

**Natural Resource Allocation in  
Balochistan and NWFP:  
Reasons for Discontent**

Meezan Z. Khwaja, Abid Q. Suleri  
and Babar Shahbaz

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# Natural Resource Allocation in Balochistan and NWFP: Reasons for Discontent

Meezan Z. Khwaja, Abid Q. Suleri and Babar Shahbaz

## Abstract

The two provinces of Pakistan where there is much contestation over the access and benefit sharing of natural resources are Balochistan and North West Frontier Province (NWFP). The key issue is the underlying relationship between natural resources and conflicts, the latter often emerging as a result of unequal access and benefit sharing to the former. The central thesis of this paper is that the natural gas royalty issue in Balochistan (Western Province of Pakistan) and the water royalty issue in North West Frontier Province (NWFP) have not been granted adequate attention at the federal level in Pakistan leading to what can be called the politics of discontent and the fuelling of separatist nationalist movements gradually resorting to militancy in the provinces from which these natural resources are captured. Greater provincial autonomy that partly translates into uncontested access to benefits accruing from their natural resources has been the demand of major political parties (that are termed as nationalist parties in local context) in Balochistan and NWFP and the issue of royalties plays an important role in electoral politics in these provinces.

Natural resource based political conflicts are not only unique to Pakistan, but are now quite visible in many developing and transition countries and this topic has also caught the interest of development researchers and political policy analysts.<sup>1,2</sup> Various root causes of resource related conflicts have been documented in the literature. Some of these are for example, scarcity of natural resources<sup>3,4</sup>, access to, and entitlements for these resources<sup>5</sup>, quest for sustaining national energy needs by the state,<sup>6</sup> unclear and inequitable policy, population growth, vested political interests, distrust between different actors<sup>7</sup>, unequal power relations, and unjust resource sharing/distribution paradigm<sup>8</sup>. Development researchers and practitioners agree that, for deeper understanding of resource based conflicts, a thorough analysis of people's reliance on the resource<sup>9</sup> and historical perspective of the access to and

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- <sup>1</sup> Nie, M. (2003) "Drivers of Natural Resource-based Political Conflicts," *Policy Sciences*, 36, pp. 307-341.
  - <sup>2</sup> Mukherji, M. (2006) "Political Ecology of Groundwater: The Contrasting Case of Water-Abundant West Bengal and Water-scarce Gujarat, India," *Hydrogeology Journal*, 14, pp. 392-406.
  - <sup>3</sup> Brown, K. (Jan. 1998) "The Political Ecology of Biodiversity, Conservation and Development in Nepal's Terai: Confused Meanings, Means and Ends," *Ecological Economics*, 24(1), pp.73-87.
  - <sup>4</sup> Turner, M. D. (Sept. 2004) "Political Ecology and the Moral Dimensions of "Resource Conflicts": The Case of Farmer-Herder Conflicts in the Sahel," *Political Geography*, 23(7).
  - <sup>5</sup> Moore, D.S. (Oct. 1993) "Contesting Terrain in Zimbabwe's Eastern Highlands: Political Ecology, Ethnography and Peasant Resource Struggles," *Economic Geography*, vol. 69, no. 4, Environment and Development, Part 2, pp. 380-401.
  - <sup>6</sup> Nie, M. (2003) "Drivers of Natural Resource-based Political Conflicts," *Policy Sciences*, 36, pp. 307-341.
  - <sup>7</sup> Shahbaz B. et al. (2008) "Trees, Trust and the State: Analysis of Participatory Forest Governance in Pakistan and Tanzania," *International J. Development*, 20, pp. 641-653.
  - <sup>8</sup> Ahmed, Iftikhar et al. (2007) "National Finance Commission Awards in Pakistan: A Historical Perspective," PIDE Working Paper 33, Pakistan Institute of Development Economics (PIDE), Islamabad, Pakistan.
  - <sup>9</sup> Twyman, C. (2001) "Natural Resource Use and Livelihoods," *Economic Geography*, vol. 69, no. 4, Environment and Development, Part 2 (Oct., 1993), pp. 380-401 and "Botswana's Wildlife Management Areas," *Applied Geography*, 21(1), January 2001, pp. 45-68.

command over resources in the context of poverty and inequality is needed.<sup>5</sup> On these lines, this paper presents and explores the link between the struggle for access to natural resources by the state, poverty and local resistance in Pakistan. This paper specifically discusses how political instability or armed conflict result from, and/or are exacerbated by, competition for natural resources. We focus on examples from Balochistan province (over natural gas royalty issue) and the North West Frontier Province (over water royalty issue).

## 1. Country Profile of Pakistan

Pakistan, which emerged as a sovereign state on 14 August 1947 as a result of the division of the former British India, is situated in South Asia. The total area of the country is 796,095 square kilometres. Pakistan is divided into four provinces viz. Sindh, Punjab, North West Frontier Province (NWFP) and Balochistan. Kashmir is a disputed territory between Pakistan and India. Both of the countries are administrating parts of Kashmir.

Punjab with maximum cultivable land is perceived as the bread basket for other federating units; Sindh with Pakistan's largest sea port Karachi is perceived as the industrial capital of Pakistan; Balochistan is the major supplier of natural gas used to produce power, run industry and private transport and meet the growing demands of domestic consumers; whereas NWFP is the major supplier of hydro-electric power.

The major natural resources of Pakistan are land, water, forests, natural gas and minerals. Agriculture which accounts for nearly 21 percent of Pakistan's national income (GDP) and employs 44 percent of its work force, depends solely on the natural resources (land and water as direct resources of production, and natural gas for producing fertilizer as well as for transportation). About 28% of country's land area is arable and is irrigated by one of the largest irrigation systems of the world i.e., Indus River System. Most of the cultivable land is located in the provinces of Punjab and Sindh.

More than two third of country's population that lives in the rural areas is directly or indirectly dependent on agriculture for their livelihoods. The principal crops include wheat, rice, sugar cane, maize and cotton. Agriculture also supplies raw material to Pakistan's industries, notably the textile industry, the largest industrial sub-sector of the economy. Other main industries include sugar, cement and chemicals. These industries depend mostly on hydroelectric power or natural gas to meet their energy requirements. The main rivers of Pakistan are Indus and its tributaries, Jhelum, Ravi, Sutluj and Chenab. Nevertheless, Pakistan is a water deficient country as during 2007-08 total surface water available was 98.7 million acre feet as against the average usage of 103.5 million acre feet.

Most of the people living in the rural areas have little or no access to the basic assets essential for decent livelihoods. The Human Development Index (HDI) for Pakistan is 0.562, which gives the country a rank of 139<sup>th</sup> out of 179 countries with data.<sup>10</sup> Within the country, there is great disparity between different provinces, as well as rural versus urban areas, in terms of HDI. The rural areas of Balochistan, Sindh and NWFP are at the bottom of HDI ranking.<sup>11</sup>

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<sup>10</sup> [http://hdrstats.undp.org/2008/countries/country\\_fact\\_sheets/cty\\_fs\\_PAK.html](http://hdrstats.undp.org/2008/countries/country_fact_sheets/cty_fs_PAK.html) (Accessed 9 April 2009)

<sup>11</sup> UNDP (2005) "Pakistan National Human Development Report: Poverty, Growth and Governance," UNDP Islamabad, Pakistan.

The economy of Pakistan is uneven and vulnerable to various internal and external shocks. The fiscal year (2007- 08) was a difficult one for the Pakistani economy. There have been several political events – domestic and external – that have caused this instability. Pakistan faced the crises of 5 “Fs” during 2007-08 i.e., food, fuel, fiscal, frontier (insurgency in NWFP) and functional democracy. The 5F crises was manifested by disturbed political conditions, unstable law and order situation, supply shocks, soaring oil, food and other commodity prices, softening of external demand and turmoil in the international market. The most detrimental factor has been the non-responsive stance on account of political expediency in addressing these challenges which has further accentuated macroeconomic difficulties. Although an average 5% GDP growth from 2001-06 did not result in macro-economic stability, however consumer financing led economic growth resulted in an increased per-capita energy consumption and thus energy demand increased sharply.

The average production of natural gas per day stood at 4,100.9 million cubic feet during July – March 2008-09 as compared to 3, 965.4 million cubic feet over the same period in 2007-08, showing an increase of 3.3 percent. On average, the power sector consumed 36.8 percent of gas, followed by fertilizer (20.7 percent), industrial sector (19.8 percent), household (17.4 percent), commercial sector (2.7 percent), and cement (1.1 percent) during last 10 years i.e. 1997- 1998 to 2006-07.

Pakistan’s commercial energy needs are substantially greater than the domestic supplies, and one third of energy requirements are met through imports.<sup>12</sup> Oil and gas form the bulk of primary commercial energy supply mix of Pakistan, contributing 79% (oil: 30.5%, gas: 47.5%, LPG 0.7%). The other sources include--coal: 9.2%, hydro electricity: 10.9% and nuclear and imported electricity: 1.3%.<sup>13</sup> Pakistan’s demand for natural gas, as well as hydro-electricity, is expected to rise substantially in the next few years. This will obviously necessitate a sharp rise in the supply of both resources. To meet this requirement the Parliament of Pakistan has already approved the import of 750,000-1,000,000 Mcf/d of gas from Iran under the Iran-Pakistan-India pipeline project to tap cheaper energy sources and reduce its oil import bill.<sup>14</sup> The Government of Pakistan (GoP) is also trying to develop new gas fields with foreign investors. Similarly, plans are also underway to expand the country’s hydro-capacity.<sup>15</sup>

## 2. Contested Natural Resources – Access and Benefit Sharing

Due to fiscal constraints, Pakistan is not able to make the most of its thermal energy potential. Under a recent stand by agreement with IMF, the GoP has agreed to address the circular debts in the energy sector which should help ease constraints on economic growth originating in the energy sector.<sup>16</sup>

The above section has clearly demonstrated the importance of natural gas and hydroelectric power in Pakistan’s economy and bulk of these two key resources are located in Balochistan

<sup>12</sup> Muneer, T. and Asif, M. (May 2007) “Prospects for Secure and Sustainable Electricity Supply for Pakistan,” *Renewable and Sustainable Energy Reviews*, vol. 11, issue 4, pp. 654-671.

<sup>13</sup> *Pakistan Energy Year Book*, (2008), Ministry of Petroleum and Natural Resources, Govt. of Pakistan, Islamabad, Pakistan.

<sup>14</sup> <http://www.platts.com/Oil/News/7591365.xml?sub=Oil&p=Oil/News&> (Accessed 9 April 2009)

<sup>15</sup> “State of the Environment Report” (2005), Ministry of Environment, Govt. of Pakistan, Islamabad, Pakistan.

<sup>16</sup> <http://www.imf.org/external/np/sec/pn/2009/pn0943.htm> (Accessed 9 April 2009)

and NWFP. However, both these provinces have an underdeveloped industrial base; thus the usage of gas and hydro electricity is the highest in Punjab and Sindh provinces. The conflicts over these resources particularly on benefit sharing mechanism (for example distribution of royalty) are discussed in the next sections.

## **2.1 Natural Gas in Balochistan**

Natural gas is a lifeline for Pakistan and the country is among the most gas dependent economies of the world.<sup>17</sup> The energy consumption of the country stood at 39.4 million tonnes with gas's share in energy consumption at 40.3%. The major users of natural gas are the electric power units, industry, domestic consumption, and the transport sector.<sup>18</sup> Out of the total (53 trillion cubic feet) discovered natural gas reserves in the country, as much as 19.3 trillion cubic feet are in Balochistan, but Balochistan's domestic consumption is only 4.02 of the total domestic natural gas consumption of Pakistan, whereas its total natural gas consumption makes only 6.72% of the total gas consumption in Pakistan.<sup>19</sup> Even today only four out of 26 districts of Balochistan have gas supply. 23.37% of the natural gas reserves of Pakistan are located in the Sui, Balochistan. Nevertheless, despite being rich in natural resources it is the poorest province of the country. Immediately after the discovery of natural gas in Sui in 1953, the disputes between the Balochs and state of Pakistan started. The supply of gas to the major cities of Pakistan was started in 1964, but the capital of Balochistan Quetta did not receive gas until 1986 (and that too was supplied to meet the demands of the military cantonment).<sup>20</sup> The largest share of natural gas comes from the Bugti tribal areas which are most seriously afflicted by Baloch militancy. Incidentally according to a World Food Program-SDPI's report in 2003,<sup>21</sup> District Dera Bugti was the second worst food insecure district of Pakistan out of then 120 districts (the worst food insecure district was Tharparker which is Pakistan's largest desert, hence for all practical reasons, Dera Bugti can be termed as the worst food insecure district of Pakistan).

According to Baloch nationalists, ever since natural gas has been discovered the attitude of the federal government towards the provinces' indigenous population has been one of indifference. The jobs of well-paid managers are filled from outside the province, local Baloch are usually employed in low end jobs as day laborers and the government funding of technical training institutes has never seriously been considered. A major issue between Balochistan and the federal government is royalty on natural gas produced in the province.

Balochistan was the first province in which natural gas was discovered. The royalty of the natural gas paid by the central government to the provinces is based on wellhead production costs. These costs, since Balochistan's gas fields were discovered earlier than those in Punjab and Sindh, were stabilized a long time ago. Therefore, as it stands today, Balochistan receives

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<sup>17</sup> Muneer, T. and Asif, M. (May 2007) "Prospects for Secure and Sustainable Electricity Supply for Pakistan," *Renewable and Sustainable Energy Reviews*, vol. 11, issue 4, pp. 654-671.

<sup>18</sup> According to the Ministry of Petroleum and Natural Resources, natural gas sectoral consumption during 2006-07 was: power (35.5%), fertilizer (15.9%), cement industry (1.2%), general industry (25.0%), domestic (15.2%), commercial (2.6%) and transport (4.6%).

<sup>19</sup> *Pakistan Energy Year Book*, (2008), Ministry of Petroleum and Natural Resources, Govt. of Pakistan, Islamabad, Pakistan.

<sup>20</sup> Idris, Iffat (May 2007), "National Finance Commission: An Incomplete Guide to the Issues in Resource Distribution in Pakistan," Discussion Paper Series, Lead-Pakistan.

<sup>21</sup> World Food Program (WFP) and SDPI (2003) "Food Insecurity in Rural Pakistan."



much less than other provinces. In the end, Balochistan, the largest supplier of natural gas receives only one-fifth in royalty payments as compared to the aforementioned provinces and thus Balochistan – the poorest province – in effect becomes a subsidizer to the richer provinces. To make matters worse, none of the huge earnings of the central government have been returned to the province in the form of development expenditures.

Aware of the fact that Balochistan is energy rich (gas and coal), the most persistent and enduring grievance of Balochis has been that these resources have been exploited by the central government without adequate compensation to the province.<sup>22</sup> After the discovery of gas reserves in Balochistan, two public limited companies (Sui Northern and Sui Southern Gas Companies) were given the responsibility for the distribution of gas throughout the country. The federal government also holds majority shares in Pakistan Petroleum Limited (PPL). One of the objections of Baloch nationalists is that the ownership and top and middle level employment of Balochis in these companies and allied projects is negligible. Even today, Balochistan is seeking share of the province in the state-owned energy firms.<sup>23</sup>

The first major conflict that led to armed insurgency was started in 1972 when the National Awami Party (NAP) after winning the elections formed the provincial government and started raising the issue of state rights, especially share from economic benefits accruing from natural gas. The then Zulfikar Ali Bhutto led PPP government dissolved the provincial assembly and imposed governor rule in Balochistan in 1972. This led to an all out military resistance and a large number of Baloch rebels and soldiers of Pakistani army were killed during the period of 1973-1976.

This, despite the fact that the Constitution of Pakistan (promulgated in 1973) provided that the province where natural gas is situated would have priority in receiving supplies of that gas.<sup>24</sup> Similarly article 161.2 of the Constitution provides the provision regarding the payment of royalty to the concerned province where the reservoir of natural gas is situated. It emphatically states that “The proceeds of the Federal excise duty on natural gas levied at well-head and collected by the Federal Government, and of the royalty collected by the Federal Government, shall not form part of the Federal Government Consolidated Fund and shall be paid to the Province in which the well-head of natural gas is situated.”<sup>25</sup>

The resource transfer paradigm has been a major bone of contention among the federation and the federating units (provinces). The National Finance Commission (NFC) was established as a mechanism to distribute federally collected financial resources between the federation and federating units. But in practice, the NFC award has emerged as a source of dispute between federal and provincial government, as well as of inter-provincial disputes. The central purpose of the NFC was to provide the framework for amicable distribution of resources between the federal and the provincial governments for the joint goal of

<sup>22</sup> Wirsing, Robert G. (2008), “Nationalism and the Geopolitics of Energy Resources: The Changing Context Of the Separatism in Pakistan,” Strategic Studies Institute: <http://www.StrategicStudiesInstitute.army.mil/>

<sup>23</sup> Balochistan Chief Secretary Nasir Mehmood Khosa sought to buy shares for the province in state-owned energy firms and asked the federal government to sell part of its ownership in SSGC and PPL to Balochistan (The News, 9 April 2009: <http://www.thenews.com.pk>).

<sup>24</sup> “The Province in which a well-head of natural gas is situated shall have precedence over other parts of Pakistan in meeting the requirements from that well-head, subject to the commitments and obligations as on the commencing day.” (Article 158, Constitution of Islamic Republic of Pakistan, 1973)

<sup>25</sup> Munir, Muhammad (Justice), “The Constitution of the Islamic Republic of Pakistan,” PLD Publishers, p. 332.

development and prosperity. The first NFC Award was in 1974, the second in 1979, and succeeding Awards were constituted in 1985, 1990, 1996, and 2006. The NFC has uses the population as the only criterion for resource distribution between federal and provincial governments thus creating a sense of marginalization among Balochistan and NWFP, as they were have historically been less populous than Sindh and Punjab who took away the major share from the Federal Divisible Pool (consists of all taxes collected by the federal government e.g., sales tax, income tax, excise duty, custom duty, etc.) of resources (box-1).

**Box-1 Federal Divisible Pool**

<b>Federal Government</b>	<b>Direct taxes</b>	<b>Indirect Taxes</b>
	Income Tax	Sales Tax
	Corporation Tax	Excise Duty
	Wealth Tax	Custom duty
	Property Tax	Import Duty
		Export Duty
		Gas & Petroleum
		Surcharge
		Foreign Travel Tax

Distribution of resources among federating unit on the basis of population resulted in minimum resources for Balochistan. Continuation of this population criteria for resource distribution gives analysts some idea of the stagnancy that prevails in the policy-making of the country. Throughout the world, other factors such as revenue generation, poverty, population density, income distribution, backwardness etc., are used to disaggregate the federal tax revenues. As a result, there has been no paradigm shift in resource distribution among the provinces “despite the vast differences in the economic conditions of the masses, future prospects and strategic objectives for different federating units of the country.”<sup>26</sup>

It was only in 1991, when the NFC award recognised, for the first time, the rights of the provinces on natural resources and the provinces were given royalty and gas development surcharge on oil and gas as well as Net Hydel Profit and amounts were relocated in the shape of straight transfers to the provinces.<sup>27</sup> This award was a move forward towards fiscal decentralisation by extending more financial autonomy to the provinces.

Here it is pertinent to mention that the provinces kept on disagreeing over resource distribution, and making demands for a higher share of the divisible pool (50 percent) as well as a diversification of the distribution criteria. The new NFC constituted in 2005, could reach no consensus among the members for the judicious distribution of resources. This led to a deadlock and finally the President under Article 160 (6) of the Constitution of the Islamic Republic of Pakistan, through Ordinance No.1 of 2006, made amendment in the “Distribution of Revenues and Grants-in-Aid Order, 1997.” According to the 2006 NFC, “the provincial share was revised to be 45 percent (share in total divisible pool and grants) for the first financial year that would reach 50 percent with subsequent increase of 1 percent per annum.”<sup>28</sup>

<sup>26</sup> Ahmed, Iftikhar et al. (2007) “National Finance Commission Awards in Pakistan: A Historical Perspective,” PIDE Working Paper 33, Pakistan Institute of Development Economics, Islamabad, Pakistan, p. 12.

<sup>27</sup> Ghausi, S. (2005) “Sweating over the NFC Award,” *Daily Dawn* (internet edition), 6 June 2005.

<sup>28</sup> Ahmed, Iftikhar et al. (2007) “National Finance Commission Awards in Pakistan: A Historical Perspective,” PIDE Working Paper 33, Pakistan Institute of Development Economics, Islamabad, Pakistan, p.9.

There are vertical imbalances in Pakistan, due to the assignment of taxes, and though under the 1973 constitution there are significant revenue raising options for provincial governments, those are not fully utilized due to weak tax and use charge collection. The NFC award was supposed to make sure that provincial autonomy was enforced by making fiscal transfers formula-based and predictable. However, provincial dependence on federal transfers reduces provincial autonomy. This gives the federal government the power to hold back release of funds and exert influence on the way that they are spent. This also aggravates political divide between federating units and the federal capital.

Article 161 of the 1973 Constitution makes explicit provisions for the allocation of royalties from natural gas production and generation of hydro-electric power. It stipulates that the net proceeds from excise duties and royalties on natural gas collected by the federal government shall be paid to the province where the well-head of the gas is situated. It is similar for hydro-electric power.

However, as mentioned earlier, the gas that is sold from Balochistan goes to the rest of the country at a much lower price than that produced in Punjab and Sindh. The province has received only 12.4% royalties from the federal government, and the backlog dating back to 1953 owed to Balochistan runs in tens of billions of Rupees.

Hence it is felt by the Balochis, since the creation of Pakistan in 1947, that they have neither received adequate political representation in the military-bureaucratic complex nor compensation for their natural resources which have been, in the view of some, appropriated by the capital elite in Islamabad and distributed to other provinces without much ado. The unequal access and benefit sharing has led to political instability and sense of deprivation in the province of Balochistan which is the major energy provider for Pakistan.<sup>29</sup>

Selig S. Harrison writes in *In Afghanistan's Shadow*, "A glance at the map...quickly explains why strategically located Balochistan and the five million Baloch tribesmen who live there could have easily become the focal point of superpower conflict."<sup>30</sup> It has become a key "transport corridor" for the region with the Balochi (i.e. hailing from the province of Balochistan) nationalists wanting stakes in the pie. More than two decades later, Baloch nationalism is seen to be on the rise to the extent that it has become anti-state militant activity. The law and order situation has deteriorated in the present era and political demands vary from constitutional amendments to the formulation of a new nation for the Balochi people. According to Dr. Wirsing, "Pakistan's quest for energy security has run up against a resurgent tribal separatist rebellion in its sprawling south-western province of Balochistan – an area which by virtue of both its own energy resources and its location, is key to Pakistan's energy future. The rebellion pits a government determined to let nothing stand in the way of its energy agenda against a Baloch nationalist movement equally determined to have a greater voice in Balochistan's future."<sup>31</sup>

<sup>29</sup> Senate of Pakistan (Nov. 2005), Committee of Balochistan, Report 7, p.9.

<sup>30</sup> Harrison, Selig S. (1981), "In Afghanistan's Shadow: Baloch Nationalism and Soviet Temptations," Washington, DC: Carnegie Endowment for International Peace, p.1.

<sup>31</sup> Wirsing, Robert G. (2008), "Nationalism and the Geopolitics of Energy Resources: The Changing Context Of the Separatism in Pakistan," Strategic Studies Institute: <http://www.StrategicStudiesInstitute.army.mil/>

The strategic importance of Balochistan has intensified due to the “mounting energy security”<sup>32</sup> situation of Pakistan where increase in demand (due to the burgeoning population and industrial growth) on the one hand and scarcity of natural gas on the other, dictates the growing importance of the Sui Gas reserves of the south-western province. Due to the unfolding energy context, Baloch nationalism has raised in significance with the government threatened by an insurgency it cannot afford at any cost (since the other provinces are heavily dependent on Sui for their natural gas needs) leading to its zero-tolerance policy towards the movement. Furthermore, it increases the cost of the government’s response to the insurgency – both economic and political. The political cost of separation is one that the country has already witnessed with the breaking away of East Pakistan in 1971 (now Bangladesh) and analysts often predict disintegration of the country if the separatist movement is not pacified through diplomacy and adequate monetary compensation.

The 1970s insurgency of Balochistan took place under the elected government of Zulfikar Ali Bhutto and the Balochi militants were the central activists. During General Zia-ul-Haq’s regime, there was political stabilization in Balochistan after a secession-threatening rebellion against the then dictator. After 1999 the activists were confronted with the military dictatorship of President Pervez Musharraf.

The dynamics of Baloch nationalist movement took a new twist after 11 September, with American claims that the nationalists had alleged linkages with Al Qaeda and Taliban. However, the movement mainly revolved around demand for a fair share from gas royalty.

When General Musharraf decided to install a democratic setup in Pakistan in 2002, Zafar Ullah Jamali became the first Baloch Prime Minister of Pakistan. It was expected that he would readdress the deprivation in his native province. However, no serious attempt was made to address the gas royalty issue even in the tenure of a Baloch Prime Minister.

It was only after his resignation in June 2004, that a “Parliamentary Committee on Balochistan” was formulated after the speech of his successor the Prime Minister from Punjab, Chaudry Shujat Hussain in September 2004. The Senate of Pakistan passed the following Resolution moved by Senator Wasim Sajjad, Leader of the House in the Senate: “I beg to move that a Committee of Parliament be constituted to deal with Balochistan and inter-provincial harmony. The said Committee will comprise of Senators and Members of National Assembly to be nominated by the Chairman, Senate and the Speaker, National Assembly, respectively, in consultation with the parliamentary leaders of the Houses concerned. The terms of reference of the Parliamentary Committee shall be as follows: To examine the current situation in Balochistan and make recommendations thereon and further to make recommendations to promote inter-provincial harmony and protect the rights of Provinces with a view of strengthening the federation. The committee will submit its report within 90 days.”<sup>33</sup>

The recommendations of this Committee were that the District or Agency from which gas is being produced should be given at least 15% of the revenue received by the provincial government in this regard. The Committee also recommended that Balochistan should be

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<sup>32</sup> Ibid.

<sup>33</sup> Senate of Pakistan (Nov. 2005), Committee of Balochistan, Report 7, p. 21.

given maximum representation on the Boards of Pakistan Petroleum Limited (PPL), Oil and Gas Development Corporation (OGDC), Sui Southern. Five percent of the expenditure, of the exploration company awarded concession in the area, should be spent on social welfare projects and on the other hand companies successful in striking gas or oil should be bound to spend five percent of their pre-tax profit on social sector projects. The Committee approved a formula regarding royalty and Gas Development Surcharge<sup>34</sup> (GDS). According to this formula GDS were to be distributed to provinces on the basis of percentage share of each province in production worked out on energy content basis i.e. MMBTU (Million British Thermal Unit – the unit of energy). This would result in a simple calculation, with equal amount of GDS and royalty based on per unit of energy irrespective of the high or low wellhead prices. The province with low royalty will get higher share in GDS and the province getting high royalty will get low share in GDS. The advantages of this system would be that the province will get same amount per unit of energy produced, and the increase in production will result in higher total revenue to the province. This will also provide incentive to increase gas production.<sup>35</sup> The revenues of Sindh and Punjab would be lower under the proposed formula as compared to the existing arrangement. Financial implication to the provinces is shown under Box 2:<sup>36</sup>

**Box 2:**

Province	Production (MMBTU)	Current				Proposed			
		Royalty	GDS	Total	Rs. Per MMBTU	Royalty	GDS	Total	Rs. Per MMBTU
<b>Balochistan</b>	303, 433	1,008	5,871	6,879	22.67	1,008	7,182	8, 190	26.99
<b>Sindh</b>	693, 687	7,974	11,595	19,569	28.21	7,974	10,750	18, 724	26.99
<b>Punjab</b>	57,464	1,019	999	2,018	35.12	1,019	532	1,551	26.99
<b>Total</b>	1,054, 584	10,001	18,465	28,466	26.99	10,001	18,465	28,466	26.99

Though this can be called a step in the right direction, strong political will is required to implement the recommendations of the committee and that has been lacking due to the rough transition from dictatorship to democracy and the war on terror. It has been witnessed that due to the political turmoil at the centre, and in the north, the Balochistan insurgency has been put on the back burner by policy makers at the federal capital. The dispute in the words of Nawab Akbar Khan Bugti is about "...the natural rights of the Baloch...and if the government accepted these rights there would be no dispute."<sup>37</sup> With the assassination of the Nawab amidst controversy the core-periphery tensions have been exacerbated and the assault on the Nawab has been taken by most as a blow to Baloch nationalism.

It can be said in fact that the killing of the Nawab added an ominous dimension to the Balochistan conflict. According to Alok Bansal, writing soon after the killing, "Pakistani

<sup>34</sup> "Gas Development Surcharge is the difference between the prescribed price and the consumer's price. Price is determined by OGRA. The Gas Development Surcharge is levied under the Natural Gas (Dev. Surcharge) Ordinance, 1967. In accordance with the said Ordinance the Federal Government has to fix the sale price for consumers and prescribed price for Gas Companies on the basis of their fixed return. The difference between consumer gas price and the Companies prescribed prices as defined in the Natural Gas (Development Surcharge) Ordinance, 1967 is the margin available to the Government as Development Surcharge." Source: NWFP Finance Department: [http://www.nwfpfinance.gov.pk/Oil\\_gas\\_pro.php](http://www.nwfpfinance.gov.pk/Oil_gas_pro.php) (Accessed 11 March 2009).

<sup>35</sup> Government of Pakistan, "Proposal for Equitable Distribution of GDS and Royalty Amongst Provinces, 2003 – 04," Ministry of Petroleum and Natural Gas.

<sup>36</sup> Ibid.

<sup>37</sup> Findlay, Merrill (Oct-Nov.2007), "Balochistan - The Invisible War, Politics Natural Resources and War in Remote Pakistan," *Arena Magazine*, no. 91, pp. 36 – 38.

security forces killed Nawab Akbar Bugti, popularly known as “Tiger of Balochistan” in an encounter in Kohlu District in the early hours of 26 August 2006. This is quite in line, with Pakistan’s military ruler, General Musharraf’s desire to establish his writ by force in the province. He may have imagined that the best way to resolve the current crisis was to eliminate the recalcitrant Baloch tribal lords, who, the General thinks, are being supported by foreign powers to threaten the integrity of Pakistan.”<sup>38</sup> The killing also sent out the signal that the army and not the civilian leadership was talking all the decisions regarding Balochistan. Although the Nawab had been disowned by a government-sponsored council of feudal lords, yet the reaction to his killing showed that he hadn’t lost his aura or his authority. Bansal analyses that the tactics of the Pakistani establishment in dealing with the Balochistan insurgency indicate that the army is confident it can solve the issue with mere brute force. On the other hand, many analysts have seen Bugti’s killing as a threat to the federation and have foreseen a reoccurrence of the events that led to the creation of Bangladesh in 1971.

The octogenarian Nawab Akbar Khan Bugti, the tribal chief of the largest Baloch tribe had epitomised the Baloch resistance to the military regime especially since the clashes in January 2005 in Sui. Though he was a relatively late entrant into the Baloch nationalist struggle, he was well-known for ruling his subjects with what can be called an iron-hand, operating private jails and running a medieval feudal justice system. His death led to the spontaneous outbreak of violence in Balochistan and other parts of Pakistan where the Baloch resided in significant numbers. Quetta was the hub of the intense protest. The manner in which he met his death gave a huge “fillip” to the national movement in Balochistan which had been largely considered a ‘renegade movement’ restricted to only a few ‘sardars’ and their followers. The incident triggered a furious reaction in Balochistan and added fuel to the already burning fire over the royalty issue, Gawadar and other sources of discontent.

In order to highlight the alleged exploitation of Balochi people by “Government of Pakistan”, a group known as Balochistan Liberation United Front, kidnapped the head of the provincial chapter of UNHCR, John Soleki from Quetta in February 2009. Although Soleki was released in April 2009 on humanitarian grounds, however, this incident reflects the potential cost of ignoring the access and benefit issue in Balochistan, in security terms not only at national but also the international level.

Over the years, the perception of exploitation has grown in Balochistan and the people feel completely marginalized from the center that takes Sui gas, does not pay adequate royalty with not enough development in the region. The sense of marginalization can be understood from the recent statement of Balochistan Chief Minister, Aslam Raisani, who while addressing a press conference said, “the agitation engulfing Balochistan is the result of years of alienation and not backwardness. Problem of Balochistan is not (lack of) development, rather it is a political one.” He said the cause of unrest in the insurgency hit province was the sense of deprivation among people in making decision about their own resources. “We don’t want development at the cost of exploitation of our resources” he said, adding that “we want development as we want it.”<sup>39</sup>

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<sup>38</sup> Bansal, Alok (2006), “Nawab Bugti’s Assassination: Future Portents,” *Strategic Analysis*, vol.30, no. 3, July-September, Institute of Defence Studies and Analysis, p. 646.

<sup>39</sup> [http://www.thenews.com.pk/arc\\_news.asp?id=3](http://www.thenews.com.pk/arc_news.asp?id=3)

## 2.2 *The Issue of Hydroelectricity in NWFP*

This section discusses hydropower (energy) policy and political confrontation in Pakistan. Most of the hydel power is generated in NWFP. “Until 1991, NWFP did not receive any royalty for the hydel power generated in the province. In 1991-92, the NWFP government received Rs. 5.99 billion as net profit for hydro power royalty from the federal government. Later on, the federal government imposed an annual cap of Rs.6 billion on this payment. Now there is a dispute on interpretation of net profit and on the amount of arrears. More recently an attempt to resolve the dispute between the NWFP government and WAPDA through an arbitration tribunal did not yield any success. As a consequence, the NWFP government is not able to claim and subsequently spend on public development, what is termed in the constitution as provincial origin revenue.”<sup>40</sup>

The institutional weaknesses and political disadvantages of NWFP exacerbate the sense of unjust and unequal distribution of benefits. In the context of the war on terror and the perilous security situation in the NWFP this sense of injustice contributes to political alienation and therefore instability.

Hydro-electricity is one of the major sources of energy in Pakistan and most of the hydro-electric power is generated in Tarbela dam located in NWFP. The Constitution of Pakistan recognises the allocation of hydel power revenues (royalty) to the provinces. However, until 1991 NWFP did not receive any royalty from the electricity generated by the province. In the year 1991-92, NWFP received a royalty of Rs. 5.99 billions; but the provincial government also demanded the backdated dues and this issue has remained unresolved even today. The province is also constantly demanding substantial increase in the royalty because the electricity price has been increased tremendously during the recent years.

NWFP is one of the poorest provinces of Pakistan, particularly its highland districts are amongst the least developed regions of the country. Like Balochistan, this province also has the image of propagating sectarianism, terrorism and insurrection. Its population is largely Pakhtun, and is not only poor but probably leading to what Matthew calls “environmentally marginal areas such as urban ghettos on the steep sides of mountains,” about which he states that it is “difficult to eke out an existence in such environments, but marginal lands are often contaminated by pollutants and more vulnerable to natural disasters such as flooding. In the capital city of Peshawar, for example, infrastructure for sewage and waste treatment has not kept pace with population growth, and exposure to contaminated water is virtually universal.”<sup>41</sup> Therefore, it can be seen that the provincial government needs funding for development plans that can be instrumental in changing the socio-economic condition of the province.

In this backdrop and with the ongoing war on terror being fought on the borders of NWFP and Afghanistan, the province is fighting for its rights particularly royalty from hydro-electric power. The sense of deprived justice and marginalization is not only a source of political confrontation but also providing an excuse to hardliner militants such as Tehreek-e-Taliban

<sup>40</sup> Suleri, A.Q. (2007) “Wrong Framework,” *The News on Sunday*, 15 July 2007: [http://www.sdpi.org/SDPI\\_in\\_the\\_press/articles\\_2007/articles\\_july\\_07.html](http://www.sdpi.org/SDPI_in_the_press/articles_2007/articles_july_07.html)

<sup>41</sup> Matthew, Richard A, “Environmental Stress and Human Security in Northern Pakistan,” *Environmental Change and Security Project Report*, Woodrow Wilson International Center for Scholars, p. 23.

Pakistan (TTP) and Tehreek-e-Nifaz-e-Shariat-Mohammadi (TNSM) to impose, in many parts of NWFP, what they call a system of speedy justice vis-à-vis the system of modern courts.

Royalty issue for the power generated at the Tarbela Dam is a source of political difference between the NWFP government and the central government. “It is a dam on the Indus River in Pakistan. It is located 50 kilometers North-West of Islamabad near the Haripur District. It is the largest earth filled dam in the world and it produces much of Pakistan’s hydroelectricity. Tarbela Dam is part of the Indus Basin Project, which resulted from a water treaty signed in 1960 between India and Pakistan, guarantying Pakistan water supplies independent of upstream control by India. Construction began in 1968, and continued until completion in 1976. The dam has a volume of 138,600,000 cubic yards (106,000,000 m<sup>3</sup>). With a reservoir capacity of 11,098,000 acre-feet (13.69 km<sup>3</sup>), the dam is 469 feet (143 m) high and 8,997 feet (2,743 m) wide at its crest. It helps to maintain the flow of the Indus during seasonal fluctuations.”<sup>42</sup>

The royalty issue of Ghazi- Barotha project is another source of political confrontation between NWFP and the central government. “The Ghazi – Barotha Project is located around 100km from Islamabad involved the construction of a partial river diversion, on the Indus river in North-West Pakistan. The barrage diverts water into a concrete lined channel and delivers it to a 1450 MW powerhouse in Barotha.”<sup>43</sup> The Project’s rationale is to ease the acute power supply shortage situation in the country and reduce load shedding through the provision of an urgently needed power generating plant.<sup>44</sup>

According to the Water Accord 1991, the Inter Provincial Water distribution was agreed on the following formula:<sup>45</sup>

Name of Province	Ratio of fixed water (Million Acre Feet)	Percentage Share
Punjab	55.94	47.67
Sind	48.76	41.55
Balochistan	3.87	3.3
N.W.F.P	8.78 (i/c canals = 3 maf)	7.48
Government canals	5.78	4.93
Civil canals	3.00	2.56
<b>Total</b>	<b>111.35</b>	<b>100.00</b>

As the required canal system in NWFP was not available, after the Accord the un-utilized share of NWFP was used by the provinces of Punjab and Sindh. According to 14 (e) of the Accord, unutilized water could only be used by the provinces on a temporary basis. If a province remodelled/extends its canal system, then the province can utilize its un-utilized share. However, this has not been mentioned under the article, that the water can be used without compensation.

<sup>42</sup> The Tarbela Dam: <http://wikimapia.org/388170/Tarbela-Dam-NWFP-Pakistan>

<sup>43</sup> Ghazi- Barotha Project: <http://www.power-technology.com/projects/ghazi/> (Accessed 23 February 2009).

<sup>44</sup> Asian Development Bank, Project Completion Report, p.10: <http://www.power-technology.com/projects/ghazi/> (Accessed 26 February 2009)

<sup>45</sup> Government of NWFP, Irrigation and Water Department, Subject: Compensation for Un-utilized Share of Water of NWFP, p.1.



The government of NWFP is of the view that since the province is in a financial deficit, dependent largely on the resources of the federal government for meeting its development needs, the center is required to provide financial resources for its priority projects particularly those whose water allocation has been agreed upon in the Water Apportionment Accord 1991. The non-availability of funds for these projects therefore has deprived NWFP of utilizing its full share of water which was/is being used by Punjab and Sindh. The government of NWFP requested compensation tantamount to Rs. 70.00 billion of un-utilized share of water of NWFP used by the Punjab and Sindh and wishes to take the two provinces to the Inter Provincial Coordination Committee (IPCC)<sup>46</sup> for compensation of amount to be provided to NWFP for meeting its development needs.

Furthermore, Fateh Ullah Khan (Former Chairman, Indus River System Authority-IRSA) has discussed the water royalty issue as given below and affirmed in “NWFP’s Claim for Royalty from Ghazi Barotha Project” that the province grievances in this regard are valid:

*“NWFP has a genuine right to claim major portion of royalty from the Ghazi Barotha Hydel Project (GBHP) as its major components consisting of Tarbela reservoir. Ghazi barrage, its 7 mile long pond on the upstream and about 20 km of power channel are all located in NWFP. These vital components form the Head Works Complex of the project to produce hydropower. The entire power generation of 1450 MW from GBHP depends on the regulation, operation and basic support of Tarbela reservoir and Ghazi barrage in NWFP. The Indus water is drawn from the 7 mile long and 2 mile wide pond created by Ghazi barrage and supported by Tarbela reservoir. It is then diverted by the barrage into the world’s largest hydel power canal with a colossal discharge of 56500 cusecs. Punjab has no contribution except that powerhouse and portion of canal is located there and for that it gets the whole royalty from GBHP.”*

Nationalist parties in which the lead is taken by the current ruling party in NWFP province, Awami National Party (ANP) have severe reservations about the current royalty received by NWFP. So much so that the ANP has explicitly stated in their memorandum that the “ANP will pursue the development of irrigation projects at the federal and provincial level to utilize about 2 MAF of water that is still available for development. The ANP will continue to oppose projects which do not bring any economic benefits to the people of the province and which endanger their livelihoods, lands and environment. ANP will strive to make Power a provincial subject as it has been since the pre “one-unit” period. Power is sold by WAPDA at a price which is substantially higher than the cost of production. This vitiates the comparative advantage of the province, which is a major producer of hydel power. The distribution of electricity should remain with the province.”<sup>47</sup>

<sup>46</sup> The main purpose of IPCC is “coordination between the federal government and the provinces in economic, social and administrative fields and promoting uniformity of approach in formulation of policies and their implementation by the Provinces and the Federal Government in all fields of common national concern.”

<sup>47</sup> Awami National Party Manifesto:  
[http://awaminationalparty.org/news/index.php?option=com\\_content&task=blogsection&id=5&Itemid=27](http://awaminationalparty.org/news/index.php?option=com_content&task=blogsection&id=5&Itemid=27)  
 (Accessed 7 April 2009)

Not only this, the other key parties in NWFP namely the Paktoonkwa Milli Awami Party (PNAP), Pakistan National Party (PNP), and the Mazdoor Kisan Party are all vocal on NWFP being granted its water rights.

NWFP is therefore severely affected and feels deprived of its inherent rights by the inequitable, unjust and one sided constitutional provision to grant royalty to the province (Punjab) only for the powerhouse location, ignoring the 'Head Works Complex' in NWFP. In one case the interests of the inhabitants of NWFP are affected in water from the natural sources supply, i.e., the Indus River and in another case, NWFP demands its just share in royalty for the location of the 'Head Works'.<sup>48</sup>

The mechanism for allocation of hydel power revenues is provided in Article 161 of the Constitution (as seen in the case of Balochistan above). The Article clearly states that "net profits" will be computed by deducing from the revenues accruing from the bulk supply of power from the bus-bars of a hydro-electric station at a rate to be determined by the Council of Common Interests (CCI). The operating expenses of the station are to include any sums payable as taxes, duties, interests or return of investment, and depreciations and element of obsolescence, and over-heads, and provisions for reserves.

"The CCI did not meet until 1991, and it was actually the NFC which agreed on a formula for allocation of hydel profits. When A. G. N. Qazi was chairman (1986) the NFC constituted a committee to determine the "rate of net profits on hydel power". The committee was made up of members of WAPDA, the federal and NWFP governments. The formula it came up with is oft referred to as the A.G. N. Qazi formula which was endorsed by the CCI in 1991. Until 1991 NWFP did not receive any royalties for the hydel power generated in the province. Keeping in mind this fact, the NWFP government insisted that the President should become guarantor for WAPDA to ensure that regular payments of net profits as well as backdated dues took place (this happened when the CCI met). The President at the time, i.e. Ghulam Ishaq Khan agreed and issued a Presidential Order stating that in case of default by WAPDA or any other authority making bulk purchases of electricity from the provinces, the federal government would guarantee for payments. In 1991-1992, the NWFP government received Rs. 5.99 billion as net profits. This figure increased in subsequent years, but then the federal government imposed a cap of Rs. 6 billion on annual payments.

Successive provincial governments attempted to recover the arrears from WAPDA and failing that from the federal government which under the agreed formula was guarantor for hydel profit payments. Little progress was made, not helped by frequent changes of government (and Presidents) in the 1990s. In 1996, the federal government agreed to the NFC Award, which stipulated that in the event of consensus on arrears not being reached, payments to NWFP would increase by 11% each year."<sup>49</sup> However, once again the government was dismissed and Nawaz Sharif won the elections and formed government in 1997. "The NWFP government formed a committee to pursue the recovery of net profits on hydel power. The military coup of October 1999 dissolved both houses of Parliament and

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<sup>48</sup> Fateh Ullah Khan (Former Chairman IRSA), "NWFP's Claim for Royalty from Ghazi Barotha Project": <http://www.khyber.org/articles/2003/NWFPsClaimforRoyaltyfromGhaziB.shtml>

<sup>49</sup> Idris, Iffat (May 2007), "National Finance Commission: An Incomplete Guide to the Issues in Resource Distribution in Pakistan," Discussion Paper Series, Lead-Pakistan.

suspended the Constitution so the matter was dropped yet again.”<sup>50</sup> With the elections of 2002 once again the matter of recovering dues from WAPDA were debated.

“An Arbitration Tribunal was set up to resolve the dispute between the NWFP government WAPDA over payment of net profits from hydel power. The MMA government agreed that pre- 1991 dues and could be decided later, so the Tribunal decided just on the dues owed from 1991- 1992 to 2004-5. The Tribunal heard arguments from both sides from March 2005 to September 2006. It was unable to arrive at a ‘satisfactory calculation of NHP’ and therefore used the formula originally suggested by the NFC, i.e. calculating a 10% annual increase from 1990 onwards. Significantly, the Tribunal interpreted Constitutional provisions for ‘net profits’ as being counted after WAPDA had taken its profits. Other parts of the Tribunal’s judgment suggested the CCI’s role was limited to setting the rate of hydel power, and not to determine net profits. In sum, while the Arbitration Tribunal ordered that dues had to be paid by WAPDA to the NWFP government, it considerably slashed the amount that had been claimed by the latter. As new dams are built, some in NWFP, outstanding issues of payment must be resolved and clearer guidelines made for future allocation of hydel power revenue.”<sup>51</sup> This is not just the need of the hour but also the demand of all the nationalist parties, including renaming the NWFP province to Pakhtoonthwa.

### 3. Conclusion

Exclusion through lack of equitable distribution of benefits from resources when gets an ethnic or religious identity turns natural resources from a blessing to a curse. Balochistan and NWFP are largely perceived as hotspots in Pakistan where underdevelopment and poverty is exaggerated by political instability, law and order situation, and growing insurgency. The Pakistani establishment lays the blame on foreign hands in the deteriorating law and order situation in these provinces. NWFP has already turned into an established battle field in the war on terrorism. Now allied forces are warning that Balochistan’s hilly terrains can be hideouts of Al Qaeda and Taliban leaders.

The problem is that external factors cannot breed terrorism without an internal support. Neither alleged “foreign hands” can persistently sabotage the law and order situation in any region, nor can non locals find safe hideouts without local support. The kidnapping of John Soleki is an example where a new group called Baloch Liberation United Front (BLUF) could have easily joined the list of banned terrorist organizations had they not decided to release their victim. In the eyes of the BLUF spokesperson, UNHCR regional head was kidnapped to highlight the deprivations of Baloch people.

The point to remember is that Pakhtoons (i.e. hailing from the NWFP) and Baloch have been deprived of their due share and local resources for too long and now they have come to a stage where they don’t believe in sharing but demand “local resources for local people”. The current wave of militancy in Balochistan, after the mysterious killing of three nationalist leaders whose bodies were found in Turbat on 8 April 2009, has once again ignited the anti-federation movement in Balochistan. This time the Balochis in Quetta are not only turning against Punjabis but against Pakhtoons too. This is a new twist in nationalist politics in

<sup>50</sup> Ibid.

<sup>51</sup> Ibid.

Pakistan where Pakhtoons and Balochis were together in their resistance against what they used to term the “Punjab dominated” center. Even those nationalist parties who believe in being part of the political system (multiparty alliance government in Balochistan, and ANP led alliance government in NWFP) have to face strong criticism as they are not able to win their rights through formal politics. Democracy, peace deals, and reconciliation are proving to be buzz words for an ordinary Balochi or Pakhtoon who still find the deficit budget in their provinces where the public sector development programs are linked to the release of royalty funds by the central government.<sup>52</sup>

For both Balochistan and NWFP, the interplay of what can be called ethnic strife with resources has led to a minority complex, whose populations feel marginalized in the political as well as development arenas. There is a general perception that the largest province (Punjab) takes over the major share of power in the central government with help from the Sindh province. This is because historically, Punjabis have dominated central government along with the Sindhi Mohajirs who were instrumental in the formation of Pakistan. Because Punjab and Sind have greater populations and were more developed and literate provinces, this tradition has continued since the independence of Pakistan in 1947. These complaints have over the years become deep wounds adding fuel to militancy and armed resistance. A decentralized governance system with more autonomy to the provinces and more equitable royalty distribution in terms of natural gas and water can lead to less confrontation and less heated debates in which being “Balochi” or “Pakhtoon” is not a critical feature. Only avoiding such stereotypes and negative depictions could lead to a sustainable accord between all four provinces. This is not vital for the stability and security of Pakistan only, but for global stability and security too.

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<sup>52</sup> “The Rs13.35 billion development plan for Balochistan during 2007-08 incorporated a foreign funding segment of Rs.3.32 billion and an over Rs.10 billion local currency component. The local currency component of the PSDP represented the budget deficit. Balochistan government announced to meet this deficit by way of improving recovery of local taxes, cutting on expenditure and expecting federal straight transfers. In other words PSDP in Balochistan depends on payment of gas royalty.” (Source: Suleri, A.Q. (2007) “Wrong Framework,” The News International, 15 July 2007: [http://www.sdpi.org/SDPI\\_in\\_the\\_press/articles\\_2007/articles\\_july\\_07.html](http://www.sdpi.org/SDPI_in_the_press/articles_2007/articles_july_07.html))