

Socioeconomic Development: The Role of Impact Investments and CPEC

Noureen Khan

PhD Scholar

Department of Business Administration

Iqra University Islamabad Campus

phdnorin@gmail.com

&

Jamshed Ahmed

CPEC Secretariat

Ministry of Planning Development & Special Initiatives

jamshed.ahmed@cpec-centre.pk

Abstract

This paper investigates the modes of impact investing to overcome the socioeconomic challenges of Pakistan. A descriptive analysis of different social indicators for the period 2006 to 2017 is conducted which includes health, education, tourism, vocational training, agriculture, and access to water. Each socioeconomic indicator is examined as a possible mode of impact investment. This study reports that a better alignment of impact investing in the second phase of the China-Pakistan Economic Corridor (CPEC) will offer maximum development. The study recommends the most efficient and effective ways to achieve the greater goal of a prosperous Pakistan. The author strongly recommends the policymakers of CPEC to focus on impact investing along with conventional investment plans to combat the socioeconomic challenges in Pakistan.

Keywords: Impact Investments, Socioeconomic Development, CPEC

Introduction

Socioeconomic development is the progression towards enhanced lifestyles of families, individuals, communities, groups, and societies. It is a process of knitted development in the economy and society (Roy et al., 2021). Socioeconomic development refers to developing economic and social policy initiatives according to public concerns. It includes better living standards for the population of the country, which is usually achieved through greater stocks of human and physical capital and hence better technology. The fundamental goal of development is to ensure a better environment for the masses to enjoy a healthy, long, and creative life. However, usually, it is left behind in immediate concern with a collection of financial wealth and commodities (World Bank, 2001). The evaluation of socio-economic development in any country is of great significance to identify the shortcomings and then find efficient financing options. Human development is highly uneven and heterogeneous in countries due to various factors; therefore, the financing options are to be identified carefully to cater for the requirements of individual countries (You et al., 2020).

Impact investments are the new asset class that has grown many folds in the past decade. It offers positive social and financial returns to socially responsible investors. Impact investors go for investments that offer not only financial returns but also social and environmental impact. There are different sources of impact investing including individual investors, nonprofits, commercial banks, development finance institutions, foundations, and governments. It aims at gaining the social impact on different socioeconomic quarters which includes healthcare, water access, education, housing, agriculture etc. along with the financial returns. Impact investment can be in the form of equity or loans. Impact investments are considered an upcoming new asset class and in the past decade, it has grown many folds (Agrawal & Hockerts, 2021). It is worth considering, due to awareness of socioeconomic development and the role of individual investors, economists are exploring the possibilities where investors value societal externalities as equally important along with the financial returns (Barber et al., 2021). To achieve the full impact on the socio-economic development of the economy, socially responsible investors have to cautiously exercise their rights in the formation of corporate policy (Berk & van Binsbergen, 2021).

CPEC is believed to accelerate industrialization, job creation, and investment opportunities and offer socioeconomic development in Pakistan. Since CPEC has already entered the second phase with a greater focus on socioeconomic development, the better alignment of impact investments will offer maximum development. China-Pakistan Economic Corridor (CPEC) links China and Pakistan through a 2700km long road, rail and oil and gas pipeline. It will have numerous positive socioeconomic impacts on the indigenous inhabitants of Pakistan. It is the main artery of the Belt and Road Initiative (BRI) that has attracted policymakers and researchers around the globe. This project is a blend of loans and grants. It is quoted as a game changer for Pakistan, but the main question arises, whether geostrategic objectives and socioeconomic development will be achieved through this project or not. Many policymakers believe it will mitigate the energy crisis, create jobs and lower the socioeconomic challenges in Pakistan (Ali, 2020). It will also attract trade opportunities and strengthen the economy of Pakistan through revenue generation (Ali et al., 2016). CPEC will make it convenient to approach the fundamental needs of the general population living in the outskirts of Pakistan. Hence, numerous opportunities will be created due to CPEC projects to improve the social standard of the residents directly and indirectly.

Socio-Economic Challenges in Pakistan

This section discusses the socioeconomic challenges of Pakistan in the following areas: Poverty, Health, Education, Tourism, Agriculture and Water. The national poverty headcount ratio refers to the percentage of the population living below the national poverty line. National estimates are measured by household surveys based on population-weighted subgroup estimates. It is reported that 24.3% of people were living below the poverty line in Pakistan in 2015-16. Whereas comparing this to China, it has significantly reduced the poverty headcount ratio to 3.1% in the year 2017. Pakistan can learn from the Chinese model to bring the masses out of poverty (Mirza et al., 2019). The life expectancy ratio in Pakistan is one of the lowest in the region. As far as the

neonatal, infant and under-5 mortality rates are concerned, they are greater in numbers than in other regional countries. This indicates that Pakistan needs to enhance its investment in basic health services such as nutrition, vaccinations, sanitation, and clean water. Moreover, disparities in the health conditions of different regions and income groups may also be considered while investing in the health sector.

Education is one of the major issues in Pakistan since the school enrollment rate is very low in the country and a huge number of children are still out of school. The quality of education is a serious concern though. Many children in villages are even unable to read English. Pakistan is an undeveloped country but has a huge potential in the tourism sector due to its diverse culture, heritage, and natural endowment. However, until now, this sector couldn't develop due to various reasons like the war on terror, minimal marketing, and poor public and private sector investment in infrastructure and services. A developed tourism sector promises employment generation, it will attract tourists from other countries, enhance the services exports services in Pakistan and ultimately lead to more foreign reserves.

Agriculture is the major contributor to Pakistan's Gross Domestic Product (GDP) with its share being around 21% of the total domestic production. Therefore, the economic growth of the country is heavily dependent on this sector. It offers employment through farming and non-farming divisions, and the development in this sector will lead to poverty alleviation in rural areas.

The Current Landscape of Impact Investment in Pakistan

Impact investment is "investments made with the intention of contribution to positive environmental, economic and social impact alongside the monetary returns". Impact investments expand the availability of goods and services and create jobs. Following the international standards and norms to mitigate the environmental, social and governance (ESG) risks, investors are willing to invest with social considerations. Impact investment has a positive impact on society. Currently, around 2 billion dollars have been deployed in Pakistan through development financial institutions whereas 162 million dollars through other impact investors. Investors can have different benefits while investing in Pakistan such as an improved regulatory system, higher return potential, a deep and great pool of well-educated youth, international exposure, and better entrepreneurial culture (Lanka, 2015; Munir et al., 2022). The space of impact investment in Pakistan is diverse. Impact capital is deployed through debt which is mostly driven by Development Financial Institutions (DFI) owing to low risk and less investment management requirements and due diligence. Non-DFI investors tend to invest in equity capital than DFIs.

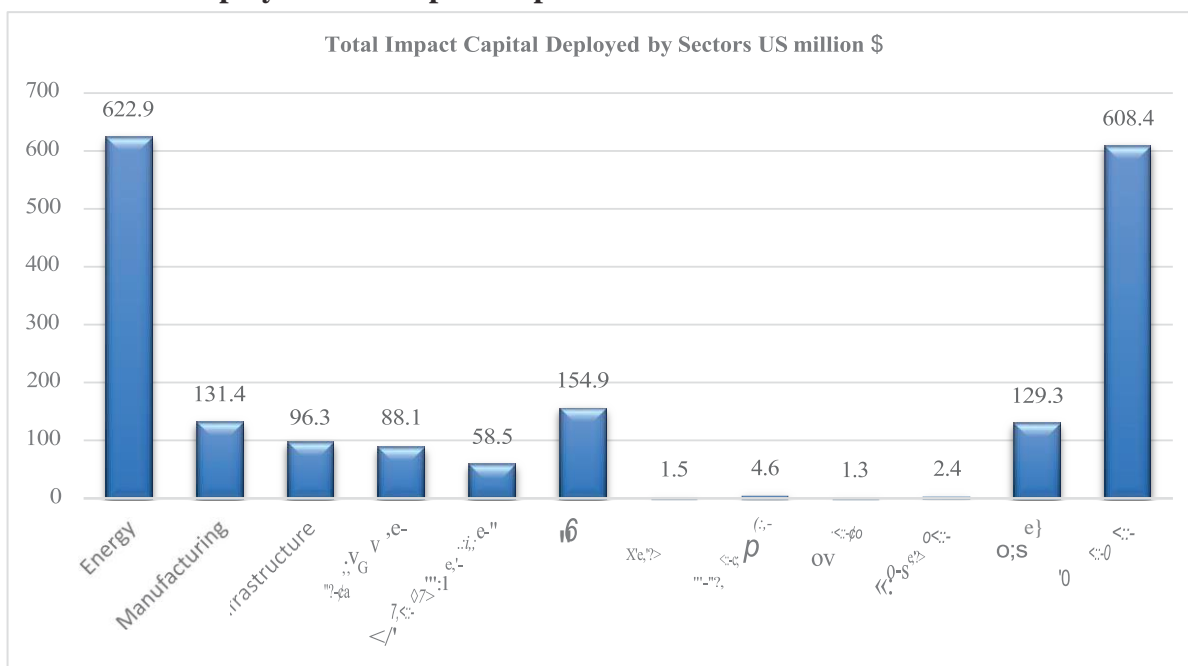
Impact Capital Deployed by Different Instruments

Capital Instrument	Development Financial Instrument			NON-Development Financial Instrument		
	USD	USD	Percentage	USD	USD	Percentage

	Millions	Billions	of Total	Millions	Billions	of Total
Debt	1189.2	1.189	65%	127	0.127	78%
Equity	134.0	0.134	7%	26.0	0.026	16%
Murabaha	20.5	0.020	1%			
Guarantee	153.4	0.153	9%			
Unknown	333.0	0.333	18%	9.0	0.009	6%
Total	1830.1	1.830	100%	162.0	0.162	100%

Source: "The Landscape for Impact Investing in Southeast Asia, Pakistan Specific, Global Impact Investing Network 2018"

Sector-Wise Deployment of Impact Capital in Pakistan



Source: "The Landscape for Impact Investing in Southeast Asia, Pakistan Specific, Global Impact Investing Network, 2018"

Potential of China-Pakistan Economic Corridor (CPEC) for Socio-Economic Development

CPEC offers industrial collaboration between Pakistan and China to initiate economic cooperation and people-to-people exchanges. CPEC project aims at prosperity and socioeconomic development through numerous collaborative initiatives for industrial development, infrastructure construction and livelihood improvement (Abid, 2015; Mirza et al., 2019).

These projects are believed to accelerate industrialization, job creation, investment opportunities and ultimately socio-economic development in Pakistan. The question which is in the minds of the masses is what CPEC is going to bring to the public. Social scientists, economists and researchers relate this investment with the prosperity of the people of Pakistan and China. The development of the social sector has not been up to the mark in Pakistan for a long time. Currently, human development is a serious issue in Pakistan that needs instant attention.

Due to the mounting concerns and socio-economic challenges in Pakistan, Impact investment is very relevant to address the current economic and environmental concerns. New financial models can offer innovative solutions in these scenarios. Hence, this paper presents some new ways of impact investing along with the socioeconomic development approach of CPEC to overcome the social challenges in Pakistan. The next section discusses the existing evidence on socioeconomic development and its importance for any economy.

Literature Review

The term impact investment was initially coined in 2007, after that this industry has grown at a very fast pace (Hehenberger et al., 2019). Investors from around the world have been attracted towards capital investment to address the increasing environmental and social problems through impact investments. More than 50% of the active impact investment enterprises made their initial investment in the last decade.

The total number of active impact investment enterprises around the world is about 1340 that conjointly manage 502 billion-dollar investments to make positive changes (Mudaliar & Dithrich, 2019). Most of the impact investment enterprises are comparatively small and most of them are managing less than 29 million dollars each, however, some enterprises are managing more than 1 billion dollars each. CPEC project would improve the socio-economic conditions of Pakistan through different road and railway lines, special economic zones, energy projects, fiber optics and numerous other projects. Furthermore, improvements in accessibility technology, healthcare, vocational training and access to clean water are expected in the underdeveloped areas of Pakistan to augment the quality of life for the masses (Abid, 2015).

Sinnathurai (2013) examines the relationship between economic growth, employment, poverty, and dependency ratio in emerging nations. The findings maintain that it's a two-way relationship that the age dependency ratio has a significant effect on poverty and vice versa. The results indicate that industrial employment, economic growth and poverty have a significant impact on the age dependency ratio, and it is consistent with economic theories. Ighodalo (2012) argues that sustainable socioeconomic development is not possible without the empowerment of the masses in making choices and participating in decision makings in the country.

The health sector is integrated with other sectors of the socioeconomic system, so it is not possible to plan the health sector development without taking into view the other socioeconomic components Ballard et al. (2019) argued that investment merely in the economically productive

sectors instead of social sectors, would not help in the long term development of any country. Jalal-ud-Din (2014) asserted that the health sector can have a significant impact on the socio-economic development of a developing country like Pakistan due to its significance in human development.

While highlighting the monetary and non-monetary advantages, Kayani et al. (2017) studied the economic and social advantages of education in emerging nations in general and Pakistan in particular. They concluded that education offers employment, earnings, reduction in poverty better health, social responsibility and governance knowledge. Therefore, investment in the education sector is highly recommended in Pakistan. Webber (2002) scrutinizes different stages of education i.e., primary, secondary, and tertiary and reports a significant positive impact on economic growth. Although human capital positively impacts economic growth, tertiary education has greater influence over primary-level education, Chi (2008) argued that tertiary education has more benefits for developed provinces in China whereas secondary and primary education has more benefits for underdeveloped provinces (Zhang & Zhuang, 2011).

Khalil (2007) reported an endogenous relationship between tourism and economic growth. Tourism enhances economic expansion in the short term while economic growth is mandatory for the development of tourism in a country. Public sector initiatives like infrastructure development, better transport, information system and security are the key components of sustainable tourism development.

Agriculture is the basic pillar of Pakistan's economy, Awan (2012) asserted that Pakistan owns immense reserves of untapped natural resources, fertile soil, and large areas of cultivation with the potential to grow various crops. The agriculture sector of Pakistan promises higher returns if better planning and new technologies are adopted in this sector.

China Pakistan Economic Corridor has its own significance for the socio-economic development not only in the cities but in the suburban areas of Pakistan too (Rahim et al., 2022). CPEC, in its second phase, has more focus on sustainability aiming at environmental agendas. Policymakers are more inclined towards environment-friendly strategies along with socioeconomic development. Sustainable energy projects through green financing can have much more impact and benefit than the traditional ways (Ullah et al., 2023). This study investigates the impact of socioeconomic development through impact investments and the role of CPEC. The next section discusses the data and methodology of this study.

Data and Methodology

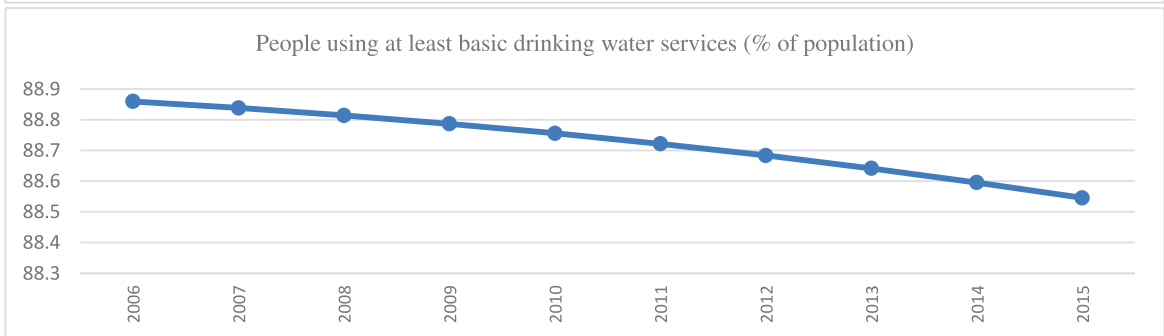
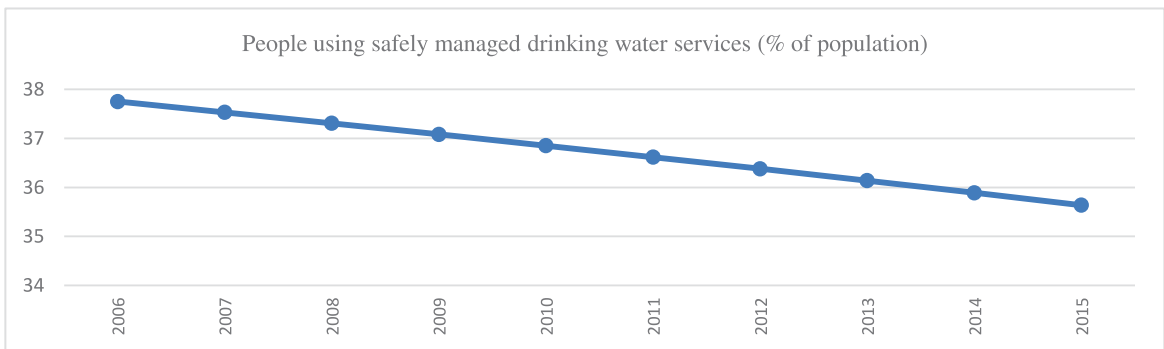
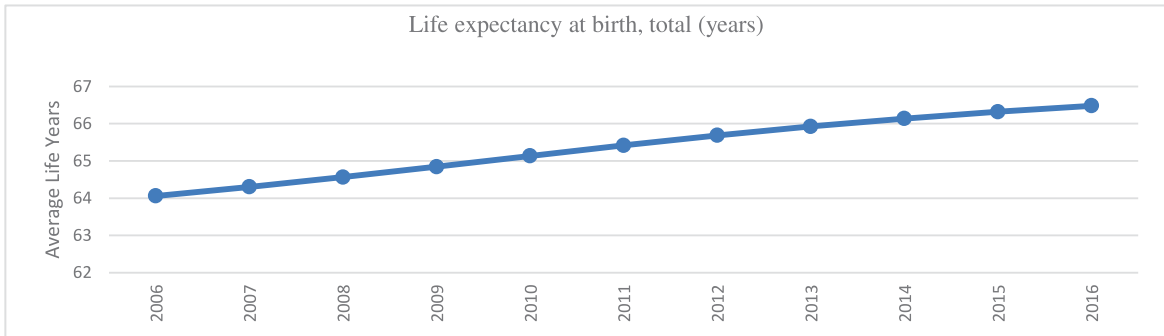
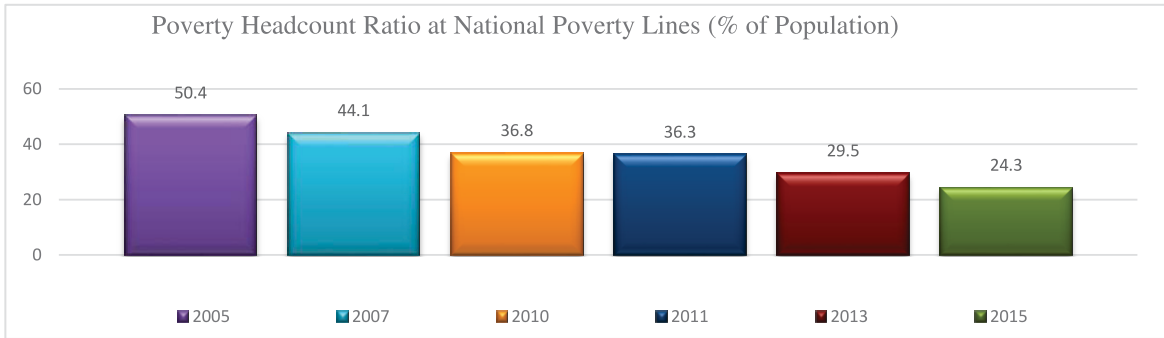
This study conducts descriptive analysis because it employs naturalistic environments to study the behavior of data. In policy research, descriptive analysis offers a clear and concise picture of data in a very meaningful manner. It is the most used method to identify trends in the datasets and offers comprehensive assessments. The methodology is well adapted to study the data holistically, (Osei & Alagidede, 2023). This study uses the descriptive analysis of various

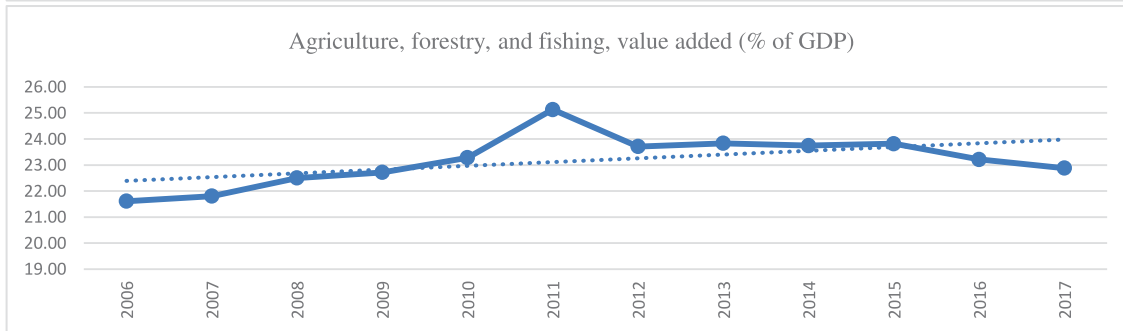
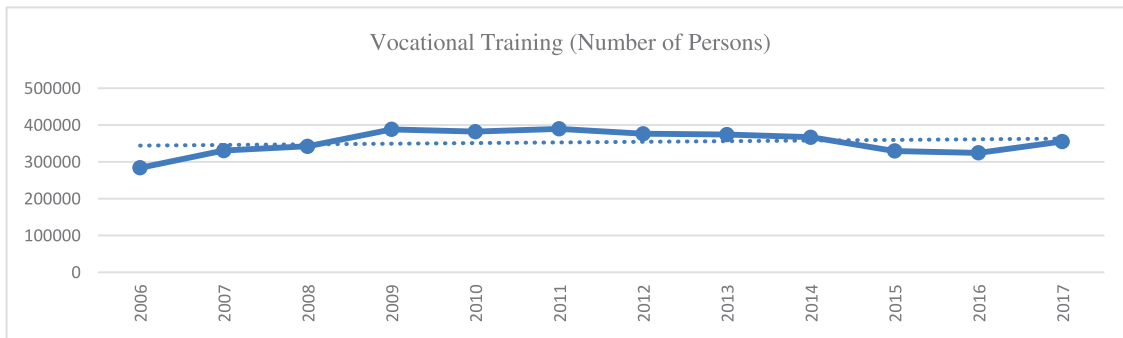
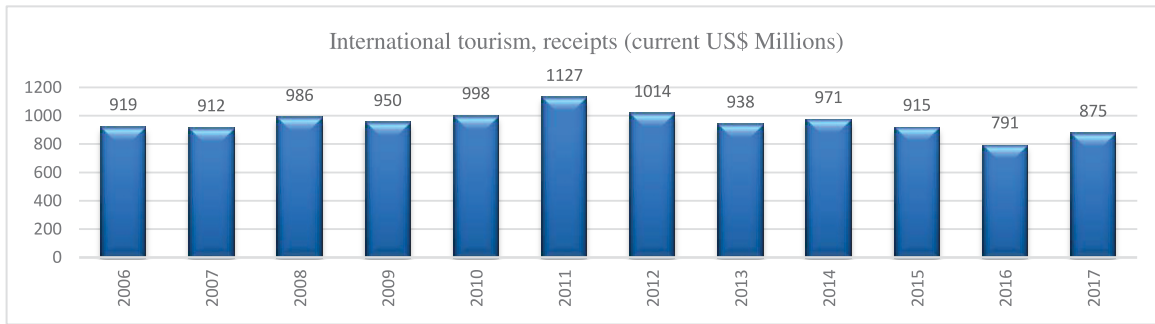
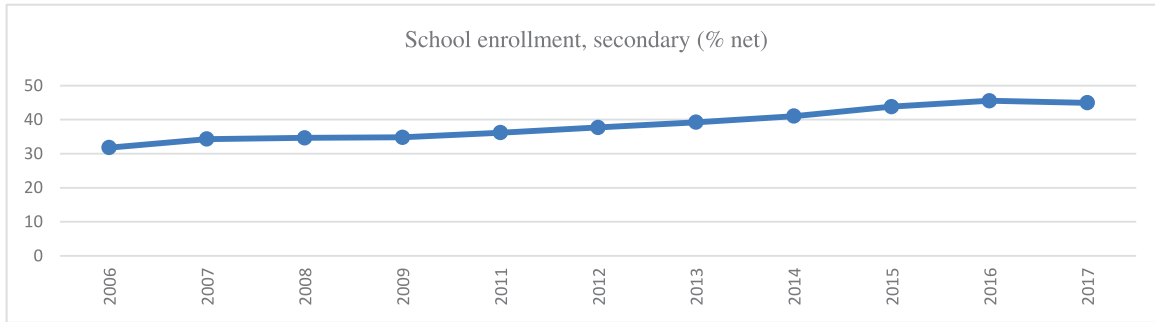
indicators of socioeconomic development including health, education, tourism, vocational training, agriculture, and access to water. Each socioeconomic indicator is examined as a possible mode of impact investment. Data for the social indicators are collected from the World Bank's Development Indicators.

The below graphs offer a clear picture of all the socioeconomic indicators of Pakistan. Poverty alleviation is one of the most essential tasks of this century. Poverty Headcount Ratio at National Poverty Lines (% of Population) on next page shows the graphical representation of people living below the poverty line. Pakistan has observed a significant reduction in poverty since 2007, however, further improvement is required. To study the health performance in Pakistan, the indicator of life expectancy at birth has been observed, it is a widely used indicator, an improvement in this indicator definitely contribute to the economic growth. The graph on next page reflects a continuous improvement in this indicator. However, further suitable and appropriate social policies, political stability, and government interventions are pre-requisite to achieve the required level (Muhamad et al., 2013). Clean drinking water as a percentage of the population is very important for health. A decreasing trend means people are deprived of clean water access and the trend is deteriorating from 2006-15.

Education has a direct link with the economic growth and countries with less inequality grow faster as compare to the others (Aiyar & Ebeke, 2020). Net secondary enrolment rate is the ratio of the children of official secondary school age who are enrolled in secondary school to the total population of official secondary school age. As shown in the graph, secondary enrollment is gradually increasing but remains below 50%. Pakistan needs to prioritize this area for development. Vocational Education improves the formation and development of a skilled workforce. Pakistan had around 400,000 students in technical institutes in the year 2009, but a decreasing trend can be observed depicting a decline in skilled workforce after 2009. In 2011, the agriculture sector contributed 25% to the gross domestic product of Pakistan. However, a dwindling trend after 2011 requires further development in this sector.

The World Trade Organization (WTO) defines international tourism receipts as payments of international visitors including international transport payments to national couriers. These payments include the payments for goods and services availed by the nation. There is decreasing trend in tourism receipts since the year 2011 in Pakistan. Improvement of the tourism industry is important because it improves the balance of payments through export entry.





Source: World Development Indicators, The World Bank.

Discussion

This section offers the possible modes of impact investments for socioeconomic development in Pakistan. CPEC is a flagship project of the Belt & Road Initiative and China is expecting a huge success in this very first project of BRI. The project has immense significance for Pakistan in terms of the socio-economic development of the country. Various projects under CPEC including energy, infrastructure, and special economic zones will not only generate employment but also the ownership of these projects. These projects will offer improved healthcare facilities,

better education advanced technology, clean water supply and vocational training in remote areas of Pakistan. Pakistan has a great opportunity to reap the benefits of CPEC and align the modes of Impact investment. In 2013, China embarked on Belt and Road Initiative to help the economic integration of Asia, Africa, and Europe through numerous projects, particularly power and infrastructure development.

Poverty Alleviation

The CPEC initiative will help to curb the unemployment rate in Pakistan through numerous infrastructure projects, energy projects, Special economic zones and various projects at Gwadar City, especially the deep seaport. CPEC would generate around 1.2 million jobs and this number is expected to grow with the inclusion of more projects in its long-term plan (Fatima et al., 2019). Corporate social responsibility will improve the skills development of the local workforce. For example, Sindh Engro Coal Mining Company (SECMC) is developing the skills of the villagers of Thar Block II under the CSR framework of empowering the residents of Thar to get a better livelihood and improve the socioeconomic conditions of the region. CPEC provides an opportunity for Pakistan to learn from China’s experience and pull millions of people out of poverty. The agricultural sector can play a pivotal role in this endeavor through the development of the agriculture sector into modern agriculture in the regions along the CPEC to develop the local agricultural economy and assist the masses get rid of poverty. Moreover, job creation and vocational training are also key factors to curb poverty. Social endeavors have created various innovative arrangements including Agri-tech to increase land productivity, education technologies, rural communities with access to power and affordable e-health programs. The impact investing landscape has created these endeavors to accomplish and enhance their social effects. The attractive innovations of these endeavors appeal to the speculators seeking social and financial returns (Akhtar, Hahm & Mikic, 2017). Some existing examples of existing impact investment well implemented in other parts of the world are given below, the same may be replicated in the case of Pakistan:

Sector	Financing Mode	Country/ Institution
Poverty Alleviation	Community Development Venture Capital (CDVC)	United States
	Global Environment Fund (GEF)	
	Calvert Investment Foundation’s Community Investment Notes	
	Community Development Financial Institution (CDFI)	India, Sri Lanka, Lebanon and Israel
	Diaspora Bond	Gambia and Kyrgyzstan
	The Debt Conversion Development Bonds	
	Crowdfunding	China

Community Development Venture Capital (CDVC)

Community Development Venture Capital invests in businesses in the Northeastern area of the United States. It is a non-profit community improvement organization that works for employment creation by offering capital to innovative enterprises and alleviating poverty in the region. A social monitoring index is used to measure the substantial contribution towards poverty alleviation.

Global Environment Fund (GEF)

The Global Environment Fund (GEF) is an international investment management organization that provides support in financing and management to firms making positive contributions to human health, better management of natural resources and environmental improvement. It provides seed capital and effectively manages investments under a triple-bottom-line mechanism. It contributes towards poverty reduction through environment protection, education, employment creation, and health sector development for local stakeholders of their companies.

Calvert Investment Foundation's Community Investment Notes

It is an investment product designed to allow investors to seek social impact, to finance underdeveloped communities through intermediate organizations. These notes are designed to finance up to 10% of the microenterprises, small business improvement, community development and affordable housing in the US. These products reduce poverty and manage stable financial returns by extending small funds to existing organizations. The Calvert Foundation measures the social impact in terms of the amount, region, term, and functional focus of the investment to communicate contributions of social investment.

Diaspora Bonds

A Diaspora bond aims at the expatriates and is a bond which derives income from the remittance's inflows. India and Israel are at the forefront of collecting funds from their diaspora. These countries raise finances from the diaspora by issuing bonds which is a debt instrument (International Expert Report, 2012).

The Debt Conversion Development Bonds

It is a debt swap that works as a source of additional funds for development projects in emerging nations and reduces the indebtedness of these nations. One or more creditors forgive the amount of debt against the specific cause as per the agreement with the debtor government. Debtors are bound to deposit a special amount in the central bank periodically. These amounts are then extended for the agreed cause.

Crowdfunding

It refers to a way of financing ventures by many small investors mostly through online platforms. “Habitat for Humanity Global Village” raised around 34 billion dollars in crowdfunding for their Global Village program in 2015.

Education

Currently, the Higher Education Commission is working on a plan to make around 50 technical/faculties centers in different universities to address the requirements for human resource development for China Pakistan Economic Corridor. Moreover, China and Pakistan have created a consortium of leading business schools of both countries for high-quality resource development through academic associations in the finance and trade field. To develop advanced knowledge of human resource development in the country, HEC is arranging educational exchanges of 50 Pakistani universities with Chinese counterparts.

A primary school is established to improve the socioeconomic situation in Gwadar under CPEC. Many firms are expected to join the Special Economic Zones that may be sensitized to focus on Corporate Social Responsibility (CSR) and work for educational institutions. The National Vocational and Technical Education Commission of Pakistan is working to develop human source skills to fulfil the requirements of local and international markets. Pakistan needs to further enhance the higher education resources to conduct research and development activities and strengthen cooperation and exchanges among research and educational institutions of both countries. Below are some already adopted modes of raising impact funds in other parts of the world, that can contribute positively to the education sector of Pakistan.

Venture Fund for Education

A fund that generates additional sources of revenue for funding innovative projects in the education sector including private equity, bond issues, voluntary levies, leveraged instruments etc. The basic objective is to provide funds to innovative and high-impact projects that require financing in the education sector.

A Loan with a Catch

A loan with a catch is an innovative idea to finance schools with financial constraints in India. The Indian School Finance Company (ISFC) with \$2 million capital provides finance to small schools against a catch that if the students score above a certain percentage, a rebate of 10%. This strategy does not fulfil the financing needs but also ensures the quality of schools.

Education Impact Bonds

It is the first impact bond of education in India to offer an innovative option to offer financial and social returns. The objective was to facilitate 18,000 kids in the government schools of Rajasthan and to facilitate female education in India.

Public Private Partnership

It is one of the most significant tools to finance education in developing countries e.g., United Nations Educational, Scientific and Cultural Organization (UNESCO) formulated IIEP by partnering with Intel Microsoft and IBM in 2012. Another example is the International Financing Facility Insurance and Education introduced by the World Bank. The mandate is to provide insurance and education to government and non-governmental institutions.

Sector	Financing Mode Used	Country/ Institution
Education	A Loan with a Catch	India
	Education Venture Fund	
	Debt Conversion Development Bonds	
	Diaspora Bonds	US, China, UK
	Education Development Impact Bonds	Philippines, China, India
	Public Private Partnership	US, UK
	Private Fundraising Scheme	Philippines, Peru, Thailand, Chile, Turkey, Indonesia, Argentina, Hungary

Health

Collective Health designed a strategy, Health Impact Investing, for the development of distressed communities through, disease prevention, health promotion and sustainable cost reduction. This strategy redirects the funds where they can yield the most. Investors fund community-based initiatives in exchange for health care future cost savings. A specific amount from savings is reinvested in extra community development and making a continuous system of better health and cost savings.

The health condition in Baluchistan and Gwadar is alarming. Gwadar Development Authority Hospital is proposed to be upgraded from its existing capacity and to be named China Pakistan Friendship Hospital. Experts from China and Pakistan can craft policies to improve the health sector through a health and knowledge corridor. Below are some suggestions to raise funds for the health sector through impact financing. These modes are successfully generating funds for the health sectors of the concerned countries.

Sin Tax

The socially harmful or undesirable products and services that may cause welfare loss in a society are subject to taxes e.g., alcohol and tobacco. Taxes on these products are considered sin taxes. These taxes offer a win-win position as they reduce the health expenditure in fiscal expenditures, increase government revenues and also reduce health risks.

Tax on Unhealthy Food

The basic purpose of these taxes is to enhance the prices of unhealthy foods and discourage consumers from unhealthy foods such as carbonated beverages, other products containing high levels of salt, etc., Canada, Norway, Australia, Finland and the United States have imposed these taxes.

Tobacco Excise Tax

According to World Health Report (2010), a 50 per cent increase in the excise taxes on cigarettes can generate revenues near or more than double the foreign aid to health care in countries like Pakistan.

Luxury Taxes

Different countries across the world impose luxury taxes in different ways: Bulgaria plans to impose luxury taxes on homes and high-end cars; China takes luxury tax on imported watches, big cylinder cars and yachts; Indonesia has had a luxury tax on certain consumption products for quite some time now. These taxes are imposed through the existing tax mechanism like property taxes and vehicle taxes.

Sector	Financing Mode	Country/ Institution
Health	Sin tax	Norway, Romania, United States
	Tax on unhealthy food	Canada, Australia, Finland, Romania, US
	Tobacco excise taxes	Madagascar, Congo, Vietnam
	Diaspora Bond	India, Sri Lanka, Lebanon and Israel
	Luxury Taxes	China, Bulgaria, Indonesia
	Small Unitary Levies on mobile phone use	Philippines, Gabon
	Franchising Products	Product Red
	Financial Transaction levies	United States, Brazil, Zambia,

Tourism

Tourism is one of the main sources of exports for a few economies. It not only offers indistinguishable benefits but also helps to increase foreign reserves. For example, a tourism consumption tax is imposed on purchases by foreigners. It can be in the form of tariffs, sales taxes and taxes on consumed services and goods. Chinese spent around 120 billion dollars on their tourism in 2015. CPEC will improve the infrastructure and offer convenience to tourist places. The government of Pakistan has taken various important steps to improve the tourism sector including arrival visas to the citizens of 55 countries. Pakistan may benefit from the

potential of tourism in the region along CPEC through the development of coastal tourism within its coverage. The quality of tourism services, mainly public service information, security protection, better transportation, and other public services, should be improved to effectively uphold socioeconomic development. Below are a few examples to improve the tourism sector of Pakistan by adopting the following modes.

Sector	Financing Mode	Country/ Institution
Tourism Development	Tourism Consumption Tax	Gambia and Kyrgyzstan
	Travelers Savings Fund for Development	US, UK
	Diaspora Bond	India, Sri Lanka, Lebanon and Israel
	Impact Bond	Philippines, China

Agriculture

Agriculture development has immense importance in alleviating poverty in the country. CPEC is envisaged to help the crumbling economy of Pakistan. The agriculture sector has a significant impact on the economy of Pakistan, so its development will help economic growth through higher exports of agricultural products. It is important to mention that China is the world’s largest importer of agricultural products that imports food products for more than 100 billion dollars. However, Pakistan contributes only one percent of Chinese imports of food. CPEC provides a huge opportunity for Pakistan to enhance agricultural exports to China and boost bilateral trade.

One of the examples in the agricultural value chain is microfinancing which aims to provide credit to small farmers who lack access to finance. The financial innovation in agriculture will help the farmers to improve the productivity and quality of crops leading them to earn higher incomes and afford better living standards. Secondly, funds like Forest Foundation Fund aims to combat the issues like deforestation and carbon emissions.

The agriculture sector in Pakistan requires advanced research in agriculture products to increase per acre yield and produce high value-added products and linkage of farmers with Chinese counterparts to learn from their experience. Further, fruit and vegetable production along with value-added services may help to develop the Pakistani economy. For the said cause, Pakistan may adopt the below-mentioned ways of impact financing and increase the growth rates.

Sector	Financing Mode	Country/ Institution
Agriculture Advancement	Agriculture Value Chain Financing	Nigeria
	Forest Foundation Fund	US, Africa, Malaysia
	Diaspora Bond	India, Sri Lanka, Lebanon and Israel
	Impact Bond	Philippines, China
	Fishing and Farms	US

Water Resources

A project under the umbrella of CPEC is aimed at freshwater treatment, distribution systems, supply, sewerage systems, and desalination plants. Apart from water resources development, utilization, protection, conservation and disaster relief, there is a need to improve the drip irrigation system to save water since underground water is depleting swiftly.

Green Bonds

Green bonds are issued to raise finance for climate change solutions. The proceeds go to green assets. They can be issued by central and local governments, banks, or corporations. The green bond label can be applied to any debt format, including private placement, securitization, covered bond, and sukuk, as well as labelled green loans which comply with the Green Bond Principles (GBP) or the Green Loan Principles (GLP).

Sukuk

A sukuk is an Islamic financial certificate, like a bond in Western finance that complies with Islamic religious law commonly known as sharia. Since the traditional Western interest-paying bond structure is not permissible, the issuer of a sukuk sells an investor group a certificate and then uses the proceeds to purchase an asset, of which the investor group has partial ownership. A blue fund is potentially a regionally or globally coordinated initiative that targets to fund projects related to Sealife.

Access to Water

Sector	Financing Mode	Country/ Institution
	Green or Climate Bonds	France, China, India, Poland, Belgium, Brazil
	Sukuk	Iran, Pakistan, Malaysia, Saudi Arabia, Singapore

Water	Blue Fund	US, UK, Europe,
Resources	Diaspora Bond	India, Sri Lanka, Lebanon and Israel
	Impact Bond	Philippines, China

Conclusion and Policy Implications

Socioeconomic development focuses on the improved lifestyle of families, individuals, communities, groups, and societies. It is a process that has a binding impact on the economy and society. Socioeconomic development is the sustained improvement in the economic standard of living of a country's individuals, groups, and society at large. China-Pakistan Economic Corridor (CPEC) includes numerous energy projects, road and rail infrastructure projects, Gwadar port and special economic zones that claims to have many socio-economic impacts on the livelihood of Pakistani residents. CPEC will make easier access to basic needs of life particularly in the underdeveloped areas of Pakistan. CPEC promise a positive impact on poverty alleviation, health, education, vocational training institutes, technical expertise, water supply and distribution by covering the energy crises and providing job opportunities in Pakistan.

The socio-economic impact of CPEC projects has already been initiated, for instance, the partnership of Sindh Engro Coal Mining Company (SECMC) with Aman Tech to conduct masonry training as CSR framework in the operational area of Thar Block II, the establishment of primary school in Gwadar where students are being imparted quality education, upgradation of the hospital at Gwadar, and vocational training by National Vocational and Technical Education Commission (NAVTEC).

The study presents different modes of impact investing for socio-economic development in Pakistan. Impact investment in Pakistan stands at around 2 billion dollars but there is much more potential like improved health care, better education, tourism development, clean water, and security situation in the country. The study recommends the most efficient and effective ways to achieve the greater goal of a prosperous Pakistan. The author strongly recommends the policymakers of CPEC focus on impact investing along with the conventional investment plans to combat the socioeconomic challenges in Pakistan. The next section of this study offers vital policy implications.

- CPEC provides an opportunity for Pakistan to learn from the Chinese experience and pull millions of people out of poverty. Impact investment can be generated through funds, conversion funds, crowdfunding, diaspora bond, community development venture capital etc.
- Additional funds for education may be mobilized through various impact investment resources such as education venture funds, education development impact bonds, a loan with a catch etc. Pakistan needs to strengthen the higher education sector in Pakistan.

- Different countries across the world are using various mechanisms to get funds for the health sector like sin tax, tax on unhealthy food, tobacco excise taxes, etc. For the health and knowledge corridor, experts from both China and Pakistan will be required to bring revolutionary changes in the health sector. To improve the medical skills of the personnel, the doctors, pharmacists and other medical staff exchange programs may be initiated with China.
- Tourism consumption tax, a traveler's savings fund for development and impact bond can be resourced for the development of the tourism sector. Pakistan may further exploit the potential of tourism in the region along CPEC through the development of coastal tourism within its coverage. The quality of tourism services, mainly public service information, security protection, better transportation, and other public services, should be improved to effectively uphold socioeconomic development.
- The agricultural sector can play a pivotal role in economic growth. CPEC can offer modernization from traditional to modern agriculture, job creation, and improved infrastructure in Pakistan. Agriculture value chain financing, Forest foundation fund, Diaspora bonds, and Impact bonds are the ways that can help to raise funds and achieve the goals in this sector. To develop the agriculture sector, China and Pakistan should cooperate for new research in the agricultural field, biological breeding, value-added production, enhanced per-acre yield, and processing and storage capacity of Pakistan.
- Green or climate bonds, sukuk, blue fund and diaspora bonds are the mechanisms of impact investment that can be mobilized to develop the water sector in Pakistan. Apart from water resources development, utilization, protection, conservation and disaster relief, there is a need to improve the drip irrigation system to save water wastage as underground water is depleting swiftly.

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