

Concept Note

**Development of
“CPEC Social Sector Support Fund”
(CPEC-SSSF) for Leveraging Image
and Sustainability of CPEC**

**By Dr. Shahid Rashid, Executive Director CoE-CPEC & Mr.
Muhammad Muzammil Zia, Research Associate CoE-CPEC**

**Submission Date:
9 October, 2017**

Table of Contents

1. Background

a. CPEC: A Flagship of BRI

*b. Image of CPEC: From the lens of Print and Digital Media of
Pakistan*

2. Importance of Image for Sustainability of a Long Term Diverse Portfolio like CPEC

*a. Role of Corporate Social Responsibility (CSR) Initiatives in
Leveraging the Image Building*

b. Showcase of CSR Initiatives associated with Projects of CPEC

3. Need for Development of a Comprehensive CPEC Social Sector Support Fund (SSSF) for Leveraging Image and Sustainability of CPEC

4. Benefits of the proposed CPEC-SSSF

5. Prospective Role of CoE-CPEC in Support to the Proposed CPEC-SSSF

6. Conclusion

7. References

1. Background

In 2013, President Xi Jinping put forward the “One Belt One Road” (OBOR) initiative which can be termed as “Project of the Century” because it encompasses six major corridors to connect 65 countries of Asia, Europe and Africa and serve around 3 billion people and includes 38% of Global GDP. “One Belt” is the Silk Road Economic Belt and “One Road” recreates “21st Century Maritime Silk Road. Gwadar is at the junction of OBOR Belt and the Road.

Since 2013, more than 100 countries and international organizations have responded the OBOR initiative positively, and more than 40 countries and international organizations have signed cooperation agreements with China including Pakistan for the joint initiative namely China Pakistan Economic Corridor (CPEC). The "circle of friends" of OBOR is expanding and Chinese enterprises invest along the OBOR route line countries have reached more than 50 billion US dollars, a series of major projects has landed, led the national economic development, creating a large number of employment opportunities. OBOR initiative is come from China, but will benefits all over the world.

The Pakistan Vision 2025, OBOR, CPEC and Sustainable Development Goals (SDGs) include the development of social sector as an important component. The development of social sector besides the economic sector brings inclusiveness, promote soft image and thereby introduce long term sustainable.

1.1 CPEC: A Flagship of BRI

The China Pakistan Economic Corridor (CPEC) has been initiated as the pilot corridor of One Belt One Road (OBOR) or Belt and Road Initiative (BRI) of President Xi Jinping of China in 2013 and with the passage of time it has been widely regarded as the “Flagship” project of BRI. Few of the reasons of CPEC being able to become the flagship of BRI are given below.

- All weather iron brother relationship between China and Pakistan which has been proven through decades
- Pakistan’s positive and proactive response to join the BRI in 2013
- National Consensus on CPEC has been established in Pakistan by conducting an All Parties Conference (APC) by Prime Minister on 28th May, 2015 and subsequently a Senior Leadership Conference on 16th January, 2016.
- A “1 + 4” cooperation mode has been adopted with “1” refers to CPEC as the core of cooperation between both the countries and “4” are the priority area of cooperation namely energy, transport infrastructure, Gwadar and industrial cooperation. All of the aforementioned areas were fundamental for Pakistan to remove bottlenecks of socio economic growth and to tap the significant potentials untapped before the inception of CPEC.
- Appropriate development of an institutional framework to plan, manage, evaluate and control the CPEC portfolio through Joint Cooperation Committee (JCC) at the top which is co-chaired by Minister for Planning, Development and Reforms (PD&R) of Pakistan

and Vice Chairman of National Development and Reforms Committee (NDRC) of China. Setting up of five Joint Working Groups (JWG) including each for planning, energy, infrastructure, Gwadar and Industrial Cooperation which are working under the JCC and are resourced by the relevant experts of both the countries. Also to keep the projects on track and meet deadlines, Inter-ministerial Progress Review Meetings (PRM) were carried out under the chairmanship of Minister (PD&R) and attended by all relevant federal and provincial ministries, departments, institutions, project stakeholders and officials from Chinese Embassy and enterprises in Pakistan.

- Smart implementation of the institutional framework to unfold CPEC from dream to reality. For instance, since signing of MoU of CPEC on 5th July 2013, six JCC meetings have been carried out including more than 50 MoUs for different projects of energy, transport infrastructure, Gwadar and industrial cooperation were agreed of worth more than \$50 Bn. Two JWG meetings of planning, five of energy, five of transport infrastructure, three of Gwadar and two of industrial cooperation have been carried out. Fifty PRMs were undertaken which helped a lot to remove all the bottlenecks of the projects and meet the project completion date.
- Practical development priorities have been kept and the CPEC long term portfolio has been divided into; Early harvest projects (up to year 2018), Short term projects (up to year 2020), Medium term projects (up to year 2025) and Long term projects (up to year 2030). Accordingly, careful selection of the projects was carried out. For instance, acute electricity shortfall was impacting badly at all walks of life including industries and hence in early harvest electricity generation and transmission projects have been prioritized. Similarly, rest of the areas of cooperation were focused.

All of the above mentioned systematic efforts by China and Pakistan were resulted in; a national consensus that CPEC is mandatory for the development of Pakistan, and a situation that in a short period of time, \$20 Bn has already been mobilized for the agreed projects between China and Pakistan including electricity generation and transmission, infrastructure projects of road, rail, optical fibre and terrestrial broadcasting, Gwadar Port and Smart Port City projects and development of Special Economic Zones (SEZs). The projects implementation is in full swing and few of the projects are already completed whereas rest of the projects are at different stages of their lifecycle as per plan.

A flagship is the most important ship in a fleet of ships¹, especially the one on which commander of the fleet is sailing. Hence, it is important for both China and Pakistan to keep the direction and maintain the progress in developing the China Pakistan Economic Corridor so that it become long term sustainable and will leverage its image within Pakistan, China, OBOR countries and rest of the World to support the BRI implementation at large.

1.2 Image of CPEC: From the lens of Print and Digital Media of Pakistan

International as well as national media shown divided opinion about the dividends of CPEC to Pakistan's socio economic development. World Economic Forum Report quoted that China-Pakistan Economic Corridor (CPEC) is still a work in progress, but it has already helped Pakistan's economy climb several notches on the global competitiveness scale. Some term CPEC a game changer not only for Balochistan and Pakistan but also for the world trade.

On the other hand, major concern that echo's often whether CPEC is environmentally sustainable. Majority of the investment is in coal energy projects which have environmental repercussions and may have adverse effects on health of the people if proper mitigation measures were not taken. It degrades the quality of air and give rise to many different diseases like respiratory problems, premature deaths and cancer. Furthermore, Coal extraction from mines also creates a lot of noise and visual pollution for the people who reside near the mining sitesⁱ. Some other news article criticized the CPEC coal power projects as "In China & Pakistan's Coal Romance, where's the love for the climate? China Reduces Coal investment at home but not abroad"ⁱⁱ.

Similarly, the construction of road and railway networks may require displacement of local population as well as degradation of green belts and forests. The ecology of the GB may hurt as well as beauty of mountains, greenery and glaciers will suffer because of high volume of traffic and huge infrastructure development.

The most important point is job creation through CPEC project. It is estimated that around 700,000 job will be created in long run through CPEC projectsⁱⁱⁱ. Here again question arises that do Pakistan have that skilled or semi-skilled labor that we need for CPEC projects in future? If not, then what role actually our vocational & training institutes are playing? If Pakistan not able to provide the required labor force then ultimately Chinese companies will bring Chinese labor force which is not in favor of Pakistani youth and economy and neither in favor of Chinese companies because their labor is six to ten times expensive as compare to Pakistani labor.

Furthermore, in some reports Chinese investment was termed as the 21st century East India Company^{iv} because of the influx of Chinese workers and business community to Pakistan.

All of the above mentioned viewpoints from media reflect a divided opinion about the socio economic prospects of CPEC. Hence, there is an urgent need for advocacy, promotion of true narrative and development of soft image of CPEC among the media and society at large.

2. Importance of Image for Sustainability of a Long term Diverse Portfolio like CPEC

Today we live in a society that is rich in information yet deprived of time. Because of this, it is often the image of a brand that catches the eyes. In many cases, people as well as masses tend to form their opinions and perceptions about a project before they even know who it is and what it's about. This is why strong presence of positive image presence is essential in order to avoid controversies and make the brand a market winner and sustainable.

Image building is the need of the hour for the sustainability of a long term diverse portfolio of CPEC. If one wants to become successful in executing CPEC short-term as well as long term projects they have to take good care of CPEC image and reputation through effective branding. Although the CPEC projects itself are very important for improving the economic condition of Pakistan, however, the trickledown effect of the projects take some time to reach the masses and society due to which they start thinking about the negative implications. To deal with this situation it is important to take some direct initiatives as well to provide small socio economic dividends to the society directly relevant to the CPEC projects. The reasons to create soft image and branding are extremely important for transformation of CPEC project into one of

the most trusted and prestigious flagship initiative in the country and at the BRI level.



Figure 1. Corporate Social Responsibility (CSR) Model

2.1 Role of Corporate Social Responsibility (CSR) Initiatives in Leveraging the Image Building

Since the 1960s corporate social responsibility (CSR) has attracted attention from businesses and stakeholders in regard

to its benefits. Implementation agencies, philanthropist and companies are focusing on the impacts of their operations not only on profits but on the society and environment at large. CSR refers to the ethical principle that an organization should be responsible for how its behavior might affect society and the environment. It is extended corporate social responsibility from the traditional economic and legal responsibility to ethical and philanthropic responsibility. Figure 1 shows few of the aspects of CSR concept.

Figure 1 illustrates some of the aspects of CSR namely; fair operating practices, consumer issues, human rights, the environment, community involvement and development, and labor practices. All of these aspects are important to be focused to create soft image of any initiative.

In order to make CPEC projects long term sustainable, it is important to develop soft image of CPEC by carrying out a comprehensive CSR program so that the lively hood of the local population living besides the CPEC routes and projects improve. This will create project ownership among the locals, they will then protect the project and so the projects would be long term sustainable.

Following are some examples of CSR interventions besides the CPEC routes and projects that could be carried out in relation to mitigate or moderate the implication of CPEC projects and development of soft image of the initiative;

Drinking water supply

Water is life and certain areas lack serious shortages of drinking water, particularly where there is an acute shortage of drinking water such as Gwadar and other localities besides the CPEC routes and projects. There are areas where there is abundance of water but the issue is of supply while in certain areas there is acute shortage and would need to take measure of both supply and production.

Education facilities

Some area are still lagging behind in education particularly the female education. In certain area school exist but lacks the accommodation or supply of the related facilities such as room, toilets, playground and boundary wall or access road/passage. CSR initiative can help in the uplift of education particularly for female so that they could play their role in development of the country.

Health facilities

Sometime facilities exist but lack shortage of doctors, labs and equipment's. Through CSR the facilities can be strengthened which can bring positive narrate for CPEC which is essential for its sustainability.

Skill development training for employments

Existing polytechnic colleges/Institutes and training centers can start extended and tailor based short course with CSR funding for the training of unemployed young people by providing them some daily pocket money and allowance to the trainers. Also in certain cases labs can also be strengthened by providing equipment's. This CSR initiative will be very beneficial for SEZs in the supply of trained manpower and reduce the unemployment.

Poverty eradication project

Skill development with some seed money in the form of loan through local bank can be arranged such as training for female in farming, kitchen garden, household poultry, embroidery, milk and meat animal, bee keeping, building of the weekly market for agricultural produce, arranging market visits, supply of cold storage for milk and other short life item and so many other item of the local produce etc. can be stored through CSR.

Connectivity by building of farm to market road

Some of the communities are still not linked with the road. Due to which people do not have access to the services such as health and education due to which their quality of life is very low. So this initiative can help a lot to bring change in their life and create ownership for CPEC.

Clean Environment

The localities besides the CPEC coal projects, industrial zones and other activity areas which have some environmental implications can be supported by carrying out some environment mitigation interventions like tree plantation, and other suitable means as per need.

Entrepreneurial Grants

To support localities besides the CPEC routes and projects, entrepreneurial grants would be a significant CSR initiative to support cottage industry and provide employment and with the passage of time transform the cottage industry into Small and Medium Enterprises (SMEs).

All of the above given areas of CSRs need a well-planned and comprehensive social audit of the localities besides the CPEC routes and projects so that the actual needs could be identified and prioritized based on the current and future extension of the projects.

2.2 Showcase of CSR Initiatives associated with Projects of CPEC

CSR initiatives have been initiated by few of the CPEC projects but these initiatives are not properly planned and are limited to some of the localities and its aspects. For instance, improving livelihoods in Thar by developing the skills of the young and capable population of the villages of Thar Block II is a key consideration of Sindh Engro Coal Mining Company's (SECMC) CSR framework which has been crafted with the goal of empowering the people of Thar to take hold of their destiny and usher in a new era of socioeconomic development in the region. In keeping with this long term mission, SECMC has partnered with Aman Tech to bring a first-of-its-kind masonry training course in its operational area in Thar Block II. SECMC and Aman Tech's masonry training program will be held at the company's Site office in Block-II Thar from

May to August this year through which initially 35 participants from seven villages will receive comprehensive 3-month training in masonry skills.

As the part of its commitment to having a diverse workforce representing local communities, the Sindh Engro Coal Mining Company is supporting youth of Tharparkar on their journey from hands-on training to meaningful careers by signing training agreements with the Descon Training Institute. The recent HTV Drivers including the women dumper drivers and Scaffolders training & employment program under its CSR framework, SECMC now plans to train local Tharis in professional civil works for its power and mining projects in Thar Coal Block-II.

Training program is a joint venture between SECMC and Descon Training Institute (DTI), under which the local communities shall be educated in certified civil trades relevant to mining and power project activities. The four-month on site program shall commence from October in specialized trades such as Masonry, Shuttering, Steel Fixing, Pipe Fitting, and Paint jobs. Selected trainees from block-II and surrounding communities shall also be entitled to stipends. The project's EPC Contractor, China Machinery Engineering Corporation has committed to partly fund the training as well as hire successful trainees.

Hundreds of Tharis have been employed under our 'Khushaal Thar' employment program. Engro will continue to develop community investment programs that respond to local needs and situations in an ethical manner recognizing traditional rights and values, and respecting cultural heritage. Engro provides tailored training and employment programs and supports the development of indigenous communities. It provides scholarships and invests in projects to promote socio-economic and cultural well-being leading to improved quality of life.

China Overseas Port Holding Company Limited (COPHCL) and few other projects are taking different CSR initiatives besides carrying out their core businesses.

The above given CSR initiatives already kicked off a soft image to CPEC project. For instance, there is criticism on coal related power projects of CPEC in media and after the CSR initiatives of SECMC especially the training and recruitment of women dumper drivers has been well focused by the local and international media and in a way soft image building of CPEC has been started.

It is worth mentioning here, that keeping in view the CPEC long term diverse portfolio and a flagship of BRI, unplanned, limited and fragmented initiatives may not be able to create an inclusive soft image of CPEC which is vastly required. Besides other pre-requisites to address the aforementioned requirement, funding is an important pre-requisite.

3. Need for Development of a Comprehensive CPEC Social Sector Support Fund (SSSF) for Leveraging Image and Sustainability of CPEC

The social sector performance of Pakistan needs a lot of improvement and generally lags that of regional countries. The tenacious lower performance of the social sectors stresses the need for action. After the inception of CPEC in 2013, local and international media and

society at large given a lot of attention to the initiative and hence it has created a lot of expectations in the general masses for uplift in their lively hood. The \$46 Bn portfolio which has now surpassed \$ 50 Bn has been allocated to address the removal of urgent bottlenecks of Pakistan to uplift the economy of the country which include; energy, infrastructure, Gwadar and industrial cooperation projects which were necessary. Though there are some lively hood uplift projects in the Gwadar portfolio, however, more of these are required on urgent basis in Gwadar and across the CPEC routes and besides projects.

To meet the above mentioned expectations of the masses and to undertake a vastly needed comprehensive CSR program mentioned above in Section 2, there is an urgent need to develop a CPEC Social Sector Support Fund (CPEC SSSF). After the grant of principal approval for the aforementioned fund, detailed TORs and MoU for the fund, and management structure to implement the fund in transparent and effective way would be developed and submitted.

4. Benefits of the proposed CPEC SSSF

CPEC SSSF can contribute to the social sector by paying off more effective results through the provision of basic needs including clean drinking water, food, and basic health facility, education, employment support, and poverty alleviation, clean environment at the CPEC alignments and beside its projects. Significant uplift would be attained in the areas more deprived and in need of basic facilities.

CPEC SSSF will support the national strategy namely Pakistan Vision 2025 by addressing the adverse impacts on the poor and vulnerable by preserving their wellbeing and access to the essential social services. It will strengthen the poverty monitoring over time, as well as of the efficiency of programs planned for poverty reduction. In turn it will help in achieving Vision 2025 goals, BRI socio economic targets and Sustainable Development Goals (SDGs).

Life of the CPEC SSSF could be long term to continuously support the CPEC long term diverse portfolio and leverage its image and sustainability. Furthermore, the fund could be developed in autonomous environment so that public and private contribution from China, Pakistan and rest of the World may be encouraged and similarly the funds could be spent effectively.

5. Prospective Role of COE CPEC in Support to the Proposed CPEC SSSF

The Centre of Excellence for CPEC (COE CPEC) is established as an independent Think Tank on CPEC to provide evidence based policy recommendations and concept notes to line ministries and departments to support CPEC for its long term initiatives, create positive narrative of CPEC and inform business community about CPEC related business opportunities.

To meet the above mentioned mandate of COE CPEC, the research is divided into six areas namely; socio economic impacts of CPEC, trade and industrial development under

CPEC, regional integration under CPEC, Urban development under CPEC, job growth and human resource development under CPEC, and finance and financial sector integration under CPEC. The aforementioned research teams are already carrying out active research regarding the subject matter and a social audit is already planned to be carried out for localities besides the CPEC routes and projects across the country to develop a socio economic baseline of the relevant societies. The outcome of this audit would be a “list of priority socio-economic projects across CPEC routes and projects” which could be focused and realized upon the availability of funds.

While fulfilling the role of COE CPEC, the research team of COE CPEC is already been engaged with Chinese, Pakistani and International think tanks, research institutions, business community and donors and a couple of prominent Chinese organizations have shown interest in CPEC social sector contribution. Development of CPEC SSSF could be an opportunity to encourage the aforementioned organizations to contribute towards the uplift of CPEC related social sectors and if deemed suitable COE CPEC being an independent think tank on CPEC could hold the responsibility of promotion and management of the proposed CPEC SSSF.

6 Conclusion

In this concept note title; “Development of CPEC Social Sector Support Fund (CPEC SSSF) for Leveraging Image and Sustainability of CPEC”, presented that Pakistan Vision 2025, OBOR or BRI, CPEC and SDGs include development of social sector as important component. CPEC started as a pilot project of CPEC in 2013 has become a “Flagship” of BRI because of systematic and collective efforts between China and Pakistan to carry forward a significant number of projects to uplift economy of Pakistan and develop the economic corridor between China and Pakistan. Some social uplift projects of Gwadar were also presented. The image of CPEC was deliberated from the lens of print and electronic media and it has been noticed that media has been divided about the provision of socio economic dividends to society. Role of CSR initiative to leverage the image of CPEC has been presented and it has been accessed that the CPEC projects where some CSR initiatives were carried out have been appreciated by local and foreign media and creation of soft image was developed. However, it was argued that for a long term diverse portfolio like CPEC, there is a need for a comprehensive CSR initiative to uplift the localities along CPEC routes and besides its projects so that image building of the CPEC could be attained, ownership of the local masses to the projects of CPEC could be achieved and thereby the projects could be long term secured and sustainable. To implement the CSR initiatives, need for a “CPEC Social Sector Support Fund” CPEC SSSF was introduced to be developed possibly in autonomous environment so that public and private contribution from China, Pakistan and rest of the World could be secured and funds could be effectively and flexibly utilized. Centre of Excellence for CPEC being an independent think tank on CPEC is actively working on carrying out CPEC related social audit and would be developing a “list of priority socio-economic projects across CPEC routes and projects” which could be carried out through the CPEC SSSF once approved. It was proposed that COE CPEC could promote and manage the suggested fund if deemed suitable.

References

- [i] <https://www.collinsdictionary.com/dictionary/english/flagship>
 - [ii] Connecting through CPEC by Muhammad Amir Rana, May 21, 2017
Dawn News
 - [iii] <https://www.oecd.org/countries/pakistan/35251613.pdf>
 - [iv] <https://www.forbes.com/sites/panosmourdukoutas/2017/09/28/cpec-lifts-pakistan-up-in-world-competitiveness-rankings/#3d0188d026f1>
 - [v] <https://pakobserver.net/cpec-game-changer/>
 - [vi] <https://evonews.com/business/2017/aug/31/environmental-and-economic-sustainability-of-cpec/>
 - [vii] <http://www.socialbusinessmodels.ch/en/content/canvas-tools>
 - [viii] <http://theconversation.com/in-china-and-pakistans-coal-romance-where-the-love-for-the-climate-74772>
 - [ix] <http://theconversation.com/in-china-and-pakistans-coal-romance-where-the-love-for-the-climate-74772>
 - [x] <https://www2.deloitte.com/content/dam/Deloitte/pk/Documents/risk/pak-china-eco-corridor-deloittepk-noexp.pdf>
 - [xi] <https://www.dawn.com/news/1290677>
-