**Towards Equitable Development**

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Pakistan’s monetary discussion will always remain incomplete without taking into account its fiscal federalism landscape. And within this realm, Pakistan’s National Finance Commission (NFC) Awards stand as a pivotal mechanism for distributing financial resources among the federal and provincial governments. Yet, as the country grapples with persistent fiscal disparities and inefficiencies, there arises a pressing need to reassess the efficacy of the NFC Awards and explore alternative mechanisms that foster equitable development, provincial efficiency, and transparency.

The NFC Awards, established under the 1973 Constitution, have played a crucial role in allocating resources based on factors such as population, revenue generation, and development needs. However, critics argue that the current framework fails to adequately address regional disparities and lacks transparency and efficiency. As such, it is imperative to rethink the NFC process and propose innovative solutions to bridge fiscal gaps and enhance provincial governance.

At the heart of any reform effort lies the imperative to minimize fiscal disparity among provinces while promoting efficiency and transparency. To achieve this, Pakistan can consider adopting a multifaceted approach that integrates elements of formula-based grants, performance incentives, and fiscal decentralization. It is imperative to mention here that when considering alternatives to NFC Awards, policymakers should assess the country’s specific context, including its fiscal capacity, administrative capabilities, regional disparities, and governance structure. They should also consult with stakeholders, including subnational governments, civil society organizations, and experts, to design a system that promotes fiscal equity, efficiency, and accountability.

Pakistan stands at a critical juncture in its quest for equitable development and fiscal reform.

While there is a substantial discussion about the reformation process it’s important to note that the NFC process itself is subject to periodic reviews and adjustments. This entails reforms in Pakistan’s fiscal federalism system, may occur through amendments to relevant laws, regulations, or administrative procedures. However, there are key focus areas that may specifically target reforms in NFC Awards.

These must include Review of the Award Criteria (with special emphasis on resource distribution among the federal and provincial governments), Enhanced Transparency, (ensuring that the criteria used for resource allocation and the negotiation process are more open and accessible to the public), Strengthening Provincial Autonomy, (reforms that focus on strengthening the fiscal autonomy and reducing dependency on federal transfers), Efficiency Improvements and Addressing Regional Disparities.

Firstly, transitioning towards a more transparent and objective formula-based grant system could serve as a cornerstone for reform. Such a system would entail the establishment of clear criteria for resource allocation, including population size, income levels, infrastructure needs, and poverty indicators. By basing allocations on predetermined formulas, Pakistan can ensure greater equity and transparency in the distribution of funds, thereby reducing regional disparities and promoting fiscal accountability.

Furthermore, incorporating performance-based incentives within the NFC framework can incentivize provincial governments to improve governance and service delivery. Under this model, provinces would receive additional funds based on their performance in key areas such as education, healthcare, infrastructure, and poverty reduction. By tying financial rewards to measurable outcomes, Pakistan can foster a culture of accountability and efficiency at the provincial level, leading to enhanced public service delivery and socioeconomic development. However, this approach would also mean a radical mindset change within the government machinery to ensure that public servants and institutions operate without redtapism and corruption – a tall ask!

Moreover, embracing fiscal decentralization represents a fundamental step towards empowering provincial governments and enhancing efficiency in resource allocation. By granting provinces greater autonomy in revenue generation and expenditure management, Pakistan can enable subnational entities to tailor policies and programs to local needs while fostering innovation and responsive governance. However, effective decentralization requires robust institutional frameworks, capacity-building initiatives, and mechanisms for intergovernmental coordination to ensure coherence and accountability in fiscal management. And we are all well aware with the history of Pakistan reformation process and its continuous failure to achieve any significant success.

In addition to these structural reforms, enhancing transparency and public participation in the NFC process is paramount. Establishing mechanisms for stakeholder consultation, public disclosure of allocation criteria, and independent oversight can foster accountability and trust in the allocation of public funds. By promoting transparency and inclusivity, Pakistan can enhance the legitimacy and effectiveness of the NFC framework while mitigating the risk of corruption and rent-seeking behaviour.

Can technology play an important role here? If we look at the global models of funds disbursement, we see magnitude of evidence in favour of technology ensuring efficiency and transparency. Therefore, leveraging technology and data-driven approaches can facilitate the efficient disbursement and utilization of funds. Implementing digital platforms for financial reporting, monitoring, and evaluation can enhance transparency, streamline administrative processes, and enable real-time tracking of expenditures. Additionally, investing in data analytics and performance metrics can provide policymakers with valuable insights into resource allocation patterns and the impact of interventions, enabling evidence-based decision-making and targeted policy interventions. However, the challenge here would be to work in unison with the IT experts or industry. Once again we have witnessed time and again governmental departments’ failure to work tof

However, it is important to recognize that the success of any reform effort hinges on political will, institutional capacity, and stakeholder engagement. Achieving consensus among federal and provincial governments, political parties, civil society organizations, and other stakeholders is essential to garnering support for reform and overcoming vested interests. Moreover, sustained commitment to implementation, monitoring, and evaluation is crucial to ensuring the effectiveness and sustainability of reform initiatives over the long term.

Today, Pakistan stands at a critical juncture in its quest for equitable development and fiscal reform. By reimagining the NFC framework and embracing innovative solutions that promote transparency, efficiency, and accountability, Pakistan can chart a path towards inclusive growth and shared prosperity. However, realizing this vision requires bold leadership, concerted action, and a commitment to putting the interests of the people above all else.

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