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**Fata the NFC correction**

Part - II

With the merger of Khyber Pakhtunkhwa and Fata, KP has assumed a very large fiscal burden of a very important function – the mainstreaming and development of former Fata. But, constitutionally this is not just KP’s burden to bear because the NFC award is meant to create transfers for the equalization of services for people across the country.

Our nation, our constitution is predicated on equality, and this equality extends to being provided the same level of access to education and health no matter where you live. Your address should not determine your fate. Nor does the district of your origin seal the extent of life opportunities you enjoy. If this 10th NFC does not address Fata so to speak, it will be – in the language of real estate – a file transfer for an undeveloped plot. While this is an imperfect analogy because a lot of good work is being done in Fata, it does underscore the need to do much, much more. Seventy years of underdevelopment cannot be addressed in increments.

But even a tough situation is not shorn of opportunities. This unprecedented step of assigning Fata responsibilities to KP can be converted into development outcomes for the people of Fata. A clear and formula-based share mandated by the NFC is the necessary step in this direction. The KP government is already geared to continue special focus on Fata and create systems, design solutions and continue the salience to life and development outcomes in Fata. For this national priority to continue receiving attention, NFC share of Fata will be the right thing to do.

Pakistan’s national development is best served if all regions converge in development, with their resources and factors best employed to the highest levels of productivity. A necessary condition for such convergence is that the variation in available fiscal resources to provinces are within a comparable range. For the year 2017, for example, the per student non-salary expenditures in Punjab and Sindh reached Rs5,089 and Rs7,376, respectively. For Fata, these could only attain a level of Rs259 per student only, indicating the persisting gaps in a basic service. Similarly, in health, Punjab and Sindh spent Rs1,718,479 and Rs1,861,148 per hospital bed while the level of non-salary expenditure was only Rs62,872 in Fata for the same year. When we account for the variance in population per bed across provinces and Fata, it further shows a depleted service level.

Another way to assess this variation is by computing coefficients of variation. The economic concept embodied in the coefficient variation can simply be felt by everyone as they walk out of their homes and see the difference in the neighbourhood roads, schools, health facilities and whether the street outside your house is paved or with dark outflowing drains. The higher the coefficient the worse is the equity and wider the differences in the life spaces around the people.

Under the 7th NFC, the NFC transfers added resources on top of the own source revenues of the provinces. The coefficient of variation came down from 0.71 to 0.32, achieving improvement in equalization. But with the 25th Amendment and with the NFC neglecting Fata, the coefficient of variation for the available transfers rises back one-fourth of the correction, eliminating the effects of equalization. This means the fiscal equalization attempted by the 7th NFC in its horizontal sharing of resources has gone awry. KP comes under unequal fiscal pressure.

Equalizing resources for public expenditure is by no means the end all to attain comparable services. It only corrects the intolerable variations that arise from historical factors as well as tax base endowments, the latter to some extent arising from long-term disparities in development. Equalizing revenue or equalizing expenditures is the only necessary condition. For sufficiency, in addition to resource equalization, functional systems, implementation capacities and improved governance is also required.

The NFC mechanism has an important opportunity and a national obligation to correct the situation for Fata. There is an immediate-term decision to be made and then there would be the longstanding decision. The former decision is assigning a share to Fata using the 7th NFC Award formula. This will restore the current award to constitutional compliance. The longstanding solutions would be for the 10th NFC to make and see how to assign resources to Fata as a continued national obligation.

A correction of the 7th Award will address the immediate term issue. The 7th NFC distribution of resources now needs an immediate recalculation – calculation of the share of Fata from the distributable resources under the NFC. If we apply the 7th Award formula variables to Fata and compute it on the divisible pool determined for the year 2018-2019, as an entity Fata’s share would come to Rs.116 billion per annum. This perpetuating annual loss of more than a hundred billion rupees is unconstitutional.

And finally what would you do to assuage the aspirations of the five million residents of the region? Treat them as a special entity and achieve a fiscal embrace to shore up the public services. As we determine an NFC share for Fata, we will only be treating all the residents of the much neglected region as equal citizens of Pakistan.

Pakistan has not suffered that much from bad policies or weak pronouncements. But it has faltered many times because of timid decisions. The 10th NFC needs to beware of policy timidity. The citizens of Pakistan resident in Fata should have equal access to public services, comparable to other areas of the country. We just can’t subsume the development lag of Fata in national averages of indicators.

Path dependency is not a well-adorned way to a developed future for the nation. There is no obligation upon us to remain in a disequilibrium of unbridgeable regional disparity. As they mature, states reveal themselves through higher-order policy decisions. How we assign resources to Fata and integrate into a developed Pakistan is a test case. It will show to what extent we correct the past to reach the right future for all of Pakistan. Its time to do the right thing.

Concluded

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