

STRENGTHENING DEVOLUTION FOR BALANCED DEVELOPMENT: AN ANALYSIS OF FEDERALISM AND REGIONAL INEQUALITIES IN PAKISTAN

Original Article

Jawad Ullah^{1*}, Izhar Ahmad Bacha², Muhammad Waqar³

¹Lecturer, Department of International Relations, Abdul Wali Khan University Mardan, Pakistan.

²PhD Scholar, Department of International Relations, University of Peshawar, Pakistan.

³Department of Pakistan Studies, Hazara University Mansehra, Pakistan.

Corresponding Author: Jawad Ullah, Lecturer, Department of International Relations, Abdul Wali Khan University Mardan, Pakistan, jawadkhan@awkum.edu.pk

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ABSTRACT

Provinces in Pakistan exhibit clear disparities in human development, poverty, and service delivery. Human Development Index of Punjab far outstrips that of Baluchistan, while vaccination rate, literacy, and service delivery show similar traits. This work argues that these differences stem more from a strongly centralized system of governance than from terrain and geographic location. Quoting examples from Germany, Switzerland, and Canada, this study examines how giving more provincial autonomy and freedom can improve governance and decrease disparities. It is observed that empowering regional governments with clear constitutional provisions, fiscal transfers, and revenue generation at the grassroots level brings policy innovation, enhances accountability, and is convenient for local needs. An empowered three-tier federal system is required for Pakistan for better human development outcomes and to reduce Center-Province tensions.

Keywords: Human Development, Poverty, Governance, Policy, Fiscal Stability

INTRODUCTION

Since its early days, Pakistan has been striving for the establishment of an organized governance system that has the capacity to accommodate diversity. Although the founding fathers envisioned a decentralized federation, however; its governance history is marked by strongly centralized civil and military regimes. It has not only dismantled the spirit of federalism designed under the 1973 constitution of Pakistan, but has also created strong grievances regarding the provision of political space and resource allocation among the smaller units of the federation. The disparities shown in the HDI of 2018 are not merely statistical numbers; in reality, they indicate the failure of the Pakistan government structure in giving an equal level of opportunities across the country.

Additionally, Pakistan has put very little effort into continuously reforming its governance system. The 18th constitutional amendment- a milestone in the constitutional history of Pakistan- promised greater devolution and provincial autonomy; however, its capacity to condense the inequalities remains underutilized. Likewise, without any constitutional guarantee, the local government systems are repeatedly introduced and rolled back, leading to poor governance. The case of developed federations is quite contrary to Pakistan and has developed strong institutional arrangements, empowered local governments, and provided regional autonomy (Ahmad, 2023).

This paper locates Pakistan's current human development disparities within the broader context of its governance arrangements, arguing that deeper decentralization, sustained devolution, and constitutionally protected local governments are essential to overcoming entrenched inequalities and improving governance outcomes.

Regional disparities in Pakistan have become increasingly visible in recent years. The 2018 United Nations Development Program's National Human Development Report documents large gaps across provinces in education, health, and living standards. HDI shows a blatant difference between Punjab and Balochistan. Punjab's score of 0.732 significantly outperforms Balochistan, which registers a low HDI score of 0.421. The immunization rate in Punjab is 90% while 50% in Balochistan. Similarly, the literacy rate in Punjab is quite higher compared to Balochistan- the case of female education is worse in Balochistan. These figures reflect not merely geographic isolation or demographic differences but the cumulative effects of a centralized model of governance. Since independence, decision-making, revenue mobilization, and program design have been concentrated in Islamabad. Although the Eighteenth Constitutional Amendment devolved a range of functions to the provinces, it did not transfer matching revenue bases, regulatory powers, or institutional capacity. Provinces thus continue to rely heavily on the federal government for financing and policy direction, limiting their ability to respond to local needs (Adil, 2013).

Scholarship of development and federalism argued that decentralization of authority improves democratic accountability and service delivery (Oates 1999; Rodden 2004). By empowering people at the local and regional level, decentralization improves knowledge about the local requirements, encourages policy innovation, and improves accountability of public office holders. Empirical examples from the developed federations suggest that regional governments with considerable autonomy, along with clear rule-based financial allocation, can attain both efficiency and equity. Canada has designed the Equalization Program- a federal transfer mechanism for reducing the disparities and inequalities among the developed and underdeveloped provinces (Raza, 2024). It is backed by Section 36(2) of the Constitution Act, 1982. Accordingly, Prince Edward Island, New Brunswick, Nova Scotia, and Manitoba receive the financial support. Similarly, Germany supports its weak provinces under the *Länderfinanzausgleich* program. It is supported under Article 107(1) and 107(2) of the Basic Law (Grundgesetz). It is a mechanism of cooperative federalism and reflects the German commitment to fiscal balance, unity, and solidarity. In Switzerland, to reduce the disparities among the cantons has adopted the National Fiscal Equalization (*Finanzausgleich*) has been adopted. This mechanism is backed by Article 135 of the Swiss Federal Constitution. Under this system, financially strong cantons transfer a portion of their revenue to less affluent cantons, thereby reducing the disparities and promoting a balanced distribution of revenue within the federation. Even in the United States, targeted federal grants- Categorical Grants, Block Grants, and Formula Grants- help poorer states provide basic services while preserving policy discretion. These case studies provide clear examples for Pakistan on how to reduce the Center-Province tension and uneven development (Chandio, 2023).

METHODOLOGY

The study has implemented a qualitative descriptive method. It explains complex issues well, such as social and political questions, HDI, and the role of government. Unlike the quantitative model, which focuses on numbers and statistics, it helps connect data with broader ideas while remaining sensitive to the context. It not only provides the opportunity to study human development, but also explains the relation between human development, devolution, and decentralized governance.

This research is focused on the continuous difference in human development across the country, even though constitutional reforms and the creation of institutions for fair distribution have been implemented. The statistical models can highlight the inequalities in education, health, and poverty; however, they do not completely explain the basic reasons for these disparities. The qualitative descriptive model explains this case by connecting the findings to the institutional capacity and the governance model.

From an operational perspective, it means documenting trends in human development, such as the Human Development Index, poverty, and literacy level, and linking to broader national debate on federalism and devolution. This study is not aiming to test a hypothesis in a cause-and-effect context; rather, it examines how different systems of governance affect the development. In doing so, the methodology ensures that the study is not reduced to a collection of statistics, but instead serves as an exploration of Pakistan's political economy of inequality.

Theoretical Framework

The current study is based upon theories of Federalism and devolution, with particular reference to Riker's model of Federalism. He emphasized the strategic and bargaining nature of federal states. Federalism is the bargaining process between different groups who intend to maximize their power under certain conditions. It reflects the bargaining strength and the distribution of political power among different territorial actors. Secondly, the form of institutions does not guarantee the effective decentralization- the results are dependent upon the actors who use these institutions. Likewise, Governance here is assumed as the capacity of institutions to make, implement, and monitor policies that encourage equitable human development. Poor governance is reflected in disparities in service delivery, patterns of elite control, and failures to convert fiscal transfers into tangible social development (Syed et al, 2023).

Federalism provides the institutional backdrop for Pakistan's governance arrangements. According to Riker's bargaining model, federal systems emerge and function through negotiations between central and regional units. These negotiations determine the distribution of power and resources. In Pakistan, the 18th Amendment to the Constitution expanded provincial autonomy by devolving key responsibilities in education, health, and social services. Though the results of this devolution are uneven. Punjab, with an established bureaucratic setup and institutional capacity, has achieved positive outcomes, while Baluchistan, lacking these-continues to struggle. According to the devolution theories, local government is pertinent for better service delivery. However, in Pakistan, provincial political elites have centralized governance and curtailed its benefits at the grassroots level. Although the constitution has granted autonomy to the provinces, poor governance at the central and provincial levels prevents equitable development. This framework, based on Riker's Model, connects federal bargaining power and the devolution process in order to analyze the disparities among the provinces in Pakistan. It explains that for better HDI outcomes, reforming the governance model is vital, as it plays a more central role than resources. Sustainable development requires provincial autonomy, accountability, and inclusiveness (Shahid et al, 2024).

DATA ANALYSIS AND KEY FINDINGS

Uneven Human Development, Governance, and Centralization in Pakistan

Studies of development suggest that more than economic growth, governance structure, and institutional quality have greater impacts on health, education, and living standards. The Capabilities Approach of Amartya Sen emphasized that real development depends on freedom and opportunities for the masses, and connects human progress to social policy and political accountability. Similarly, Inman and Rubinfeld are of the view that, depending on the model that how authority is shared, the federal model can either enhance or restrict development (Hassan, 2025).

Comparative analysis of the South Asian setting shows that India, Sri Lanka, and Bangladesh have taken different devolution and social investment models with mixed outcomes of alleviating poverty and inequality. A general paradox is that even though Pakistan has taken a federal constitution in 1973 and decentralization by other means of 18 th Amendment, development results are highly disparate across provinces and even districts. The existing literature explains this by weak provincial capacity, capture of power by the elites, and centralization of power at the federal level as well as the provincial level (Raza, 2024).

The bargaining model of federalism by William Riker is a good theoretical framework. His model emphasizes that the federal outcomes are defined by the political bargaining among the elites, in which the units with more power and capacity get more advantageous terms. The demographic and political dominance of Pakistan has seen Punjab succeed in affecting decision-making at the federal level, whereas provinces as Baluchistan have failed to use formal autonomy to achieve substantive development. Other authors on governance, like

Manor and Smoke, reiterate that decentralization lacking the proper fiscal resources, administrative institutions, and accountability systems tends to fail in providing an inclusive development (Mumtaz, 2025).

Although the HDI trends and dynamics of poverty in Pakistan have been largely researched, the majority of the studies have taken a descriptive or statistical approach. They tend to record inequalities without placing them in the context of the wider theory in relation to federalism and governance. There is very little that directly links the results of human development to the political economy of federal bargaining and the institutional politics of its devolution. The paper will fill this gap by connecting the empirical research on HDI, poverty, and infrastructure to the theoretical knowledge on federalism and governance literature, especially the model illustrated by Riker. In so doing, it provides a finer account of how constitutional reforms and fiscal transfer have failed to bring about equal development in Pakistani provinces and districts (Khatoun, 2023).

The presentation of the 2018 UNDP National Human Development Report perhaps provides the most recent, clear picture of the distribution of human development across provinces and areas of the country. The scores of the Human Development Index (HDI) headlines are quite different, as Punjab has a score of 0.732, which falls in the category of high-medium human development, whereas Sindh and Khyber Pakhtunkhwa have 0.640 and 0.628, respectively, which fall in the medium category and the category of low human development, respectively. These statisticians make a summary of disparities in health, education, and living standards. The gaps are more impressive when they are disaggregated. In Punjab, 90 percent of females and 89 percent of males are vaccinated; Khyber Pakhtunkhwa is 79.5 percent and 77 percent, Sindh is 72 percent and 74 percent, and Baluchistan is 52 percent and 50 percent, respectively. The same trend is applied to youth literacy: It is 73.6 percent in Punjab, 67.7 percent in Sindh, 63.5 percent in Khyber Pakhtunkhwa, and only 50 percent in Baluchistan. Within these averages, there are still gender differences: in Khyber Pakhtunkhwa, literacy among male youth stands at 71% and female literacy falls to 35%; in Baluchistan, the differences stand at 61% vs 25%. The MPI at the district level also shows disparities. Killa Abdullah, and Harnai in Baluchistan and Kohistan in Pakhtunkhwa have a deprivation level of 60% and headcounts over 90%. It indicates that people of these districts are severely deprived of healthcare, education, and services. Contrary to this, Islamabad, Lahore, Karachi, Attock, and Rawalpindi have some of the lowest MPI scores in Pakistan, which indicates that people of these districts have greater access to healthcare, education, and services. Accordingly, Pakistan faces a double divide- one between the provinces and the other within the provinces (Zaman, 2025).

These differences are not merely the result of natural economic geography or population size; the long-term centralized governance system and fiscal centralization have also contributed to a large extent. Since its independence, Pakistan's development strategy has been heavily centralized. The early NFC Awards allocated the lion's share of divisible pool revenues to Punjab. In 1981–82, Punjab received 60.25 % compared to Baluchistan's 3.86 %. Even after successive awards and the 18th Amendment increased provincial shares, the administrative and regulatory powers over key sectors such as energy, higher education, and taxation remain largely with the federal government. Provincial governments, especially the weaker ones, therefore lack both the fiscal autonomy and the bureaucratic capacity to design and execute programs that respond to local needs. This helps explain why, despite federal transfers, Baluchistan's mean years of schooling stagnate at 7.4 compared to 10.1 in Punjab, and why high poverty persists in Kohistan, Killa Abdullah, or Tharparkar (Arif & Ashfaq, 2024).

Energy-use data from WAPDA underscores the same structural bias. Punjab accounts for more than half of all electricity consumers and roughly three-quarters of industrial connections, mirroring its stronger industrial base and better grid infrastructure. Baluchistan and Khyber Pakhtunkhwa show much smaller and more dispersed consumption, reflecting limited industrialization and weaker transmission networks. This is a self-perpetuating cycle whereby those provinces that have superior infrastructure and administrative capacity gain more investment, which increases their portion of federal transfer and national income, which further increases their service provision (Shah, 2024).

Centralization also reduces accountability and incentives, as far as governance is concerned. When programs are designed and monitored in Islamabad, local populations have little leverage over implementation, and provincial elites can deflect blame to the center. This creates a "blame game" and weakens the motivation of provincial governments to invest in long-term human development, particularly in politically marginal or remote districts. The result is evident in the large and persistent disparities in immunization rates, youth literacy, and satisfaction with health services, even after decades of donor and federal interventions. In Punjab, 78.3 % of people express satisfaction with health services, in Sindh, 73.2 %, Khyber Pakhtunkhwa, 72.7 % and Baluchistan, only 65.8 % (Naseer et al, 2025).

Rethinking Federal Model:

A comprehensive and functional federalism in Pakistan—one that goes beyond formal revenue sharing—offers a pathway out of this low-equilibrium trap. The 18th Constitutional Amendment (2010) devolved a wide range of functions, including health, education, and social welfare, to the provinces, but without a matching devolution of tax bases, regulatory powers, and capacity-building. Although the service delivery is awarded to the provinces, however, they are heavily dependent on the central government for funding. Provinces should be empowered to raise and retain a larger portion of their own revenues—through property, sales, and agricultural taxes—to finance human development and infrastructure investments. Health, education, and youth programs should be locally tailored with measurable performance indicators and community participation, while the federal level sets only minimum national standards and provides technical support. It is equally important to strengthen inter-provincial coordination. Bodies like the Council of Common Interests should function as genuine negotiation arenas for water, energy, and resource-sharing rather than ceremonial meetings, enabling cooperative solutions to cross-border problems (Ahmad & Talib, 2013).

International experience is instructive. In Canada, a system of fiscal equalization transfers and provincial autonomy has narrowed regional disparities while preserving national cohesion. In Germany, the “Länderfinanzausgleich” compensates poorer states to ensure equivalent living conditions. India’s recent Finance Commission awards have similarly increased devolution to states, though with mixed results. In each case, federalism works best when transfers are transparent, formula-based, and linked to performance, and when subnational governments have both incentives and capacity to deliver services.

In Pakistan’s context, a comprehensive federal arrangement would mean empowering Baluchistan and Khyber Pakhtunkhwa not only with larger and better-targeted transfers but also with the administrative and political capacity to invest in immunization drives, girls’ schooling, rural infrastructure, and industrial development according to local priorities. It would also encourage innovation and competition among provinces, allowing successful models from Punjab or Sindh to be adapted rather than imposed elsewhere. Gradually, these reforms will reduce grievances and Center–Province tensions, which create problems and encourage migration from underdeveloped districts, particularly in Northern regions (Shahzad & Younas, 2018).

Decentralization and devolution can address these imbalances by relocating authority, resources, and accountability closer to the communities affected. When the regional and local governments are authorized to design policies and programs in their localities, it puts them in a better position to per the local needs. The proximity to people is very important in effective service delivery, which allows for designing immunization campaigns for distant rural populations, early schooling—particularly girls’ schooling in underdeveloped areas, and also creating economic opportunities. In Pakistan, it became clear when comparing Karachi and Lahore with Kohistan and Qilla Abdullah (Naveed et al, 2021). On the other hand, decentralization also strengthens accountability. In a democratic environment, voters always reward and punish officials for the outcomes, especially when the budget and service delivery are designed under the local government, contrary to it in centralized systems, the provincial and central political elite only blamed one another for the failures.

The fiscal devolution is always a vital component of the process. In Pakistan, historically, the National Finance Commission Awards are designed in a fashion that more weight is given to the population, and the elements of poverty, backwardness, and revenue generation are almost ignored. Adopting a multifactor formula will allocate more budget to the underdeveloped regions. Along with that, the tax autonomy for provinces is equally important. Although health and education are devolved to the provinces, because of the control over taxation, the provincial governments remain dependent on federal transfers. For better service delivery, retaining of large share of the collected tax is quite crucial. Similarly, the regular funds transfer from the federal government can help maintain basic standards throughout the states and will minimize the anger in the underdeveloped regions (Rana, 2016).

Decentralization should not be limited to the provincial level only. Local government experiences of Pakistan suggest that locally elected authorities, including municipal authorities, Tehsil and District governments, can also play a very decisive role in improving primary education, healthcare, and sanitation when they have a clear mandate. The three-tier federal system can make the governance system more responsive to local needs by designing policies at the local level, and can reduce the involvement of the national political elite. Furthermore, it also provides a training ground for the future political and administrative leadership, which will help democracy grow over time (Shahid, 2019).

Comparative analysis of developed federations suggests how devolution, decentralization, and provincial autonomy can improve governance and reduce disparities. The Canadian constitution has empowered provinces regarding education, health, and natural resources, along with reducing the disparities among the provinces. An unconditional equalization program, which supplements the budget of weaker regions, is also implemented. It has supported provinces like Manitoba and Prince Edward Island greatly in maintaining health and education standards. The government also integrated equity with policy innovation, allowing the national government to set

a broad national standard, while leaving implementation to the regional governments. Similarly, Germany has made 'equitable living conditions' a part of its Basic Law and implemented the *Länderfinanzausgleich* system and distribute taxes in the economically strong and weak Länder. Through this system, the resources are distributed vertically between the central government and Landers and horizontally between weak and strong Landers. The Swiss model is different from Canada and Germany. The Swiss cantons enjoy vast autonomy over taxation, social services, and education. Through this system, cantons control the revenue generation process, enabling them to deliver services efficiently and promoting competition among them. Under the horizontal distribution scheme, weaker cantons receive support to maintain equal national standards (Iqbal et al, 2025).

The shared principles of governance among these federations are clear constitutional arrangements, revenue generation powers of regional governments, transparency, and formula-based allocations of funds for reducing the disparities. Putting Pakistan in these frames would require revisiting the National Finance Commission Award formula and importance must be given to infrastructure gaps and poverty; Along with better tax administration, extend provincial revenue authority over services tax, agriculture and property; providing constitutional guarantee to the local governments system and designing monitoring system to prevent elite domination and strengthening the intergovernmental forum-CCI as an important venue for negotiation of inter-provincial issues (Adil, 2023).

Devolution can empower the provinces and local governments, enabling them to formulate their public policies based on their local needs and requirements. Federal experiences suggest that regional autonomy and national integration can go hand in hand. It strengthens democracy and reduces disparities. The Pakistani Federal model is centralized in nature, which is reflected in the uneven development across the state. To overcome this, Pakistan has to revisit its federal model and learn from the experiences of developed federations.

Decentralization, Devolution, and Provincial Autonomy:

The history of centralized governance in Pakistan and uneven development across the country is quite persistent. Since the 1950s- starting with the One Unit Scheme- decision-making authority has been heavily centralized in Islamabad, which made the provinces majorly dependent on the 'discretion' of the central government. Quite often, it caused a mismatch between national priorities and the local needs. For example, the schooling and immunization rates vary sharply across the provinces, which reflects the lack of ownership.

With enhanced provincial autonomy, the 18th Amendment allows correcting these imbalances. It allowed the devolution of seventeen subjects to the provinces, including health, education, and social welfare, which allows the provincial government to tailor policy according to the local needs and requirements. However, if autonomy is not supported by enough financial resources and sufficient capacity, it is ineffective. For example, in Canada, provinces govern healthcare and education. To support the program, it receives both tax revenue and equalization transfer for better management. Similarly, Germany, through "cooperative federalism," combines strong Länder competencies with intergovernmental fiscal equalization, which supports the weaker Länder in sustaining high-quality public services (Ain et al, 2020).

To secure more positive outcomes, devolution must be extended to the local governments as well. The political history of Pakistan suggests that only provincial autonomy cannot ensure development; a strong third-tier of government is required for better service delivery. In 2001, under the devolution plan, district-level governments were established in Pakistan. It had a considerable improvement in service delivery and immunization. However, due to the lack of constitutional protection, it could not last long and is now facing a deadlock. In established federations such as Germany and Brazil, the third tier is protected through constitutional measures and gets a share in national or provincial revenue (Hassan, 2023).

Local Government and Governance in Pakistan

Although the 1973 Constitution acknowledges the importance of local self-government, Pakistan has never developed a stable, constitutionally protected system of local government. Under the military regimes, the local government trends flourished. The military regimes of Ayub Khan, Zia Ul Haq, and Pervez Musharraf, to overcome the National and Provincial assemblies, focused more on local governments; however, local government remained almost dormant under the civilian regimes. This gap has barred the development of institutionalized mechanisms of service delivery and civilian participation at the grassroots. The bureaucratic control of governance at the district level created a "missing middle" between provincial policies and local needs (Ishaq, 2023).

The spaces where local governments are functional have proven substantial potential to improve governance outcomes. Under the devolution plan of 2001, grants were given to the local governments for basic health and education, and they were permitted to recruit staff locally. Research studies focused over that period suggest that improvement is witnessed in teachers' attendance and availability, immunization coverage, and openness to the local needs, though the findings varied depending on the ability of the local government.

The local leadership easily identified the community needs- such as clean water, drainage systems, cemented streets, and electricity provision- which the provincial government overlooked time and again. These studies also suggest that with proper constitutional protection and a mechanized system, local governments can be more effective for service delivery and citizen engagement (Durrani, 2024).

Stretching the local government has not remained a priority for the governments in Pakistan. The lack of constitutional arrangements and protection has weakened the system. Along with that, the regional and central governments are reluctant to strengthen the third tier of government and view it as a potential rival. Unlike Pakistan, India, under the 73rd and 74th amendments, has empowered the local government; similarly, Brazil has empowered it even in municipal revenue share and given it a federative status under articles 18 and 29 of its constitution. Under Article 30, some local services are assigned to the municipality (*municipios*), which include early education, local transport, basic health, urban planning, and local environmental protection (Ayaz, 2024).

Guarantees similar to those in India's 73rd and 74th Amendments or Brazil's municipal revenue shares, local governments in Pakistan are easily suspended or replaced by administrators. Strengthening local governance will therefore require not only the enactment of provincial local government laws but also constitutional protection of the third tier, transparent fiscal transfers linked to performance, and capacity-building for both elected representatives and bureaucracies. Such reforms would increase federalism in Pakistan through linking provincial autonomy to citizens' participation and door-to-door service provision.

CONCLUSION

The scarcity of resources or the geography of the environment cannot be viewed as the sole cause of uneven development, but an over-centralized system of governance has a significant role in this context, as well. Those provinces that have a better infrastructure and administrative capacity, such as Punjab, can perform better in regard to human development. In contrast to it, the provinces remained stagnant in the rut of poor capacity, low investment, and poverty. A more effective solution to this problem is provided by Greater Provincial autonomy and devolution. Pakistan can meet the domestic demands, promote policy-making and innovation by offering autonomy over policy-making, as well as policy implementation, and the ability to raise revenue on its own. They are not abstract ideas; they are based on federal states- Swiss Cantonal autonomy, equalization system in Canada, German *landerfinanzausgleich*, all these are different forms of autonomy and national integration, which must be carried out literally and spiritually in Pakistan under the 18th constitutional amendment. The revision of the NFC award formula is also required to be revisited and redesigned, giving greater weight to poverty, infrastructure gaps, and the establishment of provincial revenue departments. Institutionalization of local governments and empowerment of CCI would pave the way for better federalism. These reforms will encourage underdeveloped regions to design programs based on their local needs, and over time, the disparities will lessen. Without meaningful decentralization, the uneven development in Pakistan will worsen over time. With proper mechanized provincial autonomy and devolution, only the goals of national development can be achieved, and the energies of regional governments can be utilized for better governance. It is quite obvious from the experiences of the developed federation. It is now up to Pakistan to accept the reality, design its federal model, strengthen its institutions, maintain a balance between diversity and national unity, and respond to the local needs.

AUTHOR CONTRIBUTION

Author	Contribution
Jawad Ullah*	Substantial Contribution to study design, analysis, acquisition of Data
	Manuscript Writing
	Has given Final Approval of the version to be published
Izhar Ahmad Bacha	Substantial Contribution to study design, acquisition and interpretation of Data
	Critical Review and Manuscript Writing
	Has given Final Approval of the version to be published

Author	Contribution
Muhammad Waqar	Substantial Contribution to acquisition and interpretation of Data Has given Final Approval of the version to be published

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