

Panel Discussion on NFC award

PIDE has a vision of nourishing quality research for informed policy debate through a mission of developing professional and domestically owned research agenda based on dialogue and incorporating global knowledge and standards. Outcome oriented debate on key current economic issues are initiated for moving one step closer to required learned consensus by debating through issue.

Pakistan has a federal structure. It collects resources through fiscal instruments and shares with its federating units according to a formula. Major resources (almost 94%) are collected through various means by the Federal Government. The basis for resource distribution is population, location of natural resources, under development and revenue generation. National Finance Commission (NFC) was first constituted in 1974. It is not a permanent body and doesn't have a permanent representation. NFC award is for five years duration.

NFC being the premier resource re-distribution body has evolved on the core principles of fiscal decentralization, development etc but certain emerging issues which have potentially impacted the over all objective of economic development should also be considered. There are severe economic consequences of environmental degradation. Conservative estimates revealed that the annual cost of environmental degradation is approximately 6 percent of GDP. The environmental losses required a pragmatic approach to embark upon the challenges. This is where Environmental Fiscal Reforms (EFR) can play an important role while deciding the NFC award.

With the wake of devolution, where the main principle was delegation and empowerment of lower tiers of governments, significant responsibilities have been transferred but with least options to generate adequate own resources. The lower tiers of government who are the helm of affairs find it difficult to bring about a consensus among themselves for a reasonable formula of resource sharing thus delaying the award from due dates. Provinces should be given adequate representation in the Fiscal and Monetary Board to handle the development and sustainability issues adequately. The centralized revenue generation and subsequent transfer may create frictions of losses as well as be suboptimal.

The overall objective of the discussion is to provide stakeholders a forum where they can discuss and find solutions to the issues regarding NFC award. Specifically the discussion has the following core objectives:

- To analyze the status, issues, and constraints of NFC award.
- Incorporation of new determinants like poverty, environment, population density, income distribution etc
- To explore an amicable mechanism for financial dispute settlement between federal and provincial governments and amongst the provinces.