

# NFC and sharing

The National Finance Commission (NFC) award has still not been announced, and it is almost time for the next budget. The provinces, and Islamabad, will again make two sets of budgets: one with projections of what could happen if NFC award does come through before the budget, and the other on the basis of last years' ad hoc arrangements. It seems likely though that the new award will not come before budget time this year too, or if a package is announced, it is going to leave many parties quite unhappy.



There are a number of problems here that need to be addressed. Why is it that the NFC issue gains momentum only as budget time approaches? Is NFC issue not important enough by itself that it needs to be settled independently? The momentum that talks had gained last year was lost when it was announced that since there had been no consensus the budgets would continue to be made under ad hoc arrangements. But that was exactly the time the Ministry of Finance (MoF) should have increased the pace of talks on NFC.

With the pressure of budgets off, that was the ideal time to reflect on the issue of NFC in consultation with the provinces and propose principles that could have formed the basis of agreement. With no budgetary pressures, MoF and the provinces could have had time to have a more profound and leisurely debate on the issue. But it was not to be. NFC disappeared from the face of the MoF agenda, there were no provincial or full meetings, and there were occasional mutterings from people once in a while and then not even that. Till, of course, the Balochistan question became important and it brought NFC back with it as well, and more recently, due to budget time again.

BY DR FAISAL BARI

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autonomy from the government and is answerable to the legislative bodies only (like the State Bank of Pakistan), c) has sufficient resources to do its work, and d) has access to resources so that it can set up a good research centre with it. This NFC body should be given some time in which to come up principles, through research and consultation, which can become the basis for the next NFC award. All the federating units should approve these principles and then the NFC body should, using these principles, come up with formulae that could be used for distribution decisions. And then the legislature can select from within these formulae.

The main problem right now seems to be that the various units have their own criteria upon which they think they are justified on taking a moral stand. Punjab holds population to be the sole basis (or was insisting on this till last year), Sindh wants to talk of contributions, Balochistan about poverty and lack of development, and NWFP on what should and should not be part of what is put in the divisible pool. But how do you arbitrate among all these moral 'holier than thou' positions. One cannot, unless there are higher-level principles that one has agreed upon.

the cards soon enough. The Constitution says that natural resources belong to the provinces, but should they? And if so, why should agricultural produce not belong to the provinces? And what about the rights over water? If an area is rich, say Karachi, how much should it contribute towards the development of Balochistan or interior Sindh? These questions, at least some of the larger ones, will become important soon enough. And when they do, or before they become a nuisance, we will need a body to address them. NFC body can do that.

One of the most surprising aspects of political life in Pakistan is that it is the most important national decisions that are made the most shoddily. There will be debate on the issue of mixed marathons for months, the government machinery will go in convulsions about how to handle Mr Zardari's arrival, there will be meetings, at the highest level, about how to handle a dignitary's visit to Pakistan and what the lunch menu for the visit should be, but when it comes to issues like provincial autonomy, NFC, basis for taxation and so on, the decisions are either taken by a few people or the issues are repeatedly brushed under the carpet.

What could be more shortsighted than that? Countries, democracies, rule of law, civil societies do not flourish when decisions are delayed or decisions are ad hoc. To take up NFC, even if the Chief Minister of the Punjab today agrees, under pressure from the Centre and for his own political motives, that the Punjab should concede on the population principle, do we really think this issue will not come back to haunt us a few years later? We need to convince the Punjab that we have to move to certain principles that can be widely held to be right. The same holds for Sindh as well. And this can only be done through an institutional set up that is transparent and autonomous, allows fair representation of all points of view, and takes the trouble to think through what is needed.

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But this is clearly not the way to handle such an important issue. NFC award is about settling one of the basic principles of the federation. It is going to tell us how the various units are going to share the resources that are raised from across the country. It is about what kind of society are we trying to create, how are we going to treat others in the federation who do not speak my language, might not have the same culture, might have different needs and might be at different levels of development. Is such an important issue to be settled through 3-4 meetings between 10 odd people from the MoF and the respective ministries of the provinces? It cannot be. The issue requires a very good and profound debate in the society, across the intelligentsia and in the various houses of representatives. It needs airing. Even if a few Chief Ministers agree on a formula in the next month, it will not acquire the status of a consensus if the requisite airing of views does not take place at all prior to agreement.

If one were to suggest an ideal way of addressing this issue, one would go about it in the following way. The federation should create a permanent NFC body that has a) representation of federation and the provinces, as well as the private sector, b) has complete

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The Constitution of Pakistan clearly states that citizens have certain rights, and that they should be provided with certain amenities. It also states which of these rights are paramount. We need the permanent body to think through what these rights imply about NFC, and get some agreement on this from all of the provinces, the legislature as well as the courts of law, if need be. Then we can arbitrate and say if population can be the sole basis for shares or not. Once we have the principles or the bases on which to structure the NFC, then we can go ahead and talk of what objectives need to be achieved and adjust weights accordingly. Surely, the basis for distribution will not be singular (too bad Punjab), and with multiple bases we will definitely need weights to signify importance of each objective or base. The rest can then follow.

The second reason for the kind of body being suggested above is more long-term and institutional. Right now the debate is not at a stage where we think that the issue of taxes should be brought under the NFC too. But there will be a time when this will happen too. The question, as to what sources of money should be considered legitimate for the common pool and which should not be, is going to be on

In democracies, and in collectives that want to live together and flourish as a unit, issues have to be decided on the basis of consensus and fair play. They have to have the explicit consent of as many as possible, and tacit consent of all. The more important the decision, the more important becomes the process through which the decision has to be arrived at. Our political history has been such that sadly we do not have many institutional channels through which such decisions can be made in a transparent, fair and inclusive manner. But this just makes the vicious circle of lack of trust much tighter. We have to break out of it.

The NFC issue is an important enough and significant enough issue that can be one way of starting to break this vicious circle. The federation should take steps to create institutional structures that will help us address the issue in the manner stated above. Everyone realizes that politicians and those in power are usually driven by their short-term interests to the extent that it is hard for them to look beyond them; but if the current government just addresses this issue adequately, this, above all else, will be one contribution that they will be remembered for, for a long time to come. Anyone for immortality?

E-mail queries and comments to:  
faisal@nation.com.pk