



**SENATE OF PAKISTAN**

*FIRST  
INTERIM REPORT  
(July 2018 - June 2019)*

**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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## INTRODUCTION OF THE COMMITTEE

I, Convener of the Senate Special Committee on the Project of China-Pakistan Economic Corridor (CPEC), have the honour of presenting the 1<sup>st</sup> interim report of the Committee for the period 17<sup>th</sup> July, 2018 – 13<sup>th</sup> June, 2019.

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 seven 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 or 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.

## FINDINGS / OBSERVATIONS OF THE COMMITTEE

### **Early Harvest Projects**

5. The Committee was informed that Early Harvest Projects are within 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 fuel / 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 the 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 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 to 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 was subsequently referred to the concerned Committee. The Committee concluded that 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 evolved a new understanding between US and China. Agriculture Framework Agreement by which a value chain of perishable items, marketing and co-branding opportunities which help boost agriculture that comprised 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 to her. Special Economic Zones and refinery projects at Gwadar are the venues where 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 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 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 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 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.

#### **Resolution passed by the Committee**

14. 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 CPEC project inclusive. A resolution was unanimously passed by the Committee for the said purpose is **annexed as 'A'**.

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

15. The Committee was briefed on 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. The Committee stressed that CPEC should have an autonomous well-resourced Authority and a separate Secretariat. 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 were to be implemented.



### **Critical observations of the Committee**

16. Numerous times, the committee expressed its serious concerns / reservations on Government side for ignoring the demands of Committee Members to hold meetings and 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.

17. In its sixth meeting held on 17<sup>th</sup> April, 2019, the Committee took serious notice of the absence of Mr. Makhdoom Khusro 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.

18. The Committee was of this view that if the Ministry of Planning, Development and Reforms at the highest level cannot attend the meetings, then it is obvious that Ministry does not have the capacity to coordinate and manage such a huge project like CPEC. They are unable to even hold a representational role that is crucial and critical to manage a project requiring constant public communication. The Committee also 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.

## 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 no 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 Committee recommended that CPEC should have an autonomous well-resourced Authority and a separate Secretariat.
8. The M/o Planning Development and Reforms to give a detailed presentation on fast track projects with timelines in two weeks.

9. 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.
10. The Chairman Gwadar Port Authority to give briefing on timely financing components of Gwadar projects in the next Committee meeting.
11. 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.
12. The Secretary, Planning, Development and Reform to provide a list of people in Pak-China Business forum in the next Committee meeting.
13. 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.
14. 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.
15. Mr. Fazal Nawab Khatak, Member Motorways (North), National Highway Authority to give an updatation / progress report on the entry point (interchange) called Hairran in Manshara and construction progress of Oghi road in the next Committee meeting.

