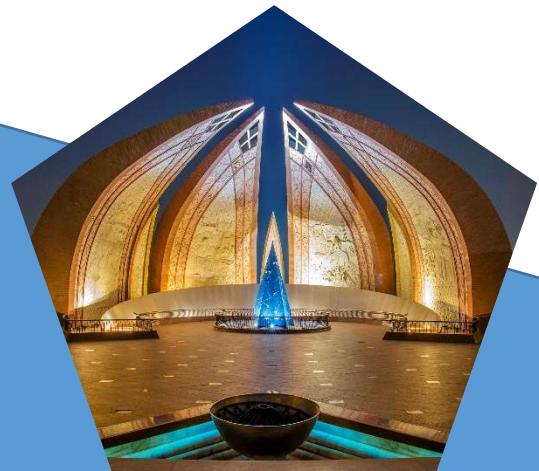




10th National Finance Commission Award Improving Lives of Citizens and Strengthening the Federation



Introductory Remarks by Dr. Ndeem Ul Haque

- The National Finance Commission (NFC) is a resource-sharing mechanism between the federal government and federating units.
- It was constituted under Article 160(1) of the 1973 Constitution. It is mandatory to constitute and hold the NFC meeting every five consecutive years.
- The purpose of the award is to review the collection of revenues by the Centre from provinces and then redistribute vertically between the federal and the provincial governments, as well as horizontally among the provinces as well as smooth and equitable fiscal transfers from Centre to provinces that may lead to the development and prosperity of all federating units.

Key Points

1. One of the panelists argued that over the time, the divisible pool has expanded due to heavy reliance on indirect taxes as well as improvement in the collection. The population is the sole distribution criteria, adopted in all NFC awards from the divisible pool. That has raised friction among the provinces, necessitating the inclusion of other potential variables.
2. Other participants termed the NFC Award the most progressive in the history of the country.
3. On the contrary, another expert termed it a political award and backed his argument by giving the rationale that during the last two military regimes of Ziaul Haq and Pervez Musharraf, no NFC award was successful. In the Zia era, two attempts were made in 1979 and 1985, but they remained inconclusive. Similarly, Musharraf era awards of 2000 and 2005 were also inconclusive.

Panelists

Dr. Nasir Iqbal
*Associate professor
PIDE,*

Noor ul Haq Baloch
*Finance secretary
Balochistan*

Amer Zafar Durrani
President, Reenergia

Ali Khizar
*Group Head Business
Recorder*

Hasan Khawar
*KPK SEED team
leader*

Jawad Majid
*Member Advisory
Board, CGSS*

4. In 2010 a democratic government succeeded in reconstituting and formulating the 7th NFC award acknowledging the demands of the smaller provinces for the first time in the history of the country.
5. Ali Khizar argued that the current tiff between the Sindh government and the federal government is also being attributed to the NFC Award and 18th Amendment. The Centre wants the provinces to contribute from their share for federal expenses.
6. Moreover, the federal government heavily relies on budget deficits, which means burgeoning debts and further pushing the economy into a shambles. The situation is already exacerbated by low revenue collection and thus the pie is shrinking day by day.
7. Panelists raised some core questions which needs to be addressed like:
 - Is the demand of the federal government justifiable?
 - Is the federal government biting off more than it can chew?
 - Will this award be able to see the light of the day or its fate will be similar to the previous 6 awards?
8. The answer is no, the federal government has still not abolished the different ministries which fall in the domain of provincial governments like health, education, environment, tourism, development, irrigation and public welfare.

Concluding Remarks

- If the federal government wants to make the 10th NFC award a success, then it has to switch off its political mode and follow the true spirit and principle of federation.
- It has to reduce its unnecessary expenses and cut its coat according to its cloth, otherwise, it will crumble under the weight of its own extravagance.
- There should always be a room for negotiation and various options should be taken into consideration before finalizing this award as we have not reached the point of no return. Sane decisions will create a win-win situation for both center and provinces, remaining adamant will push both to further financial mess.



https://www.youtube.com/watch?v=0JuCsbj281g&feature=emb_logo

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