

Interview



Dr. Asad Sayeed

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Dr. Sayeed is also a Senior Research Associate at the Collective for Social Science Research (CSSR), Karachi, Pakistan. He received his MPhil in Economics and his Doctorate degree from the University of Cambridge. He has contributed in the fields of social protection, macroeconomic policy, labor market dynamics in developing countries, and poverty and political economy of corruption.

Q1. Why are NFC Awards important (Given Constitution requires it to be set up every five years), and why have we not been able to act upon the constitutional requirement, why cant we have a permanent secretariat under the CCI?

The NFC is an outcome of Article 160 of the Constitution and is purely related to distribution of revenues across different federating units. The unique feature of the NFC is that it is a consensus based forum. Whenever consensus is not achieved across the federal government and the federating units, there is a deadlock. Prior to the 7th NFC, deadlocks happened mainly because Punjab would refuse to budge from the single criterion of population in the distribution of resources horizontally. In the 8th and 9th Award tenures, the deadlock was because the Federal government wishes to reverse the vertical share of the provincial governments. The 7th NFC however demonstrated that when all protagonists are flexible and willing to find an acceptable middle ground, a consensus can emerge. NFC does need a secretariat and a research wing. That is something that was on the agenda of the 9th NFC before the process was stalled. The CCI is a different forum governed by Article 153 and 154 of the Constitution and mandated to resolve a range of other economic and non-economic issues mentioned across the federating units as mentioned in Part II of the Federal Legislative List. . As such, they are entirely different fora.

Q2. PIDE produced a Monograph “The 7th NFC Award: An Evaluation” in which it stressed the need to consider other criteria besides giving major weight to population such as matching grants. Often criteria’s set are considered to be not well researched, do you agree only political consensus is enough?

Other criteria across horizontal distribution were laid on the table in the 9th NFC and I am sure will be discussed in the 10th NFC also. I am confident that across provinces there is enough flexibility to come to an agreement on adding more than the existing four criteria for horizontal distribution.

On matching grants: This is possible if it pertains to revenues. It is important to remember that the NFC is a revenue sharing forum enshrined in the federal scheme of the constitution. And matching grants on Federal projects is possible but the determination of those projects are approved by the federal legislature. If the provincial government and the provincial legislature agrees, only then can matching grants are possible within the architecture of federalism. But that has nothing to do with the NFC.

On research: The existing four criteria I believe are all fairly well researched. At a broader level, research backup for such fora should be such that research provides different options for a range of possible outcomes that interests of the protagonists and negotiations throw up. There cannot be politically ‘neutral’ research and those who claim as such are actually imposing their own politics through that research.

Q3. 7th NFC award witnesses that all provinces join hands to reduce Federal Share. Do you see any such political consensus or strategic play by federal government or provinces this time.

'Joined hands' sounds rather conspiratorial. Given the provincial concerns and pressure on federalism at the time, the provinces and the federal government reached a consensus. If anything, it was the province of Punjab which conceded to a reduction in its share by agreeing on multiple criteria for the horizontal distribution.

Consequent to the 18 th Amendment and the insertion of Article 160 (3A) – which stipulates that the share of the provinces cannot be reduced in subsequent awards – there is no room for strategic play on the part of the Federal Government. A complete consensus against Article 160 (3A) will result in a constitutional amendment but that is beyond the domain of the NFC.

Q4. PIDE had arranged a webinar “10th National Finance Commission Award—Improving Lives of Citizens and Strengthening the Federation” and identified a range of issues pertaining to the design of NFC. Do you think the current formula for distribution of resources among the federating units is sufficient/efficient? Do we need to learn from our neighbors?

Obviously 10 years down the road since the previous award, the current formula needs changes and that is the reason the 10 th NFC is constituted. The provincial governments have expanded a great deal in terms of their jurisdiction and they are as starved for resources as the federal government is. That takes us back to the issue of aggregate resource mobilization in the country and that is something the NFC should and I am sure will deliberate on.

Q5. Can we use CCI as a forum to decide a common goal for each year and allocate (horizontally) the previously reserved 'Also decide about emerging needs on yearly basis such as One percent share of KPK (for war against terror), Covid-19 for this year, FATA merger or alike.

I have discussed the different constitutional domains of the NFC and CCI earlier. 'Common goals' in terms of economic allocations are decided upon by the National Economic Council (Article 156 of the Constitution). The NEC forum has been the most moribund and needs to be activated for the purpose it was instituted for. It is again different from the NFC. I personally think it is best to keep focus and let different constitutional fora perform their own functions.

Within the NFC we can come up with dynamic and time-bound criteria that address revenue-distribution based on principles of fiscal equalization, such as the FATA merger or the KPK share for war against terror and other contingencies.

Need-based' NFC allocation should be accommodated for incentive-based resource allocation. Incentive based so far as revenues are concerned. We already have one criterion – 5% weight for revenue generation – in the horizontal distribution. There are other proposals that have been put forth and we hope to discuss them in the course of deliberations.

Earmarking allocations such as annual social-protection budget of a provincial government should be in accordance with divisible pool based on poverty and backwardness indicators. Am not clear as to what you are asking here. Earmarking allocations for social protection or for that matter any other area is the sole prerogative of the provincial legislature. Sharing of divisible pool resources through the NFC is an element of fiscal federalism, which in turn is a constitutional right.