



SEMINAR

National Finance Commission (NFC) Award

The Case of Khyber Pakhtunkhwa
Pakistan



Event Date: Thursday October 31, 2024

Venue: University of Peshawar

Organizers:

Development Insights Lab (DIL) &

Center for Governance and Public Accountability (CGPA)

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Background:

In 2018, the 25th Constitutional Amendment ratified by the Parliament of Pakistan paved the way for the merger of the Federally Administered Tribal Areas (FATA) with Khyber Pakhtunkhwa (KP). While this set the legal framework for the integration of the Newly Merged Districts (NMDs) with KP and the broader Pakistani state, the complex task of fully integrating these areas remains a significant challenge.

A critical yet underappreciated consequence of the 2018 amendment is the NMDs' equal fiscal rights under the National Finance Commission (NFC), the body responsible for disbursing public revenue. The 7th NFC Award, still in effect, increased provincial shares of divisible pool taxes from 45% to 57.5%, while devolving the GST on services to the provinces. This shift has significantly improved provinces' access to resources for development. The award also introduced a multi-indicator formula for provincial allocation, factoring in poverty, inverse population density, and revenue generation in addition to population.

This needs-based approach allocates 82% of resources based on population, 10.3% on poverty, 2.7% on inverse population density, and 5% on revenue generation. Under this formula, KP's share has remained at 14.62% since 2009. However, post-merger, this share has not increased to reflect the added fiscal needs of the NMDs. Given their population, density, and especially their poverty levels—where 73.3% of the NMDs' population live below the national poverty line, compared to the national average of 16.5%—a fiscal adjustment is overdue.

Introduction:

The seminar, titled “National Finance Commission Award and the Case of Khyber Pakhtunkhwa,” marked a significant gathering for experts and stakeholders, focusing on the critical issue of regional equity in resource allocation. It was the first of its kind held at the prestigious university, bringing together a diverse group of participants.

The event was jointly organized by the Development Insights Lab (DIL) and the Center for Governance and Public Accountability (CGPA). It assembled a wide range of experts, including academics, government officials, representatives from civil society, and members of political circles.

Participants engaged in comprehensive discussions about the National Finance Commission (NFC) Award, exploring its current relevance and efficacy while considering potential adjustments. A major focus of the seminar was on the need for a new, consensus-driven formula that could better meet the needs of Khyber Pakhtunkhwa.

The event provided a platform for in-depth analysis and spirited debate about how regional resource allocation can be made more equitable, ensuring that all voices and perspectives are considered in the decision-making process.

Seminar Objective:

The seminar on “National Finance Commission (NFC) Award and the case of Khyber Pakhtunkhwa” aims to enhance understanding of the National Finance Commission (NFC) Award, focusing on its structure, socio-economic implications for KP, and the integration of Newly Merged Districts (NMDs). It seeks to foster dialogue on fiscal equity, provincial autonomy, and resource allocation through multi-stakeholder engagement, promoting policy recommendations for fiscal development and improved governance in the province.

Opening Remarks and Setting the Context:

Dr. Fahim Nawaz, the Deputy Coordinator of DIL, served as the stage secretary, expressing gratitude to participants and setting a collaborative tone for the discussion. He invited Mr. Khalfan Ahmad Khattak, the Program Manager of CGPA, to open the session with a recitation from the Holy Quran



Dr. Fahim Nawaz- Deputy Coordinator-DIL

Muhammad Anwar, the Executive Director of the Centre for Governance and Public Accountability (CGPA), highlighted the organization's core areas of work, which have been governance-focused since its establishment in 2012. He emphasized CGPA's initiatives in critical domains such as, Right to Information (RTI), Right to Services (RTS), Rule of Law, Democratic Governance, Decentralization and Budgeting



*Mr. Muhammad Anwar,
Executive Director-CGPA*

He elaborated that these initiatives reflect CGPA's commitment to fostering accountable and participatory governance in Pakistan, particularly in Khyber Pakhtunkhwa.

Dr. Sajjad Ahmad Jan, Associate Professor of Economics and Coordinator of DIL welcomed the attendees, highlighting the significance of this seminar for research on fiscal policy. He expressed DIL's mission to promote research-based policy advocacy and thanked CGPA for collaborating on this important initiative.

Dr. Sajjad noted that the seminar marks the first step towards a broader agenda to address Khyber Pakhtunkhwa's needs related to the National Finance Commission (NFC) and to encourage research-driven insights on the subject. He underscored DIL's commitment to producing research-based papers to foster a think tank and indicated that this seminar represents the beginning of more collaborative efforts with CGPA regarding the NFC Award.



Dr. Sajjad Ahmad Jan, Coordinator-DIL

Welcome Note by Professor Dr. Muhammad Naeem Qazi Vice Chancellor University of Peshawar:

Professor Dr. Muhammad Naeem Qazi Vice Chancellor University of Peshawar during his welcome speech, addressed the critical issue of the prolonged delay in National Finance Commission (NFC) allocations that have persisted since 2010, with a particular emphasis on the circumstances faced by the merged districts of Khyber Pakhtunkhwa (KP). He expressed deep concern about the



Prof. Dr Muhammad Naeem Gazi, Vice Chancellor , University of Peshawar

impact of this delay on regional development and equitable funding. The Vice Chancellor called upon policymakers to actively engage in bridging this funding gap, advocating for a comprehensive approach to ensure that KP receives its rightful share of resources. He stressed the importance of a united front among stakeholders, underscoring that collective advocacy is essential to secure the financial support that KP deserves. He further highlighted that this initiative could create significant momentum and exert the necessary pressure on authorities to drive towards a swift resolution. Through shared commitment and determination, the Vice Chancellor believes that positive change can be achieved for the benefit of the region and its communities.

Evolution of the NFC Award in Pakistan and International Best Practices of Resource Distribution by Dr. Ifthikhar Ahmed- PIDE:

Speaking on the occasion, Dr. Iftikhar Ahmad from the Pakistan Institute of Development Economics (PIDE) delivered a comprehensive evaluation of the evolution of the National Finance Commission (NFC) Award, drawing insightful comparisons with India, which has successfully conducted 16 awards compared to Pakistan's seven.

His presentation emphasized the need for an evolved approach to resource allocation, advocating for a departure from traditional population-based formulas to a more inclusive strategy that involves local governments in the distribution of funds. He highlighted the significant implications of the 18th Amendment, which shifted various responsibilities to provincial governments but simultaneously underscored the continued centralized nature of resource allocation.



Presentation by;Dr. Iftikhar, Associate Professor, Pakistan Institute of Development Economics-PIDE

Dr. Iftikhar stressed that future discussions must integrate robust data collection methods and consider the impacts of climate change on resource distribution. In outlining the historical context

of Pakistan's resource distribution, He also noted that before 2010, the federal government retained a substantial 50% share of resources, this was later adjusted to 57.5% allocated to the provinces.

He criticized the existing mechanisms for their inadequacy in providing sufficient support to provincial governments. Despite the delegation of responsibilities to provinces post-18th Amendment, he argued that the centralized system for resource allocation remains largely intact. Concluding his presentation, Dr. Iftikhar emphasized the importance of adopting international best practices to create a more equitable system of resource distribution. He advocated for a framework that not only addresses the unique needs of each province but also encompasses comprehensive data collection and considers the challenges posed by climate change. His insights aimed to pave the way for meaningful reforms that ensure fair and efficient financial support across regions.

Key Recommendations of the session;

1. Civil and Parliamentary Unification to Reform Discriminatory NFC Structures:

- Establish a National-Level Stakeholder Forum: Form an inclusive forum comprising representatives from provincial assemblies, civil society, financial and economic experts, and academia to identify and address the discriminatory aspects of the NFC structure.
- Adopt Consensus-Building Strategies: Encourage dialogue among provinces and the federal government to ensure a unified stance on equitable resource distribution, emphasizing transparency and data-driven decision-making.
- Promote Legislative Reforms: Advocate for amendments in the constitutional framework (Article 160) to enhance fairness in revenue-sharing formulas, incorporating socio-economic indicators like poverty rates, population density, and regional disparities as essential components.

2. Changes in the Political Setup to Enhance NFC Effectiveness:

- Introduce Governance Reforms: Need to strengthen provincial governance mechanisms to optimize resource utilization and accountability under the NFC allocations.
- Decentralization of Powers: Empower local governments by allocating a portion of NFC resources directly to district levels, ensuring grassroots development and mitigating political centralization.
- Strengthen Inter-Provincial Coordination: Need to further empower and strengthen an Inter-Provincial Coordination Committee to oversee the fair implementation of NFC provisions and resolve conflicts arising from political differences.

The 7th NFC Award and its Implications for Khyber Pakhtunkhwa in the Backdrop of 25th Constitutional Amendment by Dr. Muhammad Saleem:

During this session, Dr. Muhammad Saleem of Juniper Policy Consulting (Pvt) Limited provides compelling projections regarding the oversight of merged districts in the 7th NFC Award. He further states that despite the merged districts receiving PKR 1.3 trillion less in funding from the 7th NFC Award between 2011 and 2024 than Baluchistan, the poverty rate in the merged districts stands at 73.3 percent, in contrast to 41.8 percent in Baluchistan and an average of 21.9 percent for Pakistan. He further asserts that the destruction caused by the war on terror in the province is not proportionate

with the 1% of funds that Khyber Pakhtunkhwa received from the undivided tax pool under the 7th NFC Award. He and the other seminar participants propose augmenting this sum to 3% of the undivided revenue pool to assist with the province's reconstruction needs and to combat the province's war on terror. He and the other participants expressed their dissent on the resumption of the 7th NFC Award after a nine-year gap, which was awarded for the years 2010–2015.



Presentation by; Dr. Muhammad Saleem Khan, CEO, Juniper Policy Consulting (Pvt) Limited

The geographical composition and demography of Khyber Pakhtunkhwa have changed markedly following the integration of the erstwhile FATA into the province in 2018, necessitating careful consideration in the formulation of a new NFC Award. Due to changes in the demographics and geography of one of the federating units, the current NFC Award is no longer relevant.

To align the award with the Ten-Year Development Plan, designed to elevate the former FATA region to the social and economic standards of Khyber Pakhtunkhwa, it has been observed that the merged districts' allocation of future NFC Awards should be assessed independently, considering their specific population, poverty levels, and other relevant factors.

Dr. Muhammad Saleem utilized the 2023 census data and the 2018–19 poverty rate to predict that if the merged districts are regarded as a distinct entity under the 7th NFC Award, they will obtain a share of 6.76%, while KP will secure a share of 13.56%, culminating in a total share of 20.32%. If the merged districts are considered part of KP instead of an independent entity, KP's allocation according to the 7th NFC Award would be 17.14%, based on the same census and poverty metrics. Currently, KP receives a 14.62% allocation under the 7th NFC Award, which is in force in Pakistan.

He further emphasized KP's contributions to environmental preservation and advocated for a federal grant for the development of merged districts. He also detailed how the 7th Award distributed shares based on:

- Population: 82%
- Poverty: 10.3%
- Revenue generation: 5%
- Inverse population density: 2.7%

Dr. Saleem compared Pakistan's NFC structure with India's, noting that Indian awards include a 10% allocation for forestry and farming in each province and prioritize agriculture. He pointed out that the NFC in Pakistan lacks such comprehensive mechanisms, and Punjab's influence remains significant.

Deprivation Insights:

Dr. Saleem also explicitly highlighted the inadequate federal support to KP's merged districts, mentioning that 1.1 trillion rupees were allocated, but only 191 billion were received. He stressed that

approximately 30% of KP's population, due to hazardous conditions, contributes remittances but remains deprived of full benefits from the NFC award. Dr. Saleem emphasized the need for equitable resource distribution, highlighting the federal government's failure to deliver the full allocated funds for KP's merged districts, which hampers development efforts. He underscored the contributions of KP's remittance-dependent population and advocated for their inclusion in NFC benefits. Dr. Saleem stressed that NFC reforms could reduce inter-provincial conflicts, called for provincial autonomy over GST on services with fair revenue-sharing, and urged additional NFC consideration for KP's environmental contributions. For the merged districts, he recommended separate, needs-based allocations to ensure targeted development.

Recommendations for Way Forward:

- Called for extra financial provisions to improve living standards in the merged areas.
- Urged for a shift in the political climate to optimize NFC's functioning.
- Emphasized the need to address security issues that impede development and shrink the financial distribution process.

Panel Discussion:

NFC Award Challenges and Opportunities for Khyber Pakhtunkhwa: The Role of Political Parties in Shaping Fiscal Policy Post-FATA Merger:

The panel discussion, moderated by Prof. Dr. Syed Hassan Shaheed Suherwardi, brought together representatives from various political parties, experts, and key stakeholders to address the pressing financial challenges faced by Khyber Pakhtunkhwa (KP). The discussion focused on the province's economic hurdles, governance issues, and potential solutions to foster sustainable development. Guest speakers and political representatives shared their perspectives, highlighting the need for bipartisan cooperation and innovative strategies. Below are the views expressed by representatives of different political parties;

1-Mr. Taimur Saleem Jhagra Ex-Finance Minister-PTI:

Taimur Saleem Jhagra's statement highlights critical challenges facing Khyber Pakhtunkhwa (KP) and the Newly Merged Districts (NMDs) but warrants a nuanced response to ensure an objective understanding of the issue. While the former finance minister's emphasis on escalating provincial debt and the need for collaborative efforts across political divides is commendable, certain aspects of his claims deserve closer scrutiny and a balanced perspective, which are mentioned below;



Mr. Taimur Saleem Jhagra- Former Minister for Finance - KP

Resource Allocation to NMDs:

Ex-minister finance KP attributes the economic struggles of the NMDs to inadequate federal support. While federal contributions are undoubtedly vital, the provincial government also bears responsibility for effective fund utilization and development prioritization. Post-merger, substantial financial allocations were provided under the NFC Award and other federal schemes. However, delays in fund disbursement, bureaucratic hurdles, and inefficient project implementation at the provincial level have significantly undermined the potential impact of these resources. A collaborative strategy that includes both federal and provincial governments, along with local stakeholders, is essential to address these challenges comprehensively.

Tax Revenue Distribution:

He also emphasized on tax revenue allocation, particularly the inclusion of port-collected taxes in Sindh's revenue, raises a long-standing debate about the NFC formula's fairness. However, these taxes are classified based on the point of collection as per established protocols. If the concern is to create an equitable system, Jhagra should advocate for a revised NFC formula that considers production, consumption, and service-based metrics, rather than singling out Sindh. Such an approach could lead to more equitable revenue distribution across provinces.

Escalating Debt and Collaborative Efforts:

The minister's acknowledgment of KP's rising debt is a step in the right direction, but it also highlights the need for introspection regarding the province's fiscal policies during his tenure. Debt accumulation often results from over-reliance on federal transfers and insufficient provincial revenue generation. While collaboration across political boundaries is vital, the KP government must also prioritize reforms to enhance local revenue collection, such as improving tax compliance and broadening the tax base, including underutilized sectors like property and services.

Role of Federal Government:

Ex Finance minister also critiques that the federal government is primarily responsible for the NMDs' backwardness risks oversimplifying the issue. Historically, the region's marginalization stems from decades of neglect under various administrative setups. Blaming the federal government alone disregards the shared responsibility across successive administrations at both federal and provincial levels. A cooperative federalism approach, with shared accountability and resource pooling, is necessary to address these structural inequalities.

Recommendations of the session:

To address these issues effectively, a strong and collective voice is needed that includes:

- Strengthening inter-governmental coordination to optimize fund utilization and project implementation in NMDs.
- Revisiting the NFC Award to ensure a fair and inclusive revenue-sharing mechanism.
- Implementing transparent fiscal policies at the federal level to manage debt and enhance provincial revenue generation with equal distributions.

While critically reflecting on his genuine concerns, he suggested a balanced narrative that recognizes both federal and provincial responsibilities and proposes actionable solutions is crucial to addressing the challenges facing KP and the NMDs effectively.

2-Mr. Inayat Ullah Khan (JIP), former Minister Local Government:

Inayat Ullah Khan, former minister for local government and representative of Jamaat-e-Islami (JIP), raised significant concerns about the lack of attention and ownership given to Khyber Pakhtunkhwa's (KP) pressing issues compared to other provinces. He highlighted that KP often struggles to receive equitable treatment and adequate focus in national decision-making processes, which exacerbates the province's economic and governance challenges.

He underscored the critical role of the Provincial Finance Commission



*Mr. Inayat Ullah Khan- Former
Parliamentary Leader- JIP*

(PFC) in addressing these disparities and fostering transparency and accountability within the province. He pointed out that regular PFC meetings are essential to ensure fair distribution of resources among districts within KP, particularly in the Newly Merged Districts (NMDs) that continue to face significant developmental gaps following their merger.

Moreover, he stressed that consistent PFC deliberations could enhance governance by creating mechanisms for better planning and efficient utilization of funds at the local level. He called for provincial authorities to prioritize PFC reforms, suggesting that this would not only empower local governments but also strengthen public trust in governance structures. By addressing the internal allocation of resources more equitably and transparently, Khan argued, KP could set an example of effective provincial management and development.

His statements reflect the urgency of addressing structural and procedural inefficiencies in the province's financial management to ensure its long-term economic stability and equitable progress.

3-Mr. Ahmad Kundi, Parliamentary Leader of PPP:

Ahmad Kundi, a Member of the Provincial Assembly (MPA) representing the Pakistan Peoples Party (PPP), expressed his deep frustration over the persistent absence of adequate grants and the inequitable distribution of resources through the National Finance Commission (NFC) Award for Khyber Pakhtunkhwa (KP). He pointed out that the province, despite its strategic importance and significant contributions to the national economy, continues to face financial neglect, which hampers its developmental progress and exacerbates regional disparities.



He highlighted that KP, particularly the Newly Merged Districts (NMDs), has not received its fair share of NFC allocations, further marginalizing communities that are already grappling with underdevelopment and limited access to basic services. He criticized the lack of commitment from federal authorities in addressing this issue and called for immediate steps to ensure fair and timely distribution of funds to the province.

To address these challenges, Kundi emphasized the critical role of academia and civil society in advocating for KP's rights. He urged these groups to take a more active stance in highlighting the province's financial and developmental needs, both at the provincial and national levels. By leveraging their expertise and influence, academia and civil society can play a pivotal role in raising awareness, shaping public discourse, and pressing for policy changes that ensure equitable resource allocation.

Furthermore, he also called for a unified approach, encouraging stakeholders from diverse sectors, including political parties, community leaders, and non-governmental organizations, to collaborate and create a robust advocacy framework. Such efforts, he argued, are essential for securing KP's rightful share in national resources and fostering sustainable development across the province. His remarks underscored the urgency of addressing systemic inequities to build a more inclusive and prosperous future for KP.

4-Mr. Sikandar Hayat Khan Sherpao, Provincial Chairman of QWP:

While talking on the panel he emphasized the critical need for increased awareness regarding National Finance Commission (NFC) issues, particularly within the academic and civil society sectors. He underscored the vital role of these groups in fostering informed discussions about

equitable resource allocation and holding governments accountable for their commitments.

Mr. Sherpao also highlighted the constitutional significance of the 18th Amendment, which was designed to devolve greater administrative and financial powers to smaller federating units, including Khyber Pakhtunkhwa (KP). However, he pointed out that the full potential of this amendment remains unrealized, with many promises yet to be effectively implemented. He stressed that adherence to the constitutional framework is paramount for ensuring fair treatment of all provinces and promoting national unity.



Mr. Sikandar Hayat Khan Sherpao, Provincial Chairman-QWP

He further called on stakeholders from all sectors to champion the cause of fiscal federalism and advocate for policies that uphold the principles of decentralization. He argued that empowering provinces through timely NFC allocations and devolved authority would not only strengthen governance but also address long-standing grievances of smaller provinces. His remarks reflected a vision for a more inclusive and constitutionally aligned approach to national governance, emphasizing that collaborative efforts and civic engagement are essential for driving meaningful change.

5-Mr. Khushdil Khan (Ex-Deputy Speaker) Awami National Party –ANP:

Mr. Khushdil Khan of the Awami National Party (ANP) underscored the pivotal role of political will in ensuring the effective enforcement of the National Finance Commission (NFC) Award. Speaking on the panel, he highlighted that the challenges surrounding the NFC ranging from organizational inefficiencies to failures in implementation are rooted in deeper political issues that hinder equitable resource distribution.



Mr. Khushdil Khan- Ex Deputy Speaker- ANP

He emphasized that securing Khyber Pakhtunkhwa's (KP) rightful share of national resources requires a unified and strategic political effort. He called on political leaders across party lines to set aside differences and collaborate in advocating for KP's financial entitlements. Without such collective resolve, he warned, the province will continue to face resource constraints that undermine its development and governance.

Moreover, he also pointed out that political will must translate into concrete actions, such as strengthening institutional frameworks, ensuring transparency in resource allocation, and prioritizing KP's needs in national policymaking. He appealed to all stakeholders, including provincial and federal representatives, to uphold their responsibilities under the NFC framework and work towards a more equitable and inclusive fiscal system.

His remarks resonated strongly with the audience, as they reflected a broader need for political unity and commitment to addressing the systemic issues that perpetuate disparities in resource distribution.

6- Ms. Naeema Kishwar, Former Parliamentarian - JUI-F

While addressing the audience of the seminar Ms. Naeema Kishwar, former Member of the National Assembly (MNA) representing Jamiat Ulema-e-Islam-Fazlu Rahman (JUI-F), emphasized the critical importance of the National Finance Commission (NFC) Award for Khyber Pakhtunkhwa (KP). Speaking during the panel discussion, she advocated for a substantial increase in the Provincial Finance



Ms. Naeema Kishwar, Former Parliamentarian - JUI-F

Commission (PFC) share, suggesting it be raised from the current 20% to 30%. This, she argued, would enable a more equitable distribution of resources within the province, addressing developmental disparities and empowering local governments.

Ms. Kishwar also cited the Supreme Court’s ruling on the disbursement of public funds to legislators, stressing the need for greater accountability and transparency in the allocation process. She highlighted that ensuring fairness in resource distribution is not only a constitutional obligation but also a prerequisite for restoring public trust in governance.

Furthermore, Ms. Kishwar urged policymakers to prioritize reforms that enhance fiscal responsibility and fairness at both the provincial and federal levels. Her remarks underscored the necessity of addressing systemic inequalities in resource allocation and reinforcing mechanisms that promote accountability, ultimately contributing to the province’s socio-economic growth.

Questions and Answers Session:

The Q&A session of the seminar provided valuable clarifications and addressed critical concerns from participants. In response to a query about the lack of conclusive National Finance Commission



Mr. Lihaz Ali Senior Journalist and Dr. Qasim Mansoor Jalali Liason Manager - ORIC, Islamia University Peshawar Asking Questions from Political Parties Representatives

(NFC) awards during dictatorial regimes, the presenters explained that achieving a consensus—a fundamental requirement for NFC awards—is significantly more feasible in a democratic setup, where dialogue and negotiation among stakeholders are prioritized. Dictatorial periods often lack the participatory and inclusive frameworks necessary to reach such agreements.

When asked about fund allocation to conflict-affected merged areas (formerly FATA), the presenters highlighted the delicate balance required in fiscal devolution. They emphasized that while directing resources to these areas is essential for post-conflict recovery and development, it must not come at the expense of local government funding. The presenters reiterated the importance of ensuring equitable distribution of resources to maintain the sustainability of decentralized governance and empower local governments across the province.

Concluding Remarks by Chief Guest Mr. Faisal Karim Kundi, Hon's Governor Khyber Pakhtunkhwa:

In his closing remarks, the chief guest Governor Faisal Karim Kundi, emphasized the pivotal role of the National Finance Commission (NFC) in addressing Khyber Pakhtunkhwa's (KP) unique challenges. He highlighted the severe economic and tourism setbacks caused by terrorism, underscoring the necessity for increased financial allocations to meet the province's security and developmental needs effectively. He also said that comparative studies reveal that countries like India, Canada, and Germany adopt diverse criteria for equitable resource allocation.

Governor Kundi called for a unified effort among KP's political representatives to advocate collectively for the province's fair share of national resources. He stressed that a cohesive approach is essential for ensuring equitable resource distribution, particularly in light of the socio-economic changes following the 25th Constitutional Amendment and the integration of the Newly Merged Districts (NMDs) in Khyber Pakhtunkhwa.



Mr. Faisal Karim Kundi Hon's Governor Khyber Pakhtunkhwa addressing at the NFC Seminar

Collective Recommendations:

The seminar concluded with a series of strong recommendations aimed at revising the NFC Award to better reflect KP's needs and contributions. These included:

- Revising KP's share in the NFC Award to incorporate the developmental requirements of the NMDs.
- Increasing the War on Terror allocation from 1% to 3% to address the financial strains imposed by ongoing security challenges.
- Establishing a ten-year federal development fund dedicated to the NMDs, a proposal that gained unanimous support from both political and academic participants.
- Change the current NFC formula to reduce the disproportionate 82% weight assigned to population and incorporate other factors, such as environmental considerations and underdevelopment.
- Adjust allocations to reflect the increased area and population of KP in light of the demographic and geographic changes that have occurred since the FATA merger. Under the NFC formula, the merged districts should be treated as an independent entity. Allocate 6.76% of the divisible allocation to the merged districts. Allocate 13.56% to the remaining KP, resulting in a combined 20.32% share for the province.

- Raise KP's allocation from the undivided tax pool to 3% (up from 1%) to assist with the province's reconstruction requirements and to combat the province's war on terror.
- Recognize KP's substantial contribution to Pakistan's forest cover in the prevention of natural disasters and reducing the effects of climate change. Incorporate forest cover as a criterion into the NFC formula to guarantee that KP is adequately compensated for its environmental contributions.
- Revise the revenue collection criterion (2.5% weight) in the NFC Award to account for revenues generated in a province but collected elsewhere. This will guarantee that KP takes advantage on the economic activities that occur within its jurisdiction.
- Address the Irregularity and Inconclusiveness of NFC Awards: Ensure that the constitutional mandate to finalize the NFC Award every five years is adhered to. Establish mechanisms to prevent future delays in deciding on awards.

Conclusion and Way Forward:

This seminar marked a pivotal moment in addressing the challenges within the National Finance Commission (NFC) Award, particularly as they pertain to Khyber Pakhtunkhwa (KP). By bringing together diverse voices from academia, policymakers, and civil society, the event succeeded in providing a comprehensive roadmap for equitable resource distribution. Discussions underscored the pressing need to revise the NFC formula, ensuring it aligns with the province's unique developmental and financial challenges.

The recommendations received during the seminar offer actionable pathways to achieve fair and constitutionally compliant resource allocation across Pakistan's provinces. Emphasizing KP's contributions to the national economy and its distinct socio-economic realities, participants called for a transparent and inclusive framework that acknowledges the province's needs and potential. As a platform for advocating KP's financial and developmental rights, the seminar reinforced the urgency of reforming the NFC Award. It not only amplified KP's case for a fair share in national resources but also established a precedent for policy recalibration to address evolving provincial imperatives. The event thus represented a significant step forward in promoting equitable resource distribution, contributing to the long-term socio-economic upliftment of Khyber Pakhtunkhwa.

Annex I- Event Agenda

#	Session	Speaker	Time Slot
	Welcome and Introduction	Dr. Fahim Nawaz- Deputy Coordinator-DIL	10:00 am
1	Recitation	Mr. Khalfan Ahmad Khattak Program Manager-CGPA	10:00 am – 10:05 am
2	Introduction to CGPA and DIL and the core working areas	Mr. Muhammad Anwar, Executive Director-CGPA Dr. Sajjad Ahmad Jan, Coordinator-DIL	10:05 am – 10:15 am
3	Welcome Note	Prof. Dr Muhammad Naeem Qazi Vice Chancellor , University of Peshawar	10:15 am – 10:25 am
4	Evolution of the NFC award in Pakistan and international best practices of Resource distribution	Presentation by; Dr. Iftikhar, Associate Professor, Pakistan Institute of Development Economics-PIDE	10:25 am – 10:45 am
5	The 7 th NFC Award and its implications for Khyber Pakhtunkhwa in the backdrop of 25 th Constitutional amendment	Presentation by; Dr. Muhammad Saleem Khan, CEO, Juniper Policy Consulting (Pvt) Limited followed by Questions and Answers	10:45 am- 11:05 pm
6	Panel Discussion on <ul style="list-style-type: none"> • NFC Award Challenges and Opportunities for Khyber Pakhtunkhwa's • Fiscal Future Post-FATA Merger 	Mr.Sikandar Hayat Khan Sherpao, Provincial Chairman-QWP Mr.Taimur Saleem Jhagra- Ex Minister for Finance - KP Mr. Ahmed Kundi- MPA, Parliamentary Leader-PPP Mr. Inayat Ullah Khan- Ex Parliamentary Leader- JI Ms. Naeema Kishwar- Ex MPA/MNA- JUI-F Mr. Khushdil Khan- Ex Deputy Speaker- ANP Dr Ibad U Rahman- Leader of the Opposition KP Assembly, PML-N Moderator: Prof: Dr. Syed Hassan Shaheed Suherwardi-University of Peshawar followed by Questions and Answers	11:20 am- 12:30 pm
7	Resources Distribution in Pakistan through NFC and the Case of Khyber Pakhtunkhwa	Mr. Musharaf Rasool Member NFC, KP	12:30 pm-12:45 pm
8	Khyber Pakhtunkhwa's Economic Landscape: Post-7th NFC Award Dynamics, Impacts of the 25th Constitutional Amendment, and Future Prospects in the Upcoming NFC Award	Mr. Muzamil Aslam Finance Advisor to Chief Minister Khyber Pakhtunkhwa followed by Questions and Answers	12:45 pm- 1:05 pm
9	Concluding Remarks	Mr. Faisal Kareem Kundi Hon's Governor Khyber Pakhtunkhwa (Chief Guest)	1:15 pm-1:30 pm
10	Vote of Thanks and Closing	Dr. Sajjad Ahmad Jan, Coordinator-DIL	1:30 pm

Annex II- Media Coverage



Home » Domestic » Governor Kundi calls for unified political stand on provincial rights

Governor Kundi calls for unified political stand on provincial rights

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PESHAWAR, Oct 31 (APP) Governor Khyber Pakhtunkhwa Faizal Karim Kundi on Thursday said that the province was the most affected due to terrorism and all the political parties should unite to get its rights from the federation.

He emphasized that all political parties must put aside their differences and unite to advocate for KP's rights at the federal level.

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Revised NFC Award Urged Amid Growing Fiscal Needs

Stakeholders advocate for incorporating ex-FATA's 6.6% share into KP's existing 14.6% allocation.

By News Desk — Oct 31, 2024

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Mirshad ulah

PESHAWAR: In a unified call to action, political parties and civil society organizations (CSOs) in Khyber Pakhtunkhwa have demanded a revised National Finance Commission (NFC) Award that addresses the province's evolving fiscal requirements and rights.

The demand was made at a seminar held at the University of Peshawar, where stakeholders gathered to discuss Khyber Pakhtunkhwa's rightful share in the NFC award process.

Prominent political called for higher financial allocation for Khyber Pakhtunkhwa to address the province's unique needs following the integration of the former FATA region.

Panelists advocated for incorporating the ex-FATA's 6.6% share into KP's existing 14.6% allocation. There is a proposal to raise KP's security budget from 1% to 3% to better manage ongoing law and order challenges.

Governor Faizal Karim Kundi emphasized the critical role of collaboration between academia and civil society in advocating for Khyber Pakhtunkhwa's equitable share in the NFC Award. He encouraged political representatives to stand united, stressing that a cohesive approach would strengthen KP's position in the NFC.

University of Peshawar Vice Chancellor Professor Dr. Muhammad Naem Qazi commended the creation of the Development Insights Lab, expressing hope that it would aid in evidence-based policy-making.

The NFC Award is a series of planned economic programs in Pakistan enacted since 1951 to address financial imbalances and equally manage financial resources among the four provinces. The current formula, however, has been criticized for not adequately addressing regional needs. The seminar featured insightful presentations on the evolution of the NFC Award and international best practices in resource distribution.

The seminar concluded with a strong call for an NFC Award revision that aligns with the needs and contributions of Khyber Pakhtunkhwa. This collaborative effort aims to secure KP's rightful share in national resources, ensuring sustainable development and growth in the region.

Wednesday, January 01, 2025

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Top Story

Seminar on NFC Award: Speakers demand equitable share for KP

KP Governor urges political representatives to stand united

By Bureau report | November 01, 2024



Participants attending the seminar on NFC award at the University of Peshawar. — screengrab via Facebook@princeaizaz58

PESHAWAR: The speakers at a seminar on National Finance Commission (NFC) Award called for an equitable share for Khyber Pakhtunkhwa especially after the merger of the tribal districts so that the miseries of the people of the war-hit province could be addressed.

Call for New NFC Award to address KP' full fiscal needs

TIMES REPORT

PESHAWAR: Participants at a provincial seminar titled "NFC Award and the Case of Khyber Pakhtunkhwa," held at SSAQ Hall, University of Peshawar, called for a new NFC Award that fully addresses KP's evolving fiscal needs and rights. The event, jointly organized by the Development Insights Lab (DIL) and the Centre for Governance and Public Accountability (CPGA), brought together political leaders, academics, financial experts, media representatives, and student bodies to discuss

Khyber Pakhtunkhwa's rightful share in the NFC award process.

The seminar featured Dr. Fahim Nawaz, Deputy Coordinator of DIL, and Dr. Syed Hussain Shahneel Subherwardi as session moderators. Muhammad Anwar, Executive Director of CPGA, and Dr. Sajjad Ahmad Jan, Coordinator of DIL, briefed attendees on the initiatives and core areas of work led by CPGA and DIL, emphasizing their commitment to transparent and inclusive governance.

The event featured insightful presentations,

including "The Evolution of the NFC Award in Pakistan" and "International Best

Practices of Resource Distribution" by Dr.

Ifrikhar Ahmad, Associate Professor at the Pakistan Institute of Development Economics

(PIDE), Dr. Muhammad Saleem, CEO of Juniper

Policy Consulting, presented "The 7th NFC Award and its Implications for Khyber

Pakhtunkhwa in the backdrop of the 25th Constitutional Amendment."

Both sessions highlighted the importance of addressing regional needs and were followed by an engaging Q&A session with participants. The seminar's Chief Guest, the Honorable Faizal Karim Kundi, Governor of Khyber Pakhtunkhwa and Chancellor of the University of Peshawar, emphasized the critical role of collaboration between academia and civil society in advocating the integration of the former FATA region.

Pakhtunkhwa's equitable share in the NFC Award, particularly after the integration of the Newly Merged Districts (NMDs) into the province.

He encouraged political representatives to stand united, suggesting that a cohesive approach would strengthen KP's position in the NFC. Prominent political leaders called for an increased financial allocation for Khyber Pakhtunkhwa (KP) to address the province's unique needs following the integration of the former FATA region.

Muslim

BER 01, 2024

PTI founder, leaders to be released soon: Saif

The Muslim Report

PESHAWAR: Advisor to the Chief Minister of Khyber Pakhtunkhwa on Information and Public Relations, Barrister Dr. Saif, has stated that the release of Peshawar's leaders and hundreds of workers in the May 9 cases has proven that PTI workers were falsely implicated in baseless cases.

Barrister Dr. Saif welcomed the release of these leaders and workers from Peshawar, expressing hope that all innocent PTI workers, including Intran Khan and Yasmin Rashid, will also be freed soon. He added that the Islamabad court also acquitted hundreds of leaders and workers from Khyber Pakhtunkhwa yesterday. The advisor said that the PTI leadership and its workers were courageously confronting the fascist tactics of this fake form 47 government, added that workers and leaders are being punished simply for their loyalty to Intran Khan.

Pak Navy ship saves stranded fishing Dhow

The Muslim Report

ISLAMABAD: Pakistan Navy Ship ZULFIQUAR while deployed on Regional Maritime Security Patrol near an Iranian Fishing Dhaw AL MUHAMMADI with 23 fishermen on-board, stranded over 1200 Nautical Miles from its home port.

PNS ZULFIQUAR promptly responded to distress call of Fishing Dhaw AL MUHAMMADI. Upon communication with Pakistan Navy Ship, Fishing

New NFC Award for KP demanded

The Muslim Report

PESHAWAR: A provincial seminar on the upcoming National Finance Commission (NFC) Award took place on October 31, 2024, at the SSAQ Seminar Hall, University of Peshawar.

Organized by the Development Insights Lab (DIL) and the Center for Governance and Public Accountability (CGPA), the seminar aimed to address Khyber Pakhtunkhwa's rights and considerations in the NFC award process. Dr. Fahim Nawaz, Deputy Coordinator of DIL, and Dr. Syed Hussain Shaheed Suherwardi moderated the session, with participants from political circles, academia, media, and student bodies. Muhammad Anwar, Executive Director of CGPA, and Dr. Sajjad Ahmad Jan, Coordinator of DIL, briefed attendees on CGPA and DIL's initiatives.

The event featured insightful presentations, including "The Evolution of the NFC Award in Pakistan and International Best Practices of Resource Distribution" by Dr. Iftikhar Ahmad, Associate Professor at the Pakistan Institute of Development Economics (PIDE), Dr. Muhammad Saleem, CEO of Juniper Policy Consulting, presented "The 7th NFC Award and its Implications for Khyber Pakhtunkhwa in the Backdrop of the 25th Constitutional Amendment." Both ses-



sions highlighted the importance of addressing regional needs and were followed by an engaging Q&A session with participants. Governor Kundi highlighted the severe economic impact of terrorism on KP's economy and tourism, urging an increased resource focus to bolster the province's security and development. He underscored the importance of political unity, stating, "Pashtun leaders came together for PTA they can unite for the own rights as well."

Peshawar University Vice Chancellor Professor Dr. Muhammad Naeem Qadri commended the creation of the Development Insights Lab, expressing hope that it would aid evidence-based policy making and thanked political representatives for their support of this initiative. He noted the pressing need to finalize the NFC Award to ensure national and provincial development. The seminar concluded with a strong call for an NFC Award revision that aligns with the needs and contribution of Khyber Pakhtunkhwa, fostering a collaborative effort to secure KP's rightful share in national resources.

Court acquits Karsaz accident accused Natasha

The Muslim Report

band of prime suspect in the Karsaz accident case.

The suspect was fir in critical condition. The suspect was fir



گورنر خیبر پختونخوا فیصل کریم کڈی کیماٹھ پشاور یونیورسٹی میں منعقدہ کانفرنس کے شرکاء
گورنر کی قیام میں کینلے سیاسی جماعتوں پر مشتمل جرگہ
صوبے میں جاری بدنامی کے خاتمے اور ضم اضلاع کی معاشی ترقی کے لئے ملکر آگے آنا ہوگا، فیصل
خیبر پختونخوا کے حقوق معاشی پیش رفت اور سرمایہ کاری کو تحفظ دینے میں کوئی دورانیہ نہیں جاموں پشاور

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Political parties and civil society demand new NFC Award for KP

Bureau Report | Published November 1, 2024

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PESHAWAR: Participants at a seminar on Thursday called for revision of the National Finance Commission (NFC) Award that aligns with the needs and contributions of Khyber Pakhtunkhwa, fostering a collaborative effort to secure province's rightful share in national resources.

The seminar 'National Finance Commission Award and case of Khyber Pakhtunkhwa' held at Sahibzada Abdul Qayyum Hall, University of Peshawar, was jointly organised by the Development Insights Lab (DIL) and the Centre for Governance and Public Accountability (CGPA).

A statement issued here said that the seminar brought together political leaders, academics, financial experts, media representatives and student bodies to discuss KP's rightful share in the NFC Award.

The seminar featured Dr Fahim Nawaz, deputy coordinator of DIL, and Dr Syed Hussain Shaheed Suherwardi as session moderators. Mohammad Anwar, executive director of CGPA, and Dr Sajjad Ahmad Jan, Coordinator of DIL, briefed the attendees on the initiatives and core areas of work led by CGPA and DIL, emphasising their commitment to transparent and inclusive governance.

Governor urges political representatives to stand united on issue

governor.kp.gov.pk/node/243

Date: 2024-10-31

پشاور، 31 اکتوبر 2024

گورنر خیبر پختونخوا فیصل کریم کڈی نے کہا ہے کہ خیبر پختونخوا دہشتگردی سے سب سے زیادہ متاثر ہوا ہے، این ایف سی ایوارڈ سمیت صوبہ کے حقوق کیلئے سیاسی اختلافات کو ہلانے طاق رکھتے ہوئے تمام سیاسی جماعتوں کو متحد ہو کر وفاق کے سامنے اپنا مقدمہ پیش کرنا ہو گا، جس وقت 26ویں ترمیم لائی جا رہی ہے یہ ایک اچھا موقع تھا کہ صوبہ کی تمام سیاسی قیادت کو این ایف سی ایوارڈ سمیت صوبہ کے حقوق کا مقدمہ سامنے رکھنا چاہیے تھا۔

ان خیالات کا اظہار انہوں نے جمعرات کے روز پشاور یونیورسٹی میں سٹیٹ فار گورننس اینڈ پبلک اکنائٹیلٹی (سی جی پی اے) کے زیر اہتمام "پیشنل فنانس کمیشن (این ایف سی) ایوارڈ اور خیبر پختونخوا کا مقدمہ کے موضوع پر منعقدہ سیمینار سے بحیثیت مہمان خصوصی خطاب کرتے ہوئے کیا۔ سیمینار میں اراکین پارلیمنٹ، سیاسی جماعتوں کے قائدین، وائس چانسلر یونیورسٹی آف پشاور، فیکلٹی اراکین اور دیگر موجود تھے۔ سیمینار کے خطاب کرتے ہوئے انہوں نے کہا کہ پاکستان پیپلز پارٹی نے نہ صرف پاکستان کے پہلے این ایف سی کی بنیاد رکھی بلکہ 2010 میں تمام صوبوں میں وسائل کی منصفانہ تقسیم کو یقینی بنانے کیلئے این ایف سی ایوارڈ کے ذریعے کوئٹہ، بلوچستان اور صوبوں کو خود مختاری دینے کیلئے 18 ویں ایف سی ترمیم بھی دی، این ایف سی ایوارڈ وسائل کی منصفانہ تقسیم کا ریکارڈ ہے۔ 18ویں این ایف سی ایوارڈ نے ایک کلیر میسج کا نقطہ نظر متعارف کرایا جو وسائل کی منصفانہ تقسیم کے لیے انتہائی اہم بیحد صوبوں کو 18ویں ترمیم کے ذریعے صوبائی خود مختاری دی گئی، صوبوں کو اپنے وسائل پر زیادہ کنٹرول دینا اور وفاق کے ذریعے تقسیم ہونے والے صوبوں کا حصہ کم از کم 57.5 فیصد تک بڑھا دینا گیا۔ گورنر نے کہا کہ صوبہ کے اکثر علاقے ابھی بھی پسماندگی کا شکار ہیں، صوبہ میں دیہات گردی اور امن کا مسئلہ ہے۔ سابقہ قبائلی علاقہ جات کو صوبہ میں ضم کرنا چاہیے، اب ان علاقوں کی ضرورت کو پورا کرنے کیلئے مناسب وسائل درکار ہیں، گورنر نے کہا کہ صوبہ کے اپنے حقوق دلانے کیلئے بحیثیت وکیل وفاق کے ساتھ مقدمہ لڑوں گا۔ اور اس سیمینار کے نام شرکاء کو حراج تحسین پیش کیا اور اس سیمینار کے لیے این ایف سی ایوارڈ کیلئے مناسب وسائل درکار ہیں، گورنر نے کہا کہ صوبہ کے اپنے حقوق دلانے کیلئے بحیثیت وکیل وفاق کے ساتھ مقدمہ لڑوں گا۔

Annex III- Event Pictures







Annex IV- Media Coverage Links

<https://newsdiplomacy.com/revised-nfc-award-urged-amid-growing-fiscal-needs/>

<https://governor.kp.gov.pk/node/243>

<https://x.com/jhagra/status/1852181066628350394?s=48&t=51ZVLQH-rrXbfYEOU3zZTA>

<https://www.dawn.com/news/1869015/political-parties-and-civil-society-demand-new-nfc-award-for-kp>

<https://www.thenews.com.pk/print/1246183-seminar-on-nfc-award-speakers-demand-equitable-share-for-kp>

<https://newsdiplomacy.com/revised-nfc-award-urged-amid-growing-fiscal-needs/>

<https://www.app.com.pk/domestic/governor-kundi-calls-for-unified-political-stand-on-provincial-rights/>



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