> Pakistan's creaking irrigation network and lining canals, distributaries and watercourses in Sindh and southern Punjab rather than on building a Rs 30 billion project.

tional laws governing distribution of water between the states (provinces) getting water from the same river. Even Pakistan's Constitution accords special guarantees under Article 155 to riparians. One internationally recognized legal point is that an irrigation project built earlier on a river has more right on water than those undertaken later. The Chashma-Jhelum and Taunsa-Panjnad link canals constantly draw water from the River Indus and push it towards the Panjnad and Islam barrages. As a result, barrages in Sindh face a water shortage.

Another internationally recognized law is that an upper riparian has no right to draw water from a common river unless lower riparians give their consent. Sindh's argument against the canal or any other mega water project is that there is not enough water in the Indus river system for another dam or canal.

The quantum of water flowing in the Indus river system is very erratic. The highest flow recorded in 1959-60 was 187 MAF whereas the lowest was 91 MAF in 2001. With such wildly erratic flows, planning mega projects on the basis of average flow is either deception or a blunder of highest order. Common sense, international criteria and even Wapda's recommendations call for 80 per cent, or four out of five years, water availability for mega projects. The average for the last 80 years may be about 135 MAF but four out of five years water availability is only 123 MAF. As the 1991 accord allocates 117.35 MAF water to the provinces and at least 10 MAF water needs to flow down-stream Kotri for the survival of the Indus delta, no water is left for storage or for another canal.

The last four years' flow explains Sindh's objections. The total water in the system was 117.5 MAF in 1999, 96.5 MAF in 2000, 91 MAF in 2001 and 111 MAF in 2002. After the greater Thal canal is built and two million acres of land come under plough, will the farmers sit idle for four years or will they demand that the gates of the Thal canal be opened as has been done with the

Finance award

EVEN a cursory glance over the past 56 years' history of fiscal administration will reveal that the constituent units had little say in important financial and fiscal issues, particularly the distribution of revenues between the federation and the provinces.

All the awards (distribution of revenues) notified in the reports of the commissions/committees right from 1948 are characterized by four salient features. First, heads of state, on their own, constituted the committees/commissions under the statutory provisions. Barring Sections 138-144 of the Government of India Act 1935, Article 118 of the Constitution of 1956, Article 144 of the Constitution of 1962 and Article 160 of the Constitution of 1973 made it mandatory for the president to constitute a National Finance Commission. But something peculiar is discernible.

The text of Article 160 does not differ materially in form or substance from the texts of Articles 144 or 118 or Sections 138- 144. It seems that the framers of the constitution have adopted a safe approach without giving serious thought to important issues that jeopardize the delicate relationship between the federation and the provinces.

Second, every successive federal government predetermined the 'net proceeds of taxes' that formed the 'divisible pool' to preclude the provincial governments' formal or informal views/suggestions. Third, right from the first national budget of 1948-49, the financial powers of the provinces to levy or receive taxes on the basis of collection, like sales tax, were gradually curtailed or curbed by the federal government. Fourth, all the commissions/committees adopted population as the sole criterion for distribution of revenues.

The province of Sindh anticipated a share of Rs 173.209 billion from the divisible pool in the four years from July 1, 1997, to June 30, 2002 as projected by the NFC, but it actually received Rs 104.472 billion, a shortfall of Rs. 68.737 billion. In the words of a World Bank report (Sindh: Fiscal Resource Study), "the magnitude of the variation so soon after the award and the absence of any contingent arrangements in the award, are serious shortcomings of the NFC 1996-97".

What the provinces including Sindh have actually received under the NFC awards should also be contrasted with what the federal government actually recovered as taxes from the provinces in these years. Over a period of 10 years, the provinces' annual contribution to the national exchequer, on an average, has been as that does not decelerate growth efforts or produces a feeling of deprivation among provinces that generate seven times more revenue than they actually receive in turn.

During 2000-01, Sindh received Rs 28.253 billion from the divisible pool, Rs 17.513 billion as royalty, etc. and Rs 5.430 billion as non-development grant from the federal government while it raised Rs 8.930 billion from its own local taxes and fees. Total revenue receipts stood at around Rs 60 billion. In the corresponding period, the province incurred revenue expenditure of about Rs 40 billion on general administration, law and order, community, social and economic services, Rs 10.5 billion on debt servicing, Rs 6.5 billion on grants-in-aid and Rs 3 billion on subsidies.

Since cash development loans have been stopped with effect from July 1, 2001, the province has to provide development funds from its own resources or abandon all new and on-going projects. The predicament of the province is that revenue expenditure cannot be reduced drastically, nor can new avenues of taxes be explored because of a narrow and limited tax base.

In view of the inequitable distribution of resources, the alternate, pragmatic and logical criteria for appropriation of funds between the federation and provinces could only be 'revenue generation'. The salient features of this proposed formula are:

1. The federation will collect all the existing divisible pool taxes (DPT) as provided under the last NFC Award on behalf of the provinces, charging five per cent as administrative charges till the latter constitute their own collection agencies.
2. Province-wise accounts shall be maintained for the DPT collected from each province.
3. Balochistan will be paid three per cent and NWFP 2.5 per cent of the net proceeds of the DPT as subvention for the next five years.
4. After deduction of collection charges and subventions, the federal government will be entitled to receive 55 per cent of the DPT (subject to revision by the four provinces every year) from the provinces on the basis of population. Thus, Sindh would pay 23.28 per cent, Punjab 57.88 per cent and so on.
5. A deficit province may borrow from the surplus province on such terms and conditions as may be agreed upon by the parties or devise its own ways and means to meet the deficit.
6. The policy of straight transfers to the provinces as under the NFC Award 1996-97 will be maintained for another five years unless revised earlier by the four provinces. ■