



SENATE OF PAKISTAN

***SECOND
INTERIM REPORT
(July 2019 – December 2020)***

**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 2nd interim report of the Committee for the period from July, 2019 – December, 2020.

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

COMPOSITION OF THE COMMITTEE

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

1.	Senator Sherry Rehman	Convener
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. 25th 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.

ii. 20th 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 25th 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 4th February, 2020 and referred to the Committee for consideration and report.

iii. 2nd 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 20th July, 2020.

FINDINGS / OBSERVATIONS OF THE COMMITTEE

Special Economic Zones (SEZs)

5. 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, Dhabeji, Thatta) are in the early harvest projects. Regarding Rashakai SEZ, a concession agreement was signed between the 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

6. 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

7. 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 detailed about the shortcomings / challenges in CPFTA Phase-1 related to tariff reduction modality, safe guard provisions, and including no provision to address Balance of Payments (BOP) difficulties.

8. 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 2nd 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

9. The Committee was apprised by M/o Eenergy (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

10. The Committee was informed that 100MW electricity 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.

Resolution passed by the Committee

11. The Committee also adopted a resolution proposed by Senator Muhammad Javed Abbasi. It demanded from 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 resolution which was unanimously passed by the Committee for the said purpose is annexed as 'A'.

CPEC Projects

12. 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

13. 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

14. 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).

Compliance on Recommendations of the Committee

15. The Committee was further apprised that Appellate Tribunal for tariff determination of Coal based Energy project (300MW) in Gwadar has been notified and 24 members have been approved. 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.

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

16. The Committee was informed 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 6th 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 7th 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

17. 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.

CRITICAL OBSERVATIONS OF THE COMMITTEE

21. In a meeting held on 2nd 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.

22. The Committee 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.

23. The Committee was of the view that briefing given by the Ministry and its various allied departments were 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.

24. 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.

COMMITTEE RECOMMENDATIONS

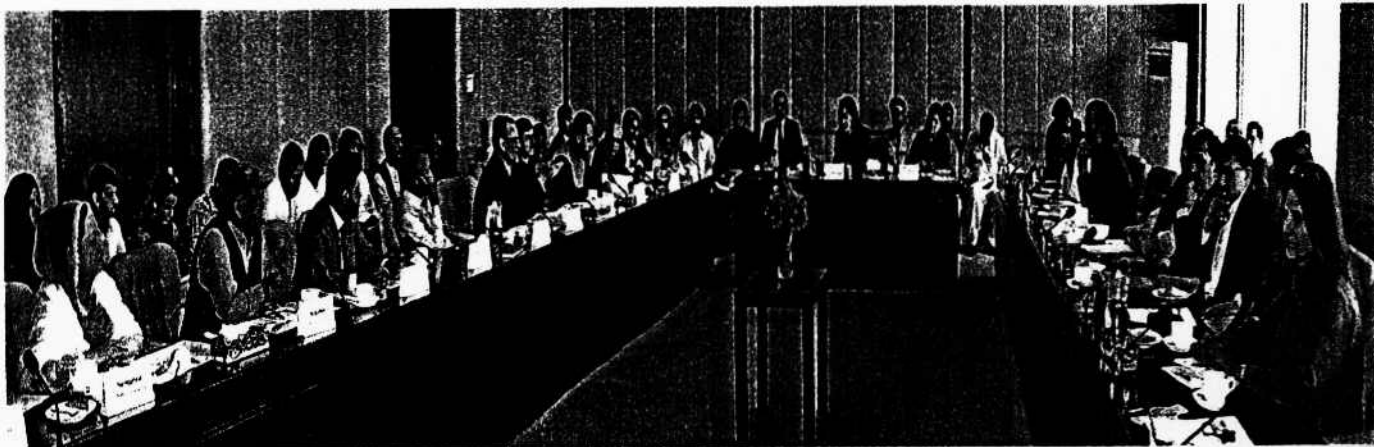
1. The Committee directed the Board of Investment to include Bostan SEZ in early harvest projects and demanded a Ministerial response on it in the next Committee meeting.
2. The Committee directed the Board of Investment to give a timeline related to Bostan SEZ in the next Committee meeting.
3. The Committee recommended to set-up appellate tribunal immediately.
4. 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.
5. 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.
6. 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.
7. The Committee directed M/o Planning, Development and Reforms to five 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.
8. The Committee recommended reviewing the high prices of plots in Rashakai Economic Zone (REZ).
9. The Committee directed the M/o Planning, Development and Special Initiatives to provide progress report on provision of gas and electricity in Bostan.
10. 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.
11. 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.
12. The Committee directed the M/o Planning, Development and Special Initiatives to provide a progress report on Quetta Mass Transit project.

13. The Committee recommended the up gradation of Quetta Thermal Power Station.
14. 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.
15. The Committee directed the M/o Planning, Development and Special Initiatives for a detailed report on revising the strategy for the fast track projects.
16. 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.
17. The Committee recommended including more water projects for Balohistan under CPEC Projects.
18. 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.
19. 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.
20. The Committee recommended that transparency in CPEC projects for Malakand Division must be ensured.
21. The Committee recommended that there should be more educational / technical institutions projects for Malakand Division as in the case of Balochistan province.
22. 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.
23. 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.
24. 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.
25. 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.
26. 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.

27. The Committee unanimously decided to provide a suggested timeline of Bostan Special Economic Zone in the next Committee meeting.
28. 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.
29. The Committee unanimously decided that the Minister for PD&SI will address the agenda on Balochistan himself in the next Committee meeting.
30. The Committee directed Secretary, M/o PD&SI to prioritize umbrella projects specified for Balochistan.
31. 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.

SITTINGS OF THE COMMITTEE



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, 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 JULY 20, 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 Rehman

(SENATOR SHERRY REHMAN)
Convener Senate Special Committee on CPEC

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”.