**The NFC Debate**

**Political autonomy alone means nothing without securing financial autonomy.**

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Pakistan’s former Finance Min­ister Dr Miftah Ismail is spear­heading the case for revisiting (and reversing) the National Finance Commission (NFC) Award, the 7th one, to make it centre-friendly. Ismail has writ­ten a series of articles to vent his standpoint.

His central point is this: “The root issue with our NFC Award is the fact that the federal government gets to keep less than Rs 40 for every Rs 100 of additional tax revenue. So, no matter how much taxes it raises, 60 percent goes to the provinces.” This point is in reference to the division of the share of revenue between the Centre and provinces. That is, the provinces are now getting a 57.7 percent share. However, the Cen­tre is getting currently 42.3 percent share. That is, the share of the prov­inces is higher than the share of the Centre. Ismail wants to reverse the share in favour of the Centre.

To support the central point, Ismail has raised several arguments. Six of them need to be mentioned here. First, federal expenditures are in­creasing fast in the area of pensions, which are also rising in the provinc­es. In the coming eight years, pen­sions would be a major liability of the Centre. Here, Ismail overlooks the fact that, in the federal budget for the financial year (2023-2024), out of a total of Rs 714 billion earmarked for pensions, just Rs 154 billion was related to civilian pensioners. The rest of Rs 560 billion was related to the defence pensioners. Some years before 2009, the head of defence pensions was credited to the civilian ledger. Consequently, there erupted discontentment, which added to the passing of the 7th NFC Award by con­sensus on December 30, 2009, pro­tected under the 18th Constitution­al Amendment, 2010. Apparently, the provinces are ready to own only those pensions which are meant for retired civil servants.

[Israeli Air Force finalizes preparations for possible attack on Iran](https://www.nation.com.pk/16-Apr-2024/israeli-air-force-finalizes-preparations-for-possible-attack-on-iran)

Second, as the provinces have not so far devolved power to the local governments, which were made by General Pervez Musharraf, the prov­inces are not entitled to the devolu­tion of funds from the Centre. This is a flawed argument. General Mush­arraf’s local government system of 2001 was based on the principle of city governance personifying the model of Karachi. The model weak­ened the provincial governments and undermined provincial auton­omy. General Musharraf also fun­nelled funds from the Centre to city governments, thereby bypassing the provincial governments and forging a nexus between the Centre and cit­ies. This state of affairs (tantamount to erecting a parallel system of gov­ernance and authority) remained unacceptable to the provinces, which asserted themselves through reinforcing provincial autonomy, enshrined in the 18th Amendment. Soon the provinces may legislate to amend the Musharraf’s model of city governance, as per their needs.

[CM Maryam’s reforms brought healthy change in health dept: Muhammad Saleem](https://www.nation.com.pk/16-Apr-2024/cm-maryam-s-reforms-brought-healthy-change-in-health-dept-muhammad-saleem)

Third, the federal government’s responsibility for running FATA, Gil­git-Baltistan and Azad Jammu and Kashmir (AJK) is overburdening it with expenses. This is also a flawed argument. FATA stands merged with Khyber Pakhtunkhwa, which is grad­ually shouldering the responsibility for running the fused area. Both Gil­git-Baltistan and AJK have their own revenue collection systems, which need to be evolved further. Corrup­tion has to be reduced and work cul­ture be introduced. The Centre may give grants to help them sustain, and not to subsidize their economies.

Fourth, the federal government needs funds to run the Islamabad capital territory. This point cannot be an excuse. Just look at Islamabad, it is not a city anymore, it is swelling like a province. In a federation, the expanse of such a city-cum-province is difficult to sustain financially.

Fifth, the revenue sources of the federal government are less than those of the provincial governments. For instance, “provincial sales tax on services is growing faster than the federal sales tax on goods”. Certain­ly, this should be the case, and not an excuse to revisit the 7th NFC Award. The reason is that embodying the concept of federation, the 18th Amendment reduced the adminis­trative responsibilities of the Cen­tre. Following it, ministries (except a few) should have shown up presence in the provinces and not at the Cen­tre. With that, the Centre’s low ex­penditure would match its reduced revenue sources. However, this could not happen. If the bureaucra­cy is still sticking to Islamabad, it is not the fault of the provinces, which are reluctant to spare funds for the bureaucracy that ensconced itself in the capital. Further, after the 7th NFC Award, it was expected that the Cen­tre would reduce its spending, but it did not do that. Hence, the public debt in the Centre kept on soaring.

[Abducted minor girl rescued within 12 hours](https://www.nation.com.pk/16-Apr-2024/abducted-minor-girl-rescued-within-12-hours)

Sixth, the rising number of stunt­ed and wasted children necessitates the need for allocating more funds to the Centre which would take care of these children. This is another flawed argument. Refuge is sought in the malnourishment of children, without referring to the fact that overspending of the Centre on non-development projects has reduced funds available for nourishing and educating children in the domain of development projects. A relevant question is this: before 2010, why did the Centre fail to address the is­sue of stunted and wasted children? Why is the issue important now, if not for achieving political mileage, to condemn the provinces? Never­theless, if provinces require it, they can own the responsibility of BISP.

Generally speaking, many people in Pakistan find it difficult to under­stand the concept of federation. It is the provinces that join hands to make a federation. It is the provinc­es that construct a Centre and not vice versa. What power and revenue sources the Centre should hold are at the discretion of the provinces.

[Six illegal constructions demolished in LDA operation](https://www.nation.com.pk/16-Apr-2024/six-illegal-constructions-demolished-in-lda-operation)

Unfortunately, the ongoing NFC de­bate emanates from the attempt to find a solution in the given financial context, overlooking the fundamental concept of federation. Political auton­omy alone means nothing without se­curing financial autonomy. Through the 7th NFC Award, the provinces said clearly: that the Centre must reduce its expenditure. To elaborate, the Cen­tre has to shun the habit of spending more than it gets. The spending must be in line with the earnings.

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