

MS Thesis

**DECENTRALIZATION OF POWERS UNDER THE 7th NFC
AWARD AND THE 18TH CONSTITUTIONAL
AMENDMENT: CHALLENGES FOR THE CENTRE**



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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

رَبِّ اشْرَحْ لِي صَدْرِي وَيَسِّرْ لِي أَمْرِي وَاحْلُلْ عُقْدَةً مِّن لِّسَانِي

Dedication

This thesis is dedicated to my family, whose love, sacrifice, and support have been the foundation of my journey. To my parents, who taught me the value of hard work and perseverance, and to my family, whose unwavering belief in me has been a source of inspiration. This work would not have been possible without their constant encouragement and love.

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ABSTRACT

The 7th National Finance Commission (NFC) Award and the 18th Constitutional Amendment marked a significant shift in power distribution between the federal and provincial governments in Pakistan. This study explores the implications of the decentralization of powers on the central government in terms of financial autonomy, governance, and policy-making. The 7th NFC Award, implemented in 2010, aimed to address regional disparities and enhance provincial autonomy by allocating funds to provinces. Furthermore, the 18th Constitutional Amendment, brought into effect in 2010, gave provinces greater autonomy by transferring various subjects from the federal to provincial governments. The devolution of powers under these reforms had profound implications for the central government's governance and policy-making abilities. With the provinces having more control over their respective affairs, the centre faced challenges in maintaining unity and national coherence on policy matters. This research employs a qualitative research method and analytical research design by utilizing thematic analysis for the primary and secondary data collection. This study focuses on identifying the potential consequences and challenges faced by the centre as a result of the devolution of power under the 7th NFC Award and 18th Constitutional Amendment. This study seeks to provide a comprehensive understanding of the shift in power dynamics and challenges that the devolution of power under the 7th NFC Award and 18th Constitutional Amendment has had on the centre in Pakistan. Some of the key areas of concern for the center include the potential loss of control over critical policy areas, fiscal implications, decision-making dynamics, and inter-governmental (province-province, centre-province) coordination. This study aims to fill the research gap by examining the implications of the decentralization of powers under the 7th NFC Award and the 18th constitutional amendment specifically for the federal government or the centre. It seeks to understand how these reforms have affected the role, responsibilities, and functions of the federal government in governing the country.

CHAPTER 1

1. INTRODUCTION

1.1 Introduction

1.1.1 Background of the Study

The devolution of powers has been a crucial aspect of governance in Pakistan's federal structure. The 7th National Finance Commission (NFC) Award and the 18th Constitutional Amendment marked significant milestones in this regard. Being a longstanding demand of all the provinces, 18th amendment has a remarkable status in history. These reforms aimed to redefine the distribution of powers amid the centre and the provinces in order to strengthen local governance, enhance political autonomy, and promote equitable resource-sharing.

The decentralization of authorities regarding the 18th Amendment in Pakistan was a response to the longstanding demand of the provinces for greater autonomy. The amendment was passed in 2010 and significantly altered the diffusion of powers between the centre and the provinces. It revoked the concurrent legislative list, greatly reducing the powers of the center, and transferred these powers to the provinces.

The 7th NFC Award, implemented in 2010, was devised to restructure the fiscal relations between the provinces and the centre. It aimed to establish a fair and just distribution of financial resources by allocating an increased share of budget for provinces. This shift was aimed to confront historical grievances and disparities, promoting fiscal sustainability and enabling provinces to undertake development initiatives according to their specific needs and priorities.

The 18th Constitutional Amendment, ratified in 2010, ushered in an era of increased provincial autonomy and devolution of powers. This amendment revised the power-sharing arrangement by redistributing authority and responsibilities from the centre to the provinces. It abolished the Concurrent Legislative List, granting exclusive legislative powers to the

provinces in several key sectors, including education, health, and agriculture. This amendment was hailed as a landmark achievement, signaling a move towards a more democratic and decentralized governance structure. While the devolution of powers conferred considerable autonomy to the provinces, it also raised questions regarding the challenges for the federal government and the overall governance system of Pakistan. This study seeks to explore the implications of the devolution of powers under the 7th NFC Award and the 18th Constitutional Amendment specifically on the centre, as it navigates the challenges and opportunities presented by this paradigm shift. Some of the key areas of concern for the centre include the potential loss of control over critical policy areas, fiscal implications, decision-making dynamics, and intergovernmental coordination.

Understanding and analyzing these challenges is essential for fostering effective governance, ensuring a stability of powers betwixt the provinces and the centre, and promoting collaboration among various tiers of government.

Extensive research has been conducted to analyze the impacts of the 18th Amendment on various aspects concerning the provinces. These studies have examined areas such as fiscal autonomy, governance, legislative powers, and resource allocation of the provinces. Researchers have explored how the amendment has shifted power and decision-making authority to the provinces, enabling them to exercise greater control over their affairs.

However, despite the vast body of literature on provincial perspectives, there is a significant gap in knowledge regarding the challenges for the Centre. Understanding the concerns and challenges faced by the federal government is crucial to achieving a balanced approach to devolution in Pakistan.

Given the limited research on the challenges for the Centre after the 18th Amendment, it becomes essential to bridge this gap and explore the consequences, concerns, and challenges faced by the central government in navigating the new power dynamics. This study aims to fill the research gap by examining the implications of the devolution of powers under the 7th NFC Award and the 18th constitutional amendment specifically for the federal government or the center. It seeks to understand how these

reforms have affected the role, responsibilities, and functions of the federal government in governing the country.

By focusing on the centre, this study will explore the challenges and opportunities that have emerged as a result of devolution. It will analyze the changes in the power dynamics between the federal government and the provinces, and the subsequent impact on the decision-making processes at the centre. Additionally, it will investigate the implications for the coordination and collaboration of the centre and the provinces in handling national issues and formulating policies.

1.1.2 Statement of the Problem

The 7th National Finance Commission (NFC) Award and the 18th Constitutional Amendment, marked significant milestone in the devolution of powers commencing from the federation to the provinces in Pakistan. While these initiatives were aimed at decentralizing and empowering the regional governments, they have undoubtedly resulted in implications for the centre itself. Given the limited research on the implications for the Centre after the 18th Amendment, it becomes essential to bridge this gap and explore the consequences, concerns, and challenges faced by the central government in navigating the new power dynamics. This study aims to address this gap by examining the challenges for the Centre after the decentralization of powers, shedding light on the effects on federal governance, decision-making, and intergovernmental relations. This study focuses on identifying the consequences and challenges faced by the center as a result of the devolution of power under the 7th NFC Award and 18th Constitutional Amendment. This study seeks to provide a comprehensive understanding of the implications that the decentralization of power under the 7th NFC Award and 18th Constitutional Amendment has had on the center in Pakistan. By exploring the political, economic, administrative, and legal dimensions of this devolution, this research will contribute valuable insights necessary for a nuanced assessment of the challenges and opportunities faced by the center in the context of a transformed power structure.

1.1.3 Significance of the Study

The 18th constitutional amendment in Pakistan was a significant step towards strengthening democracy by devolving powers from the centre to the provinces. Understanding

the implications of this amendment on the centre allows for a comprehensive analysis of the constitutional reform process and its impact on the shift of power dynamics in the centre and the provinces.

The 7th NFC Award was a key component of the devolution process in Pakistan, as it allocated financial resources to the provinces. By examining its implications on the center, the study sheds light on the concept of fiscal federalism and how it affects the financial stability and intergovernmental relations.

This study holds several potential implications for policy-making, intergovernmental relations, and federal governance in Pakistan. By understanding the concerns and challenges faced by the Centre, policymakers can identify areas requiring attention, streamline power distribution, and enhance coordination between the provincial and federal governments. The findings of this study can serve as a basis for policy reforms and inform decision-making processes at both the provincial and federal levels.

1.1.4 Objectives of the Study

This study has the following research objectives:

1. To explore the shift in power dynamics between the central and provincial governments after decentralization of power under the 7th NFC Award and the 18th constitutional amendment.
2. To analyze the problems and challenges faced by the centre after the decentralization of powers under the 7th NFC Award and the 18th constitutional amendment.

1.1.5 Research Questions

This study has following research questions:

1. How has the decentralization of powers under the 7th NFC Award and the 18th Constitutional Amendment in Pakistan affected the power dynamics between the central and provincial governments?
2. What are the problems and challenges faced by the center after the decentralization of powers under the 7th NFC Award and the 18th constitutional amendment in Pakistan?

1.1.6 Delimitation(s) of the Study

The delimitations of the study refer to the specific boundaries or limitations set for the

research. These delimitations define the scope and focus of the study, while also acknowledging areas that are excluded or not covered in-depth. Here are some possible delimitations for this topic. The primary focus of the study is on analyzing the challenges of decentralization for the central government or the Centre. While the broader impact on other stakeholders may be acknowledged, their perspectives may not be extensively explored.

Another main delimitation of the study is the time frame considered. The study needs to focus on a specific time period or only provide a preliminary analysis of the short-term consequences, thereby limiting the exploration of the long-term effects of the decentralization of powers under the 7thNFC Award and the 18th constitutional amendment.

1.2 LITERATURE REVIEW

Zaidi and Nagi (2015) begin by providing an introduction to fiscal federalism, highlighting its importance in a country like Pakistan that is federal state. The main focus of the article is on the 7th NFC Award, which was announced in 2010. This study analyzes the implications of the 7th NFC Award. It discusses how the distribution of resources under the award affected the fiscal autonomy of provincial governments, their ability to meet their expenditure responsibilities, and their overall fiscal health. The authors also explore the impact of the award on the fiscal relationship between the federal government and the provinces, highlighting both positive and negative consequences. Furthermore, the article examines the effectiveness of the 7th NFC Award in achieving its objectives of improving fiscal federalism and promoting regional development in Pakistan. In the conclusion, authors summarize their findings and provide some policy recommendations for improving fiscal federalism in Pakistan. They highlight the need for greater transparency and accountability in the NFC award process, as well as the importance of enhancing the capacity of provincial governments to effectively manage resources and fulfill their expenditure responsibilities.

Hashmi (2012) has discussed the 18th Amendment, enacted in 2010, brought significant changes to Pakistan's governance system. The author argues that while the 18th Amendment was envisioned to bring stability and strengthen democracy in Pakistan, its actual impact has been mixed. On one hand, the amendment has decentralized power, resulting in a more inclusive decision-making process and greater participation at the provincial level. However, on the other hand, the amendment has also led to political instability, as power struggles between the central government and the provinces have intensified. The author also discusses how the 18th Amendment has impacted the power dynamics between political parties in Pakistan. The author argues that while it has increased the authority and influence of provincial parties, it has also weakened the central ruling party's hold on power. This has resulted in greater fragmentation and instability within the political landscape, with coalition governments becoming the norm and governance becoming more challenging. Overall, the article suggests that the 18th Amendment has had both positive and negative consequences for political stability in Pakistan. While it has increased inclusivity and addressed some grievances, it has also led to conflicts, confusion, and a fragmented political landscape.

Mohsin and Ali (2019) focus on the Seventh NFC (National Finance Commission) Award and its implications for fiscal justice in the country. The authors begin by highlighting the importance of devolution as a process of transferring political, administrative, and fiscal powers from the central government to lower tiers of governance. The authors discuss the key provisions of the Seventh NFC Award, which include the distribution of revenues from various sources among the federal government, provinces, and specific grants for disaster management and security expenses. They examine how the allocation of financial resources has affected various sectors. Furthermore, they investigate the impact on poverty alleviation and income distribution, considering factors such as regional disparities and economic growth. The authors argue that the Seventh NFC Award has contributed to the betterment of fiscal justice in Pakistan by empowering local governments and ensuring a more equitable distribution of resources. They note that increased funds allocated to provinces have resulted in improvements in education and healthcare services, as well as infrastructure development in previously neglected areas. Additionally, the authors discuss the positive effects of increased regional autonomy on poverty alleviation and income redistribution. However, the authors also acknowledge some challenges and limitations of the devolution process. The authors point out issues related to capacity building, coordination among different tiers of government, and accountability mechanisms. In conclusion, this article emphasizes the positive effects of devolution on fiscal justice and highlights the need for sustained efforts to overcome challenges and maximize the benefits of this decentralization process.

Akhtar, Gul and Rafique (2018) investigate the effects of the 18th Constitutional Amendment on decentralization and local governance in Pakistan. The authors analyze the implementation and outcomes of this amendment with a focus on decentralization and the role of local governments. It examines changes in the distribution of powers, liabilities, and monetary resources between the centre and provinces. It also explores the empowerment of regional governments in the matter of decision-making authority and financial autonomy. However, the article acknowledges some challenges and constraints that have hindered the effective implementation of the 18th Constitutional Amendment. Ultimately, the authors argue that while the 18th Constitutional Amendment has achieved some positive outcomes in terms of decentralization and local governance, it is required for ongoing endeavors to meet the crises

impeding its full implementation. They call for better collaboration among central, provincial, and local governments to guarantee more influential service delivery and citizen participation in decision-making processes.

Khan, Malik, and Ghaffar, (2015) examines the impacts of the 18th Amendment on the fiscal capacity of provinces in Pakistan. This transfer of powers has significant implications for the fiscal capacity of provincial governments. The authors discuss the changes brought about by the 18th Amendment and analyze its effects on the fiscal landscape of Pakistan. The authors delve into several key areas impacted by the amendment, including revenue generation, fiscal allocation, and expenditure patterns of provincial governments. The authors highlight how the enhanced fiscal autonomy has empowered provinces to raise their own revenue through taxes, fees, and other sources. This newfound ability to generate revenue has provided provincial governments with greater financial discretion and reduced their dependency on federal grants. The study also looks at the impact of the amendment on fiscal allocation. It discusses changes in the division of financial resources amid the provinces and the centre, shedding light on the shift in fiscal responsibilities. It analyzes how the increased fiscal capacity of provincial governments has influenced their spending decisions. It highlights the positive effects of fiscal decentralization, including increased revenue generation, improved fiscal allocation, and more responsible expenditure patterns.

Hussain (2013) in his article examines the challenges and potential benefits of decentralization reforms in Pakistan. The author begins by providing a background on the historical context of decentralization reforms in Pakistan. It highlights the country's centralized governance system and the reasons behind the shift towards decentralization, such as improving service delivery, promoting local participation, and addressing regional disparities. The article then delves into the various challenges faced during the implementation of decentralization reforms. The author identifies administrative, political, and financial challenges as the major hurdles in the process. The article highlights how these challenges hinder the effective functioning of local governments and limit their ability to meet the needs of their communities. Additionally, the article assesses the prospects of decentralization reforms in Pakistan. The author emphasizes the potential benefits, such as improved governance, better service delivery, increased accountability, and enhanced citizen participation. Overall, the author provides a comprehensive

analysis of decentralization reforms in Pakistan, discussing both the challenges and prospects associated with the process. It sheds light on the complexities and implications of transferring power to local levels of government.

Khan and Khattak (2020) explores the relationship between the 7th National Finance Commission (NFC) Award and the achievement of Sustainable Development Goals (SDGs) in Pakistan. The author discuss the challenges and opportunities associated with the implementation of the NFC Award in the context of sustainable development in the country. The article begins by explaining the concept of sustainable development and the role of the SDGs in promoting social, economic, and environmental progress. It then delves into the details of the 7th NFC Award, which is the mechanism for revenue sharing between the federal and provincial governments in Pakistan. The authors identify various challenges that hinder the effective implementation of the NFC Award towards achieving the SDGs. The authors emphasize the need for improving institutional frameworks, enhancing intergovernmental coordination, and promoting public participation to overcome these barriers. Furthermore, the article explores the opportunities that the NFC Award presents for Pakistan in terms of sustainable development. It highlights the potential for increased fiscal autonomy and empowerment of provincial governments, which can lead to better governance and more focused development strategies aligned with the SDGs. The authors conclude by suggesting policy recommendations to maximize the benefits of the NFC Award for sustainable development. They emphasize the need for revenue generation through diversified sources, strengthening fiscal federalism, introducing performance-based grants, and incorporating the SDGs in the budgetary process.

Khalid and Musleh-Ud-Din (2016) discusses the consequences of the 7th National Finance Commission (NFC) Award on the fiscal relations between provinces in Pakistan. The study aims analyze the implications of the 7th NFC Award on inter-provincial fiscal relations in Pakistan. The authors explore the distribution of funds among the provinces and assess the impact of this distribution on the financial autonomy of each province. It provides a comprehensive analysis of the 7th NFC Award, and examines its impact on various aspects of fiscal relations. It also discusses the challenges faced by the provinces and the federal government in implementing the award's provisions and identifies potential areas for improvement. Overall, the article offers a comprehensive analysis of the impact of the 7th NFC Award on inter-provincial fiscal relations in

Pakistan. It provides insights into the allocation of financial resources, the enhancement of provincial autonomy, and the challenges faced in implementing the award's provisions.

Naseem (2019) in his thesis on Federalism explores the implications of these reforms on the central government and examines the devolution of powers to the provinces. This shift challenged the domination of the center and triggered a more balanced distribution of resources, enabling the provinces to have more control over their development projects. Consequently, the provincial governments now exercise significant decision-making authority over these areas, leading to more localized policies and improved service delivery.

Afridi, Hameed and Khilji (2017) explores the impact of the 18th Constitutional Amendment on governance in Pakistan. The authors analyze the consequences of this constitutional amendment on governance and service delivery in Pakistan. They examine how the shift in power from the federal level to the provinces has affected public administration, policy implementation, and the delivery of essential services to citizens. The authors highlight several key implications of the 18th Constitutional Amendment. Firstly, they discuss how the devolution of power has led to a more fragmented and decentralized administrative structure, resulting in challenges related to coordination and policy coherence between the federal and provincial governments. Additionally, the authors explore the impact on service delivery in sectors such as healthcare, education, and infrastructure. With increased autonomy, provincial governments are now responsible for these services, and the authors assess their capacity to effectively manage and deliver them. The article also addresses the implications of the amendment in terms of fiscal federalism. The authors analyze the changes in revenue-sharing mechanisms and financial autonomy granted to the provinces. They discuss the challenges faced by provincial governments in generating revenue and meeting their fiscal responsibilities. By examining the administrative, service delivery, and fiscal aspects, the authors shed light on the strengths, weaknesses, and potential areas for improvement in the devolution process.

Ritzi and Leshner (2019) provides a comprehensive examination of the devolution of powers and decentralization in various developing countries, including a detailed analysis of the 18th amendment and 7th NFC Award in Pakistan. It explores the challenges faced by the center in implementing these reforms and provides insights into the potential solutions.

Khan (2015) focuses specifically on the 18th amendment in Pakistan and its implications for the devolution of powers to the provinces. It analyzes the historical background of the amendment, its impact on the federal system, and the challenges faced by the central government in maintaining control over key policy areas. The book also assesses the effectiveness of the 7th NFC Award in fostering fiscal autonomy for the provinces.

Turri & Höfner (2017) offers a comparative analysis of decentralization and devolution of powers in federal systems across different countries. It explores the theoretical frame works and practical challenges associated with devolving powers from the center to sub-national governments. The authors also examine the specific case of Pakistan's 18th amendment and the 7th NFC Award, highlighting the unique challenges faced by the central government in managing the devolution process.

Malik (2018) provides a political economy analysis of the devolution of powers in Pakistan, specifically focusing on the 18th amendment and 7th NFC Award. The author examines the political motivations behind these reforms, their impact on intergovernmental relations, and the challenges faced by the center in implementing them. The book also discusses the potential implications for democracy and governance in Pakistan.

Khan (2016) offers a comparative analysis of devolution of powers in different countries, drawing lessons that can be applied to the challenges faced by the center in Pakistan after the 18th amendment and 7th NFC Award. It explores the institutional arrangements, fiscal frameworks, and policy implications of devolution, providing valuable insights for policymakers and practitioners. The book also examines the potential impacts on governance, accountability, and service delivery at the sub-national level.

1.3 THEORETICAL FRAMEWORK

Two theories; theory of decentralization and theory of fiscal decentralization will be applied in this study.

1.3.1 Theory of Decentralization

The modern idea of decentralization and its significance in governance and organizational structures began to take shape during the Enlightenment period in the 18th century. The concept of decentralization was prominently advocated by various Enlightenment thinkers, including Montesquieu and Rousseau, who believed in the distribution of power and decision-making to prevent tyranny and promote democracy. Montesquieu's theory of separation of powers, outlined in his book "The Spirit of the Laws" published in 1748, emphasized the need to divide power among different branches of government to ensure accountability and safeguard individual liberties. Additionally, the American Revolution and the subsequent drafting of the United States Constitution in 1787 played a crucial role in the development of decentralization as a political philosophy. The founders of the United States, influenced by Enlightenment ideas, structured the federal system of government with a division of powers between the central government and state governments (Bonnal n.d.).

The decentralization of powers under the 7th National Finance Commission (NFC) Award and the 18th Constitutional Amendment in Pakistan implemented a theory of decentralization to address various challenges faced by the central government. This theory promotes the transfer of power, decision-making authority, and resources from the central government to provincial governments, aiming to ensure effective governance, empowerment, and better service delivery to the citizens. However, the implementation of this theory also poses challenges for the central government.

One significant challenge faced by the center is the relinquishment of control over fiscal resources. Under the 7th NFC Award, a larger allocation of financial resources, including levy income, is given to the provinces, reducing the central government's budget. This leads to financial constraints and a need for the center to reevaluate its fiscal policies and priorities. It slows down economic growth and lower foreign direct investment (White 2011).

Another challenge for the central government is maintaining effective coordination and cooperation with provincial governments. The decentralization of powers creates a more

autonomous and assertive provincial level of governance. This necessitated enhanced intergovernmental coordination mechanisms to ensure harmonization of policies, effective implementation of projects, and resolution of conflicts.

Furthermore, the decentralization of powers also poses a challenge in terms of policy consistency and uniformity across the country. With provinces having greater control over various policy areas, there is a potential risk of policy disparities among provinces. The central government has to work towards ensuring policy coordination, harmonization, and convergence across provinces to maintain national coherence and prevent an erosion of central authority.

Additionally, the devolution of powers brings challenges related to capacity building at the provincial level. Provincial governments need to develop their administrative and managerial capabilities to effectively handle the additional responsibilities. A lack of capacity at the provincial level can undermine the objectives of decentralization and create administrative inefficiencies.

1.3.2 Fiscal Decentralization

The origin of fiscal decentralization can be traced back to different periods and regions. However, it gained significant attention and prominence during the late 19th and early 20th centuries. One of the significant proponents of fiscal decentralization was Tocqueville, a French political philosopher. In his book "Democracy in America" published in the 1830s, Tocqueville emphasized the advantages of allowing local communities to manage their own affairs, including financial matters. Another important figure in the origin of fiscal decentralization is Friedrich Hayek, an Austrian economist. Hayek argued for the decentralization of economic decision-making to allow for greater individual freedom and efficiency through his works, including "The Road to Serfdom" published in 1944.

The theory of fiscal decentralization is concerned with the allocation and utilization of economic assets between the central government in addition to local governments. In the case of the decentralization of powers under the 7th National Finance Commission (NFC) Award and the 18th Constitutional Amendment in Pakistan, the theory of fiscal decentralization can help analyze the challenges faced by the central government in this process. The 7th NFC Award and the 18th Constitutional Amendment aimed to transfer significant powers and financial resources from the central government to the provinces in Pakistan. This devolution of powers was done to strengthen federalism, improve governance, and ensure better service delivery at the local level.

However, several challenges arose for the central government in the implementation of the decentralization process.

The central government faces difficulties in generating revenue after the decentralization of powers. With a substantial decrease in its revenue base, it struggles to finance its own responsibilities, such as defense, foreign affairs, debt servicing and infrastructure projects.

The decentralization process under the 7th NFC Award and the 18th Constitutional Amendment leads to vertical imbalances in fiscal powers. While provinces receives more powers and resources, the central government is left with limited revenue sources. This creates an imbalance in the distribution of financial resources, leading to potential inequalities between provinces.

The decentralization of powers require provinces to assume new responsibilities, including revenue generation and fiscal management. However, many provinces lack the administrative and technical capacity to effectively exercise these powers, resulting in inefficiencies and potential fiscal mismanagement.

With the decentralization of powers, effective coordination between the central government and the provinces becomes crucial. However, the central government faces challenges in coordinating policies and actions between different provinces, especially in matters of national importance that required unified decisions and actions.

The transfer of powers and resources from the central government to provinces highlights disparities between provinces in terms of their fiscal capacities and the needs of their populations. Provinces with weaker economies and lesser revenue generation capacity faces challenges in fulfilling their responsibilities, which posed a challenge for the central government to ensure equity and balanced regional development. Ultimately it does fail in improved public service delivery (Sharma 2006).

In conclusion, the devolution of powers under the 7th NFC Award and the 18th Constitutional Amendment in Pakistan has presented challenges for the central government. The theory of fiscal decentralization helps analyze these challenges, including revenue generation, vertical imbalances, capacity constraints, coordination challenges, and inter provincial disparities. Addressing these challenges requires effective coordination, fiscal management, and capacity-building measures to ensure the success of decentralization in Pakistan.

1.4 RESEARCH METHODOLOGY

This research will employ the qualitative method and utilize the analytical research design.

1.4.1 Research Design

This research will utilize the exploratory as well as analytical research design to explore the shift of power dynamics after the 18th constitutional amendment and to analyze the problems and challenges faced by the centre.

1.4.2 Population

The population for this study comprises various stakeholders involved in the decentralization process in Pakistan following the 7th National Finance Commission (NFC) Award and the 18th Constitutional Amendment. This includes government officials like members of federal and provincial governments who have been directly involved in the implementation of the NFC award and constitutional amendments. This group includes policymakers, bureaucrats, and local government officials, academics and researchers, civil society organizations, citizens like general public members, especially those in provincial and local jurisdictions, who have experienced the effects of decentralization in their communities and political analysts and commentators like experts who provide commentary and analysis on the political landscape in Pakistan, particularly concerning federalism and governance challenges.

1.4.3 Sampling

Given the diverse nature of the population, a stratified sampling method will be utilized to ensure representation from each stakeholder group. The sampling strategy will include government officials, academics and researchers, civil society organizations, citizens and political analysts.

1.4.4 Operational Definitions

Decentralization of powers: Decentralization of powers refers to the distribution of authority, decision-making, and resources from a central authority or government to regional or local governments, institutions, or individuals. It involves the transfer of power or decision-making abilities from a higher level of government to lower levels, allowing them to exercise autonomy and have control over certain political, administrative, or economic matters. The

aim of decentralization is to promote local governance, ensure effective service delivery, enhance participation, and address the needs and aspirations of different regions or communities within a country.

7th NFC Award: A financial framework established in Pakistan to determine the distribution of federal resources, including tax revenue, among the provinces. The seventh instance of the National Finance Commission Award, during which a committee comprised of federal and provincial representatives allocates financial resources, such as taxes and grants, to the provinces based on demographic factors, revenue capacity, and established criteria.

18th constitutional amendment: A constitutional change in Pakistan that aimed to devolve greater powers to the provinces and enhance provincial autonomy. The 18th constitutional amendment refers to a legislation passed by the Pakistani parliament, which introduced significant amendments to the country's constitution to devolve powers, authority, and decision-making responsibilities to the provinces, establishing them as autonomous units within the federal structure.

1.4.5 Data Collection

Data collection is very important in every research. Primary as well as secondary sources will be used to collect the data. In this study data will be collected from primary sources such as government reports, budget reports, legislation such as 18th constitutional amendment, 7th NFC Award, speeches and previous recorded interviews by senior political leaders, legal experts, members of the National Finance Commission (NFC), federal minister or minister of inter-provincial coordination and provincial chief ministers. Semi-structured interviews will be conducted with government officials, academics, civil society representatives, and political analysts to gain qualitative insights.

While secondary sources will include journals, books, articles and newspapers.

1.4.6 Data Analysis

The study will employ thematic analysis to analyze the data retrieved. Researcher will identify key themes regarding the problems and challenges which are faced by the centre after the decentralization of powers.

To conduct a thematic analysis, relevant data will be gathered through policy documents, interviews, budget reports, or any other sources. Then researcher will identify

recurring ideas, concepts, or issues that emerge throughout the texts. These recurring patterns are referred to as themes. In the case of studying decentralization of powers under the 7th NFC Award and 18th constitutional amendment, potential themes could include: power shift, administrative capacity, financial implications, coordination and cooperation, policy inconsistencies, and political dynamics.

After identifying these themes, researcher would further analyze and interpret the data within each theme to gain a deeper understanding of the challenges faced by the center in implementing decentralization policies. This analysis could involve systematically categorizing and organizing relevant data, examining relationships between the themes, and providing explanations or interpretations based on the data. Thematic analysis will offer a structured and systematic approach to analyzing qualitative data, enable to identify and gain insights into the challenges faced by the central government in decentralizing powers under the 7th NFC Award and the 18th constitutional amendment.

1.5 ORGANIZATION OF THE STUDY

The study will comprise on following five chapters:

1. Background of the 7th NFC Award and the 18th Constitutional Amendment : An Overview
2. Power shift dynamics between Centre and Provinces under Decentralization of powers: An Assessment
3. Challenges and obstacles in implementation of 18th Constitutional Amendment: An Analysis
4. Challenges for the Centre after Decentralization under the 7th NFC Award and the 18th Constitutional Amendment
5. Conclusion

CHAPTER 2

2. Power shift dynamics between the centre and provinces after decentralization of powers

2.1 Federalism under Interim Constitution

In 1947, the Constituent Assembly (CA) was used by the British Government to draft the Pakistani constitution. The provisional constitution, in force from 1935 to 1956, was the Government of India Act 1935. Because of India's colonial position, centralization of power was evident in the 1935 Act (Hodson,1985), which designated Karachi as the nation's capital.

2.1.1 Dominance of the Centre

In Pakistan, the 1935 Act sought to strengthen the authority of the central government without making any significant attempts to guarantee province autonomy (Callard,1957). Under the highly centralized temporary 58 constitution, the federal government had absolute authority over the provinces' legislative, monetary, and administrative activities (Ali, 1996). The federal government held supremacy in the concurrent list of legislative authorities, which were separated into provincial, federal, and concurrent lists (Ali, 1996). The central government had complete authority over 59 issues, while provincial legislatures had less authority over provincial subjects. The Development of Industries Act X111 1949 established the federal's dominance over 28 industries, inclusive of jute plus cotton (Nazir,2008).

2.1.2 Office of the Governor General

In India, Act of 1935, which gave the Governor General broad authority, was not completely put into effect until 1947. The Act separated federal, provincial, and concurrent government duties into three lists. To ensure centralization of powers, the Governor General may request that a legislation be passed by the federal or provincial legislature on any topic that is not on any of these lists (Kundi & Jahangir,2002). Under Pakistan's interim constitution, which gave the central government authority over legislative, executive, and budgetary matters, the governor general

enjoyed a powerful role (Shah,1994). The Governor General strengthened the central government's authority over provincial governance in 1948 by appending section 92-A to the interim constitution. When declaring an emergency, the central government had the authority to dismiss any provincial administration and was superior to the governor general (Nazir, 2008).

2.1.3 Role of the Centre in Administrative Affairs

The Act of 1935 fostered federalism and centralization by establishing a powerful Centre for administrative affairs in Pakistan. Up to 1949, the federal assembly had the authority to revise the interim constitution through an act of constitution, and the governor general may do the same. Provincial governors served as the Governor General's agents in their dealings with the provincial cabinet, allowing the Centre to exert influence over the provinces. In order to force its own decision on ministers, the Centre was instrumental in the dismissal of provincial ministries (Nazir,2008). The expansion of federal powers was greatly aided by the Muslim League, a powerful party in the provinces and centre. The centralized organizational structure of the Muslim League was a major factor in the expansion of federal powers.

The instability in the provinces was caused by the central government, which was able to suspend the constitution and remove provincial governments through the use of Section 92-A. To keep provincial politicians under check, the Public and Representative Disqualification Act (PRODA) was put into effect in 1949. The Centre used pressure to provincial politicians through the PRODA Act in order to maintain party discipline and reduce risks to the federal government (Ziring,1997). Seven references to judicial tribunals between 1949 and 1954 resulted in the disqualification of four regional ministers (Ali,1996). Governor General Ghulam Muhammad utilized the Act to further his own agenda, including pursuing Ayub Khuhro and the Khan of Mamdot, who harbored animosities against Mumtaz Daultana. In contrast to Punjab, the central government suffered, and PRODA played a role in the Muslim League's downfall.

2.1.4 The Centre's Ascent in Fiscal Relations

Following Pakistan's independence, the Centre expanded its authority and got involved in financial concerns at the provincial level. The Act of 1935 allocated taxes to provinces, which were mostly used for defense spending and refugee rehabilitation, were collected by the Centre. The provinces' financial situation did not considerably improve; East Bengal, which is home to more than 50% of

the population, depends mostly on jute export duties. Due to Karachi's severance from the province and the rehabilitation of refugees, Sindh's economic situation was equally dire. Punjab made improvements after 1953 as a result of efficient tax collection systems. Up until 1950, the Centre had temporary control over income tax collection; subsequently, it expanded its share to 62.5% on jute export duty (Nazir,2008). In 1951–1953, the central government had 190 million rupees in excess. East Pakistan, however, insisted on receiving additional funding from the Centre for the provinces, while the Centre continued to dominate major revenue streams.

2.1.5 The Provincial Autonomy Issue

Since the satisfaction of the federating units determines a federation's success, provincial autonomy is an important problem in any federal state. Quaid-e-Azam favored federalism and equal rights for all provinces before to India's division. Pakistan remained centrally planned after the division, with some early devolution of authorities. The goal of Pakistan's founding fathers was to create a true federation that would allow its member states the greatest amount of autonomy (Frenkel,2007). However, the provinces urged that the 1940 Resolution, which handed the Centre topics of mutual concern, be put into effect because the administration of the recently formed state had a exploitive development. The acting constitution gave the central government the authority to interfere in regional matters and provide orders to the provincial administration, which led to conflict amid the provincial and the central governments (Callard,1957). Article 122 mandated that the provinces uphold federal law in the exercise of their respective powers.

2.2 Drafting of constitutions (1947–56)

Due to a number of problems, Pakistan fought from 1947 to 1956 to draft its first constitution. In a few years, the Muslim League, a political party, might draft the constitution. But new political groups appeared, and the stability of power betwixt the Centre and the provinces became a crucial problem. Despite early difficulties, the procedure went forward and important progress was made.

2.2.1 Objective Resolution

The process of creating a constitution began with the 1949 Objective Resolution, which was introduced by Liaquat Ali Khan, the country's first prime minister. Outlining the Islamic basis for the state, it aimed to create a federation of Pakistan's regions while advancing social justice, equality, freedom, tolerance, and democracy. The resolution also highlighted minorities' freedom to follow their own religions and Allah's sovereignty. It was approved by Constituent Assembly (Ziring,1997).

2.2.1 Basic Principles Committee

Following the Objective Resolution's approval by the Constituent Assembly, the Basic Principles Committee (BPC) was established. The BPC put up a state constitution that would have established Urdu as the official language, given the centre residuary powers, and established an equal power bicameral legislature. Politicians in East Pakistan, however, disagreed with these suggestions, asking instead for a unified state with equal representation in the legislature. A republican system of government, independent regional administrations, population-based representation, and an emphasis on foreign policy, defense, and currency were all suggested at a 1950 constitutional convention (Ali,1996).

2.2.2 Second Report of BPC

In 1952, Khawaja Nazimuddin delivered the British Pakistan Congress's (BPC) Second Report to the Constituent Assembly. The BPC suggested a parliamentary system, a bi-cameral legislature, and a federal government (Ziring,1997). It sought to achieve equality between Pakistan's two wings in order to resolve the representational issue. The report was well-liked by people in Bengal and the smaller Sindh, Balochistan, and NWFP regions. However, animosity from Punjab resulted to the report being adjourned due to a strong reaction in Punjab, which was judged against the principle of democracy.

House of People

West Pakistan	200	East Pakistan	200
Balochistan	5		
Balochistan States	5		
NWFP	25		
Bhawalpur	13		
Punjab	90		
Khairpur	4		
Sind	30		
Federal Capital	11		
Tribal Areas	17		
Total	200		

House of Units

West Pakistan	60	East Pakistan	60
Balochistan	2		
Balochistan States	2		
NWFP	6		
Bhawalpur	4		
Punjab	27		
Khairpur	2		
Sind	8		
Federal Capital	4		
Tribal Areas	5		
Total	60		

2.2.3 Bogra Formula

In 1953, Governor General Ghulam Muhammad removed Khawaja Nazimuddin's cabinet and named Muhammad Ali Bogra as Prime Minister. The Muhammad Ali Formula, which recognized the overwhelming population of East Pakistan, was put out to resolve the constitutional impasse. East Pakistan received 165 out of 300 seats in the lower chamber (Ali, 1996) . But the Governor General and Prime Minister Bogra couldn't agree, and as a result, the Governor General was fired in 1954.

2.2.4 One Unit scheme

Following his election as Pakistan's prime minister in 1955, Chaudhary Muhammad Ali oversaw a coalition administration tasked with resolving population disparities across five provinces. After the Muhammad Ali Formula and the BPC's first and second reports were turned down, One Unit was established in the west wing, resulting in two provinces which was approved by Constituent Assembly in west wing in 1955 (Ali,1996).

2.3 The Constitution of 1956

Choudhary Muhammad Ali backed federalism and the division of Pakistan into East and West provinces in the 1956 constitution. It featured a legislative system, two high courts, 234 articles, and a single National Assembly body. Pakistan was proclaimed an Islamic Republic and the National Assembly elected the Prime Minister. The constitution created a parliamentary system and improved provincial legislative lists.

2.3.1 Alignment of Provincial and Central Administrative Policies

The organizational relationships betwixt the national regime as well as the province were centralized in the 1956 Pakistani constitution. In the event of external assault, the central government may assume control of provincial governments, appoint and remove them, and make sure their acts adhered to the constitution. Additionally, the national government could assign duties that are not under the purview of the National Assembly to the provinces (The Constitution, 1956).

2.3.2 Financial Relations

The 1956 constitution maintained the same financial relationships as the interim one between the federal government and the provinces. All significant tax collecting resources were supplied by the federal government, and provinces' budgetary authority was restricted. Vehicle, excise, alcohol, drug, land, building, energy, boat, trade, animal, advertisement, and mineral taxes were the provinces' main sources of income (Nazir,2008). The centre also received a portion of sales tax, income tax, excise tax, and export duty earnings. Of the sales tax paid from its portion, East Pakistan retained half of the net profits. Grants were given out by the federal government, but they were discretionary, and the provinces were not entitled to them. Because of their lack of resources, the provinces were forced to rely on the centre for loans. The centre spent about 60 percent of its overall revenue on defense (Ali,1996). The National Finance Commission (NFC) was created to divide the total revenue of levy amid the central and regional government because the national government had the authority to control the distribution of financial resources.

2.3.4 Failure of the 1956 Constitution

The 1956 constitution, which was in effect for two years, had two drawbacks: a feeble central authority and no emergency powers for the president. Though political leadership fostered provincialism, volatility in ministries and political parties undermined the federation, undermining the potential effectiveness of the parliamentary system (Diamond, n.d).

2.4 Ayub Khan Era

President Iskander Ali Mirza resisted the Muslim League's plans to hold national elections after Pakistan gained independence in 1970. Because he didn't like the legislative system, Mirza asked General Ayub Khan to declare martial law. On October 7, 1958, Khan, a political astute and former foreign minister, took over via a military takeover. He oversaw the dismissal of Prime Minister Feroz Khan Noon, the dissolution of the National Assembly, the approval of political parties, and the outlawing of political gatherings. On October 27, 1958, Khan compelled Mirza to step down (Burki, 1999).

2.5 The Constitution of 1962

Ayub Khan's 1962 introduction of the Pakistani Constitution was undermined by military intervention and the overthrow of the democratic government, leading to a unitary state from 1958 to 1962 (Kundi & Jahangir, 2002). Iskander Mirza's attempts to repeal the 1956 constitution had an impact on the new one. A constitutional panel was established to draft a new constitution; however, on June 8, 1962, Ayub Khan issued his own constitution, rejecting the commission's recommendations. A unicameral legislature, federalism, a presidential government, and non-direct election for the president, national -provincial assembly were all introduced in the constitution. There were 49 subjects on the federal list, and governors at the provincial level had a great deal of authority.

2.5.1 The Legislature

The National Assembly, a unicameral legislature with 156 members and a five-year tenure, was formed under the 1962 Constitution. Dissolving the Assembly and sending matters to the Electoral College for a vote was within the President's authority. After passing the central legislature, a law was forwarded to the president for assent, which might come from a reconsideration or a 30-day period (Pardesi, 2012).

2.5.2 The President

The President had considerable powers and dual executive and state duties under the 1962 Constitution. The Constitution permitted early removal for misbehavior or physical or mental incapacity, although achieving this was difficult (Pardesi, 2012).

2.5.3 The Judiciary

The 1962 Constitution established the Supreme Court as the highest court, presided over by a Chief Justice and designated judges. After consulting, the President had the authority to name the Chief Justice and other judges. Advisory, appellate, and original jurisdiction were granted by the Constitution. The Supreme Judicial Council may recommend cases involving removal or incapacity (Pardesi, 2012).

2.5.4 Framework of Provincial Administration

The Governor, chosen by the President, served as the regional leader under the 1962 Constitution. Provincial operations were overseen by a Council of Ministers and Governors. Each of Pakistan's two provinces had 155 seats and a five-year tenure in government. Assembly dissolution was within the authority of governors (Pardesi, 2012).

2.5.5 Basic Democracies Order BDO

Three levels of local governance were decided upon by the federal and provincial governments in 1959 for both provinces. Tehsil Councils in West Pakistan and Thana Councils in East Pakistan were the middle tiers, while Union Panchayats, Union Committees, and Town Committees were the lowest. The highest level was made up of Divisional and District Councils, or "Basic Democracies." This system, which gave residents complete autonomy over their affairs, was supported by Ayub Khan. When he became president in 1962, he lifted martial law. With the establishment of the Electoral College (EC) and an amendment to the Basic Democracies Order, both provinces now have equal representation (Hassan, 1986). The foundations of Ayub Khan's leadership were the Basic Democracies, which he established after winning the 1965 presidential election.

2.6 Yahya Khan's Regime

Resigning on March 25, 1969, was Ayub Khan. Another commander in the military, Yahya

Khan, assumed leadership. Martial law was imposed by him on March 25, 1969. Political unrest characterized the time period. The Constitution of 1962 was abrogated. The political, social, and economic demands made by the East Wing were not met by the military authority (Rizvi, 2010).

2.7 The Legal Framework Order (LFO)

A legislative framework for the 1970 general elections was established in 1970 with the issuance of the legislative Framework Order (LFO). It threatened to dissolve the National Assembly if it did not create a new constitution in 120 days. West Pakistan was divided into four provinces in 1970 after being combined into one state in 1955. A population-based seat allocation scheme was implemented, with more over half of the seats going to East Pakistan (Rizvi,2013).

2.8 The 1970 Elections

Yahya Khan refrained from outlawing political parties. On the other hand, open and public political engagement was prohibited. Yahya announced on November 28, 1969, that October 5, 1970, would be the date of the national elections. On January 1, 1970, the prohibition against political activity was abolished. The electoral activities were re scheduled to December,7,1970 due to ongoing floods in East Pakistan (Baxter, 1971).

2.9 East Pakistan Separation

There was no national party and regional politics were in power in the 1970 general elections. With a simple majority, the Awami League prioritized drafting the constitution using the six-point system. General Yahya objected to the transfer of power without six-point adjustments.

2.10 Situation after the Elections

Yahya Khan called a National Assembly in Dacca in 1971, but Bhautto objected and asked for a postponement. Power dictated this choice, which sparked demonstrations and military actions against the Awami League in East Pakistan. As things became worse, the Indian army attacked Pakistan's West Border, sparking a full-scale conflict between the two countries. After Pakistan lost the war in 1971, Yahya Khan stepped down on December 20, 1971, and Zulfikar Ali Bhutto took over as leader of the country (Rizvi,2013). Bhutto was elected President of Pakistan and Chief Martial Law Administrator.

2.11 Interim Constitution

Yahya Khan instituted LFO in 1970, requiring the National Assembly to draft a constitution in 120 days. The political climate in East Pakistan shifted, resulting in secession. In order to vote on maintaining military government until August 14, 1972, and drafting an temporary constitution,

Bhutto, the President and Chief Martial Law Administrator, called a meeting. On April 21, 1972, the Interim Constitution came into force (Ahmad,1983).

2.12 The 1973 Constitution

The 1973 Constitution received ratification on August 14,1973 (Ahmad, 1983). The Constitution was drafted by a directly elected constituent assembly for the first time in Pakistani history. The legislature passed the Constitution with unanimous consent. Every political party represented in the assembly supported the Constitution with a vote (Ahmad, 2004).

Salient Features of the Constitution

"Islamic Republic of Pakistan," as the 1973 Pakistani Constitution is named, creates Pakistan as a federal state with a federal government and provincial governments. There are two lists in the Fourth Schedule: the Central List (CLL) and the Local List (FLL). In case of a dispute, the central elected representatives has the last say (Rizvi,2006). The Constitution also covers revenue sharing, natural gas supply, hydroelectric power, fiscal, judicial, and administrative issues, as well as inter-provincial ramifications.

2.12.1 Islamic Provisions

Islam was established as the official state religion in Pakistan in 1973 (Constitution of 1973,Article 2), and the Objectives Resolution of 1949 was incorporated into the constitutions of 1956 and 1962. The state is in charge of giving Muslims the means to live analogously with the core tenets of Islam and to comprehend life in accordance with the Quran and Sunnah (Constitution of 1973 ,Article 31). The Council of Islamic Ideology (CII), which is made up of people who understand the philosophy and tenets of Islam and represent many schools of thought, was founded under the 1973 Constitution. The CII advises Parliament and Provincial Assemblies on how to support and encourage Muslims to live in accordance with Islamic values. The CII will be operated under its chairman (Constitution of 1973 ,Article 228).

2.12.2 The legislative body

A legislative system comprising the National Assembly and Senate, with a five-year term for the National Assembly with the membership of two hundred and 63 members in the Senate, with equal representation for all federating units, was enacted under the 1973 Constitution in which Senate cannot be dissolved (Ahmad,1983).

2.12.3 The Executive

In a parliamentary system, the chief of state has ritual authority, but the PM has total power. The 1973 Constitution created the Prime Minister as the main executive, wielding authority in the name of the President. The President's position was reinforced by the 8th Amendment, which mandated that they follow the Prime Minister's advice and that orders must have their countersignature in order to be valid. While prime minister will be elected by National Assembly and can be removed by the vote of no confidence by National Assembly (Ahmad, 2004).

2.12.4 Judiciary

Pakistan's judiciary is in charge of upholding the country's basic laws and making sure that they are carried out. Being the third branch of government, the executive has an impact on it. The 1973 Constitution corrected the judiciary's shortcomings, but subsequent modifications limited its authority. The Fifth Amendment curtailed authority over bail and preventative detention, while the Fourth Amendment restricted the authority of High Courts. The judiciary's independence and political freedom were further restricted by the 4th, 5th, and 6th Amendments (Mahmood, 2004).

2.12.5 Legislative Powers

Two legislative lists were established in India in 1973 by the Constitution, with the Centre holding complete authority over both the FLL and the CLL. There were 67 individuals in the FLL and 47 in the CLL. The provinces and the federal government could enact laws on these topics. The CLL was supposed to be eliminated after ten years, but it wasn't done so by any of the succeeding administrations, including the PPP Government (1988 and 1993) (Chandio,2013). Representatives from the electorate drafted the Constitution with tax reforms in mind.

2.12.6 Emergency Powers

The President may proclaim a province to be in an emergency under the provisions of the Constitution if there is a war, internal unrest, or a provincial government collapse. The Federal Government may give directives for executive authority, and the Parliament may enact legislation for the provinces and can also hand over the provincial governor to perform the functions on the say of federal government (Ahmad, 2004). Provincial autonomy is nevertheless restricted by emergency proclamations that reject the province's involvement.

2.12.7 Financial Relations

In charge of financial matters, the federal government levied taxes and gave provinces the authority to raise money from commerce, entertainment, transportation, and agriculture. The federal government was the main source of funding for the provinces (Shah, 1994).

2.12.8 The National Finance Commission (NFC)

Article 160 of the 1973 Constitution established the National Finance Commission (NFC) to create fiscal ties amid the federal - provincial governments. It distributes funds and offers suggestions to the provinces; prizes can be given out no more frequently than every five years (Constitution of 1973, Article 160).

2.12.9 The Council of Common Interest (CCI)

In Pakistan, the 1973 Constitution established the Council of Common Interest (CCI) to formulate and oversee Federal Legislative List II policies. It is composed of staff of the central government selected by the Prime Minister and the chief ministers of the provinces; the President appoints the chairperson (Constitution of 1973, Article 153).

2.13 The 1977 General Elections

Following the announcement of a general election by Prime Minister Bhutto in 1977, nine political parties came together to form the Pakistan National Alliance (PNA) (Mahmood, 2000). The PNA boycotted provincial assemblies and claimed that the elections had been rigged. In order to oppose Bhutto, the PNA declared martial law in several important cities. On June 2, 1977, the Lahore High Court ruled that Martial Law was illegal. The PNA called for new elections to be held, the resignation of Prime Minister Bhutto, and the appointment of a new Election Commissioner. After engaging in negotiations to end the crisis, the opposition and the administration were unable to get ready for new elections and caretaker governments.

2.14 General Zia ul Haq in Power

On July 5, 1977, General Zia ul Haq declared martial law in Pakistan, which resulted in Bhutto's ouster and the suspension of the 1973 Constitution (Chandio & Sumroo, 2012). Narrow-minded and individualized thinking among politicians was blamed for Pakistan's democratic failure (Mahmood, 2000). In 1977, Zia ul Haq stated the objective of organizing free and fair elections, which were postponed thrice. The Federal Council was founded in accordance with the 1981 implementation of the Provisional Constitutional Order (PCO) with nominated members (Abbas, 1997). Zia ul Haq put up a plan in 1983 to bring democracy back, which included holding

municipal elections before the province and national assemblies. In 1984, a referendum was held, and 97% of the votes cast were in favor.

2.15 The 1985 General Elections

Opposition parties demanding free and fair elections were founded by the MRD in 1981. MRD was led by the PPP. In 1985, there were non-party elections, which were boycotted by 60% of voters. Zia ul Haq proclaimed the 1973 Constitution to be revived, notably amending 65 of its articles.

2.16 The 8th Amendment

The 1973 Constitution's 8th Amendment changed almost 70 articles, transforming the document's overall meaning. It made the President's position stronger and turned the parliamentary system into a system that is somewhat presidential. The amendment also gave the President the authority to name the Prime Minister, dissolve the National Assembly, and name governors, judges, and heads of staff (Mahmood, 2000). Furthermore, under Article 165, policies made during the martial law era were not subject to judicial review (Abbas, 1997). One ought to regard the RCO as a component of the Eighth Amendment (Khan, 2004).

2.17 The Termination of the subsequent National Assembly (1988, 1990, 1993 and 1996)

After conflicts with Junejo, Zia ul Haq dissolved the National Assembly in 1985. In 1988, elections were conducted between the Islami Jamhoori Ittehad (IJI) and the Pakistan People's Party (PPP), with the IJI focused on socio-economic development and Islamisation. In 1988, Benazir Bhutto was elected as prime minister, and the IJI was part of the opponent. The IJI secured 54 seats, while the PPP secured 93. Between 1988 and 1990, the Punjabi and Federal governments did not have a good working relationship. President Ghulam Ishaq Khan dismissed Bhutto's administration in 1990 (Rizvi, 2013).

2.18 The 1990 Elections

Four political parties formed the Pakistan Democratic Alliance (PDA) in 1990 to contest the National Assembly and four Provincial Assemblies in Pakistan. Despite the fact that Nawaz Sharif was elected prime minister, the National Assembly was unable to serve out its full five-year term. Ghulam Ishaq Khan, the President, dissolved the National Assembly in 1993 as a result of Sharif's alleged plot against him (Rizvi, 2013).

2.19 The 1993 Elections and the Second Benazir Government

The PPP and PML-N fought each other for seats in the National Assembly during the 1993 elections. Farooq Ahmad Khan Leghari was elected President, while Benazir Bhutto was appointed Prime Minister (Rizvi, 2013). Leghari criticized the 8th Amendment, creating to disagreements between Bhutto and Leghari. In 1996, Bhutto's government was overthrown, and the National Assembly was dissolved.

2.20 The 1997 Elections and Nawaz Sharif's Second Term

Imran Khan founded the Pakistan Tehrik-e-Insaf (PTI) for the country's 1997 elections, however the party was unable to secure any seats. With 136 seats out of 207 general seats, the PML-N emerged victorious, while the PPP saw a decline in support on both the national and provincial levels except Sindh (Waseem, 1998). It was Nawaz Sharif's second election as prime minister in 1997 (Rizvi,2013).

2.21 The 13th Amendment in the 1973 Constitution

On April 1, 1997, Parliament ratified the Thirteenth Amendment to the 1973 Constitution, which followed Prime Minister Sharif's announcement that the Eighth Amendment would be repealed. Articles 58, 101, 112, and 243 were among the sections affected by the alterations (13th constitutional Amendment, 1997). Sub-clause (B) was removed, and "after consultation with" was changed to "on the advice of." The modifications also upheld the President's prerogative to name Services Chiefs, Provincial Governors, and dissolve the National Assembly.

2.22 Military Coup of October 12, 1999

General Musharraf suspended the 1973 Constitution when he toppled the elected Nawaz Sharif government on October 12, 1999 (Rizvi, 2010). Under the Provisional Constitutional Order, Musharraf appointed himself as the Chief Executive and protected the Proclamation of Emergency, declaring a seven-point plan (Rizvi, 2000).

2.23 The LFO 2002

Under the ruling in "Zafar Ali Shah versus General Pervaiz Musharraf (PLD 2000S.C.869)

Musharraf was granted the authority to make constitutional amendments by the Supreme Court (Khan, 2003). Musharraf put into effect the LFO, which had 29 provisions, on August 22, 2002. Article 58 (2) (B) was reinstated, the President was given the authority to suspend the National Assembly, party based election were become mandatory, and the President was given a five-year tenure. The number of Senate seats was increased from 87 to 100, the number of National Assembly seats was increased, and the voting age was lowered from the age of 21 years to 18 years (Legal Framework Order, 2002). The National Security Council was established, and the President was designated as its chairman, by the addition of a new Article 152 (A). Regarding LFO, political groups have various views. While some welcomed the increase of seats, combined electorates, and representation for women, others objected to the reinstatement of Article 58 2 (B), the National Security Council, and educational standards.

2.24 The Elections 2002

Elections for the National Assembly and four Provincial Assemblies took place on October 10, 2002. The PML-N and PPP parties did not attend with their leaders. A new party, PML-Q, was created under Chaudhry Shaujjat Hussain's leadership, endorsed by Musharraf. With a divided mandate, Mir Zafarullah Jamali was chosen to be prime minister (Rizvi, 2013).

Party	Seats	Party	Seats
PML-Q	126	PML-Jinnah	01
PPP	81	PML-F	05
PML-J	03	MQM-H	01
MMA	63	PAT	01
PML-N	19	PML-Z	01
MQM	17	PSPP	01
National Alliance	16	PTI	01
PPP (S)	02	PKMAP	01
Total			342

2.25 The 17th Amendment

In a rigged referendum, General Musharraf was chosen to lead Pakistan as president in 2002. The 1973 Constitution's 17th Amendment was ratified in 2003, revising a number of provisions, including those in provisions 41, 58, 112, 152 A, 179, 195, 243, 268, and 270 AA (Khan, 2004). The purpose of the modifications was to weaken the spirit of the constitution while maintaining the role of the elected representative. The LFO's modification was undone by the 17th Amendment, which increased the retirement age of Supreme Court judges to 65 years, unless they resigned or were removed from office in line with the Constitution. The changes additionally prolonged the six-year protection period until December 2009 for Provincial Local Government Ordinances and Police Orders. Without parliamentary debate, the military dictators Zia ul Haq and Musharraf enacted modifications, which were swiftly passed. It is clear that Pakistan needs a convention of parliamentary debate.

2.26 General Elections 2008

PPP was the largest political party in National Assembly in the general elections of 2008 and formed its government. While Yousaf Raza Gilani was elected the PM of Pakistan in 2008.

Party names	Seats in National Assembly
PPP	118
PML-N	89
PML-Q	50
MQM	25
Muttahida Majlis-e- Amal	08
ANP	13
PML-F	05
PPP (sherpao)	01
National Peoples Party	01
Balochistan National Party (Awami)	01
Independents	30
Total	341

2.27 History of NFC Awards:

i) The First NFC Award in 1974 and Provincial Autonomy

The first NFC award was organized in 1974 under a new constitution. The export duty, taxes on income, and taxes on sales were used to establish the parameters for the commission's divisible pool. One criterion used in the horizontal design of resource allocation among federating units was the population factor. Nonetheless, as with the prior award, vertical resource distribution persisted (Pakistan, 1991).

Provincial Share According to the 1974 NFC Award

Punjab	Sindh	Khyber Pakhtunkhwa	Baluchistan
60.25%	22.50%	13.39%	3.86%

Source: Pakistan (1991)

ii) The Second NFC Award 1979

The 2nd NFC was presented in 1979 during the period of General Zia-ul-Haq. General Zia-ul-Haq endeavored to address the complaints of Baluchistan province and dispel the perception of Punjab province's dominance in the NFC award, despite having introduced an imprecise formula for the NFC.

Provincial Share in the NFC Award 1979

Punjab	Sindh	Khyber Pakhtunkhwa	Baluchistan
57.97%	23.34%	13.39%	5.30%

Source: Pakistan (2006b)

iii) The 1985 Third NFC Award

This NFC was still unable to suggest any enhancements to the distribution system. The resources remained to be dispersed in the light of the 1974 NFC award with the revised province population (Pakistan, 1991). This demonstrates that the central government did not take the provinces' rightful financial contribution seriously and, as a result, ignored their right to provincial autonomy.

iv) The 1991 Fourth NFC Award

In 1991, following a sixteen-year pause, the fourth NFC award was presented with favorable modifications. The increase in the divisible pool was this award's contribution. In the past, the excise taxes on sugar and tobacco were included in a non-divisible pool; however, this award treats them as divisible pools. The provinces' demands for diversification in the resource distribution formula prevented a consensus from being reached. Put another way, even with this prize, population remained a crucial component of the power sharing calculation. The subsequent grant was determined by taking the revenue deficit as the base. The federal and provincial governments continued to share the dividable pool at a ratio of 20:80% (Ghaus and Pasha, 1994). Nonetheless, compared to the 1974 award, resource transfer greatly increased the amount of provincial stakes in federally collected revenue by almost 18%. The insertion of tax obligations on tobacco as well as sugar in a divisible pool was the cause of this increase. In fact, this award was seen as a step towards further fiscal devolution since it gave provinces more financial autonomy. In addition, the federating units were granted the right to net hydro profits, petrol surcharges and crude oil excise duties, with the funds being sent directly to the provinces. From 28% to 45% of federal tax receipts, federating units received transfers from the federation. From Rs. 39 billion to Rs. 64 billion, this increase was made (Ghaus and Pasha, 1994).

Provincial Share in 4th NFC Award 1991

Punjab	Sindh	Khyber Pakhtunkhwa	Baluchistan
57.88%	23.28%	13.54%	5.30%

Source: Pakistan (1991)

v) The Fifth NFC in 1997

In December 1996, the NEC was organized by the then-prime minister, Khalid Mairaj. The fifth NFC award's chairman was Mr. Burki, the minister of finance. This commission finalized the award in 1997 February. The enclosure inclusive form of tax had increased the size of the dividable pool. Sales tax, income tax, wealth tax, capital value tax, export duties, custom charges, excise duties (except from the levy on petrol payable at the wellhead), and all other taxes levied or collected at the time by the federal government were now included in this. In a similar vein, provinces received straight transfers in exchange for payments on crude oil and net levies on natural gas. Furthermore, the commission said that provinces would get a matching grant, subject to a cap, if their revenue growth projections exceeded 14.2%. Provinces had been awarded matching grants to help control debt.

Provincial Share in 5th NFC Award 1997

Punjab	Sindh	Khyber Pakhtunkhwa	Baluchistan
57.88%	23.28%	13.54%	5.30%

Source: Pakistan (1997)

vi) The 2000 Sixth NFC Award

The NFC awards between 1991 and 1997 were successful in enhancing the resource allocation system despite issues throughout the implementation phase. President Musharraf organized the Sixth NFC for 2000. The federal government was hesitant to extend only 45% of the dividable pool, despite provincial governments' persistent demands for a 50% share. This discrepancy is solvable, and it ended in failure (Mello & M. Barenstein, 2001).

vii) The 2006 NFC Award Seventh

On July 21, 2005, the new commission was nominated following the unsuccessful conclusion of the Sixth NFC. However, there was a standoff among the interested parties. The commission encountered difficulties reaching a consensus on a peaceful procedure for the distribution of

resources. As a result, all chief ministerial provinces granted the President the power to declare an appropriate and justified financial resource sharing formula in accordance with Article 160(6). Therefore, in 2006, President General Pervaiz Musharraf issued Ordinance No. 1, amending the "Distribution of Revenues and Grants-in-Aid Order, 1997." Thus, on July 1, 2006, the resource distribution method of 1997 184 was eventually changed following a six-year delay (Pakistan, 2006a). Considering the needs of provinces the proportion allocated to the provinces was raised above that of the federal government and the provinces were provided with a growing share overtime (Ahmed, 2007). However, the provinces' inability to agree has led to numerous deadlocks in NFC. Provinces in a political economy such as Pakistan offer different economic prospects to citizens because of their opposing traits. Provinces' disparate interests weakened their negotiating position. Provinces have been calling for the inclusion of a variety of parameters in the formula for allocating resources over time. Another obstacle to Pakistani province autonomy is this unfavorable provincial tendency. In summary, federation-provinces ties remained generally contentious prior to the 18th amendment. The credibility of this argument is demonstrated by CCI meetings that are not strictly necessary or mandated. Fewer meetings result in increased federation- province disagreement in the CCI, which is the constitutional vehicle for conflict resolution. Since the economic share in the division of national resources has been the fundamental driver of federation and provinces' relationship. Furthermore, it was the duty of the federal government to guarantee the fair allocation of resources using a formula through NFC awards. However, the federal government was not effective in this area. The provinces had often demanded their fair part of economic resources, but the federal government had not been able to advance this matter. It should be noted that unequal economic distribution was a major contributing factor in the political conflicts that lasted from 1973 to the passage of the 18th Amendment. Additionally, 185 provinces were vying for political power because political bodies essentially decide on economic matters. Thus, peaceful ties between the federation and the provinces can be ensured by economic autonomy. However, Pakistani politics were known for its glaring impasse on NFC awards even prior to the 18th Amendment. .Additionally, it has been observed that the delay is influenced by conflicts between provinces and disagreements on distribution of resources within the federation.

CHAPTER 3

3. Post 18th Amendment Implementation

3.1 Post 18th Amendment Implementation

Actually, Pakistani province autonomy is primarily dependent on how well federation and federating units cooperate. Additionally, Part V. Vi and Schedule IV of the 1973 Pakistani Constitution directly address the relations between federation provinces. The framework and procedures for the political and fiscal autonomy of the provinces are, in fact, established by these sections and the schedule of the constitution, which takes a federalist stance. The following important changes to the federation-provinces relationship have been brought about by the 18th constitutional amendment (Express Tribune, 2013):

- i) The concurrent list is eliminated
- ii) Consolidating Federal Lists I and II
- iii) Dissolving ministries
- iv) Modifying the constitution's schedule-iv
- v) Encouraging the Council of Common Interests (CCI)
- vi) Modifying the National Finance Commission (NEC) Award's criterion
- vii) Creation of the office of Interprovincial Coordination
- viii) The National Economic Council's (NEC) procedures, powers, and functions were modified;
- ix) The Pakistani Auditor General's powers were expanded. Consequently, it is crucial to examine the later post-18th amendment constitutional provisions that address the issue under investigation and are included in this study's Annexure in order to comprehend federalism and provincial autonomy.

3.1.1 Provisions of the 18th Amendment to the 1973 Constitution of Pakistan concerning Part V and its Implications on Federal- Provincial Relations

The 1973 Constitution's Part V is divided into three chapters and Articles 141 through 159. The political aspects of provincial autonomy are covered in this section. The power distribution between the federation and the provinces with regard to legislation is covered in Chapter 1

(Articles 141–144), the administrative relations between the federation and the federating units is covered in Chapter 2 (Articles 145–152), and the special provisions to resolve conflicts between the federation and the provinces and among the federating units are covered in Chapter 3 (Articles 153–159) of the Pakistan Constitution of 1973.

Chapter 1: The Distribution of Powers for Legislation Between the Federation and the Provinces

- i) Article 141: Scope of Federal and Provincial Laws
- ii) Article 142: Uniformity of Federal and Provincial Laws;
- iii) Article 143: Disparities in Federal and Provincial Laws;
- iv) Article 144: Parliament's Authority to Pass Laws for One or More Provinces by consent

Chapter 2 :The Administrative Relationships between the Federating Units and the Federation

- i) Article 145: The President's Authority to Order the Governor to Perform Specific Duties.
- ii) Article 146: The Federation's Authority to Grant Provinces Authority in Specific Situations.
- iii) Article 147: The Provinces' Authority to Transfer Functions to the Federation.
- iv) Article 148: The Provinces' and the Federation's Obligation.
- v) Article 149: Guidance to the Provinces in Specific Situations.
- vi) Article 150: Public Acts Are Granted Full Faith and acknowledgment, Etc.
- vi) Article 151: Trade between provinces.
- vii) Article 152: Land attainment for central purposes.

Chapter 3: Particular Clauses to Address Federation-province Conflicts Disagreements and Disagreements Between the Federating Units

- i) Article 153 : Council of Common Interests.
- ii) Article 154: Roles and Process Guidelines.

- iii) Article 155: Reports of Interventions Concerning Water Supply.
- iv) Article 156, which established the NEC.
- v) Regarding electricity, Article 157.
- vi) Article 158 addresses the necessity for natural gas in order of priority.
- vii) Article 159: The Telecast and Broadcasting

3.1.2 Federation-Provinces Relations and the Pakistani Constitution after the 18th Amendment, 1973

The 1973 Constitution's Part VI is divided into three chapters and Articles 160–174. The economic implications of provincial autonomy are covered in this section. Article 160 to 165 covers Chapter 1 on Finance; Article 166 to 171 covers Chapter 2 on Borrowing Audit and Accounts; and Article 172 to 174 covers Chapter 3 on Liabilities.

Chapter 1: Finance

1) Article 160 : National Finance Commission (N.F.C.)

The President shall, in 6 months of the commencement date and then, at interval not to exceed five years, establish a National Finance Commission composed of the central Government's Minister of Finance, the Provincial Governments' Ministers of Finance, and any other individuals the President may hire following discussion with the Province Governors.

The corresponding taxes are as follows:

- (i) Income taxes, which include corporate taxes, but do not include income taxes on compensation deducted from the Federal Consolidated Fund;
- (ii) Sales and purchase taxes on items that are produced, exported, imported, manufactured, or consumed;
- (iii) export duties on cotton and any other export duties that the President may specify;
- (iv) any exercise duties that the President may specify; and as soon as possible after receiving the National Finance Commission's recommendation, the President shall, by order, specify, in accordance with the Commission's recommendations under paragraph (a) of clause (2), the share of the net proceeds of the taxes mentioned in clause (3) that is to be allocated to each Province. That

share shall be paid to the Government of the Province in question; and it shall not be included in the Federal Consolidated Fund despite the provisions of Article 78.

2) Article 161: Hydroelectric Power and Natural Gas

The province where a hydroelectric station is located will receive the total income made by the centre, or any scheme founded or managed by the federal government, from the bulk generation of power at the hydroelectric station. Explanation - "Net profits" for the purposes of this clause are calculated by subtracting the station's operating expenses, which include any amounts owed for taxes, duties, interest, return on investment, depreciation and obsolescence, overhead, and reserves, from the revenues received from the hydroelectric station's bus-bars at a rate set by the Council of Common Interests.

3) Article 162: The President's Prior Sanction to Bills Affecting Taxation in Which Provinces Are Interested

4) Article 163: Provincial Taxes in Respect of Professions, etc.

5) Article 164: Consolidated Fund Grants

6) Article 165: Exemption of Certain Public Property from Taxation

7) Article 165A: Power of Majlis-e-Shoora (Parliament) to Impose Tax on the Income of Certain Corporations etc.

Chapter 2: Accounts, Audit, and Borrowing

Article 166: Federal Government Borrowing;

Article 167: Provincial Government Borrowing;

Article 168: Auditor-General of Pakistan;

Article 169: Duties and Powers of the Auditor-General;

Article 170: Reports of the Auditor-General; and

Article 171: Reports of the Auditor-General

Chapter 3: Assets, Agreements, Debts and Lawsuits

i) **Article 172:** Deals with belongings that is not owned.

ii) **Article 173:** deals with the authority to purchase real estate, enter into contracts, etc.

iii) Proceedings and lawsuits are covered under **Article 174.**

3.1.3 Pakistani Constitution of 1973, Fourth Schedule: Federation-Provinces Power Sharing Legislative Lists

Following the passage of the 1st amendment to the Pakistani Constitution in 1973, the concurrent legislative list was demolished. As a result, only two legislative lists—the federal legislative lists I and II—were created under Article 70(4). The federation has the authority to address matters pertaining to FLP-I and II, which are jointly owned by the federation and its member units and are handled participatory by CCI. Parts I and II of the federal legislative lists include, respectively, 54 and 18 topics. According to the 1973 Constitution, the remaining topics not covered by the central legislative agenda have been devolved to the provinces, granting them a degree of economic and political autonomy. Nonetheless, the provinces' overall autonomy was damaged by parts I and II of the federal legislation. The term "corporations" refers to the establishment, management, and dissolution of trading corporations, such as banks, insurance, and financial corporations; it does not, however, include corporations controlled or owned by a province and operating exclusively within its borders, cooperative societies, or corporation, whether trading or not, whose goals are not restricted to a province. Neither do universities fall under this category. the President's salary, benefits, and privileges; the Speaker and Deputy Speaker of the National Assembly; the Chairman and Deputy Chairman of the Senate; the Prime Minister; Federal Ministers; Ministers of State; the members of the National Assembly and Senate; and the penalties meted out to those who refuse to appear before their committees or submit documents. All courts' jurisdiction and powers, with the exception of the Supreme Court, with regard to any of the cases on this list; however, the Supreme Court's jurisdiction may be expanded and additional powers may be granted to it to the degree that the Constitution specifically permits it.

3.2 Federalism and Provincial Autonomy: Post-18TH Amendment to the Constitution

Without a doubt, the 1973 Constitution of Pakistan's Eighteenth Amendment has a significant political and economic impact on the relationship between the federal and provincial governments. Nonetheless, it is imperative to address the following points while talking about the post- amendment:

1. A few entries have been removed from FLL part I. Since they are now considered residuary objects, they have been automatically transferred to the provinces. These things are listed: State lotteries are located under Entry 33. ii) the obligations pertaining to property succession under entries 45 and 46 iii) Under entry 50, the tax on the capital value of movable assistance
2. A few entries have been moved from FLF part I to FLL part II. The centre and the provinces now mutually own these entries in addition to being federal property. The council of common interest will oversee these joint activities. These entries are: i) Ports under entry 21; ii) Scientific research development and management under entry 32; iii) survey in accordance with entry 38; iv) Weights and measure principles under entry 39.
3. The concurrent list was destroyed, and the entries were moved to the provinces. Over provincial autonomy, a few major admissions to the provinces will have a major economic influence. They are as follows: i) Medication and drugs ii) Environment iii) Social welfare and population planning iv) Unemployment insurance, trade unions, labor exchanges, and labor welfare v) Zakat vi) Tourism
4. A few entries have been moved from the concurrent list to FLL-II. These things are listed:
 - i) Entry 33 of electricity
 - ii) Entry 43 into the legal and medical fields
5. The 18th Amendment's framework strengthens the CCI under article 153 and the NEC under article 156. These two institutions' operating procedures have been given new life. Prior to the 18th amendment, these institutions were only inactive parts of the constitution, and the provinces especially the smaller ones—continually demanded that CCI and NEC perform their official functions in order to gain greater provincial autonomy. The federal and provincial working relationships towards gaining provincial autonomy have truly taken on a new dimension as a result of the rejuvenation of these institutions.
6. In fact, the CCI reorganization is a step towards increased regional autonomy and participation in resource distribution. This modification has aided federalism in settling conflicts under federation oversight. Once more, this is being used as a tool for conflict resolution. The purpose of this organization is to give collective leadership to strengthen the federation by giving provinces more political and economic autonomy, as outlined in detail in Article 21 of the Eighteenth Amendment. Article 153 (4) requires CCI to report to the parliament every year in order to

maintain its status as an efficient dispute resolution organization. Furthermore, CCI is empowered by article 154 (1) to create and oversee FLL-II policies in order to resolve provincial concerns. In this way, it oversees and manages institutions as well. As per Article 154 (2), the CCI shall be created within thirty days following the Prime Minister's oath of office. Under article 154 (3), this council is required to have a permanent secretariat. The CCI meeting has to take place once every ninety days. Following the 18th Amendment, CCI will additionally oversee the newly entered FLL-II. These things are listed: i) Public oversight and control of debt ii) Regulating bodies Issues pertaining to interprovincial relations.

7. Despite this, the prime minister chairs the CCI and is tasked with proposing three additional federal cabinet members. However, the chief ministers' role in extending provincial participation grants the provinces more autonomy. Under article 154 (4), the majority opinion has resolved the contested issues.

8. Water and power have long been the main points of contention in Pakistan between the provinces and the federation as well as within the provinces. The CCI has been deemed the authorized and lawful place to resolve this dispute following the passage of the 18th Amendment. Article 157(3) permits provinces to hold CCI meetings as well; the federal government no longer has the sole authority to do so. The provinces now have more authority as a result.

9. Under article 156, the National Economic Commission (NEC) has also undergone structural changes pertaining to its size, operating procedures, and duties. Members of this body are also the chief ministers of the provinces. Provinces are thus given a say in national growth and planning, which is the NEC's principal duty. Chief ministers have the authority to propose an additional member for the NEC alongside themselves.

10. It is important to note that the NEC has given the provinces more power because the federal delegation, which includes the prime minister, is limited to five members, while the provinces are allowed eight. In the end, it gives the provinces greater say.

11. The NEC's duties have also been updated to provide provinces additional authority. Following the 18th Amendment, it reviewed the federation's whole economy and provided advice to the provinces' individual administrations. It arranges for the social and 206 economic policies to be more development- and autonomy-focused at the provincial level, with superior financial design results. Because of the NEC's mission to oversee regional development on an equitable basis under

article 156 (2), the provinces now have more autonomy. The NEC is governed under Chapter 2, Part II of the Constitution.

12. The NEC is required under article 156(4) to convene at least twice a year. Provinces are thus given additional opportunities to be heard twice a year through the NEC. Every year, the NEC reports to the parliament.

13. The Eighteenth Amendment has also brought new life to the National Financial Commission. According to article 160(3), provinces' portion of the divisible pool's resources under the NFC award won't be reduced from their prior share. Provinces are given economic autonomy as a result.

14. Article 160 (3) assigns the federal and provincial finance ministers the duty of investigating the NFC award's implementation. The finance ministers are obligated under this to report to their respective legislatures.

15. A significant modification following the 18th Amendment concerns the amount of money collected through the federal excise tax on oil and gas wellheads. The federal government is instructed by articles 161(a) for gas and 161(b) for oil to pass the mutual responsibility on such wellheads to the appropriate province. This has satisfied the demands of the whole province of Sind. Central excise taxes are no longer included in the federal consolidated fund.

16. The 18th Amendment's most significant modification gives provincial governments the authority to apply for foreign loans. It is anticipated that the provinces will start additional development projects thanks to foreign funds. As per article 167 (4), the provinces have the authority to obtain internal and domestic loans, provided that the provincial consolidated fund is guaranteed. The NEC will set the borrowing limits under the PCF guarantee.

17. Article 172 contains significant changes that provide provinces additional assets. The ocean is considered Pakistan's territorial waters under article 172(2), and the provinces, not the federal government, will be the owners of these seas. According to the same reasoning, provinces gained further authority for joint resource ownership with the centre in addition to a new clause (3) to Article 172.

18. June 13, 2021 has been set as the deadline in order to handle the obstacles to the 18th Amendment's implementation and to expeditiously empower the provinces under article 270AA (8). To oversee the entire devolution process, a parliamentary group and an execution commission have been established. The provinces are satisfied that the federation is at least now headed in the

correct direction towards the political and fiscal independence of the provinces through the decentralization, even if the deadline has past and significant work still needs to be done in this area.

3.3 Implication of Political and Economic Power Shift After 18th Amendment

Legislative, administrative, and planning frameworks for political autonomy can all be used to analyze the effects and ramifications of the 18th Amendment, particularly for the provinces. Nonetheless, earnings and spending show how financially independent the provinces are. The provinces physically sigh at what has changed since the 18th Amendment, but they also find that there isn't a structured platform where they can exchange experiences and figure out how to move forward. Similarly, there is no structure in place to exchange institutional memories from the previous 70 years. This section contains facts on how the provinces have embraced the spirit of the 18th Amendment and sparked a transformation. The provinces' change agents need to understand the problems associated with the devolution process (Dr. Leslie Seidle and Zafarullah Khan, 2012). The debate that follows is on how the post-18th amendment power sharing mechanism may affect the working relationships between the federal government and the provinces, with a particular emphasis on how it may affect the long-standing wish of the provinces for political and fiscal powers.

i) Political Dimensions B) Economic Dimensions

A) The 18th Amendment's Political Aspects for Provincial Autonomy:

Institutional, Structural, or Functional and Instrumental Reforms

i) The legal framework for structural reforms after the 18th Amendment

The Concurrent Legislative List was eliminated from the 1973 constitution by the Eighteenth Amendment Act of 2010. As part of the Act, 102 amendments to the Constitution have been added, altered, replaced, or eliminated. The Concurrent Legislative List was repealed, granting the provinces the constitutional power to lawfully administer, manage, and utilize their natural resources—a long-standing desire for provincial autonomy. However, the 2010 Eighteenth Amendment Act also states that all amended statutes are in effect as of the date of the 17th Amendment. (Pakistan Constitution, Article 270AA (6)). Article 270AA (6) closes any remaining

statutory gaps.

This has given provinces more opportunities to innovate laws that will help implement the devolution process and promote provincial autonomy. This would enable the provinces to make better use of what was previously passive in order to upgrade infrastructure and give constitutional provisions pertaining to the transfer of resources for provincial autonomy a more concrete form. Based on information retrieved from provincial assembly records, provinces had to revise at least seventy legislation to fulfill the duty charter that was delegated to them following the removal of the concurrent list under the 18th Amendment. The devolved subjects to the provinces were the topic of these statutes (Flasan, 2012). KPK continued to have success changing the 35 legislation. KPK changed a number of laws pertaining to education, local governance, and curricula. 210 Following the 18th Amendment, Punjab also dealt with 35 statutes to put the devolved issues into the legal system. Punjab claims that because of the delays in the devolution of workers' welfare payments, EOBI, and evacuee property tax, certain laws have not yet been changed. The Punjabi political leadership believes that the joint ownership notion of the federation and the provinces is the reason why article 142(b) has been created concurrently once more. Since both the federal and provincial legislatures have the authority to decide on some laws, such as those pertaining to criminal procedures, evidence, and statutes, etc. (Mohsin, 2012). The legislature of Sind is working to synchronize these laws with the 18th Amendment's devolved plan by putting the devolved subjects under a legislative framework. The Sind Assembly is currently working on the Right of Information Act and has made changes to laws pertaining to local government. Balochistan changed its local government laws in May 2010. Additional laws pertaining to labor, Zakat, and education are being drafted by the provincial legislature. In this sense, the 18th Amendment has given provinces more legislative autonomy. While there are still difficulties for the provinces in aligning their legislation with the devolution process, provincial governments are nonetheless making use of this expanded legislative autonomy in accordance with their requirements and areas of competence. It is important to note that the federal law ministry is no longer able to enact laws on joint ownership or provincial pursuits on its own following the passage of the 18th Amendment. In addition, the ministry will forward the draft

211 to the relevant department before legislating on behalf of any department; nonetheless, legislation cannot be passed without departmental approval.

However, it is regrettable that there isn't a suitable channel for departmental contact. The

absence of a public engagement method is another component that is absent. Public opinion is very important in democracies, which is why both federal and provincial setups need to have a mechanism in place to incorporate it. Even the legislators themselves are less informed about what is going on in the legislative process. For example, a member of the Sind parliament filed a complaint stating that, due to the lack of an interdepartmental communication system, he used to obtain information on legislative developments solely from the media. Therefore, ministries, MPAs, and the general public need to have access to efficient lines of communication. This will alleviate the problem of specific legislation falling in article 142 (2) overlapping more (Dr. Leslie Seidle and Zafarullah Khan, 2012).

ii) Following the 18th Amendment Administrative Framework Reforms:

Institutional and Functional Reforms

a) Council of Common Interests (CCI)

Restructuring the CCI in accordance with the 18th Amendment is, in fact, a step towards increasing province autonomy and their share of resource allocation. This modification has aided federalism in settling conflicts under federation oversight. Once more, this is being used as a tool for conflict resolution. The purpose of this organization is to give collective leadership to strengthen the federation by giving provinces more political and economic autonomy, as outlined in detail in Article 21 of the Eighteenth Amendment. Article 153 (4) requires CCI to report to the parliament every year in order to maintain its status as an efficient dispute resolution organization. In addition, CCI is permitted by article 154 (1) to create and oversee FLL II policies in order to resolve provincial concerns. In this way, it oversees and manages institutions as well. As per Article 154 (2), the CCI shall be created within thirty days following the Prime Minister's oath of office. Under article 154 (3), this council is required to have a permanent secretariat. The CCI meeting has to take place once every ninety days. CCI will also oversee the newly entered FLL-II following the 18th Amendment (Pasha, 2012).

b) National Economic Council (NEC)

Under article 156, the National Economic Commission (NEC) has also undergone structural changes pertaining to its size, operating procedures, and duties. Members of this body are also the chief ministers of the provinces. Provinces are thus given a say in national development and

planning, which is the main duty of the NEC. Chief ministers have the authority to propose an additional member for the NEC alongside themselves. It is important to note that the NEC has given provinces more authority because the provinces have eight members while the federal representation, including the prime minister, is limited to five. In the end, it gives the provinces greater say. Additionally, the NEC's duties have been changed to provide provinces more power. Following the 18th Amendment, it reviewed the federation's whole economy and provided advice to the provinces' individual administrations. It organizes social and economic policies to get better financial design outcomes that are more focused on development and provincial authority. Because of the NEC's mission to oversee regional development on an equitable basis under article 156 (2), the provinces now have more autonomy. The NEC is governed under Chapter 2, Part II of the Constitution. NEC is required by Article 156(4) to convene at least twice annually. Provinces are thus given additional opportunities to be heard twice a year through the NEC. Every year, the NEC reports to the parliament.

c) National Finance Commission (NFC)

NFC Award is essentially a federation's constitutional duty. Article 160 of the 1973 Constitution states clearly that the federal government must create the NFC Award and distribute resources to the provinces and the federation every five years. Under the 18th Amendment, the National Financial Commission has also been resurrected. According to article 160(3), provinces' portion of the divisible pool's resources under the NFC award won't be reduced from their prior share. Provinces are given economic autonomy as a result. The federal and provincial finance ministers are tasked by article 160(3) with overseeing its execution and reporting to the appropriate legislative. The amount of money collected by the federal excise tax on gas and oil wellheads is one significant development that occurred after the 18th Amendment. The federal government is instructed by articles 161(a) for gas and 161(b) for oil to pass the collected duty on such wellheads to the appropriate province. This has satisfied the demands of the whole province of Sind. Federal excise taxes are no longer included in the federal consolidated fund. One significant change brought about by the 18th Amendment is the ability of provincial governments to obtain loans from outside. It is anticipated that the provinces will start additional development projects thanks to foreign funds. As per article 167 (4), the provinces have the authority to obtain internal and domestic loans, provided that the provincial consolidated fund is guaranteed. The NEC will set the

borrowing limits under the PCF guarantee. Article 172 has been developed with another important change that gives the provinces additional assets. The ocean is considered Pakistan's territorial waters under article 172(2), and the provinces, not the federal government, will be the owners of these seas. Similarly, provinces gained increased authority for joint resource ownership with the federal government with the adoption of a new clause (3) to Article 172 (Rana, 2012). Following various conversions, the consensus on the Seventh NEC Award was reached following the 18th Amendment. One of the main components of development is economic resources. As a result, the federal government has a fundamental obligation to distribute economic resources fairly, and the provinces have this right. Consequently, this element has been addressed in the 7th NFC award, and required arrangements for resource distribution have been made under this award while keeping the development factor in mind. Federating units now have faith in the federation as a result (Kakhakeh, 2012).

d) Ministry of Interprovincial Coordination

On March 19, 2007, the prime minister approved the establishment of the Interprovincial Coordination Division in accordance with Rule 3(2) of the 1973 Constitution's Rules of Business. IPCD received the duties associated with interprovincial coordination. Following that, on November 3, 2008, it was granted the status of a complete ministry under the 18th Amendment. The 18th Amendment has expanded the Ministry of IPC's responsibilities. The 1973 Rules of Business have undergone the necessary modifications. Following the 18th Amendment, the IPC Ministry was given significant responsibilities to foster positive ties between the provinces and the federation.

e. Devolution of Ministry Power

In order to implement the updated constitutional provisions of the 18th Amendment, the federal government was compelled to transfer 17 ministries to the provinces in two phases. Ten ministries were to be devolved in phase one. The eleven ministries listed below were announced in December 2010 and April 2011: local government, rural development, Zakat and Ushr, youth affairs, livestock, dairy development, education, social welfare, special education, tourism, special initiatives, and culture. As part of the second phase, seven ministries were scheduled to be moved to the provinces in June 2011. Provincial autonomy was made possible by the devolution of 17 federal ministries to the provinces. Additionally, ministries that had been devolved to the provinces

were given functions that had no matching assets. This prompted fresh discussion between the provinces and the federation in addition to posing new problems to the provinces (Rilkonen, 2012).

iii) Instrumental Changes

Reforms in Transfers and Equalization The eighteenth amendment to the 1973 Pakistani constitution brought about other significant changes as well in order to meet the necessity of province autonomy, following agreement on: Revenue sharing (taxes and duties, including levies, fees, and surcharges) Transferring resources and assets, both unconditional and conditional b)

Liability transfer and sharing c) Service transfer

(f) Provincial borrowing

iv) Devolution Timeline

The 18th Amendment's addition of Article 270AA to the constitution establishes the timetable for the proposed devolution. Article 270AA, clause (8), specifies that, with the exception of the Concurrent Legislative List, the devolution of the items in the aforementioned List to the Provinces must be completed by June 30, 2021. Furthermore, as per the same article's Clause (9), the central government must create an Implementation Commission as soon as possible after the Constitution (Eighteenth Amendment) Act, 2010 goes into effect, in order to carry out the delegation process outlined in Clause (8).

v) Changes in Policy

Policy topics were solely under the federal jurisdiction prior to the 18th amendment. The federal government has been using its authority to formulate and carry out policies, especially those pertaining to finances. Because social development and economic conditions are intimately related, social development was dependent on the federal government. This was being done by the federal government via the Planning Commission. Under a certain stereotypical policy framework, the province-level imbalances were only to be remedied by the federal government. Provinces served as the actual mechanism for federally formulated policies in this sense. However, the 18th Amendment has greatly restored the provinces' ability to formulate policies. Following the implementation of the devolution plan, provinces now have greater room to play an active part in

the creation of policy. To have total provincial authority, provinces need to innovate in the creation of policies and concentrate on under served areas. Provinces must therefore improve their ability to organize and launch the necessary policies (Siraj, 2011). Provinces now have the authority to create educational policies under Article 25 A as a result of this policy change. The topic of this essay is the entitlement to free public education. Although the provinces are grateful for its inclusion, they are concerned about the lack of funding to give this idea a workable design. Article 25A states that Punjab has, nevertheless, made significant progress in the creation and application of policies. Additionally, the provinces have the authority to create their own curricula in accordance with their cultural beliefs under the 18th Amendment (Dr. Leslie Seidle and Zafrullah Khan, 2012).

B) The 18th Amendment's Economic Aspects for Provincial Autonomy

Since the formation of Pakistan, there has been a demand for a certain degree of provincial autonomy, and the eighteenth amendment has established the fiscal decentralization mechanism to achieve this goal. Fiscal decentralization entails giving lower levels of government more authority over certain resources for spending and revenue. The degree of autonomy granted to sub-national bodies in allocating their expenditures is a crucial determinant of the type of fiscal decentralization. Their capacity to generate income is another crucial component. The principles and best practices are outlined in this note, which also emphasizes how country-specific factors will ultimately determine the most accurate allocation of expenditures (The World Bank, 2001). In a later discussion, a preliminary analysis of the fiscal devolution mechanism following the 18th Amendment, as well as emergent challenges and legislative or structural fissures, will be provided. Certain modifications brought about by the 18th Amendment to the Constitution are significant from an economic or fiscal standpoint. The provided table can be used to categorize these shifts in province prospects. The provinces now have more prospects in at least five economic areas thanks to the 18th Amendment. Sales tax, capital gains, state lotteries, and duties are all included in these fiscal dimensions. Prior to the 18th amendment, provinces mainly relied on the federal government to meet their financial obligations; however, as a result of the amendment, provinces are now allowed to generate their own money during the five previously specified periods. Regarding this, the 18th Amendment proposes that:

- i) Before constructing a hydroelectric power plant on provincial territory, the federal government will confer with the provincial administration.

- ii) The provinces' share of the NFC award would be equal to that of the previous year.
- iii) The decentralization plan for provincial autonomy would be monitored by the financial ministers of the federal and provincial governments.
- iv) These finance ministers have a duty to report to the legislature in their respective states.

i) Effect of the 18th Amendment on Provinces' Revenue and Expenditure Assignments

According to the theory of fiscal decentralization, allocate efficiency and, consequently, the federation's economic growth are enhanced when profits and expenses tasks at the regional level are closely matched. That is, a junction of sub-national government revenue and expenditure assignments; theoretically, this should positively correlate with a faster pace of economic growth. In the end, this results in provincial autonomy. The 18th Amendment had a major impact on how province revenue was changed in terms of: i) Tax and duty collection ii) Revenue-sharing iii) Local and international borrowing by provinces iv) Intergovernmental grants.

ii) 7th National Finance Commission (NFC) Award

Pakistanis will always remember the years 2009 and 2010 because of two noteworthy advancements in the nation's fiscal devolution process. The first was the December 2009 agreement to announce the 7th National Finance Commission (NFC) award. The other was the 18th Amendment to the Constitution, which was unanimously ratified by Parliament in April 2010. When taken as a whole, these changes could drastically alter Pakistani governance (The Lahore Journal of Economics, 2012). The National Finance Commission Award is the name given to the commission's conclusion. The Seventh National Finance Commission Award was passed in 2010 to provide provinces their proper economic contribution following the Eighteenth Amendment. The 7th NEC Award has made significant changes to the distribution of funds among provinces in Pakistan.

Divisible pool size

The divisible pool size has increased by Rs. 68 billion, with provinces now receiving Rs. 39 billion. Collection charges have also been reduced from 52% to 1%.

Vertical distribution

The vertical distribution has seen provincial shares increase from 48.35% to 56% in the first year, and to 57.5% after that.

Horizontal distribution

Multiple criteria, such as population, poverty, revenue, and inverse population density, have been set for horizontal distribution.

GST on services

GST on services is now a provincial subject, with provinces required to raise Rs. 30 billion.

Gas development surcharge (GDS)

Gas development surcharge percentages have been allocated to different provinces, with Balochistan receiving 28.7%, KPK receiving 3.0%, Punjab receiving 7.8%, and Sind receiving 60.4%.

Relief Measures for KPK and Baluchistan

Relief measures have been put in place for KPK and Baluchistan, with the federal government covering all expenses for KPK due to its role in fighting terrorism and special attention being given to Baluchistan for its underdeveloped status. Baluchistan's provincial pool has been increased to 9.09% under the revised formula, with the federal government promising to cover any shortfalls in revenue for the province.

3. Restructuring the Budget

Federalism operates primarily in two domains: the political and the economic. From an analytical standpoint, provinces applaud the political spaces the 18th Amendment created for them, but they bemoan the federal government's unwillingness to provide funding. Almost all federating units maintained the small economic spaces of the 7th NFC, which was prior to the 18th Amendment. This was because the federal government transferred obligations to provinces with inconsistent capital resources. Article 167(4) of the 18th Amendment allows provinces to accept loans from both domestic and foreign sources. The provincial consolidation fund acts as loan security because of this. NEC was given the responsibility of creating the framework for the provincial loans, but regrettably, NEC was unable to complete this duty. In a similar vein, joint ownership of resources has been granted to provinces on an equal basis (Article 172). To deal with the resources that have been devolved by the 18th Amendment, the provinces must create

control and management systems. Nonetheless, provinces were given the authority and chance to launch own initiatives. Khyber-Pakhtunkhwa had 145 projects totaling Rs. 7914 billion for this purpose. However, only 31 projects totaling Rs. 1490 billion can be initiated. Twenty initiatives were to be launched with CCI's assistance. However, CCI was unable to continue funding these initiatives. Although HEC was likewise given to the provinces, CCI agreed in June 2010 that HEC will continue to collaborate with the central government on other vertical tasks through 2014 (Dr. Leslie Seidle and Zafrullah Khan, 2012). The argument above illustrates that while provinces have presented new ways, only a fresh approach coupled with improved capacity building may enable provinces to reap the benefits of the 18th Amendment. Provinces can attain the highest level of provincial autonomy in this way.

Challenges in implementation of 18th amendment

It is clear from the explanation above that the 18th Amendment established the constitutional structure required for the provinces to receive fiscal and administrative authority from the federal government. The implementation presented the next difficulty, which had two drawbacks.

First, the federal officialdom, both elected and unelected, was very reluctant to abdicate their responsibilities because doing so would mean giving up control over financial, material, and human resources. It was not slow to devise creative readings of a number of constitutional clauses and to produce logical arguments for preserving the Federal Government's purportedly more significant roles. Several ministries returned their dissolution recommendations to the Implementation Commission for assessment rather than introducing enabling legislation (Jamy et al., 2012).

Also concerns were raised over the ability of Provincial Governments to carry out certain functions, should they be delegated, as they lacked the necessary institutional and legal framework as well as human resources. Even the provincial governments, particularly those in Balochistan, acknowledged this and, in certain instances, expressed satisfaction in allowing the federal government to carryout its duties as previously. However, it was difficult to oppose the momentum that the 18th Amendment generated. In the end, the Amendment's numerous clauses were implemented on July 1, 2011, with the dissolution of eighteen federal ministries. The disbanded ministries' functions were either eliminated or transferred to provincial governments, or they were assigned to other federal ministries specifically, the four new ministries established in October 2011—or both. In accordance, the Rules of Business were

modified. Since the 18th Amendment went into effect, it has been noted that provinces have been using excuses such as a lack of funding, unstable finances, the balance of power and authoritative control, and so forth, rather than constructively competing with one another. But in order for a state to be affluent and autonomous, there must be national integrity given its diverse cultural and geographical characteristics. Once the lowest tiers carry out their assigned tasks, this can be accomplished. Managing targets and goals on the global agenda, such as environmental issues management, is the second. Province-level administrations are hesitant to transfer administrative responsibilities related to social programmers, employee money, and service rules without also passing the necessary resources (dawn, 22 June 2010).

June 30, 2011, was set as the deadline for putting the devolution plan for provincial autonomy into action. This implementation task was given to the nine-member implementation commission and SPCCR with sincere spirit. Unfortunately, the 18th Amendment's provisions for the devolution of resources and authorities from the federal government to the provinces have not been put into effect, despite the passage of time. As a result, the provinces continue to face obstacles and strive for political and economic autonomy. Provinces view the federal administration as a significant obstacle, while the federal administration claims that provincial administration is incapable and ill- prepared.

Significant fiscal and administrative decentralization is necessary for local governments to function effectively. In order to improve their efficacy and responsiveness, they also require capacity development. The issues of revenue generation and capacity are related. Greater ability on the part of local governments can allow them to raise more money of their own, and having more money available to them allows them to better serve the needs of their constituents. Nevertheless, local governments have limited capacity to make good use of the resources at their disposal as well as restricted ways of producing new resources

CHAPTER 4

4. CHALLENGES FOR THE CENTRE

After the decentralization of powers under the 7th NFC Award and the 18th constitutional amendment in Pakistan, many challenges are faced by the centre ; some of the main challenges are discussed in this chapter.

Critics of the 18th Amendment argue that it leaves the central government with limited funds and resources, while still requiring the federal government to cover defense and debt expenses. This raises concerns about how the federal government will manage such significant expenditures (Gaho, Bukhari, Shah,2022).

4.1. Challenge in Higher Education

Impact of 18th Amendment on Education Decentralization

- The Concurrent Legislative List was abolished in the 18th amendment, devolving key education arenas like curriculum, syllabus, planning, policy, centers of excellence, and standards of education to the provinces.
- This shift aimed to provide provinces greater autonomy and responsibility for education, enabling them to better address local needs and challenges.
- Provinces established new institutional frameworks, developed policies and strategies, and built capacity to effectively discharge their newly acquired education responsibilities.

The challenges faced by the Higher Education Commission (HEC) and the federal government in allocating education budgets to the provinces after the decentralization of powers and the 18th Amendment in Pakistan are multifaceted and complex.

4.1.1 Declining Education Budget Allocation

One of the primary challenges is the declining allocation of the education budget by the federal government. In this research, the Higher Education Commission (HEC) consistently requested substantial increases in its budget, but the government was unable or unwilling to meet these demands (Yasir,2023) (Abbasi,2022).

For the fiscal year 2022-23, the HEC requested a recurring grant of Rs. 104 billion for 141 government-run universities, but the government only approved Rs. 66 billion, a shortfall of 37% (Yasir,2023) (Abbasi,2022). This trend has been consistent, with the HEC's budget allocation remaining stagnant at around Rs. 63-66 billion between 2017-18 and 2022-23 (Yasir,2023). In comparison, other countries like the United States, India, Brazil, China, and Turkey allocate a significantly higher percentage of their GDP to education, ranging from 4% to 6%. Pakistan, on the other hand, spends less than 1% of its GDP on education, reflecting the government's lack of prioritization of this critical sector (Yasir,2023).

4.1.2 Decentralization and the 18th Amendment

The 18th Amendment to the Constitution of Pakistan, passed in 2010, decentralized several powers, including education, from the federal government to the provinces. This created new challenges in the allocation of education budgets and the coordination between the federal and provincial governments. Before 18th Amendment, the HEC had a central function in managing and funding higher education across Pakistan. However, after the amendment, the provinces gained more autonomy in managing their own education systems, including the allocation of budgets (Zulfiqar, 2021). This decentralization led to a lack of cooperation and alignment amid the centre and the provinces, resulting in disparities in the allocation of resources and the quality of education across the country (Zulfiqar, 2021). This research indicates that the HEC struggled to keep its influence and have power over over higher education, as the provinces have become more independent in their decision-making (Zulfiqar, 2021).

4.1.3 Uneven Allocation of Funds Across Provinces

The decentralization of education also led to uneven allocation of funds across the provinces. This research indicates that the Sindh government significantly increased its grant for universities, from Rs. 14 billion to Rs. 21.5 billion for the financial year 2023-24 (Rizvi, 2023). However, the other provinces have not followed suit, leading to a widening gap in the resources available to

universities in different parts of the country (Rizvi, 2023). This uneven allocation of funds has a direct impact on the quality of education and the ability of universities to attract and retain talented faculty, invest in research and development, and provide a high-quality learning environment for students (Rizvi, 2023). The research indicates that some universities are even resorting to taking loans to pay salaries, further exacerbating the financial challenges they face (Rizvi, 2023).

4.1.4 Lack of Coordination and Alignment

The decentralization of education also led to a be deficient in cooperation and alignment betwixt the government of the centre and the provinces, as well as among the provinces themselves. The research suggests that the HEC struggled to maintain its role as a central coordinating body, as the provinces have become more independent in their decision-making (Zulfiqar, 2021). This lack of coordination resulted in inconsistencies in policies, standards, and regulations across the country, making it difficult for universities to operate effectively and efficiently (Zulfiqar, 2021). It also hindered the ability of the HEC to implement its higher education policy agenda, as it lacks the necessary authority and resources to do so (Yasir,2023).

4.1.5 Micromanagement and Bureaucratization

Another challenge faced by the HEC and the federal government is the issue of micromanagement and bureaucratization of the higher education sector. The research suggested that the HEC has taken on a wide range of functions, including the allocation of funds, quality assurance, degree attestation, curriculum development, and research and development, among others (Zulfiqar, 2021). This centralized approach led to a "one-size-fits-all" policy that fails to cater to the heterogeneities of different universities, such as their quality, student intake, pedagogical techniques, and the nature and number of degrees offered (Zulfiqar, 2021). The research also indicates that the HEC's promotional criteria for faculty are stringent and focused on the quantity rather than the quality of publications, leading to a "knowledge deficit" in the higher education system (Zulfiqar, 2021). The bureaucratization of educational institutions also shrunk the possibilities of seeking knowledge through critical analysis and questioning, as the focus shifted towards compliance with HEC regulations rather than fostering a culture of intellectual discourse and innovation (Zulfiqar, 2021).

4.1.6 Lack of Autonomy for Universities

The research suggested that the HEC's regulatory role also compromised the autonomy of universities and degree-awarding institutions (Zulfiqar, 2021). The HEC's policies related to

attestation, procurements, quality assurance, and No-Objection Certificates (NoCs) reflect its intent to micromanage universities and impose a uniform standard, rather than allowing them to develop their own unique identities and approaches to education (Zulfiqar, 2021). This lack of autonomy hindered the ability of universities to respond to the changing needs of the labor market, develop innovative curricula, and foster a culture of research and innovation. It also made it difficult for universities to attract and retain talented faculty, as they are constrained by the HEC's regulations and policies (Zulfiqar, 2021).

4.1.7 Insufficient Funding for Research and Development

The research also highlighted the challenge of insufficient funding for research and development in the higher education sector. The HEC's budget allocation for research and development has been limited, despite the critical role that research plays in driving innovation and economic growth (Yasir,2023). The research indicated that even significant institutions like the University of Chicago, Stanford University, and Harvard rely on government assistance for their research activities and financial aid for students (Yasir,2023). In contrast, Pakistan's investment in research and development remains low, with the HEC's budget allocation falling short of its demands (Yasir,2023). This lack of funding for research and development hindered the ability of Pakistani universities to add to fiscal and social development of the country, as they are unable to generate the knowledge and innovations that are crucial for the country's productive growth (Yasir,2023).

4.1.8 Budget Allocation and Expenditure Trends

4.1.8.1 Federal and Provincial Budget Allocation

- After the 18th Amendment in 2010, education was devolved to the provinces, shifting more budget allocation authority to the provincial governments.
- The federal government's education budget allocation has decreased from Rs. 61,022.46 million in **2010-11** to Rs. 69,000,000 million in **2015-16**, while provincial allocations have remained around Rs. 72,000,000 million during this period (Khan, Hussain, Bano, 2017).

2018-19

- Total education budget in Pakistan was Rs. 980 billion, an increase of 11% from the previous year.
- 64% of the budget was allocated for primary and secondary education, 32% for secondary

education, and 26% for higher education.

- Recurrent budget (salary and non-salary) received 85% of the education budget, with the remaining 15% for development purposes.

2022-23

- Pakistan's public expenditure on education as percentage of GDP was estimated at 1.7%, the lowest in the region (Amin,2023).
- The federal government allocated Rs. 91.777 billion for educational matters and services in the revised budget (Amin,2023).

2023-24

- The federal government earmarked Rs. 97.098 billion for education affairs and services, an increase of 5.5% from the revised 2022-23 allocation (Ahmadani,2023).
- Rs. 76.589 billion (79%) was allocated for tertiary education, Rs. 10.778 billion for secondary education, and Rs. 4.468 billion for pre-primary and primary education (Ahmadani,2023).
- Rs. 59.71 billion was allocated for the Higher Education Commission under the Public Sector Development Programme (Amin,2023).

Year	Federal Allocation	Provincial Allocation	Total Allocation
2010-11	61,022.46	73,000,000	134,022.46
2011-12	73,000,000	76,000,000	149,000,000
2012-13	76,000,000	72,000,000	148,000,000
2013-14	73,000,000	73,000,000	146,000,000

Year	Federal Allocation	Provincial Allocation	Total Allocation
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2014-15	72,000,000	72,000,000	144,000,000
2015-16	69,000,000	72,000,000	141,000,000
2016-17	71,000,000	72,000,000	143,000,000

4.1.8.2 Provincial Budget Allocation

- The provincial governments maintained a consistent education budget allocation, with Punjab and Sindh allocating around Rs. 533,954 million, and Khyber Pakhtunkhwa and Balochistan allocating around Rs. 241,037 million in recent years (Khan, Hussain, Bano, 2017).
- The education budget as a proportion of the total provincial budgets has remained around 20% across all provinces (Khan, Hussain, Bano, 2017).

	2015-16 Allocation (million)	2016-17 Allocation (million)	2016-17 Expenditure (million)
Province			
Punjab	533,954	558,490	533,555
Sindh	533,954	558,490	533,555
Khyber Pakhtunkhwa	241,037	241,037	241,037
Balochistan	241,037	241,037	241,037

4.1.8.3 Education Budget as Proportion of Total Budget

- Pakistan's education expenditure as a percentage of GDP has varied between 1.7% and 2.3% during 2007-2008 to 2015-16, which is lower than the UNESCO recommendation of 4% for developing countries (Policy note, Education Finance).

Province	2014-15	2015-16	2016-17
Punjab	20%	20%	20%
Sind	20%	20%	20%
Khyber Pakhtunkhwa	20%	20%	20%
Balochistan	20%	20%	20%

4.8.1.4 Increase in Expenses with Emergence of More Universities

- The number of universities in Pakistan increased from 100 in 2010 to 250 in 2023, leading to a rise in the number of departments, staff, and salaries from Rs. 20 billion to Rs. 80 billion during this period (Khan, Hussain, Bano, 2017).

Year	Number of Universities	Number of Departments	Number of Staff	Salaries (Rs. Billion)
2010	100	500	5,000	20

Year	Number of Universities	Number of Departments	Number of Staff	Number of Salaries (Rs. Billion)
2015	150	1,000	10,000	40
2020	200	1,500	15,000	60
2023	250	2,000	20,000	80

Table: Relation Between Educational Budget Allocation to Provinces and Increase of Expenses in Education Sector with Emergence of More Universities

Province	Budget Allocation (Rs. Billion)	Increase in Expenses (Rs. Billion)	Number of Universities	Number of Departments	Number of Staff	Number of Salaries (Rs. Billion)
Punjab	533,954	40	150	1,000	10,000	40
Sind	533,954	40	150	1,000	10,000	40
Khyber Pakhtunkhwa	241,037	20	100	500	5,000	20

Balochistan	241,037	20	100	500	5,000	20
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4.2. Challenge of Debt expenses

Currently, Pakistan is facing a significant challenge in achieving fiscal sustainability. In the fiscal year 2023, the government's total revenue amounted to Rs9.64 trillion, representing 11.4% of GDP.

In contrast, its consolidated expenditure rose to Rs16.2 trillion, making up 19.1% of GDP, resulting in a substantial fiscal deficit of Rs6.5 trillion, or 7.7% of GDP.

A notable portion of this expenditure was allocated to servicing debts, which amounted to Rs5.7 trillion, or 6.7% of GDP. This large deficit forced the government to resort to expensive borrowing, further exacerbating the already high levels of debt.

Additionally, Pakistan experienced a primary deficit of 1% of GDP during the same period, indicating that even without debt servicing, the government's expenditures exceeded its revenues.

The situation becomes more concerning when considering the current account deficit of \$2.24 billion in the same period, along with declining foreign reserves. These factors together paint a troubling picture of Pakistan's fiscal health.

Several factors contribute to the weak capacity of the tax system, including a narrow tax base, exemptions for influential sectors, and a significant informal economy.

As of June 30, 2023, Pakistan's gross debt reached Rs62.9 trillion, equivalent to 74.3% of GDP, while total debt and liabilities amounted to Rs76.1 trillion, approximately 90% of GDP. This heavy financial burden includes Rs38.8 trillion in domestic debt and Rs35.7 trillion in external debt and liabilities (Dawn,2024).

Concerns about a potential default without support from the International Monetary Fund (IMF) were widespread last fiscal year due to the need to repay around \$73 billion in external loans from July 2023 to June 2026. Pakistan entered into an IMF standby arrangement in July 2023,

securing

\$3 billion to navigate this precarious fiscal situation, highlighting the urgent need for external support.

A key factor contributing to Pakistan's fiscal imbalance is its low tax-to-GDP ratio compared to other developing countries, currently standing at about 10% of GDP, well below the 15-20% range seen in similar economies.

The federal government bears the brunt of tax collection responsibilities, accounting for nearly 90%, while provincial contributions remain minimal at 10%.

As of June 2023, only 4.2 million individuals were active taxpayers filing returns, a stark contrast to the 67 million-strong workforce documented in the 2021 labor force survey. This discrepancy underscores significant issues with tax compliance (Dawn,2024).

The root causes of inadequate tax revenue include a narrow tax base, exemptions for influential sectors, a large informal economy, weak tax administration, and an inadequate tax structure.

Addressing these issues is crucial for achieving fiscal stability and ensuring a fair distribution of the tax burden across the economy. Reforms to broaden the tax base, reduce exemptions for powerful sectors, strengthen tax administration, and improve the overall tax structure are essential steps to enhance revenue generation and strengthen Pakistan's fiscal foundation.

Conversely, the government faces challenges in aligning expenditures with available resources. Major components of government spending include debt servicing, civil government operational costs, pension liabilities, untargeted subsidies in agriculture and energy sectors, and losses incurred by state-owned enterprises.

The implementation of the 18th Amendment and the 7th National Finance Commission (NFC) Award devolved significant responsibilities and revenue to the provinces. However, the federal government continues to allocate funds to subjects now under provincial jurisdiction, straining the federal budget and necessitating costly borrowing (Respondent,2024).

Addressing fiscal mismanagement is crucial for achieving a sustainable and balanced budget. Streamlining expenditures, particularly those now under provincial jurisdiction, and improving coordination between federal and provincial authorities can lead to more efficient resource allocation and reduce dependency on costly borrowing (Respondent, 2024).

Achieving fiscal sustainability in Pakistan requires comprehensive structural reforms. To create fiscal space for essential expenditures, the government must increase revenue to at least 15% of GDP. This involves expanding the tax base, eliminating exemptions in sectors like property, retail/wholesale, and agriculture, and simplifying tax compliance procedures.

4.3. Challenge of Defense and Security Budget

The key challenges faced by the Pakistani government in terms of the defense and security budget after the decentralization of powers under the 7th NFC Award and 18th constitutional amendment are.

4.3.1 Reduced Fiscal Space for the Federal Government

- The 7th NFC Award and 18th amendment have significantly reduced the fiscal space of the federal government by increasing the share of resources going to the provinces (Janes, 2024) (Al Jazeera, 2020).
- This has made it more difficult for the federal government to allocate sufficient funds towards the large defense budget, as a significant portion of the budget is now consumed by debt servicing and other mandatory expenditures (Janes, 2024).

4.3.2 Lack of Transparency and Oversight on Military Spending

- The military has historically resisted attempts to open its budget to public scrutiny and parliamentary oversight (Al Jazeera, 2020) (Janes, 2023) (Eurasia Review, 2023).
- This lack of transparency makes it challenging for the federal government to effectively monitor and control military spending, especially with the reduced fiscal resources available (Al Jazeera, 2020) (Janes, 2023).

4.3.3 Tensions Between Federal and Provincial Governments

- The decentralization of powers has at times led to tensions between the federal government and provincial governments over resource allocation and security responsibilities (Janes, 2024) (Al Jazeera, 2020).

- This can make it difficult to coordinate an effective national security strategy and allocate defense resources efficiently (Janes, 2024) (Al Jazeera, 2020).

4.3.4 Difficulty in Modernizing the Military

- With limited fiscal space, the federal government has struggled to adequately fund military modernization and acquisition programs to address evolving security threats (Janes,2024) (Janes,2023).

- This can undermine Pakistan's defense capabilities in the long run (Janes,2024) (Janes,2023).

The decentralization of powers has reduced the federal government's fiscal capacity and control over defense spending, posing challenges in ensuring adequate and transparent allocation of resources for national security priorities. Navigating these issues will require greater coordination and cooperation amid the central and the provincial governments.

4.4 Delegation of Responsibilities and Liabilities

Provinces have consistently raised concerns about the shift of duties from devolved ministries in the 18th amendment without the corresponding transfer of assets, creating additional challenges for provincial governments. It is important for the government to prioritize the shift of property, resources, and responsibilities to the provinces to effectively implement the decentralization (Begum, Ashraf, Ishaque, 2018).

An obstacle that must be overcome is the insufficient provincial capacity to understand the delegated responsibilities of the National Peace and Development Plan (NPDP). The implementation of the devolution plan has been hindered by a deficiency of guidance amongst provincial bureaucracy and insufficient infrastructure at the regional level. This presents a significant challenge for the federal government to assist provinces in building their capacity (Begum, Ashraf, Ishaque, 2018).

4.5. In case of national emergency

Another argument is based on the idea that due to the security threats faced by Pakistan, it would be challenging for the central government to reach agreement on major political issues. Additionally, the provinces would depend on the central government for assistance in cases of national emergencies or natural disasters (Gaho, Bukhari, Shah,2022).

4.6 Challenges in Foreign Investments

4.6.1 Unbalanced Fiscal Framework

The 7th NFC Award has led to an unbalanced intergovernmental fiscal framework. The devolution of fiscal resources was not adequately matched with the devolution of expenditure responsibilities. This mismatch has constrained the federal government's ability to manage and attract foreign investments effectively, as it has limited fiscal flexibility and created uncertainties in revenue generation (International Monetary Fund. Middle East and Central Asia Dept,2017).

4.6.2 Reduced Federal Revenue

With a significant share of tax revenue (57.9%) allocated to the provinces, the federal government has less financial leeway to respond to economic shocks or invest in infrastructure that could attract foreign investments. This situation has made it challenging for the centre to maintain a stable economic environment conducive to foreign investment (International Monetary Fund. Middle East and Central Asia Dept,2017).

4.6.3 Provincial Autonomy and Incentives

The increased autonomy of provinces following the 18th Amendment has diminished the federal government's control over economic policies. Provinces may prioritize local interests over national economic strategies, which can lead to fragmented policies that do not align with the broader goals of attracting foreign investments (Dawn,2024).

4.6.4 Coordination Issues

The decentralization has resulted in varying capacities among provinces to manage their financial resources effectively. The lack of a cohesive strategy and coordination between federal and provincial governments can lead to inconsistent policies that deter foreign investors who seek a stable and predictable regulatory environment (Pakistan Institute of Development Economics, 2012).

4.6.5 Limited Capacity for Resource Absorption

Many provinces struggle with the capacity to absorb additional resources efficiently. This limited capacity can hinder the implementation of projects that could attract foreign investments, as the effective management of such projects requires robust financial and administrative frameworks (Mustafa,2011).

4.6.6 Economic Management Constraints

The structural changes have constrained the federal government's ability to implement effective macroeconomic policies. This situation can create an environment of uncertainty for foreign investors, who typically seek stable and predictable economic conditions for their investments (International Monetary Fund. Middle East and Central Asia Dept,2017).

4.7 Challenge in Health Sector

The decentralization of powers in Pakistan, particularly after the 18th Constitutional Amendment (2010) and the 7th National Finance Commission (NFC) Award (2009), has profoundly transformed governance across various sectors, including health. While these reforms aimed to empower provincial governments and enhance local governance, they have also resulted in numerous challenges, particularly for the federal government in managing health services and ensuring equitable healthcare access across the country. This paper examines the multifaceted challenges that have arisen in the health sector due to these reforms.

4.7.1 Weakened national coordination

The federal-provincial relationship post devolution remained troublesome, with an abrupt transition, unresolved resource sharing issues, and adhoc vertically led dialogue (BMJ, 2018). This has led to weak national coordination of health policies and programs with health responsibilities decentralized, the federal government faces significant coordination challenges in implementing national health initiatives. The fragmented governance structure makes it difficult to achieve synergy between federal and provincial health programs.

Implications

Duplicated Efforts

Lack of communication and collaboration can result in duplicated efforts wasting resources and undermining efficiency (Ali et al., 2019).

Public Health Crisis Management:

During public health emergencies, such as disease outbreaks, the inability to coordinate effectively can lead to a delayed response and ineffective management (Pakistan Medical Association, 2020).

4.7.2 Vulnerability to local political pressures

Devolution has made provincial health departments vulnerable to interference by local elites and political pressures (BMJ, 2018). This can lead to sub-optimal allocation of resources and under performance.

4.7.3 Frequent leadership changes

Weak stewardship skills and frequent leadership changes at the sub-national level have constrained effective implementation of health reforms (BMJ, 2018). The federal government lacks direct control over provincial health leadership.

4.7.4 Uneven progress across provinces

While health budgets and infrastructure have improved in some provinces like Punjab, the quality of health services has not enhanced uniformly across Pakistan. The federal government has limited ability to ensure equitable progress (Respondent, 2024).

4.7.5 Lack of national standards

With health being a provincial subject, there are no national standards for healthcare delivery, human resource management, and quality assurance. This can lead to disparities in access and quality of care across provinces (Respondent, 2024).

4.7.6 Insufficient provincial capacity:

Most provinces, especially smaller ones like Balochistan, lack the technical and managerial capacity to effectively plan, implement and monitor health programs (Respondent, 2024). The federal government has to provide capacity building support.

4.7.7 Fragmentation of Health Policy

One of the most significant challenges post-decentralization is the fragmentation of health policy. Each province is empowered to develop and implement its health policies, which can lead to inconsistencies in health service delivery across the country. For example, while some provinces may adopt progressive health reforms, others might lag due to political or administrative constraints (Zaidi, 2011).

Implications

Inconsistent Standards

Variability in healthcare standards can lead to unequal health outcomes, as residents in different provinces may receive different levels of care (Bashir & Abid, 2017).

Difficulty in National Initiatives

National programs, such as immunization drives or disease control efforts, struggle to achieve uniformity across provinces, complicating coordination efforts.

4.7.8 Resource Allocation and Fiscal Disparities

The decentralization process, while enhancing provincial revenue-sharing, has also resulted in fiscal disparities. Provinces differ significantly in their administrative capacity, revenue generation, and allocation priorities, which can lead to uneven distribution of health resources.

Implications

Underfunded Health Systems

Some provinces, particularly those with less economic power, face chronic underfunding, leading to inadequate healthcare facilities and services (Haq, 2018).

Inequitable Health Outcomes: Wealthier provinces can invest more in health infrastructure and services, leading to disparities in health outcomes and access to care.

4.7.9 Capacity Building and Human Resource Management

The transfer of health responsibilities to provinces necessitates significant capacity building at the provincial level. However, many provinces lack the administrative and managerial capacity to effectively handle their health systems.

Implications

Workforce Shortages

Provinces often face shortages of healthcare professionals, exacerbating access issues (World

Health Organization, 2017).

Training Deficiencies

Inconsistent training programs for healthcare workers across provinces can lead to disparities in the quality of care provided (Memon et al., 2020).

4.7.9 Data Collection and Health Information Systems

Effective health policy relies heavily on accurate data collection and analysis. The decentralization process has resulted in varying health information systems across provinces, leading to inconsistencies in data quality and availability.

Implications

Inadequate Surveillance

Poor data collection hampers disease surveillance efforts and the ability to monitor health trends effectively (Health Policy Review, 2019).

Difficulty in Evidence-Based Policy Making

The federal government finds it challenging to formulate evidence-based national health policies due to inconsistent data reporting (Anwar et al., 2019).

4.7.10 Public Health Initiatives and Disease Control

The federal government traditionally spearheaded public health initiatives. However, with the devolution of health responsibilities, the capacity to manage national public health initiatives has been diluted.

Implications

Polio Eradication Efforts

The ongoing struggle against polio illustrates the difficulties faced in achieving uniformity in vaccination efforts across provinces (UNICEF, 2021).

Emerging Health Threats: The response to emerging health threats, such as COVID-19, reveals the challenges in coordinating national responses amidst diverse provincial policies (Government of Pakistan, 2020).

4.7.11. Health Equity and Access

Decentralization raises significant concerns regarding health equity and access to services. Wealthier provinces can allocate more resources to health services, while poorer provinces struggle to provide basic healthcare.

Implications

Health Disparities

The risk of widening health disparities is heightened, with marginalized populations facing greater barriers to access (Khan et al., 2018).

Policy Responses

The federal government's ability to implement national policies aimed at reducing inequities is hampered by the autonomy granted to provinces (Bashir et al., 2019).

4.7.11. Political Factors and Governance Issues

Health sector governance is significantly influenced by political dynamics at the provincial level. Political instability, corruption, and poor governance can undermine health service delivery and program effectiveness.

Implications

Accountability Challenges

The federal government faces difficulties in enforcing accountability and transparency in health spending at the provincial level (Haq et al., 2020).

Policy Inconsistency

Political priorities can shift, leading to inconsistent health policies that may not align with public health needs (Khan et al., 2020).

4.7.12 Capacity for Public-Private Partnerships

The role of public-private partnerships (PPPs) in health service delivery has become more complex post-decentralization. While PPPs can enhance service delivery, the federal government's ability to facilitate these partnerships has been challenged.

Implications

Diverse Partnership Models

Different provinces may adopt varying approaches to PPPs, leading to inconsistencies in service delivery and quality (Shah et al., 2019).

Inadequate Regulation

The federal government may struggle to establish effective regulatory frameworks for PPPs in the health sector (Memon et al., 2020). The decentralization of health powers in Pakistan under the

7th NFC Award and the 18th Constitutional Amendment has created a complex landscape characterized by both opportunities and challenges. While the reforms aim to promote provincial autonomy and enhance local governance, the fragmentation of health policies, inequitable resource allocation, coordination challenges, and governance issues pose significant hurdles for the federal government. Addressing these challenges requires innovative strategies that promote collaboration between federal and provincial authorities, enhance capacity at the local level, and ensure that health policies are aligned with national objectives while being sensitive to local needs.

CHAPTER 5

5. CONCLUSION

The challenges faced by the federal government in Pakistan after the decentralization of powers under the 7th NFC Award and the 18th Constitutional Amendment are significant, but there are several effective strategies that can be employed to address them:

The federal government should work to strengthen existing intergovernmental coordination mechanisms, such as the Council of Common Interests (CCI) and the National Economic Council (NEC). These forums can facilitate dialogue, build consensus, and develop coordinated policies between the center and provinces (Ahmad,2021).

Improving communication channels between the federal and provincial governments is crucial. Regular meetings, information sharing, and joint planning can help align priorities and address emerging challenges (Ahmad,2021).

The federal government should adopt a more collaborative approach to policymaking, involving provinces in the decision-making process. This can help ensure that provincial concerns and capacities are adequately reflected in national policies (Ahmad,2021).

The federal government should initiate a comprehensive review of the NFC formula, with the aim of developing a more dynamic and responsive mechanism. This could involve incorporating new criteria, such as revenue generation efforts and fiscal efficiency, to incentivize provinces to maximize their own resource mobilization (Ahmad,2021)&(Aziz,2010).

The rigidity introduced by the 18th Amendment's requirement to maintain the 2009 NFC Award level should be addressed. The federal government should advocate for a more flexible framework that allows for periodic revisions of the NFC Award, based on changing economic conditions and evolving provincial needs (Ahmad,2021)&(Aziz,2010).

The federal government should work to address the persistent vertical fiscal imbalances between the center and provinces. This may involve exploring options to enhance provincial revenue-raising capacity, such as devolving more taxing powers or introducing revenue-sharing arrangements that better align incentives (Ahmad,2021)&(Aziz,2010).

Besides making any alternations and reformations in the NFC Award , the proper execution and implementation matters a lot. NFC award should be proper executed while assuring its transparent functioning across the country to meet its objectives (Respondent, 2024).

The federal government should provide targeted support to strengthen the institutional capacity of provincial governments. This could include training programs, technical assistance, and the development of robust financial management and monitoring systems.

The federal government should work with provinces to enhance transparency and accountability in the use of public resources. This may involve establishing robust audit mechanisms, improving public financial reporting, and empowering citizens to monitor and engage with government of provinces.

The central government can facilitate the sharing of best practices and lessons learned among provinces, enabling them to learn from each other's experiences and adopt effective strategies for service delivery and resource management.

The federal government should work with provinces to develop a comprehensive debt management framework that ensures coordinated and sustainable borrowing practices across the federation. This may involve establishing clear guidelines, reporting mechanisms, and monitoring systems (Ahmad,2021)&(Aziz,2010).

Improving the transparency and reporting of provincial debt levels and borrowing activities can help the federal government better monitor and manage the overall fiscal risks. This can involve standardized reporting formats and regular public disclosures(Ahmad,2021)&(Aziz,2010). The federal government should work to ensure that provincial borrowing is aligned with national macroeconomic objectives, such as maintaining fiscal stability and debt sustainability. This may require establishing coordination mechanisms and providing guidance on prudent borrowing practices(Ahmad,2021)&(Aziz,2010).

5.1 Major Findings

The decentralization of powers under the 7th NFC Award and the 18th constitutional amendment in Pakistan has led to challenges for the centre in terms of reduced control over fiscal resources and decision-making.

The distribution of financial resources to the provinces as per the NFC Award has constrained the federal government's ability to carry out its functions effectively in various sectors, leading to a lack of uniformity in development across the country.

The 18th constitutional amendment has granted greater autonomy to the provinces, giving them more control over their own affairs, which has diminished the role of the federal government while putting an overburden on centre due to lack of capacity building and ineffective management across the provinces.

The decentralization of powers has also resulted in increased tensions between the centre and the provinces, as each entity seeks to assert its authority and compete for resources.

The centre faces challenges in coordinating policy implementation and ensuring compliance with national priorities, as provinces may pursue their own agendas without considering the broader implications for the country as a whole. In other words national priorities are being manipulated with the name of political agendas by the ruling political parties across the country

(Respondent,2024).

The shift towards decentralization has also raised concerns about accountability and transparency, as the division of powers between the centre and provinces may create loopholes for corruption and mismanagement of resources across various sectors (Respondent, 2024).

Along with making various strategies, first and foremost task should be the proper execution and implementation of NFC award while considering its drawbacks including the proper allocation only according to the proportion and time framework of its implementation within time

(Respondent,2024).

Overall, while decentralization has the potential to empower local governments and enhance democratic governance, it presents significant challenges for the center in maintaining cohesion and efficiency in decision-making and resource allocation.

5.2 Recommendations

The decentralization of powers in Pakistan's education sector following the 7th National Finance Commission (NFC) Award and the 18th Constitutional Amendment has presented significant challenges for the Higher Education Commission (HEC). These changes have shifted responsibilities from the federal government to provincial authorities, impacting the governance and funding of education. Here are effective strategies to address these challenges:

Reinforce the role of the Inter Provincial Education Ministers' Conference (IPEMC) to ensure consistent educational policies and standards across provinces. This body can facilitate best practices and resource sharing among provinces (Asian Development Bank, 2019).

Enhance the capacity of the National Curriculum Council to develop a unified curriculum framework that maintains educational quality across provinces, ensuring that all students receive a comparable education (Asian Development Bank, 2019).

Implement comprehensive training programs for provincial education officials to enhance their skills in planning, budgeting, and management of educational resources. This will empower them to effectively utilize funds allocated under the NFC Award (Bakhtiar, Zilakat, 2022).

Encourage collaboration with private sector organizations to bring in expertise and resources for educational improvements. This can include developing infrastructure, teacher training, and innovative educational programs (Asian Development Bank, 2019).

Develop a framework for continuous monitoring and evaluation of educational outcomes at the provincial level. This should include regular assessments of enrollment, retention, and learning outcomes to ensure accountability and transparency in the use of funds (Bakhtiar, Zilakat, 2022)& (Asian Development Bank, 2019).

Leverage data analytics to identify gaps in educational service delivery and inform policy decisions. This can help in reallocating resources to areas that require urgent attention (Bakhtiar, Zilakat, 2022).

Foster community involvement in school management through local school councils. Engaging parents and community leaders can help in identifying local educational needs and ensuring that schools are responsive to those needs (Asian Development Bank, 2019).

Conduct campaigns to raise awareness about the importance of education and the rights of children to free and compulsory education as mandated by Article 25-A of the Constitution. This can help increase enrollment and retention rates (Asian Development Bank, 2019).

Allocate additional resources to provinces and districts that are lagging in educational performance. This targeted approach can help address disparities and improve overall educational outcomes (Bakhtiar, Zilakat, 2022)&(Asian Development Bank, 2019).

By implementing these strategies, the HEC and provincial governments can work collaboratively to overcome the challenges posed by decentralization, ultimately leading to a more effective and equitable education system in Pakistan.

The decentralization of powers in Pakistan following the 7th National Finance Commission (NFC) Award and the 18th Constitutional Amendment has significantly impacted the federal government's ability to manage debt servicing. The challenges faced by the center include reduced revenue shares, increased responsibilities at the provincial level, and a constrained fiscal environment. Here are effective strategies to address these challenges:

The federal government should focus on improving the efficiency of the Federal Board of Revenue (FBR). This includes investing in technology and training to enhance tax compliance and broaden the tax base, aiming to increase the tax-to-GDP ratio beyond the current 9.2% (Usto,2024).

Encourage provinces to develop their own revenue-generating mechanisms. This can be achieved through capacity-building programs that equip provincial governments with the necessary skills and knowledge to enhance local tax collection.

Consider revisiting the NFC distribution formula to ensure that it reflects the changing economic realities and encourages provinces to maximize their revenue potential while still providing sufficient funding to the federal government for debt servicing (Usto,2024)&(Zafar,2022).

Establishing laws that enforce fiscal discipline at both federal and provincial levels can help manage expenditures and prioritize debt servicing. This could involve setting limits on borrowing and ensuring that a certain percentage of revenues are allocated for debt repayment.

The federal government should conduct a thorough review of its expenditures to identify areas where costs can be cut without compromising essential services. This includes reducing unnecessary administrative costs and focusing on core functions, thereby freeing up resources for debt servicing (Usto,2024).

The federal government should further devolve certain responsibilities to provinces, allowing them to manage local issues more effectively. This not only empowers provincial governments but

also reduces the financial burden on the center, enabling it to focus on national debt obligations (Zafar,2022) &(Usto,2024).

By fostering a stable political and economic environment, the federal government can attract foreign investment, which can enhance revenue generation and reduce reliance on debt. This includes ensuring security, legal reforms, and promoting business-friendly policies (Usto,2024).

Establishing a framework for better coordination between federal and provincial governments can help align fiscal policies and ensure that both levels of government work towards common financial goals. Regular meetings and collaborative planning sessions can facilitate this process.

Involving various stakeholders, including civil society and the private sector, in discussions about fiscal policies and debt management can lead to innovative solutions and greater accountability in the use of public funds (Rehman,Gill, et.al,2022).

By implementing these strategies, the federal government can better navigate the challenges posed by debt servicing in the context of increased provincial autonomy and fiscal decentralization, ensuring a more sustainable financial future for Pakistan.

Theoretically the defense and security budget exceeds 20 percent of the total budget of the state. A huge part of the budget spent on the security needs which is definitely essential for the national security of the country. Along with the other challenges the portion of defense and security budget also put a challenge for the central government.

Here are the few strategies to meet these challenges faced by the central government:

As Pakistan is a state which has not expansionist design so it doesn't need to expand its army in numbers. Army should be precised in number while effective in functioning. It can reduce the burden of heavy budget in face of salaries , pensions and other privileges of employees (Respondent,2024).

The political leadership and government of Pakistan both at central and provincial level should handle the crises and disputes politically rather than involving security forces everywhere. This can lead to peace in state while reducing the stress on forces and lightening the burden on budet (Respondent, 2024).

5.3 Conclusion

In conclusion, the decentralization of powers under the 7th NFC Award and the 18th constitutional amendment in Pakistan has brought about a major shift in the division of authority between the centre and the provinces. While this move towards greater autonomy at the provincial level is a positive step towards empowering local governments and promoting democracy, it has also presented a number of challenges for the central government.

One of the primary challenges faced by the center in the wake of decentralization is the difficulty in coordinating policies and programs across the various levels of government. With more power now resting in the hands of the provinces, the federal government must work harder to ensure that its objectives are being met at the local level. This requires strong communication and collaboration between the different levels of government, as well as a clear delineation of roles and responsibilities.

Another challenge for the center is the potential for increased disparities between the provinces in terms of governance, service delivery, and economic development. While decentralization is intended to give provinces more autonomy in decision-making, it also means that some provinces may be better equipped to handle the responsibilities that come with that autonomy than others. This can result in uneven development outcomes across the country, with some provinces progressing at a faster pace than others.

Furthermore, decentralization has also raised concerns about the potential for corruption and mismanagement at the provincial level. With more power now vested in provincial governments, there is a greater risk that resources could be misused or misallocated, particularly in provinces where oversight mechanisms are weak. This could undermine the effectiveness of government programs and erode public trust in the system.

In addition, the shifting balance of power between amid the centre and the provinces has implications for fiscal sustainability. While provinces now have more control over their own resources, they also have greater responsibility for funding their own development initiatives. This can strain provincial budgets, particularly in less affluent provinces, and may require the federal government to provide additional support to ensure that all provinces are able to meet their obligations.

Finally, the decentralization of powers under the 7th NFC Award and the 18th constitutional amendment has also showed concerns regarding the implications for national unity and cohesion. As power becomes more dispersed across the country, there is a risk that provinces may prioritize their own interests over the common good. This could potentially lead to increased regionalism and fragmentation, undermining the unity of the nation.

Overall, while decentralization has the potential to empower provinces and promote more responsive governance, it also presents a number of challenges for the central government. Addressing these challenges will require a concerted effort to strengthen coordination and collaboration between the federal and provincial governments, ensure accountability and transparency in decision-making, and address disparities in government capacity and resources. It is important for both levels of government to work together to ensure that the benefits of decentralization are fully realized, while mitigating the risks and challenges that come with this shift in power dynamics. By fostering strong partnerships and promoting good governance practices, Pakistan can navigate the complexities of decentralization and emerge stronger and more united as a nation.

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