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

Editors Gong Sen, Melissa Leach and Jing Gu
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The China–Pakistan Economic Corridor: A Case Study

Mustafa Hyder Sayed

Abstract The China–Pakistan Economic Corridor (CPEC) is a multifaceted project which was formally announced during a visit by China’s president, Xi Jinping, to Pakistan in April 2015. It is an infusion of infrastructure, energy, ports, railway networks, and people-centric projects, which enhance Pakistan’s trade connectivity, export potential, and geopolitical relevance. Pakistan and China believe that the CPEC will not only complement the economic development of the two countries but will also bring peace and prosperity in less developed regions of Pakistan. The article focuses on the impact of CPEC projects comprising early harvest projects, middle- and long-term plans, and social sector development initiatives including: poverty alleviation, clean water, health, education, vocational training, and agriculture. It also gauges the prospects and challenges faced by the CPEC and policy recommendations to make this project sustainable and inclusive.

Keywords: CPEC, China, Pakistan, Gwadar, energy, social, early harvest projects, corridor, connectivity, Balochistan.

1 Background

The China–Pakistan Economic Corridor (CPEC) was launched in 2015 as the flagship and leading project of China’s Belt and Road Initiative (BRI) (Global Times 2019). The CPEC was given priority and precedence over the five other corridors of the BRI due to:

1 The strategic geographic location of Pakistan and its Gwadar Port (the latter is the converging point of the Silk Road Economic Belt and the twenty-first century Maritime Silk Road). Gwadar’s significance had been highlighted long before the launch of the CPEC by Robert Kaplan, who summarised Gwadar’s strategic potential as ‘the hub of a new Silk Road, both land and maritime; a gateway to landlocked, hydrocarbon rich Central Asia’ (Khan 2016); and

2 The time-tested and all-weather strategic partnership, signifying the unique state-to-state and also the close people-to-people connectivity and goodwill, that is above political partisanship (Weidong 2017).
2 Introduction
The CPEC is a mammoth US$46bn investment from China, which was later extended to US$62bn (Shaikh 2018) for the completion of all its projects, set to culminate in 2030 (Ministry of Planning, Development and Reform 2017). The CPEC was a strategic decision by China to choose Pakistan as the pilot project of the BRI, the lessons and experience of which would determine the learning curve of how to execute Belt and Road projects in other BRI host countries and corridors (Rehman 2018). In order to experiment with a large, economic, and cultural footprint that had not been seen in any other host country in the past (only in continents, i.e. Africa), the prerequisites of a solid foundation that consisted of goodwill in the populace and across the political spectrum in Pakistan, and an existing strategic and defence relationship, made the CPEC more predisposed towards success.

2.1 Dimensions of the CPEC
The CPEC is about infrastructure, energy, and maritime and cultural connectivity, under one umbrella and brand. However, the CPEC is not monolithic. Every project in the CPEC has different terms and conditions as each is executed by a different Chinese state-owned enterprise (SOE) and is independent from other CPEC projects. To illustrate, the PowerChina-invested coal-fired power plant is jointly invested with a Qatar-based consortium undertaking the project on a build–operate–transfer (BOT) basis (Pakistan Observer 2019), whereas the coal-fired power plant located in Thar Block II, which has less than a 10 per cent Chinese shareholding, is a public–private partnership between the Sindh provincial government, the China Machinery Engineering Company (CMEC), and Engro (a Pakistani company). The Gwadar International Airport, on the other hand, is financed by a grant (CPEC 2019a).

The common denominator in CPEC projects is the National Development Reform Commission (NDRC), which nominates the Chinese SOE for each project and is responsible for the supervision of CPEC projects, whilst the Ministry of Planning, Development and Reform is its counterpart in Pakistan (Ministry of Planning, Development and Reform 2018).

2.2 The division of the CPEC into three phases (early, medium-, and long-term projects)
Being a long-term project that goes beyond 2030 (Ministry of Planning, Development and Reform 2017), the CPEC is divided into three phases: early harvest projects (EHPs) (priority projects for the first five years), medium-term, and long-term (China International Development Cooperation Agency 2019). Eleven out of the 22 EHPs have been completed, whilst 11 are under construction. The EHPs have addressed Pakistan’s energy shortfall of 5,000 megawatts (MW) (Kugelman 2014), and the rest have rehabilitated the existing and constructed new infrastructure of roads and highways, which would create an enabling environment to boost trade and mobility.
Table 1 Eleven early harvest projects completed (with total contract amount of around US$19bn)

| Project Description                                                                 | Location/Details                                                      |
|====================================================================================|----------------------------------------------------------------------|
| 50MW Dawood wind power project                                                     | China–Pakistan Friendship School, Faqeer colony                      |
| 100MW Pakistan Jhimpir UEP wind power project phase 1                               | Guadar Port operation and development of free zone                   |
| Sachal 50MW wind power project                                                     | Laying of optical fibre from Rawalpindi to Khunjerab                 |
| Zonergy 900MW solar project in Punjab                                               | Preliminary design phase 1 for upgradation of ML1 and Havelian dry port of Pakistan Railways |
| Port Qasim 2x660MW coal-fired power project                                         |                                                                     |
| Sahiwal 1,320MW coal-fired power plant                                             |                                                                     |
| Three Gorges second wind power project (100MW)                                      |                                                                     |


Table 2 Eleven early harvest projects under construction

| Project Description                                                                 | Location/Details                                                      |
|====================================================================================|----------------------------------------------------------------------|
| KKH-Phase-II (Havelian–Thakot)                                                    | Suki Kinari hydropower project                                      |
| Karachi–Lahore motorway Sukkur–Multan section                                      | Guadar Smart Port City Master Plan                                   |
| Metro Rail transit system on the Orange Line in Lahore                             | DTMB demonstration project                                            |
| Expressway on Eastbay of Guadar                                                   | 2x330MWU Mine mouth coal-fired power plant at Thar Block I, Sindh    |
| 720MWU Karot hydropower project                                                   | 3.8m tonnes per annum open case lignite mine at Thar Block II, Sindh |
| CPHGC 1,320MWU coal-fired power plant, Hub, Balochistan                           |                                                                     |


3 Impact evaluation of the CPEC
3.1 The CPEC’s contribution to Pakistan’s energy mix
CPEC power projects at present have added 3,240MW to Pakistan’s national grid (Associated Press of Pakistan 2019), which makes up 11 per cent of the 29,573MW installed power capacity (Mustafa 2018). These power projects include a 1,320MW coal-fired power plant in Karachi’s Port Qasim, Sindh; a 1,320MW coal-fired power plant in Sahiwal, Punjab, 300MW from phase 1 of the Zonergy solar park; the
50MW Dawood wind farm; the 100MW Jhimpir UEP wind power project; the 50MW Sachal wind farm; and the 100MW Three Gorges second wind power project (Embassy of the People's Republic of China in the Islamic Republic of Pakistan 2019). Also, a 660MW coal power project in Thar and another 1,320MW coal-fired power plant in Hub, Balochistan are under construction.

3.2 Social sector development
Gwadar Port has seen the establishment of the China–Pakistan Friendship School (Embassy of the People’s Republic of China in the Islamic Republic of Pakistan 2018a), built with a grant of US$400,000, and the development of the Gwadar Free Zone, which is an industrial zone built by the China Overseas Ports Holding Company (COPHC) that represents an inward investment of US$250m (COPHC 2015). The school was built under the social sector platform, details of which are described later in the article.

3.3 Infrastructure development
An ambitious motorway project that connects Pakistan’s northwestern city of Peshawar with Karachi, capital of Sindh Province, is a work-in-progress with more than a quarter complete, and the remaining due to be completed by August 2019 (CPEC 2019b). Also, a US$44m, 820km cross-border fibre-optic cable project from Khunjerab to Rawalpindi has been completed (Taneja 2019).

4 Recommendations to counter challenges facing the CPEC
The CPEC is a megaproject and like all megaprojects has been confronted by challenges and implementation barriers. There are five key problems with realising the CPEC, which the author outlines here, alongside recommended steps to increase the effectiveness of project implementation: (1) a communication strategy to ensure the proactive dissemination of information; (2) building the capacity of host country implementing institutions; (3) extensive due diligence and preparation for informed decision-making; (4) improved coordination between federal government departments, the federal government, and provincial governments; and (5) inclusive decision-making via engaging civil society, local communities, the private sector, and both national and regional political parties across the political spectrum.

The EHPs under the CPEC to date have mostly been delivered with success, despite a host of challenges. These successes include a coal mine and coal-fired power plant in Thar Block II, which according to Deputy Chief of Mission (DCM) Lijian Zhao will be completed by the end of July 2019 and will serve Pakistan’s local coal needs. A further coal power station under the China Power Hub Generation Company (CPHGC) is due to enter commercial operation in August 2019, delivering 1,320MW, according to Ambreen Shah, the CPHGC Vice President. Two additional megaprojects under the CPEC include the Multan–Sukkur motorway, which was due to be completed by August 2019, and the Thakot–Havelian Highway, part of the Karakoram
Highway (KKH), which is under construction and expected to be finalised by March 2020 (ibid.).

5 Discussion
In the second phase of the CPEC, the focus will move onto the social sector, particularly in areas such as: poverty alleviation, clean water, health, education, vocational training, and agriculture. Moreover, most of these social sector projects are in far-flung areas of Khyber Pakhtunkhwa (KPK) Province, Southern Punjab, and Balochistan which have a low Human Development Index (HDI) and demand greater attention.

However, failures in communicating these prospective benefits to stakeholders and the wider population has led to misperceptions (Marwat 2017) and misplaced speculation (Embassy of the People’s Republic of China in the Islamic Republic of Pakistan 2019), casting aspersions on the project as a whole and the dissemination of inaccurate information – all because of a lack of a proactive and well-articulated media and communication campaign. Instead, government spokespersons have been fire-fighting; often adopting a defensive position that ultimately compounds the criticism and trust deficit, rather than addressing it.

For example, some sections of the Pakistani press and social media insisted that there had been loss of employment of Pakistani labourers on CPEC projects to Chinese labourers, despite the fact that the already comparatively cheap Pakistani labour would make such an enterprise commercially cost-ineffective. According to Balochistan budget figures for 2017–18, the minimum wage in Balochistan, since October 2018, was set at 15,000 rupees per month (Government of Sindh Labour and Human Resources Department 2018), whereas in Xinjiang, as per the China Briefing August 2018 report, the minimum wage for a month is 1,540 RMB (equivalent to 35,439 rupees) (Koty and Zhou 2019).

At an event in Faisalabad (14 February 2018), a major industrial hub, the members of the Chamber of Commerce were oblivious to an important CPEC Special Economic Zone (SEZ), that had been planned for the city. A common refrain is that the CPEC is a road going from China to Gwadar, and the land through which this road shall pass will transform into lucrative real estate, and the rest of the country will remain unchanged.

5.1 One corridor, multiple passages
The CPEC can be described as ‘one corridor, multiple passages’ (Xinhua News 2016), envisioned as a long-term project that would go up until 2030. It is an infusion of connectivity projects consisting of infrastructure, energy, ports, railways, and people-to-people projects, which enhance Pakistan’s trade connectivity, export potential, and geopolitical relevance significantly (World Bank 2018). The CPEC is representative of the whole of Pakistan. It has three major routes: the central, eastern, and western routes, which connect Gwadar to Kashgar, and which include all of the provinces of Pakistan. Examples of CPEC projects across the country include the Karot hydropower
project in Azad Jammu and Kashmir (AJK), the Rashakai SEZ in KPK, the Jhimpir UEP wind power project phase 1 in Sindh, the 1,320MW CPHGC coal-fired power plant in Hub, Balochistan, and the Sahiwal coal power project in Punjab. Hence, the corridor is not confined to any specific route or province but meets geographical inclusivity.

5.2 Opportunities for Pakistan
The CPEC too has the potential to transform Pakistan into a hub of regional economic cooperation, as it seeks to connect South, Central, and East Asia, along with the Gulf countries. Plans for this inter-regional hub role are already underway with the 9th Joint Cooperation Committee (JCC) meeting taking place in November 2019, and the Gwadar International Airport project entering the initial stages of development, with the latter being financed by a grant of US$230m provided by the Chinese government. In February 2019, during the visit of Saudi Arabia’s Crown Prince, Mohammad Bin Salman, he announced a new US$8–9bn oil refinery investment in Gwadar (Kiani 2018). Iran has also shown interest in participating in the CPEC and connecting its Chabahar Port with Gwadar Port.

To further the regional connectivity potential emanating from the CPEC and institutionalising a mechanism for third-party participation, a meeting was held of the Joint Working Group on International Cooperation during the eighth JCC, held in November 2018 in Beijing, which featured the participation of the Foreign Secretary of Pakistan and the Vice Foreign Minister of China (Radio Pakistan 2018; Rehman 2019). In addition to rapid development via the CPEC, Pakistan is being re-branded as a country which is an investment-friendly destination, and a market that international companies must factor in when they explore opportunities for out-bound investment.

5.3 The need for capacity enhancement
The aforementioned challenge of an absent communication strategy speaks to two larger, structural issues: (1) the capacity of the government and its bureaucracy, and (2) feasibility studies and its preparedness. The Planning Commission, which was recently upgraded to the Ministry of Planning, Development and Reform (MPDR), the focal ministry responsible for coordinating the CPEC in Pakistan, has ten projects listed on its website (Ministry of Planning, Development and Reform 2019). Each project is supervised by a project director who is responsible for overseeing that particular project. The CPEC is one of these ten projects, and others include the Young Development Fellows (a programme to provide opportunities to talented youth), the Peace and Development Unit, and the Centre for Rural Economy. Considering that the CPEC’s EHPs’ investment alone is equal in value to Pakistan’s exports for fiscal year July–April 2018/19 at US$19bn (Ministry of Finance 2019), not accounting for the other nine projects of the MPDR, conventional wisdom would expect it to be a daunting task to successfully meet the time-sensitive deadlines of the large-scale CPEC EHPs.
Both capacity and due diligence are intertwined, as capacity enables due diligence to be conducted, and without due diligence, it is difficult to anticipate and ascertain the extent and nature of the capacity development required. Both the above points are crucial as it is tempting for host governments, particularly in lesser developed countries, to forego capacity building and due diligence to achieve short-term political gains, cognisant of their limited political tenures rather than the long-term project cycle.

5.4 CPEC project implementation and feasibility assessment
When it comes to project implementation, the NDRC undergoes a process of evaluation and feasibility analysis, after which the project is rejected or approved. To ease the process for foreign investors, the NDRC is considering the removal of the ‘first approval’ stage (Donovan 2019) to increase investments and create an enabling environment to enhance trade, a practice which the Ministry of Planning, Development and Reform and Board of Investment (BOI) Pakistan, could also incorporate. For example, two EHPs, the upgradation of the ML-1 railway from Karachi to Peshawar and the Havelian dry port project, faced delay as there was little fastidious, expert-led, internal brainstorming, due diligence, and feasibility assessment on the Pakistani side to assess and determine why the particular project should be initiated, or one project be given precedence over another.

The discussions that did take place on the identification of projects were led by political leaders and cabinet members, who are predisposed to giving primacy to political considerations and are unable to make the same informed decisions that could be made by an economist or an industrial zone specialist. For example, the Balochistan government did not issue until recently the No Objection Certificate (NOC), a prerequisite for the project to begin, stalling the project and pushing its deadlines forward. The project now awaits a tariff to be determined by the National Electric Power Regulatory Authority (NEPRA), the pace of which has also been on a par with that of the Balochistan government.

5.5 The need for a one-window solution
The absence of a one-window solution where Chinese companies, and any foreign investor for that matter, both new and existing, can go for assistance and help, was and remains all the more necessary. For example, the Port Qasim power plant invested in by PowerChina, was one of the highest priority power projects of the CPEC. However, because it was in Sindh Province, which had a different ruling party from that in the centre, it led to poor coordination between the federal government and the provincial government, making the efficiency of the project suffer. For example, the provision of security, land, and so forth were provincial subjects whilst the power project was supervised by the federal government. Because of this, the government focused on a person-centric approach, where an official with an efficient and accomplished reputation would be placed to oversee key CPEC projects, as opposed to institutionally strengthening the organisation that the
official may be heading. The establishment of a ‘CPEC Secretariat’ (Rana 2019) has finally been announced which would likely serve as the go-to organisation for all CPEC related matters.

Incumbent governments are predisposed to taking and claiming political ownership of the projects undertaken during their tenure. However, BRI and CPEC projects are long term and for their success need political ownership from across the political spectrum from the start, since they outlast typical tenures of three to five years of elected governments, and those under the CPEC have a particularly long life of 20 years and more. In the first two years after the launch of the CPEC in 2013, resentment and a sense of disenfranchisement was witnessed from the provincial lawmakers in Balochistan (Shahid 2018) and Khyber Pakhtunkhwa, who claimed that they had not been consulted and included in the decision-making process with regard to the CPEC. Later, the government established a Parliamentary Committee on CPEC (Parliamentary Committee on China–Pakistan Economic Corridor 2016) comprising both the houses of the parliament, and consisting of all political parties including the opposition, to garner consensus and right any wrongs that may have been committed in the nascent stages of decision-making by the government (The Routine 2018).

Critical stakeholders for large projects are the local communities that reside in the area or vicinity of the project site, and whose ecosystem, way of life, and even source of income, may be impacted, often adversely. Under the CPEC, local communities have been made beneficiaries and their needs have been addressed. In Gwadar, the China Overseas Ports Holding Company (Embassy of the People’s Republic of China in the Islamic Republic of Pakistan 2018a) has established a primary school for girls and is in the process of establishing a vocational training institute and a 500-bed hospital, all with grants from the Chinese government. In Thar, a desert, where a mega coal project has been established, the Sindh Engro Coal Mining Company has trained local women to drive dumper trucks for transporting coal, leading to both their empowerment, and inclusive growth and development (The Express Tribune 2017). However, an institutional approach to making local communities more involved is required, where they are made privy to the decision-making process, and a channel of communication where their demands and views are able to reach decision makers.

5.6 The CPEC and people-to-people connectivity
The CPEC is as much about access to basic necessities for the ordinary Pakistani as it is about major investments and projects in energy, infrastructure, and industrial zones. After the successful completion of the EHPs, the CPEC now consists of people-focused projects (Hussain 2019). A new Joint Working Group on Socioeconomic Development was established under the Joint Coordination Committee of the CPEC in 2018, which is aligned with the Sustainable Development Goals (SDGs) of the United Nations (Sheikh 2016). During the second Belt and Road Forum in May 2019, China allocated US$1bn for 27 projects under this
new working group, including in education, health, agriculture, water and irrigation, poverty alleviation, and human resource development (Hussain 2019). The areas of these projects are: (1) establishing technical and vocational training institutes, which is in line with SDG 8 – decent work and economic growth; (2) establishing health-care facilities and thereby making health care accessible (SDG 3 – good health and wellbeing), and the provision of educational facilities in disenfranchised areas (SDG 4 – quality education); (3) clean drinking water projects such as the Gwadar desalination plant (SDG 6 – clean water and sanitation); and (4) agriculture and poverty alleviation projects (SDG 1 and 2 – no poverty and zero hunger). Furthermore, Gwadar City’s development is being envisioned as creating a clean, green, and environment-friendly city (SDGs 7 and 13 – affordable and clean energy and climate action), whilst the SEZs under the CPEC will create an enabling environment for investment, generating jobs and enhancing industrial development, leading to economic growth (SDGs 8, 9, and 10 – decent work and economic growth; industry, innovation and infrastructure; and reduced inequality) (Ali 2018).

Thus far, 70,000 Pakistanis have gained employment in CPEC projects (Achakzai 2018). Moreover, for enhancement of people-to-people connectivity and youth-based training, 20,000 scholarships will be given to Pakistani students over the next three years. Phase II includes social projects such as the Pak China Friendship Hospital (CPEC 2017), and the Pak–China Technical and Vocational Institute (Ministry of Planning, Development and Reform 2017) at Gwadar, as well as the 300,000 gallon desalination plant in Gwadar, which will boost sustainable development.

6 Conclusion
There is much that can be learnt from the first five years of the BRI projects and corridors, including CPEC, in terms of both what to do and what not to do. Firstly, the programme would benefit from a more inclusive, institutionalised (not ad hoc), and scientific approach to examining (1) the feasibility of the project, (2) the project’s alignment with the host country’s national development strategy, and (3) the project’s intended and unintended consequences and long-term impact on the environment and economy. One way to address the aforementioned issues would be by creating an organisation which is government-led, but which includes representation from national and regional political parties, local communities, the private sector, and civil society, in addition to experts of the project(s)-related fields, which would pre-empt prospective community or civil society blowback.

By engaging these stakeholders that are ultimately power centres who matter, potential concerns or insecurities (often present in developing countries that have limited experience in dealing with an influx of foreign personnel or companies) would be deflected and/or addressed in a timely manner. This, coupled with a well-conceived, facts-based, and sustained communication campaign is necessary to apprise stakeholders
of the benefits of particular projects to them and the economy, and to make them part of the solution. All this would help to build a truly win-win partnership.

Notes
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1 Mustafa Hyder Sayed, Executive Director, Pakistan–China Institute, Pakistan.
2 Interview by Mustafa Hyder Sayed with Lijian Zhao, Deputy Chief of Mission, Chinese Embassy, 5 March 2019.
3 Interview by Hamna Husain with Lijian Zhao, Deputy Chief of Mission, Chinese Embassy, 1 June 2019.
4 Interview by Hamna Husain with Ambreen Shah, Vice President of China Power Hub Generation Company (Pvt.) Ltd (CPHGC), 9 July 2019.
5 Interview by Hamna Husain with Lijian Zhao, Deputy Chief of Mission, Chinese Embassy, 1 June 2019.

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