



SPEECH OF PRESIDENT OF REFORMISTAN ON THE 11TH NFC AWARD

Dr. Nasir Iqbal

My fellow citizens

Today is a historic day in the journey of our beloved Reformistan. Standing here in the capital city of Reformistan, alongside Prime Minister, our Governors, our Chief Ministers, and the representatives of every province, I am proud to announce the 11th National Finance Commission Award — a new social contract between our federation and its provinces.

This award is not just about the division of resources; it is about the division of responsibility. It is about ensuring that every rupee collected from the people of Reformistan goes back to serve the people of Reformistan — fairly, transparently, and productively.

For too long, fiscal federalism in our country has been a matter of political bargaining rather than constitutional principle. Awards were delayed, formulas were outdated, and transfers became tools of patronage rather than engines of equity. That era ends today.

The 18th Amendment promised transformative change, but its vision was only partially realized, ministries remained largely under federal control, leading to increased national spending, and local governments were not fully revived, leaving grassroots governance disconnected. Now, we have ensured its complete fulfillment: transferring ministries to provinces to reduce federal costs, empowering provinces with true autonomy, and revitalizing local governments to bring decisions closer to the people.

Earlier this year, with the support of Parliament, we passed a landmark constitutional amendment that has changed the very foundation of fiscal devolution. This amendment introduced three fundamental reforms.

First, every province is now legally bound to announce its Provincial Finance Commission (PFC) Award annually. This ensures that money does not stop at provincial capitals but flows down to districts, municipalities, and even villages. If a province fails to announce its PFC, it will face

automatic suspension of federal transfers in the following year. This makes devolution a compulsion, not a choice.

Second, every government — federal or provincial — must publish an Annual Fiscal Report that will be reviewed by an Independent Fiscal Commission. This report will evaluate how funds were used, whether targets in education, health, and poverty reduction were met, and whether transfers were aligned with equity. Poor performance will have consequences, including reduced allocations the next year.

Third, the NFC Award will now carry a sunset clause. No more open-ended formulas lasting decades. By law, every five years a new award must be negotiated and announced, and it must be done in the fourth year of the cycle — even if an interim government is in place. Failure to announce a new formula within the stipulated time will automatically trigger the suspension of federal transfers to provinces until the new award is finalized. The discretionary power of governments to extend or carry forward an existing formula has been permanently abolished. This ensures that fiscal federalism remains dynamic, accountable, and in tune with the changing demographic, economic, and social realities of Reformistan.

These are not just procedural reforms; they are structural safeguards. They ensure that never again will our fiscal future depend on ad hoc arrangements or elite consensus alone.

Now let me turn to the formula itself. For the first time, the vertical distribution has been revised:

- The federal government will retain 45% of the divisible pool, dedicated mainly to defense, debt servicing, and federal-level projects.
- The provinces will receive 55%, constitutionally guaranteed for service delivery and local development.

The horizontal distribution among provinces has also been transformed. No longer will population alone determine the destiny of fiscal resources. Instead, we have introduced a multi-dimensional formula that reflects the realities of modern governance:

- Population (2025 Census): 50%
- Poverty and Human Development Index: 20%
- Revenue Effort: 15%

- Climate Vulnerability (Such as forest cover etc.): 10%
- Infrastructure Gaps: 5%

These weights reflect a careful balance of fairness and progress, designed to strengthen our federation. Population carries 50% because it ensures resources reach where people live, anchoring equity in the reality of our growing nation. Poverty and human development, at 20%, prioritize support for underserved regions like Balochistan and Khyber Pakhtunkhwa, breaking cycles of inequality with investments in people. Revenue effort, set at 15%, rewards provinces for their progress in tax collection relative to their own potential, ensuring smaller economies like Khyber Pakhtunkhwa and Balochistan aren't overshadowed by Punjab and Sindh's larger industrial and agricultural bases. Climate vulnerability, at 10%, directs funds to build resilience in areas hit hardest by floods and droughts. Infrastructure gaps, at 5%, address historical neglect, ensuring every region has the roads, power, and connections needed to thrive. These choices are deliberate, aligning Reformistan with a future where fairness drives prosperity.

This is a transformative step toward a stronger, self-reliant Reformistan. Provinces that have worked diligently to increase their own tax revenues are already seeing the rewards, moving away from over-dependence on federal transfers, where provincial collections once lagged. Through innovative and citizen-friendly approaches, provinces are building their own resources, fostering true fiscal independence and a more robust federation. We have already introduced reforms that prioritize simplicity, transparency, and growth. These include a uniform tax regime across all personal and non-corporate incomes, a reduced corporate tax rate of 25% to spur investment, and a harmonized value-added tax (VAT) set to gradually reach 10% to simplify compliance and build trust. We have also begun phasing out complex withholding taxes, while advancing digital tax administration to minimize direct interaction and boost efficiency.

Agricultural income remains under provincial authority, with exemptions eliminated and progressive tax rates introduced, already unlocking over Rs. 100 billion annually, complemented by a 1% rebate for corporate farming to promote efficiency and modernization. Property taxes have been reformed with inflation-adjusted capital gains, applying a 5% rate on short-term sales of open plots to encourage long-term investment and expand the tax base without hindering growth. These reforms, rooted

in fairness and predictability, are empowering provinces to drive sustainable prosperity.

This aligns Reformistan with global best practices. Countries like Canada, India, and Germany routinely revise their fiscal transfer models to account for inequality, performance, and vulnerability. Reformistan now joins their ranks with a formula rooted in fairness and foresight.

But beyond numbers, let me stress what this award symbolizes. It is the first NFC Award in Reformistan's history that directly integrates productivity and enterprise into fiscal devolution. Poverty cannot be fought with handouts alone. That is why this award mandates that provinces channel part of their transfers into Village Economic Zones (VEZs).

VEZs will be developed using existing assets — abandoned schools, basic health units, unused council offices — and converted into local economic hubs. They will integrate farmers, artisans, street vendors, and women entrepreneurs into value chains, supported by financing, training, and digital platforms. These are not charity projects. They are blueprints for sustainable livelihoods and local markets.

Furthermore, we are institutionalizing Joint Border Markets (JBMs) across districts bordering Balochistan, Khyber Pakhtunkhwa, and South Reformistan. These markets will formalize cross-border trade with Iran, Afghanistan, and other neighbors, reduce smuggling, and generate jobs in some of our poorest regions. With proper regulation, JBMs will become decentralized engines of export-led growth, creating prosperity where there was once poverty.

These innovations represent a shift from subsidies to sustainability, from transfers to transformation. My fellow citizens, fiscal reform cannot work without accountability. Under the new system, every government must publish results. Did health indicators improve? Did schools see higher enrollment? Did poverty fall? Did new enterprises emerge? For the first time, transfers will be tied to performance, not politics.

This accountability framework is historic. The Independent Fiscal Commission will publish an Annual Fiscal Report Card for each province, comparing outcomes across poverty reduction, education, health, and local empowerment. Provinces that underperform will see cuts in the

following year. This will incentivize delivery, not rhetoric.

Let me also emphasize the role of social protection. Our past reliance on large cash transfer schemes like the Benazir Income Support Program consumed hundreds of billions without creating sustainable poverty exits. Under this new framework, cash transfers will continue where necessary, but the emphasis will shift toward enterprise, assets, and local markets. Poverty will be reduced not by endless handouts, but by creating income-generating opportunities at the grassroots.

This is the Reformistan model — a model of fiscal federalism that combines equity with efficiency, compassion with productivity. In closing, I must remind us all: fiscal federalism is the lifeblood of our federation. If it is unfair, the federation weakens. If it is politicized, the federation fractures. If it is transparent, performance-driven, and inclusive, the federation thrives.

This 11th NFC Award of Reformistan is more than a fiscal document. It is a covenant between the center and the provinces, between government and citizens. It is a pledge that every rupee of the people will be spent on the people — not as largesse, but as investment in their future.

As your President, I assure you: this is the beginning of a new chapter. No more ad hocism. No more dropped catches. No more excuses. Reformistan has chosen accountability, productivity, and dignity. And together, we will build a federation that delivers. May Reformistan prosper.

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