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Discussion Paper

1/2018

# Monitoring and Evaluation in South-South Cooperation

## The Case of CPEC in Pakistan

*Murad Ali*

# Monitoring and evaluation in South-South Cooperation: the case of CPEC in Pakistan

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Bonn, December 2017

Murad Ali

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## Abbreviations

BoI	Board of Investment
BRI	Belt and Road Initiative
CPEC	China-Pakistan Economic Corridor
DAC	Development Assistance Committee
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IMF	International Monetary Fund
JCC	Joint Cooperation Committee
JWG	Joint Working Group
M&E	Monitoring and Evaluation
MoU	Memorandum of Understanding
NeST	Network of Southern Think Tanks
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PDR	Planning, Development and Reform
SDG	Sustainable Development Goal
SSC	South-South Cooperation
UN	United Nations

## Executive summary

Pakistan is one of the key countries in China's Belt and Road Initiative (BRI) where the latter is implementing a multibillion-dollar, multiyear investment plan known as the China-Pakistan Economic Corridor (CPEC). A collection of projects aimed at developing energy, industry and communication infrastructure, costing over USD 46 billion, CPEC is expected to contribute significantly to socio-economic development and poverty reduction in Pakistan. The main research question is, while implementing development projects in Pakistan, to what extent China adheres to its avowed principles of international development cooperation comprising features such as mutual respect, non-conditionality, equality, building local capacity and addressing actual needs of partner countries. Based mainly on the analysis of primary data collected during fieldwork in Pakistan, this research explores the extent to which the official narrative guides and influences the actual practice of China's development cooperation on the ground. Although still evolving, the BRI and its constituent the CPEC, which is an investment-grant-loan model of financing in Pakistan, is an example of South-South Cooperation (SSC): the form of international development cooperation whereby "two or more developing countries pursue their individual or collective development through cooperative exchange of knowledge, skills, resources and technical expertise" (UNDP, 2007, p. 1).<sup>1</sup> For the analysis of CPEC-related Chinese investment in Pakistan, this study uses an analytical framework developed by researchers from the South Africa chapter of the Network of Southern Think Tanks (NeST), a group of key research institutions from various developing countries dedicated to generating standardised, systematic and clearly comparable knowledge on SSC (Besharati & Rawhani, 2016; Besharati, Rawhani, & Rios, 2017). Established in 2015, and then refined and finalised in 2017 after a number of expert group meetings and field-based SSC case studies, the framework operationalises various conceptual issues related to the quality and development effectiveness of SSC. The framework, which is discussed later in some detail, comprises five dimensions and a set of 20 indicators. The overall framework and associated dimensions and indicators not only offer valuable parameters to assess the quality and effectiveness of SSC, but these are also closely related to the key principles and features of China's foreign aid policy. The five key elements of the analytical framework are inclusive national ownership, horizontality, self-reliance and sustainability, accountability and transparency and development efficiency.<sup>2</sup>

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- 1 While both Pakistan and China have stated that CPEC would lead to greater regional connectivity and trade, and would bring stability and prosperity in the region, there are also apprehensions that the corridor would worsen geopolitical tension between Pakistan and India as the latter has openly opposed the initiative. India objects to communication projects passing through Pakistan's Gilgit-Baltistan region and considers the area part of the disputed territory of Jammu and Kashmir. India also perceives CPEC to be more of a Chinese geopolitical and security project to expand and cement its footprint in the region, rather than an economic opportunity for regional connectivity (Jia, 2017; Markey & West, 2016; Passi, 2017; Singh, 2017).
  - 2 The analytical framework and its five dimensions for measuring and assessing the effectiveness of SSC are not exclusive to SSC as they have many similarities with the aid effectiveness principles developed by the Organisation for Economic Cooperation and Development (OECD) under various initiatives. For example, five key principles for improving the effectiveness of aid comprising ownership, alignment, harmonisation, management for results, and mutual accountability agreed under the Paris Declaration (PD) on Aid Effectiveness (2005) and complemented by the subsequent Accra Agenda for Action (2008) offer parallels to the framework developed by NeST. A number of themes and concepts espoused in the

Within this framework and associated parameters, this research examines the China-Pakistan development partnership under CPEC and explores the extent to which SSC principles are practiced. By systematically examining SSC in the form of Chinese investment and development cooperation projects in Pakistan, this study contributes to the limited body of academic literature on Chinese development cooperation with its key South Asian ally.

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framework about SSC effectiveness are not significantly different from their predecessor concepts developed by OECD-led high-level meetings on aid effectiveness.

## **1 Introduction**

Among the six economic corridors envisaged under the ambitious BRI by China, CPEC is the only corridor that is already in the implementation phase: work on a number of multisector infrastructure projects is in progress. With a portfolio of over USD 46 billion for the 2015-2030 period to finance projects in the energy and transportation sectors as well as to develop industrial zones along the corridor, political leaders in both countries have significant expectations for CPEC. In Pakistan, no other policy initiative has received more attention than CPEC. On numerous occasions, former Prime Minister Nawaz Sharif has stated that CPEC could be a “game changer” for Pakistan and the entire region. Similarly, Wang Yi, China’s Foreign Minister, has described CPEC as the “flagship project” of the BRI, President Xi Jinping’s signature foreign policy plan. In a short time, the corridor has transformed bilateral ties, which have remained cordial in the past but mostly limited to cooperation in areas of defence and security. Since the commencement of work on various CPEC projects, the relationship between the two countries has expanded to a multi-dimensional partnership as regular visits and meetings take place between delegates, which are not limited to political representatives and government officials but also stakeholders from academia, business, think tanks and media. In view of this, if successfully implemented and utilised as envisioned by both governments, it is expected that CPEC could significantly enhance regional connectivity and trade and could facilitate the interregional movement of people, goods and services.

This paper examines the development partnership of both governments under CPEC, to explore whether the official narrative of South-South Cooperation (SSC) is practiced on the ground. It investigates whether SSC principles and features that China advocates are upheld in the course of action while implementing projects in Pakistan. The paper begins with an overview of SSC and its key features and importance for the 2030 Agenda and Sustainable Development Goals (SDGs). A review is given of China as an important SSC provider. The focus is on main issues and challenges in China’s foreign aid system as well as on the salient features of its international development policy that make China an important development actor on the global stage. Pakistan’s significance for the BRI because of its geostrategic location as well as a description of the analytical framework and its appropriateness in assessing the quality of SSC are discussed. The methodology section describes the use of qualitative data techniques and their suitability for the current study is highlighted; it mentions key research participants that were interviewed during the field visit in Pakistan, selected primarily because of their involvement in the overall decision-making processes of CPEC. Based on the research findings, this paper then discusses CPEC in light of the five dimensions and 20 indicators that form the core of the SSC analytical framework. The conclusion provides some reflections on the analytical framework and its operationalisation and implementation and assesses to what extent CPEC conforms to the five broad dimensions espoused in the framework.

## **2 A brief overview of SSC**

It must be noted that SSC is not new; it “gained international recognition in 1955 during the Bandung Conference that brought 29 African and Asian leaders together in Indonesia,” (FAO, 2016, p. 1) and the concept has been employed since then in international development cooperation discourse. Gray and Gills (2016, p. 558) assert that following the historic

Bandung Conference in 1955, SSC as a movement was intended to challenge the Northern-dominated political and economic systems, but the concept “has been through a series of starts and stops, surges and retreats”. However, it has received considerable attention in recent years mainly on account of the shifting geostrategic and economic realities with the rise of China, India and Brazil (Fejerskova, Lundsgaarde, & Cold-Ravnkilde, 2017; Fues, Chaturvedi, & Sidiropoulos, 2012; Grimm, 2014; Mawdsley, 2010; Mawdsley, 2012; Quadir, 2013). The third Conference on Financing for Development in Addis Ababa in 2015 also reaffirmed that “South-South cooperation is an important element of international cooperation for development” (UN, 2015, p. 17). Highlighting the integral role of SSC for sustainable development, it further added that increased contributions from SSC would play a significant role in “poverty eradication and sustainable development” (UN, 2015, p. 18). Similarly, the 2030 Agenda for Sustainable Development has also underscored the role and importance of SSC for achieving the ambitious SDGs. It has stated that for implementing the SDGs, there is a greater need for international development cooperation, including “through North-South, South-South and triangular cooperation” (UNGA, 2015, p. 27). Hence, it is obvious that alongside Official Development Assistance (ODA) or development cooperation from traditional donors, consisting of members of the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD), today’s global aid landscape also features numerous other actors such as the “BRICS” (Brazil, Russia, India, China and South Africa).

It is estimated that total aid from 29 non-DAC members reached USD 33 billion in 2014, a significant increase from USD 24 billion in 2013 (OECD, 2016). However, it is worth mentioning that development assistance is “only one element of SSC, which often combines loans, grants, trade, investment and technical cooperation” in various fields and sectors (Mackie, Klingebiel, & Martins, 2013, p. 114). Besharati and Rawhani (2016, p. 9) also point out that “much of SSC today occurs through a mix of public and private channels, where the lines between aid, trade and investment are often blurred”. Although the group of bilateral donors representing SSC is quite heterogeneous geographically and ideologically, increased SSC has resulted in an enhanced volume of development cooperation accompanied by “new practices, mechanisms and ideas” (Bracho & Grimm, 2016, p. 121). Hence, it is not only the aid component that is a significant element of SSC, but other forms of financing such as investment, as well as the transfer of knowledge and technology, also constitute key components of SSC.

There are certain characteristics that distinguish providers of SSC from traditional DAC donors. For example, in contrast to most DAC aid providers, countries involved in the SSC claim “to engage in more horizontal cooperation” (Janus, Klingebiel, & Paulo, 2015, p. 159) as they underscore the principle of non-interference in domestic political issues in developing countries. Other key features that distinguish SSC from North-South cooperation of traditional donors are independence, national ownership, respect for sovereignty and non-interference, and non-conditionality and mutual benefit (Bracho & Grimm, 2016; Chakrabarti, 2016; Chaturvedi, Fues, Pineda, & Sidiropoulos, 2015; Quadir, 2013). At the same time, there are some challenges associated with SSC. Unlike DAC donors, who have established and refined key definitions and concepts about the measurement of aid and its effectiveness, SSC lacks well-defined parameters, particularly concerning accounting and measurement. Critics argue that one of the key issues with SSC is an absence of transparency regarding aid volumes and interventions. Currently, there is no standard reporting or measurement mechanism to provide information on SSC efficacy and effectiveness (Bracho & Grimm, 2016; Chaturvedi et al., 2015; Fues et al., 2012; Mackie et

al., 2013; Quadir, 2013). Clear conceptualisation and institutionalisation of SSC could play a critical role in internal and external accountability, as well as facilitate analysis and comparison of aid volumes and interventions among SSC actors (Besharati, 2013; Chaturvedi et al., 2015; Quadir, 2013). At this point, the fact that such mechanisms are missing is understandable given that “SSC is yet to acquire a particular structural shape and it is still mostly influenced by policies and modalities identified by individual Southern countries participating in bilateral cooperation between themselves” (Chakrabarti, 2016, p. 4). Thus, debate over establishing a proper definition and concept of SSC is still ongoing; there is neither a unanimously agreed definition nor are there parameters for efficacy. Despite such issues, the importance of Southern providers is evident in various sectors in many countries. The growing role and significance of SSC has been clearly acknowledged by the United Nations (UN) at various high-level international forums and the 2030 Agenda has underlined its value and contribution to the accomplishment of the SDGs.

### **3 An overview of China’s foreign aid policy and practice**

For the first time in its history, in 2011, China released a White Paper on its foreign aid policy. The document outlines the guiding principles and the various aid modalities that China uses to deliver development assistance to numerous countries. The government of China claims that its foreign aid policy is based on the principles and values of peaceful coexistence and respect for recipient countries’ right to independently select their own model of development and the belief that every country should explore a development path suitable to its actual conditions (People’s Republic of China, 2011). Similarly, the policy document mentions mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other’s internal affairs, equality and mutual benefit as the guiding principles of its foreign aid policy. The 2014 White Paper reiterates that those same principles and values are the overarching doctrines of its foreign aid policy (People’s Republic of China, 2014). The official policy discourse mentions at the outset that the primary principles of Beijing’s aid policy are “mutual respect, equality, keeping promise, mutual benefits and win-win” (People’s Republic of China, 2014, p. 1). Thus, in its official policy discourse, considerable emphasis is given to the continuity of China’s foreign policy and how international development cooperation fits in this framework.

It is argued that the “Five Principles of Peaceful Coexistence” that Premier Zhou Enlai, formulated while reorienting the country’s bilateral ties with Burma, India and Indonesia in 1953 are still central in the official narrative (de Haan, 2010; Li, Banik, Tang, & Wu, 2014). These five principles are mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other’s internal affairs, equality and mutual benefit, and peaceful co-existence; both white papers clearly mention these doctrines (Li et al., 2014). It is further stated that in 1964 these five principles were refined and expanded into the “Eight Principles”, which continue to shape China’s aid policies (Huang & Wei, 2015; Li et al., 2014).<sup>3</sup> These principles reflect “the moral and idealistic elements of China’s

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3 The “Eight Principles” are: equality and mutual benefit in the provision of aid to other countries, respect for the sovereignty of recipient countries, providing aid in the form of interest-free or low-interest loans, promotion of self-reliance and independent economic development, priority to projects that require less investment but fast results, provision of high-quality equipment and materials manufactured by China at international market prices, transfer of skills and technology to recipient countries, provision of technical and practical expertise by visiting Chinese experts.

foreign policy thinking” (Lengauer, 2011, p. 44) and it is these same “characteristics that make the Chinese approach to aid attractive for recipient countries” (Lengauer, 2011, p.76).

Based on the above principles, the government in Beijing has stated that the key features of China’s foreign aid policy are to help “recipient countries build up their self-development capacity”, to help them “to foster local personnel and technical forces, build infrastructure, and develop and use domestic resources” and to try “utmost to tailor its aid to the actual needs of recipient countries” (People’s Republic of China, 2011, p. 3). Also, faced with the global challenges of reform and innovation in development cooperation policy and practice, the aid policy acknowledges that “China adapts its foreign aid to the development of both domestic and international situations” and continuously adjusts and reforms its aid allocation and delivery mechanisms to improve the efficacy of its development cooperation (People’s Republic of China, 2011, p. 3). Li et al. (2014) assert that unlike OECD/DAC donors, China does not have elaborate “country plans” for its recipients. Instead, after consulting with relevant agencies and ministries in recipient countries, Chinese embassies convey to Beijing the actual needs of its partner countries and how best China can provide support in particular sectors and areas. Thus, it can be inferred from the policy document that China’s development cooperation is demand-driven and partner countries’ needs and priorities are addressed regarding where and how to provide and implement development projects and programmes.

The two policy documents also identify the various forms of development cooperation that China provides to its numerous development partners in Asia, Africa and Latin America. According to the 2011 White Paper, “China offers foreign aid in eight forms: complete projects, goods and materials, technical cooperation, human resource development cooperation, medical teams sent abroad, emergency humanitarian aid, volunteer programmes in foreign countries, and debt relief” (People’s Republic of China, 2011, p. 6). In terms of concessionality, or the amount of grant element in its development cooperation, there are three types of cooperation: grants, interest-free loans and concessional loans.<sup>4</sup> The 2014 White Paper states that from “2010 to 2012, China appropriated in total [USD 14.41 billion] for foreign assistance in three types: grant (aid gratis), interest-free loan and concessional loan” (People’s Republic of China, 2014, p. 2). The same document further adds that of this amount, 36 per cent was grants, 9 per cent was interest-free loans and 56 per cent was concessional loans. Overall, a total of 121 countries received aid from China in various forms, including 30 in Asia, 51 in Africa, nine in Oceania, 19 in Latin America and the Caribbean and 12 in Europe (People’s Republic of China, 2014). Agriculture, education, health, industry and infrastructure are the primary sectors where most Chinese development assistance is targeted (Tang, Ma, & Li, 2015; Xu, Li, Qi, Tang, & Mukwereza, 2016).

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4 According to the 2011 White Paper, grants are given to eligible countries for financing public welfare projects, including the construction of health and education facilities, and medium and small social welfare projects, such as low-cost housing and water supply schemes. Grants also facilitate technical cooperation and emergency humanitarian aid. Interest-free loans are used to help recipient countries construct public facilities and launch projects to improve people’s standard of living. The interest-free loans have a tenure of 20 years: five years of payment, five years of grace and ten years of repayment. Concessional loans are provided for large and medium-sized infrastructure projects as well as for projects generating both economic and social benefits for the recipient country; these incur interest payments. The current annual interest rate of China’s concessional loans is stated to be between 2 and 3 per cent with a repayment period of 15 to 20 years (including five to seven years of grace).

### 3.1 The increasing role of China's international development cooperation and challenges associated with it

Contrary to the official narrative, there are certain criticisms of the Chinese aid programme. First, according to Brautigam (2011), China provides development aid that meets the definition of ODA, but the amount is relatively small and insignificant. Brautigam asserts that financing instruments such as export credits, non-concessional state loans or aid used to foster Chinese investment cannot be categorised as aid or ODA. It is further argued that China's financial contribution may be developmental, but it is not primarily based on ODA, as the bulk of it does not conform to the standards of ODA (Brautigam, 2011; Lengauer, 2011). De Haan (2010) also points out there is no transparency or availability of clear data on the actual size of China's aid programme. He argues that there are several reasons for the lack of concrete numbers on aid data. This is due to the fact that China's aid programme is implemented by various agencies and there is no clear line between aid and trade and investment (de Haan, 2010).

China views development financing differently than traditional or Western aid-providers; "aid, trade, and investment are seen as interconnected in a mutual benefit framework" (Xu & Carey, 2015, p. 4). Thus, rather than looking at aid exclusively and separately from other modes of development financing, China's development cooperation is "the aid-business-trade model" (Li et al., 2014) as it combines all three into one strand. Hence, it would be naïve to put China's aid to test using the same set of definitions, standards and parameters established by OECD/DAC. Regarding the criticism of the lack of transparency in its aid policies and practices, Li et al. (2014, p. 28) argue that the publication of "white papers on aid (and annual reports have been promised in the near future) that provide greater details of allocations and priorities" reflects that the government has been making efforts to streamline its aid policies and programmes. While it is a step in the right direction to make such documents public for enhanced transparency, the fact remains that there has been no disclosure of official documents pertaining to project agreements or formal evaluation of projects undertaken with Chinese assistance.

Another issue is that unlike traditional or OECD donors, China has not set up a special independent aid agency to deal with all aid-related decision-making. According to Tang et al. (2015) and Huang and Wei (2015), the Ministry of Commerce plays a central role in the formulation and planning of foreign aid policy and approval of aid-funded projects along with 20 other ministries, including the Ministry of Foreign Affairs, the Ministry of Finance, the Ministry of Health and the Ministry of Agriculture. Within the Ministry of Commerce, a specific body, called the Department of Aid to Foreign Countries (DAFC), has been created to deal with the management of foreign aid affairs and liaison with other government ministries involved in international development cooperation (Huang & Wei, 2015; Tang et al., 2015). Besides this, there are three other government bodies to support its aid work management including the Executive Bureau of International Economic Cooperation (EBIEC), the China International Center for Economic & Technical Exchanges (CICETE) and the Training Center of the Ministry of Commerce. Kitano (2014, p. 301) has stated that Chinese aid is at the "transitional stage" as the presence of various government ministries and departments often blur the lines between aid per se and other development financing including investments, trade and state loans. Tang et al. (2015, p. 25) argue that "with the expansion of China's assistance scale [...] the lack of systematic and standardized aid quality monitoring and evaluation will become an increasing and prominent disadvantage". Similarly, Huang and Wei (2015, p. 111) assert that "the current management system, and

overall management capacity, cannot meet the needs of the rapidly growing volume of China's foreign aid". Thus, although the government has come up with reasonable policy and institutional measures to streamline and strengthen its aid portfolio, these steps are not sufficient to fully address the challenges and effectively deal with its expanding aid programme.

Besides the above issues, there are also concerns that China's foreign assistance programme is primarily driven by Beijing's trade and commercial interests, and the desire to get access to natural resources and new markets (Alden, 2005; Cissé & Grimm, 2015; Davies, 2007; Grimm, 2014; Lum, Fischer, Gomez-Granger, & Leland, 2009; Scoones, Amanor, Favareto, & Qi, 2016). In his article in *Foreign Policy*, Naím (2007) argues that development cooperation from China is largely aimed to ensure access to raw materials in developing countries, particularly energy and calls it "rogue aid" driven by self-interest. Xu and Carey (2015, p. 12) assert that "the financial transactions involved in project financing pass through Chinese channels, and for the most part procurement is tied to Chinese procurement". However, prioritisation of economic, political, security and diplomatic interests have influenced foreign aid policies of a majority of DAC and non-DAC donors during and after the Cold War period (Alesina & Dollar, 2000; Ali, Banks, & Parsons, 2015; Berthélemy, 2006; Canavire, Nunnenkamp, Thiele, & Triveño, 2006; Neumayer, 2003; Round & Odedokun, 2003; Tarnoff & Nowels, 2006). Therefore, perhaps China is not alone in using aid as a foreign policy tool in the pursuit of economic, political and diplomatic interests along with poverty reduction and developmental objectives. Also, contrary to the criticisms that China's aid is primarily driven by selfish interests, Dreher and Fuchs (2015) illustrate that this is not the case. Analysing Chinese project aid, food aid, medical staff and total aid allocations to 132 developing countries in various regions over the 1956-2006 period, they empirically test the extent to which China's commercial and political self-interest shape its foreign aid allocations. Based on their empirical assessment, the authors assert that as compared to traditional as well as so-called emerging donors, it does not appear China pays significantly more attention to politics in aid allocation. They state that in contrast to widespread perceptions, there is no substantial evidence that China's aid allocation is disproportionately guided by recipients' natural resource endowments. They argue that "denoting Chinese aid as 'rogue aid' seems unjustified" (Dreher & Fuchs, 2015, p. 988). Lengauer (2011, p. 76) also argues that China's foreign aid has been quite successful in a number of countries and it "does not do full justice to the Chinese approach" to call it "rogue aid".

Leaving aside these criticisms, it is a fact that China has become an influential aid provider over the past several years. It is estimated that overall volume of foreign aid from China has increased significantly since 2004 (Kitano, 2014). Based on data from the websites of 50 departments and other relevant organisations and sources in China, Kitano and Harada (2015) show that China's net foreign aid increased consistently from USD 5.2 billion in 2012 to USD 5.4 billion in 2013 and increased further to USD 6.1 billion in 2014. They argue that based on its overall aid budget, since 2012, China's bilateral foreign aid has been ranked 6th in the world, next to Japan and France. The authors assert that based on its past aid budgets, China's foreign aid is expected to increase and catch up with the top five DAC members in the foreseeable future (Kitano & Harada, 2015). Thus, China is moving "from its traditional largely passive role in international development governance to a new role as a proactive institutional and conceptual innovator based around a large view of geography and development" (Xu & Carey, 2015, p. 6). Hence, irrespective of the fact that there is lack of clarity and transparency concerning its aid programme, China has gradually emerged as a key

development actor on the global development landscape as it has become “much more assertive in international development, trade, environment and foreign aid policies” (Li et al., 2014, p. 23).

Another key characteristic of China’s aid is the willingness of the Chinese government to finance infrastructure projects in energy, transport and communication. De Haan (2010) argues that with the passage of time, China’s impact and role is going to be more pronounced and integral in the arena of international development because it has been investing substantially in countries where traditional donors have been less active (fragile states) and in sectors that have remained neglected and underfunded, such as infrastructure. Large investment in “the productive sectors, including agriculture, along with investment in core infrastructure” is welcomed by numerous developing countries as “many Western donors have prioritized the social sectors, and broader policy interventions around ‘human rights’ and ‘good governance’” (Scoones et al., 2016, p. 8). Tang et al. (2015, p. 19) also assert that “there is no doubt that China has put substantial aid resources into the field of infrastructure, which the Western countries are unwilling to invest in”. A prime example of this is the unprecedented investment package in Pakistan in the form of CPEC, a flagship project of the BRI in a country that has suffered huge human and financial losses due to the ongoing conflict in neighbouring Afghanistan after the US-led war on terrorism. Being a frontline US ally, terrorist groups began targeting Pakistan and the escalation of the conflict at the domestic front has cost the country over USD 123 billion (Government of Pakistan, 2017). The conflict has affected the country’s exports, prevented the inflows of foreign investment, led to additional security spending, affected tourism industry, damaged physical infrastructure and resulted in the displacement of thousands of people from conflict-affected areas (Government of Pakistan, 2017). Hence, unlike other major traditional donors, China has come up with an investment package in infrastructure projects; both countries expect the increased connectivity to result in greater interregional trade and bring peace, stability and prosperity not only to Pakistan but the entire region.

#### **4 Pakistan’s significance in the BRI and an analytical framework for assessing the development partnership**

Pakistan is one of the most important countries in the BRI for a number of reasons. First, unlike other countries in the BRI, Pakistan is perhaps the only country that has “shovel-ready projects on the scale envisaged” (Small, 2016, p.170) under the BRI as well as the political comfort level with China necessary to push forward such an ambitious plan. Second, as Pakistan is geographically situated at the meeting point of three regions (South Asia, Central Asia and the Middle East), it is positioned to play a critical role in the successful implementation of BRI and become a hub for international trade and investments. According to Kugelman (2017, p. 17), “CPEC represents one of the prime land-based components of China’s broader Belt and Road Initiative”. Similarly, Small states:

Pakistan is a central part of China’s transition from a regional power to a global one. The country lies at the heart of Beijing’s plans for a network of ports, pipelines, roads and railways connecting the oil and gas fields of the Middle East to the mega-cities of East Asia. Its coastline is becoming a crucial staging post for China’s take-off as a naval power, extending its reach from the Indian Ocean to the Persian Gulf and the Mediterranean Sea. (Small, 2015, p. 1)

Third, Pakistan is significant because of its large size and population. Pakistan's total physical area is 796,096 km<sup>2</sup>, making it the 36th largest country in the world. With over 200 million people, Pakistan is the 6th most populous country in the world; it represents a huge consumer market for Chinese products.

In view of this, the development partnership between Pakistan and China presents a compelling case to analyse the Chinese approach to SSC in the Pakistani context. China's modus operandi of project selection and execution is evaluated through an analytical framework developed by the South African chapter of the Network of Southern Think Tanks (NeST), a group of research institutions from developing countries dedicated to refining and streamlining the concept and contours of SSC. Initially, the framework consisted of six dimensions and 20 indicators to assess and evaluate the quality and effectiveness of SSC (Besharati & Rawhani, 2016). Over a 20-month process of technical deliberations among SSC experts and consultations with broader stakeholders as well as through SSC case studies, the framework was fine-tuned, simplified and updated to include the five broad dimensions given in Table 1 (Besharati et al., 2017). The advocates of the analytical framework argue that it enshrines the key principles and commitments made by governments at the historical conferences of Bandung (1955), Buenos Aires (1978), Nairobi (2009), Bogotá (2010) and Delhi (2013). To test the framework and the set of indicators developed by NeST, a number of empirical field-based case studies were conducted by various Southern think tanks and researchers in 2015 and 2016. These studies assessed the effectiveness of development cooperation of South Africa, Brazil, India, Turkey and Mexico, employing the said analytical framework (Besharati et al., 2017; Sucuoglu & Stearns, 2016; Vazquez & Lucey, 2016).

Within this framework, this research assesses the China-Pakistan development partnership and Chinese development projects in Pakistan under CPEC. As SSC is mostly dominated by government-to-government agreements with limited transparency, an assessment of China, the largest SSC provider, provides valuable insight into the broader context of SSC. The aim is to critically evaluate China-funded development interventions in Pakistan and investigate to what extent key features of SSC are adhered to. In analysing Chinese assistance to Pakistan, this paper has two broad objectives. First, to contribute to debates on the significance of SSC in the 2030 Agenda and its role in financing regional infrastructure projects. Second, to be one of only a handful of studies to apply appropriate monitoring and evaluation (M&E) systems for SSC in the context of Pakistan. The findings are of great significance in further refining and improving the analytical instruments for evaluating development cooperation between SSC actors. Also, the findings and lessons learnt will be of equal importance for academics, researchers, practitioners and policy makers in the field of aid and development effectiveness, a critical area for the implementation of the 2030 Agenda and achievement of the SDGs.

<b>Dimensions</b>	<b>Inclusive national ownership</b>	<b>Horizontality</b>	<b>Self-reliance and sustainability</b>	<b>Accountability and transparency</b>	<b>Development efficiency</b>
<b>Indicators</b>	(1) Multi-stakeholder partnerships	(5) Mutual benefit	(9) Capacity building	(13) Data management and reporting	(17) Flexibility and adaptation
	(2) People-centred inclusivity	(6) Shared decisions and resources	(10) Knowledge and technology transfer	(14) M&E systems	(18) Time and cost efficiency
	(3) Demand-driven	(7) Trust and solidarity	(11) Use of country systems and human resources	(15) Transparency and access to information	(19) Internal and external coordination
	(4) Non-conditionality	(8) Global political coalitions	(12) Domestic revenue generation	(16) Mutual accountability and joint reviews	(20) Policy coherence for development
Source: Besharati et al., 2017					

The analytical framework consists of five dimensions and 20 indicators. The first element is inclusive national ownership comprising four indicators. As SSC is mostly based on government-to-government relationships, the framework stresses inclusive participation involving various stakeholders, including non-state actors and civil society organisations (Indicator 1). Similarly, it focuses on people-centred inclusivity (Indicator 2); SSC activities should help in improving the socioeconomic status of the poorest and most disenfranchised populations and achieve “geographical inclusivity, beyond capital cities and urban areas” (Besharati et al., 2017, p. 13). The element of inclusive national ownership and the corresponding indicators allow SSC to be evaluated on the basis of its demand-driven nature that asserts that initiatives need to be clearly aligned to the needs and national priorities of partner countries (Indicator 3). This dimension also underscores that SSC should have no strings attached and development cooperation between Southern partners should be based on the mutually agreed bilateral cooperation framework that should not compromise national sovereignty (Indicator 4).

The second aspect of the framework is horizontality because SSC is seen as development cooperation between equal partners. It means that instead of donors and recipients per se, SSC is for mutual benefit (Indicator 5) and joint decision-making processes and mechanisms for sharing resources (Indicator 6) are among its key features. Similarly, another fundamental aspect of this dimension is trust and solidarity (Indicator 7), “which is assessed in a proxy manner by the frequency and quality of communication between the two countries” and the nature and length of their bilateral partnership (Besharati & Rawhani, 2016, p. 25). According to the framework, another element of the SSC is the existence of global political coalitions (Indicator 8), which may not be applicable to all SSC initiatives, but could be witnessed in the case of “joint positions taken at multilateral policy forums” or the number of formal international coalitions in which SSC partners are active (Besharati et al., 2017, p. 15).

The third dimension is self-reliance and sustainability; SSC should aim to reduce external dependency. This can be achieved by consistently enhancing and improving local capacity (Indicator 9) as well as by transferring relevant knowledge and technology (Indicator 10).

Here, the focus is on improving and strengthening national mechanisms and systems by means of SSC activities. Observing principles such as the maximum use of country systems and human resources (Indicator 11) and focussing on domestic revenue generation (Indicator 12) can help build “recipient countries’ capacity to raise domestically diverse sources of financing to support long-term national development processes” (Besharati et al., 2017, p. 16).

The fourth element of the analytical framework is that SSC should characterise accountability and transparency. There must be sufficient data management and reporting systems (Indicator 13). There is a need for both SSC partners to have “institutional frameworks, capacity and political will to collect, analyse, simplify and publish data on a regular basis” about Memorandums of Understanding (MoUs), agreements, sectoral and geographic focus of SSC initiatives as well as the status of implementation of various SSC activities and their timeframes (Besharati et al., 2017, p. 19). Also, there must be effective and quality M&E systems and tools (Indicator 14) so that various phases of the project cycle can be properly evaluated against the project goals and targets. Similarly, rather than hiding data and the terms and conditions under which SSC is provided, all relevant stakeholders need to have access to such information (Indicator 15) to ensure transparency. Increased transparency about various SSC initiatives and the prevalence of effective joint review mechanisms would lead to “reciprocal accountability” (Indicator 16) (Besharati et al., 2017, p. 19). Therefore, to ensure accountability, increased transparency is the first step in making SSC more effective in achieving its intended development objectives.

The fifth dimension of the framework is about the overall efficiency of SSC endeavours in reaching the intended development targets. There are four indicators to measure this dimension. The first is flexibility and adaptability to local context (Indicator 17) so that SSC can properly address the development needs and priorities of partner countries. Time and cost efficiency (Indicator 18) in the delivery and implementation of projects is considered to be one of the strengths of the SSC (UN DESA, 2010). For SSC to be effective, there is a need for proper co-ordination and complementarity within its own agencies and that of its development partners (Indicator 19). SSC also requires policy coherence for development (PCD) (Indicator 20); for greater developmental objectives it is necessary that “SSC partners’ aid, trade, investment, peace and migration policies are consistent with other Southern countries” (Besharati et al., 2017, p. 21).

## **5 Is the conceptual framework sufficiently clear and appropriate for assessing SSC?**

Although the framework is helpful for streamlining and refining SSC and effectively evaluating its development effectiveness, it needs further elaboration and a unanimous consensus among all stakeholders. It has been pointed out that with regard to emerging economies using a specific set of norms and standards in their development cooperation, “intergovernmental negotiations have been unable to draw on such a principle as a point of reference to date” (Klingebiel, 2016, p. 39). Hence, it is argued that “a more detailed examination of the principles surrounding the international involvement of [SSC providers] is still pending” (Klingebiel, 2016, p. 39). At the moment, SSC actors “have not yet converged on a common narrative [as] concepts and definitions are still vague and contested [and] methodologies for reporting and impact assessment are just in their infancy” (Fues,

2016, p. 1). In order to overcome the prevalent uncertainty and realise the true potential of SSC, Fues (2016, p. 1) argues that “Southern governments would need to institutionalise mechanisms for transparency, accountability and knowledge creation”. As discussed in the context of Chinese development cooperation, these features are still largely missing as China has only recently begun to aim at increasing transparency about its international development cooperation policy. To fully realise development potential, it is critical to have all SSC actors on board and there must be consensus on key concepts and parameters of measurement among all SSC providers.

Another conspicuous point is the apparent similarity and common ground between SSC and DAC donors about a number of aid effectiveness principles. The five key dimensions assessing the quality and effectiveness of SSC are not vastly different from OECD/DAC’s aid effectiveness principles. In one way or the other, all these principles have been the part and parcel of aid effectiveness discourse spearheaded by OECD/DAC. From the 2003 High-Level Forum (HLF) and the subsequent Rome Declaration on Harmonisation, to the 2011 Fourth HLF on Aid Effectiveness in Busan, the debate has been mostly centred around these concepts and their centrality in improving the effectiveness of development cooperation. Under the Paris Declaration on Aid Effectiveness, five key principles of ownership, alignment, harmonisation, management for results, and mutual accountability were unanimously agreed upon by 61 bilateral and multilateral aid-providers and 56 recipient countries. Even proponents of the SSC framework concur that “many of the aid and development effectiveness concepts emerging from the DAC-led high-level meetings have not been drastically different from [those] of the SSC principles” (Besharati, Moilwa, Khunou, & Garelli, 2015, p. 24). Hence, although rooted in a different historical and political narrative, the main principles for assessing the quality and development effectiveness of SSC have strong parallels with the parameters on which traditional ODA is evaluated. That is why it is argued that “the practices of traditional donors and Southern providers are converging and beginning to resemble one another” (Fues, 2015, p. 37).

There is another peculiar characteristic of the analytical framework: the five broad dimensions enshrined in the SSC framework are more or less the same as those that China has officially endorsed in its policy documents on foreign aid, with the exception of accountability and transparency. As presented in Table 2, China, the largest and the most important SSC provider, has vowed to adhere to such principles in the allocation of development cooperation. The government in Beijing clearly mentions peaceful coexistence, respect for sovereignty and mutual benefit as its guiding doctrines. Similarly, values such as mutual respect, equality, fulfilling promises, building local capacity, addressing the needs of partner countries and adaptability and flexibility in development cooperation policy and practice are some of the stated principles and features of development finance provided by China. Thus, this research explores to what extent the official narrative informs and directs practice, and whether the lofty ideals are upheld during the implementation of SSC initiatives in Pakistan. Therefore, “while discussions around defining, accounting and reporting SSC flows are still inconclusive and present a vast diversity of views and approaches” (Besharati et al., 2017, p. 5), the analytical framework provides an appropriate set of indicators on which the quality and effectiveness of SSC partnerships can be measured.

<b>Eight key principles of Chinese foreign aid policy</b>	<b>Five main aspects/dimensions of the NeST framework</b>
Equality and mutual benefit/addressing local needs	Inclusive national ownership
Respect for sovereignty/non-conditionality/non-interference	Horizontality
Aid in the form of interest-free or low-interest loans	Self-reliance and sustainability
Promotion of self-reliance/use of domestic resources/building local capacity	Accountability and transparency
Priority to projects that require less investment but fast results	Development efficiency
Provision of high-quality equipment and materials	
Transfer of skills and technology to create local expertise	
Chinese experts/aid workers to fully respect local standards of living without additional demands	
Source: Author, compiled from policy documents and Besharati et al. (2017)	

## 6 Methodology

Due to the lack of concrete statistical data clearly differentiating aid, concessional loans and investment, it is a challenging task to quantitatively examine SSC. In view of this, Besharati and Rawhani (2016, p. 33), who have compiled and developed the NeST framework, assert that “qualitative methods and interviews with stakeholders” are more appropriate for studying SSC. They add that “the indicators and dimensions proposed by NeST are a useful backdrop against which the quality of South-South partnerships can be assessed” (Besharati & Rawhani, 2016, p. 33). However, the use of qualitative methods for data collection brings with it the issue of subjectivity. Subjectivity can be minimised and neutralised via field-based observations and the use of triangulation methods. Using diverse sources of information and interviewing a variety of relevant stakeholders (such as government officials as well as representatives from civil society, the private sector and academia) lends greater robustness and objectivity to the research findings. Frankfort-Nachmias and Nachmias (1996, p. 206) emphasise that “if the findings yielded by the different data collection methods are consistent, the validity of these findings is increased”. Triangulation of data is useful because a good researcher “should never simply rely on what people say” (Checkel, 2008, p. 119). Triangulation helps address the issue of validity, thus further improving the quality of research findings.

For this research, both primary and secondary data was collected during fieldwork in Islamabad, Pakistan. To assess and evaluate the China-Pakistan development cooperation partnership under CPEC, it was necessary to consult with officials in key government agencies that are at the forefront in negotiating and implementing CPEC-related development projects. To this end, officials in the CPEC Secretariat in the Ministry of Planning, Development and Reform (PDR) and the Board of Investment (BoI) were interviewed. The main focus was on the modus operandi of Chinese counterparts and how well SSC principles and parameters are adhered to. Similarly, from the Chinese side, officials working in the Economic and Commercial Counsellor's Office, in the Embassy of

China in Islamabad, were interviewed. They were well positioned to share their knowledge and opinions about China-funded projects under CPEC.

Triangulation was employed; data and information obtained from one source was crosschecked with that secured from other sources. In addition to consulting with officials affiliated with the above organisations, relevant officials in various other departments were also consulted for a detailed version of the modus operandi of different Chinese agencies and companies in Pakistan. As mentioned earlier, CPEC is primarily a government-to-government agreement and as such there is a significant lack of transparency regarding the overall terms and conditions of the huge investment plan. Similarly, there is not sufficient information regarding how much of the agreement finances are for debt, soft loans or investment. While the government has been calling it a “game changer” for Pakistan and the region, critical questions related to the financial transparency of CPEC and the long-term debt burden it could mean for Pakistan are not discussed. Hence, interaction with relevant Pakistani and Chinese officials helped in unearthing some of these issues, leading to a better understanding of the CPEC’s contours and how well the SSC principles are being followed in the course of implementation. To obtain a balanced and complete account of the CPEC, informed opinions and insights of civil society organisations are also critical. To this end, semi-structured in-depth interviews were conducted with academics and researchers associated with various Islamabad-based think tanks. Additional interviews with knowledgeable analysts and private-sector stakeholders from the business community, including business owners and representatives of the Islamabad Chamber of Commerce and Industry (ICCI), added to the broad range of perspectives, insights and information.

After gathering the required data, the array of evidence was interpreted and analysed. The analysis and interpretation of qualitative research material is usually done by means of an interplay of the quotes from interviews and commentary on selected transcripts (Devine, 1995). By reflecting and focusing on the main aim of this research, information gained during the field visits and opinions, narratives and experiences of the interviewees were organised and categorised according to the five main dimensions of the SSC. In order to portray a full picture and move from the individual to the institutional level, all these accounts, experiences, and narrations were knitted together. Thus, the research moves from the micro- to the macro-level. The analysis of the data in the given analytical framework helps construct a broader picture of Chinese international development cooperation policy and practice vis-à-vis Pakistan, and the extent to which it conforms to the SSC principles and parameters.

## **7 CPEC in the SSC framework: findings and discussion**

As illustrated earlier, the SSC analytical framework is comprised of five broad dimensions with a total of 20 indicators. The following section discusses CPEC in the framework in detail.

### **7.1 Inclusive national ownership and CPEC**

To assess the quality and effectiveness of SSC, the first characteristic is inclusive national ownership. Rather than simply a state-to-state or govern-to-government partnership, SSC initiatives should have policy frameworks, legal arrangements and institutional mechanisms to involve various state and non-state actors, as there needs to be inclusive participation

from a broad range of relevant stakeholders (Indicator 1). This research has attempted to explore which mechanisms and processes are in place to enable the participation of multiple stakeholders in CPEC projects. In Pakistan, a number of stakeholders are involved in the overall identification, prioritisation and recommendation of projects that get funded under CPEC. At the top level, there is the Joint Cooperation Committee (JCC), co-chaired by the Minister of PDR from the Pakistani side and the Vice Chairman of the National Development and Reform Commission (NDRC) from the Chinese side. The JCC is the highest body in which all projects are discussed, reviewed and approved. It comprises both political figures and administrative officials, such as heads of different departments and experts from various fields. Under the JCC, there are five joint working groups (JWGs), comprising experts from government agencies of both countries. At these two tiers, both Chinese and Pakistani officials are involved.

At the domestic level within Pakistan, there are several actors involved in CPEC at various levels in different ways. First, as explained by the Deputy Director of CPEC during an interview, projects are included in CPEC because of the financial and technical need and lack of capacity and all such projects are selected by existing government decision-making processes (personal communication, 7 September 2017). The official further stated that the Economic Coordination Committee (ECC), the Executive Committee of the National Economic Council (ECNEC) and the Central Development Working Party (CDWP), as well as other approving bodies and relevant ministries, are involved in the identification and recommendation of projects to JCC. There are various committees that are involved in the overall review and decision-making processes related to CPEC projects. For example, there is the CPEC Cabinet Committee, headed by the Prime Minister, and comprising several ministers, secretaries and heads of key ministries engaged in CPEC-related projects. There is a Parliamentary Committee on CPEC comprising members from the ruling party, as well as various opposition parties with representation in Parliament. In addition to this, there is a High-Powered Interprovincial Committee headed by the Prime Minister of Pakistan, with representation from all provinces and the Federation. The main objective of this committee is to have periodical consultations with the provinces on matters related to CPEC projects. Thus, there various committees and national stakeholders and policy-making institutions are involved to ensure inclusive national ownership.

There has been considerable involvement of non-state actors, including civil society and academia. It was recently reported that Chinese and Pakistani universities have decided to establish the CPEC Consortium of Business Schools. Under this plan, business schools from both countries will be assigned projects to assist the two governments in the development and operation of CPEC (Imran, 2017). Aimed at increasing academic and research collaboration, the initiative will involve nine leading Chinese universities working jointly with 10 Pakistani institutions under the guidance and leadership of the China Association of Higher Education (CAHE) and the Higher Education Commission (HEC) of Pakistan. Similarly, in another development related to increased collaboration in the field of research, HEC and the Chinese Academy of Sciences (CAS) agreed to establish a joint research centre for earth sciences (HEC, China to Set up Joint Research Centre, 2017). It was stated that the centre will conduct research on risk analyses and the reduction of natural hazards to guide proper utilisation of ecological and environmental resources in CPEC construction. Thus, it is expected that besides government-to-government partnership, various initiatives are being taken and there are different means and forums to engage various stakeholders in the overall multidimensional development partnership under CPEC.

Another indicator of the SSC framework is people-centred inclusivity (Indicator 2), which requires that SSC activities benefit the poorest and least-advantaged people, and that both SSC actors follow the “labour, land, safety, environmental and social standards of both partner countries” (Besharati et al., 2017, p. 13). Regarding the socio-economic benefits that SSC brings to common people, the CPEC may be considered a valuable contributor as about 75 per cent of its portfolio funding is for energy projects that will provide access to electricity or an uninterrupted power supply to many. An official in the Ministry of PDR stated that various roads planned under CPEC would enhance interprovincial connectivity and link the less developed areas of Baluchistan, Khyber Pakhtunkhwa, Azad Jammu and Kashmir to the main corridor and would usher in a new era of development in these parts of the country (personal communication, 7 September 2017). Similarly, almost all provinces have energy projects and industrial zones under CPEC. Hence, in terms of people-centred inclusivity, keeping in view the enormous scale of the investment plans under CPEC, the expected socio-economic benefits would not be concentrated to certain groups of people or geographical areas, but would reach diverse segments of the population.

Regarding the protection of people and the environment, there are concerns about the carbon dioxide emissions associated with coal-based thermal power projects. Both Pakistani and Chinese officials stated during interviews that they have committed to adopting clean coal combustion technologies that conform to international standards. The Chinese Deputy Chief of Mission (DCM) in Pakistan stated that the latest technology that is used in coal plants in the US and Europe is being brought to Pakistan (personal communication, 14 September 2017). Similarly, the Deputy Director of CPEC at the Ministry of PDR asserted that Pakistan is conscious of the environmental repercussions of coal-based energy stations; consistent efforts are underway to minimise the cost to the environment by importing the latest technology for coal power plants to reduce carbon dioxide and other gas emissions (personal communication, 7 September 2017). However, while interacting with a number of academics and civil society representatives in Pakistan, genuine concerns were raised about coal-based power plants having serious environmental implications for the country. A researcher based in a think-tank in Islamabad stated that coal-fired power plants will prove harmful to the environment in the long run, particularly in Punjab as the province is the agricultural hub of the country (personal communication, 8 September 2017). Thus, while there are high hopes associated with the huge investments in the energy sector, a paradigm shift towards coal-fired power plants could have serious long-term environmental implications for Pakistan as the country is already quite vulnerable to climate-induced hazards (Isran, 2017; Saleem, 2017a; Zaman, 2016). According to the Global Climate Risk Index of 2017, which ranks countries based on impacts of extreme weather events both in terms of fatalities as well as economic losses, Pakistan is among the 10 most affected countries (Kreft, Eckstein, & Melchior, 2017). More dependence on coal-based power plants could further increase its vulnerability to environmental risks.

Besides the environmental implications of coal-based energy plants in CPEC, the corridor as a whole could seriously affect the environment. A significant portion of the corridor will intersect “through the already narrow strip of cultivable land in the mountainous western Pakistan [and will] impact farmland” (UN-ESCAP, 2017, p. 10). As the corridor stretches from mountainous regions in the north down the length of Pakistan, penetrating vital agricultural areas and disrupting forested and glacial areas, there will be significant environmental repercussions when the vast network of highways is constructed. A media report revealed that between 50,000 and 70,000 mature trees would be cut in the Hazara Division of Khyber Pakhtunkhwa alone to make way for the construction of CPEC (Sadaqat,

2017). However, quoting officials of the Forest Department, the same report also stated that authorities plan to plant up to 100,000 plants on both sides of the 39-kilometre road that passes through Abbottabad District (Sadaqat, 2017). The report further added that according to government officials, 100 million saplings of different species have been planted in the area over the past three years. Whatever the facts are, there is no doubt that the construction of the corridor will have enormous environmental implications and remedial measures are vital to mitigate long-term negative impacts on the environment.

The element of inclusive national ownership also focuses on the demand-driven nature of SSC, asserting that SSC initiatives need to be clearly aligned with the needs and national priorities of partner countries (Indicator 3). In the context of CPEC, the demand-driven nature of Chinese investment and cooperation is quite evident from the target sectors. For instance, the energy sector is the main component of CPEC as about 75 per cent of the investment is in power projects. The main reason for this is that Pakistan has been suffering from acute energy shortfalls. During times of acute need, particularly in summer, the overall shortfall in energy reaches 7,000 MW, which “intensifies the woes of consumers, disrupts industrial and agricultural production and adds to costs making Pakistani products uncompetitive internationally” (Government of Pakistan, 2014, p. 16). According to policy documents, energy deficiency has a detrimental effect on the economy, causing an estimated 4-7 per cent loss to the country’s gross domestic product (GDP) (Government of Pakistan, 2014).

In view of this, the energy sector is a major component of CPEC. A total of 21 projects have been identified and planned in the energy sector with a cost of over USD 34 billion, and the potential to generate 17,045 MW of energy (CPEC Secretariat, 2017). Currently, 19 projects are in various phases of construction and are expected to add about 11,000 MW electricity to Pakistan’s national grid by the end of 2018, which will not only help in ending load shedding, but will also help in restoring industrial output. Regarding the modus operandi of identifying energy and other infrastructure projects, the Deputy Director of the CPEC Secretariat stated that all Chinese assistance is purely demand-driven as either the Federal or provincial government identifies projects, which are then discussed as per existing procedures at different levels; after internal discussion, the projects are sent to the JCC, where they are thoroughly discussed and it is then decided whether they will be financed under CPEC (personal communication, 7 September 2017). Hence, all CPEC-related projects are demand-driven, whether they are energy projects or communication infrastructure projects that would increase interregional connectivity within Pakistan and link China to the Indian Ocean via Gwadar Port.

Besides projects in the energy sector and communication infrastructure, another key area of development partnership under CPEC is industrial cooperation. The aim is to establish special economic zones (SEZs) in different areas to boost industrialisation in Pakistan. Under the industrial cooperation framework, during the 6th JCC meeting held in Beijing in December 2016, as reported by officials in the BoI, the two sides agreed to set up nine SEZs on a priority basis, although Pakistan had proposed a total of 46 SEZs and industrial parks (personal communication, 8 September 2017). Pakistan expects that the “relocation of Chinese industries will bring possible knowledge spillover and technological progress” and will accelerate urbanisation and attract local and foreign direct investment (FDI) through increased competitiveness (Government of Pakistan, 2017, p. 277).

There are some concerns about the nature of demand-driven cooperation in the field of industrial development. A researcher based at the Institute of Strategic Studies (IRS) in Islamabad stated that China has planned outsourcing and relocation of outdated technology to various countries in Central Asia, including Pakistan, which will benefit China more than the destination countries (personal communication, 8 September 2017). An official in the Ministry of PDR, however, refuted the perception that China has planned to relocate outdated and polluting industries to Pakistan (personal communication, 7 September 2017). While various Pakistani and Chinese officials stated that Pakistan's needs will be respected and that only technology that is demanded by Pakistani authorities will be brought in, concerns remain about the relocation of outdated technology and its environmental implications.

Thus, regarding the alignment of CPEC with national priorities, the three key sectors have been clearly mentioned in the country's long-term plan "Pakistan Vision 2025". For example, regional connectivity is a key element elaborated by the government in Pakistan Vision 2025, which specifically mentions CPEC as an integral element in realising the potential of regional connectivity and trade (Government of Pakistan, 2014). However, among a number of academics and researchers, there is a perception that communication infrastructure projects will be primarily used by China for the transport and import of fuel and the export of goods to overseas markets (personal communication, 12 September 2017). Irrespective of this, there is no doubt that the key areas of cooperation clearly align with the main goals identified in Pakistan Vision 2025: energy security, inclusive growth and upgradation and modernisation of transport and communication infrastructure (Government of Pakistan, 2014).

In relation to the fourth principle of SSC dealing with non-conditionality, there are concerns from some quarters in Pakistan. For example, a researcher in an Islamabad-based think-tank stated that Chinese investment has a very high rate of return, up to 17 per cent, and CPEC is going to become a debt trap for Pakistan and could compromise the sovereignty of the country in the long run (personal communication, 8 September 2017). There is also a perception that Pakistan could be in serious financial trouble due to the outflow of loan payments along with payable interest and profit remittances to Chinese companies. Regarding the long-term financial obligation on the part of Pakistan, several academics and researchers stated that they would categorise themselves as sceptics or cynics of CPEC. Similarly, various economists and analysts have argued that this would put immense pressure on Pakistan's foreign reserves in the future once the repayment period begins (Ahmad, 2017; Isran, 2017; Saleem, 2017b). Some critics even argue that CPEC is the colonisation of Pakistan by China as it is a Chinese project, for Chinese interests, and Pakistan just happens to be part of the geographical terrain (Khan & Hyder, 2017; Zaidi, 2017). Hence, it is debated that Pakistan's future sovereignty could be at risk because of CPEC-related financial obligations.

In contrast to this narrative, officials in policy-making institutions argue that the repayment of loans and the outward flow of FDI and remittances would not pose a major financial challenge. An official in the Ministry of PDR stated that the overall interest rate was 2 per cent, and Pakistan will be able to easily repay loans given the significant boost in productivity from CPEC projects (personal communication, 7 September 2017). The official explained that CPEC would generate substantial revenues as there would be uninterrupted electricity and power for industries, which in turn would lead to enhanced exports and the creation of jobs. Similarly, it was pointed out that the modernisation of transport

infrastructure would result in greater interregional trade and the generation of revenues from toll taxes. The former Governor of the State Bank of Pakistan also observed that long-term financing should not be a big issue if the industrial sector takes full advantage of CPEC and succeeds in bringing higher foreign exchange revenues (I. Husain, 2017). He added that exports must grow considerably to compensate for these financial outflows. In sum, there are two somewhat contrasting perceptions about whether there is any explicit or implicit form of conditionality from the Chinese side and what the long-term financial implications of CPEC are for Pakistan. Most Pakistani officials stated during interviews that China decided to help Pakistan at a time when most investors were reluctant to invest and that there was no conditionality attached to Chinese assistance.

## 7.2 CPEC in the context of horizontality

The second aspect of the SSC framework is horizontality and equality as development partnership between Southern actors is considered a mutual alliance between equal partners. It suggests rather than aid donors and recipients per se, SSC is for mutual benefit (Indicator 5) and there are joint decision-making mechanisms and resources (Indicator 6). Other key features of SSC under this dimension are trust and solidarity (Indicator 7) and global political coalitions or international alliances at different forums (Indicator 8) where Southern partners have shared interests and viewpoints.

Viewing CPEC from the perspective of these parameters, there is a consensus not only between the governments of both countries, but of the intelligentsia from both Pakistan and China, that the corridor is beneficial for both partners. Regarding its potential to result in enhanced trade and regional connectivity, officials from both countries have stated that CPEC offers a win-win situation. For China, particularly for its various provincial regions including the less developed areas of Xinjiang, CPEC offers a viable alternate land and sea route via Pakistan's Gwadar port. Currently, international trade from this region of China is dependent on the main ports of the country which are about 4,500-5,000 km away and trade with Asian, European, and African countries is conducted over a 10,000-km sea-route (Shulin, 2014-15). Thus, trade with Xinjiang takes a long time and transportation costs are high. With the completion of CPEC, international trade with western parts of China could be conducted through Gwadar, which is about 2,000 km away from Kashgar, the capital city of Xinjiang, reducing transport time and costs.

With the CPEC, Gwadar, a small town in the south of Balochistan Province, will be linked with Western China by a modern road and rail system, and by air with the construction of an international airport. After the development of a deep-sea Gwadar Port with Chinese assistance, the town gained unprecedented significance and is one of the most important elements of the CPEC projects. Via CPEC, Gwadar provides an alternative short access to the sea that is free of the conflict that characterises the South China Sea outlet and reduces dependence on Malacca Strait (Ritzinger, 2015; Rizvi, 2014-15; Shulin, 2014-15). Ghiasy and Zhou (2017, p. 7) assert that in the event of a US-China conflict, "China's access to external energy resources could be interdicted". They argue that to avoid such a scenario "one of China's objectives is to create alternative energy and raw material channels across land bridges from Central Asia, South East Asia and Pakistan—and the Belt facilitates this endeavor" (Ghiasy & Zhou, 2017, p. 7). China is conscious of the vulnerability of ships passing through the Malacca Strait; Gwadar Port provides it with an alternative and significantly minimises the "Malacca dilemma". According to Ghiasy and Zhou (2017, p.

29), China has been eagerly looking for alternative routes to diversify its options as its “nearly USD 4 trillion of annual foreign trade in 2015 and 7.97 million barrels of daily oil imports in 2016, equal to 11 per cent of China’s total energy consumption” are largely dependent on Malacca Strait sea lanes. Thus, Gwadar Port, and the corridor overall, not only have economic significance, but are also of geostrategic importance to China.

In view of this, there are some voices in Pakistan saying that CPEC is being built by China mostly for its own benefit and that Pakistan will not be able to take full advantage of the corridor (Zaidi, 2017). Some economists and analysts have stated that the corridor would not be a win-win situation, but instead will primarily benefit China (Ahmad, 2017; Saleem, 2017b; Zaidi, 2017). There is a perception that Gwadar Port will be used by China for re-exporting Chinese products brought into Pakistan via a land route and thus there would be little economic benefit to Pakistan. A similar opinion was expressed by a researcher at a think-tank in Islamabad: energy generated by newly installed power plants will be needed and utilised by relocated Chinese companies and new infrastructure will be used for the transportation of raw material and finished products (personal communication, 8 September 2017). However, Pakistani officials stated that there was no doubt about the mutual benefit of the corridor. An official in the Ministry of PDR stated that China has expertise, technology, financing and industrial capacity and Pakistan has favourable conditions in resources, its labour force and market, and thus both countries will reap the dividends (personal communication, 7 September 2017). Overall, there is a dominant understanding in Pakistan that with the upgradation of infrastructure, energy security and industrial cooperation, both sides will achieve mutual complementarity and win-win results.

Another dimension of the SSC is shared decision-making mechanisms for implementing development interventions. To promote the construction of CPEC-related projects in Pakistan, the two countries have set up the JCC, co-chaired by the Minister of PDR from the Pakistani side and the Vice Chairman of the National Development and Reform Commission (NDRC) from the Chinese side. The JCC is the highest body in which all projects are discussed, reviewed and approved. It comprises both political figures and administrative officials, such as heads of different departments, and experts from various fields. Under the JCC, there are five JWGs, comprising experts from both countries. The JWGs deal with long-term planning, energy, transportation infrastructure, industrial cooperation/SEZs and Gwadar Port. The JCC secretariats are within the NDRC in China and the Ministry of PDR in Pakistan. The two secretariats are responsible for communicating and coordinating with respective line ministries related to the construction of CPEC. An official in the CPEC Secretariat reported that JCC is responsible for the overall planning, coordination and final approval of projects under CPEC and the JWGs are responsible for detailed planning and implementation of projects within its respective areas (personal communication, 7 September 2017). Thus, there exists a proper joint decision-making mechanism that provides a platform to policymakers and other stakeholders from both countries on which to discuss all CPEC projects and related issues.

Trust and solidarity and broader political alliance are further key elements of the SSC framework under the broader domain of horizontality. In the context of SSC, Southern partners’ solidarity is based on “common interest, objectives and principles” (Besharati et al., 2017, p. 14). In view of this, China and Pakistan have a number of interests including security concerns vis-à-vis India, geographical nearness, Pakistan’s support for China’s seat in the UN, the role played by Islamabad in breaking the isolation of China in the 1960s, and working as a bridge between China and the Muslim world, as well as backing China on

issues such as Taiwan, Tibet, Xinjiang and human rights violations (Ali, 2017). Because the two countries have been cooperating in the field of defence and security for decades, a significant level of trust has been established. According to Small (2015, p. 29), “if the military relationship lies at the heart of China-Pakistan ties, nuclear weapons lie at the heart of the military relationship”. The same author argues that both Beijing and Islamabad have invested a good deal of time and effort into their relationship and as a result have developed an “unusual level of mutual trust” (Small, 2015, p. 44). The two countries have enjoyed diplomatic ties for over six and a half decades that are characterised by “peaceful co-existence with zero number of clashes at states’ level” (Hameed, 2017, p. 3). There are even clichés describing the diplomatic relationship: “higher than the Himalayas and deeper than the Indian Ocean” and “sweeter than honey” (Hameed, 2017, p. 3). It is also argued that Pakistan is perhaps the only country with “shovel-ready projects on the scale envisaged” under the OBOR as well as the political comfort level with China to absorb and push forward such an ambitious plan (Small, 2016, p. 170). Thus, as far as trust, solidarity and political alliance are concerned, the relationship is solid at the state and government levels. Also, irrespective of their ideological inclinations, the political parties in Pakistan have unanimous consensus in maintaining strong bilateral ties with China. Specifically, since the official launching of CPEC in 2015, during President Xi Jinping’s visit to Pakistan, the multidimensional ties have vastly increased in all spheres as there have been regular bilateral visits of delegates comprising not only politicians and government officials, but also people from academia, business, think tanks and civil society.

### 7.3 Elements of self-reliance and sustainability in CPEC

To assess CPEC in the SSC framework, the third dimension is self-reliance and sustainability, which can be achieved by consistently enhancing and improving local capacity (Indicator 9) as well as by transferring relevant knowledge and technology (Indicator 10). To accomplish long-term and sustainable development outcomes, principles such as the use of local systems and resources (Indicator 11) and taking initiatives that could assist in domestic revenue generation (12) are considered vital for SSC effectiveness. To facilitate capacity-building and the transfer of knowledge and technology, various initiatives have been undertaken under CPEC. These include offering scholarships to Pakistani students for study in China as well as short-term scholarships for learning Chinese languages in Pakistan, to prepare a well-trained labour force to properly implement CPEC projects (Deputy Chief of Mission for the Embassy of China in Islamabad, personal communication, 14 September 2017). Besides scholarships offered by the government, there are funding opportunities from other sources. For example, the China Road and Bridge Corporation (CRBC), one of the four large-scale, state-owned companies in China is implementing construction projects in Pakistan. In consultation with the Higher Education Commission (HEC), Pakistan’s apex education body, CRBC has offered 30 full scholarships to Pakistani students to earn Masters’ degrees in Transportation Engineering at Southeast University in China (30 Pakistani Students, 2017). The programme has been specifically developed for officials working in ministries responsible for managing CPEC projects, to prepare a team of communication and transportation experts for the modern industry (HEC, 2017). Similarly, various other companies and organisations involved in CPEC have contributed to social programmes (personal communication, 14 September 2017). Thus, to some extent, CPEC projects have been contributing to capacity-building and the transfer of skills and technology in different areas.

In relation to the principle of untied aid and the extent to which Chinese investment and development cooperation in Pakistan is linked to the procurement of Chinese products and technology, there has been a dominant perception that almost all procurement is done from China. There has been criticism in the media that there is no international competitive bidding because CPEC projects are implemented by Chinese companies without open and competitive bidding (Saleem, 2017b). This has been the prevalent policy and practice not only in Pakistan as “the financial transactions involved in project financing pass through Chinese channels, and for the most part procurement is tied to Chinese procurement” (Xu & Carey, 2015, p. 12). A researcher in an Islamabad-based think tank stated that almost all the machinery and equipment employed in Pakistan has been brought from China and there has been no open or transparent bidding (personal communication, 7 September 2017). About 75 per cent of CPEC financing is in the form of FDI, loans obtained by Chinese companies from Chinese banks. According to Pakistani officials, these companies and investors are better placed to get the most relevant, affordable and advanced technology for their projects (personal communication, 12 September 2017). The fact remains that in CPEC projects, almost all procurement has been done from China. As mentioned earlier, this has been a dominant practice among most SSC providers as well as in development cooperation policies of a number traditional aid providers.

Another element of this dimension is the use of local systems and resources. In Pakistan, there are media reports that Chinese companies have been bringing labourers from China rather than employing locals (Hussain, 2017; Saleem, 2017b). Among academics and researchers that were interviewed in Islamabad, the prevailing perception is that China is bringing its own labour, and the use of Pakistani labour or other resources is minimal. Contrary to this, Pakistani and Chinese officials stated that thousands of locals have been employed in various projects and the local cement and construction industries have witnessed a significant boost on account of CPEC projects. An official at the CPEC Secretariat stated that the overall ratio of Chinese nationals working in CPEC projects would be 20 to 30 per cent (personal communication, 7 September 2017). Similarly, the Senior Vice President of the ICCI stated that the cost of unskilled or semi-skilled labour is USD 700 per month in China and about USD 200-270 in Pakistan, so it would not make sense for the Chinese to bring their own labour (personal communication, 13 September 2017). Referring to a specific construction project in Gwadar, one official stated that there were 65 Chinese officials and workers and 600 Pakistanis (personal communication, 12 September 2017). The Chairman of the Parliamentary Committee on CPEC was quoted in the media stating that at present about 9,581 Chinese nationals are working on CPEC-related interventions and around 10,000 are involved in non-CPEC projects (Haider, 2017). He explained that a total of about 20,000 Chinese are working as specialists and supervisors for all projects taking place with China’s assistance, and added that around 60,000 Pakistanis are working on CPEC projects. The Deputy Chief of Mission at the Embassy of China in Islamabad stated that some elements have been spreading this misperception that China is coming up with its own workforce rather than giving full opportunities to local labour (personal communication, 14 September 2017). He also questioned why China would bring its own labour given that cheaper labour is available in Pakistan. He further explained that only high-skilled labourers, like engineers, are brought to Pakistan because there are few available locally. The Chinese diplomat also stated that it would be illogical to bring raw materials or other resources that are already available in Pakistan. Thus, it seems to be an overstatement that Chinese companies are bringing their own workers and that there are few job opportunities for locals in CPEC projects.

Despite some issues, overall there are bright prospects for various businesses associated with CPEC. For example, regarding the use of local construction material, the government pointed out in the Pakistan Economic Survey 2016-17 that construction-related materials, such as cement, iron and steel have experienced a large amount of growth due to an increase in demand from CPEC projects (Government of Pakistan, 2017). For instance, the report explains that the production of trucks and other heavy vehicles “has risen due to economic activity in the country to meet CPEC related material and freight transport needs” (Government of Pakistan, 2017, p. xii). An owner of a car rental company based in Islamabad also affirmed positive prospects of CPEC for various businesses including his own company. He said that 30 cars have been rented from his company by different officials working on a construction project in his hometown in the district of Mansehra, Khyber Pakhtunkhwa (personal communication, 12 September 2017). He further explained that in his area, priority is given to local people for various jobs; about 200 residents have been hired as truck operators and drivers for the transportation of construction material. It was also observed that it is cheaper to employ locals because the company does not have to provide lodging to local workers. In view of all this, it can be concluded that CPEC-related projects have generated considerable employment opportunities for locals and have resulted in an enhanced demand for various types of local resources.

Another important aspect of the newly refined analytical framework is the addition of domestic revenue generation and how SSC endeavours contribute to it in partner countries. It aims to underscore the significance of “building recipient countries’ capacity to raise domestically diverse sources of financing to support long-term national development processes” (Besharati et al., 2017, p. 16). In line with the key message of the 2030 Agenda, “there is broad agreement that domestic resource mobilisation should be a key means to finance any post-2015 development framework” (Mackie et al., 2013, p. 109). Therefore, there has been an increasing emphasis on the fact that SSC or other means of development cooperation are more effective if they enable partner countries to grow out of dependency and take “over the developmental initiatives through a diversification of the means of national resource mobilisation (Besharati et al., 2017, p. 17).

CPEC holds significant prospects in terms of bringing about socio-economic benefits for Pakistan. An official of the BoI stated that the toll income alone generated by the CPEC route is hoped to be three times the national budget of the country once it becomes fully functional (Board of Investment, 2017). The official further added that the toll revenue is in addition to the business and employment opportunities that are expected to be created in special economic zones (SEZs) and other industries. However, a researcher calculated the potential of the CPEC toll and found that it seems highly unlikely that it could generate about USD 135 billion, an annual revenue stream that is 2-3 times the total CPEC portfolio (Khawar, 2017). Khawar argued that based on China’s total trade with Africa and the Middle East, if 30 per cent of it is diverted through the CPEC route, which is shorter than the current sea-lane used by China for its exports and imports, Pakistan could generate an annual toll income of up to USD 4.8 billion. It must be clarified that those calculations are based on tolls from Chinese containers only. In its long-term plan, Pakistan Vision 2025, the country has identified regional connectivity as a key element (Government of Pakistan, 2014). The policy document specifically mentions CPEC as playing a vital role in achieving the potential of regional connectivity and trade with member states of the South Asian Association for Regional Cooperation (SAARC), the Association of South East Asian Nations (ASEAN), the Central Asia Regional Economic Cooperation (CAREC) and the

Economic Cooperation Organization (ECO). A recent UN report has stated that economic benefits of the corridor will go beyond participating countries; it “will also benefit several neighboring landlocked economies via access to sea through Pakistan” (UNESCAP, 2017, p. 9). In that case, there is significant potential for further revenue generation from tolls and other means of domestic financing once the corridor is fully operational and used to its true potential to connect various countries of the region.

#### 7.4 Accountability and transparency in CPEC projects

The fourth aspect of the analytical framework in which CPEC is assessed is that SSC should espouse accountability and transparency. It is argued that there must be sufficient data management and reporting channels (Indicator 13) as well as M&E systems (Indicator 14) so that different phases of the project cycle are properly evaluated against the project goals and targets. Another key feature is that SSC providers (as well as receivers) need to be transparent regarding sharing of data and information about the terms and conditions of financing (Indicator 15) and that such information must be accessible to civil society organisations, parliament, academia and media. Increased transparency regarding how SSC is provided and who the key decision-makers are would make the main stakeholders more responsible and accountable (Indicator 16). Thus, for enhanced reciprocal accountability and joint benefit and win-win situations, and in turn making SCC more effective in achieving development outcomes, transparency is vital.

In relation to this dimension and the associated indicators dealing with data management, open access to information, M&E systems and joint reviews for CPEC-related projects, some initiatives have been taken. There are interactive websites that share a significant amount of information about projects in various sectors as well as about companies and organisations that are involved in the execution of projects in different parts of the country. For example, most information about the ongoing projects and those completed or near to completion is provided on the website of the CPEC Secretariat, a dedicated government unit in the Ministry of PDR. The website also contains the geographical location of numerous CPEC projects as well as their estimated cost and completion date. Additionally, there is the CPEC Portal, which is jointly managed by the Pakistan-China Institute (PCI), a private think-tank based in Islamabad, and China Radio International (CRI), China’s state-level radio and television media organisation that specialises in international communications (The CPEC Portal, 2017). The website also shares information, reports, media coverage and events related to CPEC. In view of this, the former Minister of PDR, Ahsan Iqbal, stated in an interview that nothing has been concealed regarding CPEC and all details are available on its website (“CPEC Most Transparent”, 2017). He also added that each aspect of the project has been debated in detail in Parliament. It was reiterated by Pakistani and Chinese officials during interviews that CPEC projects are being implemented in a very transparent way and no data or information is kept secret from relevant stakeholders.

Although the government has tried to come up with information-sharing mechanisms, like the separate and detailed website for CPEC, there is still considerable scepticism regarding the overall transparency about CPEC projects. There have been various critical op-eds in print media stating that the overall financial mechanism of CPEC is quite opaque; the government has never shared any relevant policy document (K. Husain, 2017; Hussain, 2017; Isran, 2017; Khan & Hyder, 2017; Saleem, 2017b; Zaidi, 2017). Similar opinions were expressed by several academics and researchers during the field visits. Although

government functionaries claim that everything is transparent, and no information has been kept secret, there are perceptions in media that the government has been hiding the overall terms and conditions of Chinese investment and concessional loans. For example, regarding terms and conditions of Chinese concessional loans, Pakistani and Chinese officials that were interviewed stated that the overall interest rate is 2-3 per cent (personal communication, 14 September 2017). However, a request to an official in the Ministry of PDR for a copy of an MoU or agreement was not entertained and it was stated that state-to-state agreements are exempt from the Right to Information Act (personal communication, 7 September 2017). While there is significant anecdotal information from various quarters, the fact remains that the government has not issued any policy document that specifically mentions Pakistan-China MoUs or agreements, nor the overall terms and conditions of development projects under CPEC.<sup>5</sup>

There are various joint decision-making and review mechanisms for CPEC. Together the governments have established a high-level JCC with political, administrative and technical representation from the Ministry of PDR of Pakistan and the NDRC of China. Similarly, there are five JWG in which experts and officials of the two countries identify and discuss projects, then send them to JCC for further discussion and final approval. In view of this, it can be stated that there is a detailed and step-by-step process in which different aspects of all CPEC projects are regularly reviewed by various groups and committees. It is too early to judge the efficacy of the process as the real impacts of CPEC projects can only be evaluated once they are fully implemented. However, the presence of such mechanisms for decision making and progress reviewing indicates that both sides have come up with appropriate measures to ensure reciprocal accountability for projects that are closely monitored not only by independent media in Pakistan, but also by a number of international organisations.

## 7.5 Development efficiency and the role of CPEC

The last dimension of the SSC analytical framework is about SSC's overall effectiveness in achieving development targets. There are four indicators to measure this dimension. Here, CPEC is assessed in the light of flexibility and adaptability to local context (Indicator 17) and time and cost efficiency (Indicator 18). A discussion follows of the two final indicators of SSC, coordination and complementarity (Indicator 19) and policy coherence for development (PCD) (Indicator 20), and how CPEC can be analysed according to these indicators.

From the perspective of “development effectiveness” and its associated indicators, there are positive prospects associated with CPEC projects including power generation, the creation

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5 The only document that has been released so far is the much-awaited “Long Term Plan for China-Pakistan Economic Corridor (2017-2030)”, that was approved by both governments during the 7th JCC meeting held in Islamabad on 21 and 22 November 2017. The policy document outlines CPEC's vision and key goals as well as its guidelines and basic principles of cooperation. The Long-Term Plan (LTP) lists seven major areas of focus: connectivity, energy, trade and industrial parks, agricultural development and poverty alleviation, tourism, cooperation in areas concerning people's livelihoods, and non-governmental exchanges and financial cooperation (Government of Pakistan: Ministry of PDR & People's Republic of China: National Development & Reform Commission, 2017). Overall, the LTP neither provides new information about CPEC nor assuages the concerns of critics about the long-term financial and environmental impacts of the corridor.

of employment opportunities and infrastructure upgradation. If viewed within the framework of specific indicators and principles, such as time and cost efficiency, CPEC appears to be excelling. For example, an official in the Ministry of PDR stated that the Sahiwal coal-fired project, which has a capacity of 1,320 MW and cost USD 1.6 billion, was completed six months ahead of schedule (personal communication, 7 September 2017). The official also stated that utilising cheap local labour and resources made this project more feasible and cost efficient. In terms of its overall development impact, there is broad consensus in Pakistan that CPEC is a win-win for the entire region as it will lead to greater regional connectivity and lower the cost of transportation and communication. To connect China and the India Ocean via Gwadar Port, and as a result improve interprovincial connectivity across Pakistan, USD 12 billion has been allocated to numerous communication and transport projects along the CPEC route. In Pakistan, transport contributes to 10 per cent of the country's GDP and about 6 per cent of employment (Government of Pakistan, 2014). However, a lack of efficient transport and communication networks cost the country's economy 4-6 per cent of GDP annually (Government of Pakistan, 2014). To overcome this, Vision 2025 aims to "ensure [a] reduction in transportation costs, safety in mobility, effective connectivity between rural areas and markets/urban centres, interprovincial high-speed connectivity" and to establish high capacity transportation corridors connecting major regional trading partners (Government of Pakistan, 2014, p. 86). Thus, the government estimates that CPEC investment "will spur economic activity and create around 2 million direct and indirect new jobs" once all projects are completed (Government of Pakistan, 2016, p. 51). Thus, if properly implemented, CPEC projects could bring significant socio-economic benefits to both countries.

In relation to internal and external coordination (Indicator 19), both countries have established various coordination mechanisms in the form of the JCC and JWGs. In these, both Pakistani and Chinese officials and experts from several areas discuss all CPEC-related plans and policies. From the perspective of policy coherence for development (Indicator 20), the two countries have enjoyed strong diplomatic and defence ties for decades. Trade and economic relations between the two countries were historically weak, but intensified after the signing of the Free Trade Agreement (FTA) in 2006. Similarly, since the official launch of CPEC in 2015, overall multidimensional ties between the two countries have expanded significantly. For example, it was reported recently that Pakistan ranked first among 183 countries for the number of students receiving Chinese government scholarships (Pakistan Ranks First, 2017). An official in the Chinese Embassy stated that CPEC has accelerated cooperation between the two countries, especially in the education sector as China is granting scholarships to hundreds of Pakistani students (personal communication, 14 September 2017). The official also stated that there are about 22,000 Pakistani students studying in China. While these are encouraging signs for greater people-to-people contact and bringing socio-economic development, research shows that Pakistan has not benefited much from the FTA. According to Malik (2017), while overall bilateral trade has increased from about USD 85 million in 1952 to USD 17 billion in 2014, Pakistan's trade deficit has increased significantly, reaching USD 12 billion in 2014. Malik argues that one reason for the large trade deficit is that exporters from other regions and countries, such as the ASEAN, Australia and New Zealand, are offered more preferential treatment under the FTA than Pakistani businesspersons and exporters (2017). For greater policy coherence for development, it can be validly argued that Pakistani traders and exporters need to be provided the same set of concessions in Chinese markets as are provided to exporters from other countries with FTAs with China. If that were the case, Pakistani businesspersons could

compete on a level playing field and there would be more exports and subsequent development at the country level.

Overall, there are positive developmental prospects from CPEC in Pakistan, but there is also some scepticism. According to government policy documents, “the country’s outlook is brightened and looks promising on the back of agricultural recovery, rebound in industrial activities and inflow of investment under CPEC” (Government of Pakistan, 2017, p. vi). It is expected that CPEC will substantively boost economic growth and job creation and will “accelerate urbanization and attract local as well as foreign direct investment in the country through increased competitiveness” (Government of Pakistan, 2017, p. 277). On account of early harvest CPEC projects, Pakistan expects that overall economic growth will be substantially increased from the current mode of 5-6 per cent to “over 8 per cent between 2018 and 2025” (Government of Pakistan, 2014, p. 44). Thus, CPEC holds considerable potential for the development of the region in the context of regional connectivity, diverse investment opportunities, industrial cooperation, financial cooperation, tourism, people-to-people contact and livelihood opportunities. In Pakistan, however, there are somewhat divided opinions about the role of CPEC and its development effectiveness. Some economists and analysts have argued that CPEC would give more benefits to China than to Pakistan (Ahmad, 2017; Isran, 2017; Saleem, 2017b). There is a perception that Pakistan will bear much of the environmental, social and economic cost, while the corridor and allied infrastructure facilities will be used by China primarily for its own exports and imports with few trickle-down effects for the local population (Khan & Hyder, 2017). Although it is too early to judge the overall development effectiveness and impact of CPEC, there are already some positive signs for the economy.

International organisations have indicated positive perceptions of CPEC, not only for Pakistan but for the whole region. If successfully implemented, the overall economic potential is significant for Pakistan and its various neighbouring countries. In its recent report on Pakistan’s economy, the International Monetary Fund (IMF) mentioned the potential impact of CPEC. The report states that the economy is “benefitting from rising investment related to CPEC [...] over the medium term, growth is expected to increase to about 6 per cent on the back of CPEC and other energy sector investments” (IMF, 2017, p. 7). However, the report also cautioned that “over the medium-term, external payment obligations from CPEC-related investments would lead to a reduction in foreign reserves coverage, underscoring the need to foster a strong and sustained pick-up in exports” (IMF, 2017, p. 23). Hence, while CPEC-related investments are expected to resolve the chronic problem of energy deficiency and upgrade transport and communication infrastructure, it is essential to establish policies and plans to maximise its benefits for common people and minimise its long-term undesirable social, environmental and economic implications.

## 8 Conclusion

This study employed an analytical framework operationalising five broad dimensions to examine the China-Pakistan development partnership under CPEC and to explore to what extent the SSC principles are practiced. The framework is very useful as it has enshrined not only the key principles on which to evaluate the effectiveness of SSC, but the selected dimensions and indicators are closely related to the main features advocated by Beijing in its foreign aid policy documents. The framework has, however, its own limitations. The five

dimensions by and large resemble the OECD/DAC-led discourse on aid effectiveness principles and there is still no unanimous intergovernmental consensus among Southern aid providers on the use of such frameworks for assessing the effectiveness of SSC. Besides, some of the indicators such as “trust and solidarity”, “global political coalitions” or “flexibility and adaptation” are quite broad concepts open to various interpretations. Hence, there is a need for further elaboration and refinement of the indicators regarding how these principles could be measured and used to assess the effectiveness of SSC. Despite these limitations, the analytical framework is helpful as it provides an effective and appropriate set of dimensions and principles with which to evaluate the quality of SSC.

In the light of key concepts such as inclusive national ownership, horizontality and equality, accountability and transparency and development effectiveness, the modus operandi of both the Chinese and Pakistani governments in the identification, approval and implementation of projects is assessed. Based on the overall findings concerning China-funded development interventions from the perspectives of SSC principles, this study argues that the China-Pakistan development partnership under CPEC is an example of SSC. For example, CPEC is a blend of investments and concessional loans obtained by Chinese companies from Chinese banks for implementing projects in Pakistan. In this way, the overall financial instrument is not purely developmental or in the form of aid as grant, but the mutual win-win situation seems a widely shared prospect. The overall findings are summarised in Table 3 as per the five main dimensions of the analytical framework.

<b>Table 3: A brief assessment of CPEC within the NeST framework</b>	
<b>Dimensions</b>	<b>Overall assessment</b>
<b>Inclusive national ownership</b>	Institutional settings and mechanisms are in place to ensure effective ownership. However, there is little role of non-state actors/civil society in the policy formation as negotiations are primarily between government-to-government agencies.
<b>Horizontality</b>	Shared decision-making mechanisms have been established and there is a broad consensus about the prospect of “mutual benefit”. However, there are also reservations from some circles within the academia and media in Pakistan regarding the mutual “win-win” proposition.
<b>Self-reliance and sustainability</b>	There has been considerable utilisation of local personnel and resources, but projects are mostly run and managed by Chinese counterparts with minimal use of local systems. Capacity-building initiatives have been undertaken for the transfer of knowledge and technology, which could help in promoting self-reliance and sustainability in the long run if properly absorbed and utilised.
<b>Accountability and transparency</b>	Although data management and M&E systems and mechanisms exist, there is not much transparency regarding the overall terms and conditions of financing and bidding and procurement of projects. No project documents, MoUs, contracts or agreements have been made public so far.
<b>Development efficiency</b>	It is too early to prejudge projects and their development impact, but there has been considerable positive impact of projects in the energy sector. Similarly, there has been an uptick in employment generation and an increase in demand for construction-related materials, giving a boost to local businesses and industries.
Source: Author	

To a large extent, elements of the SSC and Chinese foreign aid policy, comprising mutual respect, equality, fulfilling promises, building local capacity and addressing actual needs are adhered to in the context of CPEC projects. Findings show that decisions about inclusion

and approval of projects under CPEC are taken by JCC and JWG, ensuring domestic ownership. Also, projects have been undertaken in areas to address the pressing needs of the country including energy, infrastructure upgradation and industrialisation. Initiatives are underway that aim to transfer skills, knowledge and technology, which could help in long-term capacity building and self-sustained economic development. At the same time, there are certain issues with projects under the CPEC umbrella. For example, although considerable anecdotal information is available, there is still a significant lack of transparency and a dearth of data regarding the overall terms and conditions of Chinese investment and concessional loans as well as future sharing of the revenues from tolls and levies. Similarly, almost all the projects are being implemented by Chinese companies and state-owned enterprises without any competitive bidding for procurement. Thus, while there is no official document to confirm or deny it, there seems to be an understanding between the two governments that in almost all projects, Chinese companies will implement projects without any external bidding. Considering this, it becomes clear that although both governments have taken various initiatives and have established platforms for joint decision-making and evaluation, there are still some issues, such as a lack of transparency and a prevalence of tied aid, in the overall CPEC financing mechanism. Thus, it is appropriate to conclude that as per the five broad dimensions of SSC analytical framework, the China-Pakistan development partnership under CPEC has performed well in the four areas of inclusive national ownership, horizontality, self-reliance and sustainability and development effectiveness, but has lagged in accountability and transparency.

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