



**SENATE OF PAKISTAN**

***FINAL REPORT***  
***(July 2018 - February 2021)***

**SPECIAL COMMITTEE ON THE PROJECT OF**  
**CHINA-PAKISTAN ECONOMIC CORRIDOR**  
**(CPEC)**

Presented by  
**Senator Sherry Rehman**  
Convener of the Special Committee  
On CPEC

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## **MESSAGE FROM THE CONVENER COMMITTEE**

As Convener of the Senate Special Committee on the project of China-Pakistan Economic Corridor (CPEC), I feel honoured to be a part of a Committee that is dedicated to resolving the most pressing issues faced by the project of China-Pakistan Economic Corridor (CPEC). I thank all the Members of the Committee for their cooperation and inexhaustible efforts to propose various suggestions / recommendations related to CPEC and its projects for their timely and expeditious completion.

During the last two-and-a-half years, the Committee regularly reviewed the performance / progress of the Ministry of Planning, Development and Special Initiatives and its various allied departments on CPEC and its projects. The Committee Members deliberated upon different aspects of the project and also guided and apprised the Ministry & allied departments about people's aspirations.

From the outset, the Committee observed that the Ministry was facing issues which needed immediate response and that it clearly lacked a vision and critical thinking as an institution. The Committee also viewed that departments were shifting responsibility to one another and that they lacked institutional collaboration.

The Committee observed that the Ministry did not have the capacity to coordinate and manage such a huge project like CPEC. They were unable to formulate a clear strategy and harmonize their efforts with all stakeholders to communicate clearly to the public. The Committee also pointed out lapses in the project due to mismanagement and lack of strategic planning. Since CPEC is a major component of the Belt and Road Initiative (BRI) and it envisions unlocking the economic potential of Pakistan, it is suggested that the provinces should be taken into confidence to build strong partnerships.

Despite the fact that from March 2020 to July 2020 and from November 2020 to January 2021, meetings could not be held due to the outbreak of Covid-19, we maintained our commitment to upholding the highest standards of integrity, transparency, parliamentary oversight and public accountability through Committee Meetings.

I certainly appreciate the contribution made by different Secretaries Committee during the time, as well as my personal staff. Last but not the least; I thank my fellow Senators without whom the Committee would not have been able to function and deliver effectively.



**(SENATOR SHERRY REHMAN)**

Convener Senate Special Committee on CPEC

## **INTRODUCTION OF THE COMMITTEE**

I, Convener of the Senate Special Committee on the Project of China-Pakistan Economic Corridor (CPEC), have the honour to present the report, on behalf of the Committee, for the period from July, 2018 – February, 2021.

2. The Special Committee on the Project of Pak-China Economic Corridor (CPEC) was constituted on 17<sup>th</sup> July, 2018 through a Motion, which was unanimously adopted by the House in its sitting held on 13<sup>th</sup> July, 2018. During this period, the Committee held eleven meetings and discussed all major aspects related to CPEC project.

## **COMPOSITION OF THE COMMITTEE**

3. The composition of the Committee is as under:-

1.	<b>Senator Sherry Rehman</b>	<b>Convener</b>
2.	Senator Atta ur Rehman	Member
3.	Senator Aurangzeb Khan	Member
4.	Senator Dr. Asad Ashraf	Member
5.	Senator Dr. Sikandar Mandhro	Member
6.	Senator Ghous Muhammad Khan Niazi	Member
7.	Senator Kauda Babar	Member
8.	Senator Mian Muhammad Ateeq Shaikh	Member
9.	Senator Mir Kabeer Ahmed Muhammad Shahi	Member
10.	Senator Muhammad Akram	Member
11.	Senator Muhammad Ali Khan Saif	Member
12.	Senator Muhammad Azam Khan Swati	Member
13.	Senator Javed Abbasi	Member
14.	Senator Muhammad Usman Khan Kakar	Member
15.	Senator Nuzhat Sadiq	Member
16.	Senator Samina Saeed	Member
17.	Senator Muhammad Yaqoob Khan Nasar	Member
18.	Senator Sitara Ayaz	Member
19.	Senator Syed Muhammad Ali Shah Jamot	Member

## **AGENDA OF THE MEETINGS**

4. The agenda of the meetings discussed is as under:
- i. **17<sup>th</sup> September, 2018 at 1:15 p.m. in Committee Room No.4, Parliament House.**
    - A detailed briefing on the ongoing CPEC Projects.
    - Details of the Security Forces established for the protection of CPEC projects as asked by Senator Samina Saeed in a Starred Question No. 126 on the floor of the House on 31<sup>st</sup> August, 2018 which was subsequently referred to the Committee.
  - ii. **10<sup>th</sup> October, 2018 at 2:00 p.m. in Committee Room No.1, Parliament House.**
    - Adoption of report on Starred Question No.126 asked by Senator Samina Saeed regarding details of the Security Forces established for the protection of CPEC projects on the floor of the House on 31<sup>st</sup> August, 2018.
  - iii. **3<sup>rd</sup> December, 2018 at 02:30 p.m. in Committee Room No.4, Parliament House.**
    - Fresh Strategic issues.
    - Strategic priorities in CPEC and any changes envisaged.
    - Review or revisit of CPEC, change in investment and inclusion of Saudi Arabia in the CPEC.
    - CPEC with particular reference to Gwadar, Balochistan and Western Route.
    - Pressure developed on PSDP.
    - Grant and loans (volume and mode of financing).
    - Consultancies involved in CPEC.
    - Expenditure incurred so far on CPEC.
    - Timeline of CPEC projects.
    - Balance of trade between China and Pakistan.
    - Generation of local employment through CPEC.
    - Functioning, tasks, composition and ToRs of the Cabinet Committee on CPEC.
    - Possibility of meeting with Chinese Ambassador.

**iv. 7<sup>th</sup> March, 2019 at 03:15 p.m. in Committee Room No.4, Parliament House.**

- Establishing priorities.

**v. 15<sup>th</sup> March, 2019 at 2:30 p.m. in Committee Room No.1, Parliament House.**

- Progress made on the detailed briefing of 8<sup>th</sup> JCC held on Beijing China.
- A comprehensive briefing on SMEs and SEZs.
- Guarantee of uninterrupted power supply to the Industrial Parks, Export Zones and towns by the power plants along the routes.
- Laying of Fiber Optic Cable along the CPEC routes.
- Latest position of investment by Saudi Arab & UAE in the Gwadar Oil City.

**vi. 17<sup>th</sup> April, 2019 at 11:00 a.m. in Committee Room No.1, Parliament House.**

- Progress made on the detailed briefing of 8<sup>th</sup> JCC held in Beijing China.
- A comprehensive briefing on SMEs and SEZs.
- Guarantee of uninterrupted power supply to the Industrial Parks, Export Zones and towns by the power plants along the routes.
- Laying of Fiber Optic Cable along the CPEC routes
- Latest position of investment by Saudi Arab & UAE in the Gwadar Oil City.

**vii. 13<sup>th</sup> June, 2019 at 10:30 a.m. in Committee Room No. 01, Parliament House.**

- Details on CPEC financing and debt uptake.
- Timely financing components of Gwadar.
- Time line of second phase.
- Labour absorption by project and human capacity training.
- A comprehensive briefing on SMEs and SEZs, uninterrupted power supply by the power plants along the routes.
- Development in Burhan-Havelian-Thakot (Hazara Motorway M-15) impact on the local peoples' lives, creation of different tourist sites, passage for tourism resorts and connectivity of interchanges to densely populated areas.

**viii. 25<sup>th</sup> September, 2019 at 11:00 a.m. in Committee Room No.1, Parliament House.**

- A comprehensive briefing on SMEs and SEZs, uninterrupted power supply by the power plants along with CPEC routes.
- A detailed briefing on progress / policy approach towards second stage of Free Trade Agreements (FTA).
- Briefing on delaying of tariff determination by NEPRA for Coal based Energy project (300MW) in Gwadar.

**ix. 20<sup>th</sup> July, 2020 at 11:00 a.m. in Committee Room No.2, Parliament House.**

- Compliance report on the recommendations of the Committee made in its previous meeting held on 25<sup>th</sup> September, 2019.
- Consideration of Starred Question No.314 asked by Senator Sirajul Haq regarding the detail of short terms, and long terms development project proposed / approved for Malakand Division under the CPEC programme indicating also the names, locations, present status duration of completion of those projects completed so far, projects on which work is going on those which are yet to be launched in the House on 4<sup>th</sup> February, 2020 and referred to the Committee for consideration and report.

**x. 2<sup>nd</sup> October, 2020 at 02:00 p.m. in Committee Room No.1, Parliament House.**

- Compliance report on the recommendations of the Committee made in its previous meeting held on 20<sup>th</sup> July, 2020.

**xi. 12<sup>th</sup> February, 2021 at 10:00 a.m. in Committee Room No. 04, Parliament House.**

- A detailed briefing by the Minister for Planning, Development and Special Initiatives on all the projects of Balochistan and Gwadar (completed, on-going and proposed) under CPEC along with PSDP.
- Consideration and adoption of 2<sup>nd</sup> Interim Report of the Committee on CPEC.
- Consideration and adoption of Final Report of the Committee on CPEC.
- Compliance report on the recommendations of the Committee made in its previous meeting held on 20<sup>th</sup> July, 2020 & 2<sup>nd</sup> October, 2020.



## **FINDINGS / OBSERVATIONS OF THE COMMITTEE**

### **Early Harvest Projects**

5. The Committee was informed that Early Harvest Projects are within the timeline except ML-I, as the ML-I project is a strategic project with a scope of US\$ 8.2 billion. Regarding Energy Projects on Western Route, Gwadar and Balochistan and the use of imported coal instead of domestic coal deposits, the Government has re-prioritized the Energy Sector and tried to drop or put them on backburner all the imported coal based energy projects and tried to depend upon our indigenous sources of energy i.e. hydel and Thar Coal. At Gwadar, there is a Coal based Energy Project of about 300 MW. The Government has prioritized this project because of Free Trade Zone and other industrial relocation in Gwadar.

### **Need to formulate an Integrated Energy Policy**

6. The Committee showed dissatisfaction over the briefing from Ministry and directed the Ministry for Planning, Development and Reforms to revisit the issue of Energy Projects on Western Route, Gwadar and Balochistan and consider those 24 demands made by the previous Kyber Pakhtunkhwa Government to the Federal Government which had been thoroughly discussed and debated in the Senate. The Ministry assured the Committee that they will go through those demands after consultation with the Kyber Pakhtunkhwa Government. There is a need to make an integrated energy policy for Pakistan as there is only one energy project of SukiKinari in KPK. The Committee was informed that the process of reviewing some small hydel projects in Chitral in consultation with the Ministry of Energy for their viability and also for inclusion in CPEC is under process. The Committee was of this opinion that there must be a concrete and clear answer about the completion of PC-I of Western Route.

### **Job Opportunities and Security Position**

7. The Committee raised observation about the potential of job creation and security for the Baloch people in CPEC and also about the role of Ministry of Planning, Development and Reforms with regard to steering, monitoring the CPEC projects, setting its priorities and commercial decisions.

### **Mode of Financing**

8. The Committee was briefed in detailed about the mode of financing related to CPEC projects. The Energy Projects are all financed through IPPs and Infrastructure Projects are



financed through Government Concessional Loan. There is no involvement of Chinese component in the Western Route except D. I. Khan-Zhob section.

#### **Security forces established for the protection of CPEC projects**

9. The Committee held discussion and adopted the report regarding security forces established for the protection of CPEC projects as asked by Senator Samina Saeed in a starred question No.126 on the floor of the House on 31<sup>st</sup> August, 2018. This was subsequently referred to the concerned Committee which concluded that the matter may be referred to the Standing Committee on Defence as the matter relates to the Security, especially the Security through aerial means.

#### **Fresh Strategic Issues**

10. The Committee was informed that Rule Based Trading System must be welcomed as this involved a new understanding between US and China. Agriculture Framework Agreement through which a value chain of perishable items, marketing and co-branding opportunities will help boost agriculture which comprises 25 percent of Pakistan's GDP. Inclusion of a third party specially, the state of Saudi Arabia was for foreign direct investment and no strategic interests were offered. Special Economic Zones and refinery projects at Gwadar are the venues where the state of Saudi Arabia could invest. The concept of Gwadar Oil City is being developed in which oil companies from the world could invest. UAE and Korea are interested to invest in this Oil City Project.

#### **Pace of Development on Western Route**

11. The Ministry briefed the Committee on CPEC's projects in Gwadar and Western Route. Regarding the pace of development on Western Route, the committee was informed that the Road from D.I. Khan to Zhob (210 kilometers) is being financed by CPEC. The road from Zhob to Quetta (310 km), would be built as soon as PC-I of that had been completed and presented to the authorities concerned for approval. It was further revealed that a PSDP allocation of PKR 500 million had been made for the construction of the Khuzdar-Basima Road and PKR 7000 million of D.I. Khan and Zhob.

12. The Committee raised serious observation regarding Basima to Khuzdar road. The Committee was of the view that a road is a common route and not a project falling under CPEC. The Committee was informed by Mr Rafi Kakar, CPEC Cell Organizer, (Government of Balochistan), that of the three sections comprising the Western Route, only one was being

financed and funds for it had already been stopped by Chinese side in December, 2017. Sorab to D.I.Khan route was supposed to be upgraded into four lane motorway by 2020 but no construction had begun owing to a variety of reasons. Quetta-Zhob and Quetta-Sorab sections had been excluded from the revised Federal PSDP. The Convener viewed that a contradiction was crystal clear between the Federal and Provincial Authorities. She also pointed out an inter-agency conflict.

#### **Setting Committee's priorities / goals related to CPEC project**

13. The Committee also set its priorities / goals related to CPEC project. The Committee decided to hold public hearings on CPEC project. The Committee chose Pakistan Institute for Parliamentary Services (PIPS) as the venue and the Chinese Ambassador to Pakistan as Chief Guest to address the public hearing. In order to promote inclusiveness, the Committee stressed on the need of civil society and other stakeholders to attend public hearings as CPEC had grown in its targets.

#### **CPEC financing and debt uptake**

14. The Committee was briefed on the entire portfolio of CPEC projects, stating the total cost of CPEC projects at US \$49,661.4 million. The Committee shared concerns regarding irregularities in CPEC financing and debt. According to the Ministry, there are twenty three projects worth US \$29 billion, and they are in different stages of implementation. Socio-economic projects will be undertaken through Chinese grant namely CIDCA (China International Development Cooperation Agency), and Pakistan would be the first country (recipient) where CIDCA projects will be implemented.

#### **Special Economic Zones (SEZs)**

15. The Committee was briefed by Board of Investment (BOI) that after the consultative process of two years and feasibility reports, nine SEZs were finalized. All federating units were represented in the SEZs. The first three SEZs includes (Rashakai SEZ, Nowshera, KP, Allama Iqbal Industrial City, M-3 Faisalabad and China Special Economic Zone, Dhabejji, Thatta) are in the early harvest projects. Regarding Rashakai SEZ, a concession agreement was signed between Prime Minister of Pakistan and President of China in April, 2019. Where as, the Allama Iqbal Industrial Park, Faisalabad SEZ is of 3000 acres and land has been acquired for it. Dhabeji SEZ, Thatta, is of 1500 acres, the international bidding is ready and it will take two years to develop.

### **Electricity Requirement for the SEZs**

16. The Committee was further apprised that by December, 2019, 10MW of electricity would be available for Rashakai Economic Zone and Allama Iqbal Economic Zone in Faisalabad. In Dhabeji Economic Zone, 32MW of electricity is planned to be provided by 2022. Besides, the total amount required for FY 19-20 is Rs. 1686 Millions.

### **Second Stage of Free Trade Agreement**

17. The Committee was informed by the M/o Commerce that the first phase of China-Pakistan Free Trade Agreement (CPFTA) started in 2007 and ended in 2012. After 2012, there was no mechanism to safeguard the exports. The Committee was apprised in detail about the shortcomings / challenges in CPFTA Phase-1 related to tariff reduction modality, safe guard provisions, and included no provision to address Balance of Payments (BOP) difficulties.

18. The Committee was further briefed that there are 313 Tariff Lines (TLs) on current & future exports globally. It was highlighted in detailed, the gains for Pakistan under Phase-II includes the balance of payments provision and elimination of misdeclaration and under-invoicing through Electronic Data Exchange implementation. The Committee was informed that as a result of the 2<sup>nd</sup> Phase Agreement, Pakistan would regain eroded margin of preference, asymmetrical liberalization favouring Pakistan: 90 percent for China and 67 percent for Pakistan. While discussing the second stage of Free Trade Agreement, the Committee recommended that a mechanism be formulated to ensure that Pakistani Industries can compete.

### **Delaying of Tariff Determination by NEPRA for Energy project**

19. The Committee was apprised by M/o Energy (Power Division) that earlier the tariff was set at 6 cents per unit. NEPRA raised the tariff to 7.5 cents per unit after a request for review by the Chinese company. However, this was not acceptable to the Company thus, the matter has been submitted to a tribunal. The issue has been resolved amicably and PC-I of the project has been approved by ECNEC of Rs.17 Billion. The Ministry further apprised the Committee that Tribunal has to be setup by the M/o of Law and Cabinet. There is a delay in setting up the tribunal. The Committee recommended that the Tribunal must be set-up immediately.

### **Borrowing Electricity from Iran**

20. The Committee was informed that 100MW electricity which was being borrowed from Iran which was reduced to 40MW during summer. A parallel project of 132KV transmission line was also planned to connect Gwadar, Makran and other adjacent areas with the 300MW project and with the national grid and this project would also be completed by March 2021.

### **CPEC Projects**

21. The Committee was briefed that 19 projects were completed, 28 were under implementation and 41 were in the pipeline. Recently, tripartite agreement of 1,124MW Kohala Hydropower project has been signed between the Governments of Pakistan and China. It will boost local economy with provision of 5000 direct jobs and \$2.4 billion investment. The 700MW Azad Pattan Hydel Power project has also been signed between Pakistan and China, which was an investment of \$1.5 billion.

### **Development of Gwadar City**

22. The Committee was briefed that Gwadar Smart Port City Master Plan is approved and governance model is under discussion now. Besides, 60% of the work has been done on Eastbay Expressway project.

### **Industrial Cooperation**

23. The Committee was apprised that in the Rashakai Economic Zone (REZ), the development agreement has been approved and would be inaugurated soon. As far as Dhabeji Special Economic Zone is concerned, bids from developer have been received and are evaluated. The ground-breaking has been done for Allama Iqbal Industrial City. While Bostan Economic Zone is in the vicinity of Quetta, district Pashin is recently included in the early harvest projects. Moreover, the Hub Economic Zone, an area of 406 Acres, has also been approved by Central Development Working Party (CDWP).

### **Short / Long Term Development Project Proposed / Approved for Malakand Division under the CPEC Programme**

24. The Committee was informed that that two infrastructure / road projects in Malakand Division have been principally discussed and agreed under the CPEC namely Shandur - Chitral



Section (146km) and Swat Expressway Phase II. During the 6<sup>th</sup> Joint Cooperation Committee (JCC) meeting, the Shandur - Chitral Section (146km) project was agreed in principle for inclusion in CPEC portfolio as an alternate CPEC route for onward connection to Motorway M1 via Swat Expressway. Swat Expressway Phase II has already been discussed in the 7<sup>th</sup> JCC meeting. After approval of PC-1, the project will be discussed in the Joint Working Group (JWG) before taking it under the next meeting of JCC. Furthermore, under socio-economic project, there is a fruit demonstration Centre for Peaches in Mingora city.

#### **Progress Report on Provision of Gas and Electricity in Bostan**

25. The Committee observed that 132KV Grid Station at Bostan could not be constructed due to non-availability of the required funds. Rs. 110 million has been allocated for provision of electricity in Bostan in Phase-1. The project is worth of Rs. 720 million and it will take 7 years to complete it. The Committee was of the view that instead of giving temporary connection of 5MW, Bostan needs establishment of 132KV Grid Station having a transmission line of 25 km. The Committee was briefed that Rs. 519 million had been allocated to Bostan through PSDP. In phase-I, the development of 200 acres is completed. PC-1 for gas and electricity had to be submitted by respective Ministries. Rs. 110 million have been deposited with QESCO for provision of temporary connection of 5 MW. Whereas PC-1 of Rs. 712 million for provision of electricity had been submitted to Power Division by QESCO.

#### **CPEC Projects completed in Balochistan**

26. The Committee was briefed that 04 projects were completed, 21 were under implementation and 04 were in the pipeline. In these projects, the Gwadar Smart Port City Master Plan is a Chinese grant project and the feasibility report of the project has been completed. The HUBCO Coal Power Project is an IPP project of USD 1.9 Billion and it will generate 1320MW of electricity. The Committee unanimously decided and recommended that local coal may be used for future coal power projects.

#### **CPEC on-going projects in Balochistan**

27. The Committee was briefed that Yarik - Zhob (N-50) project is of PKR 76 Billion (PSDP). PC-1 is approved for this project. The Pak-China Friendship Hospital Gwadar is a Chinese grant project of USD 31 Million. The project started on 8<sup>th</sup> November, 2020 and will be

completed by August, 2022. The New Gwadar International Airport is under construction and will be completed in October, 2022. The 300MW Coal Power project Plant is a Chinese investment of USD 542 Million. The Committee was further briefed that in the forthcoming JCC, the last contract of the project will be signed.

#### **Consideration and Adoption of Committee Reports**

28. The Committee considered and unanimously adopted the 2<sup>nd</sup> Interim and Final reports of the Committee.

#### **Resolutions passed by the Committee**

29. The Committee also developed a consensus to not merge the Committee with that of the National Assembly (Lower House) which is soon to be constituted. The Committee strongly resisted this move and vowed to keep resisting in future, as the Committee had been making an all-out effort in providing prudent, sustainable and productive recommendations to the Government for making the CPEC project inclusive.

30. In its meeting held on 29<sup>th</sup> October, 2019, the Committee also adopted a resolution proposed by Senator Muhammad Javed Abbasi. It demanded that the Government of Pakistan to take immediate steps for the construction of an interchange on the Multan-Sukkur Motorway at Village Bhong, Tehsil Sadiqabad and District Rahim Yar Khan. The resolutions which were unanimously passed by the Committee for the said purposes are annexed as 'A'.

#### **Compliance on Recommendations of the Committee**

31. The Law Division is working on the date for setting up the Appellate Tribunal. The Committee unanimously decided and directed the M/o Planning, Development and Special Initiatives to provide date for setting up the Appellate Tribunal.

32. Mr. Adil Salauddin, Chief Commercial Officer, Khyber Pakhtunkhwa Economic Zones Development and Management Company (KPEZDMC) apologized for the delay in response and briefed the Committee that delay in submission of reply by the KPEZDMC was due to the ongoing negotiations of the development agreement of Rashakai Economic Zone (REZ). At that time, the pricing of plots was not settled and KPEZDMC wanted to give reply after the final negotiations to the Committee. On 14<sup>th</sup> September, 2020 development agreement was signed in the presence of Prime Minister of Pakistan and thereafter, KPEZDMC shared the response with

the Committee. The Committee unanimously decided to accept the apology from KPEZDMC and directed the Ministry and its allied departments to ensure the timely submission of reply to the Committee in future.

33. On the issue of provision of temporary connection of 5 MW in Bostan Special Economic Zone, the Committee was briefed that partial payment of Rs. 59.35 million has been released to Quetta Electric Supply Company (QESCO).



## **CRITICAL OBSERVATIONS OF THE COMMITTEE**

34. Numerous times, the committee expressed its serious concerns / reservations at the Government for ignoring the demands of Committee Members to hold meetings and took notice of the lethargic attitude of the Minister for Planning, Development and Reforms. The Federal Minister for Planning, Development and Reforms was used to putting off the meetings by claiming to have been busy with projects of CPEC and his continuous visits abroad.
35. In its meeting held on 17<sup>th</sup> April, 2019, the Committee took serious notice of the absence of Mr. Makhdoom Khushro Bakhtiar, Federal Minister for Planning, Development and Reform. The Committee decided and directed the Secretariat to issue a written notice to the Federal Minister for Planning, Development and Reform and that the same may be shared with Hon. Chairman Senate. The Committee strongly criticized the concerned Minister for having left previous meetings without hearing the views of the members of the Committee.
36. The Committee took notice of incomplete brief / working papers provided in the meetings. The Committee unanimously decided and adjourned the meeting due to the non-availability of the Federal Minister for Planning, Development and Reform.
37. In a meeting held on 2<sup>nd</sup> October, 2020, the Board of Investment (BOI) briefed the Committee on the high prices of plots in Rashakai Economic Zone (REZ). The Committee expressed its dissatisfaction over the replies given by Secretary BOI, took serious notice and directed Secretary M/o Planning, Development and Special Initiatives to reply back to the Committee within two days. The Committee unanimously decided and directed that head of KPSEZA should attend the next meeting of the Committee in person and also give response on it within a week time. In case of non-compliance of the Committee's direction, they will be called upon in person in Privilege Committee of Senate.
38. The Committee further observed that Special Economic Zone at Bostan has received no PSDP funding and hence no progress could be achieved. Planning Division's unprofessional approach towards CPEC and its various umbrella projects with special reference to development of Special Economic Zone in Balochistan and other parts of the country is disappointing.
39. The Committee was of the view that the briefing given by the Ministry and its various allied departments was insufficient and lacked details on many aspects. The departments are shifting responsibility on one another and there seems to be no institutional collaboration. On the

Gwadar power plant issue, the Committee said that two projects from Balochistan have been discussed; SEZ and provision of energy to Gwadar. Federal government is misrepresenting the facts on projects on Balochistan, including the SEZs, as well as the power project for Gwadar which has been dragged in NEPRA tariff issue since 2017 and work has still not been started.

40. The Members of the Committee were of the view that no tangible progress has been achieved during last few years and despite recommendations, provision of gas and electricity supply in Bostan area of Balochistan and its development as Special Economic Zone (SEZ) seems a farce. The Committee unanimously rejected the stance of the Ministry and decided to postpone the meeting in protest as the information provided was insufficient.

41. In a meeting held on 12<sup>th</sup> February, 2021 the Committee showed its serious concern regarding the delay in CPEC projects and stressed the need for maintaining timelines if tangible progress is to be made. While discussing the recommendations made in previous meetings; the Committee took strong note of delayed responses from the Ministries / Departments. It also pointed out overlapping responsibilities; which was recognised as the main reason for slow progress of projects. The Committee also showed displeasure due to non-availability of the Senior Officers of the Ministry and its allied departments. It took serious notice and decided to defer the remaining agenda item, as any further discussion on these projects would be a waste of time.

## **COMMITTEE RECOMMENDATIONS**

1. The Committee directed the Ministry to be prepared and come up in the next meeting with the following information:-
  - i. CPEC with particular reference to Gwader, Balochistan and Western Route.
  - ii. Expenditure incurred so far on CPEC.
  - iii. Volume and mode of financing.
  - iv. Consultancies.
  - v. Timeline of the CPEC Projects in detail.
  - vi. Priorities in CPEC.
  - vii. Pressure developed on PSDP with regard to CPEC
  - viii. Invitation to Ambassador of China in the next meeting
2. The Committee recommended that D.I. Khan to Zhob section of Western Route should be finalized under the umbrella of CPEC in the upcoming JCC meeting tentatively scheduled on 18<sup>th</sup> December 2018. Besides, two out of three sections in the Western Route, Zhob to Quetta and Khuzdar to Basima Road should be included in the coming PSDP and financing be ensured.
3. The Committee recommended that a meeting should be held in Gwadar and after consultations with the Ministry, agreed to keep that in January.
4. The Committee recommended that in the next meeting, a detailed briefing on Small and Medium Enterprises development pertaining to CPEC along with Rashakai Special Economic Zone be held.
5. The Committee decided and recommended of holding Public hearings on CPEC. Pakistan Institute for Parliamentary Services (PIPS) was chosen as the venue and the Chinese Ambassador to Pakistan the guest to address the said public hearings.
6. The Committee decided and recommended not to merge the Senate Special Committee on CPEC with that of the National Assembly (Lower House) which was soon to be constituted. A resolution was unanimously passed by the Committee for the said purpose.
7. The M/o Planning Development and Reforms to give a detailed presentation on fast track projects with timelines in two weeks.
8. Mr. Hasan Duad, Project Director / Coordinator CPEC, to provide a copy of the letters written to provinces seeking details regarding desegregation of the fast track projects as well as response of the provinces in the next meeting of the Committee.
9. The Chairman Gwadar Port Authority to give briefing on timely financing components of Gwadar projects in the next Committee meeting.

10. The M/o Planning Development and Reforms to earmark the share of Balochistan from US \$ 1billion and spend the money on the construction of small dams in Balochistan province.
11. The Secretary, Planning, Development and Reform to provide a list of people in Pak-China Business forum in the next Committee meeting.
12. The M/o of Planning, Development and Reform to give briefing on labour capacity building / training programs / initiatives under CPEC projects in the next Committee meeting.
13. The M/o of Planning, Development and Reform to give briefing on SMEs and SEZs, uninterrupted power supply by the power plants along with CPEC routes in the next Committee meeting.
14. Mr. Fazal Nawab Khatak, Member Motorways (North), National Highway Authority to give an updation / progress report on the entry point (interchange) called Hairran in Mansehra and construction progress of Oghi road in the next Committee meeting.
15. The Committee directed the Board of Investment to include Bostan SEZ in early harvest projects and demanded a Ministerial response on it in the next Committee meeting.
16. The Committee directed the Board of Investment to give timeline related to Bostan SEZ in the next Committee meeting.
17. The Committee recommended to set-up appellate tribunal immediately.
18. The Committee directed M/o Planning, Development and Reform to provide the details related to releasing of development funds for Gwadar during the last six months in the next Committee meeting.
19. The Committee directed the M/o Planning, Development and Reform to give the timeline regarding coal based energy project (300MW) in Gwadar within ten days.
20. The Committee directed M/o Planning and M/o Communications to provide their response to the resolution unanimously adopted by the Committee mentioned at para 10 above, at the earliest.

21. The Committee directed M/o Planning, Development and Reforms to give briefing on Marine Sciences: how to transform all the country into a creative, eco-friendly and sustainable for future generations in the next Committee meeting.
22. The Committee recommended reviewing the high prices of plots in Rashakai Economic Zone (REZ).
23. The Committee directed the M/o Planning, Development and Special Initiatives to provide progress report on provision of gas and electricity in Bostan.
24. The Committee directed the M/o Planning, Development and Special Initiatives provide progress report on energy projects either inclusive or in partnership with other less developed areas of Balochistan.
25. The Committee directed the M/o Planning, Development and Special Initiatives to provide progress report on Bostan (SEZ) that has been recently included in early harvest projects.
26. The Committee directed the M/o Planning, Development and Special Initiatives to provide a progress report on Quetta Mass Transit project.
27. The Committee recommended the up gradation of Quetta Thermal Power Station.
28. The Committee recommended making projects for all provinces including Azad Jammu & Kashmir (AJK) and Gilgit-Baltistan (GB) of less developed areas from Chinese grant of US\$ 1 billion and according to their need.
29. The Committee directed the M/o Planning, Development and Special Initiatives for a detailed report on revising the strategy for the fast track projects.
30. The Committee directed the M/o Planning, Development and Special Initiatives to provide progress report on Poverty Alleviation related projects from all provinces, Azad Jammu & Kashmir (AJK) and Gilgit-Baltistan (GB) under socio-economic development projects.
31. The Committee recommended including more water projects for Balochistan under CPEC Projects.
32. The Committee directed the M/o Planning, Development and Special Initiatives to provide a date for setting up the Appellate Tribunal for tariff determination of Coal based Energy project (300MW) in Gwadar.



33. The Committee recommended that the areas of Chakdara - Timergara - Ahgaram - Chitral - Ghalatat should be included under one CPEC project instead of different projects working under CPEC and with Korean Government.
34. The Committee recommended that transparency in CPEC projects for Malakand Division must be ensured.
35. The Committee recommended that there should be more educational / technical institutions projects for Malakand Division as in the case of Balochistan province.
36. The Committee recommended innovative approach and innovation in business collaboration with overseas Pakistanis in the case of Peach and Plum fruit storage and processing plants in Swat should be adopted.
37. The Committee unanimously decided that Balochistan and Gwadar projects under CPEC along with PSDP funded will be discussed in the next meeting of the Committee.
38. The Committee unanimously decided and directed the Secretary BOI to convey to the head of KPSEZA that they were not able to respond on time as it is a violation of Parliamentary Rules.
39. The Committee unanimously decided that head of KPSEZA should attend the next meeting of the Committee in person and give response on high prices of plots in Rashakai Economic Zone (REZ) within a week time. In case of non-compliance of the Committee's direction, then they will be called upon in person in Privilege Committee of Senate.
40. The Committee unanimously decided and directed Secretary M/o PD&SI and Secretary BOI to reply back on the high prices of plots in Rashakai Economic Zone (REZ) and provision of electricity and gas in Bostan Special Economic Zone to the Committee within two days.
41. The Committee unanimously decided to provide a suggested timeline of Bostan Special Economic Zone in the next Committee meeting.
42. The Committee unanimously decided and directed Secretary BOI that Chairman BOI must be present in the next Committee meeting in order to reply the queries of the members of the Committee.

43. The Committee unanimously decided that the Minister for PD&SI will address the agenda on Balochistan himself in the next Committee meeting.
44. The Committee directed Secretary, M/o PD&SI to prioritize umbrella projects specified for Balochistan.
45. The Committee directed M/o PD&SI to give briefing on projects of Balochistan and Gwadar (completed, on-going and proposed) under CPEC along with PSDP in the next Committee meeting.
46. The Committee unanimously decided to accept the apology of KPEZDMC and directed the M/o PD&SI and its allied departments to ensure the timely submission of response to the Committee.
47. The Committee directed M/o PD&SI to have synchronization of work between its allied departments and the Committee.
48. The Committee unanimously decided and recommended to send the proposal of Senator Dardar Yaqoob Khan Nasar of linking Punjab province through Qilla-Saifullah to D.G.Khan road. The Proposal will be sent through the Committee to the provincial government of Balochistan.
49. The Committee unanimously decided and directed the Secretary BOI to coordinate with QESCO and give a fixed date for the provision of temporary connection of 5MW in Bostan SEZ and communicate it to the Committee accordingly.
50. The Committee unanimously decided and recommended to convey the concerns of Honourable Members to the provincial Government of Balochistan that delay in progress of Bostan Special Economic Zone should be taken seriously.
51. The Committee unanimously decided and directed the M/o PD&SI to get clarification on putting barbed wires around New Gwadar International Airport from provincial Government of Balochistan and share their reply with the Committee.
52. The Committee unanimously decided and recommended to use local coal for future coal power projects.
53. The Committee also unanimously decided to have a briefing from Ministry of Energy (Power Division) on HUBCO Coal Power project in next Committee meeting.



54. The Committee unanimously decided and directed the M/o Communications and Chairman NHA to give briefing on CPEC road & infrastructure projects in Balochistan in the next Committee meeting.
55. The Committee unanimously decided and recommended the M/o PD&SI to remove the word 'Motorway' from Hoshab-Gwadar Motorway (M-8) project as there is no motorway in Balochistan.
56. The Committee unanimously decided and directed the M/o PD&SI to provide the feasibility report of ML-4 Railway project from Gwadar-to-Sukkur via Basima to the Committee.

## SITTINGS OF THE COMMITTEE



SENATOR SHERRY REHMAN CONVENER SENATE SPECIAL COMMITTEE ON THE PROJECT OF CHINA-PAK ECONOMIC CORRIDOR PRESIDING OVER A MEETING OF THE COMMITTEE AT PARLIAMENT HOUSE ISLAMABAD ON SEPTEMBER 17, 2018.



SENATOR SHERRY REHMAN CONVENER SPECIAL COMMITTEE ON THE PROJECT OF CHINA-PAK ECONOMIC CORRIDOR PRESIDING OVER A MEETING OF THE COMMITTEE AT PARLIAMENT HOUSE ISLAMABAD ON MARCH 15, 2019.



SENATOR SHERRY REHMAN CONVENER SPECIAL COMMITTEE ON THE PROJECT OF CHINA-PAK ECONOMIC CORRIDOR PRESIDING OVER A MEETING OF THE COMMITTEE AT PARLIAMENT HOUSE ISLAMABAD ON JUNE 13, 2019.



SENATOR SHERRY REHMAN, CONVENER SENATE SPECIAL COMMITTEE ON THE PROJECT OF CHINA-PAK ECONOMIC CORRIDOR (CPEC) PRESIDING OVER A MEETING OF THE COMMITTEE AT PARLIAMENT HOUSE ISLAMABAD ON SEPTEMBER 25, 2010.



SENATOR SHERRY REHMAN, CONVENER SENATE SPECIAL COMMITTEE ON THE PROJECT OF CHINA-PAK ECONOMIC CORRIDOR (CPEC) PRESIDING OVER A MEETING OF THE COMMITTEE AT PARLIAMENT HOUSE ISLAMABAD ON JULY 30, 2020.



SENATOR SHERRY REHMAN, CONVENER SENATE SPECIAL COMMITTEE ON THE PROJECT OF CHINA-PAK ECONOMIC CORRIDOR (CPEC) PRESIDING OVER A MEETING OF THE COMMITTEE AT PARLIAMENT HOUSE ISLAMABAD ON OCTOBER 02, 2020.

*Bushra*

(BUSHRA RAFIQUE)  
D.D. / Secretary Committee

*Sherry*

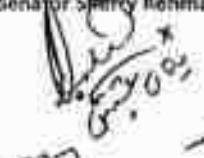
(SENATOR SHERRY REHMAN)  
Convener Senate Special Committee on CPEC


Annex - 'A'


RESOLUTION

"Senate Special Committee on CPEC has unanimously developed a consensus for not permitting any moves intended to merge the said Committee with that of National Assembly. The Senate's Special Committee has its own integrity and membership. It was resolved that members from the Upper House cannot be absorbed into another parallel committee originating in the National Assembly. The past practice undermined the role of the Senate Committee on CPEC and we do not wish for it to be replicated in another Joint Committee. It is resolved and advised that the National Assembly create its own Committee on CPEC without Senators, given that the Upper House already has its own CPEC Committee which is already functioning".

  
 Senator Sattar Khan

  
 Senator Sattar Khan

  
 Senator Sattar Khan

  
 Senator Sattar Khan

  
 Senator Sattar Khan

## **RESOLUTION**

"Whereas it is a fact that Tehsil Sadiqabad of District Rahim Yar Khan which is inhabited by around 1.1 million people, has not been provided even a single Interchange on the Multan-Sukkur Motorway. Consequently, such a large population has no option to benefit from the Motorway except to travel to the distant Guddu Interchange in Sindh Province or travel 70 km back to Iqbalabad Interchange in District Rahim Yar Khan. While District Rahim Yar Khan has been provided connectivity to this Motorway through 3 Interchanges at different places, depriving of the entire Tehsil of Sadiqabad with connectivity to the Motorway is a clear discrimination and denial of social and economic rights to the poor and socio-economically deprived people of Tehsil Sadiqabad.

Whereas it is also a fact that Pakistan's largest gas processing and supply project namely Pak-Qatar LNG Project has been established in Village Bhong, Tehsil Sadiqabad, Distt. Rahim Yar Khan and the natural gas pipeline from Tehsil Sui cross through this area. Non-existence of connectivity to the LNG Project, which is located alongside the Motorway, will also affect economic viability and potential benefit of this mega project.

Whereas it is also a fact that the famous Bhong Mosque in this village is a masterpiece of Islamic architecture which won the Aga Khan Award for Architecture in 1986, but this famous tourist site lacks appropriate road connectivity with rest of the country thus hindering local and foreign tourists.

Therefore, in view of the cultural, social and economic importance of the area and in order to benefit a large population of over million people and keeping in view the interest and willingness of the national Highway Authority, the Special Committee on the Project of China-Pakistan Economic Corridor (CPEC) resolves and demands from the Government of Pakistan that it should take immediate steps for the construction of an Interchange on the Multan-Sukkur Motorway at Village Bhong, Tehsil Sadiqabad, District Rahim Yar Khan".

## **Policy Brief**

### **CPEC 2.0: Overcoming Challenges**

*By Sherry Rehman*

#### **Pakistan's Governance Gaps**

China's record of pulling 800 million people out of poverty in four decades presents a compelling model for Pakistan. After the onset of CPEC investments, the government insists that Pakistan's growth has already nudged forward by 1-2 percent.<sup>1</sup> Given new budgetary challenges, and a tough series of IMF-induced measures for stabilization, growth seems to have slowed down even more. With the precipitous slide of an overvalued rupee, and public finances straining at crippling deficits, predictions of Chinese-led investment growth is the only balm to a rattled treasury. In future estimates, it is believed that Chinese investment can potentially stimulate an 8-10 per cent increase in Pakistan's GDP by 2030, but that may well be too ambitious a calculation given Islamabad's current rulers' inability to operationalize promised reform.

The economic reforms that CPEC can bring to Pakistan, provides a roadmap to the country that instructs how economic modernization can be operationalized for the 21<sup>st</sup> century. To leapfrog development, Pakistan must ensure that this transfer of knowledge trickles down effectively from Shanghai to Gwadar and branches out to other provinces. Even though there have been no fundamental disagreements over Pakistan's new economic policy focus<sup>1</sup>, the goals that it espouses have remained blurry and unaligned with parliamentary and public reporting. It is precisely this ambivalence that has hampered the transfer of knowledge and caused the failure in connecting nodes at the downstream institutional level.

Understanding that the real challenges to realizing the maximum potential from CPEC are internal is a crucial step towards successfully benefitting from it. One of the foremost roadblocks in effective consensus building on CPEC has been the divergence in processes between a centralised Chinese communist party government and Pakistan's nascent democratic parties and governance structures. Another major

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<sup>1</sup> "CPEC increases Pakistan GDP by 2%: Report". *The Times of Islamabad*, December 19, 2018. <https://timesofislamabad.com/19-Dec-2018/cpec-increases-pakistan-gdp-by-2-report>



challenge to Pakistan has been the government's capacity deficit to absorb concessionary loans and grants which has been only worsened by their inability to plan how these will be absorbed in the future.<sup>2</sup> The government should also make sustained efforts to separate myth from reality and set clear goals for inclusive planning at the federal, provincial and grassroots levels, this can only be achieved by strengthening intra-government coordination and communication. Given the multiplicity of project designs under CPEC, both in the government and the private sector, it is clear that the Planning Commission, in which CPEC is nested, is both under-resourced and under-powered. These are embedded in three "Cs": Capacity, Coordination and Consensus. Pakistan, undernably, has to scale up its capacity and coordination while building consensus and clarity in identifying policy frameworks for the opportunity this platform offers.

### **Consensus**

With CPEC envisioned as a cross-Pakistan project that involves all of Pakistan's four provinces, navigating Pakistan's multi-party provincial structures and building bridges with all political parties has been a challenge.<sup>3</sup> However, China has sought to overcome the Pakistani government's own inability to build consensus and manage the political centre-field by engaging directly with several political parties at the provincial and federal level to cultivate a better understanding of CPEC vision and priorities. This process has culminated in the establishment of a CPEC Political Parties Joint Consultation Mechanism, which has seen the Community Party of China engage with a broad spectrum of Pakistan's political parties.<sup>4</sup>

Since CPEC is not a parochial one-party or one province ambition, it requires strategic levels of consensus building to ensure each province's stake in the project is protected and that Pakistan's government moves forward collaboratively. Given the clear multi-party buy-in and commitment to CPEC, building consensus between Pakistan's political parties should not be as arduous of a project as it seems. However, the federal government's attempts for building political consensus between political parties has been poor because of the lack of transparency about CPEC between the different wings of government. The parliament is not brought into the fold by the federal government and has also consistently lacked an appreciation of the need to build consistent stakes in parliamentary leadership at the highest level – a failure that has led to political instability hampering the path to consensus and in ensuring that CPEC is implemented

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<sup>2</sup> Rafiq, Arif. "The China-Pakistan Economic Corridor: The Lure Of Easy Financing And The Perils Of Poor Planning". *Asian Affairs*. 10 May 2019.

<sup>3</sup> Shah, AbdurRehman. "China's Trouble with Pakistan's Turbulent Democracy." *The Diplomat*, 7 January, 2017, <https://thediplomat.com/2017/01/chinas-trouble-with-pakistans-turbulent-democracy/>

<sup>4</sup> Ali, Shafqat. "Pak Political Parties, China Adopt Declaration on BRI, CPEC". *The Nation*, 20 March 2019. <https://nation.com.pk/20-Mar-2019/pak-political-parties-china-adopt-declaration-on-bri-cpec>



at optimum capacity. The federal government is often seen as absent or dismissive of this incredibly crucial process of political-coalition building.

### **Capacity**

The way to address Pakistan's capacity issue may be less arduous. This would manage the internal challenges of planning, financing and coordinating between institutions, provinces and agencies to build momentum on speedy outcomes. Tax regimes would have to be rationalized, infrastructure and energy provision need to be ensured, transparency of contracts have to be addressed to avoid controversy, sovereign guarantees to provinces made available along with flexible financing for private joint ventures, and structural reforms need to be planned and undertaken if any of the promised gains are to materialize. Project timelines have to be defined at the planning stage, and Public-Private collaborations like the Thar Coal Project can be made operational as a means of getting past legendary red-tape roadblocks in the public sector.

In terms of doing business reforms, most of the improvements have come at the provincial level from Punjab and Sindh, limiting the development only to Karachi and Lahore. Even though these efforts are commendable they are insufficient for the country in the longer run as they give off the impression that the government is only fixing what can be measured. It is the responsibility of the federal government to effectively disseminate information about the economic impact of CPEC that provides a blue-print to the rest of the provinces to implement business reforms that can equip them with the right tools that can prepare them to benefit from CPEC. Therefore, reforms must be extended to all provinces including Balochistan and KP which can be achieved only through the strengthening of institutions and robust impartial policy-making.

Furthermore, Pakistan's current Special Economic Zone (SEZ) law, instead of decentralizing and curbing bureaucratic controls to create elbow room for private enterprises, adds impediments such as approvals, areas of overlapping jurisdiction and poorly allocated regulatory authority. The Chinese ambassador to Pakistan, Yao Jing, has repeatedly asserted that Pakistan has the potential to attract huge Chinese investments only if they can develop better trade policies, offer tax incentives and foster an investment friendly climate.<sup>3</sup> Currently, investors are required to get multiple No Objection Certificates (NOCs) before investments can begin. Hence, while SEZs in other countries like China, UAE, Thailand and Georgia offer a one-stop-service for all regulatory matters, in Pakistan, the Board of Investment (BOI) serves that purpose,

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<sup>3</sup> (PCI), Pakistan-China, and CPEC: (PCI). 2019. "Tax Incentives And Business-Friendly Environment Can Attract Huge Chinese Investments: Chinese Ambassador - CPEC Latest News". *Cpecinfo.Com*. <http://www.cpecinfo.com/news/tax-incentives-and-business-friendly-environment-can-attract-huge-chinese-investments-chinese-ambassador/NjUyMw==>

which, due to lack of a tailor-made framework for SEZs, leads to unnecessary bureaucratic red tape. Reforms should be aimed at empowering the provincial governments to process the application of SEZs to save time and money instead of being dependent on Islamabad. Amending the SEZs Act of 2012 to ensure reform is currently being debated in parliament but any reform must ensure that SEZs provide Chinese and other companies at a minimum that same incentives that other Southeast Asian and African SEZs are currently providing. In addition, to deter rent seeking and to guarantee that industries are market driven, SEZs must ensure devolved decision making that takes the private sector on board. With the majority of SEZ companies expected to be from the private sector, ensuring the market dynamics determine SEZ policies will be essential for long term viability of SEZ companies.<sup>6</sup> A clear 'rules of engagement' agreed upon by both China and Pakistan would also prove beneficial in terms of expected outcomes.<sup>7</sup>

Another significant hurdle in Pakistan's ability to generate employability under CPEC initiatives has been a weak human resource skill-base. While Pakistan boasts the ninth largest labour force, lack of investments in technical and vocational training have seriously affected labour skills. As a result, while infrastructure projects under CPEC continue to employ over 90 per cent domestic labour, the percentages shrink dramatically in technical projects such as energy and digital connectivity. Presently, several Chinese companies are undertaking specific on-the-job training programs for semi-skilled workers, both in China and in partnership with dedicated short training courses in collaboration with universities in Pakistan.<sup>8</sup> Pakistan's reorientation in vocational training and higher education, to meet market demand, is essential for CPEC employment uptake. SEZs are also instrumental in achieving structural transformation through skill development and knowledge transfer.<sup>9</sup>

Moreover, estimates suggest that CPEC has the potential to generate anywhere from 800,000 to 1,500,000 jobs till 2030.<sup>10</sup> For Pakistan, investments like CPEC are valuable for their spillover impact on local firms and labour in terms of transferring technology, boosting skills, and improving the quality and quantity of employment. The availability of productive, skilled, and reasonably priced labour is an important determinant of the location decision for foreign investment. For Pakistan's demographic structure, with a

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<sup>6</sup> Mehmood, Zafar. "Unlocking Pakistan's Economic Potential." Chapter 8: Special Economic Zones. *CPEC: A Precursor to Regional Economic Growth and Stability*. China Studies and Information Center. Strategic Vision Institute. Islamabad, 2019.

<sup>7</sup> Cheema, Zafar Iqbal. *CPEC: A Precursor to Regional Economic Growth and Stability*, 169

<sup>8</sup> Zia, Muhammad Muzzamil. "Job Creation Under CPEC". 25 April 2019. CPEC Center of Excellence. Planning Commission of Pakistan. <https://cpec-centre.pk/job-creation-under-cpec-a-reality/>

<sup>9</sup> Cheema, Zafar Iqbal. *CPEC: A Precursor to Regional Economic Growth and Stability*, 161

<sup>10</sup> *ibid*

burgeoning young labour force, the opportunity to generate high-value jobs from CPEC investments is not one that Pakistan can afford to miss. This would be an opportune time to create legal frameworks aimed at protecting and supporting our local workforce. Pakistan, unfortunately, lags behind in this regard. Countries such as Malaysia, Vietnam and Indonesia for instance, have comprehensive laws setting labour quotas for foreign investment projects. A recent study conducted by School of Oriental and African Studies and the London School of Economics, revealed that laborers in African countries with direct Chinese investment, were presented prospects to work under their projects.

CPEC has so far created nearly 68,382 direct jobs.<sup>11</sup> The question of how Pakistan can further seize the CPEC opportunity remains an important one. A more sustainable approach to this predicament of underinvestment in labour is to aide firms that train and use local labour.<sup>12</sup> There are several tools for this such as part-funding the training cost incurred by private businesses. Additionally, tax incentives can be conditioned on training labour and tax breaks can be conditioned on sourcing components from local firms, which also translates, albeit more indirectly, into local employment gains. In a bizarre and rather sharp contrast to this, the current services sales tax regime imposes a tax on business trainings, thereby increasing the costs of private training. However, business friendly measures can directly address the market failure that plagues the labour market: By compensating firms that invest in labour, the government can plug in the gap between private and social benefits.<sup>12</sup> A comprehensive system with data on laborers would also be beneficial. This data, which includes the skills and capabilities of the local workforce, will be available for employers, to aid with matching skilled workers with job openings available or creating employment opportunities.

### Coordination

Coordination and communication is critical to connecting institutional dots. Effective communication is the overarching element of power in the 21st Century, and CPEC's scale and ambition must best be addressed with clarity. Provinces have to be given the confidence that CPEC will be transparent and equitable. Unfortunately, to this day, little is known about the government contracts signed under CPEC.

As a diverse country comprising of multiple languages and ethnicities, where information is disseminated through a variety of mediums such as the radio, television,

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<sup>11</sup> China-Pakistan Economic Corridor Committee Meeting. *Ministry of Planning, Development and Reform*. 13<sup>th</sup> June 2019.

<sup>12</sup> 2019, "Special Section 1: The Importance of Human Capital in the Context of CPEC." *State Bank of Pakistan*. <https://www.sbp.org.pk/reports/quarterly/fy19/Second/Special-Section-1.pdf>.



social media, even minor inconsistencies between the information that is made available about CPEC by different wings of the government can create severe cascades of backlash at all tiers of governance.<sup>13</sup> An institutionally clear roadmap for project planning is an alternative that can very easily do away with these inconsistencies. Additionally, a higher commitment to transparency, pertaining to coordination and contracts will assist CPEC advocates in Pakistan to identify gaps in both planning and investment roadmaps, whether it be between provinces within Pakistan, or between federal ministries or private sector joint venture projects that need support.

In addition, when it comes to a discussion of provincial stakes, it is fair to start with Balochistan – the home of Gwadar, which is the centerpiece of the CPEC maritime Silk Road linkage. It goes without saying that the province has several deprived regions that need development and connectivity. The people of Balochistan and their public representatives have their hopes pinned on CPEC as much as the rest of Pakistan, if not more. For years the mineral-rich province has provided resources like natural gas. At home it has witnessed scarcity of resources and even gas at multiple levels. Its only consolation has come in the form of the 18th Amendment which ensures them ownership of their own resources through the National Finance Commission award.

It has already been indicated that the Balochistan government has repeatedly displayed confusion about the lack of progress on the Western route. They have also raised questions about the province's share in the multi-billion project remaining at a meagre 2-3 per cent. In the absence of transparency and provincial coordination, several voices suggest that the provinces aligning the Eastern route will be the larger beneficiaries of CPEC investments. In parliamentary committee meetings, members from both Balochistan and Khyber Pakhtunkhwa have protested against the lack of groundwork on CPEC in their respective provinces. Additionally, lack of water infrastructure is a major roadblock to development in Gwadar as well as other parts. These are areas that beg the government's attention but little of substance has been communicated during Senate Special Committee meetings to date.<sup>13</sup>

Nonetheless, the main political parties of Balochistan have been on the record to offer their full support to the central government as have other political and opposition parties from Sindh, KP and Punjab, on all CPEC projects.

Now, as CPEC drives into the next phase, the flow of substantive informational exchanges between various provincial and central departments as well as the private and public sector should not remain ambiguous anymore. There are fault lines in communication as various members of the Senate CPEC Committee, who are also

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<sup>13</sup> First Interim Report. Special Committee On The Project Of Pak-China Economic Corridor. *Senate of Pakistan*. 17<sup>th</sup> July, 2018 – 15<sup>th</sup> March, 2019.

representatives of their provinces, have raised questions about timelines and priorities. The federal government will have to demystify the details and for that, it needs to make use of the parliament.

It is clear that in order to be functional, the most effective means of communicating across the federation would be to use parliamentary committees<sup>19</sup> to ensure transparency and build a narrative that has a buy-in from all parties and provinces. The fact remains that as representatives of their communities, all parliamentarians and political parties do see the benefits of CPEC and the potential for their own communities once clear timelines and execution of projects is visible.

### **Recommendations**

In Pakistan, the growth potential from CPEC can be immense, but the federation's ability to transform opportunities into tangible gains has remained hostage to inefficiencies and shortcomings in both governance and capacity. The 'Three C Strategy' outlined above provides some salient recommendations for grappling with the internal challenges that CPEC has presented over the last five years. CPEC is not Beijing's dream alone and the task ahead for Pakistan is enormous and unprecedented.

Firstly, to ensure that there is consensus between the different political parties of Pakistan, the government needs to utilize existing committee structures in parliament to build multi-party consensus and address any grievances by provinces or political parties. Additionally, they need to create frameworks for managing the politics of stakeholder inclusion, including at the grassroots level in provinces, or at big-tent political party level in Islamabad.

The second major internal challenge to CPEC is building enough capacity to fully absorb the potential that it promises. This capacity needs to be built at the federal and provincial level in project planning, management and monitoring. This can be done through including the private sector in SEZ policy planning and management to ensure market driven competitive industrialization. Rationalizing SEZ incentives to match incentive structures being offered by SEZs in South East Asia, Gulf and Africa is another technique that can increase the country's capacity to absorb the projects under CPEC. Furthermore, a comprehensive investment policy must be put in place and built into future Foreign Trade Agreements with China so that these governance policies do not have to be retroactively fitted.

Capacity can also be built through incentivising the private sector towards vocational and skills training to quickly build human resource capacity. This policy recommendation can manifest itself on the ground through reorienting both public sector vocational training and higher education curricula to align with market demand for skilled and semi-skilled labour.

Finally, the third major C of Coordination can help resolve the remaining internal challenges that CPEC has posed for the country. The challenge of Coordination can be resolved through ensuring transparency in communication and coordination between the federation and the provinces on CPEC projects, timelines and investment contracts.

Given Pakistan's history, governance structure and internal political and economic challenges, taking ownership of CPEC will require painstaking systemic reforms. Pakistan must focus on building cooperation frameworks and opacity of CPEC finances. There is a need to focus on Pakistan's development outcomes as well, without which the country will inevitably see a disproportionately high economic growth in enclaves, while poor human development and crumbling infrastructure slows down investor options in others. CPEC provides a chance to focus sustained and inclusive growth if it is made as a prerequisite as the country moves forward, not an afterthought.

### **Endnotes**

- i. This new focus includes revamping the following: Trade and Market Access; Industrial Development and Global Value Chains; Socio-Economic Development and Poverty Alleviation; Agricultural Modernization and Marketing; Gwadar Oil City and the Blue Economy; Regional Connectivity and Third-Party Participation.
- ii. Pakistan has been the first recipient country of newly formed Chinese aid agency, Chinese International Development Cooperation Agency (CIDCA) under which China would provide grant of \$1 billion (Rs151 billion) for various projects of socio-economic uplift of Pakistan. This help received from CIDCA can also be crucial in the development of human capital for the country.
- iii. Community level politics is critical to navigating trade union tensions in Gwadar, for instance, where the local fishermen have not been consulted in the building process of terminals and jetties that displace their livelihoods and boats.
- iv. The CPEC Committees are fully functional in the Senate, which is the House of Parliament that guarantees the rights and voice of each province in equal measure.

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