
Contextualizing Privatization in Pakistan: A case study of Pakistan Railway

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Abstract

This study aims to explore and explain the context of Pakistan Railways. Transport is one basic necessities in present era and being one of most important aspect, this paper will discuss the history, functions, context, colonial roots of Pakistan Railways, objectives and functions of railways during British Raj, present status of Pakistan Railways. It also looks into proposed changes in organizational outlook that are proposed by stakeholders including donor agencies. Consequences of Privatization on Stake-Holders (citizens) has also been discussed which is proposed by dominant Stakeholders (donors, private firms). Theoretical Underpinnings has also been discussed that helps in exploring the emergence of such changes in the form of reforms. An effort has been made to give a complete picture of Pakistan Railways to the reader through this paper.

According to Year book 2013-14 of Pakistan Railways, Pakistan Railways is a Federally administered Government Department under the Ministry of Railways and it is primarily responsible for planning, administrating, and establishing the passengers locomotive services, regulating the railway companies, industries and associated organization. But presently, there are many issues and challenges being faced by this Ministry as

discussed by Asim & Nafees (2014) in their research. According to them Pakistan Railway is in continuing crisis since independence. It's not because of single reason but plethora of pathological issues been discussed superficially only. These includes lack of leadership, half-baked initiatives of business, lack of discipline, inadequate locomotives, obsolete technology and poor infrastructure, managerial incapability, declining market share, over staffing and asset issues, inadequate transport policy, increasing budget deficit, liabilities and losses. According Pakistan economic survey (2012-2013) it's reported that passenger traffic has been reduced to 92 trains a day which was 230 trains per day previously. On top of that freight trains have been reduced from 96 to just one per day. Consequently, revenues have radically declined by 25 % and working expenses have been augmented by 33 %. Costs and pensions of Employees amplified by 198 % of revenue earned in year 2011-12. Increase in fuel prices, depreciating infrastructure and rolling stock, inflation, growing dollar rate and availability of subsidized railway fare caused an increase in expenses for sustained train operations. Improvement in rail tracks and equipment can't be tolerated by the railways because of already high expenses and no breakeven. Furthermore, survey also indicated that increase in pension plans and salary directed to the diversion of earned revenues to mandatory payments even at the cost operational expenses resulting in increased deficit.

Ahmed (2011) in his article tells the actual case of the stationmaster of the Golra railway station who has spent 32 years there, Mr. Mohammad Ramzan, who shares that he remembers back in 1990s Pakistan's carriage factory used to export coaches to Bangladesh and other countries. Unfortunately, now the situation is contrariwise, now Pakistan is the country that imports substandard locomotives and spare parts from China. He grieves that Pakistan Railways is now being treated as an orphan institution. He further goes on blaming the politicians, their interference in the form vested interests, poor implementation by bureaucrats and mismanagement of administration, and said,

“While the rulers were building road networks and motorways in the name of development, no one thought about upgrading and maintaining the railways network”. Ahmed (2011) shares that when the motorway’s cost was estimated at Rs 24 billion, Pakistan Railways came up with a proposal of upgrading its entire network in Rs.10 billion. However, this proposal was neglected as the motorway was seen as a symbol of progress.

Because of concentration in other modes of transportation, Railways is ignored profusely and according to Ahmed (2011) Revenue share for freight trains has decreased from 40 per cent to 25 per cent. Another institution emerged late 1970s called National Logistic Cell (NLC) which was meant for the transportation of goods and it directly competed with Pakistan Railways... Pakistan Railways was further sidelined as NLC’s role grew in the Afghan war and in the later years. National Logistics Cell (NLC), a military-run commercial transport company.

Tahir (2014) stressed the same point by stating,

The decline of the Pakistan Railways (PR) has been a result of a number of factors, but the coincidence with the rise of the NLC is telling. The army was called in aid of civil authority in 1978 to decongest the Karachi Port. The task was successfully accomplished. Instead of letting the civil authority take over and the private and public sectors flourish in the transport sector, the then military government used the experience to create the NLC. The PR was the worst sufferer. It not only lost the edge enjoyed in moving public sector freight, but also the orders of the second-largest spender of the budget — the military.

Daheem (2011) discussed in his article reasons for crises in Pakistan Railways and those who are responsible for its destruction. According to him, Pakistan Railways was a lifeline of the Pakistan, and a very important source of transportation meant to provide services to the citizens with respect to commuting.

Unfortunately this ministry is facing a lot of issues because of shortage of locomotives, mismanagement of ministers and administration, fuel and money (embezzlement). Pakistan Railways has now become a financially bankrupt organization and is on the edge of financial collapse. Daheem (2011) further stressed the impotence and vested interest accomplishments of Railways' incumbents and politicians and other stakeholders except poor citizens, he said,

The political interference, nepotism, corruption, poor maintenance of tracks & bridges and mismanagement in almost every field are the major causes of failure of Pakistan Railways. Pakistan Railways purchased 69 completely built locomotive units from China under 2003 agreement. These are about 37% cheaper than the European locomotives but considered to be faulty. It is stated that 32 of these have already been scrapped. Dong Fang Electric Corporation has been severely criticized for producing low quality locomotives. The other viewpoint is that misuse of the machinery was the major cause of the failure of Chinese locomotives. According to Sheikh Rashid, the former railway minister, crankshafts of locomotives worth Rs10 million were damaged because of the use of substandard lubrication oil (para. 2).

Daheem (2011) also tells that corruption can be seen in issuance of tickets. There are complaints that reservation is confirmed after receiving bribe of hundred or more rupees by passengers. He further states that Chief Justice of that time Iftikhar Muhammad Chaudhry said, "tickets were sold in advance outside ticket counters and tickets were not available at railway stations." Moreover, Land mafia has grabbed Pakistan Railways land in different areas of the country.

Jafri (2010) also discussed one of the most notoriously publicized story of Pakistan Railways. It was Multimillion Rupee

Scrap Scandal. "Railways Minister, Haji G.A. Bilour, has been named as an accused in a multibillion-rupees scrap scandal, currently being investigated by the Punjab Chapter of NA" (p. 435). Scrap was valued worth Rs. 300 Million. Jafri (2010) further said, "One of the accused, Sami-ul-haq Khilji, and Saeed Akhtar (general manager operations of Pakistan Railways) had received Rs. 150 Million in the scam. However, NAB authorities are reluctant to arrest any of the influential accused, including the sitting railways minister, the former secretary, and the in-service railways general manager" (p. 436).

Why Corruption is so prevalent, Sehgal (2014) discussed the causes why corrupt leaders or elites are not held accountable. According to him, they have a very close network and given leverage of amendments and amnesties wherever needed. They are protected by their near and dear ones as well as other cronies who mutually benefit by enjoying corruption. With elitism, and with poor population in majority, justice can be bought much more easily. He further asserts, "Some obnoxious characters cannot ever be held accountable even if National Accountability Bureau tried. These "untouchables" are those feudal inheriting land holdings now been joined by the "new feudal" through money made legally and/or illegally, they have and/or can purchase influence outright". Sehgal (2014) says, Pakistan has inherited since its inception a "split personality" with respect to dealing with corruption. For the benefit of the public, rhetoric is rendered with great emphasis by every leader that corruption is a zero-sum game, not to be tolerated. And yet it is tolerated and may be even promoted at all levels.

In a country where very few things happen on merit in the face of connections one can challenge the state ... The client-patron relationship is very strong in Pakistan, nepotism is endemic in the body politic. Not only do their connections ensure they escape accountability. Some selected for the Boards of public sector corporations have a recorded history of corporate mismanagement and excesses... Like inflation, corruption has force-multiplied to become an inescapable part of our daily lives".

Organization's Background

According to official website of Government of Pakistan, Ministry of Railways (2012-2013),

"Pakistan Railways is a Federal Government Department under Ministry of Railways. The Ministry of Railways (MoR) is a Cabinet-level Ministry of Government of Pakistan, tasked and primarily responsible for planning, administrating, and establishing the passengers locomotive services, regulating the railway companies, industries and associated organization. Overall, the control of Pakistan Railways (PR), policy and development of railway network are also managed and administrated by Ministry of Railways". The Secretary for Ministry of Railways is the ex-officio Chairman of the Railway Board.

Official sources on Pakistan Railways states that in 1847 as a Commissioner of Sindh. Sir Henry Edward Frere was appointed. He saw the possibility of Karachi as a seaport and visualized the idea of a Railway Line in Sub-continent and formally recommended it to British Empire in 1855 for Karachi to be made a seaport. Formal survey of the construction of a railway line from Karachi initiated in 1858. A railway line was planned from City of Karachi to Kotri, and a steam navigation through rivers Indus/Chenab up to Multan and a Railway line to Lahore and beyond. 13th May, 1861 marked itself a historical day as first railway line was opened for public between Karachi and Kotri. Gradually these lines were converted to double track. Different parts of Pakistan Railways were result of construction in the late 19th and early 20th century. The purpose of this railway line wasn't to serve the public but British interest as written in Year book 2013-14 of Pakistan railways "Unlike other rail networks in the Sub-continent during British era, most of the sections (of Pakistan Railways) were constructed as strategic lines to safeguard the British Empire in the Sub-continent" (p.1). Sindh, Punjab and

Delhi Railways were purchased by the Secretary of State for India in 1885. On 1st January, 1886 North Western State Railway was formed renamed as North Western Railways. The NWR was bifurcated with 1,847 route miles lying in India, and 5,048 route miles in Pakistan at the time of Independence.

Objective and Functions of Pakistan Railways

Functions of Pakistan Railways according to official website of Government of Pakistan, Ministry of Railways (2012-2013) are following:

“All matters pertaining to Pakistan Railways, Movement and priority in respect of Defence traffic, Maintenance of Railway lines for strategic reasons, Negotiations with International Organizations and other Countries and implementation of agreements, with them. Coordination of Development Projects of Railways as a part of the National Development Programme, Standardization and specifications of materials and stores, Overall efficiency and safety of Railways, Coordination of Rail movements into and from Ports”.

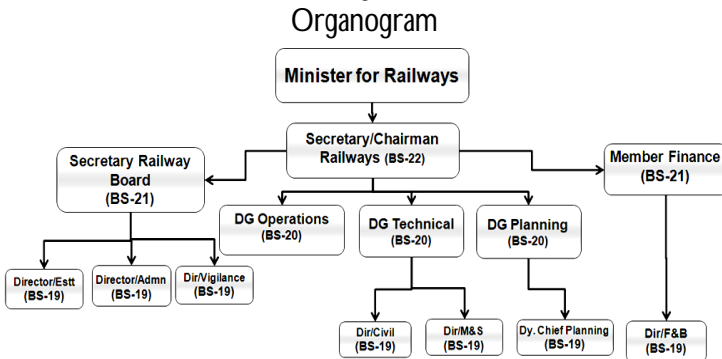
Core Operational Activities of Pakistan Railways

The core operational activities of Pakistan Railways are to:

- Provide comfortable and safe travelling facilities to the general public.
- Cater to the cargo transport needs of general public, Pakistan Army and other government departments at economical tariff rates and within shortest possible time.
- Construction of infrastructures for operations (Doubling of Track and others) – capital expenditure.

- Repair & Maintenance of existing infrastructure, overhaul of locomotives and maintenance of bogies—current expenditure
- A major activity that Railways has recently embarked on is the rehabilitation of railway tracks and increasing number of locomotive.

Structure of Pakistan Railways



Source: Official website of Pakistan Railways – www.railways.gov.pk

Functional Units

There are three functional units of Pakistan Railways. According to Ministry of Railways. *Year Book (2013-2014)*, "The Operating Unit, the Manufacturing & Services Unit and Welfare & Special Initiative Unit, each headed by a General Manager who reports to the Secretary/Chairman Railways for the performance of his unit. The Operating unit is located in the historic North Western Railway Headquarter building, an imposing landmark of colonial-era architecture of Lahore. It oversees train operations and all related functions. Besides, three Additional General Managers, heading Infrastructure, Traffic and Mechanical unit, various specialized head of departments also assist the General Manager Operations. The Manufacturing and Services (M&S) unit is responsible for the management of the Concrete Sleeper Factories, Locomotive and Carriage Factories" (p. 3). Railways

school, hospital, sports is managed by Welfare & Special Initiative Unit.

Colonial Intention of Railways Construction in Indo-Pak

19th Century marked the development of railroad in Indo-Pak which very effectively condensed the subcontinent as places that were huge miles apart were now converted to few miles apart because of speed of locomotive. Britain constructed this railway infrastructure in expensive and superior way even way more than non-European countries like United States. 1860 forward, subcontinent possessed one of the seventh most extensive railroad networks in the world.

Some Historians however asserted that this transfer of railroad infrastructure was not without deliberate move as said by Sharma (n.d.), said

Historians such as Ian Inkster and Ian Derbyshire have asserted that the rigidity of colonial policy caused railroad construction to debilitate rather than motivate industrial development in British India during the late-nineteenth century...Curzon, as the new Viceroy of India, supervised the continuation of railroad expansion in the North-West. As he confirmed in 1902, the purpose of railroad construction in the frontier remained to strengthen [the British Raj's] position and to enable [it] to move troops without delay in the event of trouble... in less than ten years after the Russian annexation of Merv, the defensibility of a vulnerable borderland had been (and continued to be) radically improved through the speedy and large-scale development of railroads (Railway and its Military Application, para. 14).

Sharma (n.d.) also told that Britain was aware of the usefulness of Railways in Sub-continent. Mr. Rowland M. Stephenson was one of the earliest promoters of railroads and he claimed having railroad in sub-continent would provide better security of the entire country, and for this all areas of military

importance to Britain will be covered in this regard. Similarly Mr. William P. Andrews asserted that having railroads would help in disseminating the troops in case of emergencies and would prevent ammunitions shortage. Proponents also argued that expenses, delays could be reduced whereas health and lives of European troops could be spared which otherwise would had to march through unsafe weather and landscape. During 1840s warfare against Sikhs exposed the inadequacies of transportation of military (including manpower transport and military supplies transport) in subcontinent of Britain, which could have been mobilized efficiently if there had been railroad connections.

According to Sharma (n.d.) Russian expansion was one of the fear British had because of which Britain decided to have strategic railroads as part of military establishment. Britain was wary of Russian Empire growing influence and presence in Central Asia. James Andrew Broun-Ramsay, 1st Marquess of Dalhousie stressed on placing limits to the progress of Russia in Central Asia. In 1883 however Russians advanced to Merv and within its three years railroad tracks extended exponentially as an integral part of preservation of British-rules India. Lord Curzon in his book '*Russia in Central India*', called Russia's activities in Central Asia as a "serious menace" to British India. He said that despite Russia's designs upon colonial India, it was crucial that the British leadership "render any hostile intention futile" and ensure that the frontiers of the "most splendid appendage of the Imperial Crown [were] impregnable." The railroads were made to be "network of iron" that allows a single government to manage diverse people, territories, and lands. The development of railroad was according to policymakers a tool for Britain to hold sub-continent's holdings into a unified state with a centralized government.

Objectives and Functions of Railways during British Raj

Afore-mentioned discussion highlights following functions of Railways during Britain Dominance in Sub-continent:

1. To strengthen the British Raj's position

2. To enable Britain to move troops without delay in the event of trouble
3. Provide better security of the entire country from external threats for the protection of Britain, and for this all areas of military importance to Britain will be covered in this regard
4. In disseminating the troops in case of emergencies and to prevent ammunitions shortage.
5. As part of military establishment
6. To limits to the progress of Russia in Central Asia.
7. To facilitate 'export trade' for Britain's benefit, to develop Capitalism in the region.¹
8. Facilitating the deployment of officials and military resources, and transport of goods, including raw materials and produce destined for export¹.

Reasons and Consequences of Britain developments – Indian Railways:

Aforementioned discussion highlights the objectives and functions of Railways in sub-continent and this argument has been asserted by various authors, researchers, historians, politicians and masses themselves of that time. Dr. Shashi Tharoor, famous Indian Politician argued the construction of the Indian Railways as an obvious benefit of British rule, which was never meant to serve the interest of Indian public. It was meant to help the British get around, with obvious reason of carrying the Indian raw materials to the ports to be shipped to Britain. Britain was not interested according to research of Dr. Shashi Tharoor to help the mass transport of Indian public except when it served the colonial interest. It were Indians who had to pay for the railway system in sub-continent not the British. The tax system was meant to loot

the public which materials imported from industrial capitalist firms. A mile of railroad in Australia or Canada cost half than a mile of railroad constructed in India.

All British efforts were meant to take benefits out of India and it's being described by Dr. Shashi Tharoor as "private enterprise at public risk". Private British enterprise, public Indian risk. It can be analogized as use of English Language as an instrument of Colonialism and was taught to few as intermediaries were created between rulers and the ruled. As Macaulay, famous historian and politician, explained the purpose of English education likewise that it wasn't introduced to educate the Indians but rather to culture the masses in English flavor, he says, "We must do our best to form a class who may be interpreters between us and the millions whom we govern; a class of persons, Indians in blood and color, but English in taste, in opinions, in morals and in intellect".

Fox (1933), a famous author said, "The building of the Indian Railways has been praised so often as the greatest achievement of the British. That it is worthwhile to examine its actual effects with some care. Undoubtedly the Indian railways are excellently organized and have done much, as Marx foretold they would, to help the development of Capitalism in the country, thereby undoubtedly playing a highly progressive and revolutionary part. But they have not and couldn't have in the circumstances, helped to raise the conditions of the masses of the Indian people, the peasants who remain to this day the poverty stricken, indebted and suffering millions that they were when the railways were built" (p. 23). Fox (1933) further said highlighting the colonial administration development as, "the chief aim of the English in building railways in India was to connect by thousand threads of steel the interior of peasant India to the capitalist market and its needs, particularly to the need of English industry. The railways and irrigation works far from improving the position of peasant made it worse. Forced to cultivate for the market, to produce the technical crops, he was no longer able to produce food. He began to need more and more money, not only to pay his water taxes, his increasing land tax, his rent, but in order to buy food for

himself and his family, food which he formally produced himself. The need for money led him to the money lender. In countries of capitalist agriculture, the production of valuable technical crops leads to the enrichment of at least a section of peasantry. In the colonial conditions it could only mean further enslavement and pauperization" (p. 23).

A secondary effect was also discussed by Fox (1933) as the destruction of native transport system of bullock carts. Peasants now could no longer rely on bullocks to afford transport through his meager income. As a result of this rural unemployment increased and land suffered badly as cattle were gotten rid of and manure couldn't be produced.

Development of Britain in subcontinent is seen differently by various historians. Marx, famous revolutionist see it as 'useless to Indians' in the words of Fox (1933). In Marx's letter to Danielson railroads in India merely served the double purpose of draining the produce of Rural India to the ports and to fulfill the demands of British General Staff. Worst part was that whole burden of paying fell on Indian masses (p. 56).

British Treatment towards various stake holders before independence

According to Victoria Terminus (now Chhatrapati Shivaji Terminus) which is a UNESCO World Heritage Site and an historic railway station in Mumbai, India and which also serves as the headquarters of the Central Railways and Vaastuyogam which is a monthly newsletter that dwells on the ancient Vedic sciences of India, Britain made superior railway system in sub-continent probably because they thought they will rule India forever but after World War I things turned out to be different. After 1930s British stopped investing in railways, and by the time independence time came, British left behind aging engine, a rusting track system etc. Treatment of British towards various stakeholders differed and was with prejudice prior independence. They had four classes in train system: First, Second, Third and Fourth. First Class was a luxury class with best and state of the art

facilities but only the most notable Europeans could travel by First class. It was like a complete suite and luxury at its best. A little less luxurious but still a lot better was Second class having many facilities but was accessible to only British and Europeans. Third class had wooden benches, and no fans, lights, even toilets were not present. And least was Fourth class that was fundamentally like empty boxes with no benches, worse than third class. Indians were allowed only to travel by third or fourth class.

Independence 1947 and Railways

After independence, railway assets were divided among Pakistan and India.

Following table 1 shows the division of lines and assets between India and Pakistan post-1947.

Table 1

Division of Railway Lines and Rolling Stock between India and Pakistan

	Engines	Coaches	Wagons	Route/Kms
India	7248	20161	210099	53000
Pakistan	1339	4280	40221	11133

Source: *Railways in India*. Retrieved 09, 2014, from <http://www.studymode.com/essays/Railways-In-India-59897190.html>

After World War I and II not only British interest lessened in subcontinent but also its developmental projects, consequently Indian Railways suffered. By the time of independence because of World War II as little or no attention was given to development projects, more than 50% of the track system was outdated as installed rail system was nearly a century old. Railway system at British time was crumbling as it was starving of investments, hence maintenance.

British used railway exclusively during World War I which was a reason of making railway condition worse. During World

War II same railways was diverted to Middle East which further incapacitated it.

Jafri (2010) says, that since the inception of Pakistan, Railways has been operated and functioned by Government of Pakistan. Government of Pakistan has made Railway Ministry and all internal and external affairs pertinent to railroad transport has been managed and controlled by it. Railway earned substantial profits during the British rule in the subcontinent just like a business venture in public sector does. However, as discussed before after independence because of political, social, cultural and religious instability such assets became a liability. Jafri (2010) called them 'political bandits and executive rogues satiating their hunger for making money through foul means, resulting in huge annual losses to the railways' (p.435). Since then Pakistan Railways is under influence of masked corruption resulting in huge losses. Recent decade records of Audit Department and National Accountability Bureau shows a "loss of Rs. 35 billion due to corruption of its political head (Ministry of Railways, Haji Ghulam Ahmed Bilour) and other top officials" (p. 435).

Saeed (2012) discusses the supposedly changing role of Public Sector Organizations was just a rosy picture with same colonial mindset in place. Pakistan's Public Sector Organizations exhibit the foundations of not post-colonialism, but neo-colonialism. What actually changed with respect to functions of Pakistan Railways before and after falls under the umbrella of neo-colonialism, with its repercussions exposed and evident in after independence life. According to Saeed (2012) Pakistan has inherited from Colonial rulers, an underdeveloped and feeble social sector. "Provision of standard social services including health, education, infrastructure etc could not have been among the colonial objectives as it occupied these lands for making money. After the independence, Pakistan inherited the same state structure, laws, rules, personnel, objectives and mindset of the officials of the state which were developed to serve colonial agenda" (p. 19). Even though independence approached with assurance of a beautiful and strong future, circumstances remained

same more or less for Pakistani People. Saeed (2012) told that Pakistan history shows evidence on its being an image of a security state. Despite discussions, talk-shows, conferences, plans, masses remained in same state.

Further evidences shared by Jafri (2010) states that:

Pakistan Railways has declared 500 locomotive engines to be in the irreparable category and has now signed a contract for getting engines from a Chinese company on lease and for purchasing locomotives from another blacklisted Chinese company.

The annual report of the auditor general of Pakistan showed that Pakistan railways lost Rs.5.6 billion in 2010 citing widespread misuse of public funds. Corruption in railways has crossed all legal and ethical limits. The National Assembly's standing committee on Railways forwarded a case recently to the Federal Investigation Agency (FIA) to investigate the accusation that the Pakistan Railways sold scrap at lower prices, causing losses to the public exchequer that run into millions of rupees. Also spare parts were purchased under a dubious contract with Chinese company Dalian at a stupendous cost of 15.2\$ million. The reason for this exorbitant price was that spare parts were purchased at a rate that was two to five times higher than the market price to cover the under the table commission to be provided to the railway minister and all other high ranking officials (p. 435).

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Railways has now become a financially bankrupt organization and is on the edge of financial collapse. Daheem (2011) further stressed the impotence and vested interest accomplishments of Railways' incumbents and politicians and other stakeholders except poor citizens, he said,

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435). Scrap was valued worth Rs. 300 Million. Jafri (2010) further said, "One of the accused, Sami-ul-haq Khilji, and Saeed Akhtar (general manager operations of Pakistan Railways) had received Rs. 150 Million in the scam. However, NAB authorities are reluctant to arrest any of the influential accused, including the sitting railways minister, the former secretary, and the in-service railways general manager" (p. 436).

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Proposed Change in Organizational Outlook

Gradually with assistance from various international organizations including World Bank and IMF (International Monetary Fund) a debate has been initiated about Privatization of Pakistan Railways. Asset of Pakistan which is under serious derail has been argued by various academicians, practitioners, policy makers, policy implementers, journalists, experts to privatize it either directly as a result of IMF clear cut agreements or indirectly by quoting serious condition of its not very stable existence.

Economic Survey of Pakistan 2013-2014 clearly says that "Pakistan Railways has prepared a business plan for 2005-11. The plan places emphasis on encouraging private sector participation in order to increase its competitiveness, responsiveness and efficiency" (p. 229).

While Economic Survey 2012 – 2013 states, New Initiatives are taken under Public Private Partnership (PPP) such as 1. PPP and Passenger Services, under which Pakistan Railway has started 3 trains between Lahore and Karachi with the help of Public Private Partnership. 2. PPP and Freight Services which has a Track Access Policy. This policy agrees to allow private parties to use infrastructure and track of Pakistan Railway for private freight train operation. These private parties pay an agreed amount of tariff for each kilometer usage to ministry as a result. 3. Private Participation in Dry Ports, under this agreement Pakistan Railway has also involved private sector in the management and operation of terminal facilities including dry ports. According to Pakistan Economic Survey 2012-2013, Prem nagar dry port Lahore is the first successful model of joint venture between Pakistan Railway and two private parties. 4. Non- Core Business which includes creation of "A Real Estate Development & Marketing Company" as a subsidiary of Ministry of Railways. 5. Corporatization of Manufacturing Services under which 6 factories conditioned to the approval of government are being corporatized. There are many other initiatives which can be accessed through Pakistan Economic Survey 2012-2013, 2013-2014.

Comparing these initiatives to IMF (International Monetary Fund) Letter of Intent signed by Senator Mohammad Ishaq Dar and Yaseen Anwar, Minister of Finance Pakistan and Governor of the State Bank of Pakistan respectively to Ms. Christine Lagarde who is Managing Director, International Monetary Fund, clearly starts with these lines, "The following item is a Letter of Intent of the government of Pakistan, which describes the policies that Pakistan intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Pakistan, is being made available on the IMF website by agreement with the member as a service to users of the IMF website" and signed by afore-mentioned ministers. "... We are working towards reforming or privatizing public sector enterprises (PSEs), focusing on limiting poor performance and improving public sector resource allocation. The Cabinet Committee on Privatization (CCOP) approved a list of 31 PSEs for action, and we have developed a plan to sequence the capital market and pre-privatization restructuring for these firms" (p.12).

With respect to Restructuring this letter clearly states, "In parallel we will continue our restructuring plans and hire professional chief executives and board members for those enterprises with a corporate structure in line with the corporate governance rules. We are developing medium-term action plans to restructure Pakistan International Airlines (PIA), Pakistan Steel Mill (PSM) and Pakistan Railways (PR) ... Pakistan Railways ... Aging and shortage of equipment, overstaffing, and large debts continue to weigh on railway operations. Nevertheless, we have improved revenue in the first quarter through rationalization of tariffs and expenditures and improved occupancy rates. We are in the process of reviving the railway Board. By end-March 2014 we will develop a comprehensive restructuring plan, which will include improvements in business processes and institutional framework, financial stability, and service delivery" (p. 12-13)

Haque (2014) states that there are two views of initiating this privatization process, one is as a result of IMF and World Bank demands because Government of Pakistan takes aid from them.

However another view of some insiders asserts that privatization will promote foreign ownership in Pakistan. Bretton Woods Institutes including World Bank and IMF are the ones that monitor the financial and commercial relationship among industrial states to adopt monetary policy and to promote international economic cooperation, it also bridge temporary imbalances of payments. These institutes also argue about Pakistan not yet sold out its loss making entities such as Pakistan Railways, Pakistan Post, Pakistan State Oil, PIA, Pakistan Steel mills.

Theoretical Underpinning:

Haque (2004). has discussed the concept of 're-structuring' – word which can be seen in afore-mentioned discussion of policies and agreements presented by Pakistan Economic Survey and IMF – letter of intent agreement by Pakistani Government to IMF management, respectively. This restructuring is explained by some authors in the form New public Management (NPM) as a reform model aimed at managerial freedom, market driven competition, businesslike service delivery, result oriented outlook, client-orientation rather than citizen orientation, value for money, performance based result outlook, and a culture based on pro-market policies. NPM is reform model introduced as a result of neo-liberal beliefs that emerged in limelight when capitalist mind-set took over with sound theoretical grounds in late 1970s and early 1980s.

Jessop (2002) describes the Neoliberalism as an economic philosophy that promotes market-led restructuring of economic and social structures. In context of public sector, restructuring involves liberalization, privatization, and imposition of commercial criteria in the residual state sector. "This is reflected in: government measures to promote "hire-and-fire," flexitime, and Flexi wage labor markets; growth of tax expenditures steered by private initiatives based on fiscal subsidies for favored economic activities; Strategies to Promote or Adjust to Global Neoliberalism" (p.461).

He further stated the strategies to promote Neoliberalism as, "1. Liberalization—promote free competition, 2. Deregulation—reduce role of law and state, 3. Privatization—sell off public sector, 4. Market proxies in residual public sector, 5. Internationalization—free inward and outward flows, 6. Lower direct taxes—increase consumer choice". (p. 461).

In case of Pakistan this global trend started emerging in then President of Pakistan General Zia-ul-Haq. Privatization was introduced as reform agenda which can be seen even now. Not only in Pakistan but in many other developing countries 'reforms' started taking place, evidences of which can be found in aforementioned instances and evidences.

Jadoon & Jabeen (2010) states that in General Zia-UI-Haq period and in later two civilian governments of Benazir Bhutto and Nawaz Sharif denationalization started which took the shape of privatization. Reason was "Pakistan joined the IMF's SAP in 1981 and also became one of the major recipients of World Bank loans. The public sector reforms guided by the development management model that was started in 1980s under the SAP (Structural adjustment programmes) of IMF continued...reform mostly focused on privatization and reduction of size of government, and less attention was paid to improvement in public sector management" (p.442).

Analysis

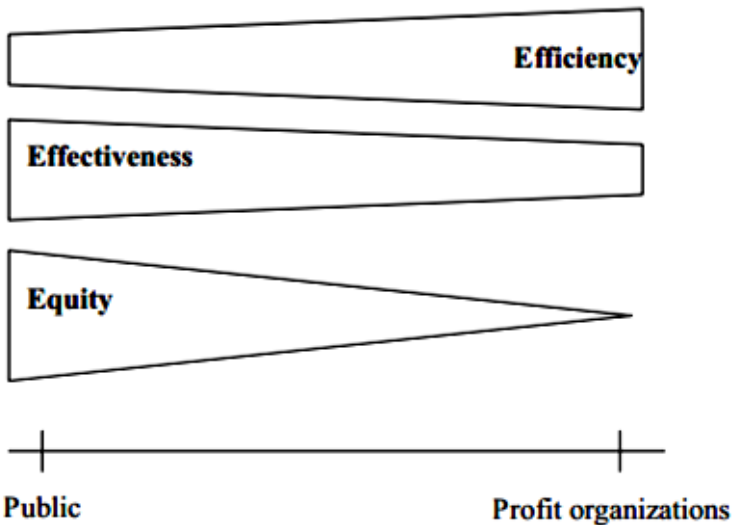
Public service delivery is a function of a state and having business orientation in it fails to effectively deliver the services to the masses. NPM reforms have neo-liberalism in its roots and it focuses on reinventing the government having output and performance orientation with efficiency, profit maximization and business like structures as its ultimate aim (Kolthoff, Huberts & Heuvel, 2006).

Public organizations define their yield in effectiveness term. Public organization's basic aim in being effective does not convey efficiency unimportance in public rather according to various researchers efficient organizations can also extend their resources

to become more effective. Efficiency is an important goal in profit sector as they see success in terms of productivity and profits, on the other hand, "public organizations often have great commitment to equity; they must provide services to all citizens, regardless of their ability to pay for them, and must ensure equal access to services" (Kolthoff, Huberts & Heuvel, 2006) (p. 16-17).

In figure 1, it can be seen that for Profit oriented organizations, efficiency matters, which in other words means result and performance orientation, having maximum output through minimum input and using means-end relationship to achieve final results. conversely, for Public organizations effectiveness and equity is more important which means doing the right things and equal treatment for all citizens irrespective of income level.

Figure 1
Importance of Efficiency, effectiveness and Equity for Public and Profit organizations.



Source: Kolthoff, E., Huberts, L., & Heuvel, H. (2006). *The Ethics of New Public Management: Is Integrity at Stake?*. *Public Administration Quarterly*. Vol. 30, No. ¾, pp. 399-439.

Public administration aims at the collective good of the public and it is an entity which is larger than any immediate social groups like family or clan, as stake is the public interest. NPM is re-inventing government and it advocates the adoption of business techniques, as well as business values, which are often opposed to the ones considered for the public sector. Selling out a public owned entity to private entities will generate benefits for few only by constraining the lives of many. On one side where big business man will get benefit of transport ownership by gimmicks of fares, the other side of serving the 'public' will be compromised. Majority of Pakistanis can't afford to have air-transport because of high fares, hence, privatizing oldest transport system will have effects on lives of people to commute. Proponents of privatization support the usefulness of privatization on providing good facilities for public but at the cost of depriving millions who will not be able to pay higher fares of a privatized company. Not only this but there is likely high percentage of unemployment expected as argued by Khan (2014) that approval of privatization of the Pakistan Railways by Prime Minister Nawaz Sharif will not only affect the public who uses railways but it will also cause immense unemployment as about approximately 70 percent of the employees will be shown the door. He further stressed that privatization of the railways clearly hints towards the conditions and demands imposed by IMF and World Bank, dictating Pakistan for restructuring the state's organizations. Pakistan Railways has been making billion of losses because of its poor leadership and performance.

Cornwell (2000) discussed adjustment programmes of World Bank and International Monetary Fund (IMF) for countries with deteriorating economies to modify the structures of their economics in order to stabilize them as discussed in previous sections. Cornwell (2000) argued that proponents of SAP asserted that:

(p)roblems of south were largely the result of too heavy government involvement in the economy, which

turned the economy into a massive bureaucratic “mess”, one which is ineffective and unproductive . . . governments are overspending on the public sector and that their direct controls and subsidies are counterproductive. They want government to reduce the role of the public sector and to remove direct controls and subsidies. (p. 256).

Cornwell (2000) argues that assumptions underlying these programmes is economic growth and benefit of households but in reality they are disadvantageous and can be felt by the ‘poor of third world’ (p. 260). Service delivery of basic necessities which is a very function of a state cannot be seen in SAP’s agenda which was a form of reform for developing countries to increase efficiency and performance than welfare, as can be seen in Cornwell (2000) words, as:

In practical terms these structural adjustments mean that government have to lower social expenditure by reducing the number of jobs in the public sector, and by lowering wages. This means teachers and nurses are made redundant, or are offered lower salaries. When social spending is reduced, the shortfall is made up by user charges. Households now have to pay (or pay more) for education and health services. At the same time, the cutting of subsidies means that households have to pay more for basic foodstuffs . . . all this affects the purchasing power of households . . . job security is reduced and fringe benefits are cut. (p. 257).

The dissemination of this phenomena of privatization as NPM reform model under the umbrella of globalization is a “market-biased neoliberal ideological position founded upon the assumptions of individualistic self-interest, free market competition, advantageous free trade, non-interventionist state, and businesslike service delivery” (Haque, 2002, p. 105).

Globalization reinforced by new political economy and reinvention of government under the reforms of NPM has not only forced the world to adopt market driven policies but has altogether transformed the whole public sector into business like entity including its structures, processes, culture and policies including least state involvement and maximum market growth. In order to make possible such globalization numerous global actors and forces, that includes international agencies, neoliberal regimes and institutions, transnational corporations, media networks have prescribed, imposed and advocated key policy reforms under the rubric of new political economy comprising of promarket assumptions, theoretical propositions, and practical strategies (Haque, 2002).

Changes that were introduced by developed countries for their nation were gradually transferred to developing countries advocated as being market-responsive economic reforms that would trim down various crisis being faced by developing nations and will improve quality, efficiency and productivity in the long run. But according to various scholars as discussed in previous sections there are many adverse outcomes and critical repercussions for poorer third world countries. Internally, these states are going into inequality, poverty, deteriorating condition of citizens' and externally, sovereignty of the state is diminishing, there is an increasing dependence on external aid, as well as inequality at international level (Kochler, 1999). International aid agencies like the World Bank, the Asian Development Bank, and the African Development Bank pressured countries dependent on foreign aid to adopt policies of privatization as NPM reform model, however the result is worse than before, many citizens because of this don't have even access to basic services., the deteriorating poverty levels and unavoidable inequality had directly impacted unemployment and desperation in these countries as individualism inherent in these policies allows rich to become richer and poor to become poorer.

Haque, (2002) shares, "these policies largely benefit affluent industrialists or business entrepreneurs ... reforms in governance

based on new economic policies like the liberalization and deregulation of trade, investment, ownership, and exchange, may attract huge foreign investment, they may also exacerbate external dependence, diminish self-reliance, and accentuate vulnerability" (pp. 115-116). This new political economy model is not only facilitating globalization, "but model itself has become globalized—it has been embraced by or imposed upon almost all countries, including those in the Third World" (p.117). World Bank exemplifies cases of countries adopting market-model of entrepreneurial government and reinvention of government through reforms of NPM as success cases, at the same time accusing the same countries of remaining crises on state-centric policies, critics however argue that its not because of remaining state-centric policies rather it is because of promarket polices given as prescription by the Bretton Wood institutions "that weakened the developmental state, replaced its regulatory regime, and diminished its steering capacity to manage economic and financial problems leading to such a serious crisis ... In fact, these economies were highly competitive under state-led governance during the 1970s and early 1980s. It was the period of new economic policies (deregulation, liberalization, and privatization), intensified in the 1990s, which saw the eventual culmination of severe economic crisis in the late 1990s, especially after 1997" (Haque, 2002, p. 118).

Concluding Remarks

Having understood the context of Pakistan Railways, its colonial past, role of politicians, bureaucrats, policy makers donors and local masses, it's clear there is clash of interest among all. Public Provisions can't be handled under the name of some reform, it requires deep thinking and sound knowledge. Just for the sake of fashion and fad, adoption results in misfit and ultimately the real sufferer is public, especially in developing countries where majority of masses are living hand to mouth to make their both ends meet. An indigenous solution needs to be developed in order to resolve these problems. However, it can't

happen by miracle as asserted by proponents of either privatization or nationalism as can be seen in case of Pakistan, where apparently best solutions resulted in worst nightmare for ultimate beneficiary (public). Reality is, such circumstances only benefit few percentage of people at the expense of larger number of public, as asserted by various public policy academicians and practitioners, that only intent is not enough, one need to keep into consideration the heritage that is carried forward to a particular country in not only their power relations, but also in their ways of thinking e.g. in case of Pakistan Colonial Legacy has played an important role in many domains. So, without considering the past of our country we can't mend the present or anticipate a better future on basis of few reforms that fail to consider our background.

Normative side of NPM reform initiatives in developing countries exhibits only fancy side of it by quoting precedence from divergent modes of running the government failures, however, it is to be observed that if one link the history, present, and future ramification, one can very clearly see that particular reform model of governance can never be a universal phenomenon, it has to consider particular experience of particular nation. There will always be a need to dig into indigenous contexts. One-size-fit-all approach that has been refuted by various authors quite often still can be seen being in practice as can be observed in case of global drive of 'globalization' that includes making whole world a globalized world and reforms that went successful in developed world are now transferred through one reform or another in developing world with preconceived notion in mind that they will 'definitely' be successful in later. Various instances has been found in which one can see practically as well as theoretically that the market model of governance has profited only some whilst neglecting the worsening troubles of greater number of people including the issues of poverty, unemployment, etc. Reform's initiatives clear evidences can be seen from various researchers work that shares the case of many countries that adopted the reforms through Isomorphism -

imitation, coercion, or normative phenomena. Third world's introduction of market oriented reforms aimed at economic efficiency and growth but recent times have witnessed the deteriorating access to basic services of citizens due to these reforms, that includes abandonment of subsidized welfare services, high prices of public services, introduction of contractual jobs making permanent relationships weak, reduction in employment opportunities. Though these reforms advocated rhetorically the greater good for greater number of people and greater efficiency, however, the consequences are unfavorable and majority of citizens of low income countries have adversely been affected.

The administrative and political machinery of any state that support this reinvention of government through NPM reforms including privatization need to be aware of the implied political theory they are advocating considering the contextual needs of Pakistan and stake of majority of citizens not just a limited number of elite minority and "(t)hey should recognize the aspects of democratic governance that they are rejecting— democratic citizenship, civic engagement, and the public interest. Many, we suspect, will be uneasy to realize that they are moving away from such fundamental values" (DeLeon & Denhardt, 2000, p. 96).

Notes and References

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