

# THE POTENTIAL OF THE PAKISTAN MINERAL POLICY TO PROMOTE PEACE AND STABILITY

## SUMMARY

Investments in extractive industries usually occur in places where neither the government nor local communities are sufficiently prepared for the changes brought by the project. Without an inclusive and efficient economic governance framework in place, these projects can lead to social and environmental impacts that exacerbate or further drive differences between the businesses and the local communities whose fundamental rights, lands and livelihoods are affected. These differences can be minimised if: all relevant stakeholders – governments, businesses and communities – work within an inclusive and socially cohesive economic governance framework; businesses use the right approach to engage effectively and early on with communities; the government has sufficient legislation, along with the will and skill to implement and regulate it both locally and nationally; and citizens and local communities have a meaningful voice in all stages of a business project that affects them.

## INTRODUCTION

Pakistan is endowed with significant mineral reserves. The country has the world's second largest salt mines and coal reserves, fifth largest copper and gold reserves, and second largest coal deposits, as well as an estimated 618 billion barrels of crude oil.<sup>1</sup> Despite this, in 2011/12 the mineral sector constituted less than 1% of the country's gross domestic product (GDP).<sup>2</sup> To begin attracting foreign investment, in 2013 the Ministry of Petroleum and Natural Resources (MPNR) revised and updated the Pakistan National Mineral Policy (NMP). The overall aim of the policy is to increase the contribution of mineral extraction to GDP by creating an enabling environment to attract investors, improving the international competitiveness of the industry and encouraging greater participation of the domestic private sector.

Although these reforms are necessary, in the context of Pakistan there is the risk of the 'resource curse' occurring, where natural resource extraction undermines stability and economic growth. Although there are many different theories for this phenomenon, the predominant policy response – like the NMP – often focuses on establishing a regulatory framework to create a more equitable distribution of wealth and efficient allocation of resources. However, if Pakistan wants to attract greater foreign investment, the MPNR needs to consider not only the policy framework but also the process of implementing those policies, as well as how greater investment can avoid causing environmental damage, exacerbating social disagreements and grievances, and contribute to the national economy.

Using International Alert's experience of working with the marble sector in Lasbela district, Balochistan, this

policy brief provides recommendations as to how MPNR can begin the *process* of using investment in the sphere of natural resources to act as a platform for addressing socio-economic differences and inequalities underlying root socio-economic and political challenges. This will enable the NMP to become a framework for creating an environment that is attractive for investors as well as an opportunity to transform the societal and political structures necessary for building peace in Pakistan.

## POLICY RECOMMENDATIONS

### Enhancing coordination between state and non-state actors for improved resource governance

The NMP should help enhance the capacity of the federal and provincial authorities. It will achieve this by ensuring qualified staff are in place, and that staff receive adequate training to effectively oversee the management of the regulatory regime, including environmental protections. Whilst this training is necessary, the capacity of formal and informal local governance agents such as tribal leaders, district officials and community leaders in mining areas also need enhancing. Building the capacity of these agents will encourage broader inclusion and better management and regulation of resources. Greater inclusion will also ensure that during negotiations of concession agreements, the roles and responsibilities of each of the relevant agencies can be more clearly defined and in particular greater consideration be given to ensuring local voices are included in the process. This will require the MPNR to ensure that:

- Sufficient time and resources are allocated so that local governance structures and the community are aware of the terms of the agreement and the impact on their lands;



- Local governance agents are consulting their respective communities on mining projects;
- Each concession agreement identifies the roles and responsibilities for each stakeholder (businesses, district agencies, affected communities, tribal leaders and community leaders) during the concession negotiations;
- Each concession has adequate provisions for ensuring that stakeholders are equipped to carry out these responsibilities – particular attention should be paid to the role of women and youth during the duration of the concession;
- Each concession has a working group with representatives from each of the stakeholder groups, with responsibility for monitoring the fulfilment of the agreement's terms and ensuring that communication lines are open;
- The working group receives training in mediation, to help resolve differences of viewpoints; and
- Each concession includes milestones for when these activities will be carried out during the duration of the concession.

### Promoting sustainable development

The NMP should recognise the need for the government to put in place mechanisms to ensure revenues generated by investment in natural resources benefit the local communities. As a result, the MPNR is demanding that mining companies contribute towards the 'social uplift' of the local population and work with government agencies to develop infrastructure that will benefit the local population. If the development of these projects can address the economic and social needs of the rural population, then local communities have a shared interest in promoting an enabling environment for investors and creating opportunities for development. This means that businesses and local governance structures, working in collaboration with affected communities, need to ensure that:

- Funds for development projects are available for the affected communities, with the process of accessing these development funds transparent and communicated clearly to communities;
- Resources are allocated for building the capacity of local leaders to support the management of these funds, assess the needs of their communities and manage projects;
- The national devolution policy is pushed through as an essential measure for building the legitimacy of provincial and district authorities, sharing responsibility for fiscal expenditure and improving state–citizen relations;
- Working groups are set up with representatives from each of the stakeholders (businesses, government agencies,

affected community representatives and tribal leaders) to oversee expenditure of the development funds, monitor their impact and ensure their alignment with wider development plans;

- Women, youth and other marginalised groups are included in the process of putting together economic development plans, to ensure that they are part of the decision-making process and benefit from the plans; and
- Greater engagement with local political parties occurs at both the provincial and community level, so that they can become key actors in providing support to this process.

### Encouraging small local mining

The NMP recognises that encouraging small-scale mining is essential to promoting the local economy and greater local participation in extractive industries. To achieve this, preference will be given to foreign companies hiring Pakistani nationals and Pakistani businesses. As a result, the NMP is giving specific attention to human resource development by providing management training and giving bursaries for the local workforce to attend Technical Education and Vocational Training Authority (TEVTA) programmes. However, bringing small-scale mining operations up to international standards will also involve improving local businesses' ability to engage with foreign companies, government agencies and communities. To achieve this it is important that:

- Sufficient time and resources are allocated to improving the capacity of local small-scale miners' associations;
- Particular attention is placed on ensuring mine worker representatives have the capacity and skills to engage with the other stakeholders and are able to represent the training needs of all the mine workers;
- Small-scale miners and local government agencies improve their understanding of the risks and concerns of investors and work towards a strategy to address these risks;
- Stakeholder forums are set up at each Tehsil to ensure training programmes meet the needs and include the different sections of society, e.g. migrant populations, women, youth, etc.; and
- The stakeholder forum develops a strategy with educational agencies, small-scale miners, local employment agencies and investors to address the above training needs and ensure worker productivity increases.

1 M.T. Sohail et al, Regulatory Framework of Mineral Resources Sector in Pakistan and Investment Proposal to Chinese Companies in Pakistan, *American Journal of Industrial and Business Management*, 3(5), 2013, pp.517

2 *Ibid.*, p.514

### Written by Zahed Yousuf and Eleanor Bayley

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#### International Alert.

346 Clapham Road, London SW9 9AP, United Kingdom  
Tel +44 (0)20 7627 6800, Fax +44 (0)20 7627 6900  
Email [info@international-alert.org](mailto:info@international-alert.org)  
[www.international-alert.org](http://www.international-alert.org)

Registered charity no. 327553

#### International Alert Pakistan.

House #13, Street 44, F 6/1, Islamabad, Pakistan  
Tel +92 (0) 51 835 8635, Fax +92 (0) 51 835 8634

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