

**P&R**  
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# DISCOURSE

IN THIS ISSUE

COVER STORY  
*on*  
**PAKISTAN  
RAILWAYS**

**EXCLUSIVE INTERVIEW**  
*with*  
**MR. SAEED  
AKHTAR**

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## Aug-Sep 2022

*Discourse* is PIDE's flagship magazine that offers insight into social and economic issues on local and international levels. The bi-monthly publication provides a general insight into the Pakistani economy, identifies key areas of concern for policymakers, and suggests policy action.

The publication offers a quick orbit of the country's economy and is a hands-on and precise go-to document for the policymaker, businessperson, academic, researcher, or student who seeks to remain updated and informed. This issue is themed around Pakistan's Independence and Pakistan Railway (PR). Moreover, it includes abstracts from ongoing webinars in reference to discourse. We welcome contributions from within PIDE as well as from any external contributors.

#### Disclaimer:

The views expressed by the contributors do not reflect the official perspectives of PIDE.

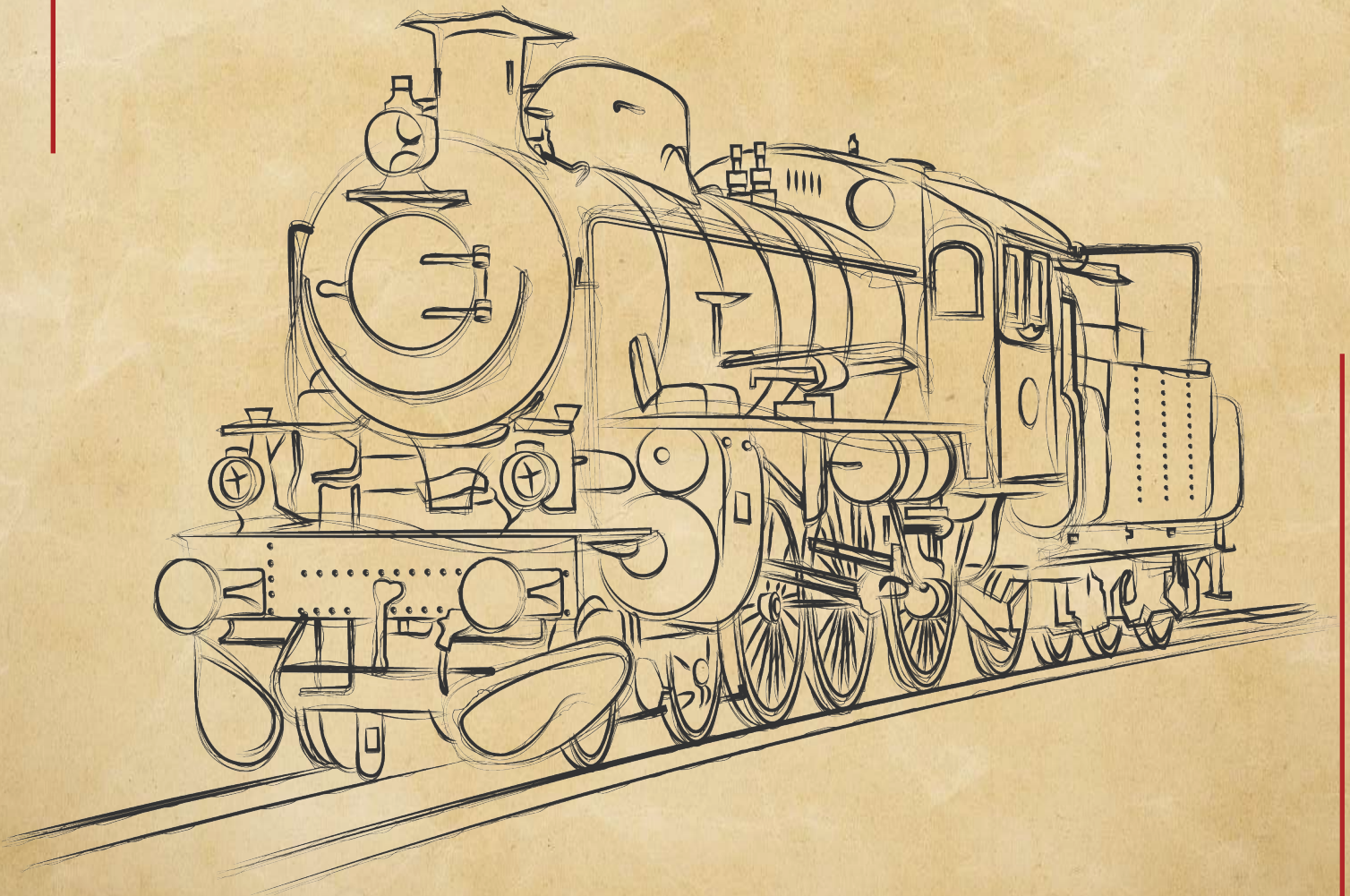
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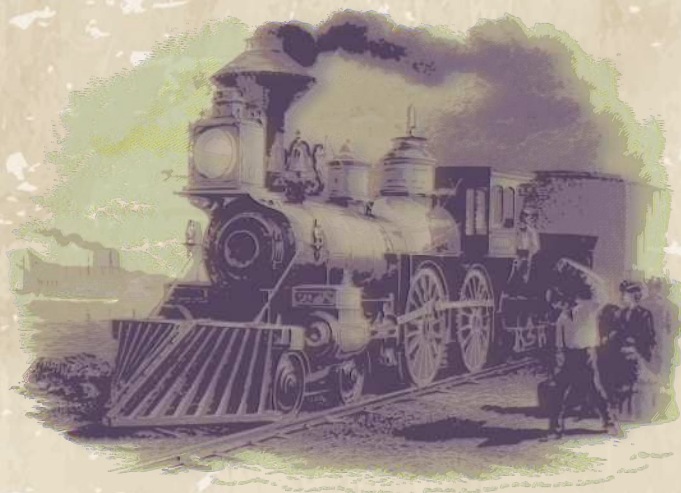
# Pakistan's Railways

## FROM STATE OWNED ENTERPRISE TO BUSINESS MODEL

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Over the years SOE's are repeatedly making billions of losses, sipping the taxpayers' hard-earned income mercilessly. The increased reliance on subsidies in the current scenario is unsustainable for the government. The losses of the top ten loss-making SOEs like PIA, Pakistan Railways, power companies, and the National Highway

privatization and public private partnership (PPP) are the three main policy approaches to restructuring and reforming SOEs. Deregulation alone can increase the gross domestic product by 24 percent Qadir and Ullah; 2021. Privatization is expected to reduce the government footprint by 6 percent which is the root cause of low private investment. The government's share in the transport and communication sector was calculated to be around 73 percent Haque, N. & Ullah, Raja. (2020).

The railways around the globe have been restructured in PPP mode. In 2011, the Infrastructure Project Development Facility (IPDF) and Pakistan Railways (PR) published preliminary information on a new Open Access Policy (OAP) for railways. The purpose of the policy was to attract private investment in locomotives, rolling stock, and new facilities for freight services. The OAP did not provide for overall open access for freight operators. Instead, it allows concession only for specific commodities and between specified origins and destinations (Box 3). Unfortunately, PR/MOR did not activate the concessions they had signed. The inability to completely implement the open-access plan which has been in practice for the last 183 years and faltering the process at the last minute indicates the gravity of political interference, the

Sector	Govt. Share in Sector (%)	Sector Share in Economy (%)	Govt. Share in Economy (%)
Agriculture	43.1	19.3	8.3
Manufacturing	11.9	12.5	1.5
Mining & Quarrying	79.6	2.5	2.0
Construction	75.0	2.5	1.9
Transport & Communication	73.4	12.3	9.0
Electricity Oil & Gas	77.6	1.8	1.4
Wholesale & Retail	7.9	18.2	1.4
Health & Education	49.3	6.5	3.2
Finance & Insurance	45.5	3.6	1.6
Other Services	60.0	20.8	12.5
<b>Total</b>		<b>100</b>	<b>42.8</b>

Authority account for 90 percent of the total SOE losses. In PR it was estimated to a prodigious 144 billion PKR during FY 2015 - 2020. The primary focus should be to fix the huge leakages in these ten SOEs.

resistance within the PR to any change, the incompetence and non-existence of business ethics or model.

There is an enormous freight potential that can help the PR to turn the balance sheets in its favor and exit from the list of top ten loss-making State-Owned Enterprises. The freight market analysis reveals that PR has the potential of 58 daily freight trains, which it is not managing. According to an estimate, it is equivalent to the loss of PKR 5 million per day. For the domestic cargo of 1.8 million TEUs, a total of 24 trains per day are required. Only for coal, there is an unapprehended market potential of

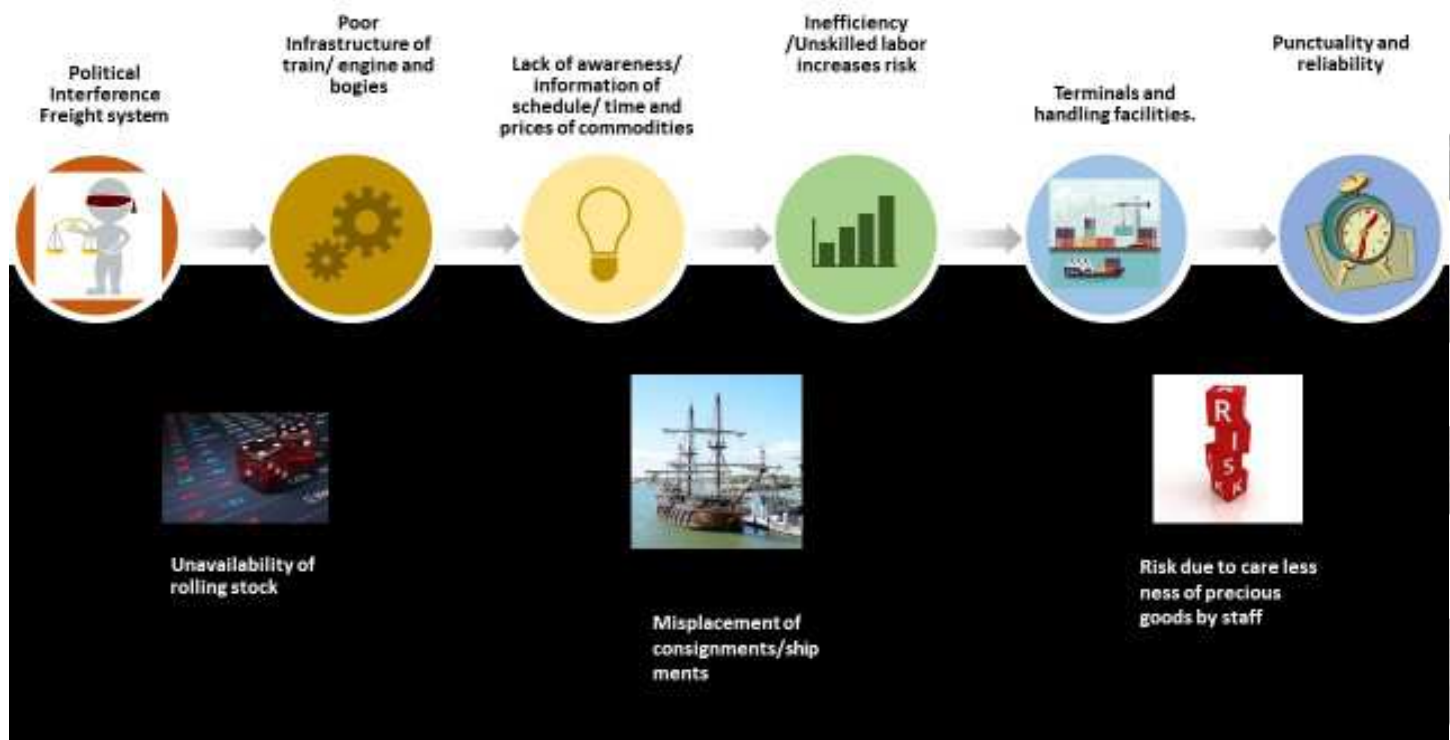
## Some Statistics of Pakistan Railways (PR)

Despite these statistics, the PR Placed in the "Retain and Restructure" category after the State Owned Enterprises (SOE) triage exercise in March 2021. Deregulation,



20 trains daily from the South to North corridor. For oil, there is a potential freight of 14 trains per day from South to North. However the landscape of freight has changed drastically in the last 15-20 years. The railways freight is just a small part of a extensive global supply chain. As the logistics have become multimodal, the choice of mode rests with the freight forwarders. The balance between the cost and the consumer satisfaction drives the decision of modal choice. PR has to accept the reality and proceed accordingly.

According to a survey conducted by PIDE, the freight forwarders in the three major cities of Pakistan including Islamabad, Karachi, Lahore and Peshawar recorded the following concerns and suggestions. The freight forwarders not only identified the issues and concerns but also suggested practicable solutions as well. The major concerns of the firms are political interference, poor infrastructure of train/ engine and bogies, lack of awareness/ information of schedule/ time and prices of commodities, inefficiency /unskilled labor increases risk, slow terminals and handling facilities, poor punctuality and reliability, unavailability of rolling stock, misplacement of consignments/shipments and risk due to mishandling



of precious goods by staff. However, the survey conducted by PIDE, reveals that majority of the freight forwarders in five major cities of Pakistan, neither use railways, nor are aware of the online railways prices, schedules etc or



the booking system. The prime reason put forward for not using railways is the non reliability of the services. And the major suggestion for the PR by the informed participants is the improvement of customer services.

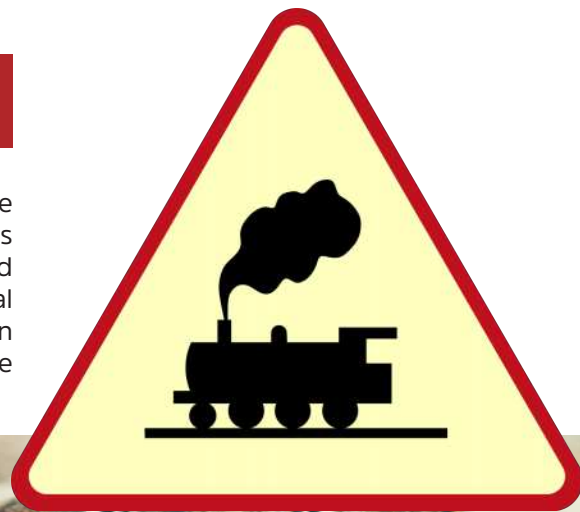
## Suggestions



The survey reveals interesting findings:

### 1. Demand for Pakistan Railways (PR)

There is a demand for PR. This demand drives from the unsettled prices frequently altered by the road operators in response to the current market demand. The road operators charge twice or sometimes thrice their normal rates in case of any derailment / accident or cancellation of trains by PR. This distorts market prices and reduce the shipper's surplus.



## PAKISTAN RAILWAYS

need to tap this potential demand through more consumer centric and business orientation

## 2. Sludge in Pakistan Railway (PR)

The “Advance Payment” of invoices and fees by PR and very flexible payment mechanisms by the road operators also make PR an inconvenient mode for the shippers. The competitiveness of the PR can be improved with the introduction of digitized payment modes. The payment on delivery can also enhance the consumers’ confidence in the services.

### Comprehensive Digitization

## 3. Reliability, Punctuality

The safe and on time delivery of the consignment remains the focus of the customer. The delay in the freight train leads to losses of around 12 million PKR per hour in the manufacturing GDP only. The delays attribute to multiple factors like the current manual operations, poor quality of rolling stock and the deteriorating tracks. As a short to medium solution, a Radio Frequency Identification (RFID) chip on the containers can be used to track the containers of the shippers.

## 4. Valiant Business Approach

The fierce competition from road operators means an equally efficient business orientation by PR. The unfavorable chronic trends of passenger preference over freight, governance failures, and fixed tariff can be reversed with counter pole policy nudges. These can bring momentum to remove further bottlenecks, increase business, raise revenue, and unleash economic activity and let the “engines of growth” lead economic growth.

To regain the modal share of

**25%** as per the national transport policy, PR must establish itself as a commercial entity not as a state owned enterprise.





In the modern ecosystem of logistics, the intermodal services are delivered by multiple public and private organizations which are operating in highly competitive market. The share of each mode in the supply chain depends upon the quality of the services offered. The medium to long term strategy is the PPP mode for PR. The open-access regime can still be a good starting point for a comprehensive business model of PR. Under the ambit of PPPA, there are 5 railways project in the pipeline. Railways is the implementing agency in case of 8 PPPA pipeline projects.

In the short term, the implementation of the reforms already approved via different policy instruments is required to overcome barriers and creating opportunities for both PR and private sector. There is PPP in the operations of PR. The question arises, What about land? Can't there be PPP in the use of land also.

### **Land Encroachments - "State-Owned Enterprise Mafia".**

### **The conflict between the provinces and PR over the ownership and use of land should be resolved on priority basis.**

PR has 178000 acres of land, out of which 145 000 acres is being used for operational purposes. The remaining 33 000 acres is the "Right of Way[1]" entitled to PR (Anwar, S; 2022). More than 5,000 acres of Pakistan Railways (PR) land is under encroachment in Sindh and currently in the use of different individuals, groups and even business organizations for residential, commercial and agriculture purposes for the past many years. In 2022, PR retrieved 267 acres land in Punjab, 133 acres from Khyber Pakhtunkhwa, 106 acres from Sindh and 23 acres from Balochistan. Out of the total land, 91 acres were commercial, 309 acres were residential and 104 acres were the agricultural land of the PR. Despite an aggressive anti-encroachment operation being carried out in coordination with law enforcement agencies a huge part of PR property remained in illegal use.

There are a total of seven stations in Narowal, Okara, Hasan Abdal. which are not being used. The ministry can tap commercial resources of the railway stations by building hotels, hostels and markets on unused stations to strengthen its finances[2]. The productive use of this dead capital via lease to the private sector will increase economic activity, raise revenues for the PR and decrease the dependence on subsidies.



# AN APOLOGY TO THE YOUTH OF PAKISTAN FROM THE Older Generation!

*Nadeem ul Haque*

Dear Youth of Pakistan,

**On behalf of my generation, I offer you a heartfelt apology over our failure to leave you with hope and an inheritance that you can build on.**

Our fathers gave us an unfinished project called Pakistan. They had, however, given in very quickly to the pleasures of colonial apartheid, where they could live like 'brown sahibs' with all the perks of the white ruler. Wealth was easy to get as they followed in the footsteps of the colonial ruling class who had voluntarily left. Making an enlightened nation with rules laws with a culture of development and learning was harder and beyond them. Crude tribalism and theology were routinely used for power-grabs instead of the painstaking work required to build institutions for a modern state and governance.

We the first Pakistani-born generation, grew up in a still colonial Pakistan and inherited the culture of privilege, state provided wealth and easy government jobs. Like our fathers we bickered on the constitution, desired absolute power and were very greedy.

## GREEDY FOR POWER, NO BIG IDEAS

Perhaps our generation's biggest flaw was our inability to develop big ideas for the country. From the constitution to the patwar, we could not get beyond what the colonials left us with. We were too busy aping the colonial to throw up leaders like Lee Kuan Yu, Mahathir, Deng or Jefferson or Madison. The colonial comforts of centralized power insulated from the people were enticed to maintain a highly stratified society.

With raj privileges up for grabs, my generation got busy in continuous infighting. Byzantine intrigues and willful rule overtook law making and organization building. While the rest of the world was changing build systems to take advantage of technology and

globalization, we were busy dumbing down Pakistan with theology, ego and excessive politicking.

Deep down I think we are aware of our failures and suffer from a sense of inferiority. We have virtually ostracized our public intellectuals, policy champions, and social reformers to the annual lit-fest. Never are they allowed at tables where real decisions about the country are taken. Never are they consulted on how society and polity is to be shaped. They are not worthy.

While excommunicating local intellect, we have made a habit of begging for both money and ideas. To be a second fiddle to a donor consultant is high honor for us.

## LOBBYING AND INTRIGUE: YARDSTICK FOR SUCCESS

Busy in this war for government favors we failed to develop a system for rewarding merit anywhere. Sycophancy, not talent was rewarded with perks of company bahadur (VIP status and privileges paid for by taxpayers). Sadly, nothing was done on merit and even if some competent person was appointed, she was fired before important and beneficial changes could be made. We are now leaving a huge number of failed and loss-making agencies to you. We are leaving useless universities, overloaded



poorly managed universities and regulatory agencies and government offices that are in reality bleeding parking places for the rich and powerful.

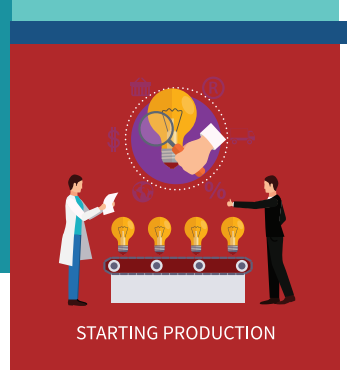
Drunk on colonial attitudes and power, rules, laws and constitutions were matters of convenience for us to be bent as desired for personal gain. Parliament seldom focused or debated ideas. Leaders at all levels professed crudity and an innate contempt for knowledge. Intrigue ruled the day. Rather than develop social contracts, build trust and laws, we brought out biradism, sectarianism, unproven accusations and demeaning the whole nation as morally bankrupt and tax-cheating. There was no limit we would not go to get power.

## LEGACY DEVOID OF INSTITUTIONAL OR INTELLECTUAL CAPITAL

The ambition of my generation was government office. We fought, we lobbied, we switched allegiances for all manner of government offices. Once there we abused our positions for more and more power. Sadly, there are few cases of any serious history being made. Politicians never made law or worked at developing consensus. Judges played politics, developed no precedents, and seldom bothered with dispensing evenhanded justice. Bureaucrats wanted control to be able to dispense favors. Generals too wanted to be policymakers and share in the spoil.

We leave you an institutional graveyard. Institutions they say are rules of engagement and are established if there is collective agreement to subject yourself to them. In my day, every government organization is involved in power grabs and has little conception of limits or rules. Elections are merely treated as exercises in choice of rajas who then seek to victimize all opposition into submission and who seek to rule through kitchen cabinets, ordinances and choice bureaucrats. The Raja portrays himself as a messiah come to save Pakistan in a hurry and on the principle of 'ends justify means' rides roughshod over all norms and practice.

We leave you with no heroes or role models. Few will be remembered from our generation. Even today, the power-grabbers are looked upon with disdain. As time goes by and history crystalizes, they will be remembered even more poorly.



## WILL YOU THINK DIFFERENTLY?

Young people are quick to abuse us as they should? They feel let down deep in their gut. Let me tell you when I was young, I too felt like you and felt my generation would do better than that before us. But it was too easy to follow the legacy of colonialism.

So dear youth are you just casting stones like my generation did to merely capture power. Or will you be able to think big, follow rules, develop norms and rules of enlightenment, foster trust and teamwork? Will you be able to develop a proper constitution that is inclusive? Will you allow local governments? Will you allow autonomous organizations in government? Will you allow merit to prevail? Will you allow competition for position and resources? Or will you like us serve the beneficiaries of the land distribution of the colonial — the canal colony land recipients? Will you be able to compete on merit rather than innuendos and accusations as in our generation?

## THE FUTURE IS BLEAK OTHERWISE

There are over a 100 million of you and the economy is growing at a lackluster rate. Officialdom mired investment and enterprise with attestations, NOCs and permissions. Will there be enough jobs for you? Not unless you are able to re-imagine Pakistan. Continuing to beg for money and blindly follow consultant prescriptions with no thought or effort from you probably will not work anymore.

The 4th industrial revolution is upon us. Technology will soon overwhelm you and your job market. You are unprepared and certainly our government is not even aware of it. Our leaders too preoccupied to worry. Jobs and markets might disappear, as might migration possibilities. The need for change is urgent. Are you prepared?

Not only will finding a job be difficult, finding a home or space for entrepreneurship might be also be difficult. My generation has constrained housing supply to acquire plots for themselves. Even our architecture, our cities are bland because in our greed for 'plots.' We refused to let cities be developed or democratized. We have left you a suburban sprawl for cars but no room for you. I worry about your future as you are unable to find space in to live or work unless you quickly dismantle our thinking.



## YOU NEED A VISION BASED ON HARD WORK AND INTELLECT

The system we have set up seeks to preserve the worst by unleashing factionalism of the worst kind to undermines society. In the process all manner of civilized discourse and coalition formation is destroyed. The software of society and state is eroded now.

People especially donors will try to tell you to ignore society and just try to get loans to develop hardware of development. Learn from our experience, borrowing and begging is for fools who never escape the debt trap. The hard work of building the software of society can never be ignored.

Be bold! Take risks! Most importantly don't follow our example. Don't be mere followers of ideologies. Learn and develop your own discourse. Through that discourse think of new institutions, new rules of engagement, fresh paths to building trust and fostering sharing. Shun dividing yourself. Learn the methods of discourse to go beyond the name calling and wild accusations of corruption of our leaders from my generation.



**ABOVE ALL VALUE LEARNING AND  
BUILDING SOCIETY – SOMETHING MY  
GENERATION OF UPSTARTS NEVER  
UNDERSTOOD.**



# DR NADEEM'S APOLOGY AND Our Responsibility

*Shahid Mahmood*

Amongst the comparatively well-known economists of Pakistan, I've always found admiration for Dr Nadeem-ul-Haque's work and his ideas. The first time I heard of him was in the corridors of Block 'Q' (Finance Division) and Block 'P' (Planning Commission), where colonial minded, high-browed bureaucrats discussed his thoughts and proposals with contempt. That immediately interested me in his work since my experience with bureaucracy had taught me a valuable lesson: what they usually hold in contempt is actually something valuable!

His Framework for Economic Growth (FEG) was first of the readings, and since then, his writings have been a must-read, leading me to challenge what I had known and thought about economics. It's always a refreshing experience to listen to him since his talk does not follow the typical, trite rhetoric centered on few chosen macro indicators like taxes, expenditures, monetary and fiscal policy, etc. Now at Pakistan Institute of Development Economics (PIDE) as its Vice Chancellor (VC), he has re-invigorated an institution that had faced challenges in the near past. His honesty has ruffled quite a few feathers, and rubbed status quo people the wrong way. But despite all the push-backs, he has admirably managed to keep persisting for change.

It was not a surprise, then, to read his honest apology for the legacy that his generation had left for the ones to come. Further, it's not a surprise either that none of his compatriots from his generation had the guts to do the same. In the following lines, I will recount my own experience with this colonial legacy and lay out some of the challenges that my generation encounters.

**M**y first brush with economics was in my BA classes.

As an avid reader, I was always on the lookout for interesting books on various topics. In the long drawn out summer days of those times when there was no twitter, face book or like social media to help time pass by, books were a really handy thing to have. One specific Sunday, when Rawalpindi and other cities have their book fairs, I managed to find Robert Heilbroner's 'The Worldly Philosophers'. Never before had I thought about economics, and never after reading it have I left it! Although there were many terms that were difficult to comprehend, it inspired me enough to take up economics at the bachelor's level.



What followed, though, were two disappointing years where I had my first brush with the destructive legacy that Dr. Nadeem mentioned. Our teacher, like most teachers in government colleges, was more inclined towards discussing politics than economics, kept endlessly complaining about his official grade and pay, and was always active in a teachers' union. He would dictate us lines that we had to write. Even in those early days of computers when it could take ages to connect to the internet through telephone lines, I found out that most of what he used to teach (and make us write) was false, and that the recommended book on economics by a Pakistani 'professor' was basically a ditto copy paste job from an older western text.



In one of the classes, I managed to gather the courage to respectfully point out a mistake in a diagram. The rather polite, respectful effort resulted in me being asked to leave the class. Entry was only regained after strenuous efforts of my friends, and only after profoundly apologizing for my 'mistake' in front of a coterie of teachers. One of them, who had nothing to do with economics, advised me that 'zyada shokha hone ki zaroorat nahee'. After that lesson, I closed my mind to anything aside from what the teacher taught us.

It was only the education and the overall atmosphere of learning in US that re-opened my mind to real learning and a world of endless possibilities. Back in Pakistan, though, it was back to 'normal' again. Consultancy in government departments has mostly to be done with unimaginative minds. Full of political intrigues, cesspools of corruption and unethical behavior, and having all the work along the lines of 'look busy, do nothing', there is not much chance to learn or think productively. The interest was always on maintaining the status quo, getting as much leverage with leading politicians as possible, impressing donors for getting a stint at donor agencies, and correcting English rather than work that could benefit people. In one particular program that was founded in the name of 'alleviating poverty' and to be run as a social safety net, there was anything but an effort to work towards the stated goal. It was all rent-seeking and corruption. Whoever dared raise a question or a query could get his marching orders.

One fine day, the Secretary called me to his office, asking me why I wanted to ruin my career when they were paying me well ('tumhe achee tankhwa dete hae. Chupp kar ke apna kaam kyu nahee karte?'). The particular matter, amongst many for which I had been asked to stay quiet, concerned channeling Rs. 64 million to an accounts whose very existence was dubious. Refusing to budge, the marching orders were delivered to me a few days later. As fate would have it, that case later became part of what is now known as the 'fake accounts' case, whereby billions of taxpayer amounts were transferred into fictitious accounts.



I stood vindicated, but had to pay a very hefty price. Unemployment haunted me for half year, driving me to penury. There are no words to describe the mental torture that I had to go through while also taking care of a very young family. Suffice to say that my wife has never forgiven me for that time, maintaining that it was my mistake rather than anybody else' that brought such terrible misfortune upon us, given the gall to query which is never a welcome proposition in Pakistan, especially in government circles.

What was narrated above was not for the purpose of garnering sympathies for myself, but to demonstrate the power of the status quo system that we still encounter. It was only slowly, but gradually, that courage to query and think critically returned, all the while treading carefully lest I be made to regret again. It is in this regard that I cannot thank Dr. Nadeem enough because he has provided me the space to speak up without the fear of reprisals, a first in my professional career.



In some ways, the situation in Pakistan is comparatively better in that there is way more ideas disseminated asides from the trite discussions on a few chosen topics. There is, for example, increasing recognition (thanks mainly to Dr. Nadeem's work) that roads are no panacea to our mobility woes, and end up causing more harm than doing good. Similarly, the recognition of doing away with horizontal sprawls is more widespread than ever before.

But our age has brought its own formidable challenges. Above all, we live in an increasingly polarized society with attitudes that tilt towards the extreme. Criticism is not taken lightly. Asking questions can invite dreadful repercussions; physical torture, threats, citizens vanishing without a trace for years, etc., are nowadays a common occurrence in Pakistan. This is on top of the same colonial construct that we've been encountering since independence, which has only gotten more powerful with time. The brick-and-mortar model of development, for example, motors along un-interrupted. Majority of individuals in my generation have the same longing for power as before, either wanting to join the armed forces or becoming civil service officers. The situation, In that sense, I am afraid that the situation has not changed much even now. In times of increasing economic uncertainties, the 'flight to safety' (government jobs) phenomenon is even more compelling for the younger lot!

This intolerance and increasing censorship tendencies explain why I get frequent reminders from newspapers about 'not to be too critical' in my content and say a few good words for the government of the time. A few TV channels had me appearing as a commentator on economic affairs for a while, but that ended when they were instructed to remove me from their list over (fair) criticism related to economic policies of the time. The program hosts apologized profoundly, but also insisted that they had to take care of their own jobs.

I'll conclude by thanking Dr. Nadeem for rendering an apology on behalf of his generation which failed in bringing an end to the colonial ways of working. Let me assure him that there are many in my generation who would keep resisting the status quo and perpetuate intellectual discourse to bring change. At the same time, though, we all will also have to accept the reality that the forces resisting change are still formidable, and unforgiving.

Let us see if we can succeed where Dr. Nadeem's generation couldn't!





## A MUDDLED IDENTITY

*Abbas T. Moosvi*

Pakistan has, since its inception in 1947, attempted to construct a national identity that hinges upon a collective paranoia of perpetual threat from India – equated with Hinduism, in turn equated with the force that subjugated Muslim communities pre-partition. (Khattak, 1996: 346) Saba Khattak, in her paper titled “Security Discourses in Pakistan,” outlines the major historical events that have served as national identity markers for Pakistan up until 1975 – and virtually every single one is directly linked to hostility towards its Eastern neighbor, whether it be in the context of Kashmir, India’s role in the breakup of Pakistan in ’71, or its nuclear experimental explosions in ’74. (344)

This has naturally functioned to grant the armed forces a unique form of authority in the political domain, which it has frequently meddled in – having instigated three coups to present, each followed by a decade or so of military rule. State narratives have also evolved to project the army as the guardian of the republic and torchbearer of progress and Muslim universalism; a convenient alternative to “local ethnic, religious, and linguistic identities.” (Rizvi, 2019: 7)

The notion of guardianship largely comes from its colonial heritage – the armed forces in the subcontinent under the British had indeed been “entrusted with both external defense and internal security,” ensuring that the diversity of existing communities never challenged the hegemonic presence of the Empire. (Hussain, 1976: 929) In the words of Frantz Fanon, “The men at the head of things distrust the people of the countryside; moreover this distrust takes on serious proportions. This is the case for example of certain governments which, long after national independence is declared, continue to consider the interior of the country as a nonpacified area where the chief of state or his ministers only go when the national army is carrying out maneuvers there. For all practical purposes, the interior ranks with the unknown. Paradoxically, the national government in its dealings with the country people as a whole is reminiscent of certain features of the former colonial power. ‘We don’t quite know how the mass of these people will react,’ is the cry; and the young ruling class does not hesitate to assert that ‘they need the thick end of the stick if this country is to get out of the Middle Ages.’ But as we have seen, the offhand way in which the political parties treated the rural population during the colonial phase could only prejudice national unity at the very

moment when the young nation needs to get off to a good start.” (Fanon, 1967)

Along with all this, the military has also – since colonial times – sought to strengthen itself by leveraging the economic sphere; granting land allotments to individuals in exchange for their recruitment to the cadres – and collecting tax revenues on the ownership of the newly privatized property “to fund its warfare across the globe, thus creating a tradition of military fiscalism as the primary end of tax revenue.” (Rizvi, 2019: 17) Over time, this evolved into an elaborate corporate empire – structured, disciplined, and profitable – that the armed forces have used to expand the resources available to them and flex their



muscles, all in a manner that is 'shadowy' in its nature rather than via outright, explicit means. Naturally, with plenty of 'skin in the game' within the corporate sphere, it has promoted and pursued socioeconomic policies that will grant it the most leverage – coincidentally the same as those proposed in the 'structural adjustment programs' of the International Monetary Fund: privatization, deregulation, and laissez-faire.

The consequences of the system of land distributions during the colonial era cannot be overstated – leading to a system of elite capture based on a combination of coercion and patronage. Dynastic politics has always been one of the prime impediments to governance in Pakistan, stifling efforts to enhance the democratic process and pursue structural reforms that can undo the extractive nature of institutions that the British established. The independence movement was fueled by hopes of sovereignty and a basic sense of dignity, respect, and autonomy for the people in the subcontinent – and yet, 75 years later, elections still revolve around appealing not to the citizenry at large but landed elites, industrial hubs, men in uniform, international bureaucrats, and other 'power centers' that together shape the political economy of Pakistan.

Pakistan's education system is also a linguistic hodgepodge, with children expected to absorb information that is not communicated to them in their mother tongues, i.e. the vernaculars, but rather Urdu and, eventually, English. This is despite the overwhelming evidence of learning outcomes being directly correlated with ease of comprehension, in turn linked to whether teachers are using a familiar language in the classroom. These top-down efforts to artificially homogenize a country that has a total of 74 operational languages is bound to create adverse long-term ripple effects, whereby the majority of time at school is spent navigating arbitrary obstacles rather than learning. (Shamim and Rashid, 2019)

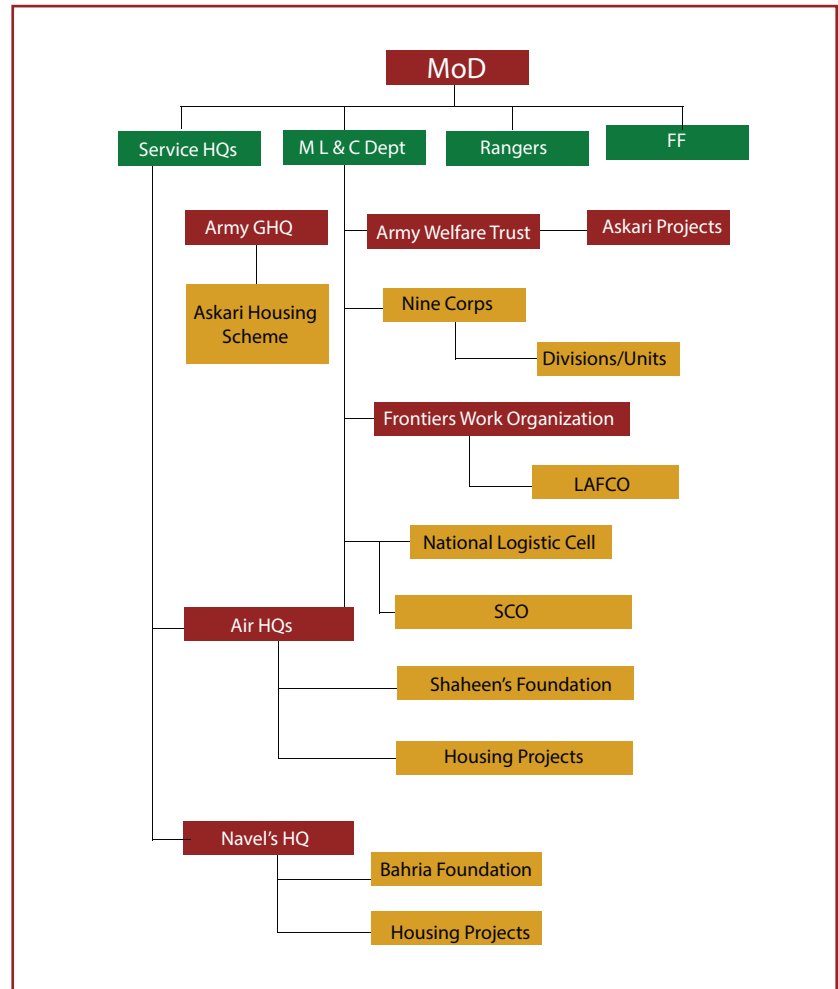
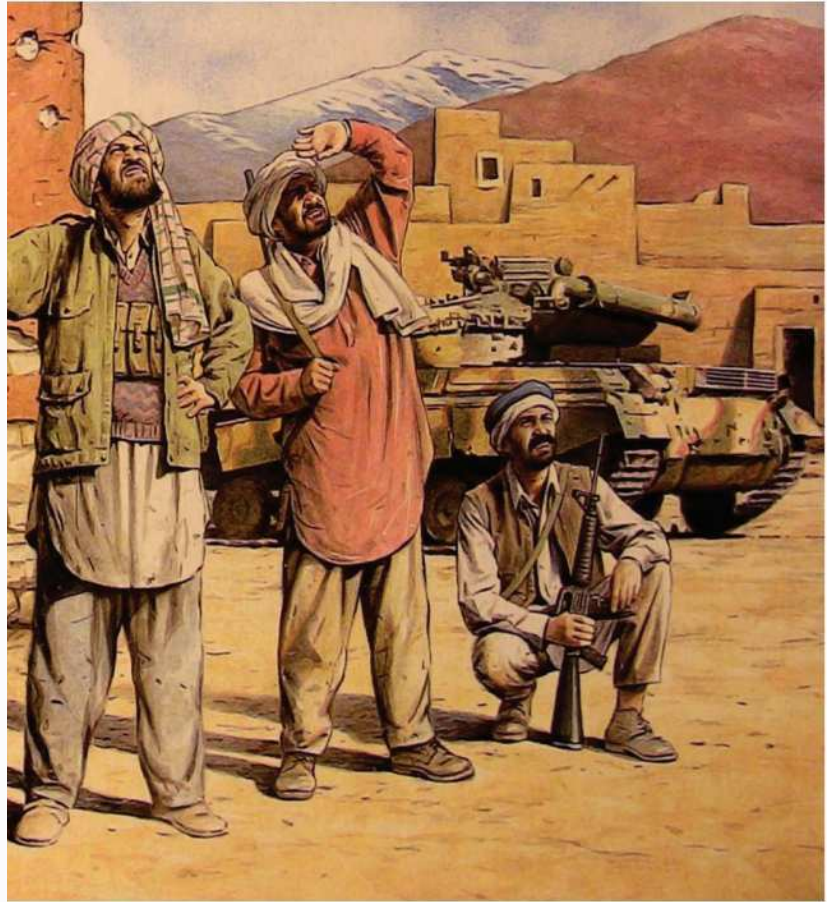


Figure 1. Organizational Chart - Armed Forces of Pakistan  
Source: Military Inc., 2017

English plays a specific role in Pakistani society, functioning as a gatekeeper for key institutions in the military and bureaucracy – a carryforward from colonial yesteryears. This naturally creates pressure on already confused children in the education system, dilly-dallying between their native tongues and Urdu, to embrace a third language – complicating matters further. The justification for this is that it will aid students gain admissions to high-profile higher education institutes, well-paying jobs, and access to the global financial system. These are, of course, fair points. However, no efforts are currently in place to revise these institutional norms to minimize the elitism of English, and subsequent education ministers have done little to put in place mechanisms to facilitate the transition from Urdu to English at the high school level. These

factors all contribute to the production of graduates that emerge as confused, incompetent, and resentful individuals with no sense of purpose or direction – and without the cognitive toolset to critically assess their situations, end up gravitating towards reactionary populists that opportunistically deploy their grievances to capture power.

This is besides the rampant confusion around religious values, which took on an entirely different shape following the Soviet invasion of Afghanistan in 1979 – in which the Pakistani military and intelligence apparatus, under the command of General Zia ul Haq, functioned as nothing less than a hired gun for the United States to drive out the Russians. In order to accomplish this, however, a systematic overhaul of cultural values and religious beliefs was required. Thus began the Islamization process, in which a hyper-conservative brand of the faith was inculcated with the help of aid funding – involving the ideological brainwashing of impressionable minds at madressas and local communities as part of a larger recruitment strategy for the war. Thus the Mujahideen were born, illiberalism reigned supreme, and a comprehensive militarization of society was witnessed – in which women and minorities of all kinds were relegated to the sidelines in a deliberate and structured manner.



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All this is not to say that further homogenization of Pakistani society ought to be pursued in the name of statecraft, stability, and national identity – but rather that a wide scale acknowledgment be made about Pakistan's inherently diverse, complex, and multilayered internal dynamics and identities. An identity based, in other words, not on hate of an imagined enemy – Indians, Pashtuns, Hindus, women, the poor, or the corrupt – but rather heterogeneity itself. This will naturally be a difficult task and require rethinking some of the fundamental beliefs that have ossified over the years, including those to do with Islam, the armed forces, and arbitrary hierarchies based on caste, ethnicity, gender, etc. In the words of eminent scholar Iqbal Ahmad, "peoples and governments with an uncertain sense of the future manifest deeply skewed relationships to their history. They eschew lived history, shut out its lessons, shun critical inquiries into the past, neglect its remains but, at the same time, invent an imagined past -- shining and glorious, upon which are super-imposed the prejudices and hatreds of our own time. The religion-political movements of South Asia bear witness to this truth. Many Hindus and Muslims alike glorify their history -- that is what they imagine to be their history -- in ways that separate them from the other; rather, pit them against each other."



Pakistan is a country that, since independence, has been chasing ghosts: imaginary entities conceived as the cause of all troubles. This is deliberate – a carefully designed political strategy (and ideology) to convince the masses that they cannot be attended to before 'bigger concerns' are addressed. Of course, these concerns are conceived in a manner that they cannot possibly be so. What's more, it fosters a divide-and-rule landscape, whereby people are painstakingly kept at one another's throats in a manner that prevents them from seeing and realizing that their struggles are, in fact, mutual. All this works out fairly well for ruling elites who have merely lined their own pockets while in power – in collaboration with bureaucrats at international financial institutions advancing imperial interests. Perhaps it is time for Independence 2.0: this time, from the brown sahib.



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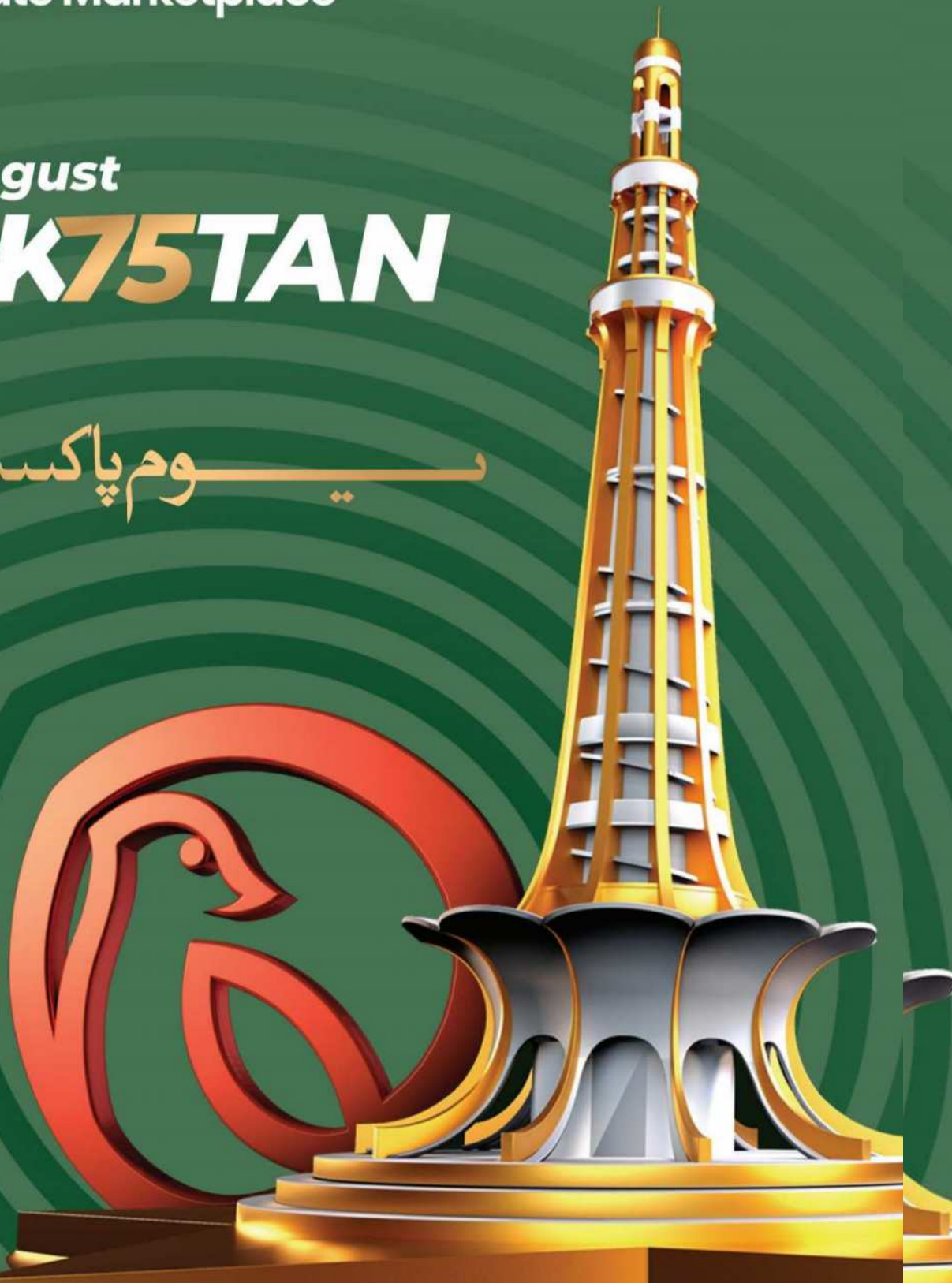


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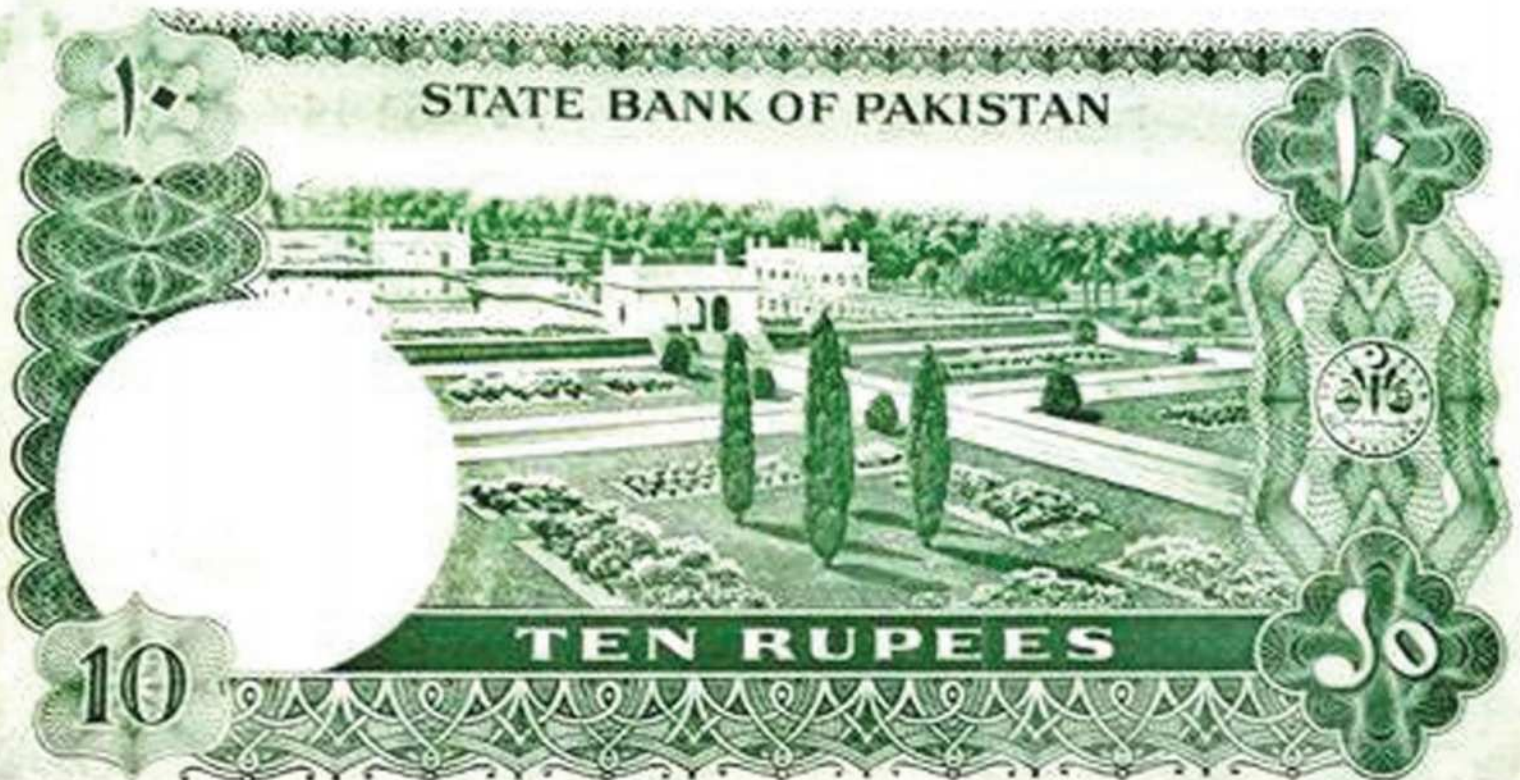
# Discourse Debates

In this edition of the Discourse magazine, the Pakistan Institute of Development Economics sought to initiate an open, transparent conversation on foreign aid effectiveness: its pros, cons, and grey areas. This is an editorial note to clarify that while it was a fairly straightforward process convincing someone to pen out their thoughts in opposition to the activities of international financial institutions and multilateral donor agencies, doing so for the other side – i.e. in favour – was not so easy. Despite having reached out to a minimum of 10 individuals from INGOs, IFIs, and international humanitarian bodies, unanimous hesitation was observed: whereby prospective contributors voiced career-related concerns about venturing into a 'political' discussion that may damage their stature in the industry and/or within their own organizations.

As an academic institution, we felt it was necessary to be transparent about this fact and to encourage our readers to ask why primary stakeholders within the foreign aid ecosystem are so reluctant to defend their own operations in Pakistan. It is a generally established fact within economics and other social sciences that policy is never apolitical: inevitably generating a set of 'winners' and 'losers' given a long enough time span. Why and how, then, is the donor community – which shapes the vast majority of research and governance – granted an exemption from the rule? They say knowledge is like jazz, in which much more than the notes that are played, it is the ones that are not which define the overall composition.

Going forward, we will continue to reach out to potential writers for our debate series and maintain total honesty with our audience – whom we respect and admire greatly! Stay tuned for the next one.

*Abbas T. Moosvi*  
**Manager Debates**



# AID OR -ALBATROSS?

*Asim Sajjad Akhtar*

The essence of neo-colonialism is that the State which is subject to it is, in theory, independent and has all the outward trappings of international sovereignty. In reality its economic system and thus its political policy is directed from outside.

**Kwame Nkrumah, First president of Ghana**

On the 75th anniversary of its emergence as an independent nation-state, Pakistan remains beset by numerous interrelated crises, with few prospects of resolution in the short term. Arguably the most urgent of these is a spiraling debt burden that constitutes an albatross around the neck of the country's predominantly young population. In the decade 2012-22 alone, external debt has more than doubled from approximately US\$57 billion to US\$129 billion.

The primary responsibility for this growing debt burden certainly lies with domestic ruling classes who have transferred the burden of their inability and unwillingness to forge a viable and egalitarian political-economic project in what is otherwise a richly endowed country onto the mass of working people, particularly in ethnic peripheries. But a viable argument can be made that Pakistan's economic plight is due also in part to the role played by bilateral and multilateral donors in both greatly shaping development strategies over time and indebting the economy alongside.

Put differently, Pakistan is a sovereign country only in name. In this essay I offer a brief historical argument in this regard.

## GEOPOLITICAL RULES

Both during the Cold War and after the onset of the neoliberal developmental regime, Pakistan's economic fortunes have been significantly shaped by the geopolitical whims of western patrons. Until the 1990s, the country was repeatedly showered with (primarily military) aid by the United States and multilateral donors as a quid pro quo for its services as a 'frontline state' against the Soviet bloc. While the most notable outcome of these geopolitical rules was an increasingly bloated and politically powerful national security apparatus, aid was also accompanied by policy influence through entities like the Harvard Advisory Group which championed strategies like 'functional inequality'.

Under both the Ayub Khan and Zia ul Haq military dictatorships, western patrons' and their intellectuals lauded Pakistan as an ally of the 'free world' and a model of economic development for the rest of postcolonial Asia and Africa. Yet both the laurels and monies dried up when geopolitical winds shifted – for the Ayub regime after the 1965 war with India and for the Zia regime after the Geneva accords of 1988.

It is in any case worth bearing in mind that the majority of aid inflows even during the good times were in the form of loans rather than grants. By 1968 at the toe-end of the Ayub dictatorship, Pakistan had received a total of US\$4.7 billion in foreign aid, of which only



US\$1.3 billion was grants. Meanwhile during the Zia years alone, Pakistan received a total of US\$4.2 billion in American aid, but net flows actually decreased due to debt-servicing requirements that had accrued during and before the 1980s.

A relative exception to these geopolitical rules was the elected PPP regime headed by Zulfikar Ali Bhutto, which came into existence after the tumult of civil war and the secession of east Pakistan. This was a period of both limited aid and greater autonomy in the formulation of development policy, reflected in the politically contentious initiatives like land reform and nationalisation of industry. Whether or not one agrees with that regime's fabian socialist strategy, it is important to recognise that it articulated a modicum of economic sovereignty vis à vis western powers.

## THE SONG REMAINS THE SAME

On the surface much has changed in both Pakistan and the world at large since the end of the Cold War. But significant continuity is also visible in the global political economy and its dialectic with Pakistan's internal logics of class and state power. Most notably, the familiar pattern of donors showering Pakistan with aid and celebrating its economic 'successes' resumed during the Musharraf military regime after it consented to becoming frontline state in Washington's 'war on terror' on Afghanistan in 2001.

The previous decade (1988-99) had seen the same western donors enforce the now notorious policy regime known as 'structural adjustment' in Pakistan to far less fanfare. Growth rates in investment plummeted to as low as -3.9% in this period, investment as a percentage of GDP declining steadily to reach a miniscule 13% by 1999.

All of the gloom lifted, however, as geopolitical winds shifted. Between 2002-10, annual inflows of aid from the United States alone averaged US\$2 billion. Meanwhile, the IMF, ADB and WB disbursed more than US\$10 billion to Pakistan between 1999 and 2004. Citibanker Shaukat Aziz oversaw this aid bonanza, first as finance and then prime minister, infamously announcing in 2006 that Pakistan had forever broken the begging bowl and was well on the road to self-sufficiency.

By 2007, however, the party had met a spectacular end. Between 2002-6, the growth model celebrated by mainstream 'experts' and sustained by huge inflows of aid certainly appeared to be cause for optimism insofar as a 'new' urban middle class engaged in mass consumption fueled by cheap credit and apparently limitless supplies of low-cost non-renewable energy like natural gas. But the surge in late 2006

of major power outages – what we commonly refer to as 'loadshedding' – made clear that the prevailing development strategy was unsustainable, a fact further emphasised by the bursting of asset bubbles in the stock market and real estate sectors.

Certainly the balance of payments and foreign exchange predicaments that followed were attributable in part also to the financial crash that afflicted the entire world in that particular 2 year period (2006-8). But it is telling that the bailout package agreed in 2008 between the post-Musharraf regime headed by the Pakistan People's Party (PPP) and the IMF to the tune of US\$11.3 billion over three years was a case of old wine in new bottles. There were the same policy conditionalities, the same refusal to redress state and class power within Pakistan – including but not limited to the military's corporate empire and other holy cows like real estate moguls and sugar cartels – and, ultimately, the same insistence that western creditors would have to be repaid at all costs.

## CONCLUSION

Fast forward to 2022 and the same episode plays itself out for the umpteenth time. The government that came into existence in April 2022 has bent over backwards to secure an IMF bailout package alongwith loans from bilateral donors like China, Saudi Arabia and the UAE. The complete absence of out-of-the box thinking within the intellectual and political mainstream explains why these loan packages have been described as a 'relief' rather than a reflection of both the deeper political economy of aid and the related and relatively unchallenged dynamics of class and state power within Pakistan.

The rise of China is an important aspect of this unfolding story which certainly represents a shift from the uninhibited power of western bilateral and multilateral donors. It is beyond the scope of this essay to meaningfully interrogate this question here, but suffice it to say that simply replacing western patronage will not in and of itself resolve the ever intensifying economic and other crises that Pakistan's long-suffering people face. Without a political and economic programme that acknowledges the historical truths about the capitalist world-system whilst prefacing the needs and dignity of Pakistan's most oppressed and exploited social segments, history will repeat itself time and again as both tragedy and farce.



# THE ECONOMIC GAME OF POLITICAL COERCION

On the global horizon of state to state affairs, economics and politics have entangled more than ever. The biggest and most influential of the players are International Financial Institutions (IFIs). IFIs portray a complex history – a smoke-screen, one must say. The swift transition from development partners to become partners in exerting influence for vested interests of a few, was inherent in their making.

Not to forget, the general notion is that these IFIs play a significant role in the functioning of the global economy and in some cases, have a huge impact on the development of countries. It may have some truth. Though, understanding how these international institutions operate, has imperative academic and public policy ramifications.

The World Bank (WB) and the International Monetary Fund (IMF) are more than 75 years old now. These IFIs were established in 1944, during Bretton Woods Conference, where delegates from 44 nations gathered to agree upon a series of new rules for the post-WWII international monetary system.

It is pertinent to note that, among other matters that divided the participants at the Bretton Woods, back then, was the choice of location for the Bank and IMF headquarters. The United States (US) Treasury wanted it to be established in Washington, within the reach of its influence, while several foreign delegations preferred New York. The reason being; on one hand to put it at a distance from the US government, and on the other hand to move it closer to

*Saddam Hussein*  
the future headquarters of the United Nations (UN).

John Maynard Keynes -- a British economist, whose ideas fundamentally changed the theory and practice of macroeconomics and the economic policies of governments – openly held that the duo should be kept at a distance from the US Congress as well as from the influence of the embassies. Thus, New York was thought to be the best choice for the purpose.



However, from the very beginning, both WB and IMF, were under the influence of the US and a few allied major powers, who work to generate policies that run counter to the interests of the other nations' systems. The two have systematically made loans to countries as a means of influencing their policies. Foreign indebtedness has been and continues to be used as an instrument for subordinating the borrowers. Since their creation, the IMF and the WB have often violated international pacts on human rights and have no guilt about supporting dictatorships.

The question arises; is IMF conditionality exclusively designed to be in line with observable economic indicators or whether it is partly driven by the IMF's major shareholder, the United States? Evidence shows that closer allies of the US received IMF loans with fewer conditions, especially prior to elections. These results are relevant to current public policy debates on the role and process of setting IMF loan conditions and provide broader insight into the influence of the US and other G7 countries on international institutions.

For countries that are not strongly allied with the United States, the IMF would restrain fiscal and monetary policy, by setting tight conditions on loans. For countries that are allied with the US, the IMF would be more lenient, rewarding incumbent politicians with loose conditions and providing them the opportunity to manipulate the economy for electoral gain, as well.

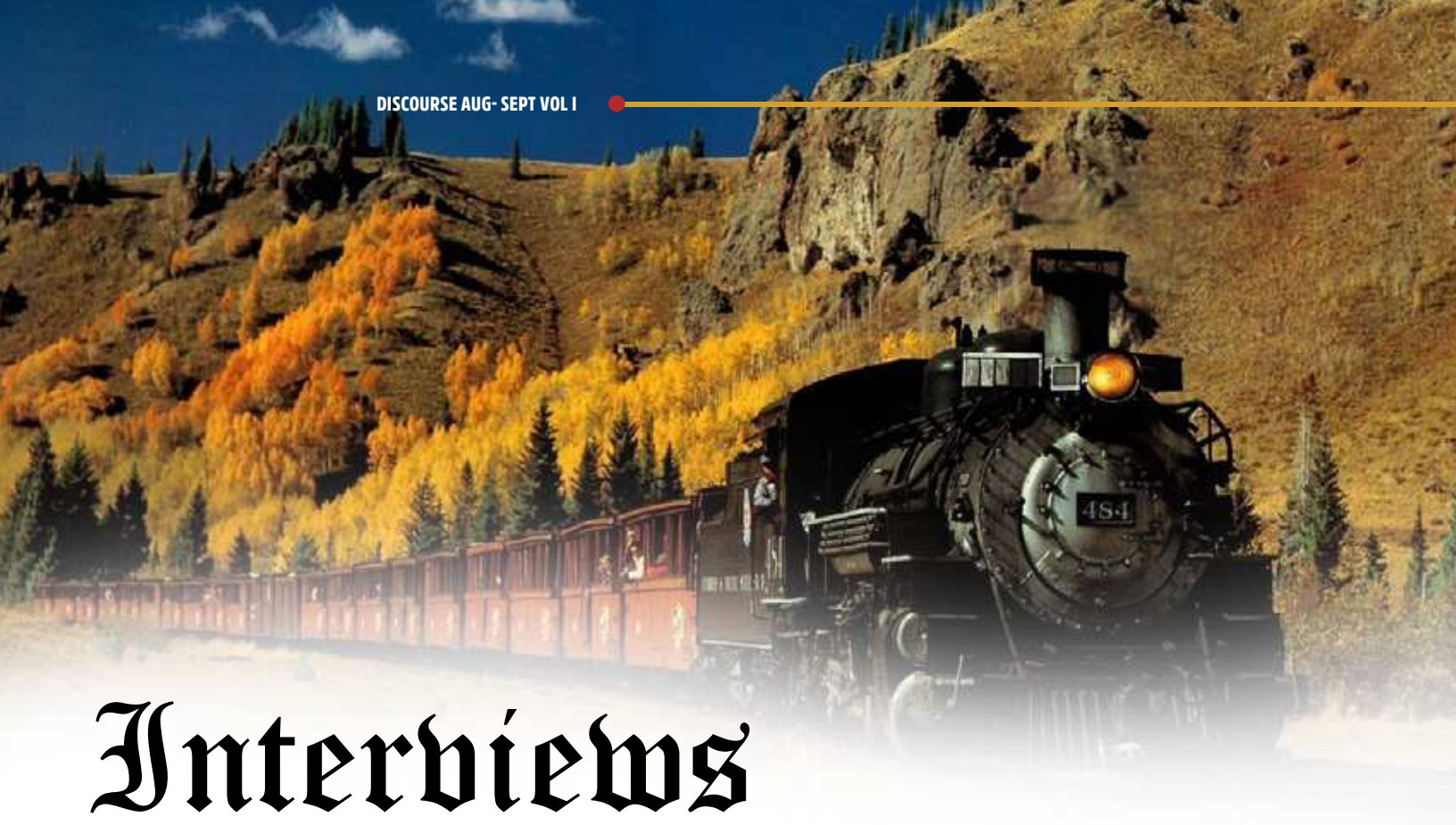
In contrast to the IMF, which is the result of robust negotiations between the US and Britain, the WB is largely an American manufacture. The outcome was a solid and lasting American imprint on all facets of the Bank, including its structure, general policy direction, and the manner of granting loans. During last 2,3 decades, the West in general and US in particular is ever more weaponizing IMF, WB and United Nations (UN) to subdue smaller countries like Iran, Greece, Argentina, Venezuela etc.

Moreover, if Russia, China and Pakistan behave the way the US wants them to, they are good boys, but if they resist and defy the US-led West, they are bad boys. Being in the category of bad boys, all these mentioned institutions also turn their guns to the target countries and conspire with major power to weaken them financially. In that case, US also use 'human rights' as a political instrument for coercion.

One can counter-check the US Department of State's reports on human rights; how they target Pakistan and China – and stay mum on Israeli violence on helpless Palestinians. Additionally, Washington also stay silent or suffice with customary statements only when it comes to Indian brutalities in Kashmir valley, along with its harsh discriminatory practices against minorities. For instance, India's lockdown over 8 million Kashmiris, including the entire political leadership, to prevent them from protesting the abrogation of Article 370 and violation of UN resolutions, but no major power condemns the act of abrogation, but only talking of restoration of liberties.

Hence, it all boils down to considerations of geo-politics and nothing is moral in this game. There is only selective application of moral values and international law for vested interests. However, developing countries, staggering around to survive in the global financial order, cannot stand up to the US influence over IFIs and UN

The notion thus calls for a new form of decolonization, urgently required, to get out of the predicament in which the IFIs and their main shareholders have entrapped the developing countries. New rules of the game ought to be established for the multipolar world ahead, where no single nation or region should be dominant enough to undermine others.



# Interviews

## AN INTERVIEW WITH *Mr. Saeed Akhtar*

**Mr Saeed Akhtar** served Pakistan Railways (PR) for about 35 years of his life in different senior management positions. He actively participated in the PIDE –RE webinar series on PR and enlightened the audience with his views and enriched the discussion with historical back ground of the current issues. Below is the discussion he had with PIDE team on the current status of PR and the way forward.



**How do you see the current situation of PR? Where does the enterprise stand today as compared to the last two decades?**

Whether PR was better or not, compared to past, depends how you gauge it? There can be different parameters. From my point of view we must understand that Railway is no more a social service. It is a business. It has to compete with its rival modes i.e. highways and to some extent air also. It is no more a social service as it is normally conceptualized by public and particularly the politicians of this country. If the governments/ politicians still intend to treat it as social service, then expecting profits is unrealistic. It will continue to be a burden on government exchequer.

Decade of Nineties was even worse. In addition to financials, quality of operations was compromised. This decade witnessed the worst rail accidents of the history killing hundreds of passengers. This was the time when starting feeling heat of continuously increasing losses and worsening performance. With the guidance and support of World Bank, Open Access Policy was formulated and efforts were made to implement it without any success. After failure in implementing Track Access Regime, The Government decided to restructure and privatise the PR. Later government changed due to Martial Law, the new army-based management reversed the whole restructuring process putting PR back to square one.

The next decade started with top management by army persons. Lot of money were inducted. New locomotives, passenger coaches and freight wagons were purchased. Conversion of single line to double line from Lodhran to Lahore was started. Labour unions were curbed and as a consequence discipline improved. The organisation started showing some positive signs financially with better quality of service. In the year 2005, PR was shown covering its operational cost. However, this superficial improvement proved temporary due to a major accident of three trains colliding. The journey of degradation again started at a faster pace.



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State Bank of Pakistan, in the year 2009, capped the PR account to put a complete stop to ever increasing overdraft. Thus, the decade (2001 to 2010) ended with bleak picture. And so, the next decade (2011 to 2020) started with grim environment. This decade witnessed the worst financials and extremely poor performance. PR had no money to purchase fuel, pay salaries and pensions. There was severe scarcity of funds for procurement of vital items. The freight trains operation minimised and a time came when almost no freight trains were operating. Number of Passenger trains were reduced to minimum. Later, PR was awarded a contract for transportation of coal for Coal Based power plant at Yousafwala (Sahiwal). This was a captive traffic and PR had a sigh of relief by operating coal trains under this contract. But other freight traffic remained stagnant rather reduced.

**From the above discussion, the picture clearly emerges is that Performance of PR has grossly degraded compared to the past.**

**? Railways around the globe have restructured themselves. What is Pakistan Railways' own policy now? How much progress has been made in restructuring? Are any visible effects of the policy so far? Why is the process so slow? What are the major hurdles now?**

PR has no policy of change. PR is following the policy of Status Quo. PR is following the policy of continuing to operate on the similar lines as it has been operating since last 40 years. Interesting part is that walking on the same path of last 40 years, PR will reach a different destination; the destination of success, profitability and high growth.

Following are three vital ingredients for restructuring of PR, and for that purpose for any organisation

- Well thought, realistic and matching to local environments Restructuring Plan

- Strong Political Commitment by a stable and strong government.

- Professional Change Management by expert, mature and capable professionals.

None of the above three ingredients is existing at the moment. Government is happy with the status quo; PR management and employees are quite comfortable with Status Quo; The bureaucracy is very happy and satisfied with status quo. So, there is no chance visible for any restructuring in the near future, at least not in my knowledge. In my view, the major hurdle

is the government (Bureaucracy and politicians included) who are neither interested nor knowledgeable for any such venture or revolutionary change.

**? The advisor to PR discussed the consumer centric business plan of PR in one of the webinars of PIDE. The advisor has resigned like many others. What is the status of that business plan now. PR is business oriented or it's a connectivity model?**

I also heard the valuable deliberations of eminent advisor. He, perhaps, joined PR with a mindset, that the existing management of PR is just ignorant, inefficient and incapable. Unfortunately, this normally the mindset of every outsider; may be the honourable ministers, worthy Chairmen selected from bureaucracy, similar advisors and sometimes even the finance officers posted in PR from Pakistan audit and Accounts service.

Whatsoever innovative steps, the honourable advisor suggested, had already been

tried on PR with no success. Every one should understand, until an organisation is not successful in her core business (train operations in case of PR), the peripheral activities are just wastage of time and resources. He narrated all that without looking into the previous initiatives and their fate. That is why, I think, he soon realised his expected failure and resigned.

There is no active-well-planned Business Plan in my knowledge. I still maintain that PR should be run as a business without any role of the governments in business affairs. Governments must decide the fate of un-economical, loss making lines keeping in view strategic and social considerations. PR should be un-burdened from the load of strategic & social lines.



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### What kind of institutional framework do you see given the sort of the current reforms?

What are current reforms? There is nothing in my knowledge. Every Minister and Chairman comes with his own so called, reform agenda, rejects all previous changes and starts implementing his own preconceived concepts.

They are never serious in reforms but, by this way, they buy time to satisfy the government, media and public that something good is being done. When these people complete their tenure, result is zero and everything comes back to square one.

One serious effort of structural reforms was made in the year 1997 (which was made to fail by strenuous efforts of PR top management). A very negative impact of these numerous so called, reforms/restructurings is a permanent environment of 'un-certainty' in the organisation. Adhocism is now the order of the day.

The minister establishes his authority by working like Chief Executive Officer, by controlling transfer/postings, recruitments, ordering train stoppages and introducing new trains (for political gains), interfering in award of contracts. Senior General Manager is the so-called CEO but his team of senior officers (BS 20 & 21) is selected by the Chairman and Minister and then CEO is expected to perform!!!

Coming back to the question of Institutional reforms? If autonomy is the basic and foremost requirement for a successful business, we have two options

1. Going back to the Organisational structure which we had in fifties and sixties. That was similar to what Indian Railways have even today

2. Learn from the experiences of other world railways who have restructured themselves and performing successfully.

#### **Question: Among the two options, which one do you think is a better option?**

My personal view is that going back to the organisational structure of fifties and sixties is no more possible.

To learn from the experiences of world railways is the only option. Pattern of re-structuring, which was exercised during 1997-99 appears to be more plausible. Similar structure is successfully performing in many countries e.g. Sweden, UK, some South American countries, Australia etc. Practise of Private trains in most of the world railways is a norm.

#### **Question: How can it be achieved? What will be the way forward, a PR transportation policy?**

Definitely, another important issue regarding institutional framework is the existence and implementation of Transport Policy of the country. A Transport Policy was previously developed probably by Ministry of Communication but still waiting implementation. A question still remains whether a Transport Policy, prepared under the purview of Ministry of Communication (which owns the highway sector in the country and a competitor of railway as a mode of transport) can be impartial, logical and pragmatic in defining the role of railway viz-a-viz highways in the country. In view of above discussions, my suggestions are as following

- A. Transport policy may be reviewed to match it with overall master planning of the country, regional connectivity like CAREC, CPEC and needs/requirements of other stake holders.
- B. An independent body must be created to monitor the implementation of Transport Policy and rationalizing the Transport Policy as per emerging needs.
- C. PR will never be an efficient and vibrant under the umbrella of the government. It can not sustain as a government department and will always remain burden upon exchequer draining out the money of tax payers
- D. Ministry of Transport should be constituted placing Highway sector, Railway Sector, Civil Aviation and Maritime services under one roof i.e. Ministry of Transport.
- E. A National Railway Authority (on the pattern of National Highway Authority) be founded to take over the Railway Infrastructure
- F. Following three companies, initially owned by the government, be constituted to take over the train operations

1. Rail Freight Company
2. Rail Passenger Company
3. Rolling Stock company



After words these can be divested through stock markets.

G. Non-core activities should be privatized or outsourced

H. Manufacturing units should be corporatized and divested.

I. Railway Regulatory authority be founded to regulate the railway sector in the country

J. Infrastructure Company should aggressively implement and promote Open Access Policy and optimise the use of the capacity of Infrastructure

K. Government should take conscious decisions regarding loss making lines. If Governments wants to continue them for social or strategic reasons, then these should be reasonably subsidised.

**It would be preferable if a fresh study is conducted to frame restructuring proposal and consultants be appointed for change management and implementation of restructuring plan.**

**? Human resource management is a huge issue. Are the people currently responsible to manage operations of Pakistan will be really sensitized about it progress development and reformation and do they have capacity to run it effectively and absolutely.**

Undoubtedly Human Resource is the most important and vital source of any organisation. Performance of any organisation is directly related with the quality and productivity of its Human Resource.

The current situation of PR is in fact the appropriate reply of both the questions. Had the HR of this sick organisation really sensitised about its progress, development and reformation, the conditions of PR would not have been that poor. Moreover, capacity of HR to run it effectively is a serious issue since long.

The situation on ground is that currently both the management and employees of PR are demotivated, frustrated and demoralised. They lack direction and the environment of un-certainty depicts no ray of hope for them. Their genuine perks and privileges are gradually diminishing due to lack of resources. The management and employees

of an organisation, which has no direction, which is constantly under criticism, whose future is hazy will remain demotivated, frustrated and demoralised.

Regarding the capacity to run PR effectively, following are few facts.

- a) It has a large Finance and Accounts Department, but there is not a single Chartered accountant in the department
- b) It is a Transportation organization but there is hardly any Transportation Engineer in this organization.
- c) It is a so-called Commercial organization, there is no Transportation economist or MBA.
- d) It is a business organization of about 80, 000 persons but professional Business Managers are non-existent.
- e) Organisation is expected to depict its profit/loss but there is not a single qualified Cost Accountant in the whole organisation.
- f) Procurements and many other decisions are constrained by bureaucratic rules and regulations, which the inculcate inefficiency and corruption

Moreover, system of performance evaluation and promotions is nothing but useless. Stereotype Performance evaluation reports serve no purpose. Promotions are only based on seniority without linking it with performance/merits. There is incentive for the officers and employees to work hard.

Most comfortable policy for the persons is 'avoid working and decision making'. Because you will be promptly punished for any perceived wrong decision and your numerous good decisions will carry no weight.





**Lack of automation in railway in Pakistan. Worldwide railways companies are investing on automatic condition monitoring system and in Pakistan still we have very old system in which we have people inspecting tracks manually also the rolling stock maintenance is manual. Where does PR stands in terms of automation?**

The observation is very correct. PR is only at the infant stage as far as automation is concerned. It is not only the automation but severe lack of mechanisation is equally important issue. Half hearted efforts of mechanisation have been bitterly failing. However, automation and mechanisation cannot move and progress independently. Quality of Infrastructure, quality of human resource has to be up to the mark and should match with automation and mechanisation process. For example, automation and Mechanisation will not be able impact a track having high percentage of sleepers, defective worn out rails, obsolete fastenings etc. So, both things are important strengthening and upgrading of Infrastructure and other assets and simultaneous automation and mechanisation.



**Should we not set up a new completely independent railways company for ML-1 so that we proceed with ML1 without even Pakistan railways and continuing developing that how do you think about that?**

I agree with this concept. In fact, ML-1 is the Cash Cow for PR. More than 80% industry and population centres are located on this line. This concept was once presented by World Bank. Purpose was to separate potentially profit-making railway lines from strategic and social lines. Both parts should have independent accounting mechanism. In this way the accounts will become more transparent. Potentially profit-making lines should sustain at their own and continue growing and developing thus serving the country positively. Government can decide about the other part whether to continue strategic and social lines or close them and if the government decides to continue with them, its services will have to be subsidised. As I have already suggested that a new organisation should be constituted which should be autonomous and ML-1 and Khanewal-Shorkot-Faisalabad-Wazirabad link be placed under this new entity.

### **Question: How is PR dealing with the pension burden?**

Answer is simple. PR is dealing with the pension burden by begging money from the government on monthly basis. Government should establish a pension fund after assessing the funds requirement using actuarial services.

However, if PR is restructured as discussed above, the services of the employees of Authority/corporation or companies will not remain pensionable and gradually PR will get rid of pension burden.

### **Question: Which vision can help PR to get healthier balance sheets?**

Autonomy, restructuring and Public Private Partnership are the key factors. If these concepts are implemented, positive results can be achieved.







Real estate has become everybody's favorite whipping boy: regarded as a parking place for black money and a playground for the qabza mafia. with little or no research on the subject. It is seen as a Ponzi scheme that markets have created. Yet when you begin to understand the problem, we see it is a mess created by flawed government policy made in a fragmented fashion by various layers of bureaucracy.

# BUILD A REAL ESTATE MARKET: KILL FBR AND DC RATES

*Nadeem Ul-Haque &  
Ahmad Waqar Qasim*

The government has done everything possible to ensure that the real estate market does not develop. And it continues to do so.

Why do we have a broken pricing system? Decades ago, unable to track prices District Collector (DC) announced a price that obviously was difficult to adjust as rapidly as a market move. When the static DC rate was outstripped by the market rate by a huge margin and become obsolete, the Federal Board of Revenue (FBR) jumps into announcing prices which it tries to adjust unsuccessfully. Both rates are different from the market rate at which transactions take place.

Why we persist with these prices at a time when Market rates are easy to reveal with some technology is astonishing, to say the least! With these rates, the government has clearly announced that all properties will be registered at the lower DC rate as it is a recognized government rate. It is the government-announced rate, and it is accepted for property transactions. Given taxes are charged at the registration rate why would you not register at the DC rate?

Therefore, the announcement of the DC rate or FBR rate readily develops “black market” flows.

Why do the rates persist? Real estate transactions are subjected to four types of taxes: the provincial government collects “stamp duty” and “capital value tax”, while the federal government collects “capital gain tax” and “withholding or advance tax”. Therefore, provincial governments use the DC rate to calculate the tax liabilities and the federal government uses FBR valuation rates for taxes falling under her jurisdiction. Amazing and confusing!

So why not abolish the DC and the FBR rates? Pure inertia.



Why not just allow the rate at which the transaction takes place to be announced? They say it is because people will under-report the transaction. These days very simple mechanisms will allow information to be fully revealed allowing us to abolish both the DC rate and the FBR rate and bringing some sanity to the real estate market.

Miftah Ismail the current Finance Minister, in his last tenure, did develop one such method. He announced that if the government found some transactions to be under-reported. It would step in and buy the property at that price. Simple deterrent to underreporting.

Why do we have no information on real estate availability and sales anywhere in the country? PIDE has found that information is limited to brokers and brokers only know of a limited amount of inventory in their area only. Both the buyer and the seller are at a disadvantage leaving critical information in the hands of the broker and his insiders. But the government does not allow the data at which property is transacted to be revealed.

Twentieth-century experiments with price controls and socialism showed that market rates fluctuate substantially, and administrators are incapable of setting such prices with any level of accuracy. A large amount of evidence is available on this issue. Sadly, we continue to set prices for real estate to confuse both policy and the market.



A report published by PIDE shows that the real estate market, investors' most favorite market has been destroyed because of poorly conceived government interventions such as the DC rate and the FBR rate and the government's penchant for secret transactions. Instead of solving the problem, we are building a Real Estate Regulatory authority to collect a further .5% tax from real estate transactions! And why not? More government jobs for the boys!

PIDE study has also proposed a solution to this problem which is the introduction of listing all transactions on a national internet portal and developing an auction market for revealing prices. that allow auctions in the real estate sector. The suggested approach is:

- Abolish the DC and FBE rates.
- All properties for sale to be sold must be advertised on a portal for all to see,
- Once the contract has been settled, it must be listed on the exchange for at least 2 weeks – called the contract period – before the transfer can take place,
- The contract period will allow an auction market to happen,
- All registered buyers on the portal can now outbid the contract with better terms on price maturity and deposit.



This simple approach will solve the problems of the real estate market and satisfy all except the qabza mafia and the few who benefit from the current government-created mess. Where and who will look at such simple solutions in a hyper-political and uber-VIP approach to policy?

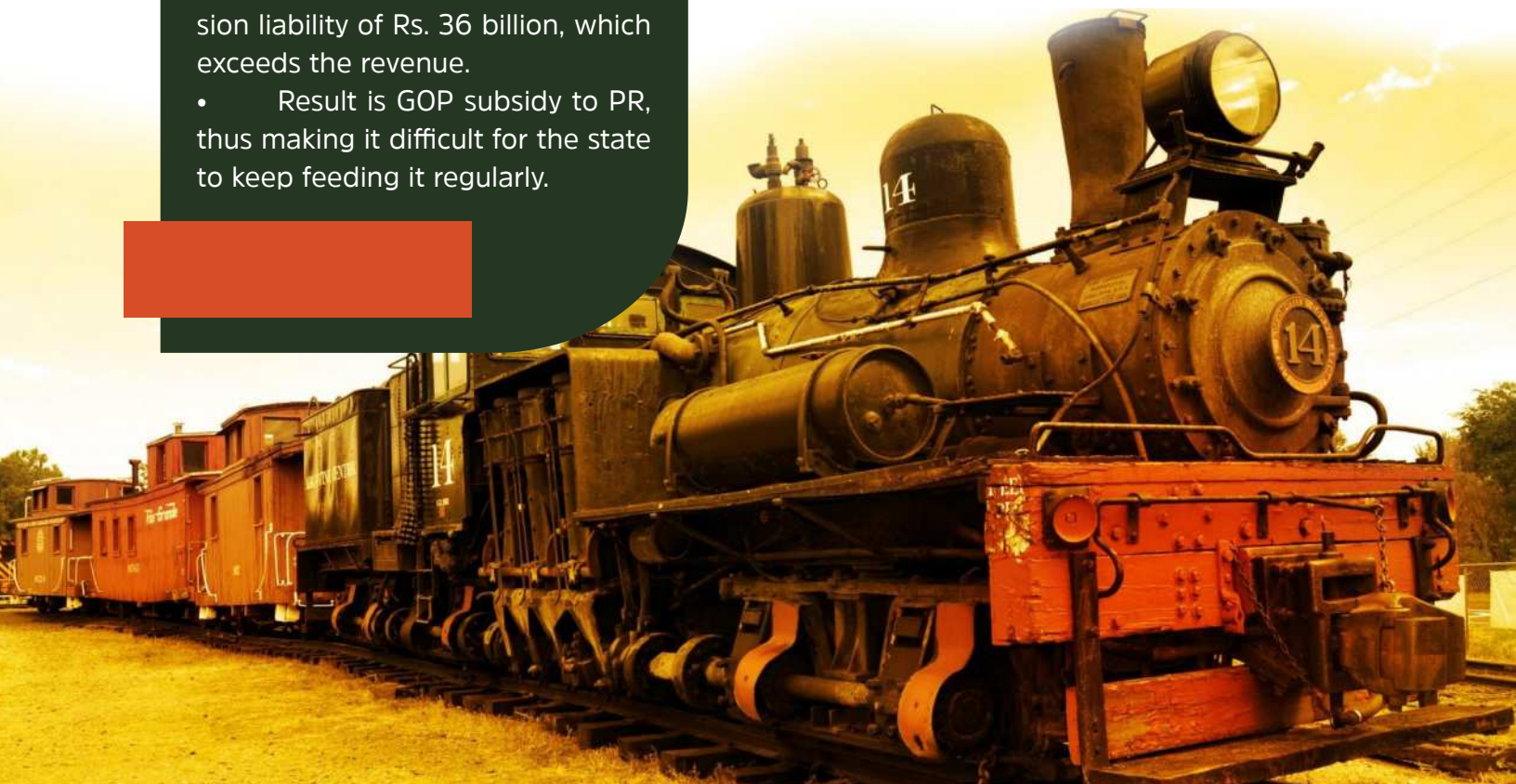
# Nudging Pakistan Railways<sup>1</sup>

*Saba Anwar*

## Why Reforms:

- Pakistan Railways is currently going through a massive crisis due to budgetary deficit due to Rs 44 Billion loss per annum (2020-21)
- This translates into Rs 3.66 billion loss per month, coming straight from the exchequer
- The number of pensioners in PR is 120,000 with an annual pension liability of Rs. 36 billion, which exceeds the revenue.
- Result is GOP subsidy to PR, thus making it difficult for the state to keep feeding it regularly.

The losses incurred by Pakistan Railways during the five years period (2015 - 2020) have amounted to a prodigious 144 billion PKR. The stiff competition from road transport and inability of PR to adopt a customer centric business plan because of complex bureaucratic structure, has led to an inefficient, underfinanced and overstaffed public agency running in losses since last three and a half decades. Placed in the "Retain and Restructure" category after the State Owned Enterprises (SOE) triage exercise in March 2021, the 19th century infrastructure still grapples with the challenges of 21st century after several repeated rounds of halfhearted reforms. The latest reforms of PR, recommended by Institutional Reform Cell, are based on five pillars.



<sup>1</sup>Special thanks to Dr Nadeem ul Haq and Dr Amer Zafar Durrani for motivation, mentoring and thorough support. The discussion rests heavily on the PIDE-RE 8 webinar series on Pakistan Railways, jointly organized by Pakistan Institute of Development Economics and Reenergia, 2020-21. <https://www.youtube.com/watch?v=Aj6Y8GUm6s0&t=301s>



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## 1. FIRST PILLAR - HUMAN RESOURCE

The first pillar is capacity building and that is the pivot to the restructuring. The following steps have been taken.

- The induction of specialists from private sector and academia in MP1 scale.
- The mandatory training of the Railways officers.

Officials have to go through a 15 days training both in the academy as well as outside academy, for example, in National University of Science and Technology,

Lahore University of Management Sciences etc.

- The upgradation of the training academy.
- The number of the employees was frozen at 62000 against the sanctioned strength of 95000. The workload analysis was conducted to rationalize the human resource base.

## 2 SECOND PILLAR – AUTOMATION /DIGITIZATION

Fifty percent ticketing is now electronic but PR still lacks an Enterprise Resource Planning (ERP) system which integrates all the processes from end to end. Even the flow of financial information within the enterprise reports a delay of 60 days. The government hopes to complete the first phase of ERP in about three months. The first phase of the ERP will be operational making railways completely paperless. All the data will be generated electronically and there will be the dashboards before the chief executives the secretary and the ministers in order to monitor. Customer Relationship Management (CRM) systems will be created for the customer relation including the tracking arrangements, call centers, SMS alerts etc. Railways Automated Booking and Travel Assistance (RABTA) has

been advertised. Automation is expected to address the leakages which have been the major reason behind the decline in the volume of PR freight in 2020-21.

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## 3 THIRD PILLAR - FIVE INDEPENDENT CORPORATE ENTITIES

The designated functions of the five independent corporate entities will be as follows

i. Independent Regulatory Authority. The objective is to separate the regulatory function from the operations. The independent regulatory authority<sup>2</sup> like Oil and Gas Regulatory Authority, is expected to provide a level playing field to the private sector and dilute the inherent conflict of interest if ministry is also one of the operators.

ii. ML -1. A 6-billion-dollar project, will be one of the corporate entities independent of the railway ministry.

iii. A government owned Infrastructure Company. This company will enter into concession agreements with the private companies for the use of the third party access. This will also use the tracks.

iv. The freight operations company. It has been already corporatized. Foreign Training Committee (FTC) has hired an individual from the private sector to operate it as a corporate entity.

v. TRAC<sup>3</sup> would be transformed into a passenger trained corporate entity. Five rail passenger trains have been outsourced. Out of the remaining 35, except those which are to be operated on social economic considerations (for example the lines in Baluchistan that are not commercially viable), will remain with the railway ministry or the railway board. All other commercial passenger trains would be outsourced to the private sector.

Circular Railways Companies. Once the Circular railways like Karachi circular railways and Lahore Metropolitan start working, they will have their own companies. Eventually all big cities will have their own railways corporations.

<sup>2</sup>Presently, the regulator is directly reporting to the ministry and board.

<sup>3</sup>Currently, advisory and consultancy.

## 4 FOURTH PILLAR - PENSION REFORMS

There are 115 000 unverified retirees of PR, who are paid 35 billion rupees annually. To verify these individuals, a biometric verification system for the pensioners has been proposed. The pension deficit has been fielded by the government of Pakistan for PR. A pay and pension commission has been formed which will have to think about not only railways but of other public enterprises as well.

## 5 FIFTH PILLAR - LAND DEVELOPMENT

PR has 178000 acres of land, out of which 145 000 is being used for operational purposes. The remaining 33 000 acres is the "Right of Way"<sup>4</sup> entitled to PR. This land which is both underpriced as well as underpaid as the rents are concerned. Two options can be exercised to put this ancillary land in use. Around 5 to ten billion PKR can be generated annually by rewriting the concession agreements and getting rid of the encroaches. Or like Delhi Metro, transforming the railway stations of big cities like Lahore Karachi Islamabad into commercial hubs with decent shopping plazas, cafes and restaurants.

## 2 POTENTIAL OF PR - PRIVATE SECTOR PERSPECTIVE

These reforms, like other reforms, hinges largely on Public Private Partnership. The perspective and inclusiveness of these partners of PR is vital in the designing and implementation of reforms. Though PR has initiated the private sector engagement and has advertised for freight outsourcing, the important thing to keep in mind is that this has happened for the fourth time in last three years. The announcement of open access policy by PR and sudden halt to its own initiatives has placed USD one billion investment of private sector at stake.<sup>5</sup> Despite the mistrust, there are still 12 serious parties that have bid for the freight outsourcing. This speaks high of the potential PR is killing only because of its inefficiencies.

Pakistan's GDP has gone up by 31 times and the tonnes carried by PR has declined to one third in 2017-18.

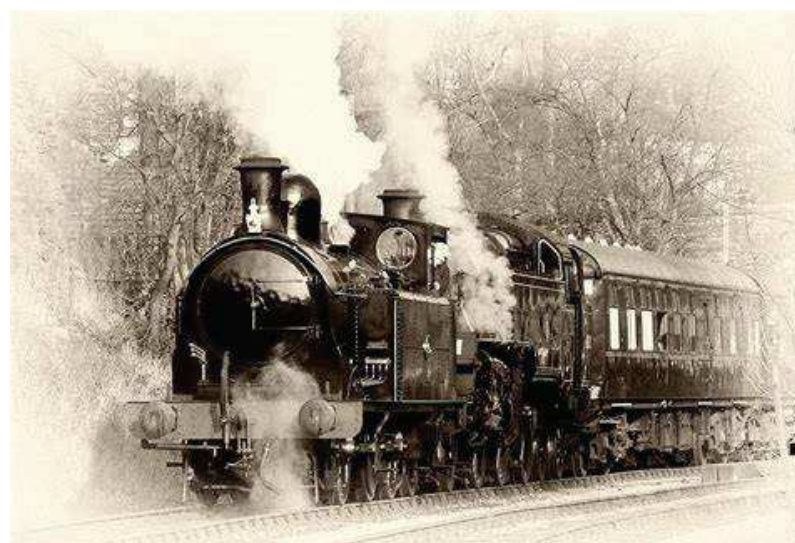
## The Current Freight Potential

The PR Freight has not kept up with size of the GDP. Even the existing potential is not utilized to its full capacity because of inefficiencies, except for Sahiwal coal plant. The amount of freight carried by PR has decline from 14 million tonnes in 1965-70 to 8 million tonnes in 2017-18. With the existing fleet of 4 wheelers, 8 wheelers and high capacity freight wagons, PR still has an estimated potential of 3 billion PKR per month if used at full capacity.

**Table 1: Freight Potential of PR**

All Existing FIT Freight Wagons & Spare		Bigger Picture for PR Improvement		Revenue Increase Possibilities for PR	
Wagon Type	Total no.	No. of Trips /wagon/month	Total Trips PM	Total Rev PM	Total Rev PA
4 Wheeler	5,396	2	10,792	539,600,000	6,475,200,000
8 Wheeler	2,146	3	6,438	482,850,000	5,794,200,000
High Capacity	3,198	6	19,188	2,206,620,000	26,479,440,000
<b>Total</b>	<b>10,740</b>			<b>3,229,070,000</b>	<b>38,748,840,000</b>

Source: Webinar on "Institutional Arrangements for Reforming & Developing the Pakistan Railways."



<sup>5</sup>Track access regimes: International Practices and Pakistan Railways. PIDe Knowledge Brief 2021:47.

<https://pide.org.pk/research/track-access-regime-the-international-practices-and-pakistan-railways/>

<https://pide.org.pk/research/track-access-regime-the-international-practices-and-pakistan-railways/>

<sup>4</sup>A right of way is a type of easement granted or reserved over the land for transportation purposes.



## 3 SAME REFORMS AGAIN, AGAIN, AND AGAIN - WHAT TO DO

The reforms reflect the insistence on public sector organizations to transmogrify. Times and again same reforms are chalked out – be it the Restructuring of PR (2001), Strategic Plan (2018) or National Transport Policy of Pakistan (2018) – yet these reforms are happening on papers only, clearly failing in implementation. Why?<sup>6</sup> One of the major reasons for the failure to reform is the resistance by the employees (Ford et al, 2008; Coram & Burnes; 2001). Notably, PR has been a leading employment provider despite heavy losses<sup>7</sup>. The employee related costs are two-third of the operating expenses. The managerial incapability, the laid back attitude, lots of complacencies of the overstaffed employees are evident yet the focus of restructuring and reforms remains on gaining new locomotives (Siddiqui, 2011). There is absolutely no concern about the leakages in diesel or unpaired tracks, trains timings or safety measures. The ghost employees receive illegitimate salaries, the blurred definition of roles, duties and job responsibilities further aggravate the situation (Asim & Nafees, 2014). The first pillar of the latest reform rightly addresses the enhancement in the productivity of the PR human resource but this micro management needs nudgers – Actors of Change.

### Restructuring of PR (2001)

In 1997, the GOP announced its strategy for the privatization of the Pakistan Railways. The strategy was to restructure the PR into three core businesses namely Passengers, Freight and Infrastructure.

In 2001, a report of the committee on Restructuring & Rightsizing of Pakistan Railways deliberated to engage and regulate private sector rail industry on rail network of Pakistan for freight business.

### National Transport Policy of Pakistan (2018)

For freight, the predominant movement by road transport will increasingly be shifted to rail and pipeline, by better integration of agriculture and industry to rail stations, dry ports, and pipelines. An increased focus will be placed upon last-mile connectivity to ports, industrial zones and within urban areas.

## ACTORS OF CHANGE -NUDGERS

The actors who are supposed to act out the change are **pro status quo**.

To enhance the productivity of the human resource, we need to understand how individuals think and decide. This would require going beyond the “rationality” assumption and expanding the set of tools and strategies PR can think of via behavioral economics. Automatic, social and thinking with mental models shapes the decision of all individuals<sup>8</sup>. The automatic thinking influences all the judgements and is intuitive, effortless, has narrow frame (Kahneman, 2003; Evans, 2008). The extensive work done by Thaler and Sunstein, 2008 discusses how the “choice architecture” can effect this type of thinking. PR can also infer a suitable option with RCT (randomized control trials).

The losses incurred by PR can be reframed so they are more obvious to all the level of employees. The losses can be interpreted in terms of the declined health and education facilities to the families of the employees. The cost of subsidies provided by the government can be highlighted in terms of the number of children outside school or poverty relief that government provides.

Social thinking means that the decisions of the individuals are also influenced by their milieu. This provides a self-driven impetus to the desirable social values and norms like trust. However, in case of destructive traits, social thinking can vanquish the individual thinking. Any destructive individual thinking can prevail as social thinking leading to chaos. PR is high in employee cooperation. The resistance to reforms could be the social thinking only. Getting insights to the individual thinking might build the momentum for change.

<sup>6</sup>Federal Footprint SOEs Annual Report FY 2019, Vol 1, Ministry of Finance.

<sup>7</sup>Federal Footprint SOEs Annual Report FY 2019, Vol 1, Ministry of Finance.

<sup>8</sup>Mind, Behavior and Society, WDR 2015.9Several examples were seen in Bangladesh.



Mental models allow individuals to draw inferences, make predictions, understand phenomena, decide which action to take and experience events vicariously (Johnson-Laird, 1983). Unlike automatic or social thinking, mental models abet people in analyzing their environment and then making a decision. It shapes the understanding of what is right and the possibilities in life. The PR can also run different mental models and gauge their effectiveness in terms of performance targets.

Following Rider-Elephant-Path approach, one experiment could be to design a specific program for mid-level officers from different departments of PR on how business oriented railways work. The participation of the mid-level management plays an essential role in implementing reforms (Blackman, 2022). Thus, the baseline or design of the reforms should focus on inspiring and engaging this tier of bureaucracy<sup>9</sup>. Their attitudes can play a pivotal role in acceptance and implementation of reforms. The group should also include partners of PR from private sector. The inclusion of private sector will help the officers to grab the perspective of private sector (as they deem PR to be profitable as shown in table 1), understand the market dynamics, the results and the recourse. As a part of learning by doing exercise, they should get an opportunity to interact with some of the best railway personnel in the world.

This program will create a reform minded community within the system. This nudger's community can then influence the organization both horizontally and vertically for catalyzing the implementation of reforms. Experiments have proved that peers in the workplace exert a strong influence on individual's performance by enforcing social norms.<sup>10</sup> Proximity to more productive workers can lead to increase in efficiency models can be tested for PR. These mental models, with a little tweak, can provide productivity spillover in PR too.

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<sup>9</sup>Several examples were seen in Bangladesh.

<sup>10</sup>WDR 2015. *Mind, Society, and Behavior*.







# Track Access Regime: THE INTERNATIONAL PRACTICES<sup>12</sup> AND PAKISTAN RAILWAYS

*Saba Anwar*

The “Track Access” or “Right of Access” agreements allow multiple train operators to provide rail services on a shared infrastructure. These agreements are called ‘Network Statement’ in Europe and an ‘Access Undertaking’ in Australia. These “information packages” establish the ‘rules of the game’ between the two parties. Most of these agreements have a similar structure, dealing in turn with:

- Prerequisites to grant access to an operator. These include a license for the operator, the rolling stock to conform to standards, and the suitably qualified staff.
- Characteristics of the infrastructure over which access is available, e.g., axle-load, line-speed, signaling systems, etc.
- Procedures for capacity allocation; in some cases, network management when there are traffic conflicts and incidents.
- Services supplied by the access provider, including access to yards, terminals, maintenance, and fueling facilities.
- Charges levied.

This arrangement has led to two separate organisations for infrastructure (track authorities) and operations (train operators). In some cases, these are fully independent and in some two distinct companies under a holding company. It varies from country to country and tends to reflect the political strength of the railway and its unions.

The infrastructure manager provides a set train path and a working timetable to the private operators. The operators are responsible for capital cost, operating cost, and other relevant costs of train operations. From a commercial perspective, train operators, in general, are independent of infrastructure managers. This liberty provides ease of doing business to the private operator with the trade and industry.

Now, these arrangements have transformed into the “Right of Access” arrangements. The main change is that third parties have the right to obtain access provided they satisfy licensing requirements, i.e., financial capacity and technical capacity.

## Historical Context

Access to rail infrastructure by operators who are not the infrastructure owners has a long history, starting from the beginning of the 19th century. Such arrangements have existed since the earliest days of railways. The 18th-century wagonways and canals operated on this basis. The Liverpool and Manchester railway had such an arrangement with Grand Junction railway in 1837. It is still common in countries with several rail companies. These arrangements, in general, managed by regulatory bodies or governments.

<sup>11</sup>Special thanks to Dr Nadeem Ul Haque and Dr Amer Zafar Durrani for motivation, mentoring and thorough support.

<sup>12</sup>The discussion rests heavily on the PIDE-RE 8 webinar series on Pakistan Railways, jointly organised by Pakistan Institute of Development Economics and Reenergia, 2020-21 (<https://www.youtube.com/watch?v=Y5EqU21Q4Q0&t=4691s>)

## TRACK ACCESS CHARGES – SHARING THE COST

### These are the Payments from the Operators to the Track Owner.

Track Access Charges (TAC) is a significant and widely discussed component of these arrangements. In principle, the objective of these arrangements is to share the total cost of the track between the train operator and the infrastructure owner. In 1837, the Liverpool & Manchester charged the Grand Junction one-third of the total freight rate as its track using fee. Since then, many such railway-to-railway agreements have been made to share costs. The total cost of infrastructure operation and maintenance is divided based on gross tons. Wagons have a similar effect to gross tons, are easier to record and calculate. There are examples where the recovery of infrastructure maintenance is on a gross tons-km basis, and signaling maintenance and operation is on a train-km basis.

- How much of the infrastructure costs have to be recovered?
- How much from passenger? How much from freight?
- How should charges be levied? How to charge for scarcity?

## TAC - EUROPE

The first railway package introduced in 2001 (as per the directive 91/440/EEC) called for the access charges to be the direct cost of running the train. In this, markups could be differentiated based on the type of passenger trains and freight commodities; this package allowed for scarcity and environmental costs. However, Europe adopted a wide range of approaches. These included marginal cost pricing, marginal cost-plus pricing,

full-cost minus discounts pricing, and full-cost pricing. Sweden and Britain followed marginal cost pricing, while Germany and France followed full-cost pricing.<sup>13</sup>

The diversity in charges levied indicates the complexity underlying the open-access regime and the conflicting efficiency and cost recovery objective. The infrastructure costs recovered through the track access charges ranged from zero percent or near zero percent in Norway and Sweden to 100 percent in Estonia, Latvia, and Lithuania. This reflects the rail traffic they support and the government policy towards supporting the railway. Eastern Europe is freight-oriented, so cost is recovered from freight railway traffic. Western Europe is passenger-oriented and encourages rail use.

Fig. 1. Charges, Fee, and Facilities Included in Track Access Charges

#### What is Charged

- Time of Day Pricing
- Train Frequency
- Train Speed
- Train Type
- Axle Load
- Loco/Traction Type
- Service Type
- Train Path Quality
- Line Type
- Capacity Maximisation Charges
- Scarcity Surcharge
- Low Speed Penalty

#### How is it Charged

- Flat Fee
- Fee per Train-km
- Fee per tons-km
- Fee per min
- Node Fee
- Fee per axle-km
- Axle load

#### Fee

- Reservation Fee
- Cancellation Fee
- Running Charge
- Admin Fee
- Access Fee
- Security Fee
- Accident insurance Charges
- Environmental Charges
- Special Infrastructure Fee
- Dangerous Goods Transport
- Low noise fee/Discount
- Freight Subsidy Discount/Fee
- Performance Scheme

#### Facilities

- Parking at Stations
- Parking at Sidings
- Parking Time
- Shunting Services
- Train Washing
- Provision of Water
- Brake Test Facility
- Loading Areas

<sup>13</sup>Nash, C. (2018), Track Access Charges, Reconciling Conflicting Objectives. Centre of Regulation in Europe.

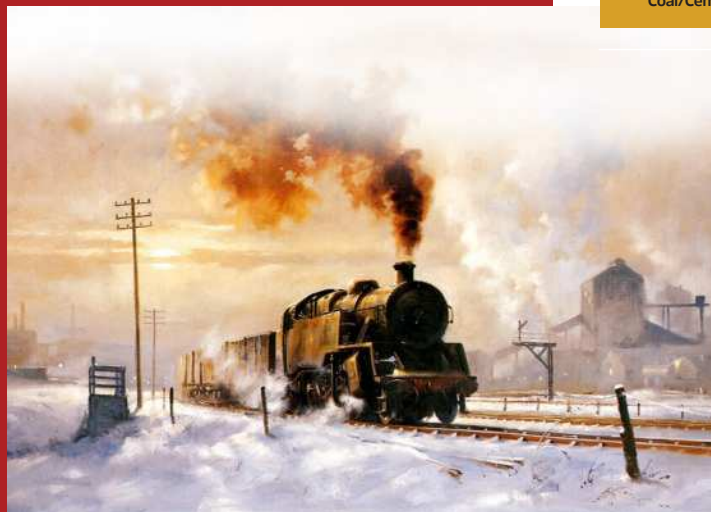


## TAC – ASIA

In 1897, the Japanese National Railways was restructured and divided into six vertically integrated and regionally separated passenger rail companies and one freight company; most of these are fully privatised. Japan adopted marginal cost pricing for TAC. In China, the historical focus of intercompany payments has been to balance the revenue between state-owned companies and their subsidiaries. However, to move towards open-access, track access charges would become considerably imperative. For China, Kang, et al. (2021)<sup>14</sup> suggest marginal cost plus a markup according to the ability to pay.

## OPEN ACCESS POLICY – PAKISTAN

In 2011, the Infrastructure Project Development Facility (IPDF) and Pakistan Railways (PR) published preliminary information on a new Open Access Policy (OAP) for railways. The purpose of the policy was to attract private investment in locomotives, rolling stock, and new facilities for freight services. The OAP did not provide for overall open access for freight operators. Instead, it allows concession only for specific commodities and between specified origins and destinations (Box 3).



<sup>14</sup>Kang, et al. (2021), "Railways Access in China: A comparison with Europe and Japan". Transport Policy, 108, 11-20.

### Pakistan's Track Access Plan – Unique Features

- Limited to specific traffics, selected by PR or the government.
- Limited and specific routes.
- Provision for expansion by mutual agreement.
- Access governed by contract and operating agreement.
- No regulatory authority is required other than PR/Ministry of Railways and Pakistan's legal system.
- No fixed track access fee – each service will pay what the market determines; PR is not required to accept any bid.
- PR free to provide service while competing with any concessionaire but could not sell another concession for the same route and traffics.

Table 1  
Auctioned Freight Services

Commodity	Route	Distance	Cycle Time
Oil	Karachi-Lal Pir	953 kms	5 days
General Cargo	Karachi-Badami Bagh	1,220 kms	6 days
GITA	Karachi-Peshawar	1,600 kms	10 days
Phosphate	Karachi-Piranghaib	939 kms	5 days
Containers	Karachi-Lahore	1,225 kms	6 days
Coal/Cement	Karachi-Daud Khel	1,265 kms	8 days

The government and railways decided what freight services they would allow to be operated by private parties. After a series of consultations between the government and PR, tenders were invited. The 20-year private concessions, with TAC based on gross tons-km, were awarded to the highest bidders. These TAC were higher than Spain and Europe at that time. PR was supposed to provide station facilities and access to its infrastructure.

The concessions resulted in operating contracts that guided access rights and priority. Investors prepared operation plans, invested in terminals, and called for expressions of interest from the international locomotive and wagon manufacturers. Total investments by private entities in rail-related services, including terminals, locomotives, and rolling stock, were estimated to be nearly \$1 billion. Unfortunately, PR/MOR did not activate the concessions they had signed.

In Pakistan, the rail traffic is diversified. Some routes have more traffic and hence can be more profitable than others. The private operator would be willing to pay more for that route. The 20-year of concession agreement is long enough for the private investor to work out a reasonable return on its rolling stock. Investment in the 20 years begins when the track access rights are activated. The adoption of OAP in 2011 could have evolved into something like the complexed EU, with multiple operators. However, PR missed the opportunity to increase its revenues associated with the above rail competition (Jensen, 1998)<sup>15</sup>.

There is no doubt that a competitive market can potentially provide more choices to the consumers, which creates pressure for the stakeholders in their spending. Stakeholders are also under pressure to develop innovative plans and services to exploit new markets and maintain profits (Tsang, 2007)<sup>16</sup>. PR lost the welfare gain of 24 percent that could have been materialised by decreasing the dead weight loss stemming from the monopoly situations (Broman, 2019)<sup>17</sup>.

The freight market analysis reveals that PR has the potential of 58 daily freight trains, which it is not managing. It is equivalent to the loss of PKR 5 million per day.<sup>18</sup> Reverting to OAP and unleashing the economic activity can have a ripple effect on the PR and economy.

## ESTIMATING THE MARKET POTENTIAL OF FREIGHT<sup>19</sup>

### 1. Domestic Cargo

Pakistan's freight and logistics sector has enormous potential, given its' domestic market of around 226 million and strategic geographic location. Within the country, containers of almost 1.8 million TEUs are being transported from South to North in a year. Only 4 percent of this freight is carried by railway sector and remaining 96 percent

is transported through the road operators. In terms of rolling stock, only 74,000 containers are transported by PR. For the domestic cargo of 1.8 million TEUs, a total of 24 trains per day are required. Under the Track Access regime, only 6 percent of the market share will be offered to the private sector via two trains per day, leaving 22 trains per day of untapped potential on the tracks of PR for container traffic.

### 2. Coal Market

Taking the coal market into account, currently, Pakistan is handling almost 15 million tons of coal freight. Again, PRs transport hardly 750,000 tons of coal through daily service on this corridor while the market size is 15 million tons per annum. Only for coal, there is an unapprehended market potential of 20 trains daily from the South to North corridor.

### 3. Oil Market

In the 1990s, oil traffic fell due to its shifting to pipelines. This shift from rail towards pipelines was the outcome of the illogical incentives provided by the regulatory authority. With hardly any oil train running in Pakistan, more than 400 oil tanker wagons are sitting idle. One oil train can carry almost 1800 tons. There is a consumption of 8 million tons of furnace oil in power plants. This translates into the potential freight of 14 trains per day from South to North. That potential is still not materialised, despite the Federal Government directing Pakistan State Oil and Pakistan Railways to run oil trains on this corridor in 2019.

<sup>15</sup>Jensen, A. (1998) Competition in Railway Monopolies. Transportation Research. Part E, 34(4), 267-287.

<sup>16</sup>Tsang, T.W. and Tin K. H. (2007) Conflict resolution through negotiation in a railway open access market: A multi agent system approach. Transportation Planning and Technology, 29(3), 157-182.

<sup>17</sup>Broman E. Jonas E (2019) Welfare Effects of Open Access Competition on Railways Markets. Transportation Research part A. 129, 72-91.

<sup>18</sup>Authors calculations.

<sup>19</sup>Based on Javaid A. Siddiqui's presentation.

<sup>20</sup>Anwar and Afrasiyab (2020), "Pakistan Railways: Why not on Rails?", PIDE Blog.

<https://pide.org.pk/blog/pakistan-railways-why-not-on-rails/>







Overall, there is a freight potential of 58 freight trains per day on the corridors of Pakistan Railways. The revenue loss from these 58 freight trains amounts to PKR 5 million per day. It does not include other commodities which PR has been carrying and can carry. That will further increase PR potential to run more freight trains, in addition to the above trains. This potential, once tapped, would help in overcoming the losses in PR and stimulate growth.

## CONCLUSION

- The incapability of the PR to adopt a simple model/ policy decision of an open-access regime that has been practiced globally for over 183 years indicates the sheer lack of motivation to transform this 18th-century colonial asset into a vibrant commercial organisation of the 21st century.
- The inability to completely implement the open-access plan and faltering the process at the last minute indicates the gravity of political interference, the resistance within the PR to any change, the incompetence and non-existence of business ethics or model.
- There is an enormous freight potential that can help the PR to turn the balance sheets in its favour and exit from the list of top ten lossmaking State-Owned Enterprises through open-access policy and unleash the economic activity via the private sector.
- The open-access regime can still be a good starting point for a comprehensive business model of PR.



# Railways Ticketing System

*Abida Naurin & Ayesha Fatima*

## BACKGROUND

The country transportation, play an important role to improve the socio-economic growth. In addition to socio-economic development transportation play a vital role for country internal peace and national integration, nation defense and growth of civilization. Transport sector is also a source of revenue for the government. One of the old and inherited mean of transportation is railway sector.

In 1847 Henry Edward, commissioner of Sindh, gave the idea of railway. In 1861 the first public railway was established covering a distance of 105 miles from Karachi to Kotri. At the time of Independence 8122 kilometers of railway routes were given to Pakistan. Pakistan railway is playing a very important role since from the day of independence. Along with the cheapest mode of transportation for the passenger, it is a huge source of employment. It provides direct employment to almost 750,000 persons & indirect employment is ten times higher than this. In the time of any disaster, railway is considered the most preferred mode of transportation.

Over the last few years, Pakistan railway is facing huge loss. This loss is because of some operational issues, mismanagement of timing of train, political issues, technical issues, and may be some managerial issues. These all are contributing to the downfall of railway.

## IMPORTANCE OF TICKETING SYSTEM

Railway ticket is a certain type of identity card that gives passengers the right to travel. So, to generate revenue from railway, an efficient ticketing system is required. An effective means of transport with an efficient ticketing system is acknowledged as an economic aspect of production. So, to improve the revenue generation, railway ticketing should be improved first. In railway, there are different classes and facilities of every class are varied. Railway ticket prices depend on the mode of class you are preferring. In Pakistan, there are almost seven classes, but not all trains have all these classes available.

## TICKETING SYSTEM IN PAKISTAN

### 1) Manual System

On the spot ticket is to buy a ticket on the station. As in the past, the only way to buy a ticket is on the spot. To buy a ticket on the station is really a complex procedure. It is really a time-consuming process.

### 2) Pakistan Railway E- Tickets

The E-tickets are bought electronically online through the authorized app. This system was launched in 2009 but then it went into a side line for almost seven years because of some managerial issues, and then in 2016 this system started publicly. Electronic ticketing is not new in Pakistan. Countless new E-commerce businesses have emerged in Pakistan in the last few years. E-ticketing is used by thousands of people over the country. As by E-ticketing, thousands of people buy tickets by debit/credit cards, bank online transfer, or by other online transactions such as Mobi cash, Omni, Easypaisa. By this digital system, passengers can book their tickets more comfortably and with no time. The chance of corruption and charging extra money in the form of premium from passengers in this case will be approximately zero.





## WHY PEOPLE DO NOT USE E-TICKETING?

Although this E-ticketing system is established after the huge gap of seven year but still this system is not fully electronic. In E-ticketing system even after booking your ticket online you have to take the printout of your ticket. Even if this electronic ticketing system has not load of all the railways but still this system is not fully efficient.

**George** (2002) According to his report even if this E-ticketing system is more convenient than the usual manual system people do not use this system but mostly people prefer to buy ticket on the spot. About 57% people do not use this system because they do not use internet, they think that their information is not safe at internet. About 8% internet user left the internet because of safety concern. Along with the safety issue the other issue which discourage people to use internet is trust factor. About 86% people think that if their information is available on internet different companies can use their information such as their credit card information will outflow etc.

## TICKETLESS TRAVEL

According to railway act of 1980 there are some rules and regulations prescribe for the passenger to make railway travel efficient. According to this act ticket booked for any person can't be transferred to any other person without the identity. Passenger is not allowed to bring any harmful or any offensive goods with him. Passenger who is traveling without any identity, without authorized ticket or having the carriage of higher class other than for which he/she have ticket will be fined and may be removed from the railway by any railway authority.

As ticket less travel is quite frequent in Pakistan and this unethical activity along with creating huge loss also generate some funds. According to the sources it is said that this unethical activity is mostly occur because of support of railway administrative. To increase the monetary benefit from the railway Pakistan railway has to improve administrative to reduce this leak.

Year	Case Detected	Realized Amount
2015-2016	90511	24304589
2016-2017	66601	26794740
2017-2018	42216	22431665

Source: Pakistan Railway year book 2017-2018

# Webinar Briefs

At PIDE, we find it very important to discuss and debate the micro and macro issues of the country. To understand the current situation of Pakistan Railways and the visionary service that it should be, we conducted a series of webinars in order to understand the challenges and talk about the solutions. The brief key messages are presented here for our readers.





## WEBINAR BRIEF

# Pakistan Railway or Pakistan's Railway?

## PREAMBLE

From the last few decades Pakistan has invested a lot in building roads which lead to high demand of cars in public. The National logistic cell (NLC) took away all the freights because of road pathways. So roads took away passengers and freights from Pakistan Railways (PR). The crisis in PR started in the 1970s and continues to this date. The passenger traffic has reduced, freight traffic has truncated and revenues have scaled down while working expenses have soared. PR is merely an employment agency with a huge amount of capital with large land. The major aim of organizing this webinar was to have an insight of PR and its situation in international context

## BACKGROUND

PR had a series of ups and downs, mostly down over the last 40-50 years. From 2011-2015 it was placed on starvation, almost disappeared and had a severe effect on finances. Now PR is recovering as passenger traffic is getting strong and freight traffic positive as well. But still a long way to become a sustainable business to manage itself in the long term. Short finances lead to cut on maintenance because labor is fixed and fuel is fixed. Cutting maintenance cost over and over again ended in a maintenance crisis, PR had plenty of those.

## GOVERNANCE

Governance means the institutional arrangements between the railways and the government. PR work under the ministry of railways as a federal government department. World is moving towards a new governance system while PR follows a 30-40 years old system. Few ministries of railways are surviving in south Asia and India is the biggest among them. Even though China has abolished



*Ancient Picture: Pakistan Railway (PR)*

the ministry of railways which was very strong and handed it over to the ministry of transportation, the aim is to separate the government governance role from business management. PR needs well defined aims, specified management freedoms and most importantly an independent board with qualified people having professional skills.

## PR AS BUSINESS

About 40% of passengers travel under 100km but this has reduced from about 60% just 10 years ago. Conversely, about 30% of passengers now travel more than 500km, compared to under 15% a decade ago. ML1 project will attract more medium and long distance passengers but at what fare and with what financial impact on PR?

PR freight rates are about 65% of the average for developing countries. Passenger tariffs, although higher than the other south Asia railways are also about 60% of the average developing country rate on a PPP basis.

Labor in PR is improved as employment has fallen and as traffic units have increased. India with its heavy freight traffic and well loaded passenger services have highest labor productivity in south Asia but there are also many worse than PR.

The revenue from passenger services is more than operating cost but not enough to cover the depreciation. Thus, it is unable to contribute anything to the cost of infrastructure if it is to continue as a long-term business.

The revenue from freight services its operating cost as well as the depreciation that ensure its long-term sustainability. It is also possible to contribute a small amount to the cost of infrastructure. This arrangement works when both are in public-sector will become difficult as private operators appear.

Pensions are a very large amount (about 30 billion in 2017-18), 10% higher than the actual wage bill, as they are being paid to previous employees. If they only needed to cover current employees the cost would probably be closer to Rs5 billion only.



## RECOMMENDATIONS

1. A robust PR is a must for the growth rate of 5 to 6 %.
2. Public governance needs to develop new policies and railways law to structure PR for the 21st century. A good management and PR structure to be built, in order to increase real skills. Funding framework and transport operations need insight improvement as well.
3. Automatic monitoring systems should be developed as we are using old instruments where a person inspects tracks manually, 70% revenue is consumed in salaries where the right operational budget is only 10%.
4. The ML1 will increase the capacity of the railway tracks from 32 trains each way in 24 hours to 170 trains.it will bring the manpower in full swing.
5. Assets like infrastructure, the rolling stock and the human resource must be used efficiently to operate train operations.



# A History of Pakistan Railways

## From Pre-Partition Times till Now: A Historical Review with Key Evolutionary Milestones

### PREAMBLE

Pakistan's railway sector is not "on rails" and the sector seems to be wrapped around a single institution, Pakistan Railways (PR)—managed collectively by the Ministry of Railways (MoR) and PR. The crisis in PR started in the 1970s and continues to this date. The passenger traffic has reduced, freight traffic has truncated, revenues have scaled-down while working expenses have soared. Most of the locomotives are found in warehouses in need of spare parts. Interference from politicians and bureaucracy, and the inability to modernize the 19th century inherited railway asset has led to mere mismanagement and rot. Pakistan Railways is the national, state-owned railway company of Pakistan. Founded in 1861 and headquartered in Lahore, it owns 7,791 kilometers of track across Pakistan from Torkham to Karachi, offering both freight and passenger services.

### KEY MESSAGES

#### Dr. Muhammad Imran

- History is vital for understanding today's problem.
- Railways have played an active role in industrial development, especially the engineering industry, mining industry caught on, and spinning and weaving mills, and the food industries. It has played an active role in increasing agricultural productivity, improving external and internal trade, and providing employment.
- According to Professor Wu Han Boucek from the University of Pennsylvania, there are four levels to understand and analyze any transport policy.
  1. Strategic environment
  2. Transport policy and investment
  3. Transport mode network
  4. Individual case portfolio jack



*Ancient Picture: Pakistan Railway (PR)*

- If we apply this framework to Colonial India, we can understand the context of railway development. Whereas, in Pakistan only the level four individual project applied on Pakistan Railway. So, without fixing the first three levels, I do not think that Pakistan can move sustainably in the 21st century.
- Unfortunately, we do not have a forum. In New Zealand, these kinds of issues have been dealt with first with establishing a royal commission, and doing such thorough research on some of these sorts of things is missing. So, without fixing the first three levels, I don't think that Pakistan can move sustainably in the 21st century to better PR.

### Mr. Muhammad Ishfaq Khattak

- Pakistan had some railways, what we see today was a small part of a much bigger railway network, which was the Indian railway at that time. It is one part of the Indian railway network of the subcontinent.
- Later, we had the Pakistan Western Railway and the Eastern Railway, and the entire Indian railway at that time after partition was broken up into three parts, the Pakistan railways that we have today, Eastern railways, Bangladesh railways now, and of course, Indian railways. And then after 1971, we had the Pakistan railways which we still have till today.
- Previously the purpose of partition was that basically, this part of the world was adjacent to the borders of Iran and Afghanistan on one side and of course closer to Russia. At that time there was a fear of Russia getting into this part of the world. So, the purpose was a defense-oriented railway and a strategic railway. From that point of view, it meant carrying troops in a better way.
- In 1989, railways had the railway board, later on, it was merged into the ministry. The secretary railways became the chairman railway. So whoever was posted as Secretary Railways was de facto Chairman Railways.
- Now, what is happening, the minister gives you the policy. The secretary does not know all about the railways. So there is a communication gap between the railways and the ministry. Political interference in train operations and other areas is very rampant. This is one of the major factors that brought us to the bad condition.

- From the 1980s to today, the present deficit has gone up to 45 billion rupees which is a burden on the nation. It is in the national interest and the public interest that this deficit needs to be removed.
- The number of employees per train is very high as compared to other realms. Then in the 90s and early 90s, we had the concept of open access policy, which came in the form of recourse.
- When you know that the infrastructure of a Railway is not good, what is the gain you get from introducing passenger trains which are already making losses? So, that has resulted in deficits and for frequent accidents, we are now the story of deferred maintenance and investment in all three assets, namely.

1. Infrastructure
2. Rolling stock
3. Human resource

### Mr. Zia-ul-Haque

- 1955 Afghan Pakistan Transit trade worked smoothly for 45 years, and we loaded 72 bogies three times in a week. But in 2010, a new contract was signed, in which 70% of our trade shifted to Bandar Abbas and Chabahar and the Railway Ministry made some policies.
- If you want Railway to be successful as Afghani says that Karachi port is cheap and short. Although they have multiple options now. And look from the past ten years 70 percent of our trade is from Chabahar and Bandar Abbas. They have other options, but they are giving us importance because this route is short. When we talk about loose cargo, officers say that we face loss in this. To remove SRO is the job of FBR. In the past, after the shipment was reached, the container was given to shipping companies. The container stays on Karachi port for many days, then reaches Peshawar, then crosses Toorkham, then Jalalabad, and then to Afghanistan.



## Track Access Charges:

# The Current Regime and International Practices

## PREAMBLE

Pakistan's railway sector is not "on rails" and the sector seems to be wrapped around a single institution, Pakistan Railways (PR)—managed collectively by the Ministry of Railways (MoR) and PR. The crisis in PR started in the 1970s and continues to this date. The passenger traffic has reduced, freight traffic has truncated, revenues have scaled-down while working expenses have soared. Most of the locomotives are found in warehouses in need of spare parts. Interference from politicians and bureaucracy, and the inability to modernize the 19th century inherited railway asset has led to mere mismanagement and rot. Pakistan.

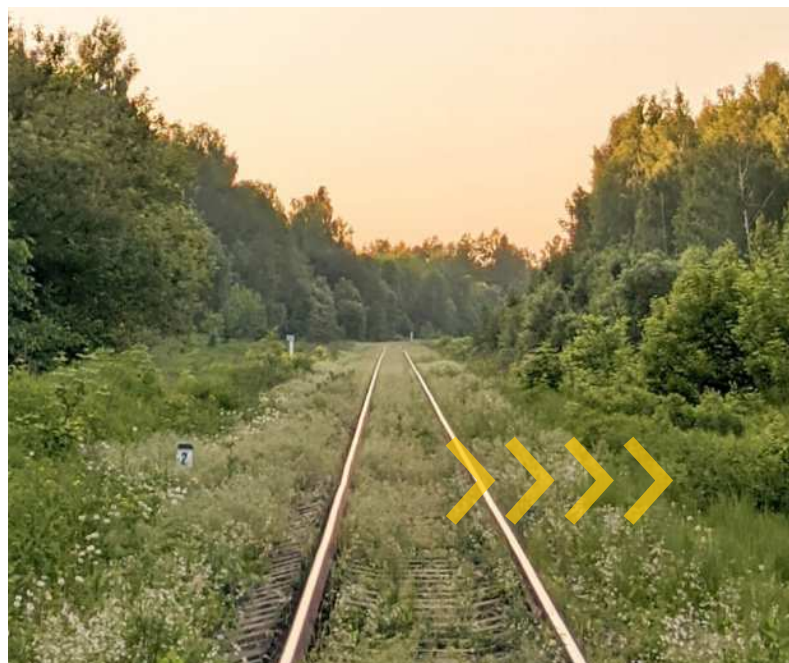
Opening the sector also requires allowing multiple railways services operators to access the tracks—thereby starting the introduction of competition by introducing track access charges. Track Access Charges involve conflicting objectives: particularly between the efficient use of existing capacity and the recovery of costs. Different countries, depending on the infrastructure historically in place, attach varying degrees of importance to these objectives thereby creating a complex multiplicity of systems

## KEY MESSAGES

### Mr. Richard Bullock

- The track access agreements are contracts between train operators and track authorities to run trains by one entity on another's tracks.
- Track access agreements are rooted in over a hundred years of history. The main adaptors of this agreement were Russia, the EU, and Australia.

- It was adopted to retrieve the cost. Back in history, in 1837 one-third of charges were paid by the other entity or company.
- British used to retrieve the cost of tracks through levying charges on gross per ton. The USA did it in a much simpler way through rents on wagons.
- Track access agreements allow independent parties to run or operate trains on state-owned railway tracks by fulfilling the technical and financial requirements set by the owning party.
- Russia, the EU, and Australia encourage the independent parties to step into the train operating system.
- The track access working mechanism is based on three main key elements; i) it is run by two parties, track authorities and train operator, ii) both under the same holding party, and iii) it varies from country to country due to different political and economic strengths of countries.



- Track Access Agreements involve, check and balance and maintenance of tracks and trains, responsibilities of track authority, train operators, recovery of costs, recovery of accidents.
- Like it differs due to economical-political capacities, it has different names in countries. In Australia, it is known as Access Undertaking. Whereas, in the EU, it is called Network Statement.
- The major objective of retrieving cost is attained through track charges. These track charges are solely based on 3 major key elements as what proportion of cost should be recovered, how it should be recovered, and where such levied charges are to be used to increase the efficiency of a country's railways.
- These track charges also differ from country to country depending on its socio-economic conditions. For instance, in Eastern European countries, such agreements are freight-oriented hence generating revenue to use on other ministries like education, health, etc. However, richer countries or Western Europe focus more on passenger-oriented track access to facilitate the citizens. But marginal cost price is a must to retrieve in both cases.

### Mr. John Winner

- There is a possibility of a potential market for railways in Pakistan due to many people living on



the other side of Pakistan or Northern Areas.

- Unfortunately, despite such potential, there is no active dominating market for railways due to ignorance of the state towards Railways. Govt. has been involved in increasing freight road transportation instead of inclining freight-oriented trains. Every year, there is a humongous amount invested in highways, roads to facilitate independent trucking business. That has mainly served to shift from railways to road transportation mode.
- This ignorance has caused the collapse of railway freight transport, but it also declined the revenues of railways which ended up in a circle of low revenue and low inefficient services.
- After the collapse of freight trains, Pakistan Railways opened track access in 2011 to attract the private sector. A 20-year term plan was released by Pak Railways in collaboration with the ministry of finance entitled "Preliminary information on a new open access policy. Private sectors were given a concession of freight services for specific goods like oil, containers, phosphate, GITA, cargo, coal/ cement. This plan was partially open access but it increased the revenue of Pak Railways.
- In this plan, the private sector was asked to buy their wagons, locomotives, rolling stock, and pay charges of tracks to the railways. The private sector was prohibited to rent trains and they must pay per ton of KM.
- Another key feature of that open access plan was to build new tunnels by private sectors, and it was restricted to some limited routes.

### Mr. Jawaed Siddique

- The history of the open-access approach in Pak Railways started back in 1995. But the plan was signed in 2011 after the collapse of freight-oriented trains. At the time of the collapse, there was a dire need to uplift the national railway system. Therefore, a twenty-year plan was signed with the private companies through transparent public bidding.
- The private sector eagerly participated in the bidding to uplift the capacity and efficiency of transport through railways.



- This plan was a zero investment plan for the gov because Pak railways could have been retrieved their cost and increased their revenue as in trains run by Pak railways cost of fuel, locomotive maintenance, the staff operating cost, tracks cost were included. Whereas these all cost under the open-access plan private sector would have to bear plus they were bound to pay charges of the track to the railways as well.
- Only 4% of freight transport is done through railways in Pakistan, this plan could increase the revenue and decrease the cost of Pak railways. We can run around 76 freight trains per day but right now we are running 9 to 10 trains per day.

### Mr. Muhammad Ishfaq Khattak

- Pakistan Railways works under the act of Indian railways of 1918. Freight trains are all about bulk and long haul. Currently, Pak railways are running 10 million tonnes per annum. The target is to run 40 million tonnes per annum by 2025.
- The open-access plan was released for the mainline one which has a total of 80% of routes from a total 7700 KM length of total routes. But these tracks are depreciated infrastructure-wise. There are a total of 461 locomotives in the countries among them only 323 are active but these active locomotives also need maintenance. The actual capacity of per day running trains is 72, but there are only 9 to 10 trains running daily. That is all due to the focus on the passenger trains side.
- Because the revenue of the railways decreased in freight-oriented trains, from 64% in 1974-75 to 15% today, whereas, in passenger-oriented trains, the revenue increased from 30% in 1974-75 to 69% today.
- The primary objective of the open-access plan of 2011 was to increase the railway's transport market, increase revenue through taxes and increase the efficiency of Pak Railways.
- The lack of confidence of the private sector in the Pak railway did cause a delay in the activation of the plan.

## CONCLUSION

There is a dire need for political stability. The government has to decide whether to focus on traffic or the commercial side. There are better opportunities for open access plans since the private sector must invest in building freight terminals, locomotive wagons. That will increase the overall efficiency of Pak Railways.

## WEBINAR BRIEF

# Chinese Railway Sector:

## Setting the Context for ML-1 and the Overall Pakistan Railway Sector

### PREAMBLE

The first two webinars of the PIDE-RE webinar series on Pakistan Railways (PR) have historically reviewed PR from pre-partition times till now. The third webinar discussed the current and international practices in Track Access Regime.

This webinar intends to discuss the evolution of the Chinese railway's sector, different milestones achieved, its institutional arrangements, the regulatory framework, the financing mechanism, the policy design, etc., and how China stands out in comparison with other developed countries. This webinar is intending to show how China did things better and how it can be possible for Pakistan to learn from it.

China's rail transport volume is one of the world's largest, having 6 % of the world's operating railways, and carrying 25 % of the world's total railway workload. China's railway network has been growing steadily in recent years, making the country the third-largest railway operator in the world. In 2020, a Covid-hit year, the China railway still transferred 2,160 million passengers. In the same year, the country's railway business mileage increased by 20.9% and the high-speed rail increased from 198,000 kilometers to 379,000 kilometers. In 2020, the overall freight volume on trains reached 3.58 billion tons, 0.14 billion tons more than that in 2019. In terms of efficiency, China is in 8th position whereas Japan is in 1st position.

### KEY MESSAGES

#### Richard Bullock

- The First Railway lines were built in 1870 in Shanghai and the Emperors didn't like them. Therefore, the first line was reconstructed in 1900. Since then, it has been under construction and was broken in the 2nd World War.
- In 1949, China had 22000 KM of track poorly maintained which





- was damaged due to War. Thousands of kilometers were double-tracked and nothing was electrified. With the help of labor, they built amazing lines with the equipment they had.
- The Nanjing Railway Bridge, which the Russians were building, fell out with the Chinese. Then the Chinese designed it and completed it which was an amazing achievement at that time.
- In 1990, railway development was started in China under Deng Xiaoping's reforms. At that stage, the ministry of railway controlled everything such as railway construction, railway operation, railway manufacturing and needed 3.4 million staff for the maintenance of 58000 KM of the track. At that time billions of passengers and 1.5 billion tons of freight were carried out.
- In 1991, China introduced the first comprehensive and sector-specific legal framework for railways in China, and in 1995, steam was phased out.
- The Long-term plan has several features, one of them was separate tracks for passengers and this led to the first high-speed trains in 2008. Then in 2012, China's Railways was established or SOE that reports directly to the State council.
- In 2019, it was 140,000 km of track, 3.3 billion passengers, 2.2 billion were on the high-speed train as 60% and there are 4 billion tons of freight each going 700 KM.
- In terms of institutional arrangements, China has got 18 regional administrations, so these are a bit like the zonal railways in India and they are more powerful than zonal railways, but they are still under the control of Beijing.
- These 18 regional administrations are separate bodies; they have their balance of sheets, panels, general managers, their target, and so on. In China, there is a railway board, but they do not have absolute power; it is called the centralized model of administration.
- Key things about China's railway progress include; (1) commitment to long-term strategy and planning (2) embracing modern technologies in construction, maintenance, and operations (3) China also has strong research institutes for railways.

## Sun Yangjun

- China railway has recently provided services of about 5000 km in which 2500 km is high speed. This is the world's 2nd largest railway track. Passenger volume is 2.167 billion people and freight volume is 3.581 billion tons. China's work on a long-term plan by 2035 railway's total length will be 200,000 km and 70,000 in terms of

the high-speed road.

- China started construction of railways in 1881, but China worked on railways on their own from 1909 to till present. China's railways have experienced five periods of development of which 1997 and 2007 are excellent periods of railway up-gradation. 2008 to onward is the higher-speed railroad period in China.
- The relationship between railway freight volume and GDP growth shows that the trajectory of railway freight volume coincides with GDP growth. China's economy is growing very fast just because China is highly dependent on the development of the railway system.
- China compares with other countries like USA, JAPAN, and the UK for development of the railroad, their government gives subsidies to administration to run the railway but in China sets the one state-owned corporation who just does not work on administration also a keen focus on railway development.
- Most of the time they are highly in debt but the government gives them a subsidy on investment. Other countries have one or two passenger companies and some of them have networking or freight companies, but China railway has one state-owned corporation which is separated from the Government. China mostly focused on the railway as compared to the road because it increases their economic growth.
- In decision making China and Pakistan have so many differences: Pakistan takes time for PC-1 and ML-1 almost four to five years but in China, two to three years take for feasibility and bidding process. Most of the time China takes a short time to make decisions like for PC-1 it takes one week or one month.
- All over the world, the country's main player is the government who finances railways. But in China, private and other organizations play a role in financing also provisional and local government combined work on land use for railways with proper channels.
- China's contractors mostly focused on early completion, bringing early benefit. Construction takes 3 to 6 years, which is much faster than in other countries.
- China gives full attention to safety measures even if they take risks for safety. China developed its technical standards which are set by the government. Even every developed country sets its standards, but Pakistan follows British standards.
- ML-1 gives Pakistan the potential to boost up economic growth. It is an efficient transportations system for long-distance passenger or freight transportation. It gives job opportunities, promotes the modernization of railways, and reduces the accident ratio.

## Zhenhua Chen

- China has been kneeling, focusing on planning and development of railway systems in such a way that the enhancement in the railway system brings out the wider positive economic impact.
- In 2015, China introduced high-speed travel technology in the country keeping the demand and supply of travel in the country.
- China has not just focused on enhancing services for passengers or freight, but it has done research and development on how enhancement through advanced technology can bring changes in GDP, income, and employment.
- One of the key elements is the use of land for the railways. How wide it spread to stimulate urban growth. This has been done through the principles of supply and demand to link rural areas to urban and suburbs.

## Hassan Daud Butt

- China's Belt and Road Initiative (BRI) is a strategy initiated by the People's Republic of China that seeks to connect Asia with Africa and Europe via land and maritime networks to improve regional integration, increasing trade, and stimulating economic growth.
- In the BRI project, Islamabad lies between three engines of growth in Asia.
- Scope of the project to upgrade and double the ML-1 by improvement and advance level construction of tracks. The second one is the establishment of the Dry Port which is a trans-shipment for the northern area. The last one is to upgrade the Walton training center.
- All these improvements lead to an increase in speed, capacity, freight volume, and lower the time from city to city.
- These establishments expand the business/trade to make it more competitive in a cheaper way under the environmental concerns. There are 20,000 direct and 150,000 indirect job opportunities for everyone. There are different Execution Packages with different costs and duration:

**Package-1 Cost: US\$ 2705 million Duration: 5year.**  
**Nawabshah- Rohri, Multan- Lahore-LalaMusa,**  
**Kaluwal-Pindora and Walton Academy.**

**Package-2 Cost: US\$ 2675 million Duration:7 years.**  
**Kamari- Hyderabad- Multan.**

**Package-3 Cost: US\$ 1376 million Duration: 4 Year.**  
**LalaMusa- Rawalpindi-Peshawar- Dry Port.**

- To achieve the goal of ML-1 there is a need for private sector involvement (external and internal coordination) and modern business development units.



## QUESTIONS & ANSWERS

**In Pakistan, the railway is at a negative cost. If we shut it down then there is no difference, or do we demolish the old system and create a new one from the first footstep?**

- Railway infrastructures rebuild with the present structure, the ministry of railway, improve the acts and policy framework under the supervision and commercialization of the railway. It takes time for substantial changes for ML-1 (Richard Bullock).
- Need a separate government under the railway company that has been done by other countries already. Privatizing is the real solution (Sun Yangjun).
- Institutional reforms and make sure about appropriate approaches for railways. Efficient leadership and support from the government to achieve the goal (Zhenhua Chen).
- First, finalize the ML-1, it will be done with the internal and external private sectors coordination with efficient management (Hassan Daud Butt).

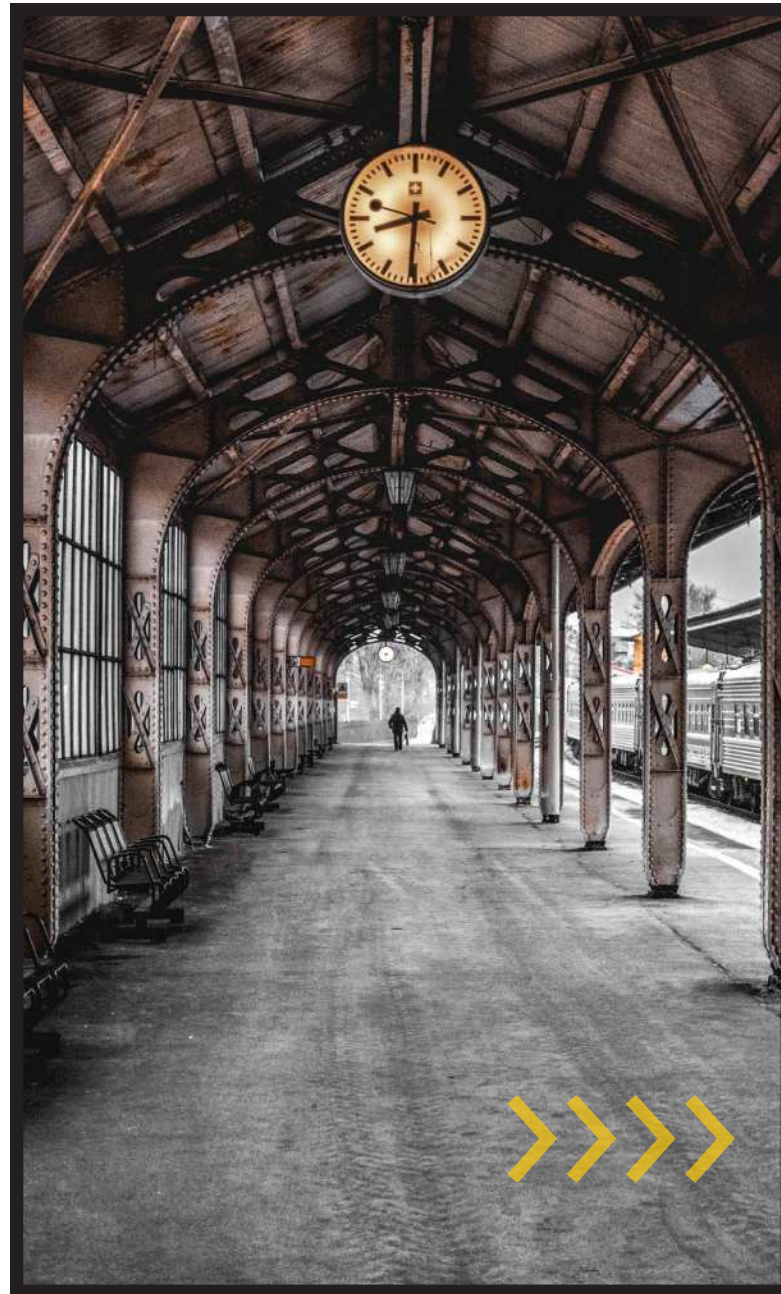


# How Railways Are Being Financed in the 21st Century?

## KEY MESSAGES

### Ms. Martha Lawrence

- Railway's problems can be fixed with some fancy financial instrument. Financing is always a product of funding. Funding generally comes from four sources: 1) passenger tickets, 2) payments for freight services, 3) government subsidies, and 4) providing other services like track access or advertising in passenger stations.
- Funding can be raised from the private sector based on the financial strength of a government. The largest pool of financing increased worldwide is sovereign financing. It is the cheapest financing, but it's often not available because governments have other priorities. Sovereign financing also includes loans from organizations like the world bank.
- The second source of financing is Pool financing, which is corporate financing raised via state enterprise or corporation for the railway. One example of project financing is in Mexico, where between 1996 and 1999, concessional state railways were introduced. The purpose was primarily to improve the performance of the railway, but the concession brought the government over three billion dollars in concession fees. The concessionaires have invested a considerable amount of money in upgrading the assets.
- Another source of financing is project financing, which is based on the project in emerging markets. One type of such project is financing through public-private partnerships (PPP). The project financing can be done at a smaller scale than just a whole railway station development project. Development of logistics facilities and industrial lead lines are few examples of project financing in many countries. PPPs leverage is the smallest pool of financing, and PPPs financing is typically the most expensive, so it needs to be used wisely. It is best to use PPPs when project delivery is efficient by involving the private sector, not primarily as a source of financing. A PPP is not a financing instrument. It's a project delivery mechanism that has some private sector financing attached.



- Sovereign and corporate bonds and corporate stocks are often traded on exchanges, making them more attractive to investors because they're more liquid.
- India and North America are exemplary in this type of financing. The government of India has provided money to the ministry of railways, which invested the funds in Dedicated Freight Corridor Corporation India Limited (DFCCIL), and these funds are accounted as the government's equity in the corporation. Second, the government of India has directly borrowed money from the world bank and Jamaica for the western corridor. For these projects and unlimited to DFCCIL and then third the company itself has borrowed money from the world bank with a guarantee of the government of India.
- North American railways have their equity stock traded on public stock exchanges and debt borrowed from the private sector; others such as Deutsche Bahn, the German railway or air jade the Russian railway or the China railway group have equity that is government equity. So, they mix sovereign with a substantial amount of debt borrowed from the private capital markets.
- PPPs financing is typically more expensive than sovereign or corporate financing because the investor's only recourse for payment is the project, and they can be complex to design and tender. They require the ongoing capacity to supervise effectively, so one must weigh the pros and cons.
- Typical financing instruments are loans, bonds, stocks, leases. Nearly all financing instruments are some permutation or combination of these basic types. Although none of this is free money, whatever the instrument to be used, the money must be paid back with interest or dividends. For the railway to be financially viable, the investment needs to be profitable enough to pay back the financing over time.
- Another common instrument of finance is green financing. Railways invest in green financing through green bonds, and they are similar to normal bonds. The only difference is that it attracts a pool of investors who want to invest in green activities.
- An important part of financing railways is reducing the investors' perception of risk. Government can help by creating an attractive business environment having transparent and fair sector governance. If we ensure that the railway has adequate funding and manage the risks around investing, financing is easy.

### George Kaulback

- Funding refers to the sources of revenue or income that can be turned into cash and used to pay for a project or service includes cash flows from the delivery of rail services.
- Financing refers to the financial tools that can be used

to access money to pay for a project or service against future cash flows. So, generally, if the project is well funded.

- Suppose the downstream revenues aren't sufficient to pay for the initial financing of both debt and interest. It creates a funding gap that can be rectified in one of two ways in terms of capital subsidy or public funding.
- Alternatives of funding and finance mechanisms are largely about urban railways. Opportunities to increase revenues from rail operations, projects, or related assets include market pricing to maximum farebox revenue.
- If there is still a funding gap after all sources of revenue to the railway are maxed out. The potential mechanisms can be Value capture Mexican mechanisms, station parking charges, tolling, congestion charges, personal vehicle-related charges, sales tax, dedicated payroll taxes, business at urban centers, and carbon credits.
- There are three potential mechanisms for capturing land value. The first is incremental property tax revenues where real estate within the catchment zone would have higher taxation added property tax called incremental tax financing. It is a slightly higher rate to the property tax in those areas, which is used to provide a gap funding to the rail line development. A similar type of tax is just a one-time surtax or maybe over several years charged to property owners and used similarly flows to the railways. The last one is a development fee in which any land developments will be charged a fee in the area within the catchment of each station. Other types of potential revenues are congestion charges, incremental sales tax dedicated to rail projects. On a larger scale, global possibilities include bilateral agents who could help reduce the funding gap through infrastructure grants.

### Mr. Johan Bouwer

- The regulatory model refers to the flow or channeling of the money. In the regulatory environment, the various portions in the railway make the money that comes back into the entity. The regulatory model was used in South Africa. in South Africa, per state entity, they corporatized a state entity in the early 90s, maintaining a balance sheet, and the balance sheet is used for funding neighboring countries. The state always owns the bottom infrastructure.
- The customer underpins everything. It is the customer who ultimately brings value to the railway. They pay the tariffs, pay the way, whether it's a long-term mining project, whether it's general freight movements, whether it's put to port movements. An investor could be the person in the railway and owns a locomotive and a wagon and operations. Most countries start with a dominant operator that evolves over the years into a more competitive, where the concessions of certain portions of the line are certain.



- Geographical concessions are usually how things evolve, and that could be done with or without rolling stock
- The financiers demand his future pay contract, specifically on the freight side, a 10 or 15-year contract worth pricing and profitability mechanisms. Cost-sharing mechanisms are favorable because they guarantee assets withdrawal at any time.

## Mr. Farooq Hydar Sheikh

- Revenue is the key driver for that financing. There is a lot of negative perception among financiers about the Pakistan railway.
- There are the total revenue sources from the core areas of revenue. In 2018-19, our total revenue was 54 billion, and revenue sources were passenger 29 billion, freight 18.8 billion, and sundry, which means another revenue branding and all other elements as land utilization was 4.3 billion and another coaching was 2 billion. PR took subsidies from the government to sustain our operations, and the government is also one of the main sources of funding. In the current year, 2021 PR revenue touched 50 billion, which is a record in the history of Pakistan railways.
- To address the challenges, we adopted the Indian railway model because they have similar conditions and a similar type of situation. We have evolved our model based on our ground realities and situations.
- Other major challenges faced by PR include the utilization of existing infrastructure and available rolling stock and the lack of digital platforms and technology for visibility of over operations. The models are operational to address these issues. PR is moving into the track access side policy where we only manage the track. The rest is all shifted towards the private sector.
- Another issue is Customer-centricity. Customer focus is missing, which is one of the key pillars. we are developing a customer-centric dynamic that is receptive to the market needs and meets or exceeds customer expectations. Where technology will play a key driver role. We are applying bottom-up strategy targeting. It has four main focus areas: marketing, customers, business management, and network investment. Network investment means to effectively utilize huge land. Infrastructure is available but not efficiently utilized as a source of funding and financing. There are certainly other factors like a lack of clear-cut transportation policy by the government of Pakistan. In India, a transportation policy includes you can't move goods from one province to another through road transport. They have heavily invested in their infrastructure. They have developed a dedicated freight corridor that means their land capacity on the passenger side is completely vacant, and there's no freight.
- We need structural changes by adopting a hybrid model to bring professionals from the private sector and make sure that this transformation journey is taking place differently from a conventional government style.
- Operational efficiency is one of the major challenges. There are a lot of conventional issues like bureaucracy and cultural change. To improve operational efficiencies, some of these strategic strategy parts are linked to the financing outsourcing of our core business units and evolving business model public-private partnership model, which will generate a lot of revenue and financing.
- Pension is one of our major liabilities. Thirty-five billion rupees is a permanent liability for the railway sector in this regard. It is increasing every year, so we are working with financial experts to help us generate and take this liability out of our balance sheet.
- Pakistan railways are encouraging the private sector to come and invest in that area, supporting them with the operational, mechanical, and maintenance of those, and providing them the track to use. In addition to new passenger coaches, we have already commissioned like 230 passenger coaches. Similarly, we are also adding 820 new freight wagons.
- Customer centricity will be the key driver for growth automation. We are bringing one of the software called which is railway automated travel advisory booking and advisory service. It is one window solution; it will also be a key driver for our growth procurement of RFID based on a rolling stock tracking system to ensure real-time.
- All these avenues contribute to generating some finance from one way or the other either through operational efficiency of saving money or by bringing public-private partnership.
- There are four or five main sources of funding that Pakistan railways will be working on. This is a Public-Private partnership initiative. We are offloading some of the activities, which are our non-core activities focusing on the core activities, working on the branding, government agencies to help on the front branding. Pakistan railway developed a robust plan for land utilization.
- Pakistan railways have 300 commercial stations and 170 000 passengers pass through our network daily, and 70 million consumers pass through our network in a year. It is a huge opportunity for the corporate sector to come and brand.
- PR is working on a 10-year business plan right now, which has never been in the history of Pakistan railways. It has been more on an operational basis of one-year and five-year. plans have been submitted, but they were just to meet the formalities.

## WEBINAR BRIEF

# Institutional Arrangements

## For Reforming and Developing the Railway Sector

### KEY MESSAGES

#### Dr. Ishrat Hussain

- The government made a cabinet divided into four distinct parts; one is the human resources capacity building. It must induct specialists in the human resources in business development.
- There must be land development because there are thousands of acres of land in the private sector that can generate 5 to 10 billion rupees annually without much effort just by rewriting the concession agreements and getting rid of the enclosures.
- The second part of the capacity building is to train the officers who are already working. Nowadays, 15 days of training both in the academy and an outside academy, for example, in NUST, LUMS, and other places, have been made mandatory. There is a need to upgrade the training academy itself and bring in some instructors.
- The first pillar of the entire restructuring plan is capacity building, and it is the pivot.
- The second pillar is automation digitization. There are many electronic ticketing exits, but no ERP system integrates all the processes from end to end. In the future, the ERP will be operated, making the railways completely paperless, and all the data will be generated electronically. Another one is CRM, the customer relation, and a Chinese company RAPTA is being commissioned which is tasked with developing the tracking arrangements, call centers, and SMS alerts about the timing and all other things normally done in a railway system. The ERP and the CRM are the infrastructure development, inventory arrangements, and procurement.
- The third pillar is to create a very robust engagement with the private sector. We have five independent corporate entities; one is independent of the railway ministry itself, which is ML-1. This is going to be a six to seven-billion-dollar project. We need a completely different organizational financial and operational governance model for ML-1.
- The second part emphasized was the separation of the regulatory function from the exiting operational authority. There is a need for independent regulatory authority reporting to the cabinet division, not the railway division. There is third-party track access, and they





will negotiate the charges, which the government of Pakistan will own. The fourth company will for the freight operations that will be independent, and FTC has been hired an individual from the private sector on an open comparative basis. It will give complete freedom to operate. The fifth will be the rail passenger outsourcing the passenger train to the private sector.

- Pakistan faces the main hurdle regarding coordination failures in the government, and all the ministries want to work independently. The committee's progress has been quite satisfactory, e.g., financial earnings this year is about two to three billion.
- Another main hurdle regarding retirees' operation of the railways. There are 115000 retirees of the railways, and they get 35 billion rupees annually. There is no way of verification of these individuals. So we should need to introduce a biometric verification system for the pensioners because it creates a deficit.
- To make the railway sector competitive outside the federal railway sector, the provinces could take it over by their own companies rather than Pakistan railways. Lahore metropolitan metro with Multan Peshawar has already taken them out of the central railways. Once it gets going, the Karachi circular railway would also be having its own company rather than Pakistan railways.
- There is a need for an HR advisor who would design the incentive structures so that the performance management system is not based on seniority but on achieving the targets, which is a long-term phenomenon. Our assets both on the land side and the track to giving out to the private sector after making sure about their capability are beneficial to impalement to these changes.
- We need to transform Lahore, Karachi, Rawalpindi, and Peshawar railway stations to make them like airports with decent shopping plazas, cafes, and restaurants, i.e., to make money from commercial enterprises apart from the train fares like the model of Delhi metro railway.

## Mr. Asim Siddiqui

- With private sector engagement, Pakistan freight trains speed increased and time reduced from 80 hours to 60 hours, so there is improved due to restructuring.
- Sixty percent of the freight revenue comes from three and a half million tons of cargo for the Sahiwal is 44 billion.
- We have the Pakistan railway strategic plan multilateral institutions which worked on railway strategic plan for Private sector engagement.
- There is a need to change policy and agents, and it comes through training or a project directorate. There is a need for a road map with timelines and milestones thought



out plan, not just a policy. Long-term sustainability also needs to be ensured.

- Government should also focus on asset management. Terminals investment, infrastructure management, and track access projects should also be given to the private sector for efficiency.
- The private sector is basically on the top line for raising passenger and freight revenue. Ministries need to focus on staffing competent people with subject specialists and with assigning clear roles and responsibilities.
- There is a need for the branding of the train, the railway stations, and the track. It all depends on the visibility of the private sector. There are private-sector people now in Pakistan railways work as marketing head and head of HR as well.
- Just as IPP policy, there was a total ban on public sector investment in power generation. Government should consider not expanding or investing public money in rolling stock only invest in infrastructure.

## WEBINAR BRIEF

# Vision for Pakistan Railway

In previous webinars on this topic, we considered looking at the history of the institutions, the financing, and the rise of the China railways, the growth, and the amazing rise of China railways. We begin to realize that institutionally we need to redo the entire railway sector set up. Therefore, we must revisit the Pakistan railway act with an ax, cut down this tree that was planted back in the 1800s, and come up with a new railway act with the Pakistan railway regulatory authority at the center of the creation of the federal level. We need to split and start thinking of railway as multiple institutions, multiple railways running at the level of the federation at the level of the province and for urban and cities. We need to start concentrating on the role of the federation primarily as a regulator only.

## Mr. Habib-Ur-Rehman Gilani

- The role of bureaucracy is extremely important for railways. Bureaucracy is manipulating from the outside, which means the ministry has secretaries. These people manage the ministry's affairs and form a link between the government and the railway department.
- The first problem was that the objective was to restore Pakistan railways and to make them viable. The railway is a unique organization that is a public sector organization, and it works for the private sector. When Planning Commission and the CDWP did not approve the ML-1 project, it was hanging in the balance for the last five to six years.
- The function of the Pakistan railway is to provide support to the private sector and play its role for national development as a contributor towards the national economy. The government needs to align its Objectives to support the private sector.
- To reduce the freight rates by five to ten percent with an increase in demand. The railway placed orders for 230 passenger coaches and 820 freight cargos. Along with this introduced a Precure Lease and Transfer Model (PLT) for securing freight wagons.
- Rolling stock is extremely important. Most of our rolling stock is more than 40 years of age, which means beyond economic repair. The plan is to remove all the condemned vehicles and replace them with new vehicles to make the railway more efficient through a public-private partnership or joint venture (JV). We have hired an international consultant. They made a consortium led by KPMG. They are preparing a joint venture proposal. The government will only give a pay-back guarantee. It will provide its infrastructure in the form of workshops, railways manufacturing facilities, our engineers, sheds, trained staff, the investment in machinery, and the capital investment will be done by the JV partners.
- To enhance capacity building of the Pakistan Railways, one component is to grow specialized units of business development, human





resource management, information technology, and legal range. PR is hiring people for these departments like CEO of healthcare from the private sector, CEO of trade transportation company from the private sector, and CEO of the tax, which is Pakistan railways advisory and consultancy services.

- Ownership is Like a big gap in Pakistan; theoretically, it should be the Pakistan railway board that should take the ownership, and a cabinet committee on railways should drive Pakistan's initiative and master plan.
- PR has initiated a reform process for pension payments. After some initiatives, the financial burden of PR in the last year was reduced directly by three billion rupees by an increase in PR's income about one billion rupees, and expenditure was reduced by almost two billion rupees.
- During Covid-19, Pakistan railway was the best performing department about devising a foolproof SOP and then foolproof implementation of those SOPs. It established quarantine centers at the Torkham and Chaman border to quarantine the people who had to travel to Pakistan from these border areas.
- Some software is already installed for human resource management information systems. There is a planning portal on which all present and future projects are designed. The software has been launched and is for free booking. There are two mega IT initiatives; one is the implementation of ERP. CTWP has devised the project. The second is a CRM customer relationship management software with the name of railway automated booking and travel assistance through which artificial intelligence-based booking will be introduced.
- The rationale for all these reforms is that there are three pillars.1) one is to engage the private sector, 2) the second is to build human capital, and 3) third is automation and digitalization, so all our efforts are surrounding these three main areas of course in keeping track of the improvement and the development planning.
- Within the last year, the railway has completed the connectivity with the SAPT, and that will give a huge potential so the advanced cargo going from SAPT will be directly loaded to the trains, and it will go to Azakhel to Chaman.
- Five hundred acres of PR retrieved from encroachments worth millions of rupees. We have initiated mega projects for Karachi like Karachi circular railways, a shuttle service for containers from KPT to PEPRI, which is 55 kilometers outside Karachi so that 5000 truckloads from Karachi city will be reduced daily.
- We have hired a consultant to establish a separate pension fund and introduce a contributory provident fund in place of defined benefits.

- Three consultants are reporting on the railway. one is for establishing the regulator, the second is for pension reform, and the third is for preparing the business model for ML-1. Considering the ML-1 project coming up and the two of these consultants' design and implement consultants. They will implement those reforms themselves.

## Dr. Amer Zafar Durrani

- The railway is a hundred-billion-rupee organization that has 65000 employees; what does that translate to. It translates to the productivity of about nine thousand six hundred dollars per employee an average US I.T company. We should consider measuring productivity.
- The gains from the Pakistan railway over the past time add up to about 9 million US dollars of gains until the present year. The railway is contributing to about four to six percent of GDP losses. The railway is causing an economic weight or retardant of about 10.8 billion US dollars, that's 1.7 trillion Pakistani rupees which is pretty much.
- It's nice that we are all going to get I.T enabled but What our targets should be is when will the Pakistan railway genuinely carry 50 percent of all ton's kilometers in Pakistan? Which is way below its potential, and it can be because of the nature of our mainline. When will the Pakistan railway carry 25 of all passenger-kilometers generated in Pakistan by land?
- KPIs have put forth revenue timeliness and accidents. KPIs is a railway company, one of many running the tracks. A company that was a virgin. KPIs need to take the share of the market from another railway operator, but it's going to come from the freight and passengers at the road level.

## WEBINAR BRIEF

# ML-1 Making or Breaking of Pakistan Railway (PR)?

## KEY MESSAGES

- Pakistan railway has been neglected both in terms of infrastructure, government, and the managerial side. The customer services and the service delivery all of that has suffered. The railway strategic investment framework and work has been done by Pakistan railway in collaboration with the support of the Asian government bank. Pakistan, the managerial side, how to bring in the private sectors the very important comment. Pakistan railway is a public good, and the government must provide it. The ordinary people still kind of think about railways as the transportation for the low-income group.
- Freight is key to transportation business and integrated logistics system into the region with huge trade business being dependent upon marginal profits logistics. The cost of logistics is a very big factor in accessing markets, how goods are transported, about connectivity with Afghanistan Central Asia and South Asia would be better to realize the full potential of the freight.
- The planning commission is very committed to getting the ML-1 done. It is a difficult project; there is a lot of diligence required on the technical side to give us the right direction. The project is approved now with the amount of work. The Chinese would be great support not only because they have shown some very rapid strides in radius. They are making huge progress on one of the fastest-growing railway networks globally, and their track record and security safety everything is excellent the technology is continuously improving.
- The strategic investment plan is a national freight and logistics policy plan. It is a very comprehensive document. It's quite a wide-ranging plan, and the crucial governments are also engaged there. Another point, unbridled transportation freight transportation on the roads and the expansion mindless expansion of the road network are horrendous. The freight on the roads and without exile road management has caused a lot of damage to the infrastructure the investments have been wasted. The private sector or the free transporters should use whichever network is more effective and efficient. The railway becomes



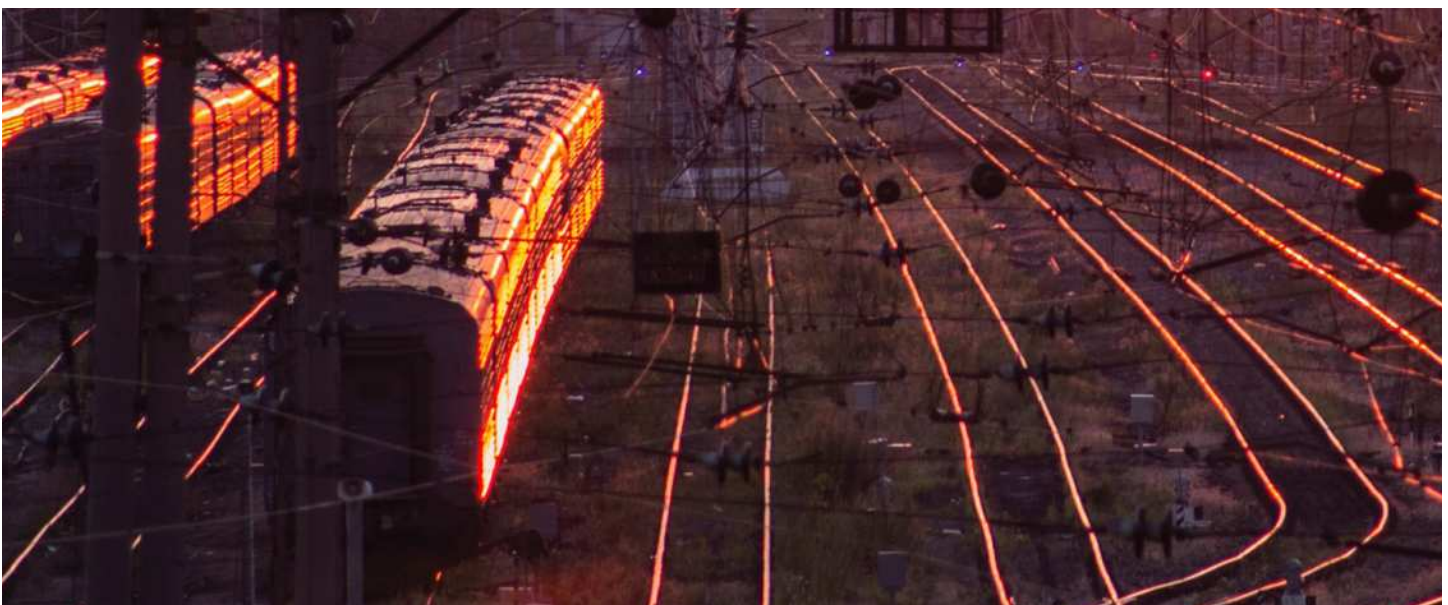


more efficient on the freight side through subsidizing the passenger transport because there are differentials available in the freight, which will lead to more profits. The government should do this as a matter of policy or a matter of economic efficiency.

- ML-1 runs from Karachi up to Peshawar, and we have other corridors as ML-2 and ML-3. So basically, the project profile of ML-1 practically will be completed in eight and a half years. We have divided an implementation scheme into three packages, and the total cost would be 6.806 billion. It will be an engineering procurement and construction project.
- The first JCC meeting in 2015 was taken as a priority project and framework agreement between China and Pakistan. It was completed in 2016. The second framework of the agreement was signed in Beijing in 2017. Pakistan Railways and China declared this project as strategic it was also completed in 2020.
- The prime objective of this project is as we have a huge line capacity from 34 to 135 trains each way per day. The freight volume, which is currently at 8 to 9 million, will be 35 million per annum. At the end of this project, passenger trains will increase from 20 to 40 per day. The freight share is from 4 % to 20 %. The construction schedule will be completing package one from April 2022 to March 2027. The package duration is five years, and the cost will be 2.7 billion. Similarly, package two will be Keamari to Hyderabad duration will be seven years, and it will be completed with a cost of 2.675 billion. Package three will be Lalamusa to Rawalpindi will be completed in four years.
- There is a need to build human resource capacity to handle ML-1, maintenance operation, and marketing challenges. Current human resources and strategy are

not able to develop the solution to get the real benefit of this huge investment in the shape of ML-1 work. So, we need to upgrade our accounting system, Ring-Fence income, and expenditures from the rest of the railways. We must make extraordinary coordination between PR and the private sector to get the maximum benefit from the proposed structures.

- We must develop a business development unit based on the market analysis. We will have ML-1 authority, which works independently to operate as a company holding the infrastructure and maintaining infrastructure. The best mode of business available to the ML-1 authority will be given, whether a public company or a private company. The training of software is concerned. We will introduce a new regime of training is like for pre-service in service and refreshers training. It is going to increase their skill and efficiency as modern era requirements.
- There's a huge demand for the freight and the percentage available in the market. The ML-1 is the lifeline for the freight transportation of this country. Freight business is the historical trend in 2014-15 historic jump with just exporting one export train. We have an increase of rate from 3 to 8.38 million by the year 2018-19. So, average increase per year in freight in four years. In the coming years, there is an increase in freight business 5% per year during construction, 20 % increase per year for three years of reconstruction, and 10% increase per the year 2030-2040.
- It's a great positive environmental effect due to reduced carbon footprint, especially by reducing the one freight train replaces 70 freight trucks on the road. So, it's a huge contribution towards the low carbon. The private sector engagement, employment opportunities, time savings, increased employment rate, and road safety are very generic in analysis.



## ARTICLE

# Is Work Only Meetings?

Nadeem Ul Haque & Durr-e-Nayab

Every day, newspapers show pictures of meetings. Pictures orchestrated in the ministry of information, taken in the first few minutes of the meeting, contrived to show leaders hard at work. When you call a minister, the usual response, in a somber, grave and responsible tone, is, "can't talk right now; there is a meeting in progress". And if the minister is a member of a high-powered body like the Economic Coordination Committee (ECC) or any other high-level inter-ministerial set-up, the sound is even more grave and serious.

Indeed, the fate of the country is decided in those meetings. What happens in those meetings? Who participates? Why are meetings held? How seriously do our officials take those meetings? How well prepared are they? What is the quality of those discussions? How strictly and seriously the decisions made are implemented? We do not seem to have answers to these questions, but we believe that much governance improvement could happen if we can change our meeting culture!

## TYPES OF MEETING

**Attending too many meetings can become stressful and unproductivity. Online meetings, after Covid, have brought in 'technostress'(Bryant, 2022) too. Irrespective of the mode of meetings, their purpose can be categorised as (Laker, et al. 2022: Porter, et al., 2006):**

1. *Decision-making*
2. *Team-building*
3. *Problem-solving*

## HOW MEETING IS CONDUCTED?

### 1. Meeting Preparation

Meeting experts suggest that meetings are a result of a lot of hard work on an issue. They are called once:

- 1.1. *Background work has been completed and absorbed by concerned people and a debate or decision is required.*





1.2. Considerable effort to reach common ground on facts and context has been made.

1.3. Adequate documentation based on comprehensive research and well-developed proposals, properly whetted by concerned experts, and is succinctly presented.

1.4. Interdepartmental coordination is carefully conducted, and all views, data and thoughts are fully incorporated.

## NOTIFICATION AND ORGANIZATION

The above effort leads to preparing agendas that carefully document the effort that all concerned departments have made. This documentation is again carefully whetted by all concerned departments to see that all views and evidence are fully reflected. When ready, this documentation is shared with all decision-makers who are required to participate in meetings. It must be shared with enough time to prepare for a meaningful discussion. In particular, the offices of the concerned decisionmakers must have the time to carefully whet the material.

2.1. By the time of a major meeting much of the documentation has been carefully studied by all departments concerned and an implementation plan prepared.

2.2. The complete documentation of research to back up the actions required, decisions to be taken and an action plan must reach the forum with at least 2 weeks to study and comment.

## PARTICIPANTS MUST HAVE A PURPOSE

Steve Jobs is famous for saying that meetings must be structured, small and meaningful. He never allowed people who were not needed. . In our pictures of meetings that we see and those of us who go to these meetings know that there are a lot of unnecessary people in meetings. 1.

## MORE STRUCTURE AND INVESTIGATION FOR HIGHER-LEVEL MEETINGS

Higher level meetings of cabinets or cabinet subcommittees, like the ECC, in other countries are prepared through serious long-term research and lengthy inter-ministerial consultation. A policy for industrial development or investment or gas or electricity development happens only occasionally and must be built up through consultation between various ministries over months and backed by serious research and investigation to delineate clear choices. In most countries, this investigation also includes consultations with the nation's intellectual capital.

## USE THE INTERNET TO SHORTEN MEETING TIME

Prior to the meeting, modern communication must be used to limit the time of the meeting which should be as short as possible. Members should file all their comments virtually and they must be collated for outstanding issues only which should be taken up in a meeting. Unnecessary discussion and grandstanding in a meeting will be prevented in this is done well. The meeting that leads to further committee formation as happens in Pakistan often is in reality a failed meeting—one where preparation was inadequate.

## RULES OF ENGAGEMENT TO PREVENT GRANDSTANDING

Every meeting is structured by the chair to allow informed views to be aired and aggregated. That is why small meetings are preferred. Hierarchies and verbal pressure are resisted by rules such as equal allocation of time in higher forums and clear guidelines on language and addressing the chair etc. Even if there is no explicit voting, views are carefully tallied so that the chair sums up the sense of the meeting.

<sup>21</sup> This Knowledge Brief draws heavily on a blog written by Nadeem Ul Haque titled, "Our Meeting Culture Must Change" (2013), at development20.blogspot.com.

<sup>22</sup> There is an ample literature for conducting and analyzing meetings. Here we draw upon Axtell (2020) and Rogelberg (2019)

## A BUDGETARY POLICY CANNOT BE EASILY CHANGED

Neither the cabinet nor any forum is allowed to violate the budget, which is a law that has been passed by parliament. Re-appropriations must go back to parliament. Hence any proposals of a budgetary nature are not presented at such meetings.

## AMPLE TIME FOR STRATEGIC AND CONCEPTUAL MEETINGS AT HIGHER LEVELS

Country cabinets and high-level forums always keep strategic direction under review and build long-term thinking and policy review into their processes. While they have mechanisms for monitoring transactions, these higher-level bodies largely stay out of transactional work. Unfortunately, here in Pakistan, senior meetings are transactional, not conceptual. Conceptual discussions in policymaking are seldom conducted formally. They remain the domain of friends and family. This is the heart of our governance problem. For example, the National Economic Council remains a perfunctory short meeting even though it is supposed to be an apex conceptual meeting.

## MEETINGS ARE NOT WORK

Meetings are required for sharing information, seeking common ground and agreeing on decisions for moving forward. But the real work is building up to meetings and informing individuals and organizations with analysis of available evidence and global experience and knowledge. Enough time is given to reading, researching, and attending seminars and conferences, without which learning does not happen. In the absence of learning, meetings get insular and incestuous, and decision-making and strategy remain uninformed.

## MONITOR THE COST OF MEETINGS

Everything in the private sector is costed for efficiency. The public sector has the luxury to enjoy taxpayer



funds without worry. That is why meetings are long and full of irrelevant people. There should be some study of the cost and productivity of meetings in the public sector.

## MEETINGS AT MINISTRIES IN PAKISTAN

No one likes meetings but meetings they conduct all day at government offices in Pakistan! Several serving and retired officials were interviewed to get an idea about the time they spent on calling/attending meetings on an average day. Most labelled them as “productivity killers”, yet unavoidable





## Time Spent on Meetings at Offices in Ministries: An Average Day

Level of official	Time Spent (hours)			
	Pre-meeting meetings	Meetings	Post-meeting meetings	Total
High	1-2	3-4	2-3	6-9
Mid	2-3	2-3	2-3	6-9
Junior	2-4	2-3	1-2	5-9

*Source: Interactions with public servants at various ministries. Note: 1. 0.5 means 30 minutes.  
2. These figures should not be considered representative, and are presented just to gauge the trend.*

The interviews show that majority of the meetings are without clear agenda, and at times participants have no clue why they are called. Sharing meeting documents beforehand occurs rarely. The majority of these meetings keep employees from performing their designated tasks. Post-Covid, online sessions have increased the number of meetings significantly, a trend found worldwide( Bryant, 2022).

From what we gather from our interactions with officials working in the public sector and our personal experiences, meetings in Pakistan are characterized by the following:

### MEETINGS, MEETINGS & MEETINGS

The first thing that strikes you in government in Pakistan is that there are too many meetings. Most people are running from meeting to meeting and then trying very hard to catch up with their file work. No one has any time for through reading, researching or attending conferences or seminars. learning

Often it seems that meetings are called to fill in time.



The whole day for everyone in government is spent in meetings. Even when they are not meeting, there are visitors asking for favours. So, when do they read and absorb the material that is supposed to help make policy decisions?

The entire government seems to be in a crisis mode. Where is the crisis? No one seems to know.

## STATE OF PERMANENT CRISIS

All governments in Pakistan are in a hurry to do things. There is a constant crisis mode. Even the donors talk in crisis terms: education emergency, macroeconomic crisis, energy crisis, impending water scarcity, millions below the poverty line etc. Not only is everyone in a hurry, but all seem to claim a knowledge of all the solutions. So, all we need is a meeting to make things happen.

'Implement' is the favorite buzzword in Islamabad. Having absolved themselves of the need to investigate and research, they are absorbed in frequent and hasty meetings, and the frenetic urge to 'implement'.

When work is done in a crisis mode and in random willful meetings without adequate background work, experience has shown that decisions and their implementation suffer. Perhaps this explains the policy failure in the country which leads to stop-go growth, low investment, repeated IMF programs, the low reserves and increasing borrowing needs.

## IMPLEMENTATION WITHOUT THOUGHT

'Implement' is the favourite buzzword in Islamabad. Having absolved themselves of the need to investigate and research, they are absorbed in frequent and hasty meetings, and the frenetic urge to 'implement'. Yet there is little clarity on what to implement. Often policies end up being targets and wishes with little knowledge of instruments.

All day through the year, they try to implement in meetings. No one seems to have the time to wonder why the various crises and emergencies are not going away despite the many hurried meetings and the deep knowledge of solutions that Islamabad and influential

donors think to have.

Is this approach flawed? Maybe fewer meetings, more thought, research and local thinking are the solution?

The extreme hurry to develop without any real effort to learn and investigate pervades all levels of government. Several senior-level meetings are called in a hurry, supposedly in a crisis mode. Sometimes the joke in the corridor is that this is to keep ministers and politicians busy.

## TOO MANY PARTICIPANTS

At these meetings, some people are called even if they are not necessary, but only because the picture in the paper would look good. One is sometimes even surprised by some itinerant presence, such as a luminary or a friend of the powers that be, even if they have little knowledge of the area. The meetings are way too large and unstructured and become grandstanding events with little substance.

**"In most cases a large number of people, many irrelevant for the meeting, are called, making a thorough discussion impossible.**

**Meetings having people from diverse backgrounds are even more futile, with no one listening or understanding the other"**

## INSUFFICIENT PREPARATORY WORK

Often, no agenda is circulated for meetings, nor is there any research or background material. The most that can be expected at most meetings is a hastily prepared PowerPoint presentation (often prepared by a junior official) that is read not by the author but the 'official'. Since there is no investigative report, and everything has been done in haste, opinion and loud voices, and hierarchy speak. Little is achieved. Often the meeting ends in confusion.



## NO STRATEGIC MEETINGS

The mundane subjects chosen for such meetings are also quite worrisome - some road project or some sectoral issue where participants are looking for a subsidy. Surprisingly, the cabinet is found approving free trade agreements which are passed with a murmur "routine matter" Why do routine matters come to the table, one may ask!

Most meetings in government and the Cabinet are transactional in nature, such as buying commodities like sugar, fertilizer etc., or engaging in some foreign deal such as a big project or a long-term commitment to buy LNG or some similar issue.

Again, proponents of these transactions are in a tearing hurry to obtain approval. For example, every year, fertilizer purchases are only brought to the table within days of an impending shortage without even the data on available stocks in the country or the price of available fertilizer. No explanation is offered as to why such purchases cannot be smoothed out over the year through better planning. Unfortunately, there is no demand for such strategic thinking, and taking informed decisions for long-term solutions to issues.



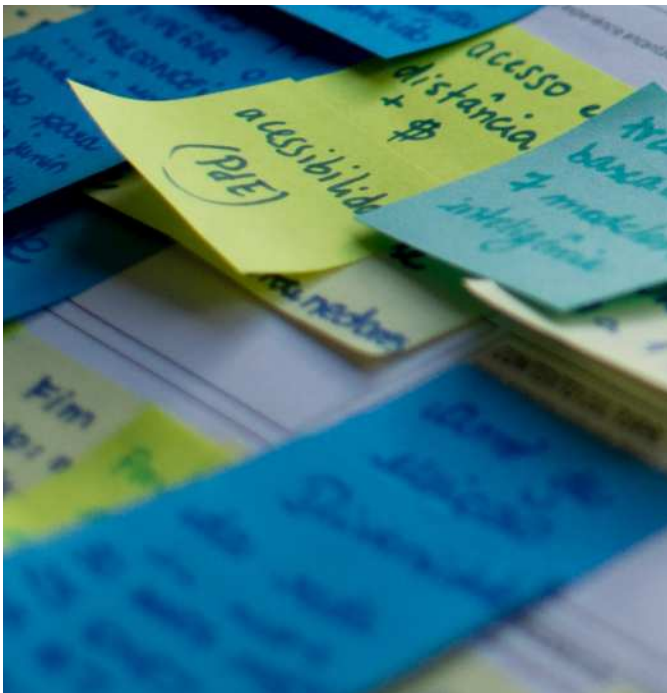
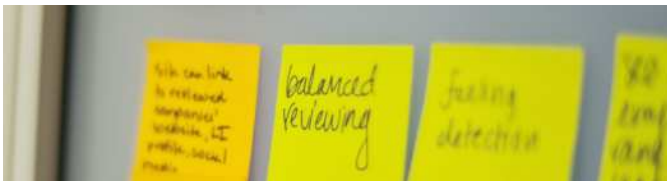
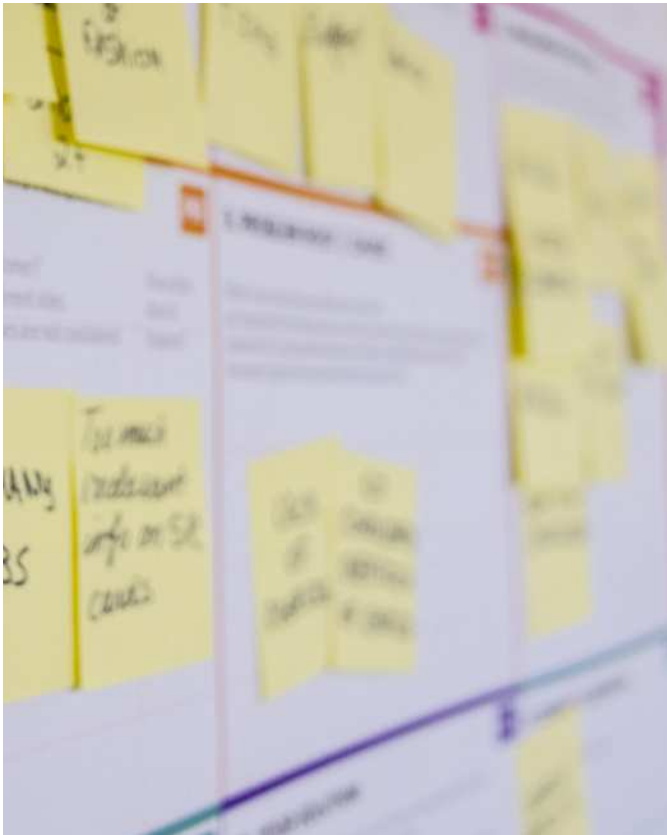
## BUDGET IS OF NO CONSIDERATION

What is very surprising is that the transactions proposed in a hurry –purchases, subsidies, and fresh projects-- are all submitted and approved without looking at their budgetary implications. How can you approve purchases of billions of rupees or an increase in subsidy without worrying about what it might do to the budget in place?



## LACK OF DUE PROCESS, INVESTIGATION & CONSULTATION

The crisis mentality and the hurry to deliver mean that all processes are avoided. Ill-prepared work is hurriedly put before the cabinet and all meetings bypassing all rules of mandatory submission intervals, inter-departmental consultations, and investigative requirements. Hastily-prepared summaries and a PowerPoint with the refrain of a crisis and a tearing hurry are the reasons given. We commit billions of rupees, and in the bargain set up grounds for inquiries, litigation, and above all mistrust.



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