

# **SOCIO-ECONOMIC IMPACT REPORT**

2019

*Creating Value*



CCCI

Passion  
Accountability  
Integrity  
Teamwork

Coca-Cola

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# GM'S MESSAGE

## Dear Stakeholders,

I am pleased to present 'CCI Pakistan 2019 Socio-Economic Impact report'.

Since inception, CCI Pakistan's strategic and social investments have not only helped our business grow substantially but has also helped contribute towards the prosperity of Pakistan. To fully understand the impact of our commitments, we approached LUMS (Lahore University of Management Science), one of the most credible institute in the country to carry an independent research study on the social and economic impact of our commitments in the country.

This research report highlights how CCI Pakistan has continued to make substantial contribution to Pakistan's economy. These contributions extend beyond our own operations to cover the entire value chain. The report findings reiterate our commitment to fulfilling our purpose i.e. to "Create Value" throughout our value chain. CCI Pakistan, being the sole manufacturer and distributor of Coca-Cola products in Pakistan, produce, source (where possible), distribute and sell Coca-Cola products locally. A bottle of Coca-Cola creates added value for multiple sectors during its journey from the production line to the consumers. Thus, creating job opportunities for thousands of people across the value chain.

We continue to contribute towards the economic development of local communities by employing local people, paying taxes to government, purchasing goods, services and capital equipment from suppliers and also investing in multiple social development program aimed towards uplifting the quality of life of people living in underprivileged communities.

CCI Pakistan till date has invested \$500 million in Pakistan including USD 45 million for the most recent state-of-the-art bottling facility located in Faisalabad. These investments are a testament of our commitment to grow and expand our business operations. I believe Pakistan is a promising market with phenomenal potential for the beverage industry.

Yours Sincerely



**Ahmet Kursad Ertin**  
General Manager Pakistan



icci



## ABOUT CCI

**CCI is a multinational beverage company which today operates in Turkey, Pakistan, Kazakhstan, Azerbaijan, Kyrgyzstan, Turkmenistan, Jordan, Iraq, Syria and Tajikistan.**

As one of the key bottlers of the Coca-Cola system, CCI produces, distributes and sells sparkling and still beverages of The Coca-Cola Company.

CCI employs close to 8,500 people and has a total of 26 plants in 10 countries, offering a wide range of beverages to a consumer base of 400 million people. In addition to sparkling beverages, the product portfolio included juices, water, sports and energy drinks, teas and iced teas.

## OUR VISION

**To be the best FMCG company across our markets**

# OUR PURPOSE

Create Value



# OUR VALUES



## Passion

We put our hearts and minds into what we do



## Accountability

We act with high sense of responsibility and hold ourselves accountable



## Teamwork

We collaborate for our collective success



## Integrity

We are open, honest, ethical and we trust and respect each other



# ABOUT CCI PAKISTAN

*Coca-Cola Beverages Pakistan Ltd.*



**With bottling operations being looked over by independent franchisees, Coca-Cola Pakistan launched into the Pakistani market by setting up its first plant in 1953 in Karachi. In 1996, Coca-Cola Beverages Pakistan Limited (CCPBL) was established as the company acquired locally franchised bottling operations throughout the country.**

In 2008, Coca-Cola İçecek (CCI), multi-national bottling partner of The Coca-Cola Company, acquired Coca Cola Beverages Pakistan Limited and till date responsibly manufactures, packages, merchandises and distributes beverages of The Coca-Cola Company. CCI Pakistan has 6 bottling plants, and 11 warehouses throughout the country, serving a population of more than 200 million.

CCI Pakistan currently has approximately 300 thousand sales points across the nation. CCI Pakistan is also a significant player in the growth of Pakistan's economy since it is one of the country's top foreign direct investors in the FMCG (Fast Moving Consumer Goods) sector and is one of the major tax paying beverage companies of Pakistan with a product portfolio of 10 renowned brands, Cappy Pulpy, Cappy Joosi, Coca-Cola, Coca-Cola Zero, Dasani, Fanta, Sprite, Sprite Mint and Sprite Zero.



Since  
**1996**



Head Office  
**Lahore**



Production Plants  
**06**



Production Capacity  
**+400** Million  
Unit Cases



Direct Employment  
**2500**



Consumer Base  
**+200** Million

**AT A GLANCE**

# ONE COMPANY. ONE



## OUR MANAGEMENT TEAM

**Seated** (Left to Right)

**Burak Ates**

Finance Director

**Ahmet Kursad Ertin**

General Manager Pakistan

**Standing** (Left to Right)

**Raza Ashraf**

Region Digital Technology Leader

**Name xxxxx**

Director Public Affairs &  
Communication

# TEAM. ONE VISION.



**Wali Ahmad**

Sales Director

**Hasan Adnan Ahmed**

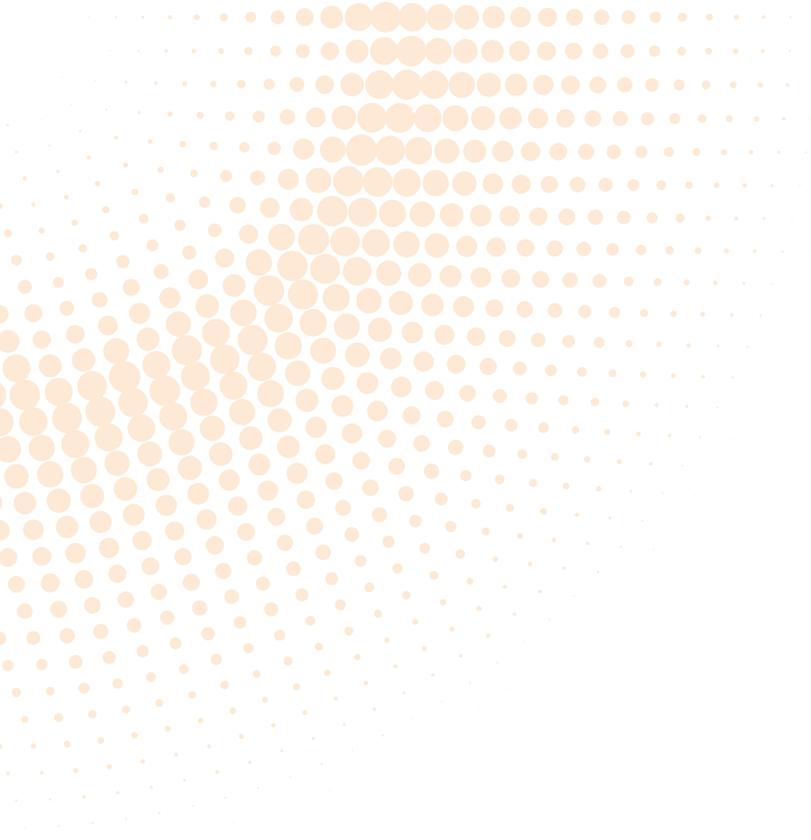
Human Resources Director

**Syed Murtaza Abbas**

Marketing Director

**Murad Akram**

Legal Director



# CUSTOMERS & CONSUMER

CCI's objective is to offer its consumers a wide range of products that are fit for every lifestyle and occasion. With product safety and quality as the top priority, CCI Pakistan aims to meet ever-evolving preferences of the consumers to provide them with more choices from beverage portfolio.



ORIGINAL TASTE

*Coca-Cola*

ZERO SUGAR

*Coca-Cola*

# PORTFOLIO

CCI Pakistan has augmented its place in the beverage landscape of Pakistan by having products in four major categories i.e Carbonated Soft Drinks, Water, Juices and Energy. CCI Pakistan leads the CSD industry with Pakistan's biggest beverage brand; Coca Cola. Sprite and Fanta continue to solidify their positions in their respective segments. This paves way to move and expand within and outside this category.

With the core brands in place, CCI Pakistan strives to innovate with flavors, pack sizes and marketing initiatives. Among recent innovations, the biggest include Roar, Dasani, Sprite Lemon Mint and Cappy Joosi.





To be given by Murtaza

**Wali Ahmad**  
Director Sales

**Murtaza Abbas**  
Director Marketing

## Customer

CCI Pakistan aims to build a company that creates value and delivers sustainable long-term growth as a preferred partner for its customers. To deliver this value, CCI Pakistan puts in practice the best-in-class commercial strategies and solutions to create the perfect business partnerships.

Across Pakistan, CCI has have over 300,000 sales points, ranging from digital space to Modern/Traditional retail. CCI Pakistan delivers products from 6 plants ensuring the highest quality products to its customers. To ensure that the shopper receives the best version of its products, CCI Pakistan has consistently invested in market assets like coolers to offer chilled beverages to its shoppers.

## Superior Execution

To provide the best experience for its business partners; customers and distributors, CCI Pakistan continues to invest in developing its people and the technologies that are being used. CCI Pakistan has successfully managed to work with 100+ vendors to ensure world class execution of its activities at the trade level. This generates new business opportunities for people and CCI does its best to develop their capabilities even more.

### Customer Satisfaction

It is crucial to understand key drivers of satisfaction for the customers to “Win with the Customer”. Understanding the dynamics and taking necessary steps for a stronger and sustainable relationship, CCI Pakistan has been conducting various Customer Engagement Studies. These studies enable CCI to focus on the gap between the customers’ expectations and CCI’s current service levels. For this purpose, CCI Pakistan continues investing in studies like MOTOR, Consumer Beverage Landscape (CBL), Conjoint and Customer Satisfaction Surveys.

### Distributor Initiatives

CCI Pakistan partners with 500+ distributors employing 2000+ employees into the system. Distributor trainings along with employee trainings have proven to create value for both the customers as well as for the company. Naya Pakistan, Naya Pre-seller was the biggest initiative to enhance capabilities of the distributor workforce. CCI Pakistan continues to collaborate with its partners to maintain service levels across the board.





# OUR PEOPLE

Our people remain our greatest assets. Our goal is to attract, develop and retain high-caliber people with the skills, attributes and drive to help the Company achieve its current and future strategic objectives. We support the continuous development of a winning culture through our human resources management policies - treating all employees and contractors fairly, providing them a safe working environment, compensating our employees in accordance with industry standards, and providing them comprehensive benefits. In addition, we provide continuous development opportunities to employees, allowing them to advance their careers.

# TALENT DEVELOPMENT

## Talent Acquisition and Development

CCI Talent Management Program aims to identify, acquire and develop diversified talent to achieve employee satisfaction whilst continuing to strive for business success at every level. Each employee at CCI Pakistan has talent and expertise that are paramount to CCI Pakistan's success. The Leadership Team takes full responsibility for assisting and facilitating their employees in enabling them to realize their full potential and meet their career aspirations. As a step towards realizing this objective, the employees are provided with Short-Term Assignments (STAs) and Long-Term Assignments (LTAs) where employees are given the exposure to work between the 10 countries of CCI's geography.

## A Performance Driven Culture at CCI Pakistan

Following a performance-driven culture at CCI Pakistan, the Individual Development Program (IDP) contributes as an employee performance-tracking source for CCI Pakistan as well as its employees. Under this program, employees are given an opportunity to paint their own future by building their own career development profiles which keeps their career aspirations and mobility preferences in check for career progression.

The Talent Development Forum is regularly reviewed at CCI Pakistan as a part of its performance management system to distinguish the talent pool, create bench strength and accordingly identify the right fits for the right roles. The recently introduced Talent Readiness Index (RTI) shows the usage of internal talent pool ratio and tracks the overall succession readiness (indexing bench strength) across CCI. Exceeding the target in 2018, CCI Pakistan achieved 54% TRI with its bench strength remaining the highest across all CCI countries.





“ We strive to create a winning culture where everyone lives our company values and create value for our customers, employees and society.

**Hasan Adnan Ahmed**

Human Resources Director

”

### Apprenticeship Program

The Apprenticeship Program is an occupational training program that combines on-the-job work experience with technical or classroom study. The Program also aims to provide a unique skill set to its apprentices through rigorous on job training, tests and assessments.

### Management Trainee Program

In efforts to cultivate the best external talent pool into CCI Pakistan, Management Trainees are recruited through the Management Trainee Program annually. Through this program graduates from the leading universities of Pakistan are hired in various fields. During the training period, CCI Pakistan's Management Trainees are exposed to a rigorous training process in which their functional as well as cross-functional competencies are polished. After the training period is over, the top performers are given suitable roles in their desired functions, after a careful periodic evaluation of 12 months.

### Summer Internship

CCI Pakistan ensures that the young talent of Pakistan is given various opportunities to work with high profile teams on national level projects. One such initiative is the

Summer Internship Program. Every year, interns from the top universities of Pakistan are recruited for 4-6 weeks program, through which it is ensured that each intern is exposed to a valuable work experience, a defined career path, a professional network and corporate competencies.

### Diversity and Inclusion

We welcome diversity within our workplace. Diversity in terms of gender, ethnicity, skill, thought, experience, and language are all important elements of our people strategy and are key drivers for our success. We are firm believers that the rich mix of experiences and skills allows us to better understand the needs of all our customers, suppliers and communities - helping us create innovative solutions and increase our corporate responsibility initiatives.

Our selection process is unbiased, and our goal is to hire creative thinkers, and innovators who display out-of-the-box thinking. Multi-taskers, flexible and positive people - who retain a global perspective and continuously improve and inspire themselves and those around them - remain our key strengths and ultimately our business drivers.

# TRAINING AND DEVELOPMENT

## Commercial Development

CCI Pakistan strives to enhance the capabilities of its valued distributors by providing them learning opportunities to maximize market efficiencies. Some of the initiatives taken to develop Commercial Teams to their full potential include:

### Pre-Seller Academy

Pre-Seller Academy targets the pre-sellers from different distributions in training them to work more professionally, efficiently and effectively. This two weeks program covers in-class, online and zoom coaching modules. The pilot project was introduced in 2018, covering distributions where 57 pre-sellers were successfully trained.

### Sales Academy

Sales Academy is a capability enhancement plan which targets Area Sales Managers (ASMs), Distribution Advisors (DAs) and Sales Developers (SDs) in enhancing their skills relevant to their field of operation and enabling them to extend knowledge to their teams. Since 2018, approximately 730 people have been trained, including ASMs, DAs and SDs, through this initiative.

### On the Field

It is a business learning session for all the Sales Managers (SMs) which comprises of encouraging the participants to have an innovative mindset and maximize best practices of field coaching. This is achieved by assigning activity-based roles to the participants which are similar to their fields of operation.



## Leadership Development

Through Leadership Development, CCI Pakistan emphasizes on building leadership capabilities for current and future business needs. CCI Pakistan champions the art of developing and delivering highly interactive content and provide a learning culture to build future leaders with the desired competency levels. Some of the projects taken under Leadership Development include Future Leaders Development Program (FLDP) and SOB (Supervisor on Board). In FLDP, capability building training sessions are held for the management employees (ASMs, DAs) to create an environment of growth so that the trainees achieve optimum results while working on the Field and allow them to be better leaders. SOB is another program which aims to improve the participants' basic team management skills and enables them to

become better people managers. With a target audience of about 905 people, the program was launched in Pakistan along with other CCI countries in 2015. Through FLDP and SOB, 1500 employees were given trainings on Leadership Development.

## Functional Development

CCI Pakistan aims to build an organization that focuses on learning for all. To make learning easier for the employees, a digital platform called "Learning Nuggets" was introduced in 2018. It allows the employees to provide bite sized learning and knowledge about their professional experience and expertise. This is done through recording videos and then uploading them on a platform which is accessible to all employees



## AWARDS & **RECOGNITION**

CCI Pakistan has been recognized at various forums for its business practices. Year on year improvements have led CCI Pakistan to win many accolades. Among these include RED Global Award in 2011, EAG RGM Future Leaders Academy in 2013, Best Customer & Commercial Leadership in 2014 and MENA BU Execution Cup in 2016.



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## CSR & **SUSTAINABILITY**

Societal responsibility and Sustainability remains an integral part of our corporate culture. Our communities are essential to our success. We, therefore, take our responsibility towards members of our community very seriously. We focus on projects pertaining to Water stewardship, Environment, Women Empowerment, Youth Engagement and Volunteerism. We remain supportive towards promoting organizations and programs, as well as collaborating with them, to further augment our initiatives and impact lives

# CORPORATE SOCIAL RESPONSIBILITY

## Focus Area



Water  
Stewardship



Environment



Women  
Empowerment



Youth  
Engagement



Volunteerism

## Water Stewardship

### Paani

Clean drinking water is an essential requirement for any community to operate and live a healthy lifestyle. Realizing the need of clean drinking water in the underprivileged areas of Pakistan, CCI Pakistan collaborated with WWF & Government of Pakistan to set up 28 water filtration plants across the country. With this initiative, CCI Pakistan has made clean drinking water accessible to approx. 1 Million people per day. Multiple awareness campaigns were also run to educate the people on the benefits of consuming clean drinking water thus preventing any water borne diseases.

paani 

28

Water Filtration  
Plants Nationwide

Upto 2,000

Liters / hour / plant

Over 1,000,000

Beneficiaries / day





## Environment

### Clean & Green Drive

CCI Pakistan initiated nationwide “Clean & Green Drive”. With this initiative, employees of CCI Pakistan volunteered to conduct cleanup of various public parks in multiple cities and coastline in Karachi. The employees of CCI Pakistan along with other stakeholders including government functions were able to collect and dispose approx. 1000KGs of waste and plant 50,000 trees across major cities of Pakistan.

## Women Empowerment

### Zarya Project

The project aims to enable women to play a productive role towards socio economic development and empowerment. CCI Pakistan has distributed interest free loan of Rs . 50,000/- to 28 female micro -entrepreneurs; to establish grocery stores named, “Tabeer Store” and distributed pink rickshaws for female drivers and passengers named “Zeenat Gaari” . These loans were returnable on easy instalments. The recovered funds were later utilized for establishing further small scale enterprises for women. Initially 15 business were funded in 2015, and 12 new ones were established via loan recovery.

## Youth Engagement

### 3.2.1 Bhago

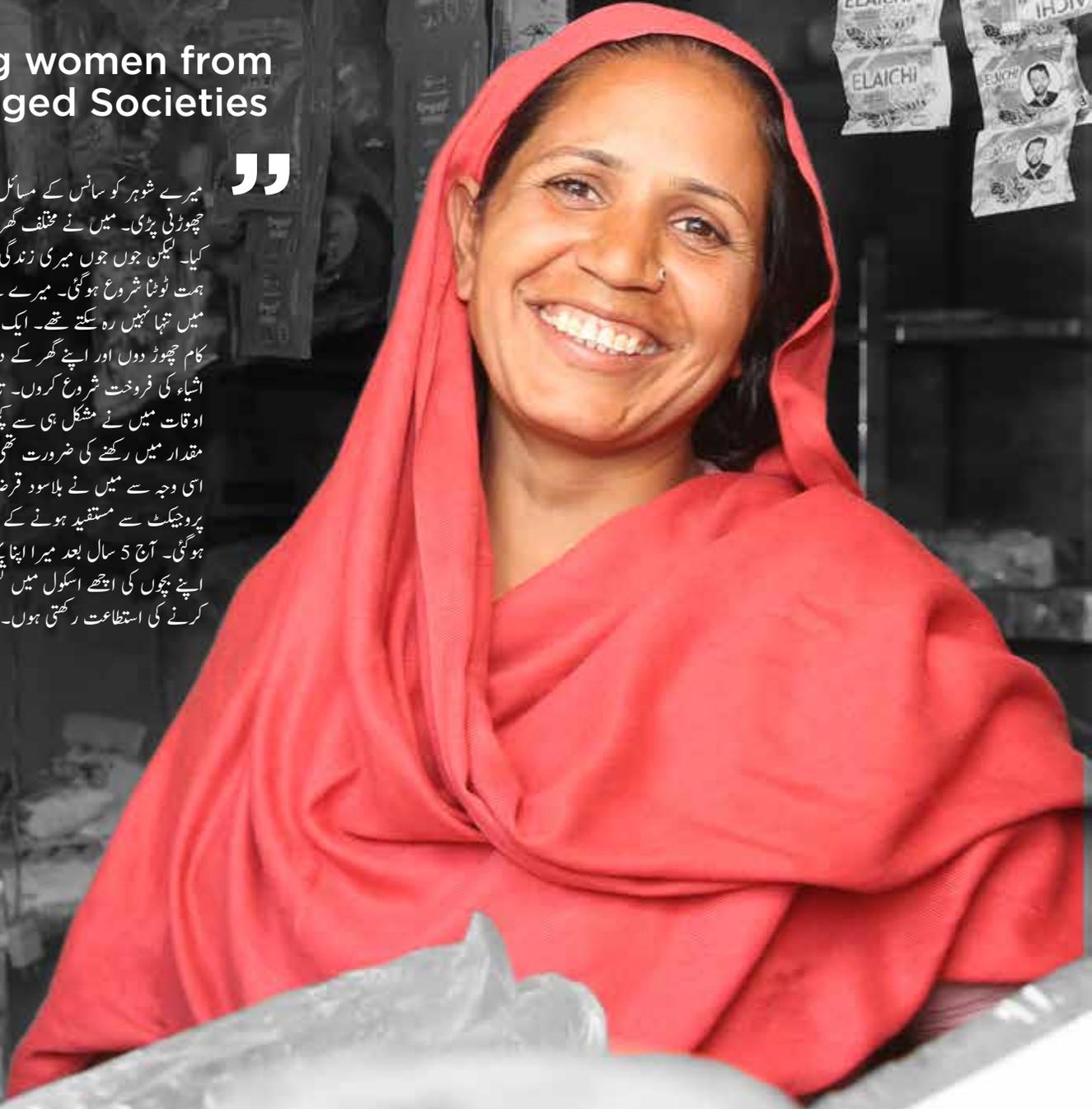
CCI Pakistan considers “Youth” as the future of the nation. There is no greater asset than a healthy & educated youth to ensure a nation’s brighter future. Our youth empowerment projects and collaborations are aimed strengthen Pakistan, hence CCI Pakistan launched “3.2.1 Bhago” whereby youth from schools in underprivileged areas was engaged in various activities promoting active and healthy lifestyle, both educating and enabling them to adopt better habits amongst the youth of Pakistan.

# تعبیر

Empowering women from underprivileged Societies

” میرے شوہر کو سانس کے مسائل کے باعث اپنی ملازمت چھوڑنی پڑی۔ میں نے مختلف گھروں میں جا کر کام کرنا شروع کیا۔ لیکن جوں جوں میری زندگی کے دن گزرتے گئے میری ہمت ٹوٹنا شروع ہو گئی۔ میرے بچے بہت چھوٹے تھے اور گھر میں تنہا نہیں رہ سکتے تھے۔ ایک دن میں نے فیصلہ کیا کہ یہ کام چھوڑ دوں اور اپنے گھر کے دروازے پر ہی چھوٹی موٹی اشیاء کی فروخت شروع کروں۔ تاہم یہ اشیاء ناکافی تھیں اور باز اوقات میں نے مشکل ہی سے کچھ کمایا۔ مجھے ان اشیاء کو زیادہ مقدار میں رکھنے کی ضرورت تھی تاکہ میں اپنا کام کرسکوں اور اسی وجہ سے میں نے بلاسود قرضہ کے لئے رجوع کیا۔ ذریعہ پروجیکٹ سے مستفید ہونے کے فوری بعد میری زندگی تبدیل ہو گئی۔ آج 5 سال بعد میرا اپنا پہلے سے بڑا اسٹور ہے اور میں اپنے بچوں کی اچھے اسکول میں تعلیم کے اخراجات برداشت کرنے کی استطاعت رکھتی ہوں۔ شکریہ سی سی آئی پاکستان۔“

روینہ بی بی





# VOLUNTEERISM



Tree Plantation Drive

Beach Clean up

Ramzan Food Drive

School Mentorship



City Clean up

Blood Donation Drive

Health Awareness Campaigns



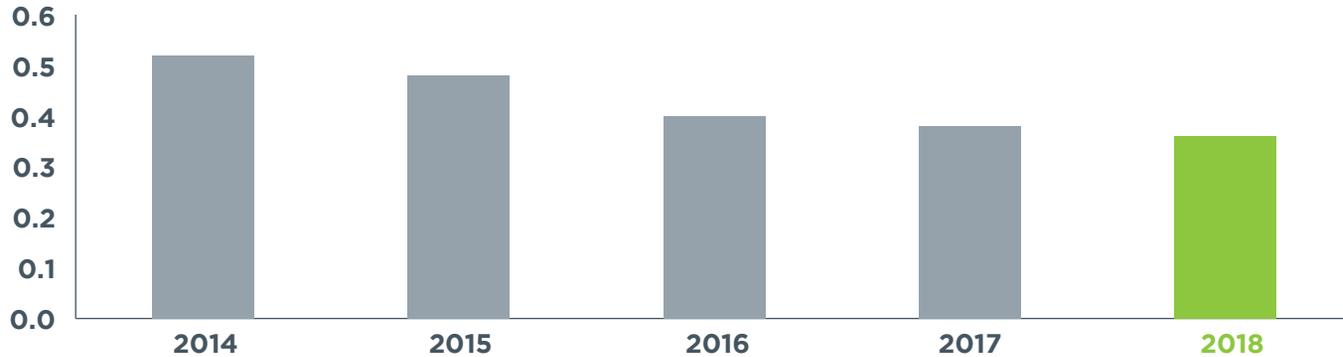
# SUSTAINABILTY

## Energy Efficiency

Energy Efficiency at CCI is recognized as one of the Key indicators to protect the rapidly deteriorating local & regional climate. CCI Pakistan recognizes that climate change may have medium term direct and indirect implications for its business, supply chain and communities.

Keeping in mind the importance of Energy Efficiency, CCI Pakistan Plants are continuously striving to lower their Energy Usage Ratio as evident from in the below trend:

### Energy Usage Ratio - MJ/L

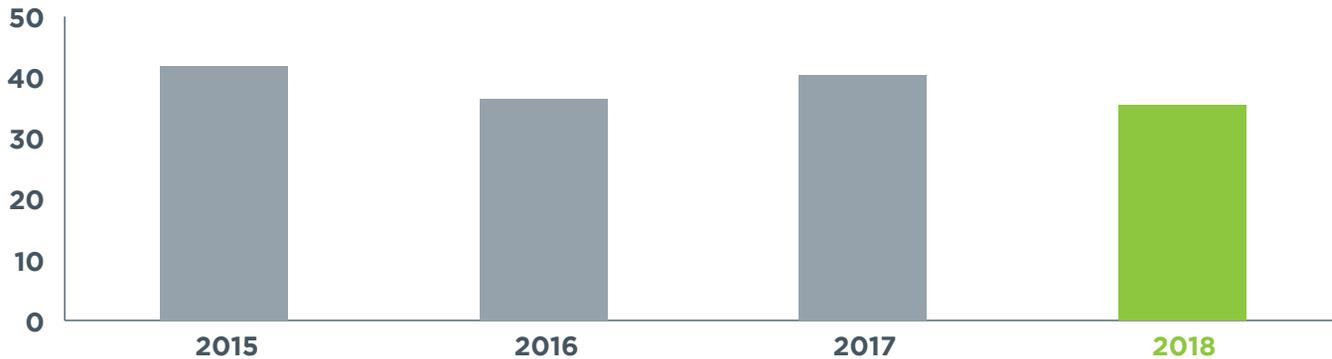


- EUR is defined as MJ of Energy used for producing one Liter of Product

## Green House Gases (GHGs) Emissions Intensity

Sustainable performance of the business is closely related to CCI Pakistan's sourcing, packaging, manufacturing, distribution and refrigeration processes. To decrease the carbon emissions created during these processes, CCI Pakistan has several practices in place such as transportation & cooling of the materials. Resultantly, GHGs Emissions for CCI Pakistan have been decreased from 42 g/L to 35 g/L in 2018.

### Green House Gases Emission Ratio - g/L



[GHG Emission Ratio is defined as Grams of CO<sub>2</sub> produced for manufacturing one Liter of Product]

Preserving the future of our planet is a fundamental part of our sustainability vision. We continuously strive to minimize our impact on climate change using less natural resources through operational excellence, innovative plant optimization and capital investment.

**Servet Yildirim**

CCI Group Corporate Affairs Director

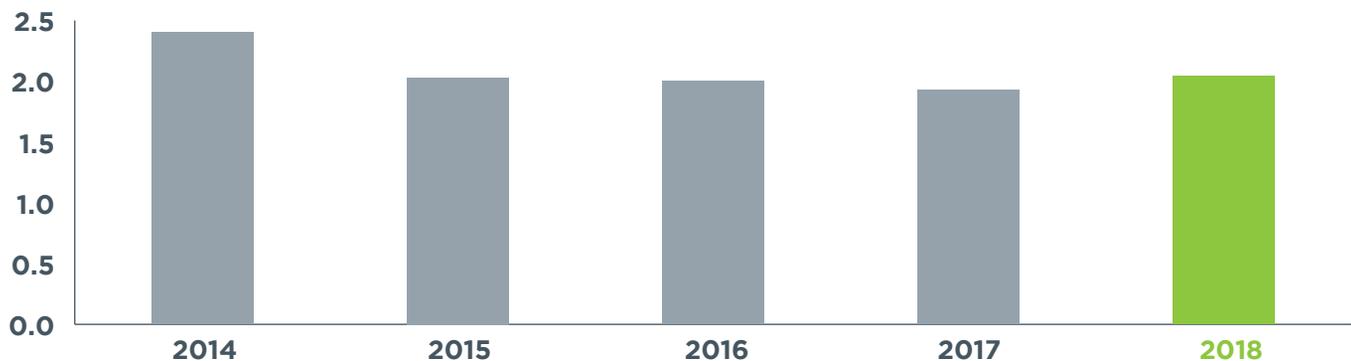


## Water Stewardship

CCI Pakistan is firmly committed to Water sustainability by reducing water consumption in its production facilities and also aims for continual improvement in Water Usage Ratio.

Water Usage Ratio (WUR) is defined as "Liters of Raw water used for producing one liter of product". It is one of the important Key Business Indicators of CCI's seamless operations. Every year, CCI Pakistan plans and executes projects which help in conservation of water to decrease WUR.

### Water Usage Ratio

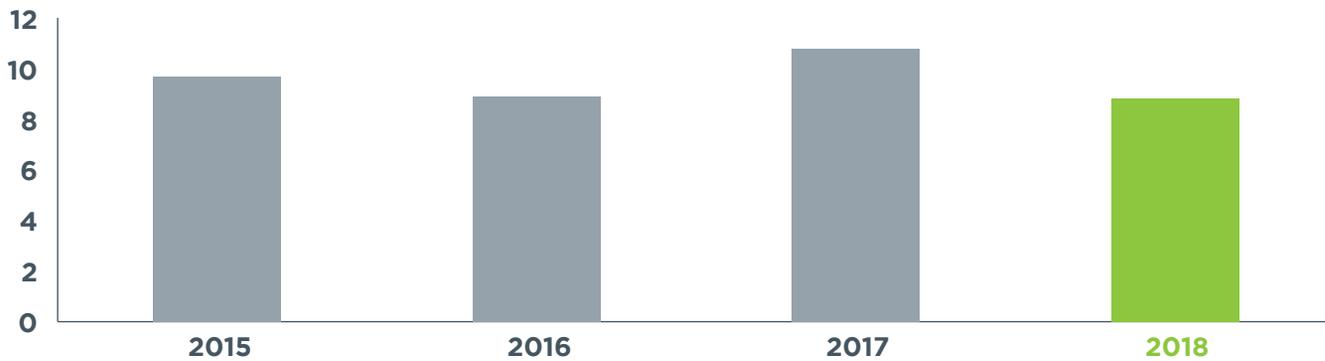


- Since 2013, there has been more than 23% improvement in water efficiency.
- In 2019 the goal was to achieve a WUR of 1.80 which was 12% lesser than the previous year

## Solid Waste Generation Ratio

CCI Pakistan as a responsible corporate citizen takes full responsibility of the waste generated by its processes. Waste generated by processes at CCI Pakistan goes through environmental management system. Efforts are ensured to minimize the environmental footprint by reducing the amount of waste and disposing the waste generated safely and in compliance with legislation. The main strategy is based on preventing, reducing, reusing, recycling and recovering the waste.

### Solid Waste Generation Ratio - g/L



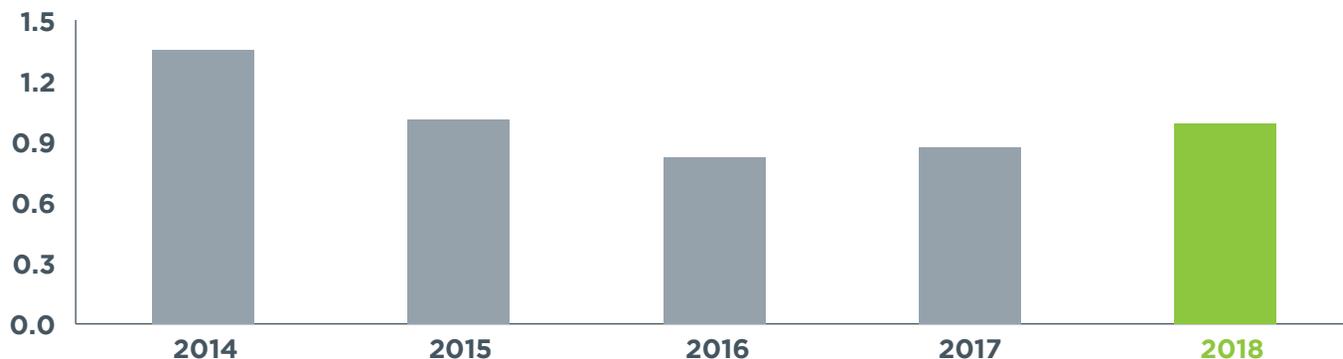
[Solid Waste Generation Ratio is defined as Grams of Waste produced for manufacturing one Liter of Product]

## Wastewater Generation Ratio

CCI Pakistan has high standards for the wastewater that is discharged. Not only does CCI Pakistan comply with local laws regulating wastewater treatment and discharge at all its production plants, but CCI Pakistan also acts in accordance with TCCC's standards that determine the wastewater pollutant limits for the operations. In many cases the allowed discharge limits set by TCCC are much lower than the limits established by the local authorities.

To monitor and manage the quality of the wastewater that is discharged, CCI Pakistan also measures the amount of wastewater discharged per liter of product as given below that have decreased from 1.35 L/L in 2014 to 0.99 L/L in 2018.

### Wastewater Generation Ratio - L/L



## Audits Compliance Status

Compliance with product safety, quality requirements and the Environmental obligations on surrounding community as well as keeping wellbeing of the employees is the top priority of CCI Pakistan.

Product Safety, Quality, Environmental, Health & Safety and Supplier requirements by CCI Pakistan's production plants are regularly monitored through 3rd Party Audits Like QMS 9001, FSSC 22000, EMS 14001, EnMS 50001, SGP & unannounced audits by TCCC. All of CCI Pakistan's plants are currently compliant to these 3rd party as well as TCCC's Audits except EnMS 50001 which is planned for Karachi in 2020.

Plant	GAO	SGP	QMS	EMS	FSSC	EnMS
<b>LHR</b>	Pass	Green	✓	✓	✓	✓
<b>GUJ</b>	Pass	Green	✓	✓	✓	✓
<b>MGF</b>	Pass	Green	✓	✓	✓	✓
<b>FGF</b>	Pass	Green	✓	✓	✓	✓
<b>RYK</b>	Pass	Green	✓	✓	✓	✓
<b>KHI</b>	Pass	Green	✓	✓	✓	Planned - 2020

## Utilization of Treated Waste Water

CCI Pakistan has signed an MoU with PHA (Parks and Horticulture Authority) Lahore to provide treated waste water. CCI Pakistan being a responsible corporate citizen will provide treated waste water to PHA for a period of five years for carrying out routine watering of green belts, parks and cleaning of roads in Lahore. This initiative will help conserve millions of litres of precious drinking water which is currently being extracted from the ground for the purpose of horticulture watering. CCI Pakistan's Lahore plant has a capacity to provide up to 40,000 liters of treated waste water per hour to PHA.





*Coca-Cola*

*Coca-Cola*



S  
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SOCIO-  
ECONOMIC  
**IMPACT  
REPORT 2019**

Study of Lahore University of Management Sciences (LUMS)

# EXECUTIVE SUMMARY

This executive summary examines the economic impact of CCI Pakistan (Coca-Cola Beverages Pakistan Pvt Limited) on the domestic economy. This study was conducted in 2019-20 and offers a broad assessment of the enterprise development and economic linkages.

Over the past few years, Pakistan's economy has struggled to achieve higher growth rates, lower inflation and unemployment numbers. The most significant economic challenges that the country faces are that of poverty alleviation and quality of life of the labor due to lack of employment opportunities. However, the private sector, comprising of both local businesses and multinational companies have had a positive impact with their long commitment and strategic investments.

With the scale of operations, multinational corporations like CCI Pakistan have the potential to generate employment and make investments in human capital. Even though the economic milieu of Pakistan has been unstable for many years, CCI Pakistan has continued to serve as role model enterprise, fulfilling a long-term commitment to the country. The level of its commitment can be gauged from investments it has made in the recent years and its extensive Corporate Social Responsibility (CSR) projects which are aimed towards uplifting the underprivileged communities of the country. The company, with its trusted brand has established strongholds in both urban and rural areas with strong at shopping centers of major cities and the informal retail outlets like 'khokhas', 'pan-shops' along with small stores.

CCI Pakistan is capable of increasing the overall competitiveness of the economy and generating employment opportunities. It can also prove to be beneficial for both consumers and producers as the purchasing power of consumers will increase as a result of job creation and skill generation, and producers will gain economies of scale with growing production.

The economic concept of growth emphasizes that local competition and business networks hold the power of enterprise development. This study argues that due to economic linkages which correlate one sector with another, expansion of an enterprise in one sector can lead to manifold growth in other sectors in terms of income, output, and employment.

CCI Pakistan is seen as the core of a competitive cluster in Pakistan. A larger network of businesses is tied to this core system including suppliers, distributors, wholesalers, and retailers spanning over every region of the country. Thus, the employment network of the company extends from plant managers to salesmen in 'khokha' outlets. The company plays a vital role in Pakistan's domestic economy. Therefore, this study has been conducted to comprehend the macro-level as well as micro-level contribution of CCI Pakistan in Pakistan's economy. The study is divided into three parts. First part explores the nature of the CCI Pakistan system, focusing on the economic impacts of the company's value chain. The second part is designed to capture the company's economic impact on the informal sector in terms of income and employment. Finally, to conclude, major CSR initiatives were also evaluated to measure the socio impact it has had on people's lives.

To assess the impact in informal sector, a telephonic survey was conducted by the researchers, and responses were recorded from selected random sample of business outlets spread across the country. Furthermore, for CSR projects, primary data collection techniques were employed. The findings are summarized below.

## Principal Findings

The study discusses the economic linkages between CCI Pakistan and other sectors within the Pakistan's economy. It elaborates the impact CCI Pakistan has had in the country. In particular, the study shows the extent to which the CCI Pakistan generates income and employment while also highlighting the substantial direct and indirect effects it has had on local businesses. The report also highlights the company's overall tax contributions made. The overall impact CCI Pakistan has had on the economy is later captured by calculating economic 'multipliers'.

The major findings of this study are as follows:

- CCI Pakistan's value-chain adds staggering Rs. 865,031.2 million (approx.) of income to country's GDP annually- which is 1.95 percent of the national GDP.
- Total impact multiplier in terms of output on GDP including direct, indirect and induced effects is 2.74 percent.
- CCI Pakistan significantly increased income and profits for more than 267,000 business outlets. Multiplying this number with average household size in Pakistan, CCI Pakistan has raised standard of living of more than 1.7 million people.
- CCI Pakistan supports one of the biggest distribution networks in the country. The distribution network generates Rs.3170.736 million annually. In addition, the distribution network alone has a workforce of over 10,000 people in the value chain.
- CCI Pakistan and its distribution network directly employees 13,764 people. Direct Employment effect is estimated as 2.71, while employment multiplier is estimated to be 3.87.
- According to the estimates of the survey, there is approximately a 28 percent employment spillover effect due to the sales of its products. For the entire population, CCI Pakistan increases both full-time and part-time employment by more than 60,000 in the informal sector.
- The government's income from the CCI Pakistan network is more than Rs. 29,983 million per annum. The tax multiplier is estimated to be 1.21.
- A diverse range of sectors benefit from the production and distribution of the Coca-Cola products. These include plastic products, motor-vehicles, electricity, business services, trade, food, and agriculture. In particular, the advantage to the sugar industry, along with its important linkages, due to the large local purchases is also documented in the study.
- 'PAANI' Initiative is providing access to clean drinking water at 28 locations nationally with an outreach to approximately 1 million beneficiaries. The results from survey report reflect significant savings for beneficiaries due to access to free clean water. These beneficiaries also reported significant decrease in water borne diseases.
- 'Zarya' project has been another success story in terms of women entrepreneurship and empowerment. It provided interest free loans to needy women to set up a "Tabeer Store" and to buy female driven Rickshaws-"Zeenat Gari". Zarya project has successfully increased socio-economic status of the women and their families.

In addition, it is important to discuss micro-enterprise development because it provides an alternative source of income and employment when the formal sector cannot absorb all the individuals seeking work in the economy. Many small retail operations stay in business and remain profitable for years. They develop into a stable segment and become prominent features of many communities. In addition to the documented facts, field survey conducted also captured the bigger picture of overall enterprise developments.

Input-Output model and the Social Accounting Matrix (SAM). These models allow calculation of detailed impacts in terms of private incomes, government income and outputs.

# METHODS AND TERMS

The scope of the study is not only limited to the documented economy; it also takes into consideration the informal economy. To capture the economy-wide impact of the company, primary data from the informal sector was collected through telephonic surveys. A random sample was selected from total number of business outlets to collect primary data. A question regarding the income tax status of the business was included in the survey in order to distinguish between the formal and informal sector. Data from the surveys collected for the informal sector was then used to measure the direct effect of CCI Pakistan in the informal sector of the country. This impact cannot be estimated through the Social Accounting Matrix (SAM). The surveyed outlets were diverse in terms of location and the degree of business they derive from CCI Pakistan.

In order to measure economic multipliers using input-output model, study benchmarked SAM tables estimated by International Food Policy Research Institute (IFPRI). This, along with data from CCI Pakistan, provided all the necessary inputs needed to model the company's total impact on the Pakistani economy in terms of income, output and other economic variables.

This study uses the standard economic impact calculation models, that is, the Points which are worth noting for the purpose of this study are given as follows:

- CCI Pakistan represents as Coca-Cola bottlers headquartered in Lahore.
- The economic impact necessarily exemplifies the direct and indirect impacts,
- CCI Pakistan operates nationwide having centers of production at Faisalabad, Gujranwala, Lahore, Multan, Rahim Yar Khan & Karachi, in addition it has a warehouse in Islamabad & Peshawar and Sales Offices in Sahiwal & Sialkot strengthening the nationwide distribution and transportation network.

# PREFACE

This study examines the economic impact of CCI Pakistan on the domestic economy, focusing on the role of multinational corporations in the development of local businesses.

The link between multinational corporations and entrepreneurial development at the local level has long been a subject of interest amongst researchers. This connection is worth exploring because the scale of operations of multinational companies, like CCI Pakistan, offers benefits which include job creation and knowledge spillovers. As a consequence, can yield significant welfare improvements for the domestic economy.

This study was initiated in October 2019 on the request of CCI Pakistan representative and was funded by the company itself. We whole heartily thank Mr. Imran Anjum Director Public Affairs & Communication, Mir Zain Talpur Communications Manager & Ms. Zunaira Mobashir Alam CSR & Sustainability Executive for assisting us throughout the research and providing us with all the required information.

The results of this study are based on internationally acknowledged economic modeling techniques. The lead researchers for this report is Dr. Kashif Zaheer Malik (Assistant Professor) This report was compiled in multiple stages which include setting up the research agenda, defining the methodology, collecting the data, analyzing the results, and preparing the final report. The Research Assistant for this project, Mr. Umer Zahid and Mr. Ahsan Tariq, assisted the lead researchers in all stages of the research. However, it should be acknowledged that this study was assembled through the effort and cooperation of many more people than those recognized here.



# INTRODUCTION

## Goals & Objectives of the Study

Pakistan's economic woes – dwindling foreign exchange reserves, massive devaluation of rupee, low exports, high inflation, unemployment and growing fiscal deficit – resulted in sluggish growth in the last financial year. However, the most significant economic challenge that Pakistan faces is of poverty alleviation. Not only is the unemployment in the country very high, the skill level is found to be very low. Improving the employment opportunities and, thereby, decreasing the poverty gap of each individual household necessitates huge investments by the private sector. However, employment will rise only to the extent that the private sector, comprising of both local businesses and multinational companies, makes long term, substantial commitments to invest in the economy.

CCI Pakistan brings globally competitive standards of marketing, management and production to the local markets. Due to its large scale of operation, multinational corporations like CCI Pakistan have the potential of creating jobs and investing in human capital on a large scale. In fact, CCI Pakistan represents one of the largest employment generating enterprises of Pakistan's economy. Their products are sold in almost all regions of the country: Punjab, Sindh, Kashmir, KPK, Balochistan. The company has also made strategic investments in distribution infrastructure, vendor development (in terms of operational, technical as well human capital development) and production lines. These strategic investments have helped deepened CCI Pakistan's linkages within the country's diversified market structure. CCI Pakistan has created demand for new localized materials, especially packaging, which is better in terms of environmental sustainability. Aluminium CAN packaged beverage product line created demand and encouraged investment in local aluminium CAN manufacturing. Understanding the company's employment and distribution networks, competitive character and business

linkages may provide clues to solving some of the country's poverty and employment related issues as well as other economic problems.

Questions are asked as to how CCI Pakistan is spreading benefits country-wide? What are the real contributions made in terms of business, employment, and income for the domestic economy? These are the questions that will be addressed in this report.

The intent of this study is to evaluate the direct, indirect and induced impact of the company on Pakistan's economy. Additionally, another purpose of this research is to investigate how micro-enterprises in the beverage sector fits within the larger framework of business linkages in Pakistan. The central objectives of the study have been summarized as follows:

- To assess the economic multiplier effects of the CCI Pakistan, focus remains on its impacts on employment and income.
- Analyzing the relationship between CCI Pakistan and the informal microenterprise sector of Pakistan.
- Evaluating CCI Pakistan's CSR projects.

In order to achieve these objectives, extensive efforts were undertaken to study and calculate the economic multiplier effect of CCI Pakistan. An entire value chain of goods and services involved in the production and distribution of the company products were examined and studied. The primary data used for this analysis was based on the surveys carried out by the research team. A brief questionnaire was also designed to collect necessary information from outlets selling Coca-Cola products.

Furthermore, the Social Accounting Matrix (SAM) was employed to study the economic impacts of production and investment, as it is the most reliable economic model available for calculating impacts. The SAM is capable

of estimating the impacts on production activities for a wide range of sectors which include but are not limited to the manufacturing sector, the agricultural sector and the services sector. Although most economic-impact analyses emphasize upstream linkages captured by the input-output model, a unique aspect of this analysis<sup>1</sup> is the extension of the existing economic methods for capturing the specific nature of downstream linkages in Pakistan.

Before moving on, a few caveats should be acknowledged at the outset of the report. Firstly, the methodology is oriented towards examining the current structure of CCI Pakistan based on the available data on its operations and capital expenditure. Nonetheless, it should be stated that every model requires complete data and rests on many assumptions. The appropriate assumptions, for the case in point, are explained in subsequent sections. Thus, due to limitations, none of the model builds a complete account for all the complex economic effects of international business and local economic activity. Hence, it should also be noted that the results represent only a snapshot in time— as modeled during 2019. The world changes and so does Pakistan; therefore, the relationships underlying this analysis are prone to change.

For the purposes of this study, the most credible modeling technique were used in order to obtain reliable results. The sole focus of this study is not only to calculate multiplier effects but also to identify the local connections CCI Pakistan has in the country. Notably, the study also probes the special role of the CCI Pakistan in the informal sector of the Pakistan's economy. Pakistan is a country where, according to one estimate, informal sector account for 91 percent of the formal economy (Kemal, Wasim, 2012): informal sector<sup>2</sup> is one which doesn't pay any direct taxes and the government has no record of the businesses in this sector. To gain an insight on the informal sector and to study its interaction with the CCI Pakistan, a survey was designed, and data was collected from informal business outlets. The micro

businesses canvassed were to reflect both Pakistan's mix of retail channels and geographical diversity—the country's cities, townships, villages and rural areas. The survey instruments included requests for precise business information, such as type of business, employment, turn over, and net income and profit, as well as demographic characteristics of the small business owners and their employees. This primary data collection brought up essential information related to the extent of linkages between the multinational enterprise and local business. In this path, a primary objective is to discern whether the microenterprises offer sustainable livelihoods and, thus, help alleviate poverty and spread economic benefits.

In totality, this study examines the structure and impact of CCI Pakistan- as an important business entity—the hub of the beverage cluster. Accordingly, this cluster may serve to exemplify country's potential for enhancing jobs and business opportunities, even in other wise impoverished settings.

The remaining study is divided into the following sections.

- Section 2: Explains the macro-economic and business conditions in the country.
- Section 3: Outlines the economic impacts and the multipliers measured through input-out analysis and Social Accounting Matrix (SAM).
- Section 4: Enlists the sampling techniques, data description and survey findings.
- Section 5: Impact of Corporate Social Responsibility Projects:
  - Saaf Pani Project in collaboration with World Wildlife Fund(WWF)
  - Zarya
- Section 6 : Conclusion and Recommendations

<sup>1</sup> Impact analysis typically means tracing the supplier relations and indirect effects stemming from production activities.

<sup>2</sup> Informal sector is the sector which is not registered with FBR and don't pay any direct taxes.

# MACROECONOMIC CONDITIONS

This section discusses the current micro and macro-economic conditions and challenges in Pakistan that shape the business climate of the country. At the macro-economic level, the country is in dire need of increasing growth, controlling inflation, stabilizing the currency, instilling and sustaining investor confidence, and stimulating employment. However, in many respects, creating and sustaining employment is a micro-economic issue which requires boosting the country's competitive advantages from the bottom-up, i.e. raising firm competitiveness and productivity.

Thus, it is pertinent to begin with a brief overview of the major macro-economic issues confronting Pakistan. These serious economic challenges and the position of CCI Pakistan in the competitive structure of the economy are the essential topics to be explored. Once briefly discussing the macroeconomic conditions, the report will further understand the CCI Pakistan's role in building a competitive cluster in the beverage industry of Pakistan. CCI Pakistan interacts extensively with the formal and informal sectors of the economy, in particular deep

linkage in the retail-trade sector. The characteristics of these linkages will be discussed in subsequent sections. An assessment of the macroeconomic environment in a country is vital for a business to gauge its operational performance. Businesses draw inputs such as human and physical capital from the environment and are affected by local aspects like economy, government, law, politics, culture, and technology. Stable economic growth will ensure a consistent flow of goods and services amongst consumers, suppliers, and firms. On the other hand, a high interest rate might discourage private investments subsequently, leading to low growth rate of the economy. There are also trade-offs with regards to the allocation of resources to a particular sector and its broader impact on the surrounding entities. Therefore, it is imperative to account for macroeconomic factors in order to analyze the impact of CCI Pakistan in the country.

The table below offers a snap-shot of important macroeconomic indicators of Pakistan from the years 2014 - 2019.

**Table 2.1 Macroeconomic Summary of Pakistan**

Indicator Name	2014	2015	2016	2017	2018	2019
GDP Growth (annual %)	4.67	4.67	4.67	5.54	5.83	3.37
Inflation, Consumer Price (annual %)	7.18	7.18	7.18	4.08	5.07	10.6
Nominal Exchange Rate (Against US\$)	100.63	100.63	100.63	110.63	137.5	154.5
Current Account Balance (% of GDP)	-1.3	-1.3	-1.3	-4.1	-6.3	-4.6
Lending Interest Rate (% of GDP)	11.73	11.73	11.73	8.21	8.53	13.25
Investment (% of GDP)	14.6	14.6	14.6	16.15	16.73	15.44
Unemployment	5.8	5.8	5.8	5.7	5.79	6.14

Source: (World Bank Development Indicators, Trading Economies, CEIC Data Bank,2020)

## GDP - Agricultural and Industry Sector

Agriculture sector dominates the economy by contributing around 24% to GDP. It accounts for about half of employed labor force and is an important source of foreign exchange earnings.<sup>3</sup> Its key contributions are cotton, wheat, rice, sugarcane, fruits, vegetables, milk, beef, mutton, and eggs. Given the importance of this sector, the government has taken measures to promote its productivity through increased competitiveness and by providing a friendly climate for investment.

On the other hand, the industry sector contributes around 18% to Pakistan's GDP and accounts for about 24% of employed labor force. Industrial production in Pakistan decreased by 4.61 percent in November of 2019 as compared to the same month in 2018. There are several reasons for the low performance of the sector, including cost of doing business, high cost of electricity and gas, exorbitant interest rates, currency devaluation and inflation.

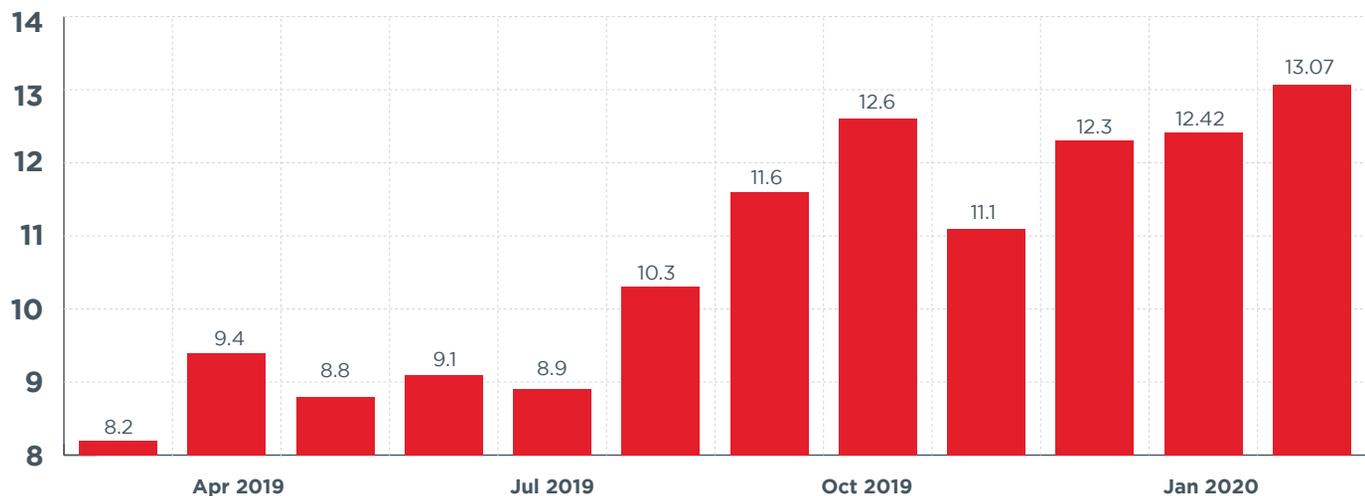
## Unemployment

Aggregate demand contraction in the last financial year has significantly contributed towards high unemployment. The economic slowdown has not only prevented employers from hiring new workers in the market but has also forced many of them to lay off staff in order to adjust to the emerging tough working environment. Furthermore, since the informal networks and underemployment persist, the official unemployment rate of 6.14% does not even depict the true picture. Moreover, the shortage of electricity and increasing cost of doing business has resulted in slowing of the industrial sector which in turn decreased demand for labour. There is also a lack of technical training due to which businesses suffer and businessmen are forced to lay off workers.

Pakistan's annual inflation rate rose to 13.07 percent in January 2020 from 12.42 percent in the previous month. This was the highest inflation rate since June 2011, mainly due

## Inflation

Figure 2.1: Pakistan Inflation Rate



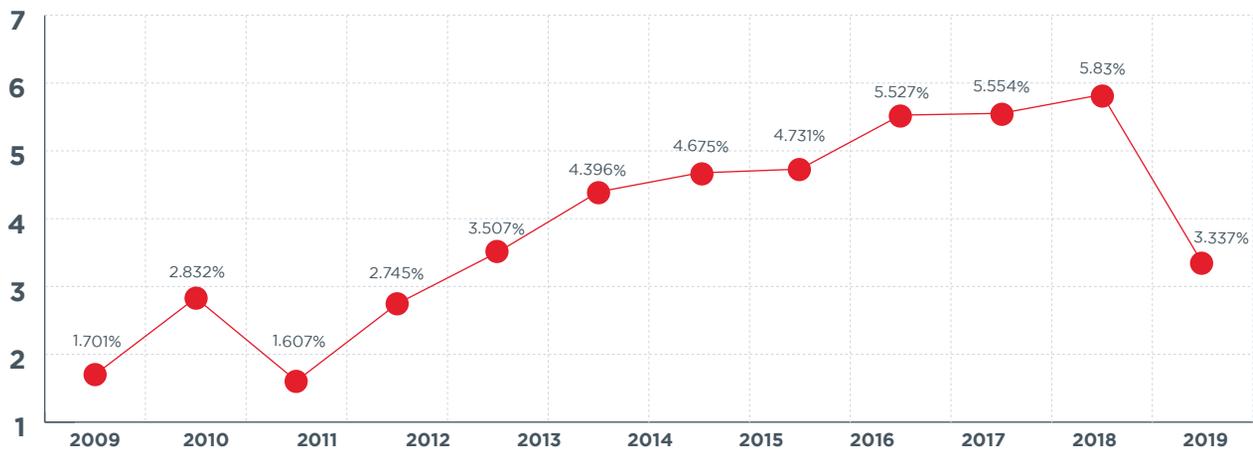
Source: (Trading Economies, Pakistan Inflation Rate, 2020)

<sup>3</sup> Pakistan Bureau of Statistics: <http://www.pbs.gov.pk/content/agriculture-statistics>

to price of food (19.3 percent vs 16.9 percent in December). High rate of inflation significantly increased productions costs of large as well as small scale manufacturing. This is evident from negative growth in large scale manufacturing. In addition, due to lower incomes and higher prices consumers purchasing power has decreased. Cost-push inflation and demand contraction have contributed to the further decrease in GDP growth rates i.e. following year's forecast is less than 3 percent.

Despite government driven welfare programs such as 'Ehsaas' Program, there has been a surmounting pressure on the poor with regards to the affordability of necessities, and mounting inflation.

**Figure 2.2:**  
**GDP Growth Rates of Pakistan from 2000 - 2019**



Source: (CEIC Data Bank, 2020)

The economic situation continued to improve post 2010. It continued to maintain its growth momentum until 2018. In 2019, growth slowed to 3.3 percent - a 2.2 percentage points decline compared to the previous year, due to the stabilization measures undertaken by the authorities. Over the past year, the exchange rate was allowed to depreciate, with a cumulative depreciation of 25.5 percent, the development budget was cut, energy prices were increased, and the policy rate was raised by 575 bps. As a result, private consumption growth decelerated from 6.8 percent in FY18 to 4.1 percent in FY19 while investment contracted by 8.9 percent. On the supply side, the industrial sector growth slowed to 1.4 percent in FY19 compared to 4.9 percent in FY18. The services sector grew at 4.7 percent—1.5 percent lower than in FY18. Adverse weather conditions have dampened agricultural performance and reduced growth to 0.8 percent in FY19, significantly lower than the targeted growth of 3.8 percent. Inflation in Pakistan during January 2020 was the highest recorded since December 2010.

## Conclusion

The current economic situation in Pakistan is indeed alarming. Almost all economic indicators have downward trends. Economic growth has fallen to 3.3%. It is further expected to go down to 2.4% by next year, which will be the lowest in a decade. The currency has lost a fifth of its value against dollar since beginning of 2019. Inflation is highest since December 2010. Also, ever increasing debt constitutes more than 30 percent of the budget every year. Due to tight fiscal position, public investment is not expected to increase. In such conditions, role of private sector becomes crucial, especially the large-scale manufacturing sector to increase growth and decrease unemployment in the economy. Business environment in Pakistan is conducive to the growth and sustainable profitability of Multi-National Companies (MNCs) favoring free flow of capital goods. CCI Pakistan has been playing significant role in generating income and employment in both the formal and informal sectors. Its products add considerable value to existing businesses in terms of income and profits.

# THE ECONOMIC IMPACT

## Methods and Results

This section presents the economic impact CCI Pakistan has had on the economy of Pakistan. The impact-analysis is based on the company's operational and capital expenditure data, downstream, and upstream linkages and informal data collection. The impact analysis draws its results from the Input-Output model and the Social Accounting Matrix constructed for Pakistan's Economy. The results of the analysis show that CCI Pakistan has substantial impact on the economy of Pakistan. The main result of the analysis shows that CCI Pakistan contributes around Rs. 865,031.2 million per annum directly to the economy of Pakistan. This figure is 1.95 percent of national GDP, a substantial contribution of towards the economy of Pakistan

In addition to the direct impact of CCI Pakistan, there are several secondary or indirect impacts as well. In a market economy, there are always inter industry flows of goods and services, final demand and output. The interaction of industries may have imperative economy-wide consequences on public policies and private sector injections. CCI Pakistan procures concentrate, sugar, other packaging material and manufactured finished

beverage for consumer which is distributed through a network across Pakistan. New investments, operating expenditures, increased employment and new products have an impact on the industry as well as other sectors. Furthermore, these impacts are not limited to business activities. They include impacts on governments' income, in form of taxes and households' income, in form of factor income. An important tool, developed by Leontief (Leontief, 1966), leads us to estimate the economy-wide impacts of such injections based on the degree of inter-industry dependencies. These tools are the Input-output model and Social Accounting Matrix (SAM). We next present the methods used in this analysis briefly followed by the results of the impact-analysis exercise.

## Direct Impacts

'Direct impacts' are defined as the changes that are a result of injections made in the economy due to the economic activities of CCI Pakistan. The records of the system's injection were provided by the officials of the company. The injections from the company into the economy of Pakistan are presented at the industry level. The categorization of industries for this purpose follows the industrial classification used in the Input-Output table of Pakistan.

**Table 3.1 Summary of expenditures of CCI Pakistan across Industries<sup>4</sup>**

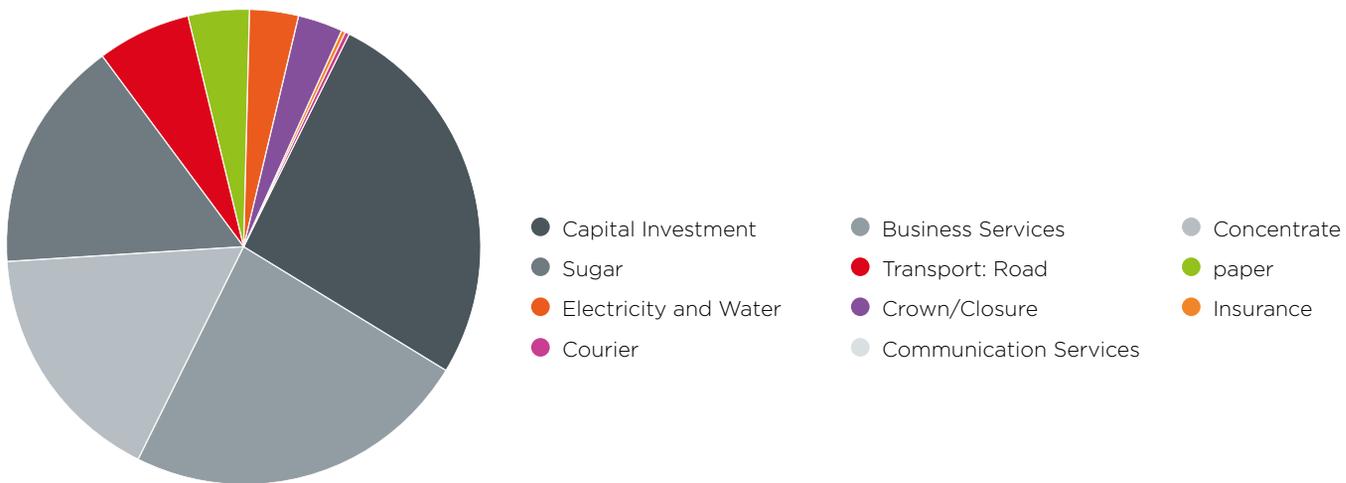
Heads	Expenditures ('000)	Percentage
Capital Investment	14,972,483	26.52%
Business Services	13,358,657	23.66%
Concentrate	9,288,754	16.45%
Sugar	9,071,007	16.07%
Transport:Road	3,574,559	6.33%
Paper	2,338,782	4.14%
Electricity and Water	1,916,000	3.39%
Crown/Closure	1,742,908	3.09%
Courier	106,558	0.19%
Insurance	71,000	0.13%
Communication Services	15,000	0.03%
<b>Total</b>	<b>56,455,708</b>	<b>100</b>

<sup>4</sup>Methodology described in Appendix-I

CCI Pakistan directly inject Rs 56,455.708 million into ten biggest expenditure heads mentioned above.<sup>5</sup> The largest share of 26 percent of the total expenditure is on capital investment and 23 percent injection in the sugar industry. Figure 3.1 shows the division of CCI Pakistan's expenditure across sectors at a more aggregated level. The figure shows that CCI Pakistan largest share of expenditure goes to the capital investment, business

services and sugar industry. This substantial amount of capital investment shows the company's commitment to expand its business and contribute positively to the national economy. Construction received the second and third highest shares of the company's expenditure respectively. CCI Pakistan also spends 7.8% of its expenditure on the transport sector which represents the outreach of its products nationally.

**Figure 3.1:**  
**Sector-wise Expenditures**



In addition, CCI Pakistan supports one of the biggest distribution networks in the country which supplies products to more than 267,000 business outlets. The network supplies products to retail outlets, restaurants, pan shop, wedding halls, petrol stations etc. The distribution network generates staggering Rs.3170.736 million annually. In addition, the distribution network alone employs more than 10,000 people in the value chain. The income being generated has further spillover effects in the transport sector in addition to other supplementary sectors.

Furthermore, CCI Pakistan and its distribution network directly generate employment for 3,764 people. Direct employment effect is estimated as 2.71. This figure indicates that 2.71 direct jobs are needed for 1 million worth of production. Employment multiplier is estimated as 3.87. The multiplier number of 3.87 indicates that 2.87 additional indirect and induced jobs in a variety of industries are needed for every direct job at CCI

Pakistan. Moreover, CCI Pakistan has contributed more than Rs.29,983 million in taxes in the year 2019.<sup>6</sup> Tax multiplier is estimated to be 1.21. This is significantly large contribution by a single company.

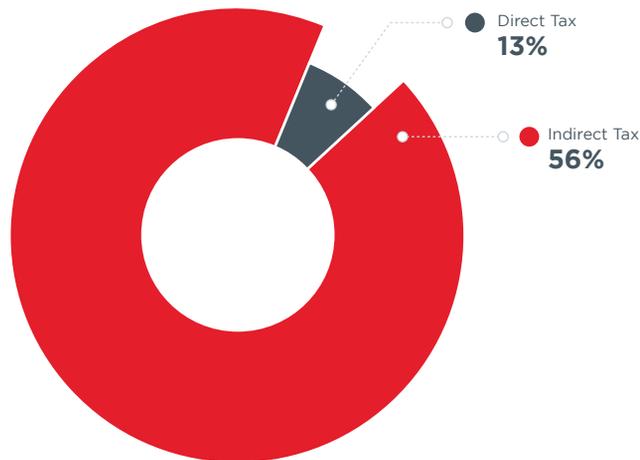
Figure 3.2 shows the distribution of the taxes that the Pakistan government collects resulting from the economic activities of CCI Pakistan. The figure shows that most of the taxes (93 percent) collected are in the form of indirect taxes, while 7 percent are direct taxes. These include general sales tax, excise taxes and fees paid to the national and local government authorities.

Moving on to indirect and induced impacts of CCI Pakistan. The previous results have shown that the direct impacts of the company are large and affect a number of different sectors of the economy. These direct impacts in turn cause further economic effects to take place because of the interconnected structure of the economy.

<sup>5</sup> As of 2019

<sup>6</sup> 27,983 is indirect tax while 2 billion is direct tax.

**Figure 3.2:  
Tax Paid**



This segment assesses the output impacts of the CCI injections on different industries in Pakistan in 2019 (inflation adjusted). Throughout this section, the direct and indirect effects, together, are referred to as Type-I effects, unless specified otherwise, and when induced effects are added to these, the total effects (direct, indirect, and induced) are called Type II effects. The direct, indirect and the induced effects are estimated through the Input-Output model for the Pakistani economy which was developed by IFPRI in 2013-14.<sup>7</sup> First, Table 3.2 reports the income multipliers for various industries that are connected with CCI Pakistan.

Table 3.2 reports additional income being generated due to CCI Pakistan in different sectors of the economy. The industry that has multiplied its income by the most is that of the Sugar Industry i.e. 11,797.9 million (Type II multiplier). The industries, in general, have been positively affected by the CCI Pakistan investment in the economy and it resulted in decline of poverty-level by 2.4-2.8%.<sup>8</sup> CCI Pakistan investment also produced significant spillovers effect in terms of income in the following industries, concentrate, manufacturing products, transportation and paper.

**Table 3.2: Income Multipliers** (Income in millions of rupees)

Industry	Income Type I	Income Type II
Concentrate	7843.7	8924.3
Sugar	9554.9	11797.9
Transport: Road	2802.3	2807.3
Manufacturing Products	5927.0	6526.7
Electricity And Water	1603.3	3399.4
Paper	938.2	1140.0
Transport Equipment	195.2	210.2
Gas	698.9	742.7
Real Estate Services	198.4	199.4
Chemicals: Consumer Products	210.6	219.0
Hotel And Restaurants	157.7	157.8
Transport: Air	39.4	65.6
Insurance	101.1	157.0
Construction	95.4	97.4
Communication Services	43.8	47.5
Electrical Equipment	11.8	13.3

<sup>7</sup> Pakistan Strategy Support Program, Working Papers I, International of Food Policy Research Institute (IFPRI).

<sup>8</sup> Calculated from standard poverty-alleviation model.

However, this calculated impact ignores the induced effects that have resulted from the initial injection. When these induced impacts are also taken into account, the resulting increase in income reduce poverty by 8.7%. Apart from this, income is the measure of a country's progress and development, thus, if an amount of several million is coming into the economy then this could have strong impacts on the overall development of the country.

Table 3.3 outlines the Type I and Type II output multipliers of the initial CCI Pakistan injections in 2019. The monetary impacts are first computed via the input-output analysis. The impacts are then divided by initial injections to obtain the Type-I and Type-II ratios by SAM and are reported in

Table 3.3 shows the indirect and induced impacts of the CCI Pakistan injections into the economy at an industry level. Manufacturing sector, sugar, and package industries gain the most from the economic activities of the company. The multipliers for all the industries estimated to be greater than 1, indicating that the presence of CCI Pakistan is generating additional income for these industries. For instance, 1 millions of injection generate additional Rs. 3.15 million in sugar industry and Rs.3.79 million (Type II multiplier) in manufacturing industry. The multipliers are also much higher for concentrate, consumer products, paper and transport industry.<sup>9</sup> The SAM analysis concludes that CCI Pakistan is a major contributor to the economy of Pakistan in terms of enhancing income, output, employment and tax revenues for the government.

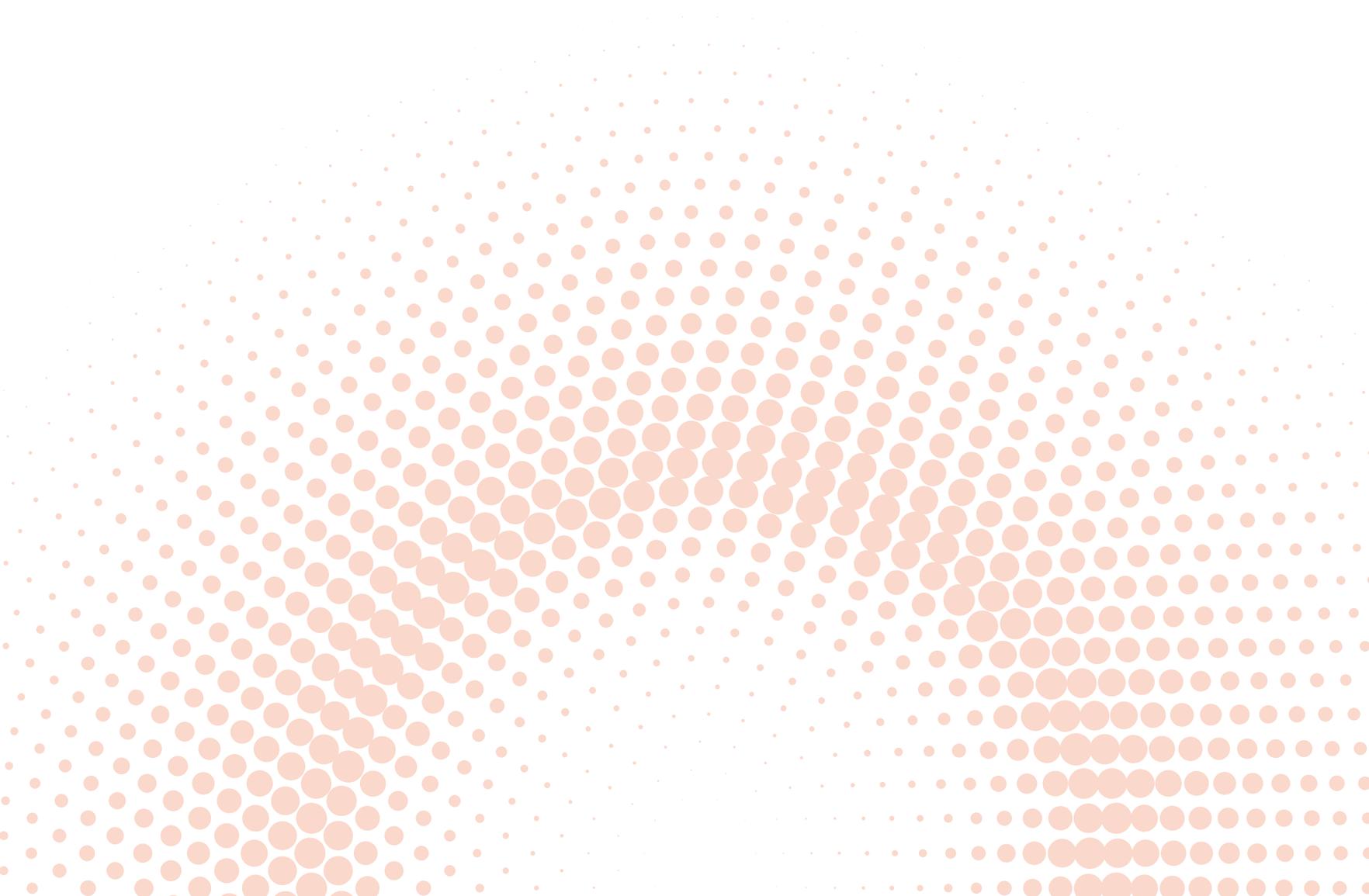
**Table 3.3: Output Multipliers**

Industry	Income Type I	Income Type II
Manufacturing Products	1.68	4.79
Sugar	1.49	4.15
Concentrate	1.45	4.03
Chemicals: Consumer Products	1.21	1.37
Transport: Air	1.05	1.36
Paper	1.06	2.55
Transport: Road	1.03	2.22
Hotel and Restaurants	1.02	1.66
Insurance	1.02	2.16
Electricity and Water	1.12	2.35
Gas	1.08	2.15
Real Estate Services	1.01	1.84
Transport Equipment	1.13	1.42
Communication Services	1.00	1.43
Construction	1.00	1.03
Electrical Equipment	1.08	1.09

<sup>9</sup> We have only reported some of the important output multipliers in the table 3.3. There is long list of multipliers since CCI Pakistan/beverage industry is interconnected directly and indirectly with large number of industries.

## Impacts on Broader Perspective

The SAM analysis, thus far, has taken into consideration the activities and operations of CCI Pakistan only. However, the entire system has a much broader network. For example, there are support function employees and sub-contractor employees, operating exclusively within the its value chain. In addition, the exclusive first layer distributorship system of CCI Pakistan employed a large number of individuals. We can also add to this figure, the employees who have worked for the maintenance of the coolers and freezers in the downstream distribution network. Revisiting the indirect and induced impacts, requires the treatment of the labor incomes as additional injections and recalculating the relevant multipliers based on the input-output framework and applying SAM in the bigger picture. Accordingly, taking the direct, indirect, and induced employee compensations of the broader CCI Pakistan system into account, the Type I and Type II output effects are much more than originally mentioned in the report. Finally, when it comes to the tax effects of the broader CCI Pakistan horizon, the impact of the updated employee compensation figures also point at an increase in the government tax revenues in aggregate figures. This corresponds with the respective increases of the Type I and Type II contributions of expenditure by CCI Pakistan. When the tax payments generated by the broader CCI Pakistan system are taken into account, the Type I impact of tax payment increases. Concluding the argument, the multipliers calculated are an under-estimation of the company's impact on the overall economy of the country.



# SAMPLING TECHNIQUES AND RESULTS OF THE SURVEY

This section reports sampling technique, data description and the analysis of the survey findings. One of the main objectives of conducting this survey was to account for income and employment effects from the informal economy which is not captured by the direct effects through input-output analysis. The survey reports result from businesses selling Coca-Cola products across Pakistan. In addition, the results reveal many interesting features of economic vitality and viability in the informal sector. The sustainability of the businesses and the role CCI Pakistan plays in uplifting the informal sector further explored in this section.

It is pertinent to mention here that it is difficult to measure economic impact in terms of income and employment in the informal sector because majority of the businesses selling Coca-Cola products are part of the undocumented economy. Similarly, it is even more difficult to measure indirect and induced effects for the informal businesses. One of the main objectives of the survey is to capture the income and employment spillovers generated by the informal sector selling CCI Pakistan's products.

The study uses representative sampling technique to select sample from data on total population of outlets provided by CCI Pakistan. In order to get maximum insights keeping randomization in place, a two-tier proportionate random sampling was used.

## Tier 1: Clustering the vendors on Segments. CCI

Pakistan has categorized its businesses in four different segments: Gold, Silver, Bronze and White.<sup>10</sup> In this study, representation of each segment of CCI Pakistan universe is calculated. So, if a segment is representing 2% of whole universe of CCI Pakistan vendors, we have sampled 2% of this segment.

## Tier 2: Clustering the vendors on Sales Center within each Segment.

Main sales centers of CCI Pakistan are located at Faisalabad, Gujranwala, Gujrat, Hyderabad, Islamabad,

Karachi, Peshawar Lahore, Multan, Rahim Yar Khan, Sahiwal and Sialkot. In Tier 1, we calculated the total number of vendors to be sampled from the segment. Again, in tier 2 the representation of vendors was calculated by Segments within each Sales Center. So, if tier 1 gave a number of 100 vendors to be sampled from Segment Gold, proportionate sample of these 100 vendors from within each Sales Center was selected. The technique of sampling is representative for whole population as almost everyone was given an equal chance to be a part of sample. The sampling technique is random, as 'randomizer' generates a unique number for outlet codes. After repeating the whole procedure multiple times, a random sample was selected.<sup>11</sup>

## Data Description

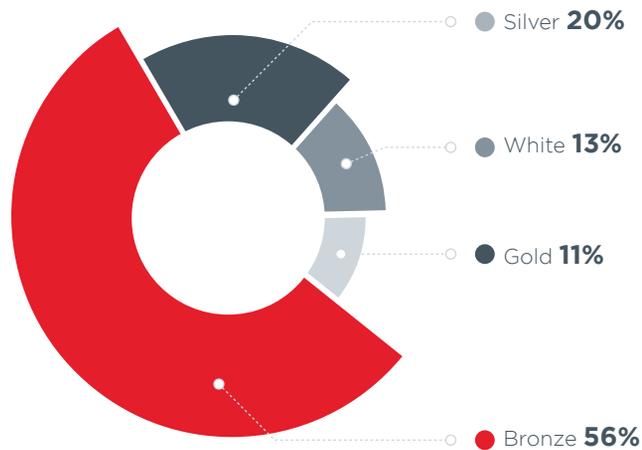
The primary research methodology that entails in this study includes the economy-wide analysis designed to measure the total economic impact of CCI Pakistan. One of the challenges is to measure economic impact in the informal sector since the company has a wide network of distribution and supplies products to more than two hundred sixty-seven thousand outlets all over Pakistan. It is pertinent to mention here that huge number of outlets do not fall under the formal sector. The informal sector in the small cities and town are of paramount importance since they form commercial hubs of local economies and communities. In order to capture economic spillovers in terms of income and employment a survey questionnaire was designed to gauge the economic impact in the informal sector. The survey instrument included requests for precise business information, such as employment, turnover, net income and information on products contribution towards income and employment. Based on the information taken from the questionnaire, the researchers evaluated the total cluster of business activities that are formed and developed around the business.

Randomized sample were selected from total population to evaluate the economic impact. The data included outlets from the entire country and was representative at the city level. The questionnaire asked for detailed business information, such as total turnover, net income, total employment, as well as other characteristics of business.

<sup>10</sup> Four segments of traditional trade are categorized in terms of Gross Sales Revenue (GSR) per annum. Gold 1000K+, Silver 251-1000K, Bronze 61-250K and white 0-60K.

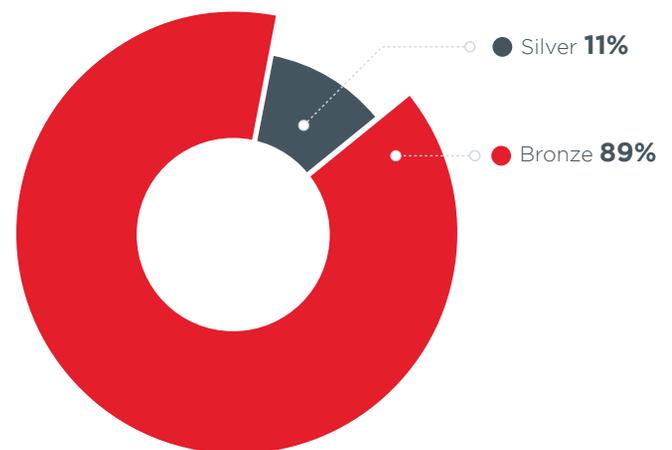
<sup>11</sup> Research Randomizer is a software which gives random number for the sample to be drawn. |

**Figure 4.1:**  
**Categorization of Businesses**



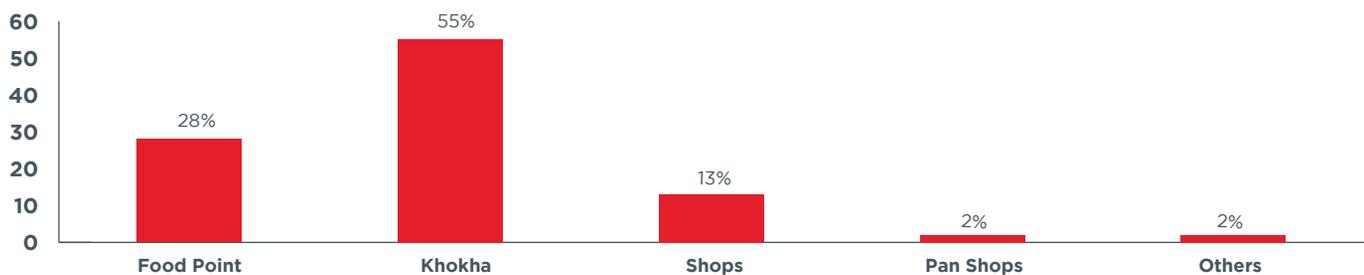
CCI Pakistan Limited categorized businesses in four different groups: Gold, Silver, Bronze and White. In the sample selected, the largest proportion of businesses i.e. 56%, were in the Bronze category while 20% were in the Silver category, 13% formed a part of the White category while the smallest proportion was formed by the Gold category (Figure 4.1).

**Figure 4.2:**  
**Income Tax Status**



In order to differentiate informal sector from the formal sector, businesses were asked if they file tax returns. The results showed that majority of the businesses (Figure 4.2) i.e. 89% of outlets did not file tax returns and do not have a National Tax Number (NTN). Therefore, they fall under informal sector while the rest fall under formal sector.

**Figure 4.3:**  
**Income Tax Status**



The primary data suggests that Coca-Cola products are being sold by a wide variety of businesses in Pakistan. Out of completed surveys, 55% of businesses that sell Coca-Cola products are shops/General stores, 13% are pan shops, 28% are food points, 2% are Khokha and the remaining 2% are others (Figure 4.3).

It would be interesting to analyze tax paying status across business types. It can be clearly seen in Figure 4.4 that majority of the businesses fall under informal category. The figure reports informality of business within each category, for instance, within the category of shopkeeper's majority fall under informal sector i.e. 88%. Shops generally include 'General Stores' or 'Kiryana' stores. The category of Food Point includes small dhaba's, bakeries or cafes while Others has businesses such as Marriage Halls and Wholesalers.

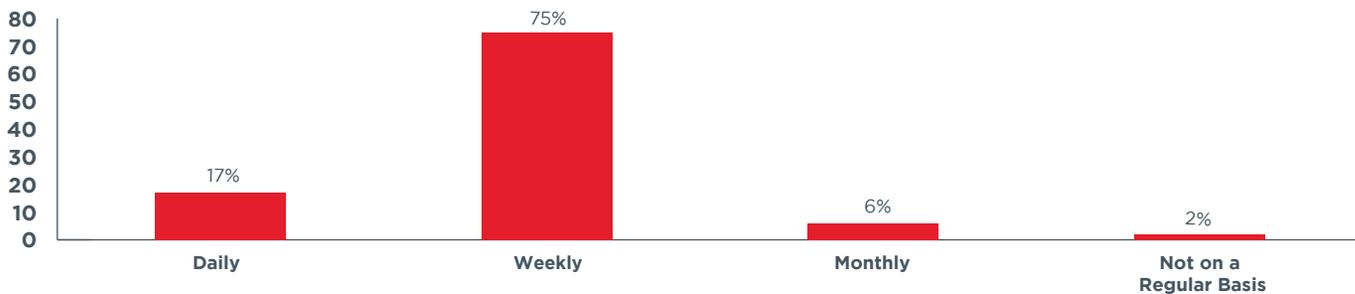
**Figure 4.4**  
**Filing Status vs. Type of Business**



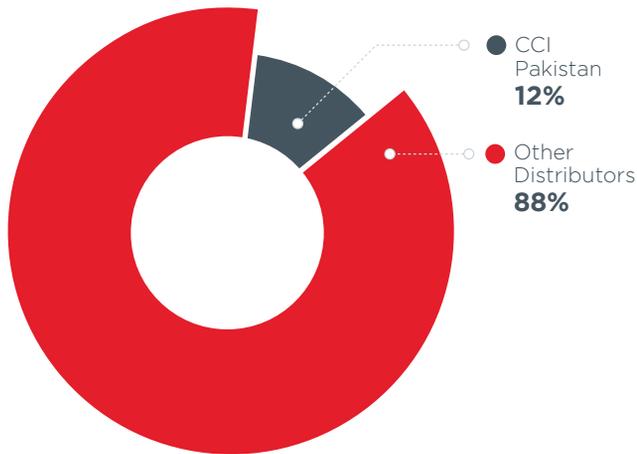
Similarly, majority of the food point businesses don't pay taxes i.e. 87%, while remaining 13% pay direct taxes. Furthermore, 97% of Pan shops and 80% of Khokha outlets are in informal sector. It is clearly evident from the survey findings that the tax collection measures have a lot of room for improvements. In addition, the finding of the survey is consistent with the belief that majority of small retail businesses are not part of the documented economy.

The respondents were asked how frequently they purchased CCI Pakistan products. Majority of the businesses i.e. 75%, bought products weekly while 17% bought on daily basis. The reason for low daily purchasing frequency is due to seasonal effect i.e. winter season. It is also claimed by the business outlet owners that in summers, sales of drinks increase by at least 100%.

**Figure 4.5**  
**Frequency of Purchase**

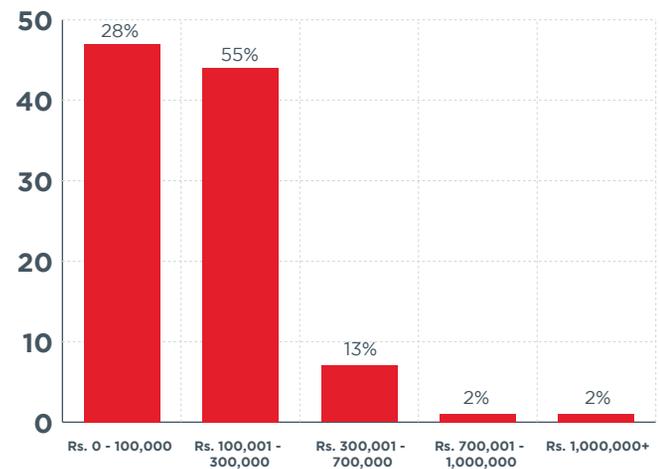


**Figure 4.6:**  
**Purchasing Source**



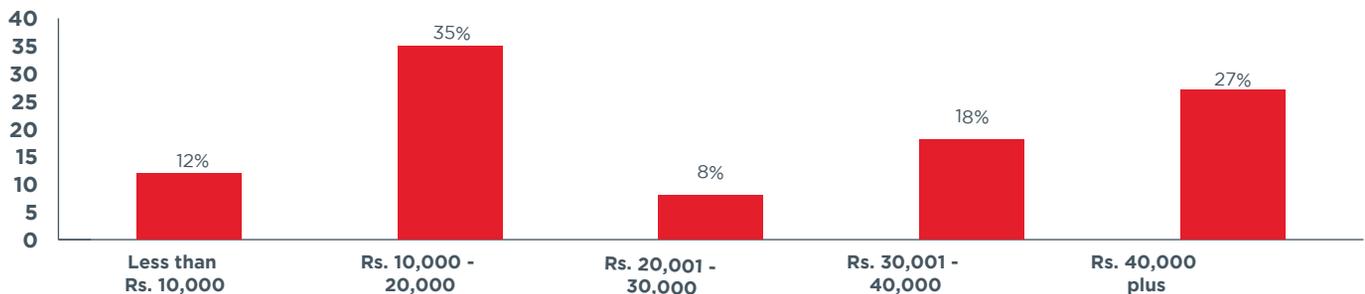
Moreover, these businesses were also asked, where they purchase CCI Pakistan products Majority of the businesses i.e. 88% purchased the products directly from the company Only 12% of the businesses purchase the products through other distributors (Figure 4.6).

**Figure 4.7:**  
**Total Revenue Earned by Businesses**



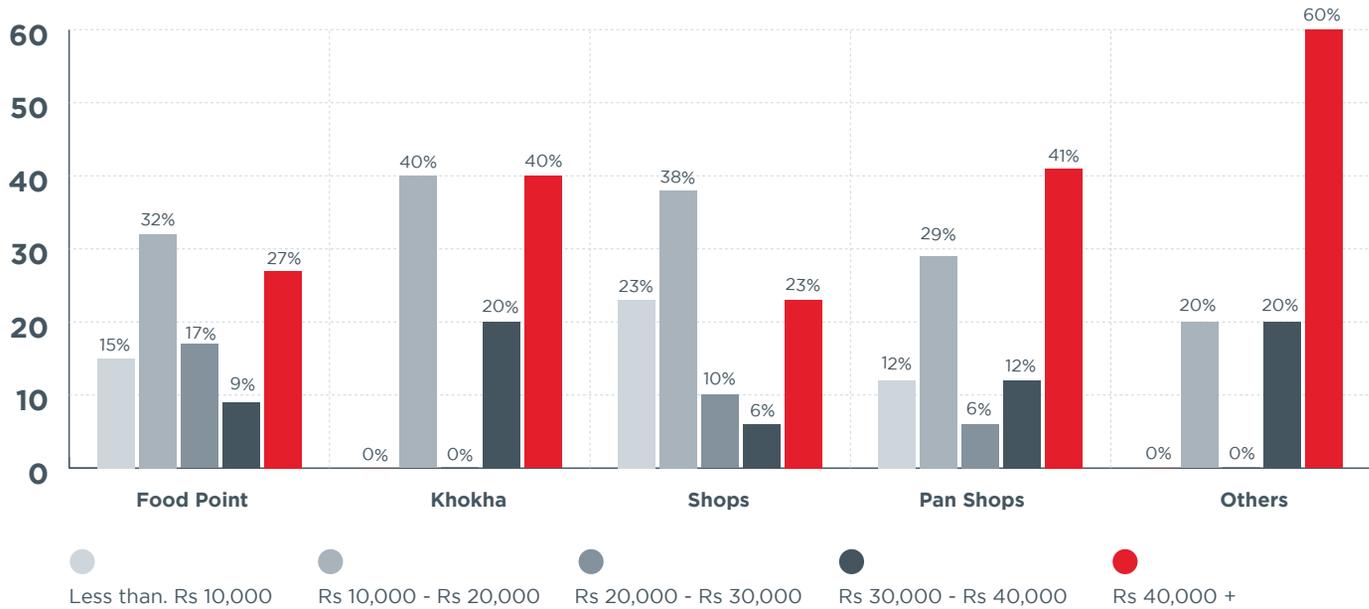
Analyzing, the total operating scale of businesses, Figure 4.7 shows the distribution of businesses in terms of total revenues earned on a monthly basis. It shows that most businesses earn total revenue that falls between Rs. 0 and 100,000 (around 47%). 44% of the businesses earn total revenue between Rs. 100,001 to 300,000 while 7% of businesses earn revenue between Rs. 300,001 to 700,000. Only 2% of businesses earn revenue greater than Rs. 700,000.

**Figure 4.8:**  
**Total Revenue Earned from Selling CCI Pakistan Products**



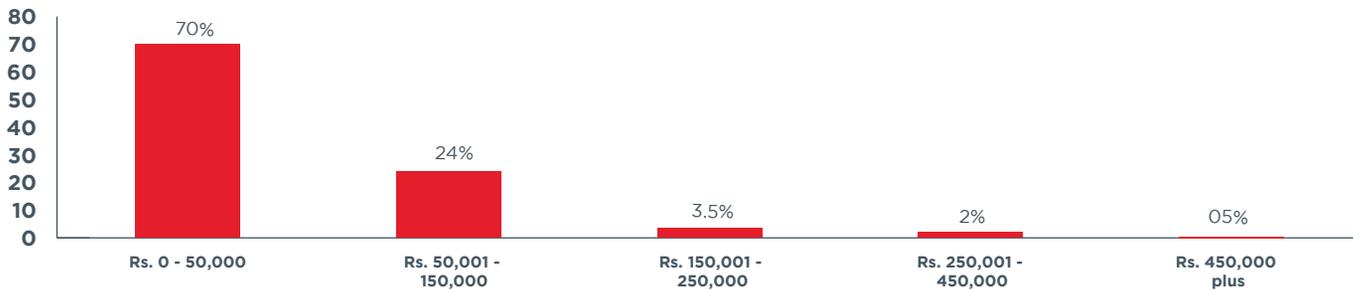
The respondents were also asked about business revenue earned from selling CCI Pakistan products, illustrated in Figure 5.8. In total, 27% of businesses earn more than Rs. 40,000, while 18% of businesses are earning between Rs. 30,000 And Rs. 40,000. The larger proportion of businesses, 35%, responded that their sales revenue had increased anywhere between Rs. 10,000 and Rs. 20,000. Only 12% of businesses reported that their sales revenue had increased by less than Rs. 10,000 These lower revenues are due to winter season. Businesses reported that in summer season sales revenues on average increased by at least hundred percent.

**Figure 4.9:**  
**Type of Business vs. Extra Revenue From Coca - Cola**



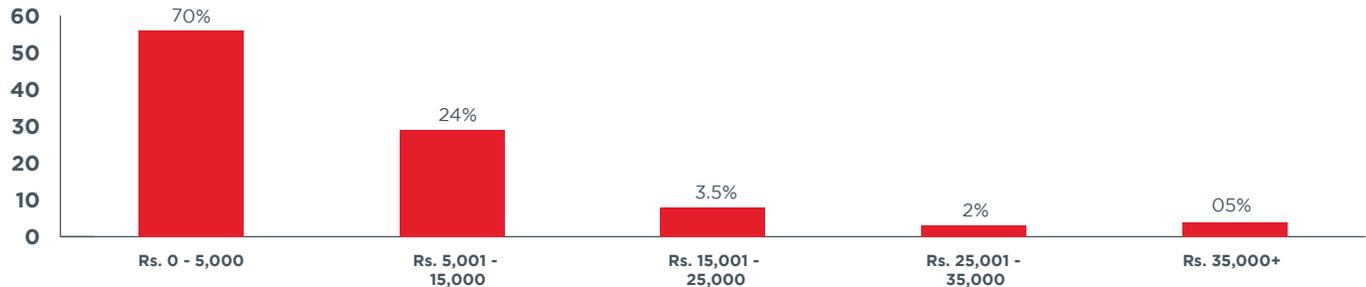
Analyzing the different levels of revenue earned by businesses through CCI Pakistan products, figure 4.9 indicates that majority of food points earn between Rs. 10,000 – 20,000. These food points include Dhaba’s and roadside fast food points. Better established food points (27%), such as bakeries and cafés, earn more than Rs. 40,000. Collectively, 60% of Khokha’s earn over Rs. 30,000. Majority of General Stores earn anywhere between Rs. 10,000 – 20,000 while around 23% of shops earn more than Rs. 40,000. In the category of Others, businesses such as Marriage Halls earn more than Rs. 40,000.

**Figure 4.10:**  
**Total Profit Earned By Businesses**



The profits earned (Figure 4.10) indicate that, 70% of the businesses manage to earn profit below Rs. 50,000. Of the remaining 30%, 24% of firms earn anywhere between Rs. 50,000 – 150,000 and only 6% of businesses to earn above Rs. 150,000.

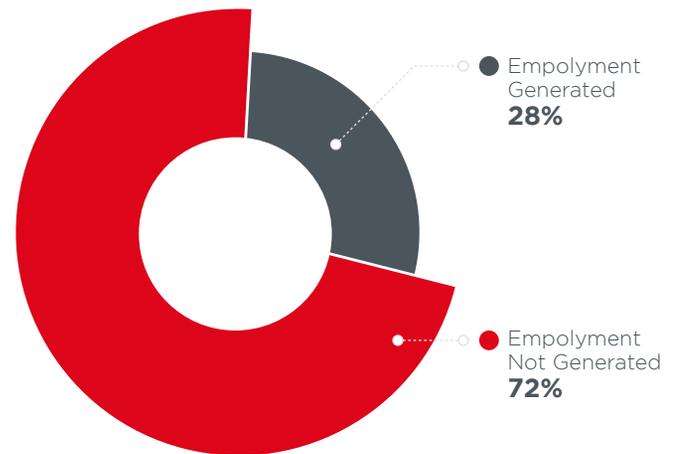
**Figure 4.11:**  
**Total Profit Earned From Selling CCI Pakistan Products**



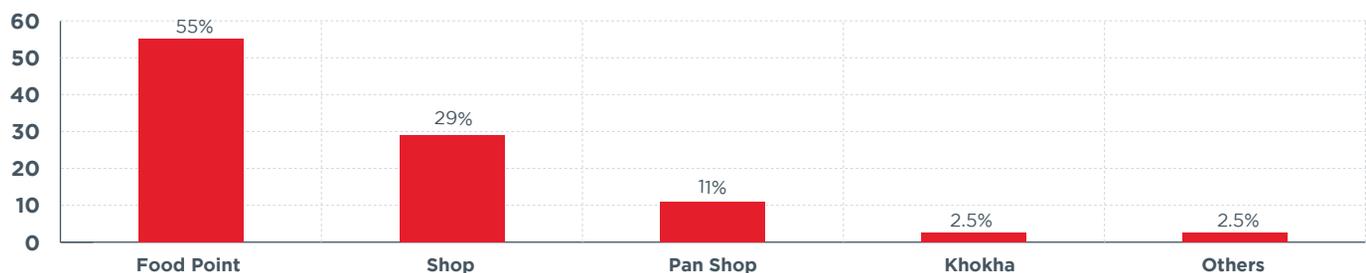
It can be concluded from figure 4.11, that CCI Pakistan products add substantial amount of profit to the businesses. Data shows that 56% of the businesses earn extra profits of Rs. 5,000 while 29% of businesses earn within the range of Rs. 5,000 to 15,000. 15% of outlets earn profits of more than Rs. 15,000.

One of the main objectives of collecting primary data was to measure employment spillovers in the informal sector. The results show that more than one-fourth of the firms (28%), employed both full time and part time workers.

**Figure 4.12:**  
**Additional Employment Generated Due to Selling CCI Pakistan Products**



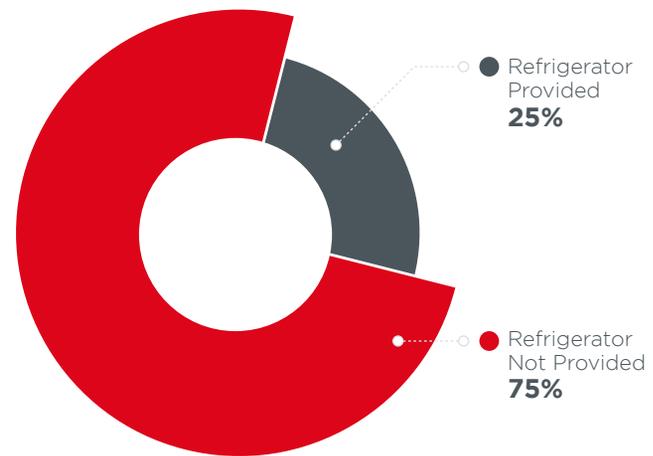
**Figure 4.13:**  
**Additional Employment Generated - Business Type Wise**



The above Figure 4.13 illustrates that employment generated due to selling of CCI Pakistan products across business types. Food Point were able to generate more employment, 55%, then rest of the businesses. Additional employment generated by general stores, shops and pan shops are 29% ,11% and 2.5 % respectively.

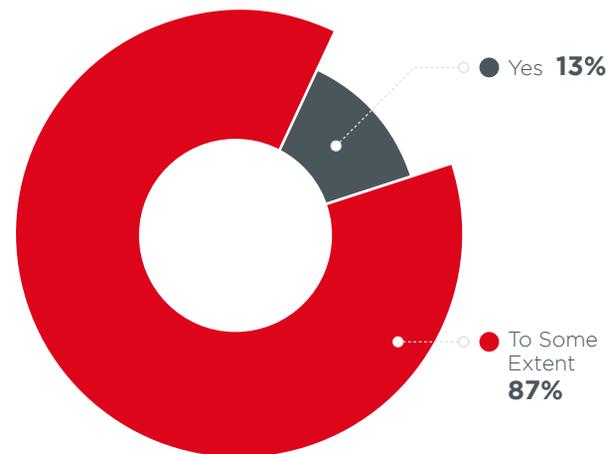
Businesses at the micro-level such as shopkeepers and pan-shops are playing important role in generating employment and income. The importance of employment generation by these businesses due to selling CCI Pakistan products is particularly benefitting the poor -class, where literacy rate is low, and workers do not require higher skill-set to seek employment. Thus, CCI Pakistan products are playing significant role in generating employment and income for low-skilled workers.

**Figure 4.14:**  
**Refrigerator Provided**  
**BY CCI Pakistan**



To help facilitate businesses in their activities, CCI Pakistan has provided refrigerators to a vast majority. Survey result shows that 75% of product-dealers have refrigerators.

**Figure 4.15:**  
**Sales Increased Due**  
**to Refrigerator Provided**  
**BY CCI Pakistan**



With those given the refrigerators, it would be interesting to analyze sales impact. No businesses reported that having a refrigerator had no effect on sales. Majority of businesses, 87%, reported that their sales tend to increase because they have been provided with a refrigerator while 13% reported that their sales might have increased to some extent. It can be deduced that refrigerators played significant role in generating additional income as well as employment.

Some of the important results of the survey are summarized as follows:

There exists huge informal sector in the economy. This sector has played an important role in terms of income and employment generation. According to the survey results, majority of the businesses selling CCI Pakistan products fall under informal sector.

- CCI Pakistan plays a significant role in generating income in both formal and informal sectors of the economy. Most importantly, its products added considerable value to the existing businesses in terms of income and profits in the informal sector of the economy. The company supply's its products to more than 267,000 business outlets. According to Pakistan Bureau of Statistics (PBS), average family size in Pakistan is estimated to be approximately 6.5 persons per household.<sup>12</sup> This implies that CCI

Pakistan has successfully contributed in terms of directly increasing standard of living of more than one 1.7 million people. It is also pertinent to mention here that majority of the businesses in the informal sector has helped the low-income groups to create opportunities and increase incomes. It should be noted that this effect only caters for the owners of the business outlets and their families. Additional employment generated by these businesses will have further spillover effect in terms of income.

- According to the estimates of the survey, the employment spillover due to the sales of CCI Pakistan products is 28%.<sup>13</sup> If this number is analyzed for the total population, then total employment-full time as well as part-time-generated by the company in the informal sector exceeds 60,000. Comparing this with the average household size in Pakistan, standard of living of more than 300,000 people is being raised. The effect gets significantly larger at the macro-economy level. Since employment spillovers are highly correlated with profits and scale of the businesses, it can be fairly stated that the company is helping mobilize the unskilled workers and creating employment opportunities in the country.

<sup>12</sup> [http://www.pbs.gov.pk/sites/default/files/social\\_statistics/publications/hies07\\_08/table1.pdf](http://www.pbs.gov.pk/sites/default/files/social_statistics/publications/hies07_08/table1.pdf)

<sup>13</sup> According to 2013 CCI economic impact study employment spillover was 13th percent. In the last five years the number has almost doubled to 28 percent.

# IMPACT ANALYSIS OF CORPORATE SOCIAL RESPONSIBILITY

CCI Pakistan has an extensive Corporate Social Responsibility (CSR) Portfolio, with special focus towards community building and environment. This report measures the impact of two its flag ship projects naming “PAANI” water Initiative in collaboration with World Wildlife Fund (WWF)- Where by clean water drinking filtrations plants were installed at 28 different locations nationally and project ‘Zarya’ where by interest free loans were distributed to set up small grocery stores for the underprivileged, namingly “Tabeer Store” and to buy Rickshaws “Zeenat Gar”- for underprivileged women, thus supporting women empowerment.

## Water Stewardship

This section reports sampling technique, data description and the analysis of surveys’ findings from the beneficiaries of PAANI project. Under this project, CCI Pakistan in collaboration with WWF installed 28 water filtration plants nationally . The project focused specifically on low lying areas where drinking water is a major issue. Clean drinking water initiative plants have an individual capacity of producing over 2,000 liters of clean drinkable water per hour, each serving a community of over 20,000 people per day. Water filtration plants has given access to clean drinking water to approx. 1 million individuals. The plants make use of leading water treatment technologies such as reverse osmosis and ultrafiltration, both of which help in the production of ultra-pure, clean and potable water.

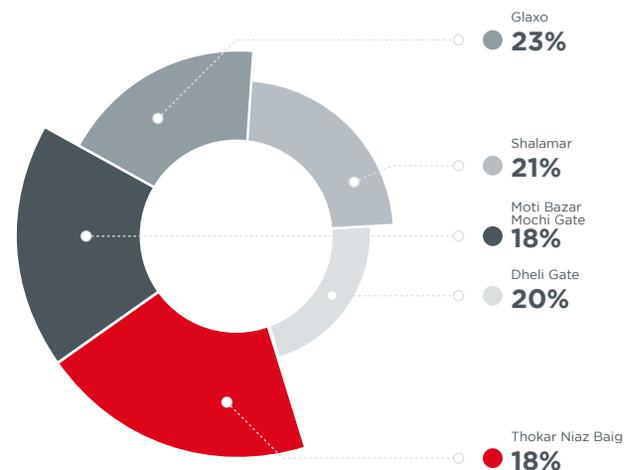
### PAANI Project has two specific objectives:

1. Increase access to clean drinking water for 1 million individuals through 28 safe drinking water plants.
2. Build capacity and create community ownership for improved management and sustainability of water supply interventions.

Filtration Plants are installed either in residential areas or in entities such as hospitals, schools, railway station and sports complex. To measure the impact of the Paani project, two separate questionnaires were designed: one for the beneficiaries of

### 1. Survey Results in Lahore- Residential Area

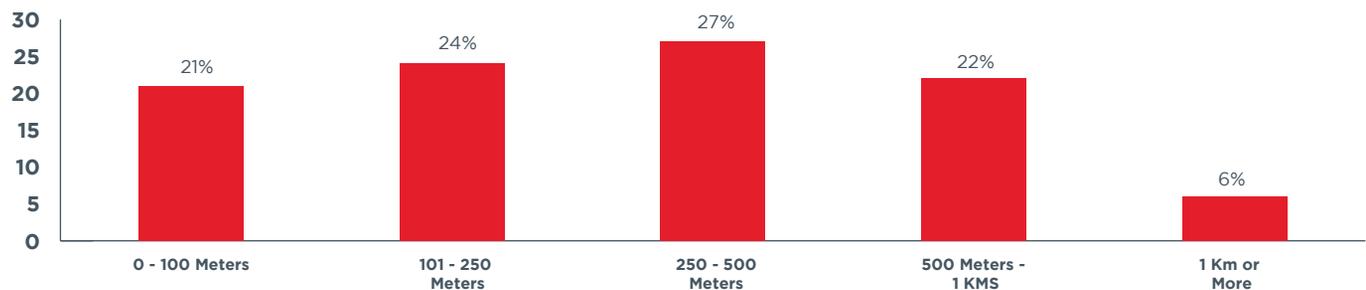
**Figure 5.1:**  
Sample Selection - Area Wise



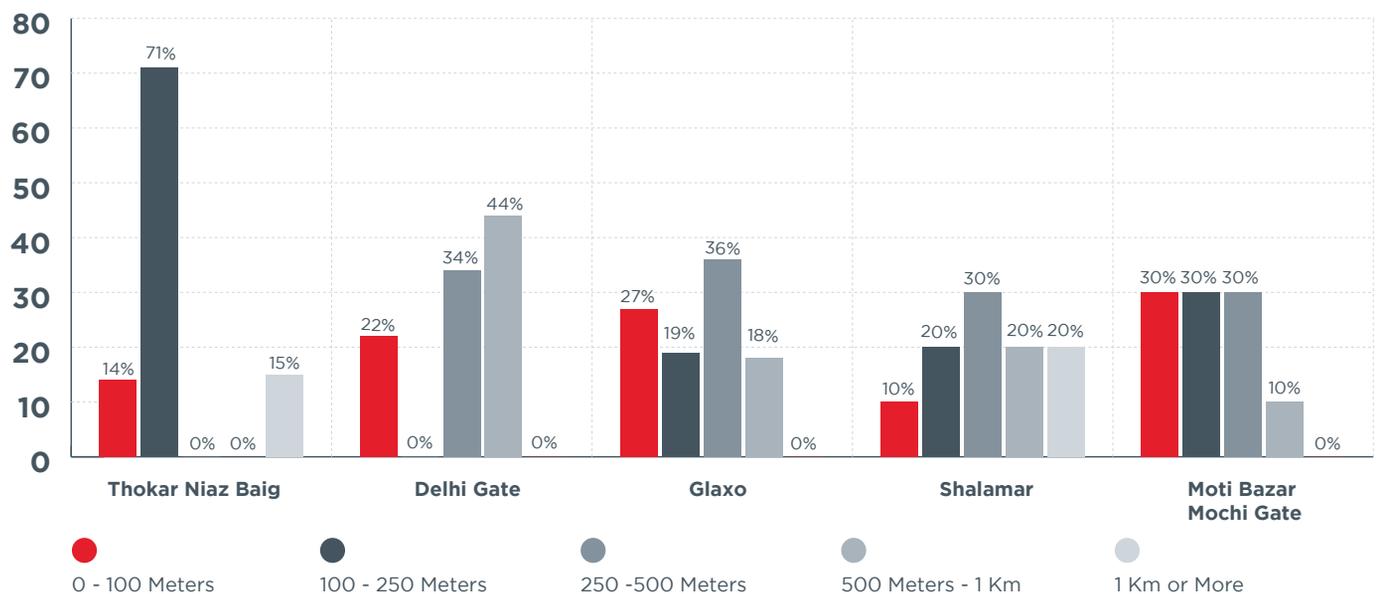
From water filtration plants in residential areas, five plants were randomly selected. These plants are located in following areas of Lahore: Thokar Niaz Baig, Delhi Gate, Moti Bazar Mochi Gate, Glaxo and Shalamar. 50 survey questionnaires were then successfully completed from these areas. As seen from the figure above, number of surveys conducted are almost same in all areas.

The survey results show that majority of the respondents (27%) travel between 250 - 500 meter to access water from filtration plant. It also reported that, 21% of the people cover the distance between 0 - 100 meters while 24% of the beneficiaries' travel between 101 - 250 meters. Furthermore, 28% travel the distance of more than 500 meters to get to the filtration plant (Figure 5.2).

**Figure 5.2:**  
**Distance of Water Plant From Home/Workplace**

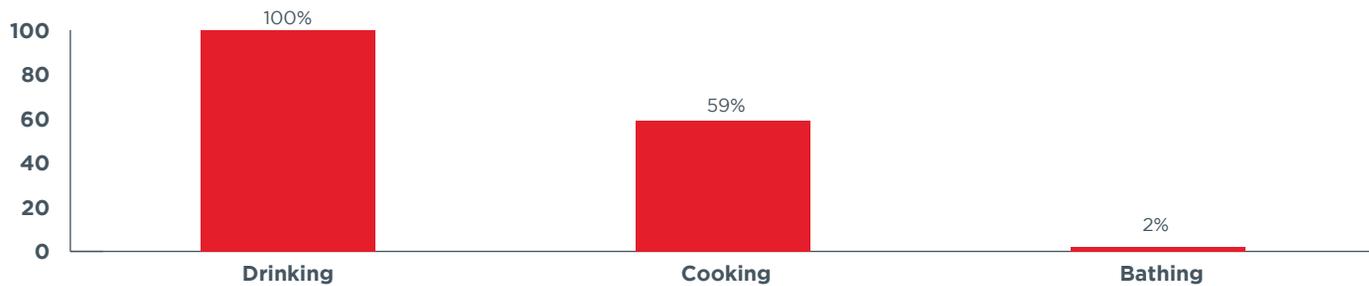


**Figure 5.3:**  
**Distance of Water Plant - Area wise**

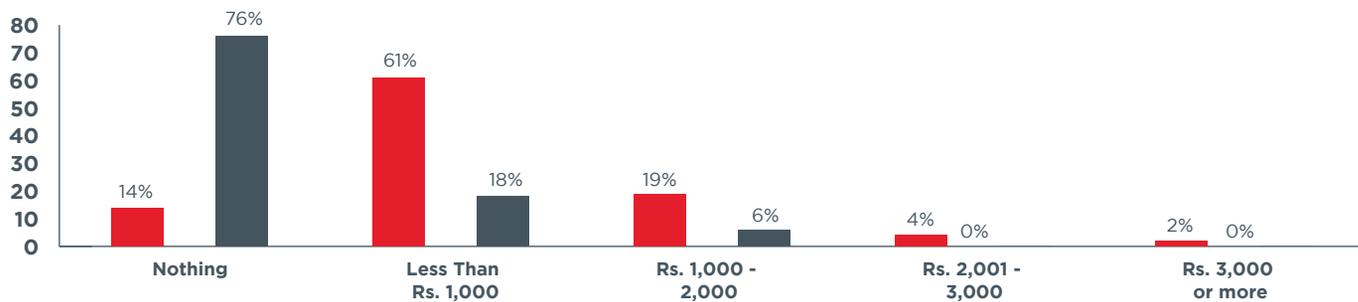


Analyzing data for distance covered further (Figure 5.3), it can be seen that 20% beneficiaries from Shalamar area travel more than 1 km to reach to filtration plant. People travelling between 101 - 250 meters are in highest proportion (71%) in Thokar Niaz Baig while at Delhi Gate, most of the people (44%) have to travel between 500m - 1km. Interestingly, there are equal amount of people travelling to the plant in Moti Bazar Mochi Gate from 3 varying distances, as shown in the graph above.

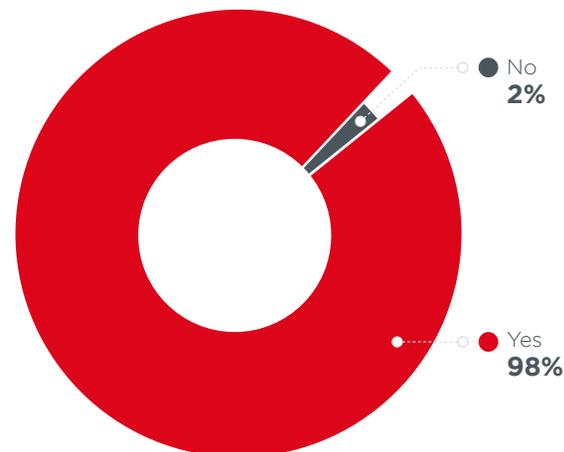
**Figure 5.4:**  
**Purpose of Water Use**



**Figure 5.5:**  
**Money Spent on Water Consumption**



**Figure 5.16:**  
**The effect of Water Filtration Plant on Water Borne diseases**

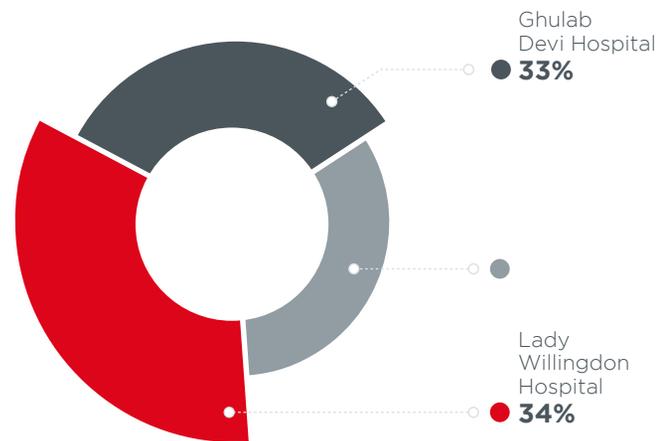


These filtration plants have also facilitated in the reduction of chronic water-borne diseases. Survey Data shows that 98% of beneficiaries believed that water from filtration plants is safe for drinking and have reduced water borne diseases in their respective areas (Figure 5.6).

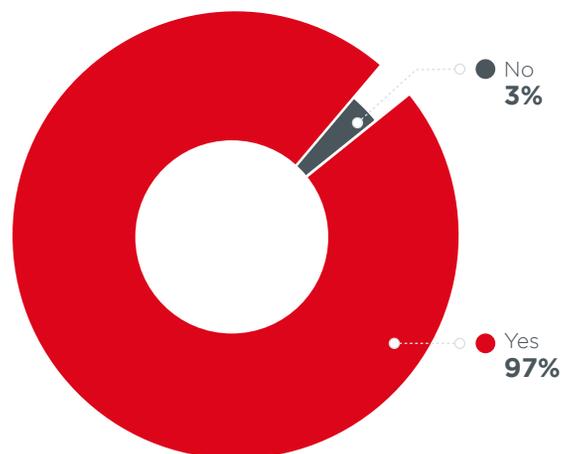
### Survey Results –Public Entities.

From water filtration plants in public entities, three plants were randomly selected. They are located at Lady Willingdon Hospital, Lahore Railway Station and Ghulab Devi Hospital. 60 surveys were then successfully completed from beneficiaries of these water plants. As seen from Figure 5.7, the division is almost proportionate showing an equal representation of the population across the three areas.

**Figure 5.7:**  
Sample Selection - Area Wise



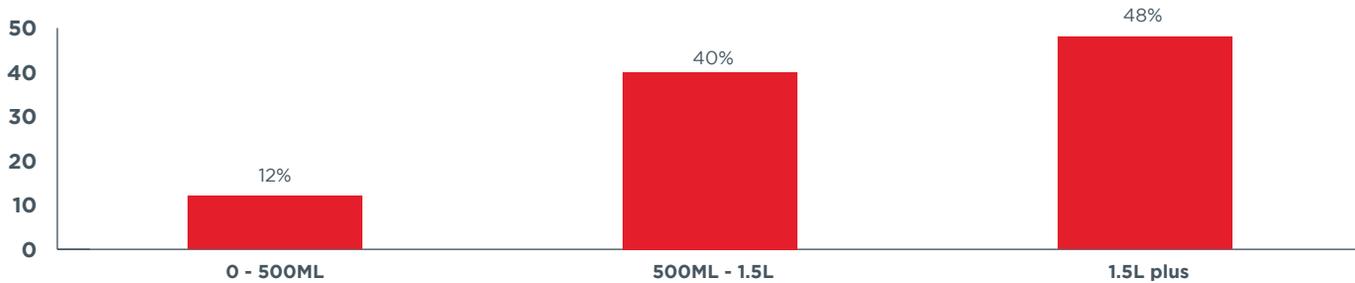
**Figure 5.8:**  
Access to safe drinking water through Water Plant



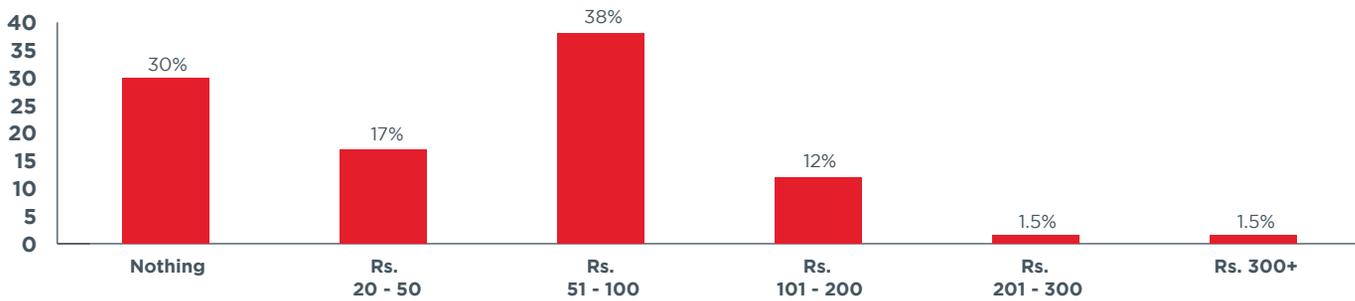
Similar to the beneficiaries of water plants in residential areas, most of the beneficiaries (97%) of water plants in public entities also believe that filtration plants provide access to clean drinking water and reduce water borne diseases (Figure 5.8).

As for the consumption, the majority of the beneficiaries (48%) fill more than 1.5litres of water for their use while 40% fill between 500ml and 1.5litres. Only small proportion of people (12%) fill water below 500ml. Thus, we can see that water plants are not only used to satisfy small consumption levels but also higher levels.

**Figure 5.9:**  
**Water Filled Per Person/Per Day**



**Figure 5.10:**  
**Money Spent on Water Consumption If No Access to Water Plant**



To measure financial benefit of the use of Water Filtration plant, beneficiaries were asked about their water consumption expenditure if they did not have access to a water plant (Figure 5.10). The result shows that 38% of the beneficiaries would have spent between Rs. 50 to 100 per day while 17% would've spent between Rs. 20 - 50 to satisfy their water consumption need. Furthermore, 30% of people responded that they would not have spent anything and only 3% of people, responded that they would have spent more than Rs. 200 to fulfil their need water consumption.

# ZARYA PROJECT

The project aims to enable women to play a productive role towards economic and social empowerment. CCI Pakistan has distributed interest free loan of Rs. 50,000 to 28 female micro-entrepreneurs to establish grocery stores named, "Tabeer Stores". These loans were returnable on easy installments. The recovered funds were later utilized for establishing more small-scale enterprises for women. These consist of the 15 initial business funded in 2015, and 12 new ones that were established via the loan recovery.



CCI Pakistan in collaboration with SEED Out<sup>14</sup> identified and dispersed funds to underprivileged female applicant. Furthermore, the shortlisted applicants were also trained to enhance their skills of bookkeeping. Thus, enabling them to work efficiently and keep record of their accounts of their stores.

In addition, 5 auto rickshaws were also distributed among deserving female applicants to help them start their own transport service. This program was introduced with the title of “Zeenat Gari”. Women face significant challenges while using public transport. According to CERP’s survey of 1,000 households in Lahore, only 15-20% of female rickshaw users feel safe using rickshaws and qinqis at night as a means of transportation, 20% of the family members strongly discourage women from using these means at all times. There was clearly a need for smartly designed, feasible transport interventions that can help improve women’s mobility and ability to travel safely. Keeping these challenges in mind, project “Zeenat Gari” was designed. This intervention not only provided safe transportation for women, but it also empowered women to earn income through participation in the transportation sector. Customized auto Rickshaws were offered on interest free loan on easy installments. In order to address security concerns, rickshaws were customized with features such as security gadgets and Wi-Fi to ensure women’s safety. Training was also given to women on how to ride a rickshaw along with the mechanics of the vehicle.

The project, since its inception, has helped numerous women to support their households in difficult economic conditions and to live a respectable life. “Tabeer Stores” and “Zeenat Gari” have both generated significant

income for the deserving women to support themselves and their families independently. Random beneficiaries of the project were selected to conduct interviews. Their inspirational stories are highlighted below.

All of the beneficiaries interviewed reported a positive socio-economic outcome the program has had on their lives. One of the applicants, Shahida Bibi reported an earning of Rs 7000 from Tabeer store which helped her live an independent life and support her family. Shahida Bibi’s amazing story is an example of a woman rising through personal hardships and tragedies to build a life for herself and her family. After struggling through her early life, Shahida Bibi found a part time job as a polio worker which supported her financially. However, this variable income was not enough for her to fulfill basic necessities in life including food and education for her.

A hard worker from the start, Shahida Bibi also set up a store at her house to generate income. However, due to meagre investment she couldn’t stock all basic items required for a grocery store. Zarya program provided her with Rs. 50,000 of interest free loan. This helped Shahida Bibi to significantly increase inventory of her “Tabeer Store”. Zarya program has significantly increased her income and improved her socio-economic condition. She was able to earn Rs. 7000 additional profit each month.

Riffat Bibi’s story is another of inspiration that enthralls every woman to be independent and break free from the societal stereotypes. Initially, Riffat Bibi took on numerous house jobs but none of the jobs worked well for her. She wanted to generate enough income to afford a basic standard of living for herself and her family. Her decision to drive Rickshaw was considered to be a revolt against the stigma present against women. For her, “women

<sup>14</sup> <https://www.seedout.org/get-to-know-us/about-us>

have to work along with their Husbands nowadays as the husband earning is not enough to support household expenses.” As a beneficiary of “Zeenat Gari” Riffat Bibi, significantly increased her income from a meager Rs. 7,000-8,000 per month to Rs. 15,000- 20, 000 per month. This increase in income significantly increased her socio-economic condition as she now supports her family and send her children to private school. Riffat bibi represents majority of women from under-privileged communities who have struggled long and hard to improve the quality of life for their families.

Another beneficiary of Zarya, Suriya Bib’s life took a sudden turn when her husband passed away, leaving her the only bread winner of her family. Even before the passing of her husband, she used to carry house jobs to support her husband who was a laborer. A hard worker from the beginning, she always wanted to set up her own micro-business. It was difficult for her to leave children at home after the demise of her husband. “Tabeer Store” enabled her to be with her children and also earn a livelihood. Through Zarya, Suriya Bibi was able to stock additional items in her store which has significantly increased her income. She also reported that, bookkeeping lessons helped her in maintaining accounts of the store.

Another story is of Rubina Bibi who shares a similar background to the previous mentioned. Working as a house maid while her husband worked in a paper mill. Even together, they struggled to earn enough to make

ends meet. Rubina bibi’s life took a serious turn when her husband was seriously ill and was unable to continue his job at the paper mill. This resulted in her to manage the financial burden on her own. Rubina Bibi decided to set up a small grocery store next to her house. With the help of Zarya program, she set up a store and start earning decent income every moth to cover all household expenses. Income from “Tabeer Store” helped her returning the loans she took earlier to cover her expenses. But for her, the proudest outcome is that she sends her children to private schools.

As Rubina bibi puts it, “not everyone is lucky to get married into rich households who’ll fulfill your dreams, women have to work to support their households and to live a respectable life.”

Shahida, Riffat, Suriya and Rubina bibi are just four of the many untold stories of women micro- entrepreneurs who have benefited from CCI Pakistan’s ‘Zarya’ .

# CONCLUSION & RECOMMENDATIONS

CCI Pakistan has contributed significantly in terms of income and employment in Pakistan's economy. In the last 6 years, the company has invested more than USD 500 million to expand their footprint across Pakistan. This investment has helped create direct, as well as indirect income and employment. In addition, it has helped ancillary industries to expand their business. The main findings of the report are:

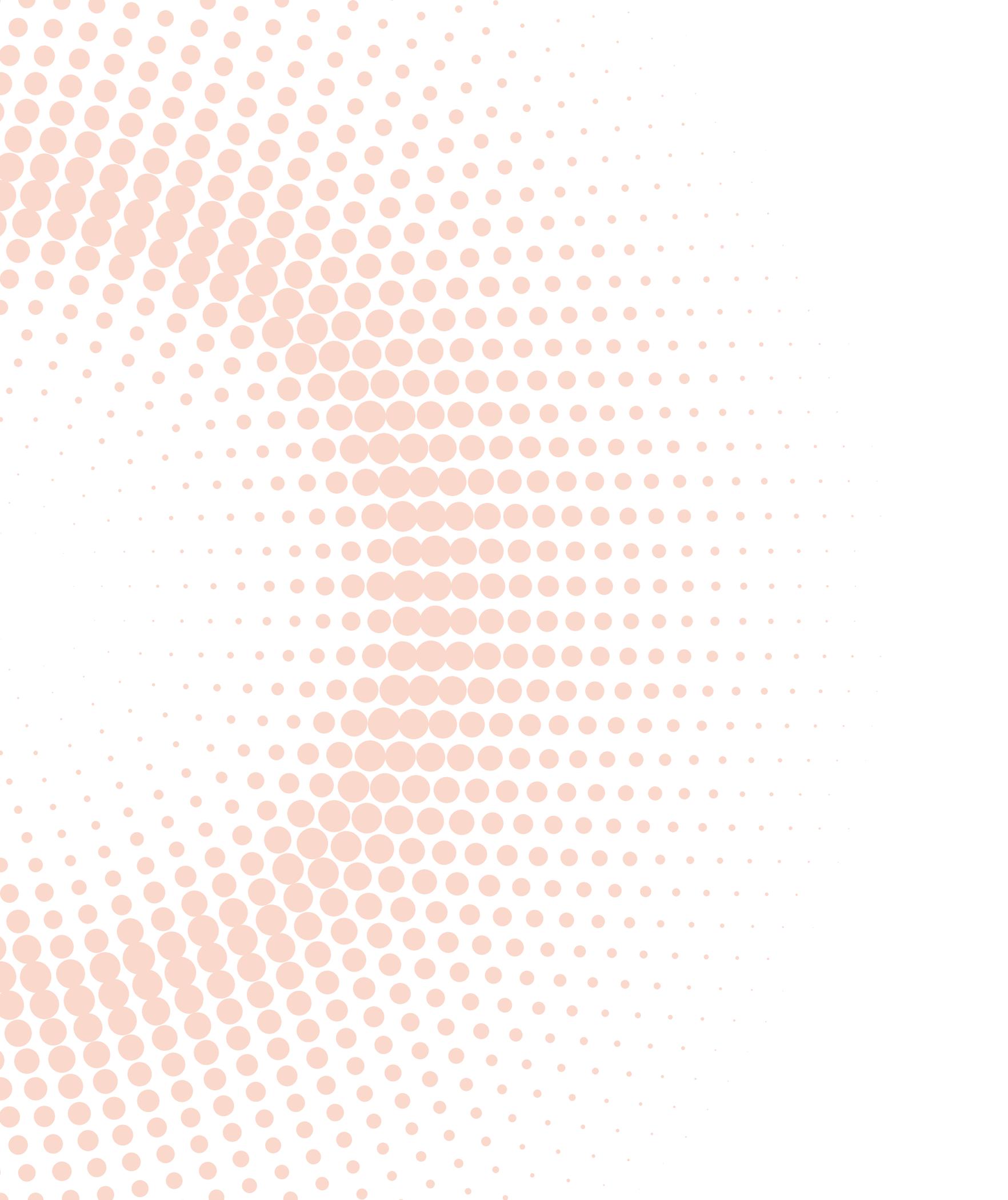
- CCI Pakistan generates Rs 865,031.2 million in terms of income; which is 1.95 percent of the national income.
- Total impact multiplier in terms of output (GDP) including direct, indirect and induced effects is 2.74 percent.
- CCI Pakistan supports one of the biggest distribution networks in the country. The distribution network generates splendid Rs 3170.736 million annually. In addition, distribution network alone employees more than 10,000 people in the value chain.
- CCI Pakistan and its distribution network directly employees 13,764 people. Direct employment effect is 2.71 while employment multiplier is estimated to be 3.87.
- The government's income from CCI Pakistan's network is more than Rs. 29,983 million per annum in real terms. The tax multiplier is estimated to be 1.21.
- Business outlets have reported substantial increase in their revenues as well as profits due to sales of CCI Pakistan products. The company with its huge distribution network supplies products to more than 267,000 outlets. Supplementing it with average household size in Pakistan, it has successfully raised standard of living of more than 1.7 million people.
- According to the estimates of the survey, the employment spillover-in terms of part-time and full-time employment-due to the sales of CCI Pakistan products is 28 percent. Generalizing this effect for the total population results in creating more than 60,000 full time as well as part time jobs in the informal sector. This clearly shows that CCI Pakistan has helped create employment opportunities especially for the unskilled workers in the informal sector.
- PAANI project has provided access to clean drinking water to 1 million beneficiaries. Survey findings reported decrease in water consumption expenses of the beneficiaries and resulted in increase in consumer surplus. In addition, it also helped reduce water borne diseases.
- Zaarya project has successfully lifted standard of living of the many families benefiting from interest free loans used to set up Tabeer store and drive Rickshaws. It particularly helped empower women to earn income and maintain their independent social status.

The actual contribution of CCI Pakistan in terms of output, income and employment considerably higher. Since Input-Output industry matrix only considers production and income of documented business and industries and given that Pakistan has a huge parallel undocumented economy, there are number of ancillary industries which do not become part of the CCI Pakistan eco-system. These businesses are generating substantial income and employment in the economy. For instance, transport sector services are mostly undocumented business in Pakistan, the company is spending more than 3.5 billion annually in transportation. Income and employment spillovers in this sector cannot be measured through Input-output/SAM model. It can be fairly reduced that the actual contribution exceeds Rs. 865,031.2 million in the economy.

## Recommendations

- CCI Pakistan has invested USD 500 Million over the past years and is considering further investments, subject to favorable conditions. High tax rate regime, high cost of doing business, lack of level playing field and unfavorable policies are major obstacles.
- Pakistan's corporate tax rate is 34 per cent against the worldwide average of 22.6 per cent. Therefore, there is a need to revise the corporate tax structure. The reduction in corporate tax rate will not only encourage the entrepreneurs to pump more investment but may also help the other allied industries to grow accordingly.

- CCI Pakistan is one the largest taxpayers in Pakistan, second-largest in Federal Excise Duty FED payment and has deposited around PKR 125 Billion in last 5 years into government treasuries.
- Government's aim to widen its tax base is understandable, however, an increase in tax rates, along with lack of level playing field, has resulted in negative growth trend within the industry. Industry decline would lead to less revenue for the government in long-run.
- CCI Pakistan, being a responsible corporate organization, follows all government rules and regulations along with fulfillment of all compliances including taxation, licensing and regulations. It is however observed that deviation by certain players within the industry in tax submission is creating a non-level playing field for players who are abiding by rules and regulations of the state, thus hampering the company's growth. Currently CCI Pakistan is paying more in taxes than its market share. Therefore, the collection of taxes and duties should be proportionate to the market share. Focus should be made on enforcement of tax collection from tax evaders.
- Beverage sector, one of the highly taxed sector in Pakistan, is imposed with 13 percent FED & 17 percent GST. Immensely high taxation of 30% on 'Retail Price' of Carbonated Soft Drink (CSD) is limiting the capacity of the industry to reinvest into the market to capture this growth opportunity. It is the only sector within Food & Beverages, which is levied with additional burden of FED. Moreover, the transparency issues across the local industry puts CCI Pakistan at a disadvantage in competitive landscape as CCI Pakistan is paying more than its market share.
- Focus should be put on decreasing the FED rate, making favorable environment for the businesses to grow which would eventually result in more government revenue, creating a win-win situation. In 2011, when FED was brought down from 12 percent to 6 percent, the company witnessed growth in double digits further boosting revenue for the government treasuries.
- Since carbonated soft drinks are not a luxury product the government should exclude beverage industry from FED regime.
- Pakistan's indirect tax system & unfavorable policies are a major hindrance to fresh investments. For example, adjustment of input tax has been restricted for the manufacturers who are selling their product to unregistered distributors under Sales Tax Act. This again seems to marginalize the business environment where the manufacturers are bound to do business with limited individuals only. Since Federal Board of Revenue (FBR) has the complete data of the distributors of every registered manufacturer, they can easily register them on their own without putting implications / pressure on the manufacturers.
- A report by a social development organization estimates, the poorest 10 per cent of households contribute 16 per cent of their income to three indirect taxes - general sales tax, central excise duty and customs duty. Therefore, the government should consider options to tax more products at a lower rate and generate revenue on quantity.
- High tax rate regime leads to the growth of counterfeit products. This can be avoided through a rational tax structure designed after discussion with the stakeholders.
- Beverage Industry is already paying 'Health Levy', a looming threat to the industry, in the form of FED. Imposing Health Levy on top of FED would mean double taxation which the industry cannot absorb. Health Levy should be broad-based (non-discriminatory) covering all industries that manufacture products containing sugar content.
- Every Provincial Government has a different regulatory structure in addition to the Federal Government's structure. Variable standards are being implemented by provincial food authorities which at times are contradictory to the federal and international standards. There should be harmony in Federal & Provincial regulations to avoid undue financial burden on businesses.



# APPENDIX-I

## Impact Analysis Methodology

This section describes the methods used to evaluate the impact of the CCI Pakistan operations on Pakistan's economy. The analysis begins by collecting information from CCI Pakistan and using the direct input data to model the total economic impact.<sup>15</sup> The actual impact calculations are based on the best available model for Pakistan's economy, which is Input-Output and SAM model. One hurdle in doing this impact analysis is outdated data for overall economy. The latest SAM analysis in Pakistan was done in 2013-14 by IFPRI. In order to minimize the restrictions of data, this study has inflated overall data (a standard practice in Economics).

The input-output methodology is based on the input-output matrix that represents inter-industry dependencies. More specifically, these relationships can be described as the amount of inputs from each industry that are used to produce the outputs of each industry. Hence, the empirical input-output ratios can be thought of as reflections of the production technology at a given point in time. Every SAM analysis begins with an injection of new money into the economy, the direct effect. The direct economic effect of the CCI Pakistan is mostly the result of operational expenditures. This creates direct income and jobs for individuals in the CCI Pakistan universe. The SAM then calculates indirect and induced impacts. The indirect and induced effects derive from several sources. For example, CCI Pakistan buy

sugar in Pakistan. The suppliers receive this income and then spend it, leading to further rounds of income and expenditure by other businesses and individuals in local economy. More employment and income are generated. This indirect effect, along with specific impacts on industries, can be modeled through the SAM. Moreover, employee income is spent; creating another impact, called the induced impact. A SAM can trace these ripple effects and provide estimates of total employment and income.

The impact of change can be determined by the input-output and SAM multipliers that are derived from the Leontief inverse  $(I - A)^{-1}$  matrix, where  $I$  is the identity matrix and  $A$  is the technical coefficients matrix. These multipliers are generally referred as Type I multipliers. They are used to compute the impact of an initial injection on the economy via inter-industry relations. Any injection to the economy also has an effect on income. Households then spend a portion of this additional income, creating new demand, which is called an induced impact. When the transactions and technical coefficients matrixes are augmented by a row and a column for households, the households sector is said to become endogenous. The multipliers that account for the induced effects due to augmented matrixes are called Type II multipliers. This study provides results of both Type I and Type II multipliers for CCI Pakistan.

<sup>15</sup> Essentially, the direct inputs into the model are operational and capital expenditure data for the various CCI Pakistan expenditures components (provided by CCI Pakistan).

## Social Accounting Matrix

We will use a two-sector SAM to illustrate the underlying equations, although the final multiplier formula can be applied to SAMs with any number of sectors. In Table 1, we replace the numbers in the SAM with letters or symbols so that we can refer to these in our equations. For example, X1 refers to the value of gross output from activity 1, and Y refers to total household income.

Table 1 SAM entries expressed as letters or symbols

	Activities		Commodities		Factors	Households	Exogenous demand	Total
	A1	A2	C1	C2	F	H	E	
A1			X <sub>1</sub>					X <sub>1</sub>
A2				X <sub>2</sub>				X <sub>2</sub>
C1	Z <sub>11</sub>	Z <sub>12</sub>				C1	E1	Z <sub>1</sub>
C2	Z <sub>21</sub>	Z <sub>22</sub>				C2	E2	Z <sub>2</sub>
F	V <sub>1</sub>	V <sub>2</sub>						V
H					V <sub>1</sub> + V <sub>2</sub>			Y
E			L <sub>1</sub>	L <sub>2</sub>				E
Total	X <sub>1</sub>	X <sub>2</sub>	Z <sub>1</sub>	Z <sub>2</sub>	V	Y	E	

where X is gross output of each activity (i.e., X1 and X2)

Z is total demand for each commodity (i.e., Z1 and Z2)

V is total factor income (equal to household income)

Y is total household income (equal to total factor income)

E is exogenous components of demand (government, investment, and exports)

We then divide each column in Table 1 by its column total to derive a coefficients matrix called "M-matrix." This is shown in Table 2. Note that the M-matrix excludes the exogenous components of demand.

Table 2: M Matrix

	Activities		Commodities		Factors	Households	Exogenous demand	Total
	A1	A2	C1	C2	F	H	E	
A1			$b_1 = X_1/Z_1$					X1
A2				$b_2 = X_2/Z_1$				X2
C1	$a_{11} = Z_{11}/X_1$	$a_{12} = Z_{12}/X_2$				C1	E1	Z1
C2	$a_{21} = Z_{21}/X_1$	$a_{22} = Z_{22}/X_2$				C2	E2	Z2
F	$v_1 = V_1/X_1$	$v_2 = V_2/X_2$						V
H					1			Y
E			$l_1 = L_1/Z_1$	$l_2 = L_2/Z_2$		$s = S/Y$		E
Total	1	1	1	1	1	1	E	

where a is technical coefficients (i.e., input or intermediate shares in production)

b is the share of domestic output in total demand

v is the share of value-added or factor income in gross output

l is the share of the value of total demand from imports or commodity taxes

c is household consumption expenditure shares

s is the household savings rate (i.e., savings as a share of total household income)

Using the symbols in the SAM, total demand  $Z$  in each sector is the sum of intermediate input demand, household consumption demand, and other exogenous sources of demand  $E$ , such as public consumption and investment. This is shown in Equations below.

$$\begin{aligned} Z_1 &= a_{11}X_1 + a_{12}X_2 + c_1Y + E_1 \\ Z_2 &= a_{21}X_1 + a_{22}X_2 + c_2Y + E_2 \end{aligned}$$

From the SAM we know that gross output  $X$  is only part of total demand  $Z$ ,

$$\begin{aligned} X_1 &= b_1 Z_1 \\ X_2 &= b_2 Z_2 \end{aligned}$$

We also know that total household income depends on the share of factors' earnings in each sector,

$$Y = v_1X_1 + v_2X_2$$

Substituting  $X$ 's in  $Y$  gives the following identity for total income  $Y$ .

$$Y = v_1b_1Z_1 + v_2b_2Z_2$$

We can now replace  $X$  and  $Y$  in initial Equation.

$$\begin{aligned} Z_1 &= a_{11}b_1Z_1 + a_{12}b_2Z_2 + C_1(v_1b_1Z_1 + v_2b_2Z_2) + E_1 \\ Z_2 &= a_{21}b_1Z_1 + a_{22}b_2Z_2 + C_2(v_1b_1Z_1 + v_2b_2Z_2) + E_2 \end{aligned}$$

We move all terms, except for exogenous demand  $E$ , onto the left-hand side.

$$\begin{aligned} Z_1 - a_{11}b_1Z_1 - c_1v_1b_1Z_1 - a_{12}b_2Z_2 - c_1v_2b_2Z_2 &= E_1 \\ -a_{21}b_1Z_1 - c_2v_1b_1Z_1 + Z_2 - a_{22}b_2Z_2 - c_2v_2b_2Z_2 &= E_2 \end{aligned}$$

Finally, we group  $Z$  terms together.

$$\begin{aligned} (1 - a_{11}b_1 - c_1v_1b_1)Z_1 + (a_{12}b_2 - c_1v_2b_2)Z_2 &= E_1 \\ (-a_{21}b_1 - c_2v_1b_1)Z_1 + (a_{22}b_2 - c_2v_2b_2)Z_2 &= E_2 \end{aligned}$$

We can now use matrix algebra to convert Equations above into matrix format.

$$\begin{aligned} (1 - a_{11}b_1 - c_1v_1b_1 - a_{12}b_2 - c_1v_2b_2) (Z_1) &= (E_1) \\ (-a_{21}b_1 - c_2v_1b_1 \quad 1 - a_{22}b_2 - c_2v_2b_2) (Z_2) &= (E_2) \end{aligned}$$

The first term in is the identity matrix ( $I$ ) minus the coefficient matrix ( $M$ ).

$$\begin{pmatrix} 1 - a_{11}b_1 - c_1v_1b_1 - a_{12}b_2 - c_1v_2b_2 \\ -a_{21}b_1 - c_2v_1b_1 & 1 - a_{22}b_2 - c_2v_2b_2 \end{pmatrix} = 1 - M$$

If we rename the other two vectors  $Z$  and  $E$  we can express matrix in the following way

$$(1 - M) Z = E$$

Finally, by rearranging terms, we arrive at the multiplier formula in Equation

$$Z = (1 - M)^{-1} E$$

This formula tells us that, when exogenous demand  $E$  increases, then after taking all rounds of direct and indirect linkage effects into account, you will end up with a final increase in total demand equal to  $Z$  (that is, some multiple of the initial or direct shock). The information on linkage effects from the SAM is incorporated into the multiplier model through the coefficient matrix  $M$ . With this formula we can now calculate the size of multiplier effects.<sup>1</sup>

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