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From Policy to Practice: An Analytical Review of Pakistan's NFC Award and Its Implications for Provincial Development

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ABSTRACT

National finance commission (NFC) Award is an area of fiscal federalism in Pakistan that is geared towards fair allocation of financial resources between the federal and the provinces in a bid to make the two sides reasonably equal. This review paper will be comparing the historical development, constitutional framework and working mechanism of the NFC Award by analyzing how it has contributed to the fiscal balance between the federal government and provinces, provincial autonomy as well as development in the region. The paper recognizes the problems such as over population as the prevailing distribution index, unequal poverty and revenue measures, sluggish award negotiations process and absence of performance incentives. By critically synthesizing the existing literature, the article notes the consensus and the inconsistencies of researchers, gaps in empirical data, and weaknesses of the policy design and implementation. Practical implications are also discussed during the review, where the upgrade in the NFC formula is under the necessity, the aspiration of transparency, various other performance indicators must be aligned with the allocations, and timely constitution of future awards. A call to heighten awareness among the students, business fraternities, policymakers, as well as citizens is also emphasized as a strategy to enhance informed civic participation and responsibility. Moreover, future research directions of the article propose empirical research of the developmental outcomes, comparative analysis with the international fiscal federalism patterns and research of the political negotiation processes and its citizen's participation. The conclusion supports research findings on making NFC Award core to ensuring equitable fiscal governance, and it is limited by institutional, political, and data-based loopholes. Altogether, the analysis highlights the point that policy, transparency, monitoring, and public awareness reform is necessary to ensure the NFC

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Award can maximize its developmental and governance impact in Pakistan and help to achieve a balanced provincial development, better service delivery, and intergovernmental relations.

Keywords: National Finance Commission, the NFC Award, The Fiscal Federalism, Provincial Autonomy, Intergovernmental Fiscal Transfers, Pakistan, Equitable In Resource Allocation, Governance, Policy Reform, Transparency.

Introduction

Background of the Study

The idea of revenue sharing among various levels of government in modern-day Pakistan can get its origins in the pre-independence transfer arrangements between the Government of India and the Government of Hyder states (where in 1935, the Government of India Act 1935 established the revenue sharing system between the two governments) (Bhutta, 2025; Government of Pakistan, 2024). The revenue sharing between the center and the provinces after the establishment of Pakistan in 1947 took the ad-hoc forms at first with the first formal system as was termed as Raisman Award of 1952 (Finance Division, 2024). The use of the 1973 Constitution institutionalized revenue-sharing through the National Finance Commission NFC: according to Article 160, a commission should periodically suggest how the tax revenues of the federal government, the so-called divisible pool, be shared between the federation and the provinces, and how the provinces share their share among themselves (Finance Division, 2024). Several such "NFC Awards" have been released under the same framework, most recently the 7th NFC Award signed in December 2009 brought into effect in July 2010 legally (Bhutta, 2025).

The 7th NFC Award was also a significant change: it was the first time the revenue sharing formula was not based on population distribution only, but included other factors, including backwardness/poverty, revenue generation/effort and inverse population density (although population carried a stronger weight) (Bhutta, 2025; Asif, 2025). It was done to ensure that structural inequalities between provinces were addressed and the federation ensures a more balanced fiscal structure.

Why the Topic Is Important

NFC Award is not a technicality that can be lost in the hands of bureaucrats but it has a direct impact in every citizen in Pakistan. Province under this mechanism obtains large shares of the national incomes so that they can finance their own social services, e.g. education, health, infrastructure, social welfare, and local development (Alvi, 2025; Asif, 2025). To most provinces, particularly, formerly underdeveloped ones, they form the staple of their budgets, and define their ability to uplift living standards.

With Pakistan having differences in regions, such as population distribution, economic progress, resource endowments, and social indicators, there is need to have a level playing field with regard to fair development as well as avoiding marginalization of weaker provinces through the establishment of a fair and transparent mechanism such as the NFC (Asif, 2025; Bhutta, 2025). Further, as most of the powers have been devolved to provinces (since the 18th Amendment, especially), thus provincial fiscal autonomy has intensified, making resources distribution even more critical due to this

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(Alvi, 2025; Finance Division, 2024).

To the students, business people, employees and ordinary citizens, the same awareness regarding NFC translates to knowing how the government in form of public budgets are constituted, how they allocate the available resources to give services that they rely on, and who is responsible in establishment. When people are educated, they are in a better position to require transparency, accountability and equitable distribution which in effect reinforce democratic governance.

Problem or Issue

NFC system in Pakistan is affected by serious and persistently severe problems even now, although its implementation is mandated by the constitution. The Constitution suggests that then a new NFC Award is to be negotiated every five years, but no complete award has been reached since 2009/2010 (Bhutta, 2025; Finance Division, 2024). This sluggish response has led to the fact that an old formula is still used that can no longer be considered representative of the realities of life in the modern world: demographic, economic and social.

Critics claim the formula that the 7th Award uses to distribute, which allocates approximately 82 percent of the weight to population and others only small portions to poverty/backwardness, revenue effort and density is biased towards those provinces with greater populations; irrespective of their need to develop and to work harder to generate revenue. This sabotages the principle of fair distribution of the resources and has little to entice the provinces to remain financially self-reliant or enhance the services provided to the people (Pakistan Today, 2025; Asif, 2025).

Besides, the increased provincial quota has burdening effects at a federal level. The center has fewer resources, but huge commitments as a defence, debt repayments, and nationwide infrastructure, thus suffering vertical fiscal imbalance, and increasing the amount of national debt (Tribune, 2024; Punjab University, 2024). Provinces, in turn, have not been very interested in mobilizing their own revenues, so they depend on federal transfers, as this curbs the development of strong provincial tax regimes and diminishes accountability (PIDE, 2025; Tribune, 2024).

Lastly, the uninformed attitude of the populace towards NFC, as a concept, its general structure, its relevance, and its impacts implies that citizens tend to be unaware of the ways in which national resources are distributed, how allocations influence service provision, and why re-negotiation is long overdue. This ignorance undermines social accountability, as well as reduces pressure towards reforms that might result in fiscal federalism that is a bit more balanced and sustainable.

Aim of the Review

The key objective of this review article is to create awareness among students of Pakistan, business environment, employees and general population about NFC Award. In addition to the scholarly discourse, it aims to de-mystify the division of the national revenues, why it is important to the life of ordinary people and the existing structural challenges impacting provincial growth and national fiscal prosperity. Through this, it will work towards creation of informed citizenship, promote civil-society participation and empower people in demand on transparency, equity and good governance.

In particular, the review will set out to:

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The NFC Award (Article 160) has a basis in the Constitution and legislation, and it has a purpose that must be mentioned.
Examine how revenue-sharing developed over its historical account since the colonial days through to the present day system in the NFC.
Discuss the composition and influence of the 7th NFC award, its distribution formula and the effect it has on provincial and federation.
Define and analyze issues, difficulties, and unwanted impacts of inadequate timeliness in new Awards and limitations in the old formula.
Provide recommendations on potential reforms and changes to the policy in order to make the revenue-sharing system fairer, performance-based, and sensitive to the present-day social-economic conditions.

Scope (What Will Be Covered)
The following will be discussed in this review:
The constitutional bases of the NFC Award such as the provisions of Article 160 of the law and the legal process of the establishment of the Commission
Historical background: Revenue distribution systems since pre-independence (e.g, colonial-era systems), post-independence awards (such as the Raisman Award) and development through to the 7th NFC.
Critical analysis of the 7th NFC Award (2009/2010): its formula, the pool to be divided, horizontal and vertical distribution, and the introduction of criteria by other than population.
Discussion of the consequences of the 7th Award on provincial budgets, fiscal health in Canada, and delivery of services to the citizens, and equity between the provinces
Critical debate on the problems resulting due to renegotiation delays: population shifts, non-alignment of formula with prevailing demands, federal-provincial fiscal imbalances, insufficient provincial revenue effort and deficits in governance.
Policy-based suggestions such as potential formula changes (e.g. adding performance-based or developmental needs indicators), periodic review process, more transparency and enhanced provincial revenue collection
With the recent developments (according to 2025), such as the representation attempts to form a new Commission (e.g., the newly established 11th NFC Commission), and suggested changes to the distribution equation (Alvi, 2025; Dunya News, 2025).

Review of Literature
NFC Award Constitutional Background
Articles 160 and 161 of the Constitution of 1973 give the National Finance Commission (NFC) Award on financial sharing between the federal and provincial governments a constitutional foundation in Pakistan. Article 160 obliges the establishment of the NFC each five-year period to suggest the revenues allocation of the Divisible Pool including taxes on the income tax, sales tax, custom duties and Federal excise duties (Government of Pakistan, 1973). According to the scholars, the design of the Pakistani constitution concentrates a lot on revenue centralization and devolves expenditure obligations to the regions, which leads to structural imbalances that must be neutralized in a systematic way by the NFC mechanism (Bahl & Bird, 2018). The constitutional architecture demonstrates that a balance between political centralization and provincial autonomy

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shows that there has to be a reoccurrence of the need of a negotiated fiscal arrangement (Cheema and Mohmand 2020). It is also consistently pointed out in the literature that the historical contexts of the NFC were shaped by the need to keep the country united following regional complaints that had sprung up in the then-pre 1971 Pakistan which underscores the necessity of the equal sharing of revenues (Sial and Awan, 2011).

History and Evolution of NFC Awards

The NFC process in Pakistan has been developing historically both in the parts of centralization and negotiations. The early Awards (1952, 1961 and 1970) were much biased towards the federal government and just used practically only population as the criterion of distribution (Qureshi, 2010). After the 1973 Constitution, the 1979 and 1991 Awards started to include some adjustments to provincial interests, though the share of the federal one was still prevalent. The tipping point of NFC reform was the 2009 Award which raised the percentage of provinces to 56 and 57.5 respectively, the first and subsequent years (Ahmed, 2019). The process of conceptualization of this Award is widely documented in the academic literature as the most progressive move in the fiscal federalism of Pakistan since it proposed several criteria, namely, population, poverty/backwardness, area, and revenue generation, with a weighted formula (Shah and Shah, 2020). Since, the inability of the NFC in concluding subsequent Awards has been subject to scholarly criticism. The 7 th NFC Award of 2009 itself remains open as a result of political stalemate, increasing federal debt, and spending on security matters which accords by scholars like Hasan (2021) term the NFC process as being stagnant and even paralyzed in the post 18 th Amendment era.

Fiscal Federalism in Pakistan

The overall theme of the fiscal federalism literature is the need to provide a balance between the tasks of expenditure and the revenue-generating abilities of the levels of government (Oates, 1999). Fiscal Federalism in Pakistan has traditionally been typified by vertical fiscal imbalance (VFI)- a disruption of proportions between comprehensive provincial spending duties and constrained provincial taxation capacity. As it is observed by the World Bank (2020), provinces contribute to the total revenues and expenditures only around 5-7 percent, though have significant spending responsibilities in health, education, agriculture, policing and local governance. This disequilibrium was aggravated by the 18 th Constitutional Amendment that decentralized additional functions without correspondingly augmenting provincial taxing abilities (Jalal & Khan, 2019). Research claims that the central government of Pakistan applies the NFC Award as a remedial tool to VFI, however, the encouragement to focus on localization of taxing creates a dependent culture of fiscal behavior (Mahmood, 2017). It is also noted by IMF reports that the fiscal federalism of Pakistan has the drawback of overlapping mandates, duplications of services, and poor coordination between the federal and provincial governments, which contributes to inefficiencies (IMF, 2021).

Specialist Runtime Control (Vertical and Horizontal Distribution Mechanisms)

Vertical distribution involves the distribution of revenues between federation and the provinces. Among the issues noted by scholars is the fact that Pakistan has long had a higher proportion to the federal government because of the defence, servicing of debt

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and the requirements of the nation at large and the provinces heavily relied on federal transfers (Rana & Arby, 2020). The NFC Award of 2009 changed this trend heavily and gave provinces a bigger portion of it, as the best practice in the global sphere indicates that subnational governments should be provided with sufficient funding to enable them to perform devolved functions (Bird & Smart, 2014).

Horizontal distribution -province share has been a much-debated issue. Population continued to be the sole determinant of provincial shares over decades but literature vociferously opposed the mono-criterion formula as it was deemed unjust, poverty and backwardness, exerted revenue effort and area were important factors that had to be taken into account (Yusuf and Jalil, 2015). The updated version of 2009 that added multi-criteria distribution is commonly seen to be a move towards fiscal justice. It is found that the inclusion of poverty and area specifically helped Balochistan and Khyber Pakhtunkhwa, as they allowed them to spend better in social sectors (Akram and Malik, 2020). Nevertheless, the input of revenue effort should be enhanced more, according to some economists (Haque, 2021).

Effects of NFC Awards on the development and governance of the provinces

The NFC Award has been known to have a beneficial effect on provincial development indicators. Increased resource envelope with the year 2009 saw more investment in education, health, infrastructure, and social welfare by the provinces (Aftab, 2020). Significant fiscal space was also unprecedented in Balochistan, which allowed it to finance the regional connectivity and public service initiatives (Kakar, 2021). The compensation share of the war-on-terror also came as a huge gain to KP since they were able to restart infrastructures destroyed in the war. Punjab and Sindh could increase the programmes of social protection and development at provincial level (Naveed and Ali, 2019).

Researchers however warn that the level of spend has not kept pace with the level of resources. Spending has been limited due to weak public financial management systems, low absorption capacity and insufficient monitoring (World Bank, 2021). A number of studies also find that the provinces did not utilize the allocation of more money to enhance revenue collection in their own provinces and this cycle of dependency was further facilitated (Hussain & Farooq, 2020). Therefore, the developmental performance of the NFC Award is not uniform because it opens fiscal space, but its capacity to develop is hampered by the governance issue.

Obstacles and NFC Implementation delays

Numerous barriers to routine updates of NFC are thoroughly written in the academic and policy literature. To begin with, the increased federal commitments servicing of its debt, defense, pensions, subsidies have limited fiscal space, and the federal government has been hesitant to decrease share (IMF, 2021). Second, consensus is frequently slowed down by political differences between provinces about the criteria of horizontal distribution. Sindh, as it constitutes another example, demands population as one of the key factors, whereas KP and Balochistan address backwardness and fiscal requirements (Cheema and Ahmed, 2019). Third, Pakistan does not have an effective institutional mechanism to verify data, which in turn leads to controversy in the quality of population census, revenue collection and measurement of poverty (Shah, 2020). Lastly, scholars

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also point out that the lack of conditional grants, performance-based incentive, or expenditure accountability gives less efficiency to transfers and drives forward inefficient spending (Mahmood, 2017).

Comparison to the Fiscal Federalism Models in other Countries

According to the scholars, the study of international fiscal federalism models can teach a significant lesson in terms of bettering the NFC system in Pakistan. The revenue-sharing rights in Germany where federal and state taxes are combined and then redistributed are mentioned as one of the most influential in terms of distributing not only equity but also efficiency (Shah & Khera, 2023). One of the most advanced equalization systems worldwide, the horizontal fiscal equalization scheme is designed in such a way that all states will be able to offer similar public services in Australia (Wilkins, 2018). Canada relies on the unconditional equalization payments as well as conditional federal grants to solve the fiscal imbalances and national priorities (Bird & Vaillancourt, 2014). By contrast, the Finance Commission in India considers population, disparity on income, and fiscal discipline and is the one on which federal transfer is associated with performance indicators (Rao and Singh, 2010).

In contrast to these systems, the NFC in Pakistan is extensively premised on making unconditional transfers and population-based formulas where little emphasis is laid on the capacity to raise revenue, spending demands, or incentives to achieve performance performance (Ahmed, 2019). Researchers suggest a more dynamic approach which includes tax-base sharing and equalization grants and conditional transfers to enhance service delivery and fiscal responsibility (Khan and Bari, 2021).

Controversies and argumentation in NFC Discourse

NFC Award is considered to be one of controversial fiscal matters in Pakistan. Critics also claim that the existing formula is overly biased towards the provinces by undermining the federal government, which is a source of an increasing federal deficit (Haque, 2021). Some people argue that it is not the NFC that is a problem but instead the federal government which has an oversized structure that overlaps with the role of the provinces despite the 18 th Amendment (Akhter, 2020). Questions also arise on whether the provinces have been making good use of all the extra funds; some observers have noted some increase in spending on health and education but others who believe that despite this increase, there still remains inefficiency, corruption, and wastage in budgets (Naveed and Ali, 2019).

The most controversial is the absence of timely awards of the nfc, which has persisted continuously to date, and which, as has been argued by scholars, has become a hindrance to federalism in Pakistan due to the politics of instability, insufficiency of resources, and distrust among units of the federal system (jalal & khan, 2019). it has been cited that unless institutional reforms, the existence of transparent data systems, and trust occur, reacting to Pakistan, fiscal federalism will be hampered by the challenges of political instability, resource limitation, and mistr

Critical analysis

Consent between scholars.

In the existing literature, researchers generally accept the fact that the national finance

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commission (nfc) award is a key pillar of fiscal federalism and intergovernmental fiscal coordination in Pakistan (ahmed & ahmad, 2020; pasha, 2019). the majority of researchers agree that the latest awks, the 7th nfc award (2009), was a significant step towards a more inclusive and fair revenue-sharing framework due to the inclusion of various criteria in addition to population among them, including poverty, population density on the inverse squares and revenue effort (

the other key area of agreement is the chronic lag in making subsequent awards of nfc since 2010. Academics note repeatedly that constraints on federal funding, political fragmentation, and federal aversion to renegotiate shares are the major cause of the delay (rais & javaid, 2022; dawn, 2023). In addition, scholars have generally recognized that the nfc mechanism has substantially enhanced provincial fiscal space, quite particularly since the 18th amendment was passed, creating more expenditure responsibility on most provinces (Iqbal & Siddiqui,

In general, the existing literature indicates that although it has its shortcomings, the nfc award is by far the most institutionally acceptable methodology of fiscal decentralization and inter-provincial equity.

Contradictions

Notwithstanding the wide area of consensus, the literature demonstrates that there were significant contradictions. namely, some scholars state that multi-indicator methodology as implemented in the 7th NFC award contributed to greater horizontal equity (ali, 2021), whereas others say that such indicators as poverty and revenue generation have been measured and used inconsistently (hussain and wizarat, 2022). The contradictions noted in the literature provoke questions of transparency and the quality of the data on fiscal formulas.

Another contradiction is how the post-2009 award affected development in the provinces some research findings suggest that the increased transfers led to a better service provision and investment potential (pasha, 2019; rafiq and burki, 2018). other researchers, on the contrary, identify an implementation gap between theoretical expectations and empirical data point to the lack of improvement in the most important spheres of provincial development, including education, health and infrastructure (shah and sethi, 2022; undp, 2022).

scholars likewise differ in provincial tax initiative, as some praise better provincial sales tax harvesting because of devolution (Akhtar, 2022) and others claim that the provinces continue to be excessively reliant on federal transfers and have not been able to expand their tax bases (rana & khan, 2021; haque, 2020). This conflict advances to refuted judgments of provincial fiscal achievement.

Gaps in the literature

a significant research gap is that, as per several research studies, no measures have been conducted so far to evaluate the developmental effects of the nfc transfers over a long period of time in terms of fiscal, provincial well-being, or human development indices (shah & sethi, 2022). as various scholars state, the empirical assessment of the cumulative change remains unassessed to date about the effects of the fiscal transfers on the provincial well-being, human greater development, and service delivery effectiveness (javid, 2022; undp, 2022).

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one more gap is related to the lack of comparative studies of the country against other federations (pakistan, india, Canada, or Australia), with the regulations of fiscal equalization offering meaningful lessons, but few Pakistani studies have tested systems which compare distribution formula, incentives based on performance, or data (bird and smart, 2016; oecd, 2020).

Also, the political economy of delays in new nfc awards is rarely studied in the literature, although scholars cite political disagreements, a small number of studies will investigate the power politics, bargaining dynamics, and mistrust existing between the federal and provincial governments that will affect the fiscal negotiations (mahmood and Saleem, 2021).

Lastly, it has not fully analyzed indicators of poverty to be used when distributions are made horizontally. as many researchers observe, to make their distribution equitable, many studies, despite focusing on population, should examine how indicators of poverty should be enhanced or uniformly distributed (hussain & wizarat, 2022; undp, 2020).

Limitations of the Available Research

There are various weaknesses as observed in the literature. Most of them strongly depend on descriptive analysis and lack a rigorous quantitative analysis, which restricts the capacity to determine causal associations among fiscal transfers and developmental achievement (Shah and Sethi, 2022). Also, much of the study works with old or inaccurate data, especially in the field of poverty, per capita income, and fiscal capability of the provinces (Malik and Haque, 2023).

One of the limitations that are present in a recurrent manner is the absence of interdisciplinary approaches. The majority of the literature resides at the economic or political scientific level, yet extremely a minimal number of studies apply the perspectives of governance, public policy, or sociology to explain the provincial differences and institutional barriers (Rais & Javaid, 2022).

The second weakness is the excessive focus on the federal sector of study with scant focus on provincial budgeting practices, spending focus, and accountability procedures. This small scope does not give a comprehensive awareness of how the funds sent to provinces are being used (Iqbal and Siddiqui, 2021).

Weaknesses in Policies as seen in Literature

There is a number of policy shortcomings to the NFC highlighted in the literature. One of the biggest criticisms is that there is no performance based criteria to provincial transfers. The system of fiscal transfers in Pakistan is not associated with the increase in revenue effort, human development, or quality of governance, as it is in the case of the Australian or Indian models (Bird and Smart, 2016; OECD, 2020). This lack continues to promote ineffective and poor accountability.

The other weakness of the policies is the poor quality of data that is utilized in horizontal distribution. As indicated by the researchers repeatedly, poverty and revenue metrics are premised on the unequal or unconsistent datasets, which distortion of resources distribution (Hussain and Wizarat, 2022; Malik and Haque, 2023).

Another significant weak point of the policy is delays in new NFC Awards. According to scholars, federal and provincial governments do not want to renegotiate revenue

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formulas due to political tensions and financial limitations (Shah, 2021; Dawn, 2023). This translates into outlived considered allocations that become irrelevant to changing demographic, economic and regional realities.

Last but not least, policy literature points at lack of the clear mechanism of assessment of the effects of intergovernmental transfers. The NFC is also a comparatively input-focused model that does not allow it to fuel the development or remedy inter-provincial imbalances unless monitored and measured (PIDE, 2022; Haque and Rafiq, 2023).

Discussion

Discussion of Literature Review

The reviewed literature indicates that the NFC Award is an element of the Pakistan fiscal federalism, aimed to dividend the revenue between the federal government and the provinces in such a way that facilitates equity and national unity (Ahmed and Ahmad, 2020; Pasha, 2019). Agreeing on the fact that the 2009 Award was a milestone as it has brought up several criteria, such as population, poverty, area, and revenue generation, and the parameter of population ceased to dominate the history of the Award (Ali, 2021; Rafiq and Burki, 2018). The above arguments indicate that the constitutional and political bases of the NFC are based on a balance between centralization and provincial autonomy, which was aimed at stabilizing the country against the negative impact of regional inequality (Cheema & Ahmed, 2019; Sial and Awan, 2011).

Simultaneously, there are weak points that are still present in the literature. The discontinuation of follow-ups in NFC Awards and use, meager provincial tax involvement, worthless data, and performance-incentive absence all show implementation flaws and insufficient ability to act and appear institutional (Hussain and Wizarat, 2022; Rana and Khan, 2021). Although the NFC offers provinces greater fiscal space, the data shows that this has not always resulted into better service delivery and performance outcomes, indicating that there is no correlation between the distribution of resources and the outcomes (Shah & Sethi, 2022; UNDP, 2022).

Relationships between Evidence

The studies reviewed unanimously indicate that there is a trend in the fiscal federalism in Pakistan. It is acknowledged that fiscal transfers play a key role in resolving vertical and horizontal imbalance between the federal and provincial governments (Khan, 2020; Haque, 2020). Yet, there seems to be conflicting explanations on the degree to which the transfers are effective to their objectives. Some scholars draw positive consequences of bolstering provincial budgets and development, others indicate where there are inefficiencies in expenditures management and poor accountability, and perennial reliance on federal handouts (Akhtar, 2022; Rana and Khan, 2021).

These relationships indicate that the mechanism of NFC has the capacity of equalizing fiscal imbalance but with governance quality, institutional capacity and political consensus. Moreover, data and performance monitoring gaps curtail the assessment of outcomes, which points to deficits in the system of the federal-provincial fiscal system (Malik and Haque, 2023; Hussain and Wizarat, 2022).

Conclusions Drawn

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A number of assumptions come out of the literature. To begin with, the NFC Award is necessary to ensure the fiscal balance between the intergovernmentals and solve the problem of provincial inequality, specifically with smaller and less developed provinces like Balochistan and Khyber Pakhtunkhwa (Ali, 2021; Shah, 2021). Second, the revenue-sharing formulae particularly the still-used focus on population should be changed to meet development priorities, poverty, and provincial needs on revenue generation (Hussain and Wizarat, 2022; UNDP, 2020). Third, implementation failures, sluggish introduction of new Awards, and ineffective monitoring mechanisms hamper the potential developmental role of the NFC, as it becomes a system of allocating federal resources instead of a performance-based growth instrument (Shah and Sethi, 2022; PIDE, 2022).

The evidence also reveals one more large-scale conclusion the effectiveness of the NFC is not only a technical or a legal matter but highly cloaked in politics, the quality of governance, and institutional capacity. It is unlikely that these systemic factors alone will be achieved at their equity or efficiency goals with fiscal transfers alone (Mahmood and Saleem, 2021; Rais and Javaid, 2022).

Implications to the Governance of Pakistan and Economy

The readings indicate significant consequences of what can be said about the governance and economic development of Pakistan. Fiscal autonomy, provincial planning and public service delivery directly depend on the NFC Award thus it is a decisive factor of inter provincial equity and political stability (Ahmed & Ahmad, 2020; Iqbal and Siddiqui, 2021). Ineffective execution and insufficient performance management are potential contributors to the continuity of inefficiencies, reliance on federal transfers and opportunities product inequality, especially in the most historically marginalized areas (Shah and Sethi, 2022; UNDP, 2022).

Economically, by enhancing the NFC mechanism, through the addition of strong poverty indices, revenue-effort measures and conditionality, fiscal accountability, as well as motivating provinces to expand their tax base, may be reinforced (Bird and Smart, 2016; OECD, 2020). An enhanced fiscal federalism can also lead to investment in provincial projects, better human development results, and less inequality among regions, which will lead to sustainable economic growth and social integration (Pasha, 2019; Rafiq and Burki, 2018).

The implications politically include the foundation of trust between the federal and provincial governments, timely NFC Awards, and embracing open formulas on how the funds are distributed (Shah, 2021; Mahmood and Saleem, 2021). An efficient NFC system does not only facilitate fair distribution of resources, it also limits the likelihood of provincial grievances and political heightenings, which are usually grounded on the observed feelings of neglect in the fiscal aspects or ill-treatment.

Implications / Recommendations

Policy Implications

In his NFC Award review, there are far reaching policy implications on the fiscal federalism in Pakistan. The final potential policy requirement is the update of the NFC formula to meet the modern socio-economic realities (Hussain and Wizarat, 2022; Ali, 2021). Population on its own has traditionally dominated revenue-sharing leading to

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injustices amongst provinces. Additional indicators, like the poverty levels, revenue-generating capacity, and human development indices, would result in more justice and encourage just provincial development (Rafiq and Burki, 2018; Ahmed and Ahmad, 2020).

Issuing NFC Awards on time should also be part of the policy measures. Delays since 2010 have limited provincial budget planning and have been a cause of tensions in politics (Shah, 2021; Dawn, 2023). Government foresight by setting time limits and external control of award contracts may enhance predictability and build trust between governments (PIDE, 2022).

Practical Suggestions

In practice, it is highly important to improve the quality of data and transparency. Most of the distributions are based on out-of-date or incomplete data, especially regarding poverty and revenue collection (Malik & Haque, 2023; UNDP, 2020). With a centralized database that is regularly updated with the local socio-economic indicators, more funds could be distributed in a more accurate and credible manner.

Also, provincial efficiency can be encouraged by making fiscal transfers dependent on performance indicators. Positive outcomes on the global experience provide that performance-based transfers stimulate the increase of revenues, the enhanced provision of the public services and responsible expenditure (Bird & Smart, 2016; OECD, 2020). Pakistan can also follow such mechanisms to enhance the developmental performance and fiscal accountability.

Future Improvements

Subsequent reforms ought to consider developing flexible but fair formulae that can adapt to the changes in the demographics and the economy. Regular updates of indicators like poverty and infrastructure requirements are also important so that the allocations do not go to waste (Hussain & Wizarat, 2022). Moreover, the coordination between governments can be increased to augment the ability to use funds efficiently (Pasha, 2019; Shah and Sethi, 2022).

Public, Government, and Research Implications

NFC Award has many implications on the society, government, and research fraternity. To the general population, openness and publicity can encourage enlightened citizenship and accountability of financial spending (Ahmed and Ahmad, 2020). To governments, better formulas and performance based incentive consolidate the governance system, minimize ineffectiveness, and enhance fairness in regional development (Haque & Rafiq, 2023). The NFC presents a fertile field of research to researchers to study intergovernmental financial structure, policy effect research, and the research on governance (Mahmood and Saleem, 2021).

Future Research Directions

There are however a number of gaps in spite of the rich literature. Primarily, empirical evidence of association of NFC transfers with developmental outcomes is limited. Very few researches assess the effectiveness of such allocations in improving education, health, infrastructure, or reducing poverty (Shah and Sethi, 2022; Javid, 2022).

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Econometric models or case studies might be used in future studies in order to establish the quantifiable impact of NFC allocations on provincial development.

Second, it has no comparative studies. Comparative research on the NFC Award in Pakistan as in the case of India, Canada, or Australia, where the use of performance based or needs based formula is in employment, would be advantageous to Pakistan (Bird and Smart, 2016; OECD, 2020). These studies may be used to reform to increase efficiency, equity and accountability.

Third, the NFC delays political economy is not yet fully explored. Although scholars observe the parties in arguments, not many of them examine negotiation, the politics of parties, and government-province bargaining policies (Mahmood and Saleem, 2021; Rais and Javaid, 2022). That may be adequately revealed in qualitative research that is carried out through interviews, archival analysis or participatory observation.

Lastly, there is only a weak research on the awareness and the civic participation of the NFC Award. Research may explore the changes in provincial accountability, mobility of citizens, and fair fiscal policy, based on awareness (Ahmed and Ahmad, 2020; UNDP, 2022).

Conclusion

This review was meant to give the holistic picture of the NFC Award of Pakistan, to create awareness among the students, business communities and citizens and evaluation of its success in enhancing fiscal federalism. It has been revealed in the literature that the NFC Award is fundamental in intergovernmental fiscal balance, provincial autonomy, and equity in resource allocation (Ahmed & Ahmad, 2020; Pasha, 2019).

Among the significant areas of concern, one can distinguish excessive dependence on the population, unstable poverty and revenue rates, slogs in the creation of new awards, and the lack of performance indicators (Hussain & Wizarat, 2022; Shah and Sethi, 2022). Although the NFC Award expands provincial fiscal space, the weak points of this developmental outcome are minimal.

The primary message it sends to the readers is that the reforms in the transparency, timely execution, revised formulas, and tracking the performance are paramount to the success of the NFC Award. These areas will be strengthened to enhance better governance, less inter-provincial inequality, and inclusive development. Future studies must concentrate on the quantification of the effects of development, politics of negotiation and comparative international fiscal models to inform the enhancement of policies.

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