

THE ROLE OF THE MARBLE MINING INDUSTRY IN PROMOTING PEACE AND SUSTAINABLE DEVELOPMENT IN LASBELA

SUMMARY

Lasbela district is the most south-easterly coastal district of Balochistan province, situated between Karachi, Pakistan's economic powerhouse, and an area affected by high levels of poverty and poor infrastructure.

Lasbela's marble industry offers a high-quality product, yet attracting investment into an area poses significant issues. Challenges include navigating between members of the elite to guarantee the protection of assets, investing in inefficient production methods, weak infrastructure and low-skilled labour, and dealing with local frustrations and destructive rivalries between different tribal, political and ethnic groups. Creating an environment attractive to investment necessitates a transformation of the economic system, security, governance, reconciliation, better provision of basic social services, and more effective management of competing political and socio-economic interests.

This paper seeks to promote a new generation of initiatives, approaching the marble industry as a platform to manage competing interests peacefully, and to create the conditions necessary for sustainable economic growth and peace.

INTRODUCTION

Balochistan is the most socio-economically disadvantaged province in Pakistan.¹ Political and tribal differences are widespread, along with frustration with the federal government over lack of infrastructure and services. Illicit trade has become a parallel economy and includes public representatives, tribal leaders (*Sardars*) and crime syndicates.² All these factors play a role in the increase in sectarian and pro-self-government clans and criminality, and the demands for greater autonomy.

Situated on major trade routes,³ Lasbela has great development potential through its significant reserves of marble⁴ and substantial deposits of limestone and granite. While Lasbela has largely remained unaffected by armed groups, incidences of 'strong-arming' are increasing, disrupting mining operations and deterring investors.⁵

This paper's underlying assumption is that a society where government agencies, the private sector and communities can benefit from economic, political and social opportunities is also a society where investors can adopt long-term investment strategies, based on factors such as a robust policy environment and judicial system. In other words, creating conditions for peace is a socio-economic and political process that requires government agencies that can regulate the industry and develop infrastructure, businesses that comply with the law and 'do no harm', and cohesive communities that are able to resolve differences peacefully.

1 The province has the country's highest unemployment rate (33%) and lowest literacy rate (25%), and 58% of the population live below the poverty line. The lack of socio-economic development coupled with historical political and tribal differences have led to mounting violence, which is having an adverse effect on Lasbela's marble industry.

2 Pak Institute for Peace Studies (2010). *Conflict and Insecurity in Balochistan: Assessing Strategic Policy Options for Peace and Security*, Pakistan.

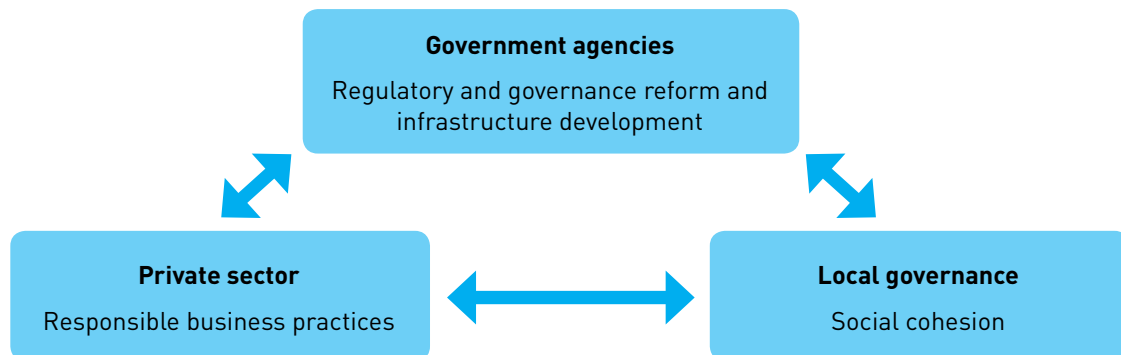
3 International Union for Conservation of Nature and Natural Resources (IUCN) (2011). *Lasbela – Integrated District Development Vision*, IUCN Pakistan. Available at http://cmsdata.iucn.org/downloads/pk_lasbela_iddv.pdf

4 Estimates vary between 200 million and 300 million tonnes.

5 Pak Institute for Peace Studies (2010). Op. cit.



APPLYING A PEACEBUILDING LENS FOR AN ENABLING ENVIRONMENT



Given the complexity of issues and need for further research, this paper does not offer detailed recommendations. Instead, it seeks to understand the root causes of the poor law and order situation, and to make recommendations for promoting peace through leveraging the mining industry's development priorities.

ROOT CAUSE ANALYSIS

In order to understand the root causes underlying political and poor economic conditions in Lasbela, International Alert undertook desk research and – in collaboration with the Society for Community Strengthening and Promotion of Education, Balochistan (SCSPE) – conducted a series of focus groups discussions (FGDs) and key informant interviews (KIIs).⁶ The main findings of this research are outlined below.

Elite capture

A World Bank report⁷ highlights that elite political interference is increasing levels of corruption, crime and extortion in Balochistan. The interference restricts the entry of smaller businesses, which lack the political connections to secure mining permits, cannot afford the levies imposed by tribal chiefs and struggle to pay for security when transporting their goods. According to a large majority of businesspeople in Balochistan, the non-responsiveness of key governance actors is a significant inhibiting factor. The amount of support given to the tribal patronage systems is also blamed for reducing the funds available for local government authorities.⁸

Tribal systems of governance

In Lasbela, the Baloch tribal systems of governance are highly hierarchal compared with other tribes such as the Pashtuns, which tend to have more horizontal leadership structures. As a result, the Baloch tribal structures tend to dominate the socio-economic and political spheres, allowing little room for formal institutions or even civil society to develop. This political fragmentation along tribal lines has led to strong leadership among tribal groups but weak levels of cooperation with other tribes or formal (non-tribal) systems of governance.⁹ These tribal elites tend to be more interested in pursuing their own political and economic interests than in providing infrastructure and social services to their constituents.¹⁰ Agreements are dominated by tribal leaders' own self-interests or tribal linkages, without inclusion of vulnerable groups such as women and youth.¹¹

⁶ In total, five FGDs were held with communities from Goth Baryal, Goth Khano, Goth Jamali and Goth Noor Mohammad in the Uthal district of Lasbela (including men, women and youth) as well as 11 KIIs with a range of stakeholders from government agencies to local business associations (see Annex 1 for details, available at <http://www.international-alert.org/resources/publications/marble-mining-industry-lasbela>). Following on from the initial FGDs and KIIs, four follow-up workshops were organised in September 2014 – the first with representatives from mine workers and communities, the second with mine owners and local business people, the third with relevant government agencies, and the final workshop bringing together all the representatives in a joint workshop [see Annex 2 for details, available at <http://www.international-alert.org/resources/publications/marble-mining-industry-lasbela>]. The aim of the initial workshops was to improve the actors' analysis of their current context – in particular, the challenges they face to create an enabling environment and to develop a strategy on how they could overcome these challenges. The final workshops provided the actors with the opportunity to present their analysis and their strategy to the other stakeholders and to develop a common understanding of the challenges and a vision for peace and stability.

⁷ World Bank (2008). *Pakistan – Balochistan Economic Report: From Periphery to Core [In Two Volumes]. Volume II: Full Report*. Washington DC: World Bank.

⁸ F. Grare (2013). *The Carnegie papers: Balochistan – The State versus the Nation*. Carnegie Endowment for International Peace. According to the 2011 district development profile for Lasbela, the budget allocation has dropped from US\$8 million in 2009–2010 to approximately US\$3.64 million in 2010–2011, of which only US\$1.4 million was spent for a population of 312,000 people (US\$4 per person). In comparison, the average government expenditure for the rest of Pakistan was US\$19 per person.

⁹ Pak Institute for Peace Studies (2010). Op. cit.

¹⁰ M.S. Ahmad and N. Bt. Abu Talib (2013). 'Local government systems and decentralization: Evidence from Pakistan's devolution plan', *Contemporary Economics*, Vol. 7, No. 1, pp. 33–44.

¹¹ H. Gazdar (2007). *Background Paper on Social Structures and Migration in Balochistan* (first draft). Islamabad: Asian Development Bank.

Customary systems of dispute resolution

Due to corruption and lack of capacity associated with the formal judicial system, communities have more confidence in customary systems of dispute resolution. These systems (known as the *Jirga*) are a gathering of community elders or tribal chiefs who listen to grievances between contesting parties and reach a decision by consensus. Whilst the *Jirga* retains social legitimacy, the system is in need of modernisation. According to a Saferworld report, “even local respondents recognise there are limitations with the *Jirga*. There is a lack of representation of women and minorities, poor implementation of human rights and a lack of clarity on its status in the wider judicial system”.¹²

Proliferation of poor socio-political conditions

Although an in-depth analysis of the Balochistan situation is beyond the scope of this paper, it is well recognised that the province is the least developed of all administrative units in the country. Moreover, it has been facing a serious law and order problem, which has hindered various government efforts to improve the socio-economic conditions of people in the province. The lack of trust in government structures has created support for self-governance movements among young people. Criminality, sectarian differences, kidnapping, extortion and smuggling of illicit goods have become a means of funding these armed movements.

Communal tensions

Almost a million jobs were created in Balochistan within the first decade of the millennium. However, lack of a skilled workforce or investment in equipment has led to lower productivity levels than in other provinces.¹³ Local miners, particularly youth, are not aggrieved by the lack of jobs per se, but rather by the lack of well-paid work. Tensions are further fuelled by the fact that more skilled positions are being filled by migrant (mainly Pashtun) workers.

In addition, mine owners are required to pay a tax to the provincial government earmarked for the training and development of workers.¹⁴ However, the trainings have not taken place due to insufficient additional funding from the provincial authorities.

Another problem is the pollution of local water supplies due to inefficient methods of production. This is of particular concern to the local population using the water for daily consumption and to pastoralists who have to share the polluted water supply.

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Illicit trading

Elite business practices in Pakistan involve rent-seeking behaviours, cartels and collusion with illicit traders and criminals.¹⁵ In Karachi, organised crime syndicates are extorting local marble traders. This has led to protests among local marble traders due to the failure of the police and law enforcement agencies to address the issue.¹⁶ At the same time, it has increased tensions between the elite business community and small and medium-sized businesses.

Governance and the state–citizen relationship

Interest in retaining power and influence means that key governance actors do not support sustainable economic growth.¹⁷ Weak systems of local governance fail to meet the marble industry’s infrastructure needs, provide a regulatory framework, train low-skilled workers and address the deteriorating security situation.

As a result, state-citizen relations have become extremely weak and communities and local business leaders have little trust in public policy responses and decision-making. Mine owners, who are often *Waderas* (chief of a subclan), are taking on the responsibility of providing small-scale basic social services, such as the provision of water and healthcare services. This may reduce the funds available for reinvestment aimed at improving efficiency in production.

12 Community Appraisal and Motivation Programme (CAMP) and Saferworld (2012). *The Jirga: Justice and Conflict Transformation*, Pakistan and London. See

13 World Bank (2008). Op. cit.

14 Ministry of Petroleum and Natural Resources, Government of Pakistan, ‘National Mineral Policy, 1995’, available at <http://173.248.159.84/~pgjdcgov/wp-content/uploads/2014/02/national-mineral-policy-1995.pdf> and ‘National Mineral Policy, 2013’, available at <http://punjab.gov.pk/?q=system/files/National%20Mineral%20Policy%2C%202013..pdf>

15 Responsible Business Initiative (RBI) (2013). *Business as a Bridge to Peace-building: Voices from Pakistan*. Pakistan: RBI.

16 ‘Karachi: Marble factories to go on strike from March 17’, *Dunya News*, 19 September 2011, available at <http://dunyanews.tv/index.php/en/Entertainment/70654-Mad-Men-wins-fourth-Emmy-Award>

17 IUCN (2011). Op. cit.

RECOMMENDATIONS

1. Leveraging the role of Lasbela Marble City

The Lasbela Integrated District Development Vision highlights that key players, primarily government administrators, politicians and the provincial government, do not cooperate or support sustainable growth because of their interest in retaining power and influence.¹⁸ These actors need to begin the process of engaging with the realities of investing in Lasbela, yet the space for dialogue between communities, businesses and government agencies is weak. Although all of the participants in the focus groups and interviews highlighted their willingness to engage on these issues, there were no effective mechanisms for dialogue between relevant stakeholders to discuss these issues.

Today, the primary government agency responsible for overcoming these challenges and creating an enabling environment is ‘Marble City’, a public-private industrial estate created by Lasbela Industrial Estates Development Authority (LIEDA) in 2006 near the Hub. Given that Marble City and the local mine owners have a common interest in attracting investors, and can gain access to the wide range of relevant stakeholders, they can play a key role in supporting this process and becoming brokers of peace.

Marble City’s objectives are as follows:

- Investing in industrial stone-cutting and polishing processing centres for mine owners to integrate their upstream operations with downstream end-users in the Karachi markets;
- Attracting private investment to bring in the technology needed to reduce waste and improve productivity; and
- Undertaking a regulatory role on industrial waste and worker health and safety.¹⁹

By rebuilding relationships through a structured dialogue with the federal government, district and provincial government agencies, local mine owners, other local businesses, investors and communities (including customary and religious leaders, Sardars and law enforcement agencies), Marble City can provide an entry point to addressing the root causes of poor political and economic conditions. This also presents an opportunity to address regulation and infrastructure issues within the marble industry.

Dialogue would enable identification of innovative solutions and promote greater understanding of other viewpoints. In this respect, analysis and dialogue can become active tools as well as an integral part of the reconciliation needed to promote long-term socio-economic sustainability in Lasbela. Vulnerable groups (migrants, women and youth) should be engaged to break down existing power dynamics. Key members of the stakeholder forum should receive training in mediation to ensure that differences are resolved positively.

The table below illustrates the varied role of relevant actors in participating in dialogue, based on the root causes identified. The subsequent section elaborates on the recommendations for the role of the Ministry of Petroleum and Natural Resources (MPNR) and stakeholder forums under each of Marble City’s objectives.

Root cause	Related recommendations
Elite capture	Secure cooperation from the political and military elite, as well as tribal leaders, in dialogue processes
Tribal systems of governance and customary systems of dispute resolution	Integrate tribal and customary systems into formal state and province governance Encourage tribal leaders to become more accountable to their local communities
Proliferation of disagreements and adversities	Build relationships across sectarian divides and engage with the informal actors who contribute to the deteriorating security situation
Communal tensions	Encourage business actors to consider how their activities can contribute to intra- and inter-community tensions Encourage businesses and government agencies to cooperate over improved transparency of revenue streams
Illicit trading	Encourage business actors to cooperate with each other to jointly address the systemic issues behind illicit trading
Governance and state–citizen relationship	Leverage corporate social responsibility or government initiatives to improve the capacity of marginalised sections of society and support their participation in local decision-making processes

¹⁸ Ibid.

¹⁹ Further information on industrial investment in Balochistan is available on the LIEDA website at <http://www.lieda.gov.pk/IndustrialEstates.aspx>

Investing in industrial stone-cutting and polishing processing centres for mine owners to integrate their upstream operations with downstream end-users in the Karachi markets

Laying the foundations for long-term socio-economic sustainability will require greater security during transportation and more direct communication between potential investors and mine owners. This means engaging in a process of dialogue with the following stakeholders: Marble City, mine owners, LIEDA, transporters, marble brokers, investors, law enforcement agencies, Sardars, military agencies, provincial and federal government agencies, and local tribal chiefs. To achieve this, the following recommendations are proposed.

Role for MPNR:

- Ensure that sufficient time and resources are allocated to Marble City to improve its ability to engage effectively with federal and provincial government representatives.
- Support mine owners in organising an association at the Tehsil level.
- Improve mine owners' ability to engage more effectively with local communities and understanding of how their operations are contributing to local tensions.

Role for a stakeholder forum:

- Host a structured dialogue process to improve the connection between mine owners and end-users in Karachi. Particular attention should be paid to identifying Sardars and provincial representatives involved in the mining industry who are willing to contribute to the promotion of the mining industry. Greater regulation of marble brokers should be ensured and clear codes of conduct should be developed, along with the role of law enforcement in engaging with criminal gangs in Karachi.

Attracting private investment to bring in the technology needed to reduce waste and improve productivity

Bringing small-scale mining operations up to international standards will involve improving engagement with investors, the skills training of local mine workers and the ability of mine owners to secure new techniques in production. Given the restricted funds and capacity available to Marble City representatives, greater support is required from local communities and mine owners. Marble City and mine owners must identify key representatives from investors, local mine worker associations, marble brokers, investors, Sardars and educational authorities who are interested in engaging on these issues and willing to enter a process of dialogue. To achieve this, the following recommendations are proposed.

Role for MPNR:

- Ensure that sufficient time and resources are allocated to improving the capacity of mine owner associations, with support from Marble City, to lead a structured dialogue process that engages mine workers, LIEDA, chambers of commerce, Sardars, investors, councillors, and provincial and federal government agencies. Particular attention should be paid to ensuring that worker representatives have the capacity and skills to engage with other stakeholders and can represent the training needs of all mine workers.
- Ensure that sufficient funds and resources are allocated to improving the capacity of local community representatives (including marginalised groups) to participate effectively in the process of bringing operations up to standard.
- Improve mine owners' and Marble City's understanding of the risks and concerns of investors and work towards a strategy on how to reduce the cost of capital. This can include mechanisms for ensuring that loans are guaranteed by industry associations instead of individual mine owners, in order to reduce the cost of capital and improve investment in more productive machinery.

Role for a stakeholder forum:

- Begin a process for each relevant stakeholder to gain a better understanding of the challenges preventing local mine workers from receiving training and developing a strategy with educational agencies, mine owners, mine workers and investors to address these training needs.
- Develop a framework for developing quality controls and monitoring of training needs.

Undertaking a regulatory role on industrial waste and worker health and safety

Monitoring industrial waste has been a challenge for Marble City, largely due to a lack of funding and logistical capacity to visit all the mining operations. Support from actors closer to the mine site could help this process. This would reduce the costs of monitoring and regulation, and improve the capacity of local structures of governance to engage on these issues. Marble City can lead a process of dialogue with local tribal governance structures in the mining communities to support greater regulation of pollutants entering the local water supply. To achieve this, the following recommendations are proposed.

Role for MPNR:

- Ensure that sufficient time and resources are allocated to improving the capacity of local governance structures and marginalised groups to engage in this process of dialogue.

Role for a stakeholder forum:

- Support each Tehsil responsible for regulating the waste from mines, the water systems and the impact on water systems. The forum should work with Marble City and the local government water agencies to train the relevant stakeholders on how to monitor and regulate the water pollution and to develop transparent mechanisms for reporting this back to the relevant agencies.

2. Leveraging the role of businesses in addressing socio-economic insecurities of local communities

Small and medium-sized enterprises (SMEs) or local businesses are well placed to address drivers of poor socio-economic conditions and can help to improve the wider business environment, bringing benefits for themselves indirectly. In the short term, this may sometimes involve a trade-off between increasing production by directing all investment towards business growth and providing support to address the socio-economic needs of local community. However, in the long run, money allocated for activities such as corporate social responsibility (CSR) can go a long way to sustain business operations over time and will result in a much larger profit margin in the long term. While businesses should focus on basic service provision (such as providing water pumps, health initiatives, etc.), this should be done in a peacebuilding manner.

Businesses should consider the following when directing efforts towards provision of basic services:

- Efforts should be made (by the donating business entities) to ensure that access to such services is available to all community members, including those who face discrimination in the local context and/or are excluded from mainstream society in any other way (based on caste, class, religion, gender or any other identity-based grounds).
- Efforts should be made to coordinate with other SMEs (for instance through district chambers) to ensure a more strategic and complementary distribution of services through CSR or philanthropic efforts. This could/should at some point also include policy advocacy on social service provisions if business associations (through the initiatives of their members) are gaining a better understanding of community needs and service deficits.
- Efforts could be made by SMEs (and more so by umbrella business associations) to better coordinate with local government authorities on the (business-funded) provision of basic services and to secure buy-in for the planning and, more importantly, maintenance of new services (such as water pumps). This will also help to contribute to improvements in the state-citizen relationship.

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About International Alert

International Alert helps people find peaceful solutions to conflict. We are one of the world's leading peacebuilding organisations, with nearly 30 years of experience laying the foundations for peace. We work with local people around the world to help them build peace, and we advise governments, organisations and companies on how to support peace.

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