Financing Institutions</p> <ul style="list-style-type: none"> Use blended financing instruments, including investment grants, viability gap funding, technical assistance, loan guarantees, and publicly disclosed official development assistance as appropriate for high-priority projects that are not financially viable or affordable but justified in development or economic terms. 	<p>Project Developers</p> <ul style="list-style-type: none"> All companies, including Chinese state-owned enterprises, submit their bids for contracts through an established e-procurement system. Ensure contracts are awarded on a best value for money and quality basis. 	<p>Project Developers</p> <ul style="list-style-type: none"> Conduct ESIAs after project approval and prior to construction that examine environmental and social impact management; land rights; security, health, and safety; stakeholder engagement and information disclosure; and labor issues. Publicize ESIA conclusions in the local language and in English. Implement the procedures to mitigate or avoid adverse impacts during the project's life cycle.
 WHAT WOULD IT ACCOMPLISH OR PREVENT?	<p>Reputation and Sustainability</p> <ul style="list-style-type: none"> Diminish concerns that China is purposefully "debt trapping" less developed nations through the BRI. Expand the pool of development funds available for financing ambitious infrastructure projects. Expand relationships and facilitate new commercial opportunities between international and Chinese companies. <p>Reduce Risks</p> <ul style="list-style-type: none"> Huge amounts of public money are spent on BRI projects, many of which are not commercially viable. Chinese developers can pursue unprofitable projects due to their easy access to government funds. Commercial banks and investors will apply rigorous standards to ensure fiscal viability of the project and commercial returns. 	<p>Increase Project Efficiency and Quality</p> <ul style="list-style-type: none"> Reduce procurement time, corruption, and waste through automated system. Many project contracts are not competitively bid, allowing companies to be paid for services or equipment which are never delivered. <p>Build Support for BRI</p> <ul style="list-style-type: none"> Build trust among participating parties and attract international private firms and development banks. 	<p>Enhance Project Quality</p> <ul style="list-style-type: none"> ESIAs have been falsified or bypassed completely, leading to problems. ESIAs rarely engage stakeholders or are translated into local languages and made publicly available. Enforcement of environmental standards in host countries is often lax, resulting in expensive delays, local resistance, and liability issues. Proper ESIAs enhance transparency and investor confidence, reduce risk, and provide a comprehensive and realistic view of the challenges facing the project, as well as options for mitigation.
 REFERENCE	<p>International Standards</p> <ul style="list-style-type: none"> The World Bank, ADB, EBRD, and OECD encourage PPP for infrastructure projects and have guidelines and frameworks on how to do so. <p>Chinese Precedent</p> <ul style="list-style-type: none"> At the Second Belt and Road Forum, Xi Jinping called for multilateral development bank financing in BRI projects. The "Guiding Principles on Financing the Development of the Belt and Road" state that policy financial institutions and export credit agencies of the countries involved should continue to offer financial support for the BRI and play a role in financing promotion and risk sharing. The memorandum of understanding between the NDRC and the United Nations Economic Commission for Europe on promoting the PPP model for the BRI outlines how to establish a sound legal, regulatory, and governance framework for PPP projects and how to attract investment. The Ministry of Finance's 2019 "Guidance Note on Setting Standards for PPP Projects and Encouraging Private and Foreign Participation" provides standards for PPP projects and improving information disclosure through a national PPP information platform. 	<p>International Standards</p> <ul style="list-style-type: none"> The OECD recommends the use of an e-procurement system as it improves transparency, efficiency, and accountability throughout the procurement process. The ADB's "Standard Bidding Documents and User's Guide to Procurement Works" and "E-Procurement: Guidance Note on Procurement" provide detailed instructions for bidders and the steps to develop and implement the system. <p>Chinese Precedent</p> <ul style="list-style-type: none"> China has used e-procurement domestically since 2014. Chinabidding.com.cn, jointly created by China and the World Bank, releases procurement notices in real time. The Joint Communiqués of the Leaders' Roundtable from the 2017 and 2019 Belt and Road Forums underscore the "importance of open, transparent, and non-discriminatory public procurement procedures." The AIIB's procurement policy encourages the utilization of an e-procurement system. 	<p>International Standards</p> <ul style="list-style-type: none"> The World Bank's "Environmental and Social Framework" outlines the requirements and standards for conducting environmental and social assessments and how to undertake the assessments. The ADB's "Environmental Assessment Guidelines" details the procedures and requirements for undertaking an environmental impact assessment and provides a framework for conducting public consultations. <p>Chinese Precedent</p> <ul style="list-style-type: none"> China's Environmental Impact Assessment Law stipulates that before construction begins, ESIA documents must be reviewed and approved by relevant departments. The CBRC's "Standardization of Banking Services Enterprises to 'Go Out' and Strengthen the Guidance of Control and Risk Prevention" and "Green Credit Directive" encourage financial institutions to conduct ESIA's in evaluating the project's feasibility, and sets out a mechanism to ensure proper environmental and social risk due diligence and the need to complete an environmental and social risk report, respectively. The NDRC's "Code of Conduct for Overseas Investment Operations by Private Enterprises" states that before construction, firms should undertake environmental assessments of the propose construction site. The AIIB has well developed guidelines on conducting an ESIA, consulting with local stakeholders, and information disclosure.

BRI RECOMMENDATIONS AND BEST PRACTICES MATRIX

	REQUIRE AND ENABLE STAKEHOLDER ENGAGEMENT THROUGHOUT THE PROJECT LIFE CYCLE	BETTER REGULATE THE USE OF CHINESE WORKERS AND PROTECT LABOR RIGHTS	EXPAND AND IMPROVE UTILIZATION OF LOCAL MATERIALS, LABOR, AND BUSINESSES
 HOW WOULD IT WORK?	<p>Project Developers and Contracted Companies</p> <ul style="list-style-type: none"> Establish a local-language grievance mechanism to answer questions and handle complaints in coordination with local processes. Publicize the mechanism in the local language and through a website and include information on how to register complaints/related procedures. The mechanism should be confidential and be based on a nonretaliation principle. 	<p>Project Developers</p> <ul style="list-style-type: none"> Assess and document the need for and size of the imported workforce. Analyze the impact of labor influx on the local community and develop plans to mitigate adverse consequences. Conduct stakeholder consultation, exhaust options for locally sourced labor, and provide for local training. Establish complaint handling mechanism to ensure that workers' rights are upheld. 	<p>Project Developers and Contracted Companies</p> <ul style="list-style-type: none"> Allow adequate lead time for training to create a pool of qualified local labor. Encourage use of local materials in project procurement processes. Encourage partnerships with local business in project tendering/procurement. Create and/or support technical and management training programs for local workers in construction and for eventual transition to local operation build-operate-transfer projects.
 WHAT WOULD IT ACCOMPLISH OR PREVENT?	<p>Communication and Early Warning</p> <ul style="list-style-type: none"> Chinese developers are currently not funded, staffed, or trained to deal with civil society, resulting social issues. Provide project developers with an early warning system to better detect emerging problems and useful contacts to mitigate issues. <p>Build Support for the BRI</p> <ul style="list-style-type: none"> Reduce tensions between local communities and Chinese developers, thereby reducing the likelihood of protests causing project delay or cancellation. 	<p>Mitigate Local Resentment</p> <ul style="list-style-type: none"> Foreign labor influx can cause local resentment, environmental damage, and social ills. Ensure benefits for the local economy and communities. <p>Protect Labor Rights</p> <ul style="list-style-type: none"> Grievance mechanisms can provide an early warning system of potential problems. Prevent labor abuses and resulting protests or project disruptions. 	<p>Integrate Into Host Country</p> <ul style="list-style-type: none"> Increase buy-in for projects to reduce risks and enhance long-term sustainability. Reliance on Chinese labor reduces project benefits and generates social tensions for and in project host countries. Foster relevant skills transfer to local workers improves longer-term project operations. <p>Support Local Economy</p> <ul style="list-style-type: none"> The import of Chinese material, products, and labor does not promote the economic development of the host country. Enhance cooperation between Chinese and local businesses.
 REFERENCE	<p>International Standards</p> <ul style="list-style-type: none"> The World Bank's "A Guide to Designing and Implementing Grievance Mechanisms for Development Projects" and "How-To Note: Feedback Matters: Designing Effective Grievance Redress Mechanisms for Bank Financed Projects" provide procedures on how to design and implement a grievance mechanism, best practices, and how to operate the mechanism. The ADB's "Building Capacity for Grievance Redress Mechanism" and "Accountability Mechanism Policy" provide comprehensive guidelines on how to establish and operate a grievance and complaint handling mechanism. <p>Chinese Precedent</p> <ul style="list-style-type: none"> China's domestic Law on Labor Dispute Mediation and Arbitration calls for local governments to establish mechanisms to jointly resolve issues with union and enterprise representatives. CHINCA's "Guide to Social Responsibility for Chinese International Contractors" states that companies must establish negotiation and communication mechanisms to support the participation of employees and respond to complaints and expectations. The AIIB established its Project-Affected People's Mechanism and Grievance Redress Mechanism in 2018. 	<p>International Standards</p> <ul style="list-style-type: none"> The World Bank's "Managing the Risks of Adverse Impacts on Communities From Temporary Project Induced Labor Influx" provides guidance on managing the adverse impacts from labor influxes and delineates the responsibilities for ensuring workers rights. The United Nations and International Labour Organization have a series of conventions, policies, and guidelines that outline practices to protect the rights of migrant workers. <p>Chinese Precedent</p> <ul style="list-style-type: none"> The Ministry of Construction and Ministry of Human Resources and Social Security's 2004 joint measures recognize the principle of holding the project developer ultimately responsible for wage payments. The CBRC's "Standardization of Banking Services Enterprises to 'Go Out' and Strengthen the Guidance of Control and Risk Prevention" explicitly states that companies should preserve the rights of the local population and workers, respect local culture, and establish a grievance mechanism. CHINCA has a Dispatched Labour Service Personnel Complaint Center to address worker complaints and protect overseas workers. 	<p>International Standards</p> <ul style="list-style-type: none"> The ADB's "Domestic Preference: Guidance Note on Procurement" provides comprehensive guidelines on how to approach incorporating and using local goods and services in procurement. <p>China's Commitment to Local Stakeholders</p> <ul style="list-style-type: none"> The NDRC's "Code of Conduct for Overseas Investments of Private Enterprises" calls for private enterprises engaged in overseas activities to actively create employment opportunities for locals. CHINCA's "Guide to Social Responsibility for Chinese International Contractors" states that developers and firms should prioritize the procurement of local products and services to advance local operations and cultivate local employees.

BRI RECOMMENDATIONS AND BEST PRACTICES MATRIX



ADOPT "CLEAN BRI" ANTICORRUPTION/ ANTIBRIBERY OVERSIGHT, ENFORCEMENT, AND REPORTING MECHANISMS

CREATE BRI UNITS IN CHINESE EMBASSIES IN PROJECT HOST COUNTRIES

DEVELOP A SEARCHABLE, COMPREHENSIVE, UP-TO-DATE, ENGLISH-LANGUAGE BRI PROJECT DATABASE



HOW WOULD IT WORK?

Chinese Government

- Adopt a "Clean BRI" platform and make anticorruption a cornerstone of the BRI through legal and policy documents, contracts and MOUs, and establish whistle-blower and enforcement mechanisms.

State-Owned Enterprises, Development Banks, and Contracted Companies

- Formulate, implement, and report on clearly defined international anticorruption conventions and industry best practices.
- Obtain anticorruption certification from a reputable body to qualify for BRI projects.
- Train staff to address and mitigate corruption.

Chinese Government and Chinese Embassies in Project Host Countries

- Form units comprised of relevant Chinese agencies to conduct BRI oversight, coordination, etc.

Newly Established BRI Units

- Monitor activities of Chinese developers, contractors, and personnel.
- Serve as a public and business point of contact regarding BRI projects to promote transparency.
- Liaise with and advise Chinese developers, ensure adherence to local laws, and facilitate coordination with host governments and civil society organizations.
- Help ensure functioning of dispute resolution mechanisms and compensation processes.
- Participate in regular Donor Assistance Group meetings with other embassies and host governments.

Chinese Government

- Catalog all completed, on-going, and prospective BRI projects in one database, with the maximum possible information on project financing, design, execution, parties involved, project terms, etc.
- The database should be not only in Chinese but also English and other languages.

Clarify the Belt and Road Initiative

- The existing "BRI Portal" contains minimal information.
- Address confusion over what projects are considered part of the BRI.

Invite International Participation

- Enhance project transparency and opportunities for public understanding, engagement, and participation.
- Improve access to BRI project opportunities for international financiers and vendors, thereby raising project quality and sustainability.
- Enable analysis and research on the BRI, providing useful information to countries seeking to participate.

International Standards

- The ADB maintains a project database that provides access to key documents on projects financed by the bank.

Chinese Precedent

- The "Belt and Road Ecological and Environmental Plan" calls for the creation of a big data platform to bolster information sharing and improve cooperation.
- The NDRC and Ministry of Finance maintain open project databases for domestic and overseas investments, as well as PPP projects.
- The AIIB has a comprehensive database of proposed and approved projects, which contains salient information regarding the projects.



WHAT WOULD IT ACCOMPLISH OR PREVENT?

Reputation

- Evidence and accusations of large-scale corruption and bribery hurt the reputation of both China and the BRI brand.
- Safeguarding against corruption facilitates the participation of international lenders and contractors.

Financial Incentive

- Corruption lowers project efficiency and raises project costs.
- Mitigate fiscal risk by ensuring public funds are allocated in a transparent and market-based manner.

Enhance Project Quality

- Ensure that contracts are awarded on a value-for-money and quality basis.
- Corruption reduces the sustainability of infrastructure projects.

Communication and Local Knowledge

- Meeting with other donor embassies and host governments facilitates coordination and transparency.
- Chinese embassies currently have little visibility into BRI projects, limiting opportunities for project oversight.
- Embassies' local-language capabilities and political/social knowledge can help developers prevent problems and avoid mistakes.

Chinese Precedent

- The NDRC's "Code of Conduct for Overseas Investment Operations by Private Enterprises" encourages the creation of communication channels between local operations and Chinese embassies and consulates.
- SASAC's "Guiding Opinions on Strengthening Prevention and Control of Overseas Integrity Risks of Central Enterprises" emphasize the need to strengthen supervision and management of overseas personnel, improve coordination between supervision departments, and establish a unit to prevent and manage overseas integrity risks.

International Standards

- The United Nations Convention Against Corruption outlines anticorruption regulations and provides preventative and enforcement mechanisms.
- The OECD's "Convention on Combating Bribery of Foreign Public Officials in International Business Transactions" provides guidance on handling and mitigating corruption.
- The ADB's "Integrity Principles and Guidelines 2015" detail mechanisms, offices, and policies to combat corruption.

Chinese Precedent

- At the Second Belt and Road Forum, Xi Jinping called for those involved in the BRI to "fight corruption together with zero tolerance" and established the Beijing Initiative for the Clean Silk Road.
- The NDRC's 2017 "Code of Conduct for Overseas Investment Operations by Private Enterprises" and 2018 "Guidelines on Enterprise Compliance Management of Overseas Operations" explicitly call for Chinese enterprises to comply with anticorruption, antibribery, and anti-money laundering requirements.
- SASAC and the World Bank jointly held a "Training Workshop on Corporate Compliance for Chinese Enterprises Operating in Belt and Road Countries" in January 2018.
- The AIIB's Policy on Prohibited Practices establishes reporting, whistle-blower protection, suspension, and debarment mechanisms to address fraud and corruption.



REFERENCE