

# **NON-STATE PROVIDERS OF BASIC SERVICES**

Commissioned by Policy Division,  
Department for International Development (DFID), UK

## **COUNTRY STUDIES**

### **Pakistan: Study of Non-State Providers of Basic Services**

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August 2004

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**ISBN: 0 7044 2260 3**

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# MAIN REPORT ON NON-STATE PROVIDERS IN PAKISTAN

Richard Batley

## 1 PURPOSE OF THE STUDY

1. The underlying premise of this study of Pakistan and five other countries is that poor people get many of their basic health, education, water and sanitation services from non-state providers. DFID, the sponsor of the studies, is concerned to know how governments may work with the non-state sector so as to increase the latter's incentive to offer quality services to the poor. We are asked to analyse what makes selected government 'interventions' succeed or fail, and how donors may support effective government engagement. The primary purpose of each country study is to provide sufficient evidence to allow the researchers to draw up guidelines on working with the non-state providers that matter most to the poor, while recognizing the need for different strategies in different contexts.

2. The team of researchers, based in the UK and Pakistan, was asked to identify and describe a few selected cases of government (or civil society organizations in place of government) intervention to support the delivery of services by non-state providers (NSP) in three service sub-sectors: primary education, primary healthcare, drinking water supply and urban sanitation. These cases are intended to be illustrative of the use of different instruments of intervention; they are not intended to be comprehensive studies of non-state provision in the three sectors. They could cover any for-profit or not-for-profit provider, but DFID asked us to give special attention to the smaller and more informal types.

3. The service studies that are the basis of this report are annexed. They adopted a common approach to (i) selecting examples of intervention and describing their background and context, (ii) describing the intervention and analysing its performance, and (iii) explaining performance in terms of the interests, institutional and organizational constraints and opportunities affecting the intervention. The studies focused on three broad forms of government (or civil society) intervention or action:

- i) Dialogue between state and non-state actors in deciding and reviewing policy and legislation about standards, regulatory and support systems, alternative service arrangements, roles, co-ordination and forms of collaboration
- ii) The implementation of interventions to
  - (a) regulate non-state providers by government and independent bodies by formal regulation, oversight
  - (b) hold non-state providers accountable to clients
- iii) The implementation of interventions to
  - (a) commission service delivery
  - (b) facilitate or support non-state providers.

## **2 THE POLICY ENVIRONMENT FOR GOVERNMENT'S RELATIONSHIP WITH NON-STATE PROVIDERS**

4. In principle, policy in Pakistan favours partnership with non-state providers. However, the attitude to non-state provision and the types of providers that have been supported have changed over time. Through the 1970s, a nationalization programme transferred many industries and public services, including educational and health services, from private or NGO to government ownership. In the face of economic decline, the following military government of General Zia, through the 1980s, restored the private ownership of much nationalized industry<sup>1</sup>, commerce (but not finance) and social services, and also encouraged the development of religious institutions as education and health providers. "The private sector was allowed to resurface to manage both political discontent and build new constituencies in a state besieged by resource constraints..." (Hussein, education annex to this report). The democratic governments from 1988-1999 witnessed macro-economic instability and declining investment in public services. This period saw the development of a number of publicly sponsored, semi-autonomous institutions - such as the Rural Support Programs and the educational and health foundations - intended to promote and fund private and community-managed service provision. The focus on community development and participation was built on the base of indigenous NGO initiatives (the Edhi Welfare Trust and the Orangi Pilot Project), the practices of the Aga Khan Foundation, as well as new donor agendas (for example, the Health and the Education for All initiatives).

5. One of the principal government interventions of the 1990s, the Social Action Program (SAP), in fact had the effect of highlighting the depths of the problem of public service provision and accelerating the search for alternatives. Though initiated by donors, 80% of the programme's \$9 billion resources were contributed by government over the period from 1993 to 1999. Focusing particularly on education but also basic healthcare, family planning, rural water supply and sanitation, the programme invested in physical infrastructure with the objective of increasing accessibility of the poor and women. A participatory development programme was intended to harness the contributions of communities, NGOs and the private sector. However, the SAP is widely regarded to have failed or to have achieved disappointing outcomes - although some of our positive interventions stem from the SAP. Its positive feature was the recognition of the case for increased social expenditure, but the programme is said to have lacked accountability and transparency and to have failed to address the underlying problems of poor management and staff performance in government-run services. During this period, while some basic health indicators improved, indicators of access to piped water and education worsened (ADB et al 2004a p.21, Jones et al 2004 p.14, Nadvi and Robinson 2004 p.14, Pasha et al 2002b p.9).

6. Many reports, including the government's Poverty Reduction Strategy Paper, show that Pakistan continues to lag behind countries with similar per capita income, in terms both of levels of public expenditure and of health and education outcomes (Government of Pakistan 2003, World Bank 2002, ADB et al 2004a, Jones et al 2004). Non-state provision of public services is reported to have grown over the last two decades in response partly to government failure but also to the renewed toleration of

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<sup>1</sup> Nevertheless, the military remained and continue to be important owners of industrial capital and land, as well as consuming more than all development expenditure throughout almost the whole of Pakistan's history (Nadvi and Robinson 2004, Government of Pakistan 2003)



private and community provision, and to donors' financial support for NGOs. A national census of 'private' (including NGO) educational institutions has indicated that they account for 28 percent of total enrolment and 53 percent of enrolment in urban areas, although only 17 percent of the total number of schools is in the private sector (Federal Bureau of Statistics 2001). A survey of selected districts of Punjab and Sindh in 1996, suggested that enrolment in private elementary schools was growing rapidly even among lower income households and that this was a matter of preference rather than necessity (Kardar 2001). A similar but even more pronounced story applies to preference for private healthcare - reports talk of a 'migration' to the private sector (ADB 2004a). Nationally, almost half of households used qualified private practitioners, 21% unqualified private practitioners and less than one-third government practitioners. 'Very vulnerable' households were almost as likely as the less vulnerable to use non-state health services, except in urban centres, though much less likely (13% versus 31%) to use non-state schools (CIET 2003). CIET's national survey, undertaken for the National Reconstruction Bureau, finds that users were more satisfied with non-state health and education than with government services and that they would make this choice if they could afford to do so. With regard to water supply, it seems unlikely that non-state provision is growing. Most urban households (72%) but only 38% of rural households report access to government supply systems. Low reported satisfaction levels (18% of all households) probably reflect problems of access to as well as the quality of the service (CIET 2003, p.46; also Planning Commission 2003).

7. There seem to be important distinctions between the service sectors in what is meant by non-state or private provision. The indications are that in healthcare the most significant non-state providers are for-profit practitioners rather than NGOs (CIET 2003 p.32, DFID 2003 p.2). Similarly, in the case of elementary education, Kardar's survey of Punjab and Sindh indicates that 67% of non-state schools were run privately for-profit, 28% by NGOs and 3% by community institutions (Kardar 2001 p.20). In the case of water supply, on the other hand, non-government services were provided mainly by communities and households for themselves (from pumps, wells and streams), especially in rural areas, and only 3% by private vendors (truckers and carters) (CIET 2003, 47). According to the Pakistan Integrated Household Survey for 2001-2002, 61% of all water systems are self-financed by individual households.

8. The Musharraf government, that took power in 1999 and that embarked on a semi-democratic phase of government after holding federal and provincial parliamentary elections in 2002, has addressed the institutional problems of service delivery in three main (and overlapping) ways. The first and major reform has been devolution of responsibility for many services (including basic health, education, water and sanitation) to local government: "it is argued that local governments, appropriately empowered, staffed and resourced, will deliver better on primary health, education, and municipal services like water and sanitation" (ADB et al 2004b, p. 1). It would do this by increasing citizen's voice, managerial power and client power (ibid, p.26). The second stream, related to decentralization, is commitment to self-help: "Communities need to organize themselves collectively to cater for some of their basic needs" (Pasha et al 2002b p.5). The provincial local government ordinances (and guidelines of the National Reconstruction Bureau) specify various forms of citizen oversight and community participation in planning and service management. Most significant of these are the citizen community boards (CCBs) that can generate their own development projects and claim up to 80% financial support from local governments. In addition to promoting community self-reliance through local government, the federal government has

supported a number of programmes that mobilize and fund communities to organize their own services. Several of these - for example, the national and provincial rural support programmes, the National Commission for Human Development, and the national and provincial education and health foundations - have been inspired by the participatory model of the Aga Khan Foundation in Pakistan.

9. The third stream is the commitment, in principle, to 'public-private partnership' (PPP). This term is widely used in leading policy documents, in relation both to the development of policy through consultation and to its implementation with other actors:

"One of the principles that guide government policy is that 'the government cannot deliver alone, civil society has to share the burden'" (Pasha et al 2002b p.5).

Donors, including DFID, USAID and the World Bank have played an important role in supporting discussion and programmes that advance the idea of partnership. In Pakistan, the concept of PPP seems more often to be applied to the role of community groups and non-profit organizations than to private for-profit firms. Business is spoken of as a 'partner' mainly in the sense that it is asked to provide philanthropic contributions to public sector operations - organized for example through the National Commission for Human Development or the Pakistan Centre for Philanthropy. Other modes of partnership are referred to in various policy documents. The provincial local government ordinances provide a permissive framework within which local governments (tehsils and districts) may create joint arrangements or contract functions out to other public or private bodies. The Poverty Reduction Strategy Paper (Government of Pakistan 2003) contemplates the mobilization of private (NGO or for-profit) resources and community participation to support the provision of public education services; in the case of health and water/sanitation its emphasis is on engaging communities as partners in service design and delivery. National Education Policy from 1992 and for 1998-2010 has proposed grants and loans to private schools (especially secondary and higher), land grants to rural schools and an improved system of regulation. The Health for All and the Education for All programmes both advocate partnership with private providers.

10. Kardar (2001 p.1) comments that there is a gap between these 'good intentions' at a broad policy level and understanding of the 'objective realities' that often in practice constrain the role of the private sector. Pasha et al (2002b) also note a number of 'inconsistencies' in government's policy to the non-profit sector

- Support at the policy level but obstructionism at the operational level of line departments of federal, provincial and local governments,
- Acceptance of non-profit organizations as providers of services but hostility to their adoption of advocacy roles
- Suspicion of externally funded organizations that might support politically sensitive positions (rights, political freedom)
- An extremely low level of government funding of non-profit organizations (6% of their total funding)

To these we can add two others that became apparent in the research:

- Suspicion of the motives of the for-profit sector, particularly at the field level, and unwillingness to see it as meriting government support
- A tendency to see partnership as an instrument for mobilizing communities, NGOs and private philanthropy in support of government services rather than vice versa

### **3. LOCATING THE CASE STUDIES**

11. The case studies were selected not only because they conformed with our research agenda but also because they reflected national priorities. Although we used documentary materials and our Pakistani team members' previous experience, we also selected cases that could be visited or explored through interview in the Islamabad Capital Territory and Punjab. We were unable to visit Karachi, a clear focus of experimentation, due to security problems.

12. National priorities were derived principally from the Poverty Reduction Strategy Paper but also, for an alternative perspective, from the papers written by the Social Policy and Development Centre under the Johns Hopkins Comparative Nonprofit Sector Project. The Poverty Reduction Strategy Paper includes, as two of its six principles, commitment to the participation of stakeholders and to public-private partnerships. Pillar 1 of the strategy focuses on economic growth; Pillar 2 is concerned with governance within which the devolution programme is probably the major feature - our selected cases, particularly in water and sanitation, focused on projects operated by local government. Pillar 3 (Investing in Human Capital) features education, health, water and sanitation; the cases we have chosen are nearly all referred to as key elements of these sector strategies.

13. The cases had to be principally concerned with the provision of services to poor people. The Poverty Reduction Strategy Paper identifies 32% of the population as below the poverty line and another 20% as vulnerable. Half of this poor population works in agriculture (Government of Pakistan 2003 pp. 13-15). Admittedly our cases have a somewhat urban bias. We selected cases where non-state bodies (individuals or organizations) were the main provider of the service to clients, setting aside those where they were making an input into state provision. We sought a span of alternative providers - entrepreneurs, community organizations, non-profit organizations (including NGOs, foundations, and not-for-profit companies - the Rural Support Programmes). We looked for a variety of types of relationship with government: partnership between government and community organizations, leasing out of government facilities, contracting out the management of government services, financing and contracting out service provision through NGOs (Table1). Within these cases and looking beyond them to the sectors as a whole, we explored also questions of policy dialogue and regulation.

**Table 1: Cases Studied in Pakistan**

Function examined	NSP organization	Type of organization	Relationship with government
<b>Education</b>			
<b>Funding of non-state schools</b> Funding of community schools	National Education Foundation	Foundation	Funded by federal government endowment. Communities make matching contribution.
Funding of NGO or for-profit schools	Punjab Education Foundation	Foundation	Funded by provincial government endowment. Schools receive grants and loans
<b>Leasing of buildings</b> Use of space in government school buildings	Private schools	For-profit	Leasing from district government in return for contribution to cost of government school
<b>Management of schools</b> Management of government schools	National Rural Support Program	semi-autonomous agency	Funded by district government through MoU
Investment in and partial management of government schools	Centre for the Advancement and Rehabilitation of Education	Philanthropic organization	MoU with district government
<b>Water and sanitation</b>			
<b>Scaling up RSP community participation approach</b>	Punjab Rural Support Program	Semi-autonomous agency	Funded by provincial grant
<b>Collaboration in water and sanitation</b> Improvement of water and sanitation schemes, GIS and report cards  Development of citizen community boards	Several	NGOs and community groups	MoU with Jaranwala municipal administration
Contracting out drain cleaning and monitoring of contractors	Several	Private firms	Contract with Jaranwala municipal administration
Free allocation of water to vendors	Several	Water vendors	Donation by Jaranwala municipal administration
<b>Replication of Orangi Pilot Project</b> In Sindh	Orangi Pilot Project Research and Training Institute	NGO	Contract with Sindh Katchi Abadi Authority
In Faisalabad	Anjuman Samji Behbood	NGO	Limited collaboration with Faisalabad Water and Sanitation Agency
In Peshawar city district			Limited collaboration with community groups

<b>Support for water vendors</b> Collaboration between city government, vendors and communities	Water vendors, mosque and community committees	Water vendors  Community organizations	Collaboration with Karachi Water Supply and Sewerage Board
<b>Health</b>			
<b>Delivery of health services:</b> TB, leprosy-control	Marie Adelaide Leprosy Centre.	NGO	Contract with Azad Jammu and Kashmir Government
Family planning	Family Planning Association	NGO	Contract with Azad Jammu and Kashmir Government
<b>Social marketing</b> family planning, nutrition, malaria and TB control	Green Star Social marketing	Non-profit company	Collaboration with Ministry of Population and Social Welfare. Contract with Ministry of Health
<b>Management of basic health units</b>	Punjab Rural Support Programme	semi-autonomous	Funded by district government budget under contract
<b>Funding of NGOs</b>	National Trust for Population Welfare	Trust	Endowment from federal government
<b>Funding of private doctors</b>	Punjab Health Foundation	Foundation	Funded by provincial government endowment. Doctors receive grants and loans

#### 4. POLICY DIALOGUE

14. This section refers to general efforts to open 'policy dialogue' and then considers the issue specifically in relation to our case studies. One could pit specific initiatives to promote 'policy dialogue' against the more important facts of everyday politics and exclusionary decision-making. The term seems to imply a simple view of the policy process when the facts of power are often of a closed network of actors truly involved in the making of key decisions. However, we will take the term to signify attempts to open up the decision-making process.

15. The DFID Drivers of Change study (Nadvi and Robinson 2004 p.iii) identifies resistance to a pro-poor policy agenda in the

"powerful and deeply rooted structural continuities that serve as impediments to change. These include the underlying structure of land ownership, a highly skewed distribution of wealth, entrenched patterns of inequality, a low rate of capital formation and economic growth, enduring ethnic and religious tensions, and fixed and unequal gender relations."

These structural impediments find expression in a set of institutions that 'serve to entrench established power relations':

"the military and its growing corporate interests, the political and economic power of landed élites, and the declining legitimacy and capacity of the government bureaucracy and judiciary...."

The study finds that potential catalysts for change are the government's decentralization programme, new grassroots-based political parties, the media, the rising middle class, improved relations with India, and the increased presence of aid agencies.

16. Hooper and Hamid's (2004) study of stakeholders' views identifies similar sources of social exclusion: local structures of power and patronage (based on religion, caste and family), landed 'feudal' power, the military hierarchy, the bureaucratic management of the economy, an externally imposed exclusive interpretation of Islam, disorganized and weak political parties, and an unaccountable system of policing and justice. Their effect is to block access to power, influence and development benefits by the landless, religious and ethnic minorities, widows and young women, and other lower status groups.

17. In our own sphere of study, the literature indicates some of the deep-seated interests and practices that inhibit the involvement of new actors in policy, for example:

- Resistance of the federal district management group civil servants, and provincial civil service and politicians to the devolution of service functions (ADB et al 2004a p.56, Nadvi and Robinson 2004 p.17)
- Resistance by local political leaderships to the development of mechanisms of citizen participation, viewed as potential local rivals (ADB et al 2004b p.49)
- Hostility by government and religious groups to the involvement of NGOs in policy advocacy (Pasha et al 2002b)
- The penchant of the provincial educational bureaucracy to retain a relationship of control over non-state schools (Kardar 2001 p.7)
- Fear on the part of health officials of losing authority in public-private partnerships (DFID 2003).

In our case studies, we heard about:

- Mistrust by politicians and officials of NGOs' motives
- Adoption by officials of heavy-handed controls over non-state providers, and sometimes the use of these controls as instruments of rent-seeking
- Local politicians' preference for visible infrastructural works over social services (see also ADB et al 2004b pp.48-50)
- The mutual interest between politicians, officials and business in closed tendering and high contract prices
- The influence of teachers over politicians, not only through their presence in the line ministry, but also through their influence over the electoral process
- The difficulty of making public policy in morally-politically sensitive areas like family planning and HIV/AIDS
- The shared interest between truckers and politicians in Karachi in not extending the piped water network.

18. Probably the most important step taken by government to open policy dialogue has been the programme of 'devolution of power to the grass roots level and decentralization of administrative and financial authority' (Government of Pakistan 2003 p.53). Whatever the government's motives in 'weakening legislative government at the federal and provincial levels', the reform ostensibly provides for more effective, local political representation and specific mechanisms to include the previously excluded (Nadvi and Robinson 2004 p.6, Hooper and Hamid 2004). Women and peasants have gained reserved seats, and neighbourhood councils and citizen community boards

(CCBs) may institutionalize participation in decisions about the use of funds for services. Donors have presented this in the terms of the World Development Report 2004 as a means of strengthening citizen voice, client power and managerial control over service providers (ADB et al 2004a). However, this is an opportunity rather than a certainty for more inclusive policy dialogue. In some cases a progressive mayor may maximize opportunities for more open government (see the case of Jaranwala in the Water Sector Annex). But the local level may often (in some regions more than others) be the focus of the 'feudal' power relations that are said to be typical of Pakistan (Hooper and Hamid 2004). "If left to 'local politics and administration', CCBs are destined to be captured by political élites..." (Cyan and Porter 2004 p.15).

19. The other way in which government could be said to have opened policy dialogue is through its commitment to non-state partners in service delivery (see para 9 above). What might have been motivated initially by instrumental concerns with compensating for the inadequacy of government services has opened space for fuller participation of non-profit organizations in policy debate. Representatives of non-governmental organizations have been invited to participate in commissions and task forces; staff have been recruited from NGOs into new national bodies like the National Commission for Human Development; and the Pakistan Centre for Philanthropy was commissioned by government to lead a process of consultation about the regulation of civil society organizations. Non-governmental think-tanks like the Social Policy and Development Centre and the Collective for Social Science Research have become influential in policy formulation. "(P)erhaps in an ultimate accolade, the military government has inducted a number of distinguished members of the NGO community into key portfolios in federal and provincial cabinets" (Pasha et al 2002b).

20. Aid agencies - especially the Aga Khan Foundation, the Asian Development Bank, DFID, the World Bank and USAID - have been important in widening policy dialogue and promoting the idea of partnership, for example in

- The Social Action Program
- The Poverty Reduction Strategy and associated participatory poverty assessments
- The Education for All and Health for All programmes, and sector reforms
- The devolution programme
- Workshops on public-private partnership
- Studies of devolution, the status of the private sector, philanthropy etc

21. In our own case studies, among national level institutions, the consultation over the development of a legal and regulatory framework for the non-government sector seems to be a good case of constructive dialogue. It was independently managed by the Pakistan Centre for Philanthropy, inclusive and, through dialogue, came to quite other conclusions than those anticipated (Box 1).

22. In principle, under the local government ordinances, it is the provincial level that would develop guidelines or rules within which non-state provision of healthcare, education and water and sanitation would be promoted, and districts or sub-districts (tehsils) that would establish their own policies. We heard about some cases that would inspire faith that decentralization would create an environment for more inclusive policy dialogue. Since we were looking for informative cases of state/non-state relationships, we may give a rosy view of the degree to which this was happening most seem to be

isolated instances where local circumstances were favourable. There seemed to be little attempt by federal or provincial governments to identify and propagate these examples.

23. In the education sector of Punjab, we saw several examples where private schools were being brought into partnership with the provincial government. The Punjab Educational Foundation was to be re-capitalized under the Education Sector Reform Program to equip it to offer more financial support to private schools; its board was being reformed to match - with 51% of its board members to be from outside government though nominated by government. The provincial education department had launched a scheme for leasing out under-used government school buildings to private schools and had received 6911 applications (44% of which were approved). We studied two district governments that were putting their schools out to management by NGOs. However, all these changes were clearly led by government with no policy dialogue in their planning and little if any attempt to monitor effects, engage in dialogue with NGOs and private schools, to learn and to revise the partnership.

24. Our water and sanitation studies illustrated the case of Jaranwala Tehsil Municipal Administration. It had made use of the possibility, under the Punjab Local Government Ordinance, for collaboration with NGOs and local firms to improve sanitation and water services, develop a GIS system and a report card survey of the quality of services, facilitate the formation of citizen community boards, and contract out drain management and the monitoring of other contractors. In this case, devolution and the possibility of sub-contracting had created a new environment for local collaboration. The local government was looking for ways of improving services with limited staff; suggestions about particular opportunities seem to have been initiated by NGOs. The water and sanitation cases also show how NGOs, under some circumstances, may play a crucial role as an intermediary in developing dialogue between local government administrations, community organizations and non-state providers. As independent bodies, trusted on both sides, they were able to set up citizen community boards with which Jaranwala was able to go on to develop joint schemes.

25. The most innovative cases of policy dialogue were initiated by NGOs in the health sector - the Marie Adelaide Leprosy Centre (MALC) and the Family Planning Association of Pakistan (FPAP) dealing with the broadly responsive government of Azad Jammu and Kashmir, and Green Star Social Marketing operating nationally. These had persuaded the provincial government to offer indirect support for areas of health care that were morally sensitive or affected the socially ostracized - leprosy, TB, family planning, AIDS and reproductive health. What began as little more than permission to operate moved on to more formal contract with financial contributions by the provincial government paid for by the Social Action Program and World Bank. These demonstrated "how open dialogue, clear definition of the roles of each partner, and coordination between the government and non-state actors can improve pro-poor service delivery" (Health Annex).



### **Box 1 Dialogue about the Regulation of NGOs**

Under President Benazir Bhutto an NGO bill had been developed and proposed to Senate in 1996. NGOs organized against it on the basis that it was appeared to be an instrument of state control, formed a new NGO Forum and produced their own counter-draft. In September 2001, a memorandum of understanding was entered into between the Government of Pakistan and the Pakistan Centre for Philanthropy. PCP had been created a month before as an independent, non-partisan body with a board composed of representatives of civil society organizations and the corporate sector.

PCP was given the task of producing a regulatory framework that would emerge as a consensus from consultations with civil society organizations, government and the corporate sector. The consultation was undertaken by a team supported by the Aga Khan Foundation, the NGO Resource Centre with provincial NGOs. 60 consultation meetings were held in the four provinces and federal capital. In the first round of consultation, broad issues were introduced. In the second main round, 2000 stakeholders were consulted on the existing regulatory regime and alternatives for the future. In the final round, a national meeting was held to discuss the new draft bill in July 2002.

Through this process, PCP arrived at the conclusion that the framework should be based on accountability and disclosure by civil society organizations rather than on a system of regulation by government, and that it should be less concerned with control than with the development of capacity in citizen organizations. Moreover, it concluded that a legal framework could become distorted in the parliamentary process by conservative forces interested in controlling NGOs. PCP therefore decided instead to set up a voluntary system of accreditation of NGOs, under which they accept standards of accountability, quality and credibility assurance. The incentive to NGOs is that they thereby can gain access to corporate funding and tax exemptions. The disincentive is that the procedures for registration are elaborate and the cost relatively high (between Rs 5000 and Rs25000 - £50 and £250).

### **Conclusion**

26. In all these cases, the scope for dialogue has been extended by three key changes in government policy: support for devolution, public-private partnership and community participation. These have not always been led by but have always been supported by donors whose commitment to pro-poor services and to new participatory approaches to their delivery has often been critical in shifting the policy agenda. In the water and health sectors, NGOs had been important in initiating the dialogue; in education, it was usually public authorities who initiated new approaches but with little dialogue with NSPs. The special features of the health cases are that:

- MALC and FPAP had maintained a long dialogue (20-30 years) with the provincial government engendering a sense of local ownership, well before the arrival of large donor funding
- Personal relationships had developed between NGO and government personnel

- The two NGOs and Green Star Social Marketing are large organizations with international affiliations that came to the negotiating table as equal partners with government. They took the lead and often set the terms of their own programmes.

## 5. REGULATION AND CLIENT CONTROL

27. Box 1 illustrates how the regulation of non-governmental organizations became a political issue over the last eight years, probably in large part because of the concern of government and religious groups about the status of NGOs, and the false assumption that they were foreign-funded and therefore inspired by alien liberal motives. Studies by the Social Policy Development Centre (Pasha et al 2002a) have shown that the non-profit sector gets only 7% of its funding from international assistance. Box 1 showed how a proposal to pass a bill regulating NGOs became a voluntary system of accreditation to enhance NGOs credibility and access to funding. The proposal moved from one of regulatory control by government to providing incentives for NGOs to gain certification. Self-regulation and voluntary accreditation are the most positive aspect of Pakistan's regulatory experience.

28. The broad picture with regard to regulation of NSP services is that severe controls exist on paper, but there is weak or no application. There has been little if any attempt to lighten the regulatory burden, shift it from input measures to focus more on the quality and price of outputs, and to apply it effectively. Where regulation is applied it is often misapplied - to extract rents from the regulated. The transfer of responsibility for the registration of the providers of basic services to local governments, and for regulatory frameworks to provincial governments, probably means that regulation has lapsed even further, at least in the transition. This section identifies a few positive cases, particularly where local government and civil society organizations have invented systems of client control, in place of governmental regulation of providers.

29. Kardar (2001) has described the complexity of the private school registration requirements and their irrelevance to any real concern with the quality of education. It requires multiple information on school facilities and equipment<sup>2</sup> (number of maps, blackboards, steel and wooden cupboards etc) but sets and measures no standards of teaching quality. It is allowed to rule on the level of fees and salaries, in spite of the fact that this is a highly competitive sector. Penalties are high and are applied discretionarily. Without registration, school students cannot sit the government matriculation exams. The opportunities for rent-seeking through harassment are high. "Mercifully, however, the enforcement mechanisms are weak..." (ibid p.8). In the Islamabad Capital Territory, there is no registration/regulation system at all. In Punjab, where we were told by the school directorate that there were 22,855 registered private schools, we also learned from the same source that there had been a recent mushrooming of unregistered schools. Kardar told us, in interview, that no steps had been taken to improve private school registration or regulation.

30. Two main alternative approaches to government regulation have emerged in the education sector. The first is an embryonic system of self-regulation in Karachi where

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<sup>2</sup> A similarly exhaustive list of requirements is imposed by the Government of Punjab on private school operators wishing to lease government school buildings (see Education Annex paragraph 30)

the Aga Khan Foundation is working with the Association of Private Schools to develop an accreditation scheme to ensure quality and financial standards. The second is to make the provider directly accountable to clients, modelled on an approach developed by the Aga Khan Rural Support Program. School Councils were promoted throughout government primary schools under the Social Action Program (see Education Sector Annex sub-annex 4). The National Rural Support has introduced community management into government schools. The National Education Foundation has set up schools that are said to be run by communities and to perform better than government schools (Box 2)

### **Box 2 Community Run Schools**

The National Education Foundation's Community Supported Rural Schools Program supports a countrywide network of community schools in order to expand basic education for the deprived and vulnerable. The CSRSP approach is based on supporting schools with a minimum 'two-room two-teacher' complement, with the flexibility to increase teachers and classrooms as enrolment rises. The programme envisages a tripartite arrangement between an NGO, community and NEF, respectively entrusted with the roles of facilitator, school manager and financier. With the help of NGOs, the National Education Foundation identifies target areas with either no or failing schools. The NGOs then approach the local communities and highlight the advantages of establishing community schools. NEF provides funding and training. The NGOs act as the facilitator, and community education committees run and manage the schools. To date, 260 Community Primary Schools have been established and more are being developed.

NEF maintains that its costs are half those that the government incurs per student. It estimates that, while the cost per student per year in government schools is Rs 2800, NEF has reduced it by more than half to Rs 1075. The performance of the students is reported to be good relative to government schools. Examination results indicate a pass percentage of 86% in class five, whereas in government schools the pass percentage was only 40%.

**Source:** Education Annex

31. With devolution, the regulation of water and sanitation standards has become unclearly located even in regard to public systems. The tehsil (sub-district) administration is formally responsible for supply and regulation within 'rules of business' established by the provincial governments. In practice, there is a struggle over responsibilities between provincial governments, water and sanitation authorities and tehsils (ADB et al 2004a pp.44-45). In regard to privately managed water services, it seems that there is practically no regulation of resource use, quality or price. Abdullah (1999) recounts the failure of the Karachi Metropolitan Corporation (now City District) and Water Supply Board to register private hydrants and to regulate extraction of groundwater and the quality of water.

32. The Water and Sanitation Annex to this paper indicates some ways round government regulation, first through collaboration with vendors and then a series of ways of making providers directly accountable to clients. These come from several local governments, the first two from Jaranwala Tehsil:

- Giving donkey car vendors free access to municipal tubewells so as to guarantee quality and reasonable prices until every house has access to piped water.
- Introducing a 'report card' survey of municipal services by citizens.
- Putting local sewers and water tanks under the direct financing and control of community groups, under the Orangi Pilot Project (OPP) approach.
- Subjecting the work of contractors to community monitoring and to no-objection certificates issued by the community prior to payment, on the OPP model.

33. Non-state providers of health services were found to be effectively unregulated by government, although there are un-enforced regulations on the statute book. Even where federal and provincial governments had formed agreements with particular providers of health services (TB treatment, family planning and social marketing), governments had little if any capacity to assert policy direction or to monitor and evaluate the NSPs' activities. Contracts with non-state providers were made without competition, often on the basis of personal familiarity. The Family Planning Association of Pakistan and Green Star Social Marketing both wished to work within a clearer framework of policy and rules, with regard to financial flows and defining and monitoring contractual commitments.

### ***Conclusion***

34. Regulation presents deep dilemmas. Some form of regulation (the application of a framework of agreed rules) is, in principle, necessary both to the fulfilment of public policy and to the security of the NSP. But, regulatory frameworks are widely non-existent or, where they exist, are focused on inputs and procedures rather than outputs or outcomes and are often used to harass the provider. In the medium-term in Pakistan, it seems that finding alternatives to government regulation presents the more positive way forward: self-regulation by providers and client control. While lessons can be learned across service sectors, there are limits on both these approaches. Self-regulation will only work where providers are organized enough to collaborate and competitive enough to care about reputation. Client control depends on clients having the information to assess service quality, a basis of organization and authority to assert their demands. The health sector presents particular problems of multiple small providers and low client information and organization.

## **6. AGREEMENTS AND CONTRACTING FOR SERVICE DELIVERY**

35. Although there has been widespread discussion, often led by aid agencies, about public-private partnership in Pakistan much of this has been general, about all stages of the policy process, rather than focusing on service delivery. As far as we are aware, there has been little examination of the experience of alternative organizational arrangements for partnership in service delivery. This section will therefore draw only on our own findings. We will use two scales: (i) organizational relationships go from loose understandings through formal agreements (or memoranda of understanding) to tight contracts; (ii) they may establish relations of hierarchy and subordination, where one partner acts as the agent of the other, or they may be relations of collaboration, for example in joint ventures or co-production.

36. The education sector in Punjab Province presents two models where government has entered into partnerships for private bodies or NGOs to deliver education in government facilities. The first involves the leasing of under-used and dilapidated government school buildings to private schools, though in the more politically acceptable name of 'community participation'. The problem of under-use arises partly from poor public management, the unattractiveness to pupils of public education and the building of schools without adequate teachers or equipment through the Social Action Program. Initiated by the Punjab Government in February 2001 for four districts, the scheme was extended by May the same year to the entire province, without time for evaluation - though a monitoring and evaluation cell was later established. Some 3000 such schools are now operating in Punjab. In return for the right to operate a school in the afternoon shift, when the school building is otherwise closed, the private licensee has to upgrade the entire building, pay the utility costs of both public and private school, contribute to operating costs of both schools, and pay 10% of any profits to the government school council. Government imposes a fee ceiling of Rs200 (£2) per month per child for a primary school and just Rs300 for a high school. Tensions arise from the heavy financial demands made on the schools that gain these facilities, the mistrust with which the relationship is surrounded, and the controls that government seeks to assert. In some instances court cases have been instituted (see Education Annex Case 2).

37. The second type of education case involves non-profit organizations taking over responsibility for the delivery of public education in a form of a five-year contract, although they seem to be described as memoranda of understanding. Among these, the first and more full developed involves transfer of investment responsibilities and the partial transfer of management responsibility to a private philanthropic organization - CARE (Box 3). Inasmuch as the contractor takes on investment, this case has some elements of a concession contract. It has proven successful in improving education standards but has raised tensions with government teachers, partly due to the incomplete authority that has been transferred to CARE by the government of Lahore City District.

38. The National Rural Support Program, a semi-autonomous non-profit agency, was similarly asked by a district government (Rahim Yar Khan) in the Punjab to take over the management of 48 rural schools in one sub-district union council in 2002. Roles and responsibilities seem to be more clearly apportioned than in the CARE case. Although described as a memorandum of understanding, what is effectively a management contract transfers the entire operational budget for the schools to NRSP together with responsibility for maintenance and authority over staff. Investment costs remain with the district government supplemented by contributions from communities and the corporate sector. It sets performance targets and makes the arrangement conditional on their achievement, setting out also arbitration clauses in case of dispute. Teacher resistance seems to be less of a problem, perhaps because NRSP depends on governmental funding and the project could be seen as an extension of RSP's normal role in running community schools in rural areas.

### **Box 3 A Contract for Investment in and Management of Government Schools**

Since 1998 CARE, a private welfare trust with seven of its own schools for poor children, has taken on the management of government schools in Lahore City. This was at the request of the Punjab chief minister, the previous metropolitan administrator and the current mayor. CARE now runs 170 schools with 97,000 pupils in Lahore and two in another district, Sarghoda. The main measures of its success are that enrolment has tripled in some schools, double shifts are operated in most and teacher absenteeism is rare. In addition to managing the schools, the organization has invested of the order of Rs 600,000 (£6000) in each school, rehabilitating buildings and equipment and installing water and sanitation. Funds come from individual and corporate donors. The City District pays only the salary costs of its own 2000 teachers, while CARE employs a further 1000. CARE has no direct administrative control of government staff who remain employees of the provincial government and who often resist the perceived challenge to their status. Seema Aziz, the businesswoman who founded CARE commented:

"At every other level than the highest level [of provincial and district governments], they said give us the furniture, the teachers, but don't supervise us. They hated us for the supervision. They try to question us at every step and then there are age-old systems, bad systems that you are combating."

39. The health sector presented the widest range of partnerships. What distinguishes all the health cases, compared with education and water, is that the non-state partners were mainly financially strong and nationally or internationally well-connected organizations. Their partnerships can be represented along a scale of levels of financial control and autonomy on the part of the non-state partner. The experience suggests that a 'middle way' (examples 2 and 3 below), where government and NSP have clear and balanced roles, makes for a more sustainable relationship and better service outcomes.

1. Green Star Social Marketing (GSM), a non-profit limited company, has been an important contributor of technical expertise to the G-8 Global Fund initiative on TB, malaria and AIDS, and is a member of the national committee that supervises Fund activities. It was contracted by the federal Ministry of Health without real competition to conduct the social marketing activities of the TB and malaria programmes. A similarly dominant but longer-established relationship with the Ministry of Population Welfare on family planning demonstrates the difficulty of government establishing any real oversight or control of the contract.
2. The Punjab Rural Support Program, a semi-autonomous non-profit agency, was contracted by Rahim Yar Khan district government to run its 104 basic health units. This was the model that was then adopted for schools in the same district (paragraph 38), although it seems that the contractual terms for the adoption of schools by PRSP were more clearly articulated. PRSP took on the existing budget for the health units and was given authority to contract and manage doctors – but not the support staff who remain government employees. It was able to use this contractual autonomy to raise the pay rates of doctors by reducing the number per health unit. A reduction of absenteeism and an increase in the uptake of services have resulted.
3. The Marie Adelaide Leprosy Centre (MALC), a national NGO, is in partnership with the Azad Jammu and Kashmir (AJK) Government to provide TB and leprosy control services. This takes the form of a joint venture contract, in which each

- partner has particular responsibilities and a separate stream of finances. The relationship has worked smoothly and services have improved (Box 4).
4. The Family Planning Association of Pakistan has been involved in a series of partnerships with the AJK Government since 1977. Initially, FPAP funded its own activities in training government staff. In 1996, funded by the Social Action Program and donors, FPAP was contracted to upgrade facilities and provide training and support for family planning service delivery. The provincial government maintained a weak posture as overall supervisor, but performance indicators were positive. A new contract from 2001 sees the AJK Government contributing its own funds to pay for FPAP's inputs. Government officials have resisted the transfer of government treasury funds to pay a non-state provider. The reasons for the resistance are said to be concern that FPAP will establish facilities whose recurrent costs will be unsustainable by government, resentment of the higher salaries of FPAP staff, and mistrust of FPAP's motives.

**Box 4 A Joint Venture for Health Services between an NGO and Government**

The Azad Jammu and Kashmir provincial government collaborates with the Marie Adelaide Leprosy centre to provide TB DOTS and leprosy-control services within government health care facilities. This arrangement is not a typical contract in which the government pays the contractee to provide a set of services. Rather, both MALC and the government contribute equal resources to provide a set of services mainly to the poor. The MALC-government partnership is best described as administratively integrated, but professionally vertical. TB DOTS and leprosy-control services are provided in government premises, but are distinct from the other services provided because they are staffed and managed by a distinct cadre of leprosy/TB control personnel. The TB/leprosy staff are government employees who are provided training and additional remuneration (and benefits) by MALC. The infrastructure and facility-maintenance expenses are provided by the government, while vehicles and fuel costs are borne by MALC. The costs of anti-tuberculosis drugs are shared by the two partners, although MALC is responsible for purchase and distribution. On the whole, both partners share the costs of the tuberculosis-control programme on a 50:50 basis.

An important aspect of the financial arrangement between MALC and the government is that the monies contributed by the government and MALC remain as separate streams. At no stage does the government give MALC any funds or vice-versa, as in the case of FPAP. Each partner follows its own audit rules. The funds contributed by the government were actually World Bank loans, channelled through a special account maintained by the Director-General Health. MALC paid for all costs incurred and then was reimbursed for the government's share upon submission of quarterly activity and financial reports to the Director-General. Under a new contract (2001-2005), the government's share of the project (50%) now comes from the government treasury and is in the form of infrastructural support and staff salaries only. The success of the partnership can be gauged by a 30% increase in the number of TB patients diagnosed and treated every year and a 50 % increase in the number of TB treatment centres.

**Source:** Health Annex.

40. Two types of partnership arrangement were identified in the water and sanitation sector: contracting out to NGOs and private companies, and co-production arrangements with communities. In Jaranwala, the tehsil (sub-district) mayor had

recognized the limits of the capacity (numbers and skills) of his staff to extend good water and sanitation services to unserved areas. The sub-district has entered into detailed memoranda of understanding with NGOs to provide services to low income communities. Contracts have also been entered into with private entrepreneurs to manage the cleaning and maintenance of drains, and to monitor the performance of other private operators engaged in developing water and sanitation systems. An indication of the commitment of the mayor (nazim) of Jaranwala to open and competitive contracting is that

"The municipal authority has developed an incentive system for contractors based on scores against agreed criteria related to the quality of work, timely completion and the amount of work completed within the year. A cash prize is awarded, but the real rewards are in terms of enhancing the contractor's reputation and in promoting better performance amongst the private sector." (Water Sector Annex)

41. Jaranwala and several other cities and towns have also entered into contracts with NGOs to act as intermediaries in the replication of the Orangi Pilot Project (OPP) model of 'component sharing' with communities (Box 5). OPP's model of co-production effectively recognizes that relationships with communities can better be handled by agreements to make separate contributions than by subordinating them as agents of government programmes. Our research indicated that the transfer of the model, originally developed in Karachi, worked where there had been a dedicated and capable NGO willing to suit the local situation, and where the municipal authorities followed the model where communities undertake their own works. This approach is probably more readily applicable to local infrastructure (as opposed to education and health services) where there is a clear universal benefit, a basis for community organization, and the service consists of physical works with a heavy emphasis on up-front costs.

#### **Box 5 Component Sharing in the Orangi Pilot Project**

The Orangi Pilot Project started in 1980 in the crowded Orangi settlement, Karachi's largest *katchi abadi* or informal settlement, with a population of 1.2 million. It relies on the resources and skills of the urban poor, who have used local materials and labour in building hundreds of kilometres of low cost sewers. The most distinctive feature of this approach is *component sharing*, where the community group finances and develops the local component of the infrastructure, with no cost sharing or subsidy, while government provides the trunk-lines. In some cases cheap credit has been provided by an NGO. Component sharing for local sewers has been successful where residents in a lane are sufficiently motivated to improve their local environment and incur all the associated costs. This may entail the NGO and local organizers persuading residents that it is better to provide their own services than to wait for government to do so. The *component sharing* approach has a number of distinct advantages over *cost sharing*, including:

- The communities develop a clear sense of ownership and empowerment by taking full responsibility for their own lane sewers.
- Component sharing generally allows community groups to proceed with their component of the project, with much less bureaucratic interference or delays caused by government agencies.
- The total infrastructure costs are less. Proponents of OPP argue that substantial savings are made by lane committees engaging local contractors or artisans to do the construction, eliminating the additional costs of government managed schemes that include: over-designed schemes, large contractor profits, fixed government schedules of rates and pay-offs to officials who grant approvals.

**Source:** Water and Sanitation Annex



## **Conclusion**

42. Across the sectors, agreements and contracts between government and NSPs present great difficulty in getting the balance of roles and authority right. Shakil (2003) has raised the question whether the 'private sector' should best work with and through government or offer parallel systems of service delivery. Our cases show that powerful NSPs, such as Green Star Social Marketing, with independent finance run the risk of bypassing government and leaving behind systems that are not sustainable. On the other hand, contractual arrangements that subordinate NSPs and financial flows to government run the risk of allowing systems of obstructionism and rent-seeking to flourish - as in the case of the arrangements for the leasing of school buildings. Incomplete contracts or MOUs that only partially transfer authority and roles - as in the case of CARE's contract to manage schools - are also a recipe for confusion and tension. There are cases where contracts seem to be clear and respected and the incentives of the NSP are enhanced. Examples are the MALC contract for TB services with Azad Jammu and Kashmir Government, the Rural Support Program's contracts to manage schools and basic health units for the district of Rahim Yar Khan, and the water and sanitation contracts of NGOs with the Jaranwala tehsil administration.

43. Where trust is lower and principal-agent relationships are not clear or trusted, joint venture arrangements, where the partners have separate roles separately financed and do not depend on the other, seem to be a solution - as in the case of the MALC contract. But this only likely to work where the NGO is rich and motivated. Co-production is a similar phenomenon, though in this case where the collaboration is looser and between government and communities - as in the case of the Orangi model for sanitation. However, it seems questionable whether co-production can operate as easily in the case of qualitative and on-going services such as education and health care, as in the case of community contributions to sewer construction.

## **7. FACILITATION OF NON-STATE PROVIDERS BY GOVERNMENT**

44. In our interviews, the idea that government might facilitate or enable NSPs was often met by puzzlement. On the one hand, officials wondered why government should support the private sector. On the other hand, non-government people wondered what competence government had to do so. There was widespread mutual suspicion of NGO and private sector motives (western values or making money) and of government's motives (corruption and political favouritism). NSPs, whether for-profit and not-for-profit were commonly seen by government as too well-endowed to need support or as so weak and beyond professionalism (one-room schools, water vendors) as not to warrant it.

45. Probably the most effective support government can give to NSPs is to provide a supportive legislative and regulatory environment where the incentives for (pro-poor) delivery of quality services and the sanctions against poor performance and abuse are clear. In spite of the positive policy environment for public-private partnership, we found its translation into practice to depend on the initiative of particular local governments, donors and non-governmental organizations. Regulatory systems were largely control-oriented or not applied by government. Entering into agreements or contracts with non-state providers is another form of facilitation, if it creates opportunities and incentives for

non-governmental provision. The previous section illustrated some positive cases of this sort and opportunities for transfer of experience across sectors. This section will focus on two other forms of facilitation - principally financing but also technical advice and capacity-building. Our sector studies identified some cases of government support to NGO, community and private providers of education and health services, and some cases of non-governmental (civil society) support to community organization. We begin with the latter.

46. The Aga Khan Foundation is a private philanthropic network established by Prince Karim Aga Khan that seeks to promote social development in Africa and Asia. Its Rural Support Program in the Northern Areas of Pakistan established a model of working with rural communities that is described in Box 6. Besides running its own programmes, the Foundation has made a point of working with government as well as communities so as to strengthen systems generally; it has had immense influence on the government's own approach to health, education and rural development. Cases could be cited from any of the three sectors. For example, the Aga Khan Education Support Program is working within the framework of the government's Education Sector Reform Program to develop an approach to quality enhancement and capacity building for public and providers of education (see Education Annex sub-annex 4). Box 6 focuses on the water sector.

#### **Box 6 The Aga Khan Rural Support Program**

Initiated in the early 80s, the AKRSP started with the simple notion of a village organization (VO). This was the key forum through which AKRSP interacted with the villagers and established linkages with the government agencies and other service providers to identify needs and also channel investments and services to the village level. In the absence of local government institutions, the VO acted as a co-operative as well as a forum for civic governance. The VO was expected to follow a strict code of conduct with a high emphasis on transparency, accountability and participation of the households in village consultations and key decision making. Represented by one representative from each village household, the VO was governed through its general body, which in turn held the VO functionaries and various committees accountable. In parallel, the AKRSP also promoted the creation of women's organizations.

A typical AKRSP initiative would commence with the creation of a village organization and move on to address the broader village needs in support of improved natural resource management, physical infrastructure, marketing, rural credit and savings, education and health. The bulk of the physical infrastructure programme initially focused on small irrigation sector investments.

By the early-1990s, there was an upsurge of interest in voluntary community based organizations among the donors and government agencies in Pakistan. The Social Action Programme launched in the early-1990s led to the formation of health, water supply and education committees throughout the country. As a result multiple and sector specific organizations came into existence in virtually all AKRSP villages. Some responded to education needs while other worked in the health sector and yet others organized around drinking water needs.

Inspired by the AKRSP's success in addressing the needs of the rural poor, the government supported by the Aga Khan Foundation and donors set up its own Rural Support Program Network to replicate the Foundation's model. The Sarhad Rural Support Program came into existence with the help of a USAID grant in 1989, while the National Rural Support Program (NRSP) was created in 1991 funded by a federal government grant (later endowment) of Rs500 million Pak Rs). Provincial RSPs followed.

**Source:** Water and Sanitation Annex

47. The AKRSP and the government-funded Rural Support Program typically work in a tripartite relationship with government and community organizations. The Orangi Pilot Project (Box 5) operates on the same basis with an NGO supporting the development of community organizations able to undertake water and sanitation works in collaboration with government. In the replication of the OPP approach in Faisalabad, an NGO - Anjumani Samji Behbood - worked on sanitation in 70 communities facilitating the development of sewers that have benefited 6600 households. The NGO offered interest free loans to households not able to make their contributions; these were repaid by 'lane committees'.

48. Our other cases are of government support to NGO, community and private providers of education and health services. In these cases, government has set up a semi-autonomous agency to act as an intermediary with non-state providers. The first is a negative example. The National Trust for Population Welfare (NATPOW) was set up by the federal government as a trust under the Charitable Endowment Act to provide institutional, technical and financial support to smaller NGOs unable to interact directly with government or donors. The government provided an endowment (Rs104 million) while donors (World Bank, UNFPA and USAID) provided funds for onward disbursement. However, the government has exercised such strong control over NATPOW that donors have ceased to support it. All major policy and personnel decisions need the approval of government; government personnel are seconded to the administration and the public-private board is said to have closely restricted access to funding to NGOs of their choice.

49. The national and provincial health and education foundations were established in the mid-1990s with specific sector briefs to finance non-state providers. However, they differ in their degree of autonomy from government and in the type of non-state provider they have chosen to serve. At least some of the education foundations are currently being revived under the Education Sector Reform Program. The National Education Foundation was founded in 1994 by cabinet resolution but now operates under a presidential ordinance which subjects it to government rules of operation. It has to abide by Ministry of Finance and Ministry of Education rules with regard to hiring and firing of staff, remuneration levels and procurement, even though it has a board with senior representatives of the two ministries and a private chairman (Shahid Kardar). Reforms in 2002 strengthened its non-government board membership, though still in the minority, and set it the task of promoting public-private partnership in the federally administered areas. It has interpreted this mandate as focusing on community-managed schools with the help of NGOs (see Box 2). NEF's dilemma is that its endowment is declining and it now requires communities to match its grant; many are unable or unwilling to do so.

50. The Punjab Education Foundation, established by an Act of the Punjab Government in 1992, has faced the same dilemma of the declining value of its endowment which was supposed to have been a revolving fund. As its funding petered out, it was no longer to offer grants and received only 11 applications for loans over the last three years. Since 1993, it has funded 255 school-buildings and equipment, focusing its attention on non-profit private schools. However, under the provincial Education Sector Reform Program, it has been re-capitalized on the basis of a World Bank loan. Moreover, a new act of May 2004 gives it a new governance structure with a majority

private sector board and greater administrative and financial autonomy. Its remaining impediment is that the nazims (mayors) on whom, under devolution, it must now depend for identifying schools for support are said to have little political interest in doing so.

51. The Punjab Health Foundation has run into the same financial difficulties seeing its endowment decline to the point that it can cover only its own operating costs. Like the two education foundations referred to above its financial resources declined as interest rates fell and, more significantly, as it failed to obtain contributions from donors. Unlike the education foundations that chose to focus on community or not-for-profit schools, PHF focused on recipients who could repay - young unemployed doctors (251), established doctors (140) and NGOs (12) who would establish or upgrade health service infrastructure. Its primary rationale seems to have been to employ graduates rather than to provide pro-poor services.

### **Conclusion**

52. The health and education foundations are the prime examples of government enablement of non-state providers. Their performance has been mediocre rather than bad. They have suffered from unclear mandates, weak oversight of their performance, insufficient autonomy to escape political interference and poor financial management. The reform to which some of them are now exposed to some extent addresses these issues. However, a more radical contracting out of the foundations' role might be more effective.

53. The OPP Research and Training Institute and the Aga Khan Foundation are examples of non-governmental organizations with roots in practice, credibility with small NSPs and national reach. They have been instrumental in developing and disseminating good practice and capacity. In particular, they have been able to perform the role of intermediary between community organizations, NGOs and government. Facilitation may be a role that is better performed by non-governmental organizations than by government or semi-government agencies. Moreover, it is a role that does not require the permanence and universality that only government can provide and that are more important to regulation, systems of accountability, establishing and maintaining contracts.

## **8. GENERAL CONCLUSIONS**

54. Apart from the specific conclusions raised in the previous sections, the Pakistan research team generated the following general conclusions relating to some of the hypotheses that the research as a whole is exploring.

- Non-state provision seems to have grown in response to government failure to provide adequate services
- NSPs are very diverse: large and small, formal and informal NGOs, private, community, philanthropic and religious organizations. Generalization is inappropriate.

- In all sectors, for-profit provision operates at two ends of the social spectrum, serving the very rich (who can opt out) and the very poor (who cannot opt into any worthwhile public provision).
- Government is, in principle, committed to public-private partnership. This seems to have some origin in the Pakistani experience but to have been given powerful support by donors.
- Most of the government engagement is with not-for-profit providers and, among them, mainly with large NGOs that have external affiliations and/or funding. The large (in education and health) for-profit sector is beyond dialogue and engagement. It is scarcely even evaluated.
- Devolution provides a window of opportunity for collaboration with NSPs because it may disrupt old lines of authority, bring in new actors (nazims). It creates legal provision for PPP (in the LG ordinances) and allocates services to a level of government where there is often a low level of in-house capacity.
- There are numerous cases of parallel experimentation (often partly inspired by donors) in special agencies (e.g. RSPs, education foundations), contracting out, community management but very little if any attempt to learn from these cases so as to either (i) generalize them or (ii) mainstream them into public service practice.
- Public sector service providers (though not necessarily policy-makers) usually look at NSPs with deep mistrust. The public sector typically (though not always) sees NSP as a challenge to provider interests.
- In government, PPP is mainly understood as obtaining resources or support from the private sector, NGOs or communities to help government services to run. We had to search for cases where the intervention ran in the other direction, reflecting the focus of our research
- Following the previous point, the tendency in government is to see the development of public services as being a matter of drawing in the resources of donors, communities, NGOs and philanthropists. This has diverted from what we see as the main issue in public service reform – changing the institutional and management incentives. Apart from internal reforms within the public sector, working with NSPs (e.g. by contracting out) can bring in new incentive structures.
- The regulation of NSPs (particularly for-profit) is largely absent, though oppressive regulations exist on paper. It is questionable whether government has the information or capacity to regulate NSPs effectively – particularly in regard to the quality of health and education provision. There are cases of improved self-regulation by for and not-for profit NSPs.
- Government capacity to contract or enter into agreements with NSPs needs development. The tendency is to draw up stiff and controlling requirements and then not to implement them. However there are some good cases of more effective arrangements.
- The few examples of successful government-NSP relationships are often dependant on the efforts of individuals, both in government and in the NSPs. If more widespread support and contracting between local government and NSPs is to occur, then national and provincial government need to do more to create an effective enabling environment, including providing strategic guidance.

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# ANNEX ONE: NON STATE PROVISION IN THE HEALTH SECTOR OF PAKISTAN

Natasha Palmer and Zubia Mumtaz

## 1. OVERVIEW AND IDENTIFICATION OF CASES FOR STUDY

### 1.1 Background

Pakistan has a mixed health care system with services delivered by both public and private sector providers.

1. The **public sector** has a large health delivery infrastructure. Since the devolution plan of 2002, a district government has been responsible for planning and managing health care services in a district. Basic Health Units (BHU) are the first-level care facility, designed to provide primary health care. These are well distributed throughout the country. Rural Health Centers see referrals from BHU and have some basic in-patient facilities. Tehsil and district headquarter hospitals provide tertiary care. Problems of staff absentee-ism and low quality of care are reported in public sector facilities. In particular, lack of staff present at BHUs may reduce public sector use.

2. **Non state providers** fall into two categories 1) NGOs, 2) for profit sector. For-profit providers range from one-unit service outlets staffed by untrained providers to highly trained specialist services in tertiary care hospitals. The not-for profit providers include small community-based NGOs, large international NGOs, and religious and philanthropic organizations. Very little recent data were available on patterns of usage or expenditure within this sector, but the Pakistan Economic Survey of 1999 estimated that the private sector accounts for nearly two thirds of all health expenditures in the country (Pakistan Economic Survey 1999 cited in McBride and Ahmed 2001), and the Pakistan Medical Association reports that about one half of registered medical doctors in Pakistan practice in the private sector (ibid). Another survey estimates that both the for-profit and not-for profit providers deliver up to 80% of services (Pakistan Health Survey 1994, personal communication).

### 1.2 Selection of cases

3. The literature review and methods development for the overall study identified a series of types of intervention by governments or communities in NSPs that were potentially of interest:

- relationships and political processes between NSPs, government and communities
- regulation and monitoring of NSPs by government or communities
- facilitation, enabling or contracting of NSPs by government or communities

4. Phase 1 of this study was carried out over a four-week period in March/April 2004. Potential case studies fitting into one or more of the above categories were identified by the local consultant, who did a series of key informant interviews to explore the types of collaboration with NSPs taking place, and spoke to some potential case study organisations. During the second phase, (5<sup>th</sup> –13<sup>th</sup> July) a series of interviews was conducted, sites visited and documents collected by both consultants. Three cases



were chosen as most appropriate for the main focus of the health sector study. They are described in detail below. Some other cases, (the enhanced HIV/AIDs programme, Punjab Health Foundation, National Trust for Population Welfare) were identified during the first or second phase of the study but were not included as full case studies. This was either because they were of limited interest or there was insufficient information available. They are briefly described at the end of this report.

5. Most of the main cases identified are of relationships between government and large NGOs, aimed at facilitating or extending service delivery. Two of them also have fairly heavy donor involvement in their history. We struggled to identify any examples of regulation by government (intervention 2 above) or government or community involvement with the for-profit sector, beyond basic registration of facilities. The Green Star network, described under case study 2, is an intervention that deals with for profit providers of basic health services, but it is an NGO initiative. Here it is described both as an example of government NSP interaction, and because its own activities shed light on one way of engaging with for profit providers to try and regulate service quality.

## **2. THE CASE STUDIES**

### **2.1 Case 1: Department of Health and NGO collaboration in AJK**

6. Azad Jammu and Kashmir (AJK) a poor and remote state to the North of Pakistan. The Department of Health in AJK has a history of collaboration with two NGO's, the Marie Adelaide Leprosy Center/Foundation (MALC) and the Family Planning Association of Pakistan (FPAP). This collaboration was greatly expanded during 1996-2000 under a World Bank loan known as the "Northern Health Project" (NHP), which provided funds directly to support these NGOs on behalf of the government. Since the end of the NHP the Government of AJK and both NGOs have sought to extend the partnership, in one case with direct payment of government funds to the FPAP.

#### ***Collaboration with the Family Planning Association of Pakistan***

7. The Family Planning Association of Pakistan was established in 1953 and is an affiliate of the International Planned Parenthood Foundation (IPPF). It runs family health clinics (FHC) and hospitals and mobile teams providing family planning services to rural populations. FPAP historically has received about 40% of its budget from IPPF. Due to recent cuts in funding, it is under pressure to improve its local fund raising and cost recovery.

8. The FPAP-government partnership in AJK started in 1977, with FPAP initiating the dialogue in response to a paucity of family planning services in the province. The province was initially cautious. An FPAP official commented that:

*"we had to work hard to make the government understand that collaboration could work".*

Between 1978-1996 activities remained limited to FPAP training government staff in motivational counseling and contraceptive technology, and providing contraceptives. FPAP gave a small motivational fee (called a "referral fee") to all government personnel involved in family planning activities. In 1996, with the encouragement of the World Bank, the launch of the Northern Health Project led to a more formal partnership and

greatly expanded activities. FPAP feels it was chosen as a partner under this project due to its history of existing collaboration with the AJK health directorate.

9. Under NHP, FPAP was contracted to provide mobile services, training, and technical and managerial support to delivery of family planning and reproductive health services. Payment was made with government funds from the Northern Health Project loan. FPAP also contributed some of their own resources - expenditure was divided as 82% from World Bank loan and 18% from FPAP's own resources.

10. The end of the Northern Health Project saw a recommendation that this collaboration between government and NGO should be continued. A proposal was developed to continue activities, with FPAP contributing 35% of the project cost, and government 65%, but this time from their own funds. The development of a project document and Memorandum of Understanding took four years to be approved and was signed in December 2003. The issue of funds is still being delayed, by complications over what procedures exist for the release of money, especially in advance, to an NGO.

11. As well as providing commodities, facilities and some staff, Government is undertaking to fund the salaries of specialist personnel directly employed by FPAP e.g. those who run mobile service units and perform contraceptive surgery. FPAP is again providing resources in the form of other personnel and making incentive payments to some health workers, which cannot come from the government budget.

### ***Collaboration with the Marie Adelaide Leprosy Centre (MALC)***

12. Government of AJK also collaborates with a second NGO, MALC, in a similar way. MALC is a national NGO established to provide leprosy-treatment in 1961. MALC now focuses on blindness, leprosy and treatment for Tuberculosis (TB) using the Directly Observed Therapy – Short Course approach (DOTS). MALC's primary sources of funding are the German Leprosy Fund (50%) and local donations (50%).

13. MALC's initial interaction with the government started in 1965-66. Appreciating that the large government health care infrastructure was the most cost-effective and sustainable mechanism to reach the remote poor, MALC initiated the dialogue with government, offering to deliver services using their infrastructure. MALC services are provided through TB/leprosy control centers located in government premises, but staffed and managed by a distinct cadre of leprosy/TB control personnel. The TB/leprosy staff are government employees who have received training and additional remuneration (and benefits) from MALC. The infrastructure and facility-maintenance expenses are provided by the government, while vehicles, training and allowance costs are borne by MALC.

14. As with FPAP, the Northern Health Project saw a large expansion of MALC's TB activities in AJK and there was a wish for this to continue at the end of the project. A new memorandum of understanding has been drawn up to extend this collaboration. Under this new project, the government is 'Co-Financing' TB control activities in AJK 50:50 with MALC. This partnership is therefore different from that of the FPAP because whilst MALC and government are working together, MALC is bringing considerable resources for the benefit of the government – even undertaking to 50% fund the purchase of TB drugs, and government is not making any payments to MALC.

### ***Analysis of the intervention***

15. This intervention is an example of government facilitating the work of specialist NGOs by collaborating with them and sharing infrastructure and resources. The overall purpose of the intervention is the strengthening of delivery of certain services (reproductive health, Family Planning and TB treatment) by combining NGO and public sector resources and expertise.

### ***Nature of parties involved***

16. Both FPAP and MALC are large, well established and specialised NGOs. They both have international affiliations. They also bring financial resources and technical strength to the partnership, and seem well established and rich enough to sit out considerable bureaucratic delays between the ending of the NHP and subsequent memoranda of understanding with government. They are also influential – it was said that FPAP eventually used personal contacts to get the Prime Minister of AJK to direct the government to release the funds for the current programme of work. In both cases NGOs initiated collaboration with government. Government was initially reluctant but was persuaded.

17. The AJK government also has some unique characteristics. They may have been more willing to experiment with NGO collaborations than the provincial governments of Pakistan. This may be to do with AJK's more independent status. There were also strong personal ties between AJK personnel and those in both NGOs e.g. with histories of having served as medical officers together in the province.

18. The nature of this intervention does not rely on competition to underpin it, but more on a set of historical circumstances and history of collaboration. It may be hard to replicate with other actors in different settings.

### ***Performance of the intervention***

19. In terms of service delivery, this collaboration successfully extends priority services to the poor. By sharing facilities with government, one network of primary health care is strengthened rather than NGOs making duplicate capital investment.

20. In terms of output indicators, the most recent data available are from evaluations at the end of the Northern Health Project in 2000. A review mission in year 2000 rated both the MALC and FPAP-government partnership as successful examples of public-private partnership. Physical indicators of success for FPAP's activities included a 70% increase in the number of female paramedics, a 55% increase in the numbers of public health facilities providing reproductive health and family planning services (80 to 124), a threefold increase in antenatal coverage and immunization of pregnant women between 1996-1999 (World Bank 2001). The success of the MALC partnership was recorded with a 30% increase in the number of TB patients diagnosed and treated every year, a 50 % increase in the number of TB treatment centers and the the introduction of blister packs for TB drugs.

21. Administratively there have been several hiccups in extending this collaboration. The implementation of FPAP's continued workplan was severely delayed due to problems with releasing funds and agreeing project documentation. FPAP interpreted

this as due to some hostility within government and the Treasury in particular, to making payments to an NGO. MALC's activities have been less disrupted as they were not seeking funding from government, but only to maintain existing activities funded by themselves.

### ***Explanation of the performance***

22. The design of this model of collaboration appears to rely on the motivation, expertise and to some extent, finances of the NGOs involved. It is also a historically established and successful partnership. Success in improving service delivery appears to be as a result of NGOs being in a position to address key problems that hamper the output and effectiveness of government personnel. They bring a flexibility that the government cannot achieve, for instance to pay different salaries and allocate resources such as vehicles more easily.

23. Whilst the AJK government gave both NGOs permission and support to work within and alongside the government delivery system, there was little evidence that the government exercised much of a stewardship role in terms of planning or directing NGO activity. Monitoring appears to consist of MALC and FPAP reporting on their activities regularly. It may be that because they are delivering services alongside one another, there are less asymmetries of information between government and NGO. Overall the collaboration appears successful, but this is reliant on good will and may have been helped considerably by external factors such as the role of donors (IPPF, World Bank and German Leprosy Relief Organisation).

## **2.2 Case 2: The Green Star franchise of private providers**

### ***Background***

24. In Pakistan family planning and reproductive health fall under the Ministry of Population Welfare (MOPW). The MOPW administers services through a thinly spread network of facilities that provide all contraceptive methods. Problems with staff motivation and contraceptive supply have limited the uptake of services at these clinics (McBride and Ahmed 2001). As an additional strategy to enhance contraceptive uptake, social marketing of condoms and other contraceptive products has been established in Pakistan since the 1980s. In 1991 Social Marketing Pakistan (SMP) was established by the Government of Pakistan and USAID as a local NGO to manage this process. SMP is an affiliate of Population Services International, a US based international NGO. By the mid 1990s it was clear that to increase uptake of contraception a wider choice of methods should be offered, and this entailed providing a service delivery component which would ensure quality of care for methods such as IUDs and injectables. The Green Star network of providers was therefore established in 1995 as a franchise for privately owned and managed clinics and pharmacies (McBride and Ahmed 2001). It is an urban – based private sector strategy designed to complement the rural network of services offered by MOPW and FPAP.

25. In the Green Star model, SMP establishes partnerships with selected providers, who agree to integrate a defined package of reproductive health services into their practice. These services are to be delivered according to quality standards agreed with SMP. In return the provider receives training and rights to use the franchise brand - the Green Star logo above their door. Green Star “trainers” each personally recruit, train

and subsequently monitor providers. Quality of service delivery is monitored using two methods: 1) quarterly supervisory visits, and 2) mystery client surveys. SMP reserves the right to remove providers from the network if they don't deliver services according to agreed standards.

### ***Analysis of the Intervention***

26. Green Star/SMP has been selected as a case study with two interesting features. First, it provides an example of an intervention – albeit by an NGO – to regulate service delivery in the private for-profit sector. Green Star uses the franchise model to create incentives to improve and the quality of reproductive health services delivered by private for-profit providers. Second, it is also an example of how the Pakistan government collaborates with NGOs to achieve its policy goals. SMP is a partner of the MOPW which implements government policy. MOPW find using an NGO to deliver this part of government policy a workable solution to the social sensitivities of talking about reproductive health and contraception. Supporting Green Star/SMP enables them to solve the problems of addressing family planning, a socially and politically sensitive issue, without being seen as directly promoting it. They also provide useful technical expertise in working with the media and private providers.

27. MOPW does not provide funds from its own budget for either SMP or the Green Star network, but it treats them as a partner by channelling donor money to them via the Economic Affairs Division. Whilst they do not receive their money directly from government funds, Green Star/ SMP's funding is dependent on government approval. Green Star/ SMP submits monthly reports and collaborates with government activities. It is becoming an important partner of government for social marketing in other sectors – ITNs and TB treatment funded by the Global Fund for Aids, TB and Malaria.

### ***Nature of the parties involved***

28. Green Star/SMP is again a technically strong, well-resourced NGO with an international affiliation (PSI). Historically they have benefited from extensive funding by donors such as USAID and UNFPA.

29. MOPW has established a small directorate to manage social marketing and social franchising activities. They monitor and regulate the activities of Green Star/SMP as well as other groups involved in this area. This directorate has only two members of staff and rarely intervenes in a specific manner, appearing to take a more 'back seat' role.

30. The relationship between MOPW and Green Star/SMP appears rather unbalanced. Green Star did not view government capacity as adequate to engage with them technically. They were also cautious about the idea of greater dependence on government, whilst acknowledging the desirability of working more closely with them. In turn the MOPW admitted that it did little monitoring, justifying this on the grounds that donors monitor how their funds are spent so they don't need to do it as well, and that they *"don't want to act like snooty civil servants, poking our noses in"*. But they also complained of a lack of proper evaluation of Green Star and their tendency to work only in urban areas.

31. The private providers that Green Star is working with are operating in a competitive market. The franchise model is based on ideas of competition, with membership of a franchise with a well-regarded quality of service bringing benefits to for profit providers.

### ***Performance of the intervention***

32. In its first five years (1995-2000) the Green Star network grew to include nearly 12,000 doctors, paramedics and pharmacists in nearly 40 cities. In 1997 an early evaluation of the quality of Green Star clinic services was conducted. It found that uptake of contraceptive services and the quality of counseling given had improved dramatically and that 74% of Green Star clients were from low-income groups. McBride and Ahmed (2001) state that:

*“The success of the Green Star network shows that good FP services can be delivered effectively and efficiently to low-income populations through the private sector if health providers are equipped and motivated to do so”*

However, the difficulty and expense of maintaining rigorous supervision in a rapidly expanding network are also highlighted:

*“ A staff of 20 trainers cannot provide adequate coverage for a network of 11,000 providers”*

### ***Explanation of the performance***

33. The Green Star/SMP-MOPW relationship appears politically and technically unbalanced, but successful in terms of effective service delivery. The MOPW appears to take a back seat whilst a technically capable NGO delivers on government policy goals on their behalf. This is highly successful as long as the NGO and MOPW can agree on how this should be done, and where. MOPW says it has a ‘progressive attitude’ - that is allowing government policy goals to be met. What criticisms they have (heavy overheads, a failure to get to rural areas, and question whether they have been adequately externally evaluated) are not strongly expressed to Green Star/SMP. While the explanation is that they do not want to interfere, it is also possible they may feel they lack the resources or capacity to do so effectively.

34. As an intervention to improve quality of care, Green Star franchise appears successful for the providers enrolled. Whether it could be replicated on a national scale or in rural areas is as yet unclear. There are two important limitations of this model as a way of generally improving the quality of services delivered however. The first is the issue of scale – whether Green Star’s network can grow to be nationally influential or whether this will be hindered by the heavy supervisory and monitoring requirements on which the model is based. The second is the issue of competition – Green Star cannot take on too many providers in any one area as this would destroy the competitive advantage that being a part of the network offers and hence the incentive to join the network. This means that such a model would have limited applicability to improve quality of service delivery by all for profit providers.

### **2.3 Case 3: “Chief Minister’s Initiative on Primary Health Care,” RahimYar Khan District**

35. In response to widespread failure of Basic Health Units’ functioning, the district government of Rahim Yar Khan is using the services of a government sponsored NGO – the Punjab Rural Support Programme - to NGO to manage their BHUs.

#### ***Background***

36. The Punjab Rural Support Program is a provincial rural support program established by the government to replicate the highly successful Aga Khan Rural Support Program. A not-for-profit parastatal organization, PRSP was registered under the Companies Act in 1997<sup>3</sup>. A start-up endowment fund was provided by the government of Punjab. PRSP’s primary objective is poverty alleviation through social mobilization, institution building and empowerment. Currently, PRSP is working in 21 out of 22 districts in Punjab, in more than 4200 villages.

37. Although an independent organization in principle, PRSP has government representation on its Board of Governors (3/12). The majority of PRSP personnel, including the CEO, are government officials seconded from their parent departments. One rationale for hiring government servants is that their experience with government procedures is essential for successful coordination with government.

38. In March 2003, the district government of Rahim Yar Khan initiated a proposal to contract out primary health care services delivery in its 104 Basic Health Units (BHU) to PRSP. The district government’s primary reason for contracting out what were previously public sector services was an acknowledgement that BHUs were not functioning at the level they were designed for, nor were they meeting the needs of the population. A pilot project in a neighbouring district of Lodhran, the home district of some of the advisors involved in this pilot, was also considered to be highly successful.

#### ***Analysis of the intervention***

39. The district government and provincial health department have drawn up an agreement with PRSP that they will manage its BHUs on the government’s behalf. The contracting process was not competitive and a memorandum of understanding was issued for five years. The initiative started in March 2003, with service delivery under the new model starting in July 2003.

All physical assets of BHUs are transferred to PRSP, to be returned at the conclusion of the contract. PRSP is given the existing government budget to run the units.

- During the first year, drugs will still be procured by the existing government route. After the first year (with effect from July 2004) PRSP will be given responsibility for sourcing drugs.
- With the exception of doctors, all personnel will continue to be paid by government.
- PRSP must provide doctors under new contracts with them rather than Ministry of Health.

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<sup>3</sup> PRSP also considers itself a government-organized no-governmental organization (GONGO) and a Community Mobilization arm of the Government of Punjab.

40. The PRSP has appointed a manager to oversee the district project. They also divided the 104 BHUs in the district into clusters of three. One doctor has been appointed as the team leader of each cluster. These doctors are required to be available 24 hours a day, 7 days a week and receive a much higher remuneration (approximately three times) than they received previously, with an annual renewable contract. Private practice is forbidden. The remaining support staff (a Medical Technician, Lady Health visitor, etc) continue to work as government employees within the government pay structures. They are also supposed to have stopped their private practice, although it is less clear that this is always the case.

41. The MoU makes no allowance for outcome indicators, monitoring of activities or a mechanism for conflict resolution should a problem arise. In fact the notion of monitoring PRSP activities by the government was not raised as an issue. There appears to be a sense that you can “trust” the PRSP as it is a form of quasi-governmental organization itself.

### ***Performance of the Intervention***

42. It is too early to evaluate the performance of the intervention, but preliminary analysis of the numbers of outpatient visits suggests greater staff presence at the facilities and a consequent three-fold increase in uptake of services.

43. Whilst no explicit mechanism for co-ordinating these new management structures of BHUs with the existing public health system exists (e.g. accountability of doctors running BHUs how the PRSP should interact with the Ministry of Health personnel), so far no problems have arisen as a result of these parallel structures.

44. Anecdotally, there are also reports of health workers complaining that their private practice is being damaged by greater attendance to the public health sector. The pilot is being scaled up very quickly with twelve more districts potentially going to replicate the model.

### ***Explanation for Performance***

45. The apparently greater success of the BHUs in meeting demand at this point must be attributed to different ways of managing health workers. Currently there have not yet been any changes in the drug procurement system, only in the remuneration of the doctors managing BHUs, and possibly the degree to which they are supervising other members of the primary health team. It seems that PRSP's flexibility to contract personnel on different contractual terms, or their greater supervision of these personnel, has allowed them to provide more motivated staff. This in turn appears to be having a strong effect on the performance of BHUs.

46. It is unclear to what extent such a model could be rapidly scaled up, as is being suggested. As with Green Star/ SMP there may be limits to the scale at which PRSP can operate effectively without becoming in itself bureaucratic.



### **3. OTHER CASE STUDIES IDENTIFIED BUT NOT PURSUED**

#### ***National Trust for Population Welfare***

47. The National Trust for Population Welfare is a body established by government as a Trust under the Charitable Endowment Act. It is an umbrella organization designed to provide institutional, technical and financial support to smaller NGO's that cannot directly interact with the government or donors.

48. NATPOW has been criticized by the donor community for a lack of autonomy from the government. It was established with a government endowment of Rs 104 million, and donors (World Bank, USAID, UNFPA) provided funds for onward disbursement to NGO's. The government, however, maintained tight control over the organization and it seems that NATPOW's boards were politically influenced and not functioning appropriately. For example, a lack of transparency in the availability of funding (poor advertising) and the processes of selection, coupled with a highly centralized project-appraisal system, enabled Board members to fund NGOs of their choice. A change of government in 1997 led to changes in the bylaws that effectively removed any vestiges of autonomy NATPOW may have had in theory.

49. Donors have gradually stopped using NATPOW as the channel to fund NGO's, and currently NATPOW has no funds for disbursement. Its future is uncertain, but it is hoped that with an overhaul of its operating procedures the organization can be made more functional.

#### ***Punjab Health Foundation***

50. The Punjab Health Foundation (PHF) was established to give discounted loans and/or grants to private sector doctors, to help address medical unemployment and the lack of facilities in poorer, rural areas. It was established in 1992 through an Act of the Punjab government. The government also provided it with an initial endowment of Rs 375 million. Its primary objective is to facilitate and promote private-sector participation in the health sector by providing interest-free loans and grants to individuals and organizations to establish or upgrade health services' infrastructure.

51. In its 12 years of existence, PHF has given loans to 251 young unemployed doctors, 140 established doctors and 20 small NGOs (with a recovery rate of 97%). From the documentation available, it was impossible to tell to what extent these funds would have improved the delivery of basic services to the poor, or to what extent they were spent on basic health services. Currently, PHF has no funds for disbursement because the original government grant, its only source of funding at present, is producing very low rates of return that are just enough to pay for PHF's operational costs. Although PHF is mandated to receive funds from donors as well as the private sector for onward distribution, it has only received one small grant which was specifically earmarked for six NGOs.

#### ***The Enhanced HIV/AIDS Prevention Programme***

52. In 2003, the Government of Pakistan launched its Enhanced HIV/AIDS prevention programme, which is largely funded by a World Bank loan. It has four components

1. Expansion of Interventions for Vulnerable Populations
2. Improved HIV Prevention by the General Public
3. Prevention of Transmission through Blood Transfusion
4. Capacity Building and Programme Management

Component 1, which aims to reduce the transmission of HIV/AIDs in high risk groups will be run via contracts to NGOs in each province. The rationale for running this component through NGOs is that the risk groups (IDUs, MSM, commercial sex workers) are 'quasi legal' and best addressed by NGOs rather than government. Currently only a few contracts have been issued and provinces are at different stages of preparing for tendering, evaluating proposals etc. The National Aids Control Programme acknowledges a steep learning curve for provincial directorates in the processes of letting and managing contracts formally and with standardized procedures.

#### **4. DISCUSSION AND CONCLUSIONS OF HEALTH SECTOR CASE STUDIES**

53. NSPs fall into a range of categories – International NGOs (INGOs), Government sponsored NGOs (GONGOs) local community based organizations (CBOs) and private sector providers. We only found examples of existing collaboration between INGOs and GONGOs and GOP. For INGOs, they were large, financially independent and technically secure organizations with international affiliations and funding. However this situation may change, the enhanced HIV/AIDS programme aims to partner with CBOs.

54. The Pakistan concept of a GONGO is an interesting one, but it is not immediately clear whether these GONGOs are truly non-state providers. The Government of Pakistan has a category of institutions that were originally government organizations, but were given 'autonomy,' usually by a Presidential Order. A detailed analysis of the bills of autonomy of these institutions, however, shows that all major policy and personnel decisions need the approval of the government of Pakistan. The boards of these organizations have government representation, and their personnel are seconded from the government. Their 'autonomy' can be taken back if the government is not happy with their performance. The example of NATPOW demonstrates many of the weaknesses of the GONGO concept. PRSP did not have similar problematic features, but their position as an NGO established by government made them potentially vulnerable to government interference.

55. The assignment of governance to the district level (under the devolution plan) has provided an opportunity for district governments (taken up by some) to experiment and pilot innovative ways of basic health services delivery in small geographic areas.

56. Most government-NSP collaborations seem to be unique in one set of circumstances or another. Most of the government-NSP partnerships were individual efforts, with the NSP initiating the process and taking the lead. The government's response to the initiatives varies. The AJK government, in particular, is frequently cited as supportive and open to the notion of public-private partnerships. While an argument can be made for scaling up these pilots, it is equally valid to suggest that these interventions were successful because of a specific context that may not be replicable elsewhere.

57. The for-profit non-state providers, which are believed to provide a large proportion of curative health care services in the country, have extremely limited

interaction with the government or communities. Whilst a basic regulatory framework exists, it did not appear to be functioning adequately to provide information or standardization of the quality of care.

58. Most of the government-NSP partnerships are oriented towards achieving government's goals by using the greater expertise or management flexibility of NGOs. Most cases that we looked at were forms of collaboration rather than the more formal principal-agent type model of regulation or purchasing services.

59. Government officials that we interviewed expressed a range of views about the desirability of working with NSPs. It was unclear to what extent they 1) genuinely favoured collaboration with NSPs, 2) knew that it was part of a (donor-imposed?) policy framework that they should be seen to sign up to, or 3) saw it as an undesirable action but the only way out of the situation of government failure. In the reproductive health area, there was also a clear motivation to collaborate with NSP's based on the notion that NSP's can work in areas (e.g family planning, HIV/AIDS) that the government is either unable to or unwilling to become involved in. The government also wants to harness the expertise of the private sector, particularly in areas where the government has minimal experience (social marketing, behavioral change messages).

60. A mixture of resignation and residual hostility further characterized some government opinions about collaboration with NSP's. The partners of choice, therefore, are the Rural Support Programs or the well-known not-for profit NGO's. NSPs in their turn felt that government did not like to see them become too strong.  
the notion that NSPs can work in areas (e.g. family planning, HIV/AIDS) in which the

61. Successful government-NSP relationships (MALC, FPAP and Government of AJK) have built up gradually over a period of time. Moreover, they were local initiatives that evolved in given contexts. Outside involvement (usually by donors) could be associated with quick changes that may not survive beyond the life of the 'project' because of lack of ownership.

62. Individuals and inter-personal relationships play an important role in the success of government-NSP partnerships.

63. The government rarely shares its own financial resources with NSP's, preferring to rely on them bringing their own resources or directing donor money towards them. For GOP sometimes collaboration with NSPs is a source of financial and technical resources. Bureaucratic constraints also hamper the transfer of government money to NSPs. Few formalized channels appear to exist for the transfer of government money to NSPs.

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## **SUB ANNEX 1: PERSONS INTERVIEWED**

Kamran Masshadi, Greenstar Social Marketing

Fiona Barr, Technical Advisor, Greenstar Social Marketing

Syed Hassan Shoaib, Greenstar Social Marketing

Qureshi, Greenstar Social Marketing

Shakil Durrani, Secretary, Ministry of Population Welfare

Moazzam Shah, Director Social Marketing, Ministry of Population Welfare

Ashraf Chatta, CEO FPAP, Family Planning Association of Pakistan

Syed Shabbir Hussain, Director Financial Management, Family Planning Association of Pakistan

Zahid, Regional Director, Islamabad, Family Planning Association of Pakistan

Anwar-ul-Haq Tubbasum, Project Director, Muzaffarbad, AJK, Family Planning Association of Pakistan

Sohail Ahmed, Secretary Health Punjab, Department of Health, Government of Punjab

S. Anwaar Bugvi, Advisor Health Department, Department of Health, Government of Punjab

Iftikhar Ahmed, Managing Director, Punjab Health Foundation

Muhammad Amjad Saqib, Regional General Manager, Lahore, Punjab Rural Support Program

Noman Ghani, Chief Planning PRSP, Punjab Rural Support Program

Mohd Ilyas, Administrator Programs, Marie Adelaide Leprosy Centre

Haji Ashraf, Regional Coordinator, AJK, Marie Adelaide Leprosy Centre

Tariq Mahmood Malik, Chief Planning, Department of Health, Government of AJK

Samia Hashim, UNAIDS/National AIDS Control Program, Ministry of Health, Government of Pakistan

Imran, National AIDS control Program, Ministry of Health, Government of Pakistan

Arif Munir, Chief, Malaria Control Program, Ministry of Health, Government of Pakistan

Nadeem Hassan Malik, NATPOW, National Trust for Population Welfare

Ashfaq, Deputy Director-General Health, Federal Ministry of Health

Samia Altaf, USAID

Zafar Mirza, NETWORK

Inam-ul-Haq, World Bank

Sania Nishtar, Heartfile

Rashid Bajwa, CEO, National Rural Support Program

Iqbal Jaffer, Trust for Voluntary Organizations

Amanullah, Save the Children (USA).

## **ANNEX TWO: NON-STATE PROVISION OF BASIC EDUCATION IN PAKISTAN**

**Maliha Hussein<sup>4</sup>**

### **1. OVERVIEW AND IDENTIFICATION OF CASES OF INTERVENTION FOR STUDY**

#### **1.1 The Growth of Non-state Provision**

1. The education sector in Pakistan presents daunting challenges to policy makers and development practitioners. Overall literacy in the country is 51% while the female literacy rate is only 38%. Despite the already low national participation rates at the primary level in the mid-nineties, the Gross Enrolment Rate had declined to 72% by 2001-02, with substantial disparities across regions, genders and social groups (Pakistan Integrated Household Survey, 2002). Access to schools is limited due to factors including income and lack of schools in rural areas. The quality of education delivered through the government-managed school system is plagued by endemic weaknesses. It is constrained by low budgetary allocations for education, the poor composition of available funding, lack of availability of qualified and adequately trained teachers, a high rate of teacher absenteeism, weak staff accountability, poor maintenance of infrastructure, little investment in education materials and teaching aids, and poor pedagogical methods. As a result there are high rates of drop out from the public school system in Pakistan, while the demand for quality education is growing in both urban and rural Pakistan.

2. It has become evident that partnership with alternative service providers, or at least recognition that they exist, is important to meeting the challenge of education provision in Pakistan. While the government, through the provincial education departments, is the largest supplier of primary schooling, the private sector and NGOs are playing an increasingly important role in the education sector in Pakistan (See Annex 1). A national census of private (including NGO) educational institutions has indicated that they account for 28 percent of total enrolment and 53 percent of enrolment in urban areas, although only 17 percent of the total number of schools is in the private sector (Kardar 2001 and 2002). There are regional variations. While the private sector is insignificant in the rural areas of Balochistan and Sindh, in Punjab and North West Frontier Province it accounts for 42 and 59% of rural schools (Federal Bureau of Statistics 2001). It seems that the view already exists among parents (CIET 2003), and is growing among those who influence policy (Kardar 2001), that private schools may be better able to provide quality education, and to cater to the growing demand for science and English medium instruction. However, not all private schools provide good quality education and many of the informal (katchi), one-room schools are reputed to be worse than the public school system. Some public schools in the major cities, especially the Islamabad Capital Territory, have the reputation of being as good as the best private sector schools and there is tough competition for admission to these institutions.

3. A survey of 2,500 households conducted in 1996 showed that nearly 50 percent of urban households in the Punjab earning less than Rs. 3,500 per month were sending their children to private schools and 65% of the next highest income bracket (Kardar

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<sup>4</sup> With contributions by Richard Batley

2001 p.24). Although most paid less than Rs80 fees per month for private education, together with other charges (uniform, books etc), this was more than twice the cost that they would incur in government schools. However, the survey in the Punjab backed by another in Karachi showed that the average annual recurrent expenditure per primary student in government schools (Rs 2070 in 1996) was close to 2.5 times that in private schools (Rs850). This was primarily due to the higher salaries of government teachers (Kardar 2001 p.27).

4. Despite its capacity to provide education to a growing population, the private sector has had a chequered history in Pakistan (see Annex 2). In the early 1970s most privately-owned schools were brought under government control through a process of nationalisation. In 1972 government nationalised all 19,432 private institutions. By 1979 it reviewed the consequences of nationalisation and concluded that it could not carry the burden of the whole educational process alone and the National Policy once again called for private and community involvement. By the late 1980s there was a full-blown revival of private schools. Finally, most of the schools taken over by the government were handed back to their previous owners or their appointed agents. While the private sector before the government take-over had a high proportion of schools that were subsidised through private or religious charity, the expansion of the private sector in the 1980s was driven by purely commercial enterprises. Today there is a proliferation of privately owned and privately run for-profit schools with very little regulation. But the history of the relationship between the government and private schools does not provide a conducive basis for trust and confident collaboration with government.

5. There has also been a significant increase in the number of NGOs working in the education sector in the last decade or so. This has been a result of demand for improved access to quality education, concerted focus on the education sector by entrepreneurial individuals and organisations, and increased availability of donor funding for NGOs. Many new donor initiatives were launched such as the World Bank financed Participatory Development Programme under the Social Action Programme and other grant financing windows which made funds available to NGOs for the social sectors. While NGOs have been active in many different aspects of education and schooling, such as curriculum development, teacher training, opening schools and motivating parents, they have focused on three main aspects: female schooling, promoting non-formal models of schooling, and evolving models of community involvement and participation. However, while some NGOs have set up quality schools, the quality and sustainability of the large majority of NGO schools is questionable.

6. There is a wide range of NGOs involved in the education sector in Pakistan. Some are religious NGOs funded either by Muslim countries, mostly Saudi Arabia, or by religious donations from private individuals. These NGOs establish madrassahs, religious schools which impart some literacy but focus on religious instruction. Education in these schools is free and often food, lodging and text-books are also provided free of charge. There is a demand for religious education, and many children from poor families are attracted to these schools. The Government of Pakistan is making an attempt to mainstream education in these religious schools and to introduce science and mathematics instruction. Development oriented non-profit organisations have also been increasingly involved in the education sector based on the analysis that education is the most sustainable way of alleviating poverty. These include both private non-profit organisations financed by private philanthropists and those established by funds from Government and multilateral and bilateral donors such as the Rural Support



Programmes in Pakistan. In the last decade or so, NGOs have become particularly active in initiating some new and innovative experiments to help improve access to quality education for all.

## **1.2 The Policy and Regulatory Frameworks**

7. From the completely nationalized and closed system prevailing in the 1970s, the government has incrementally adopted a laissez-faire approach towards the private sector, NGOs and community initiatives, providing multiple spaces to civil society partners. The current policy framework for public-private partnerships in Pakistan is embedded in several policy instruments and plans. The Pakistan Poverty Reduction Strategy lays out the policy framework and the devolution plan formulated by the National Reconstruction Bureau provides the implementation framework within which social and economic development in Pakistan is being planned and implemented. The Ministry of Education (MoE) presents good governance and public private partnerships as two critical drivers for the implementation of these reforms. The Government has formulated an Education Sector Reform Action Plan for 2001-2004 in which public private partnerships are a key aspect. Its seven main areas including literacy in the non-formal sector, mainstreaming and up-gradation of madrassahs, focus on elementary education, quality assurance but count on building partnerships with the private sector.

8. Recognizing the contribution and potential of civil society organisations in education promotion, the Ministry of Education has developed an incentive package for the private sector (Annex 3). This package includes provision of land at concessional rates in rural areas; non-commercial utility rates; exemption of custom duties on import of educational equipment; and exemption of 50% income tax to private sector and NGO institutions for faculty, management and support staff. Other schemes have been created to support private initiatives in the public sector, for example by allowing them the use of public sector facilities for afternoon shifts or by upgrading public sector schools through community public partnerships, or by engaging private sector institutions in teacher training. The Government has also established education foundations at the national and provincial level to support private sector and NGO initiatives in the education sector. Some of these foundations have been recently restructured (like the one in Punjab) to allow them greater autonomy. However, despite the declared support for public-private sector partnerships, there is a scepticism about the private sector which explains the contradiction that, while some schemes offer concessions to private providers, others require private providers to pay contributions to the public sector.

9. There are several different types of regulatory mechanism that guide the operations of the different types of civil society organisations in Pakistan. In principle, private schools are required to be registered with provincial education departments. However, in practice, registration is only needed if schools want their students to appear for the examinations organised by the government exam board, and to be able to enrol in government schools after their graduation. Many schools feel that they do not need to register and there is little if any attempt by government to require them to do so. However, the Government of Pakistan has become concerned about the proliferation of madrassahs in the aftermath of September 11 and fears the militant doctrines that might be preached in these institutions. A Madrassah Ordinance Board has been promulgated under which all madrassahs are required to be registered. However, only 11,000

madrassahs had submitted registration papers by March 2002. Others were being given incentives to submit to the requirements of this new law.

10. The focus of school registration requirements is on inputs and not on outcomes, and largely irrelevant to the quality of education. In some cases the penalties proposed for non-compliance are disproportionate to the offences stated, creating opportunities for rent-seeking by the regulators. Kardar's (2001) survey of schools showed that the procedure for registration was time consuming and arduous; it had had an intrusive intent alleviated by the fact that the enforcement mechanisms were weak. While NGOs operating in Pakistan are required to register under one of several laws, the schools operated by them, especially home schools and community schools, are not required to be registered. These home and community schools are of very variable quality and often have poorly trained teachers, inadequate space and no prescribed teaching techniques or curriculum.

11. The Pakistan Centre for Philanthropy, an NGO established with assistance from the Aga Khan Foundation, has been working to create an enabling environment for non-profit organisations in Pakistan. It has undertaken extensive research on the subject, finding that existing NGO regulation is inadequate. It previously canvassed for the promulgation of a new law for the regulation of non-profit organisations so as to provide quality assurance both to the funders of such organizations and to their clients. More recently, the Centre for Philanthropy has withdrawn from this campaign, fearing that any regulation of NGOs could be distorted into becoming a political instrument to constrain them. Instead, PCP has developed a certification regime for non-profit organisations. This regime endeavours to set sector-wide standards of good internal governance, transparent financial management and effective programme delivery. Its purpose is to strengthen the civil society sector by bridging the information and credibility gap that may exist between donors and recipients. The certification is purely voluntary; an NGO may wish to register in order to enhance its credibility or to obtain tax benefits from the Central Board of Revenue or for both. Organisations are beginning to apply for PCP certification and submit themselves to internal scrutiny for better governance. In order to encourage corporate philanthropy, PCP has also made recommendations to amend existing fiscal laws and rules so as to broaden the scope of organisations eligible for fiscal benefits to cover public organisations. Some of the recommendations have been included in the Finance Ordinance of 2002.

12. Under the Devolution Plan, the district rather than the province has become the operational tier of governance, supported by the sub-district (tehsil) and union council tiers. The responsibility for the planning and implementation of the education sector has been devolved from the provincial level to the district level. The district has the right to vote on its education budget and determine its spending in the sector from its own one line (block grant) allocation from the provincial government. It is this autonomy which has enabled some district governments to undertake innovative experiments to improve public sector service delivery, particularly in the social sectors. At the village or neighbourhood level a Village or Neighbourhood Council and Citizen Community Boards (CCBs) have been provided for in the Devolution Plan to allow for citizen participation. These may create or include PTAs, Village Education Committees or School Management Committees to ensure that planning, mobilising, implementation and monitoring of development programmes is undertaken by communities themselves and not imposed from above. Phase I of the plan is currently under implementation after the formation of district governments on August 14, 2001. However, the village level

arrangements have yet to emerge fully and considerable capacity development will be required before these arrangements can become effective.

### 1.3 Identifying Case Studies

13. This research is interested in situations where government supports, contracts or regulates non-state providers of services. In Pakistan, the government-NSP relationship is usually understood in the opposite sense, that is as a means through which the private sector provides support and assistance to the public sector. For example, in several government schemes, corporate and private philanthropy is expected to foster public schools through their resources, management and innovation. However, there are also some examples of interventions where the public sector provides support to the private sector. From the broad spectrum of examples of public private partnerships that exist in Pakistan (Annex 4), the cases we identified for study were:

- Education foundations as examples of funding of community-based schools (NEF), and NGO and private schools (PEF)
- Leasing out government school buildings to private schools
- Contracting out the management of government schools to NGOs

14. The case studies selected represent a wide range of innovations and models that are currently being tested in Pakistan under the public-private partnership rubric. Some are very standard types of donor-recipient partnerships, such as the education foundations. Others are more innovative attempts by government to make use of excess (or under-used) physical capacity in the public education sector by leasing school buildings out to the private sector, so as to improve children's access to education. The third study represents very bold initiatives taken by district governments to hand over the management of public sector facilities to non-state providers (CARE and NRSP). The studies cover a range of administrative arrangements. In the first, the government is a mere donor, in the second the government and private sector share management and administrative control, while, in the third, the government hands over its administrative authority, finances and staff to a private party. The latter is a revolutionary step for the government in Pakistan and has confronted deep resistance by both the provincial bureaucracy and the teachers' associations.

15. The devolution of responsibility for education to the district level represents an opportunity for district governments to experiment and innovate with models that may improve access to quality education, and to address some of the most critical problems in the education sector:- high rates of teacher absenteeism, poor school management and administrative control, archaic pedagogical methods and inadequate teaching aids and materials. Some of these experiments may have a high impact. Their success could mean a major breakthrough as autonomous district governments could replicate the initiatives in their own domains.

## **2. THE CASE STUDIES**

### **2.1 Case 1: The Education Foundations**

16. Education foundations were set up in the early nineties at the national level and in each province to promote public-private partnerships through loans, grants and other incentives. There has been a wide variation in the functioning of the education foundations. The National Education Foundation and the Sindh Education Foundation have been active in developing innovative ways of supporting schools in the public and private sector and in helping improve access to quality education. The Balochistan Education Foundation and the Frontier Education Foundation have also been somewhat active in their provincial domains. However, the Punjab Education Foundation has been stymied by lack of effective leadership and limited administrative and financial autonomy. While the main aim of these foundations was to assist the private and non-governmental sector in the field of education, many of their efforts have concentrated on the Adopt a School Programme. This is a successful model pioneered by the Sindh Education Foundation in which the private corporate sector is persuaded to 'adopt' a public school and provide it financial assistance and in some, cases even take over the management of the schools. While the foundations have a range of programmes, the current study will focus on that aspect of their programmes in which the foundations assist the private sector or civil society in the delivery of education services. For the current review the focus will be on the National Education Foundation and the Punjab Education Foundation.

#### ***The National Education Foundation***

17. The National Education Foundation (NEF) was established through a Cabinet resolution at the end of 1994 with an initial endowment of Rs. 54 million. Its mission was to become a catalyst for quality education by mobilising resources for the private and non-governmental sectors. The objectives of the NEF include the promotion of public private partnerships in attaining basic education for all, with a special focus on disadvantaged communities and girls, by direct support to private and NGO schools in the form of grants and loans. The National Education Foundation has provided educational support to almost three hundred disadvantaged communities. It maintains that its low-cost high-quality educational innovations have reached thousands of children who had no other educational opportunities. NEF has worked jointly with many NGOs and CBOs at the grassroots level. The focus of NEF has been on rural communities rather than private sector initiatives in the education sector. While it hopes that these community schools will become sustainable, it has yet to develop a model that will guarantee this.

18. The National Education Foundation is currently being restructured under the Education Sector Reform programme through an Ordinance of April 2002, to promote basic education through Public Private Partnership in the Federally Administered Areas – and no longer in the rest of the country. The Board of Governors (BoG) was reconstituted under the restructuring ordinance of NEF. The current BoG is headed by a representative of the private sector and has increased representation of civil society. The new board comprises thirteen members including four from civil society, one each from the three federal territories, and the rest ex-officio from government. As part of its overall country strategy for the Education Sector in Pakistan, the Department for International Development–UK has supported the Education Foundations since the early

1990s. Between 1996 and 2001, it extended its support to the Sindh Education Foundation and the Frontier Education Foundation. DFID has now extended technical support to the NEF. The British Council manages the project.

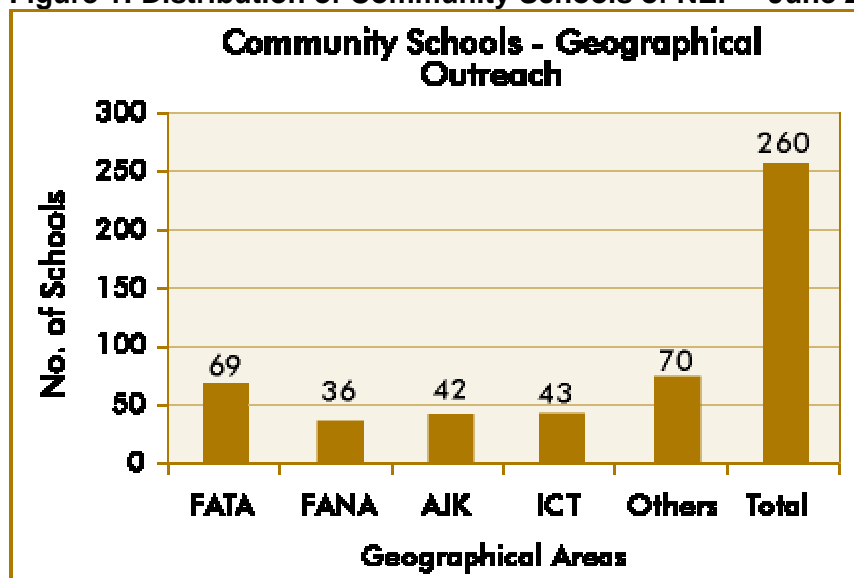
19. Currently the NEF has the following programmes in its portfolio:

- Adopt-A-School Programme
- Child Friendly School Programme
- Community Supported Rural Schools Programme
- Education for Working Children
- Financial Assistance Programmes
- Integrated Early Childhood Care & Development Programme

20. At the beginning, NEF started a financial assistance programme through which grants were provided to private educational institutes in rural areas. However, NEF soon realised that unless there was strong ownership and participation from the community, no matter how much support was provided, efforts would not be sustained. As a result, NEF initiated a programme based on community participation and ownership. After studying the community based models functioning in Balochistan and the Northern Areas, it launched the Community Supported Rural Schools Programme (CSRSP) in 1997. It claims that this programme has allowed it to explore and innovate on issues such as education quality, gender, community participation and participation in school management and planning. CSRSP is the main program of NEF. Initially 17 schools were opened, mostly in the rural areas around Islamabad and a few in urban slums. NEF discovered that the schools in urban slums faced greater problems as urban communities were heterogeneous and unwilling to participate unless they saw a monetary benefit. However, the experience in the rural areas was encouraging, where the community was homogeneous and well-knit and placed a greater value on community-based efforts.

21. The Community Supported Rural Schools Program supports a countrywide network of community schools in order to expand basic education for the deprived and vulnerable. The CSRSP approach is based on supporting schools with a minimum 'two-room two-teacher' complement, with the flexibility to increase teachers and classrooms as enrolment rises. The programme envisages a tripartite arrangement between an NGO, community and NEF, respectively entrusted with the roles of facilitator, school manager and financier. With the help of NGOs, the National Education Foundation identifies target areas with either no or failing schools. The NGOs then approach the local communities and highlight the advantages of establishing community schools. NEF provides funding (Rs 1075 per child per school per year - about £10-75) and training. The NGOs act as the facilitator, and Community Education Committees run and manage the schools. To date, 260 Community Primary Schools have been established mainly in Islamabad Capital Territory, Azad Jammu and Kashmir, and the other federally administered tribal and northern areas, with a total of 23,300 students of whom 42% are females.

**Figure 1: Distribution of Community Schools of NEF – June 2004**



22. The NEF supports an education project under CSRSP if the following criteria are met:

- A minimum enrolment of 50 pupils and two teachers, with ideally a 50% enrolment rate of girls;
- No other government school present within a radius of 1.5km;
- Active participation by the community and their willingness to donate a suitable building for the school for a minimum of five years;
- Availability of suitable local women to be trained as teachers;
- Community willingness to run and manage the school

23. NEF maintains that its costs are half those that the government incurs per student. It estimates that, while the cost per student per year in government schools is Rs 2800, NEF has reduced it by more than half to Rs 1075. Financial sustainability is a matter of great concern to NEF. Its initial endowment to each school combined with its grant and school fees was at one time sufficient to cover schools' operating costs. However, as a result of a fall in interest rates and rising salaries, the endowment is not adequate to cover these costs. In order to make the schools sustainable, NEF has declared that each school should start a savings programme and that, at the end of the initial period, NEF will give a grant equivalent to each school's savings. While some schools are expected to be self-sufficient at the end of the trial period, others may not be able to achieve this. The key factor determining the success of the school is enrolment levels. Some schools have reached enrolment levels of 300 per school.

24. The performance of the students is reported to be good relative to government schools. Examination results indicate a pass percentage of 86% in class five, whereas in government schools the pass percentage was only 40%. NEF is now trying to improve the quality in these schools and has placed emphasis on teacher development and training. Most of the teachers have matriculated from government schools but have no background in teaching. NEF conducts a two-week training course for all their teachers

in Islamabad. After seeing the success of this model, NORAD signed an agreement with NEF to establish 350 schools in the federally administered tribal area, out of which 200 will be established during the current year and 150 next year.

25. One of the principal problems that the NEF faces is that government gives it very limited autonomy, compared with the provincial education foundations. The NEF was established under a presidential ordinance and, since it did not draft its own rules of business, was subject to government rules. This means that it must abide by the Ministry of Finance rules for procurement, hiring staff and fixing remuneration levels, etc. The NEF has its own board, a very active private chairman (Shahid Kardar) and influential members, as well as representatives of the Ministry of Education and the Ministry of Finance. The board is now contemplating framing its own rules and regulations in order to give it greater powers.

26. Among the key challenges that confront the NEF is the re-drafting of its own rules of business and negotiating their acceptance by the Federal Government. Unlike the provincial education foundations, the NEF has placed greater reliance on community support than on private sector entrepreneurship in establishing its schools. While the profit motive is one mechanism for ensuring the sustainability of schools established by private individuals, it is unclear the extent to which the community will be able to sustain community schools established by NEF. There is also the question of the capacity of the community to develop the curriculum, train teachers and develop a long-term plan for the growth path of these schools. NEF has not developed a strategy on these aspects of its community schools. Focusing on these issues is its next big challenge.

### ***The Punjab Education Foundation***

27. The Punjab Education Foundation was established under the Punjab Education Foundation Act 1991 as an autonomous statutory body to encourage and promote education in the private sector operating on a non-commercial/non-profit basis. The basic objective of PEF is the promotion, development and financing of education in Punjab. The PEF undertakes this by helping in the establishment of educational institutions, giving loans and grants to non-profit making NGOs to construct buildings and to purchase furniture, fixtures and equipment for private schools. The PEF has a Board of Directors and an Executive Committee which examines cases and approves projects within the financial powers delegated by the board. The board has authorized the Executive Committee to sanction financial assistance up to Rs 2.5 million in any case. Cases requiring more than this amount are submitted to the board for approval. The PEF also has a Finance Committee with the mandate to oversee financial aspects of the Foundation. A new bill was passed in May 2004 by the Punjab Assembly regarding the governance structure of PEF. This bill was designed to restructure the Punjab Education Foundation giving it greater administrative and financial autonomy including majority private sector representation on its Board.

28. A fund was established for the PEF under section 12 of the Act. Its sources of income include grants made by the Provincial Government, income from investments, donations and endowments, revolving funds placed by government at the disposal of the Foundation, and grants made by local bodies. Since its establishment, the PEF has received Rs. 688 million in grants and donations and has raised another Rs. 677 million from accrued interest. The PEF has sanctioned 354 projects from which 222 are in urban areas and 132 are in rural areas. While 86 institutions were for male and 120 for

female students, 148 were co-educational. A majority of the cases presented to the PEF were for educational institutions up to high school level. While 354 projects have been sanctioned, actual funding has so far only been extended to 255 institutions worth Rs. 169 million.

29. Applications for grants and loans are made to the District Education Promotion Committee on prescribed forms. This committee is chaired by the District Nazim (mayor) and includes all key personnel from the district and education bureaucracy as well as representatives from the Provincial Department of Social Welfare. The grants are given after the committee has reviewed the applications and forwarded its recommendations to the PEF. The PEF has developed some set formulae that guide its decision for extending grants in urban and rural areas. The PEF is willing to extend a maximum share of 65% in rural areas and 60% in urban areas for construction of building and purchase of equipment and furniture. The recovery of the loan starts a year and a half from the date of disbursement of the first instalment and the total amount is paid back within seven years in fourteen equal six monthly instalments.

30. The PEF has had some clear advantages. Its rules of operation are much more flexible than for NEF, giving PEF freedom on pay, hire and fire, and conditions of service. However, like NEF it ran into difficulties that have been only partly addressed by the current provincial education sector reform programme. With the decline of interest on its initial endowment and rising salaries, it was no longer able to offer grants to NGOs that were not interested in taking on loans. The endowment fund has been re-capitalized on the basis of a World Bank loan to the provincial government. The remaining impediment is that nazims (mayors) are said to have little political interest in putting forward cases of NGO schools for PEF's support. Within the PEF, the argument was put to us for returning to a system where provincial agents (rather than the nazims) should have the role of putting forward cases for financing.

## **2.2 Case 2: Leasing out Government School Buildings to Private Schools in Punjab**

31. The Government of Punjab has been experimenting with a model of public-private partnership under which it allows private institutions and NGOs to take over space and facilities in public schools during the afternoon. This scheme was designed because the public sector was unable to provide for the education of all the girls and boys in the relevant school age group. One way to meet the growing demands for education was to allow the private sector to utilise public sector facilities in the afternoon. A project entitled 'up-gradation of schools through community participation' was approved by the provincial cabinet as a pilot project for four districts in Punjab in February 2001. In May 2001 the scheme was extended to the entire province. A Monitoring and Evaluation Cell has been established at the provincial level to facilitate implementation. It was decided that the Executive District Officer (EDO Education) would manage and monitor the scheme in each district under the overall control of the District Coordination Officer or District Mayor. However, policy-making, co-ordination and evaluation functions would remain with the Department of Education at the provincial level.

32. The scheme is open to a wide variety of individuals and organisations. Eligibility extends to all NGOs registered with the Provincial Social Welfare Department, trusts with experience of executing education projects, retired teachers, educated persons, civil



and armed forces employees and teachers organisations, school councils, and any affluent persons interested. The project invites the private sector, NGOs or individuals (known as licensees) to establish an afternoon school – a Community Model School - in an existing government school-building. In return the licensee has to upgrade the facilities of the public school, share in the operating cost of the public school and provide access to other children in the community. The private or NGO school has to offer education in the next higher grade above what is offered by the morning shift public school. Computer and English language classes can also be offered.

33. A long list of requirements is placed on licensees by the provincial government. Most of these are designed to reap benefits for the school as a whole at the cost of the licensee. The requirements include

- furnishing the afternoon school office,
- getting the whole school white-washed,
- standardizing the sanitary conditions in the school wash-room,
- repairing existing school furniture, repainting or re-polishing, purchasing flower vases and dustbins for the school,
- maintaining a set of registers of admissions, fees, purchases etc,
- maintaining a teachers' timetable, order book and visitors book,
- maintaining employees' personal files,
- fixing school name board, notice board and quotation board,
- appointing and paying a co-manager between morning and afternoon schools,
- upgrading school library and school science laboratory,
- providing computers and setting up a computer laboratory,
- providing uniforms to deserving students free of charge,
- informing parents of the up-gradation of school,
- providing drinking water cooler, tube lights and fans,
- providing canteen and tuck shop facilities to afternoon school students,
- establishing a school council or school management committee.

For 120 schools surveyed by the provincial government's Directorate of Education, the gain to the government in contributions by private parties had been Rs 8,585,798 in cash contributions and Rs 14,248,547 in investment, totalling Rs 22,834,635 (i.e. Rs 190,289 or £1903 per school). The licensee of the afternoon school has also to pay all the utility bills (electricity, water and gas) for both the morning and afternoon shifts, and has to pay 10% of fees to the morning school's council. The head of the institution has to ensure that bills are paid on time. An Escrow account must be operated in which 85% would be for licensee, 10% for the school council and 5% as security in the Bank. A separate telephone is to be installed for the afternoon school by the school licensee at its own expense. Finally the afternoon school organisation is expected to forward a comprehensive report on a regular basis to the EDO Education.

34. In return for these considerable private contributions, the government provides the school building, furniture, libraries, laboratories and fixtures, and recognises the regular status of afternoon students. The licensee may charge a fee for the afternoon school according to a schedule agreed with government, with subsidies for needy children. The government ceiling on licensees' charges is low – Rs 200 (£2) per month for a primary school and Rs 300 for a high school. In principle, licensees do not have to pay school registration fees and their schools are also exempted from the fee normally charged for

affiliation to the Board of Intermediate and Secondary Education (BISE). However, we were told that, in practice, these charges are often made.

**Table 1: Number of Schools Established Under the Afternoon School Scheme**

Category of School	Boys	Girls	Total
Primary to Secondary	928	1771	2699
Middle to High/Higher Secondary	625	1418	2043
High to Higher Secondary	1141	1028	2169
Total	2694	4217	6911

Source: Director, Public Instruction, Government of Punjab

35. The provincial Director of Public Instruction estimated that 6,911 applications had been made for up-gradation of schools under the scheme in the Punjab, and about 468 computer laboratories had been established in high schools. The demand for institutions for girls was almost twice that for boys at the secondary and high school levels. For boys, there was a higher demand for up-grading facilities from the high school to higher secondary level. However, while a large number of applications had been made, in July 2004 the number of institutions actually functioning was only 44% of the 6911 applicants. As indicated below, the failure of many applications seems likely to be due to the heavy burdens placed on the private party. Indicators of the performance of students in these schools shows that the rural community schools are performing better than public schools. Compared with government schools (a 33% pass rate) the Community Model Schools (CMS) had a higher pass percentage in rural areas (47%). However, the results in urban areas were slightly better in the government managed schools (37%) than the CMS (35%).

36. About 120 Community Model Schools were monitored by the provincial government. This exercise showed that while some schools were functioning well, there were problems, including delays in signing agreements by the Education Department and in opening Escrow accounts, lack of proper monitoring and evaluation, and delays in monthly progress reports. In a few cases in Lahore, court cases had had to be instituted. Some parties who were running such schools were unable to provide required facilities like laboratories, wash rooms, library, etc. The morning-staff were sometimes reluctant to take on the additional challenge presented by an afternoon shift, including the sharing of premises, administration and teacher resources. An additional problem is the inequitable allocation of electricity costs. As we heard from private and NGO providers of education, the terms of the agreement are exceptionally demanding on the licensee in return for few benefits, and give plenty of space for misunderstanding. A discussion with the Teachers' Association indicated that tensions between the public and private providers sharing the same space were commonplace. These problems were noted by Kardar in his 2001 report for the World Bank on the Private Sector in Education but do not seem to have been addressed.

### **2.3 Case 3: Contracting out the Management of Government Schools in Punjab**

#### ***Cooperation for Advancement, Rehabilitation and Education (CARE)***

37. CARE was established in 1988 by Seema Aziz, a businesswoman, during the widespread floods in Lahore. The impetus that led to assisting the flood victims culminated in the organisation of CARE and putting in place a scheme for helping people out of poverty by providing their children education. It is constituted as a welfare trust based on private philanthropic contributions, and has opened high quality schools for poor communities. While CARE has been very successful in establishing its own seven English Medium schools for 1800 mainly poor children, the aspect of its work which is discussed here is its management of public sector schools. In 1998 the Lahore Metropolitan Corporation (since 2001, the City District of Lahore) entrusted it with rehabilitation and management of nine dilapidated government schools with a high rate of teacher absenteeism. CARE not only rehabilitated the school buildings, built additional rooms and installed water and sanitary services, but also upgraded them with furniture, libraries and laboratories. Government teachers were given training at CARE's Teacher Training Centre and CARE's installed its own model and child-centred philosophy in the government schools it had adopted.

38. CARE's decision to accept the management of government schools was a very considered one. Seema Aziz considered whether she should go on establishing her own schools or take over, rehabilitate and run government schools. While establishing new CARE schools would allow a smooth but a slower replication of the CARE model, adoption of existing government schools would allow faster growth and extension of improved education for more children. However, Mrs Aziz was aware that she would face both a need for massive investment and, at the same time, resistance to her approach from the government teachers. It was estimated that each school would require a financial outlay of Rs 600,000 per year. Furthermore, while Lahore City District wanted CARE to take over these schools, it was not willing to make any financial commitment towards the salary and expenses of additional staff. There was a particular need to hire trained mathematics and science teachers for government schools. CARE had to commit itself to raising the funds for all these expenditures from its own sources.

39. The challenge was to develop an administrative model of management that would keep the bureaucracy small and the costs low, and provide efficient administration. A CARE teacher is appointed as an Internal Co-ordinator at each school and reports to head-office every month. The Internal Co-ordinator acts as a supervisor and monitors the performance of both CARE and government teachers. S/he works in tandem with the government head teacher and is supervised weekly by an External Co-ordinator who is a volunteer from Friends of CARE. CARE also hires an Academic Co-ordinator to supervise the functioning of the school. The External Co-ordinator and the Academic Coordinator, organized around clusters of eight schools, conduct quality checks to ensure regular attendance of teachers and students, monitor performance of government and CARE staff, ensure that student work is checked properly, and that tests are administered and recorded regularly. The Academic Coordinator is also expected to streamline the curriculum and teaching practices with a view to improving the standard of education.

40. By 2000, CARE had taken on 30 government schools and, since 2003, a total of 140 government schools, with 97,600 students, located mostly in Lahore. It employs a

team of 1000 teachers who work alongside 2000 government school-teachers providing education to close to 100,000 children. Thus far, all of CARE's own schools have been built and operated completely by private funding – mainly philanthropic but with small contributions (Rs 30 per month) made by parents. Even the government schools have been rehabilitated with CARE funding. The funds for CARE have come from individual and corporate donors, and none from the Government of Pakistan or foreign donors. CARE estimates its operating costs per class at Rs 10,000 a month and the capital cost of equipping a school at Rs 50,000 upwards. It estimates the differential in operating costs at Rs 500 per month per child in its own schools compared with Rs 1200 in a government school<sup>5</sup>.

41. CARE has been helping the Lahore district government change the culture and the working ethos in these public sector schools through personal example, training and private investment. It has no direct administrative control of government staff who remain employees of the provincial government and who often resist the perceived challenge to their status. The challenge for CARE is to change the orientation of government teachers in these schools so that they continue to perform after CARE's exit from their management. Given the administrative problems that plague the public school system and the strong resistance from teachers' unions, this is a daunting task.

42. The question is whether this can be considered a model that could be replicated on an even larger scale. Recently CARE has also adopted two government schools in Sargodha district and claims that it has the capacity to offer its services to other districts that are willing to help assist it with finances to take over and improve the management of public sector schools. In the case of Lahore, CARE has been required to develop an exit strategy from government schools under which it will, in a phased manner, withdraw its management support from the schools. However, a more widespread and longer term contracting out of the management of government schools on a competitive basis to NGO or private operators is conceivable. Even on the shorter term basis on which it has been organised in Lahore, taking over the management of government schools by an NGO seems to have improved the management and changed the orientation of public schools, if only temporarily. The next case (NRSP) is one of a more entire transfer of management responsibility from government, though on a smaller scale and without the obligation to organize private investment.

### ***National Rural Support Programme***

43. The National Rural Support Program is described by its Chief Executive Officer as a not-for-profit chartered company, funded on the basis of a grant from the Government of Pakistan in 1992. Modelled on the Aga Khan Foundation's Rural Support Program, NRSP and its provincial equivalents were set up to mobilise rural communities and promote participation in the development and management of health and education facilities. It supports 250 community schools in eight districts where there are no government schools. In 2002, NRSP was invited to apply its experience to the management of government schools in a partnership with the District Government of Rahim Yar Khan (DGRYK). The objectives of the project are to improve the quality of education in the government schools, to make it accessible to all, to reduce the number

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<sup>5</sup> These figures are not compatible with those quoted to us by NRSP which estimated its costs per student at Rs 1075 compared with the government's Rs 2800. We cannot explain the difference in average government costs, except that NRSP's figures may include capital costs (para 23).

of drop outs and to increase school enrolment. The perceived poor quality of education in public schools, the high rate of teacher absenteeism and poor resource base were some of the key reasons for the low rate of enrolment in public schools. The DGRYK decided to transfer the management of all government primary schools, maktab (mosque) schools and other non-formal schools in one of its union councils (the base level of local government) to the National Rural Support Programme on a pilot basis. It was felt that the NRSP would be well-placed to utilise its community participation model to improve the management of local schools.

44. A Memorandum of Understanding was agreed between the DGRYK and NRSP in July 2002 specifying the roles and responsibilities of the different partners. Under the terms of the agreement, the National Rural Support Programme would manage the schools through the rural communities who were the intended beneficiaries. This arrangement was to last for a period of five years. There would be an assessment of performance at the end of the second year and the continuance of management by NRSP for the next three years would depend upon performance against agreed indicators. The DGRYK has the authority to terminate the agreement at any time if it feels that NRSP is acting in contravention of the MOU. NRSP would be given proper notice and time to respond to any reservations about its performance. An arbitration clause is also provided in the MOU in case of any disagreement.

45. The MOU specified that the district government would transfer the control, use and management of the building, the furniture and equipment of the schools to NRSP. The district government would also transfer the entire budget for the operation and maintenance of the schools, including salaries and allowances for all filled and unfilled positions and provisions for commodities and services, repair of durables, medicines, and maintenance of buildings. The services of all staff posted at each school on the date of signing of the MOU would be placed by the District Government with the NRSP to be utilized in the best interest of the management arrangement as seen by NRSP. NRSP would also have the authority to relocate staff and would take over the management and maintenance responsibility for all the schools. It would use the monitoring formats established by the DGRYK. In addition, a quarterly progress report would be prepared. On the basis of baseline surveys undertaken by NRSP as a benchmark for performance. NRSP would also be authorised to establish partnerships with specialised NGOs working in the field of primary education to provide services, such as the provision of technical assistance and teacher training.

46. By the end of March 2004, the NRSP had taken over 48 schools, eight of which had previously been closed. NRSP has constituted a school committee in each school. There has been a remarkable increase in enrolments in the last two years. Enrolment in boys' schools has almost doubled while enrolment in girls schools has increased by more than three times since NRSP took over these schools. The communities have generated Rs. 131,900 for these schools while the corporate sector has granted Rs 1,314,141.

### **3. CONCLUSION**

#### **3.1 Reflection on the themes**

47. Educational public-private partnerships in Pakistan touch on policy dialogue and collaboration, regulation, facilitation and contracting of service provision in the education sector. Some of the partnerships that are currently being implemented, such as the one between DG RYK and NRSP and between Lahore district and CARE, could lead on to major policy changes if they were seriously used as pilots for scaling up. Devolution creates new space for negotiation, manoeuvre and discussion of policy issues in the education sector. Pilot experiments need to be carefully monitored; this is a basic point that is still not being observed - there is plenty of experimentation but little evaluation. There is no systematic monitoring of the performance of the schools which have been taken over by NSPs or the schools which are being maintained by communities such as those funded by the Pakistan Education Foundation. Performance indices need to include management indicators, enrolment levels, exam results quality and cost of education. Good performance might be rewarded by enhancing endowments and teacher training or, perhaps, by progressively extending the number of schools contracted out to NGO, community or private providers.

48. Little attention is being paid to the regulation of private or NGO schools. The focus in the public-private partnership models in Pakistan has, instead, been on improving the regulation and performance of public schools. The Government has weak enforcement mechanisms and little to offer private schools as a result of which they have little or no incentive to register. The existing regulatory mechanisms are also inadequate in that they tend to focus on the quantity of inputs rather than the quality of outputs/outcomes, and stifle innovation and experimentation. Regulation is only of value if it helps to enhance quality. The Pakistan Centre for Philanthropy has embarked upon some pioneering work in order to try and create an enabling environment for civil society organisations, by focusing on voluntary certification and self-regulation - but it may be setting the hurdles too high.

49. A significant feature of most public-private partnerships in Pakistan in the education sector is that they are being used to alleviate the resource and management problems of government education. As Kardar (2001) notes, private partners are seen as 'donors' rather than as sharers in administrative authority. Private, NGO and civil society sectors are asked to contribute to the quality of public schools by injecting financial resources and teachers, by mobilising communities and by improving management. The most substantial of these are the schemes to lease out school space and to pass their management to non-government bodies. Even in the model where, ostensibly, the public sector is providing its physical facilities for use by the private sector, a disproportionate share of the costs and risks is being assigned to the private party.

50. The various schemes of public-private partnership seem to be treated as temporary fixes for particular schools rather than as pilot schemes which could be used to address the problem of government schools more generally. They have therefore confronted significant administrative and management problems as a result of dual reporting and authority structures. They have also faced strong resistance. The strong teachers' associations and unions have opposed such schemes, seeing them as attempts to control teachers and regulate their attendance. Either provincial and district

education departments have to learn from these experiments and engage in internal reform, or they have to face the possibility of a more thorough-going contracting out of educational services.

51. There is some limited evidence in this study and in others (Kardar 2001 and 2002) that at least some (if not most) formally organised and registered private and NGO schools are able to manage their resources and to provide services more cost-effectively and efficiently than the public sector. However, the model of public-private partnership tends to extract resources from the private/NGO sectors and transfer them to the probably less efficient public sector. It could actually cost less, as well as achieve better educational ends, for the government to contract private and NGO providers rather than to organise the service itself. This option requires full analysis.

52. Decentralisation and the devolution of education to district governments offer new opportunities for experimentation with forms of public-private collaboration. The model of partnership developed by the District Government of Rahim Yar Khan with NRSP would simply not have been possible to negotiate in a system where all powers over education were vested in the provincial government. It was previously unheard of for a government authority in Pakistan to willingly hand over its staff, resources and facilities to the administrative control of an NGO. But the opportunities provided by decentralisation will be limited if attempts are not made by district, provincial and federal governments to evaluate the experience and to consider the possibility of its replicability elsewhere.

### **3.2 Comparison of experience with the general hypotheses of the NSP research**

53. Turning to the hypotheses that underlie this research, we address those that seem to have relevance to the education sector in Pakistan:

- There has been little policy dialogue about the setting of frameworks of regulation, accountability, facilitation and contracting to benefit the poor. Furthermore, the experiments that are being conducted are not being carefully evaluated for their policy implications and replicability.
- The boundaries between public, private and donor action in the education sector are beginning to blur with the incorporation of private and community resources into public education. as a result of the need to improve the quality of education in public schools and the need to ensure provision to all. The space given to discussing a broader role for local communities and the private and NGO sectors is a result of the ethical and ideological significance of the social sectors.
- Due to the ethical and ideological significance of education, there has been greater readiness to partner with NGOs than with the private for-profit sector. NGOs are often seen as ways of subsidizing the provision of education in public schools. The private for-profit sector, on the other hand, is seen by government as extracting profit and is therefore offered unattractive terms of engagement. An illustration of this is the disproportionate burden placed on private parties running afternoon schools in public buildings. However, the terms of engagement with community-run schools are also unfavourable in the PEF programme. It could be argued that a disproportionate

burden is placed on poor communities to manage and finance schools established under public-private partnership arrangements.

- Positive dialogue and collaboration does seem to depend on there being prior de jure and de facto recognition of NSPs by the state. As a not-for-profit chartered company set up with government support, the National Rural Support Program has most clearly operated with government's confidence. At least partly for this reason, there was sufficient trust in NRSP for a local council to hand over its finances, staff and other facilities in the path-breaking public-private arrangements in Rahim Yar Khan, Lahore and other parts of the country. However, recognition is often awarded on a very particularistic basis. NRSP's excursion into running government schools was said by one informant to have been based on very particular relationships of trust between individuals in NRSP, the district and the provincial government. Such particularistic relationships do not lend themselves to scaling up.
- Non-state provision in Pakistan's education sector offers a wide range of services at both ends of the spectrum for both the very affluent and those who would be unable to access educational services otherwise. The non-formal schools, which have not been discussed in this study but which operate all over Pakistan and offer a condensed three year course for primary students, are an example of the schools at the lower end of the spectrum. Low cost community schools are another option for the poor.
- The rapid growth in non-state education in Pakistan is at least partly due to the failure of the state to provide access to quality education and to meet the demands of a population wanting English medium and science education.
- Pakistan has demonstrated weak governmental capacity to support and regulate NSPs.
- Communities are being asked to manage schools which are beyond their capacity to sustain without external support. This is a serious issue as a large number of community schools are being established without any clear thought or understanding of how these will be sustained over the long-term. Although endowment funds have been established through the educational foundations to defray part of their costs, these endowments are small and current interest income is not sufficient to sustain the schools.



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## **SUB-ANNEX 1: THE SCALE OF PRIVATE EDUCATION IN PAKISTAN**

A survey recently undertaken by the Federal Bureau of Statistics (2000 indicates that there are 36,09610 private institutions in Pakistan. Out of the total, 66.4% are in Punjab, 17.9% in Sindh, 12.3% in NWFP, 1.5% in Balochistan, 0.9% in FATA & 1% in Islamabad. Overall 39% of the institutions are in rural areas and 61% in urban areas. The survey further highlights the distribution by category illustrating that 14,758 (43.5%) are in the primary sector, 12,250 (37%) in the middle, 5,940 (17.5 %) in secondary and only 695 (2%) in higher secondary and above. A small number of technical and vocational institutions lie in the private sector compared to the general education. The government wants to facilitate this trend whilst ensuring equity and quality.

## **SUB-ANNEX 2: THE CHRONOLOGY OF PRIVATE SECTOR DEVELOPMENT IN PAKISTAN**

**note by Maliha Hussein**

In 1972 a nationwide programme of nationalization of industries and of educational institutions was undertaken to halt the private sector's rapid growth. The nationalization programme granted protection to teachers taken over as employees of the government with full service benefits. No compensation was provided to the private owners and all private institutions whether in wholly owned or rented properties now fell under the purview of the public sector. This came at a high cost for the public sector's drying budgets. The trend was in contrast to the 1967 figures when the private sector in secondary education accounted for 52 per cent of total provision, ranging from 83 per cent in Karachi to 45 per cent in Rawalpindi (Jones, 1978, p.6). According to one estimate there were 9 per cent private schools at the primary level, 30.7 per cent schools at the middle level and 68 per cent high schools operating in the private sector (Zaki, 1968). Private sector provision was predominantly urban at the secondary and college levels, providing a mobility path to the new social groups entering the urbanization process. The private sector accounted for two thirds of total enrolments at the high school level which were expanding at a higher rate than the public sector except at the primary level. From 1972-1977 the private sector in primary and secondary education was reduced from 4% to 1.5% and colleges from 35.4% to 4.1% (Jimenez and Tan, 1985; Jimenez and Tan 1987). The allocations to social sectors were still far from adequate due to competition from defence and other sectors as well as the economic crunch on account of the oil price hike (Noman, 1988).

The second critical phase for the private sector schools came in the decade of 1979–89. This period can be seen as a re-call of the private sector by the military government/state to assist with education after the debacle of mass nationalization in 1972/3 and the economic crisis. The 1979 National Education Policy in addition to reinstating the private sector in education outreach, also mobilized other partners for extending non-secular education options. It was also the decade which saw the mushrooming of madrassahs (religious schools) with federal or central institutional support and the extension of equivalency to their graduates in order to absorb them into public sector jobs. In this period both elite and non-elite private sector institutions emerged cautiously but with institutional arrangements at all levels of the education spectrum including tertiary professional education. The private sector was allowed to resurface to manage both political discontent and build new constituencies in a state besieged by resource constraints and limited education options.

The third period spans 1989–1999. The decade after the Jomtien World Conference on Education For All (1990) witnessed continued efforts by the democratic governments in Pakistan, boosted by the EFA donor consortium, to broaden participation in education through mobilization of NGOs and communities. The focus was to address issues of access particularly for girls and also improve quality through different pilot programmes. The strategy focused on demonstrating what was do-able for scaling up, and for what works. Whilst community support was more 'dependent' on government and donor financing, the private sector at all levels of the education spectrum, both elite and non-elite, developed more sustainable options. By the early 90s, the Social Action Programme (SAP), a donor led initiative (in its initial phase), was advocating mobilization of communities in determining the quality of delivery by setting up School Management

Committees (SMCs), PTAs, Parents' Education Committees (PECs) and Village Education Committees (VECs).

These entities were never given any legal cover but were notified bodies, with responsibilities but no legally backed authority and were prone to manipulation by the formal managers of the education system in terms of how and what they could spend or undertake on their own initiative. However, by 1998 the discourse on partnerships in education officially incorporated the shift of government from being a provider to being a facilitator and arranger of services. Public policy in education began to accommodate the possibilities of incorporating privatization, decentralization and equity as powerful tools for 'correcting' the runaway state, sometimes also referred to as the 'failed' state. Under the current political set-up there have been two broad responses to the multiple crises of the state, namely devolving power to local levels through the initiative of the Local Government Plan 2000, and mobilizing private sector and civil society partners for additional resources and improved management arrangements to meet demands for public goods and services.

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## **SUB-ANNEX 3: PACKAGE OF INCENTIVES PROPOSED BY THE MINISTRY OF EDUCATION FOR THE PRIVATE SECTOR**

### ***A. Overall Measures***

- Restructuring and making the Education Foundations effective autonomous bodies for providing support to private sector and effective outreach.
- Private sector and NGO institutions to be integrated into the Education Management Information System (EMIS) at national and provincial levels.
- A special cell to be established at the MoE to facilitate support extended by expatriate Pakistanis.
- Private sector/NGOs to be encouraged to set up self-financed private sector cells at provincial and/or district levels to facilitate registration, regulation and meeting standards.
- Simplification of school registration procedures to be instituted for private sector at district level.
- Long leases to private sector to be extended for utilization of vacant and unutilized government school buildings.
- Private sector regulation and monitoring to be conducted by professional private sector groups themselves.
- Legal cover and accreditation to be provided to private sector institutions engaged in pre-service and in-service teacher training.
- Extension of matching grants by the Education Foundations for establishing rural schools.
- Adoption of dysfunctional public sector schools by the private sector as co-managers to be facilitated
- Improvement and strengthening the management and utilization of public sector institutions in partnership with the private sector to be undertaken

### ***B. Specific Measures for Private Schools***

- Provision of land free of cost/ and or at concessional rates in rural areas
- Utilities such as electricity, Sui gas, etc. to be assessed at non-commercial rates
- Liberal grant of charter
- Exemption of custom duties on import of educational equipment
- Exemption of 50% income tax to private sector institutions for faculty, management, and support staff
- Education to be declared as an industry to benefit from incentives on utilities, development charges, taxes and custom duties.

## **SUB-ANNEX 4: THE SPECTRUM OF PUBLIC-PRIVATE PARTNERSHIP IN PAKISTAN, AND PROPOSALS FOR FURTHER RESEARCH**

**Maliha Hussein**

### ***1. Financial support to and regulation of for-profit primary schooling;***

#### ***The Sindh Education Foundation***

Education foundations were set up in each province to promote public-private partnerships through loans, grants, and other incentives. The Sindh Education Foundation has been extremely active in trying to develop innovative ways to provide support to schools in the public and private sector and help improve access to quality education. The Balochistan Education Foundation and the Frontier Education Foundation have also been somewhat active in their provincial domains. However, the Punjab Education Foundation has been stymied by lack of effective leadership and limited administrative and financial autonomy. The Sindh Education Foundation started with an initial allocation of only Rs. 17 million which was the lowest allocation when compared with the National Education Foundation and the other provincial foundations. However, a dedicated team of youngsters had been at the forefront in ensuring that these funds were leveraged properly. The SEF spent Rs. 95.5 million between Rs. 1993-94 and 2001-2002.

#### ***Proposed focus of study:***

A comparative assessment of these foundations or a focus on the Sindh Education Foundation and factors which have contributed to its success and a closer assessment of its impact on access to education, improvement in quality and impact on education sector policy.

### ***2. Capacity building - Case-studies of NSPs providing capacity development to the formal sector***

#### ***The Experience of AKESP in Pakistan***

AKESP is an institution of the Aga Khan Development Network and was among the earliest non-government organisations to provide education in Pakistan. It has about 187 schools of its own in the Northern Areas, Chitral district and Sindh and also helps to improve the quality in government schools. AKESP has collaborated with the Government of Pakistan in the area of teacher training and has helped to develop the resource materials in selected public schools. Most recently, the Aga Khan Education Services Pakistan has initiated a programme entitled Quality Advancement through Institutional Development to systematise the unplanned provision of education by the public and private sectors in Pakistan. The AKESP's QuAid project intends to realise the key objectives of Education Sector Reforms 2000-2005 which emphasizes the need of quality advancement and institutional capacity building for effective education systems. Under this project, AKESP will work with Educational Directorates of Karachi and Hyderabad, Department of Education Sindh and a range of schools and institutions including 50 private schools in Karachi, 30 public schools in Hyderabad and 23 community and social entrepreneur schools in Sindh.

*Proposed focus of study:*

A case study of specific activities of AKESP in Pakistan and identification of areas of its work which have been most effective in providing support to the public education sector and lessons that can be derived for other partnerships.

***The Role of Teachers' Resource Centre in Curriculum Development***

Collaboration between the Teachers' Resource Centre and the National Curriculum Wing of the Ministry of Education in designing a curriculum for the Katchi (pre-primary) class. The collaboration was a path breaking exercise which helped to provide the Education Ministry with much needed capacity in developing an innovative and dynamic programme for pre-schoolers. This exercise is expected to go a long way in helping Government see how by enlisting the support of the private sector one can initiate much needed reform in the education curriculum in Pakistan. This exercise was a collaborative venture between the Government of Pakistan, USAID and Aga Khan Foundation. Potential Contacts: Ms Seema Malik (TRC), Ms Sughra Chaudhrey (Consultant) and Mr Randy Hatfield (AKF).

*Proposed focus of study:*

Document the process, the outcomes and the impact on policy regarding future policy on curriculum design.

***Adopt a School Programme***

Adopt a School Programme initiated by the Sindh Education Foundation. The main aim was to get the private sector to adopt a school in the public sector. The mobilisation of the private sector led to the improvement of public schools and increased the involvement of parents and communities in the educational processes. A marked achievement of this programme has been the adoption of more than 200 schools, a major upgrading of school facilities, strengthening of pedagogical activities, and quality education. This has led to regular school monitoring and increased involvement of parents and communities by establishing active and functioning SMC's through democratic practices. There has been a wide range of adopters including retired educationists, the armed forces, prominent citizens, etc. Through this programme, a strong linkage and partnership has developed between the private sector agencies and the Education Department. This partnership has reportedly led to increased efficiency in school management and administration, improvement in infrastructure, improved efficiency and motivation of school staff, substantial increase in enrolments, a decrease in drop-out rates, and a better relationship between the school, the Department of Education, and the communities; and the creation of a pressure group which has drawn the attention of the private sector towards public sector education and its issues. This has also led to policy shifts by the government towards greater recognition of public-private partnerships in the field of education.

*Proposed focus of study:*

Document the experience and assess its impact on quality of the schools adopted and factors needed to replicate the experience in other parts of Pakistan.



### ***3. The Community - NSP (NGO/for profit/FBOs) interface regulation, community oversight, accountability and resourcing.***

#### ***School Management Committees***

Under the Social Action Program an initiative was designed to decentralize and increase stakeholder participation in the management of primary and middle schools. The basic purpose was to facilitate greater community involvement in school management, supervision and decision-making and to ensure that standards were appropriately defined and enforced, and that there was a shift from reporting/policing to facilitating/supporting school level improvement. One of the principal strategies through which this was to be undertaken was the establishment of School Management Committees or School Councils (SCs) for all the primary schools in Pakistan. The formation of the School Councils started in 1994 in selected districts and it was gradually expanded to cover all the schools in the country through a government notification. The SCs have been through several reincarnations due to the disagreement on the position of the Head Teacher in the Council and the change in their composition. Although the Head Teacher was initially appointed its chairperson, a reorganization in 1997/98 changed this role to that of the Secretary of the Council. The most recent notification issued in April 2000 has reappointed the Head Teacher as the Chairperson. The membership includes five parents, two retired government officials, one person who has made a substantial contribution to the school and one school teacher. There is little information on these committees at the provincial level and lack of clarity on whether they actually exist and the level of support they receive from the district governments. Each School Council was also expected to open a bank account which was to be operated by the Chairperson and one other Council member.

A survey of the membership and functioning of selected School Councils was conducted by BUNYAD, a Punjab based NGO, some years earlier when they were called School Management Committees. This NGO surveyed 320 SMCs in two districts of Punjab. The survey report of the NGO found that the SMCs showed a reasonable level of organizational and management activity. About 80% of the SMCs reported organizing at least once during the last one year and around one-third of the SMCs claimed to have met more than five times during the year. A large majority of the SMC's reported to have been performing most of the functions stipulated under the government notification. More than 75% of SMCs in both districts organized various activities to increase enrolment, while more than half also carried out activities to reduce dropouts. However, a much lesser percentage took measures to check teacher absenteeism. The activities organized by SMCs included community meetings, visits to schools and households, meetings with parents, students and teachers, reviewing attendance registers, improving the classroom environment and provision of financial support to students.

The main conclusion from the field surveys and an analysis of the secondary data showed that SMCs vary significantly in their performance. Generally, the SMCs are not really empowered to take administrative decisions but have control over school maintenance funds. While some SMCs have been very effective in helping to enhance school performance, others have been dormant. SMCs could potentially play a role in helping to improve some of the aspects of school performance and functioning that are being advocated as part of the education sector reform in Punjab. Although, the precise role of the School Councils in the local level monitoring committees or their role in

providing feedback to district governments has not yet been specified, these councils could potentially enhance school accountability. There is a need for the Education Department to negotiate a role for these councils in the devolved system of district governance and Nazims can use them for increased accountability of the schools within their jurisdiction.

As a result of devolution to the district governments, the funds earmarked for the SCs were passed on to the District Governments with the discretion on how to utilise these funds left entirely to the District Governments as a result of their one-line budget allocation that allowed them the authority to re-appropriate these funds to any other use. There is little information on how many District Governments have actually passed on the Maintenance and Repair funds to these Councils. However, it appears that there is wide variation in the transfer and utilisation of these funds to the SCs in each district. Meetings with some of the District Nazims in Khanewal and Rawalpindi revealed that while they had received funds for SC in their budgets, they had not passed these on to the Councils.

School Councils have been found to be much more active in urban areas in schools which have committed Head Teachers, and are very actively engaged in supporting schools with routine maintenance, provision of equipment and supplies, fund raising, improving the governance system by checking teacher absenteeism and motivating the community members for increased enrolments and reducing drop-outs. Some of the urban School Councils in Lahore have been very active in generating funds through the Farogh-e-Taleem programme to which parents make a nominal monthly payment. Some schools have used these funds for hiring subject specialist teachers, purchase of science equipment, establishment of a laboratory, student stipends, etc. Some of the SCs have very innovative ideas on how to enhance parent and student contribution to schools by recognising their contributions and publicly acknowledging these in small ways. There was also a need to reward the performance of Head Teachers in active School Councils. It is assessed that the School Councils can play a critical role in the reform of the education sector being undertaken by the Government of Punjab and there is merit in the Department of Education's emphasis on reviving the School Councils in Punjab.

*Proposed focus of study:*

The focus of this study should not be so much on SMCs but on the provincial governments and the district governments to see the extent to which they are willing to go to empower the SMC's and make them a powerful tool to hold the education sector accountable for delivering high quality education service.

#### **4. State or district relationships with faith based education providers**

##### ***The Experience of Mainstreaming Madrassahs***

The GOP took an initiative concerning the mainstreaming of madrassahs. The madrassahs were providing free textbooks, food, lodging and free education, they mostly catered to the needs of the poorest. Where the GOP did not provide primary schools, the gap was generally filled by such madrassahs. The GOP had provided textbooks for Science, Mathematics and English along with teacher training to a 100 madrassahs. This programme has been growing in the last few years. In accordance with the Madrassah Ordinance Board, all madrassahs had to be registered by the end of March

2002. A few years ago, the MOE had sent forms to the madrassahs indicating that these could be filled on a voluntary basis in case madrassahs wanted assistance. The MOE had received 11,000 registration applications. The GOP is also offering the madrassahs the Equivalency Certification if they introduce certain changes in their educational programme.

*Proposed focus of study:*

The focus of the study would be a comparative assessment between those madrassahs which have received GOP assistance and those which have not and the impact of this on their performance and quality.

### ***5. Limited Forms of Public-Private Partnership***

There are various limited forms of partnership which require further evaluation. Two examples are listed below.

#### ***Partnership between government and for-profit sector***

Fellowship schools in Quetta and Sindh. The government provides a subsidy to privately-run for-profit schools in return for these schools enrolling a requisite number of girls from a designated target community. Government: invests resources. For-profit sector: service delivery

The government has initiated a partnership program with the private sector under which government school buildings are leased to the private sector for conducting afternoon classes. More than 6000 private schools are running afternoon shifts. The Punjab case is described in the main body of the research

A set of initiatives to address quality problems has been the promotion of non-formal education (NFE) through various NGOs, chief among them Bunyad which implements rapidly growing informal education programmes especially for girls.

#### ***Partnership between for-profit and NGO sectors***

Orangi Pilot Project in Karachi and PIEDAR schools in Kabirwala, Punjab. The NGO provided initial capital and capacity-building to for-profit sector schools.

## **SUB-ANNEX 5: PERSONS INTERVIEWED**

M.A. Wahid, Director Co-ordination, Federal Directorate of Education

Director-General of Federal Directorate of Education

Muhammad Abdul Haque, National Education Foundation

Hank Henry Healey III, Senior Education Scientist, USAID

Agha Ali Jawad, General Manager, National Rural Support Programme

Rashid Bajwa, Chief Executive Officer, National Rural Support Programme

Shahnaz Wazir Ali, Executive Director Pakistan Centre for Philanthropy

Musharraf Cyan, Team Leader, Decentralization Support Program

Khalid Gillani, Programme Director, Punjab Education Sector Reform Programme, Programme Management and Implementation Unit, with Khurram Khan and Sohail Raza

Kazi Afaq Hussein, Punjab Education Foundation

Babar Yaqoob Fateh Mahmood, Decentralization Support Program, ADB

Bina Raza, ITA - Centre for Education and Consciousness

Seema Aziz, Cooperation for the Advancement and Rehabilitation of Education

Jamil Najam, Director Public Instruction, Government of Punjab

Punjab Teachers' Association

Javed Ahmad, Planning and Development Board, Government of Punjab, and colleagues

School Directorate, Government of Punjab

Shahid Hafiz Kardar, Chairman of the National Education Foundation

Randy Hatfield, Programme Manager Education, Aga Khan Foundation

Zahid Hasnain, World Bank

Naeem ul Haque, Member, National Reconstruction Bureau

Sajjad Ahmad Shaikh, PRSP Secretariat, Ministry of Finance

Muhammad Aghar Khan (Director of Education) and Khurram Badar Alam (Primary Education), National Commission for Human Development

## ANNEX THREE: NON-STATE PROVISION OF WATER AND SANITATION IN PAKISTAN

By Kevin Sansom, WEDC and Abdul Rashid Khan

### STUDY OVERVIEW

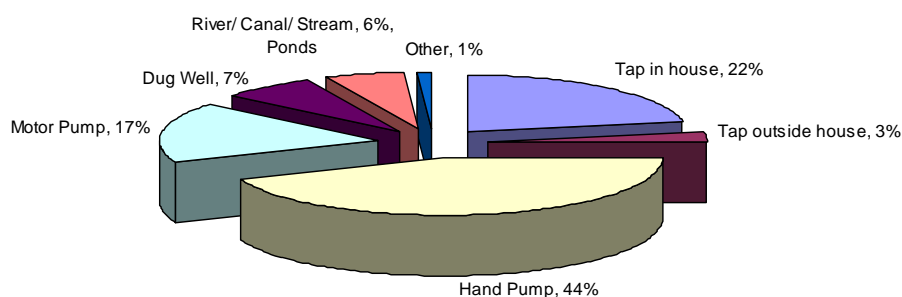
1. This study has been conducted as part of a multi-sectoral research programme on the Non-State Provision of Basic Services. The research is co-ordinated by the International Development Department (IDD) of the University of Birmingham, in collaboration with Water, Engineering and Development Centre of the University of Loughborough, London's School of Hygiene and Tropical Medicine and the Centre for International Education of the University of Sussex. These institutions have worked with 'national researchers' in Pakistan, South Africa, Malawi, Nigeria, and Bangladesh on this programme that is supported by the Department for International Development (DFID), UK. A cross-sectoral study of non-state providers in Pakistan has been produced by Richard Batley of IDD, that draws on this report, as well as studies conducted on government collaboration with health and education non-state providers in Pakistan.

### 1. SECTOR OVERVIEW AND SELECTION OF THE CASE STUDIES

#### 1.1 Sector Performance

2. Across Pakistan, nearly 44% of the households rely on hand pumps, 25% are serviced through a piped network. Figure 1 summarises the extent of usage of the main water sources. The large urban centres are serviced by a variety of sources, including bulk water supply for large settlements, deep tube wells servicing medium and smaller areas as well as lower cost systems at the *mohallah* level<sup>6</sup>. Large variations in the quality of service also exist by income groups, and between municipal areas. Despite the large public sector investments, a very high 61% of the water systems are self-financed by individual households (Government of Pakistan, PIHS, 200-02).

**Figure 1: Sources of drinking water in Pakistan**



Within Pakistan, the water supply coverage shows significant variations among the four provinces as well as within its urban and rural areas. (Table 1).

<sup>6</sup> PIHS 2001-2002

**Table 1: Sources of Drinking Water by Province**

Provinces	Tap in house	Tap outside house	Hand Pump	Motor Pump	Dug Well	River/ Canal/ Stream/ Ponds	Other
NWFP	30%	9%	10%	9%	17%	24%	1%
Punjab	18%	2%	54%	22%	3%	1%	0%
Sindh	26%	4%	44%	7%	9%	6%	4%
Baluchistan	23%	2%	1%	11%	31%	31%	1%

3. Over 14,000 rural water supply and drainage systems exist in the country with an annual recurring liability of nearly 1.0 billion rupees. However, over 33% of W&S systems are reported to be non-operational for a variety of reasons.<sup>7</sup> Despite heavy subsidies, the percentage of households paying for water user charge remains low, particularly in the rural areas. Illegal connections represent a high percentage of the connected households and typically exceed the legal connections.

4. In terms of household sanitation, barely 29 % of the housing units in the country have a separate latrine facility. However, the provision of separate latrines is higher in the urban centres (49%) compared to the rural areas (21%). Another 21% of the housing units have shared latrine facilities. A very high (51%) of the households have no household latrines facilities (70 % in rural areas and 11% in urban areas)<sup>8</sup>. Most rural households rely on street level drains for sullage and sewage disposal. Modern sewerage systems represent a luxury for a very large percentage of the Pakistani households.

5. The water and sanitation sector receives a fairly high priority and significant investments through a variety of vertical programmes of the Federal, Provincial and increasingly the local governments. These include sector specific funding and special multi-sectoral programmes including the recently completed multi-billion dollar Social Action Program (SAP 1985-2000), the on-going Khushal Pakistan Program (KPP) and numerous multi-lateral and bi-lateral projects.

6. Field evidence also points to modest sector funding through a variety of grant programmes to civil society organizations including a variety of NGOs, community based organizations (CBOs), and more recently to the Citizen's Community Boards (CCBs) under the new local devolved government system.

## **1.2 Sector policies and practices**

7. Up until the 80s, the sector was largely managed with a top down, supply driven approach to sector investments. Successive governments viewed themselves as policy makers, regulators and service providers, lacking any vision of alternative approaches to service provision, such as through collaboration with the growing Non-State Provider (NSP) sector. Planning and decision making responsibilities rested in the hands of the

<sup>7</sup> World Bank, WSP-SA, Islamabad, Pakistan

<sup>8</sup> 1998 census report of Pakistan

political elite, provincial bureaucrats and key functionaries of the W&S agencies. The latter included the Public Health Engineering Departments (PHED) and the Local Government Elections and Rural Development Departments (LGE&RD) who managed the bulk of the rural areas while the municipal entities and larger water authorities (WASAs) provided services to urban centres. Massive service provision gaps have grown due to the mounting population pressure (particularly in the urban areas), weak policies, and low resource allocations for maintenance, weak institutional capacities, lack of community ownership and poor accountability.

8. The early 90s witnessed a wholesale change in the sector approach. It was recognised that governmental initiatives lacked people's participation which had led to a host of problems related to the sustainability of services. In parallel, considerable success with the work of village based organizations (grass root NSPs) in the Northern areas, Chitral and elsewhere in Pakistan clearly demonstrated the efficacy of alternatives participatory approaches to local developments. Such approaches also received recognition in the design and implementation of a large number of donor-assisted projects as well as the parts of the Government of Pakistan's Eighth Five-Year Plan (1994).

9. Facilitated by large donor programmes, the key water sector agency (PHED) announced a uniform policy in which community participation was introduced as the central focus. Over time, demand-led development, cost recovery, public-private partnerships and harnessing the people's potential became common buzz words. However, despite the stated policies, federal, provincial and local governmental agencies are still not geared to fully implement the policies at the operational levels. A variety of institutional factors inhibit this, including weak systems and procedures, inadequate manpower and incentives and perhaps most importantly, an entrenched mindset that continues to suspect non public sector players, is fearful of competition and the loss of authority; sees little personal incentive in opting for change and therefore continues to promote the "do it all by yourself" approach to service provision.

10. This culture is prevalent in many public sector agencies, including those for water and sanitation. As a result, several government and donor-funded programmes, in particular the large Social Action Program, have shown less than satisfactory outcomes. For instance, a recent evaluation of the SAP showed that across Pakistan over 50% of water systems are non-operational and less than 40% of schemes have been handed over to local communities. Government agencies are generally reluctant to work with the Non-State Provider (NSP) sector, and local communities are often not willing to take over the operations and maintenance of facilities.

### **1.3 The devolution context**

11. Driven by the recognition of poor provision of basic services, the federal government introduced a radical reform programme in the year 2000. The subsequent legislation, which was entitled the "Local Government Ordinance (LGO) 2001", eventually led to the devolution of federal and provincial functions to the District, tehsil and union levels with varying degrees of devolution in the political, administrative and fiscal realm. Water and sanitation services have been devolved and decentralized to the sub-district level (Tehsil) level in the Common District and to the towns in City Districts. The urban and rural local councils have been merged under one delivery structure, i.e.

to the Tehsil in common districts and the towns in city districts while the macro-municipal functions have been retained at the level of the city district. .

12. Nearly 350 new Tehsil Municipal Administrations (TMAs) and five new City Districts (CDs) have been created. The TMAs has broad responsibilities for spatial planning, municipal service provision and regulation. The TMA consists of an elected Tehsil Nazim (mayor) and several technical and administrative staff who are responsible to the town council. All tehsils/towns have an elected council comprising 21 members with 33% representation of women.

12. The LGO 2001 permits the municipal institutions to contract out services to NSPs including not-for-profit NGOs and the for-profit private sector. The new law also contains provisions for community-led development through community groups called the "Citizens Community Boards" (CCBs). However the uptake of CCB projects is currently limited because of low awareness and unclear procedures. A few progressive TMAs have opted for such mechanisms and have already demonstrated significant success. These are isolated examples: most TMAs and the larger Water and Sanitation Agencies (WASAs) appear to be conducting business as usual.

14. For water and sanitation services, various provinces are in the process of further restructuring local government. Three years into the system, huge transition issues continue to mar progress. Institutional capacities are emerging as a major concern as most TMAs are unable to deliver according to expectations. The TMAs are also faced with a resource crunch compounded by unpredictable provincial transfers, high overheads, low and inelastic own revenue sources, and weak delegated powers. The devolution of powers to the local level does, however, provide good opportunities for improved collaboration between government and NSPs. This is demonstrated in some of the case studies and in the Jaranwala case in particular. Such opportunities can be enhanced when national and provincial governments do more to improve the enabling environment for local government to improve services.

#### **1.4 Selection of the case studies**

15. This research is mainly concerned with situations where government supports, contracts or regulates non-state providers of services and the case studies have been identified with this in mind. A number of the Pakistan water and sanitation sector cases also involve NGOs supporting government in policy development to improve service provision. Collaboration between government and NSPs can, of course, be initiated by either party.

16. Pakistan has a very active not-for-profit NSP sector, including NGOs and CBOs, engaged in the provision of basic services. Such NSPs are involved in many government and donor programmes. There are fewer examples of collaboration between government and for-profit NSPs, such as water vendors in Pakistan, and this is reflected in the selection of the water and sanitation case studies which are:

1. Evolution of the Rural Support Programs (RSPs) in Water and Sanitation
2. Municipal Collaboration with Non-State Providers in Jaranwala
3. Replication of Orangi Pilot Project Approaches
4. Collaboration of Water Vending Services in Orangi, Karachi



17. Cases have been selected to demonstrate good examples of collaboration between government and NSPs. Lessons are also derived from less favourable cases. Collectively the cases demonstrate a wide variety of different types of intervention. Cases 1, 2 and 3 include: policy dialogue between government and NGOs; government agencies adapting and scaling up of NGO approaches; joint planning for service improvements and capacity development of community groups and local government. Case 2 includes direct contracting of the private sector, while Cases 2,3 and 4 provide limited examples of joint action on the regulation of the private sector.

## **2. CASE 1: EVOLUTION OF RURAL SUPPORT PROGRAMS (RSPs) IN WATER AND SANITATION**

### **2.1 Introduction**

18. Participatory approaches to grass root development have been common in the sub-continent for many decades. The spirit of such movements was first captured and formally introduced in Pakistan through the Comilla Pilot Project initiated in former East Pakistan in the early-1960s by the late Dr Akhter Hameed Khan. Such programmes laid the ground-work for the Agha Khan Rural Support Programme (AKRSP) in the Northern Areas. This programme eventually provided the conceptual underpinning and useful experience to scale up and replicate similar initiatives through several Rural Support Programmes (RSPs) that were created by government and are now operating in virtually all provinces of Pakistan.

### **2.2 Types of interventions**

19. Within Pakistan, the RSP (and the larger National Rural Support Program) phenomenon can be described as a response to the service delivery crisis in local government. The RSPs clearly found a fertile ground to address the basic needs of the poor and unserved with improved water, sanitation and other services, as part of development projects.

20. Inspired by the AKRSP's success in addressing the needs of the rural poor, several RSPs sprung up in the 1990s. These have been registered under the companies ordinance of 1984 and are categorized as "not for profit chartered" companies, which can be regarded as non-state providers. The evolution of the RSPs demonstrates a variety of different types of government interventions and responses in working with not-for-profit NSPs including:

- Policy dialogue between government and NGOs such as the Agha Khan Foundation on how to adapt the successful community based approaches used on the AKRSP and similar programmes in rural areas.
- National and state governments scaling up community based approaches by creating provincial RSPs and a national RSP with their own board of directors, that are free from local government bureaucratic rules, based on NGO experiences.
- RSP support to community organisations (COs) in rural areas in terms of facilitating community mobilisation and capacity building, usually as part of multi-sectoral development programmes.

- Local government contracting of RSPs to undertake the community development components of large projects that are often funded by donors.
- Capacity development of local government staff in delivering community based approaches.

21. However, virtually all RSP projects have been funded by donors, even though they have worked closely with government and communities as part of those programmes. It remains to be seen whether the RSPs will be contracted to work on local government programmes without any donor funding. The following sections in this case study describe the development of the AKRSP and its replication and scaling up into provincial and national RSPs, followed by an analysis of the associated interventions.

### **2.3 The Agha Khan Rural Support Program (AKRSP)**

22. Driven by the poor conditions prevailing in the Northern areas of Pakistan, the Agha Khan Rural Support Program was conceived as a new approach to fostering the development of rural people. It was established by the Agha Khan foundation<sup>9</sup> with the support of numerous donor agencies. Its primary purpose was to involve rural people in their own development and create a model for other similar developments.

23. Initiated in the early 80s, the AKRSP started with the simple notion of a village organization that would serve as the key instrument for furthering its program objectives. The village organization was the key forum through which AKRSP interacted with the villagers and established linkages with the government agencies and other service providers. It identified needs and channelled investments and services to the village level. In the absence of local government institutions, the village organization acted as co-operative as well as a forum for civic governance.

24. As an institution, the village organization was expected to follow a strict code of conduct with a high emphasis on transparency, accountability and participation of the households in village consultations and key decision making. In parallel, the AKRSP also promoted the creation of women organizations. Represented by one representative from all the households of the village, the village organization was governed through its general body which held the village organization functionaries and various committees accountable. The AKRSP also strongly advocated “organization, capital and skills” as the three building blocks that would drive the village organization and its activities. The three building blocks were considered synonymous with the AKRSP approach and its overall program that targeted village improvements through multiple initiatives.

25. A typical AKRSP initiative would commence with the creation of a village organization and move on to address the broader village needs in support of improved natural resource management, physical infrastructure, marketing, rural credit and savings, human resource development and a variety of other needs.

26. Various evaluations speak highly of the unprecedented impact that the village organization-led interventions had, on the local villages. People gathered to debate

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<sup>9</sup> The Agha Khan Foundation is a private, philanthropic network established by Prince Karim Aga Khan; it seeks to promote social development primarily in low income countries of Asia and Africa, by funding programs in health, education and rural development.

issues, planned solutions, pooled resources and assumed responsibilities for a wide range of development activities with considerable success. The productive physical infrastructure (PPI) component, including water and sanitation, performed well and had a substantial economic development impact. The PPIs also served as the key entry points in village developments. However, it is important to underline that the bulk of the PPI programme focused on small irrigation sector investments which enabled a significant impact on household incomes from agriculture. The villagers therefore had incentives for continued participation as well as in ensuring the required operation and maintenance, the key pre-requisites for PPI interventions.

27. By the early-1990s, there was also an upsurge of interest in voluntary community based organizations among the donors and government agencies in Pakistan. The multi-billion dollar Social Action Program launched in the early-1990s led to the formation of health, water supply and education committees throughout the country, while large initiatives in forestry, environment and water management also added their own institutional forms.

28. An AKRSP evaluation shows that by 1996 over two third of all households in Gilgit, Baltistan and Chitral were members of the village organizations promoted by the programme. The organization has recently restructured and a new strategy developed to build on the lessons learnt over the past two decades.

## **2.4 The other RSPs**

29. Inspired by the AKRSP's success in addressing the needs of the rural poor, several RSPs sprung up in the 1990s. The Sarhad Rural Support Program in NWFP came into existence with the help of a USAID grant in 1989, while the National Rural Support Program (NRSP) was created in 1991. NRSP received a large grant (500 million Pak Rs) federal government in 1992, which the organization subsequently converted to an endowment fund to support its longer term needs. This was also the first example of the state explicitly supporting an NSP on such a scale. (See Box 2.1)

30. Each RSP is managed by a board of directors who are nominated at the time of its creation. The NRSP reported that the names of board members are typically circulated to the government for review and approval. Although a minority, the board typically includes senior government officials. The RSPs see this as a distinct advantage in its wide-ranging activities that now cover a large number of districts in all provinces of Pakistan. The RSPs reportedly enjoy full autonomy in policy-making, decisions in relation to its own structure and staff salaries as well as other key areas. Each RSP commands a work force that ranges from less than a hundred to over a thousand staff members. As a result, they are by far the largest not-for-profit NSP operating in the rural and social development sector of Pakistan.

### **Box 2.1: The National Rural Support Program**

Based in Islamabad, the National Rural Support Program is one of the largest NGOs in the country. The organization is currently working in 27 districts across Pakistan and has reached nearly 300,000 beneficiaries in all four provinces of Pakistan. Despite its size, this target group represents only 0.7 % of the 40 million rural poor.

Its key donors include the World Bank, Asian Development Bank, as well as several bi-lateral donors. Among other activities, the NRSP also works in the W&S sector by supporting local communities with planning, design and implementation of small water and sanitation systems. Such programs are typically in response to specific donor interventions.

31. The Punjab, Balochistan, Sindh Rural Support Program are relatively recent additions to the RSP family. The RSPs are also supported by an apex body (another NSP) called the Rural Support Program Network (RSPN) which backstops all the RSPs and also supports networking and capacity building activities. More recently a new entity has been added to the RSP family, called the “Devolution Trust for Community empowerment” (DTCE). The DTCE mandate mainly include capacity building of the Citizens Community Boards (CCBs) which are the grass root voluntary institutions being promoted under the local government ordinance.

32. The RSPs define their mandate as the “reduction of poverty and improvement in the well being of rural people by harnessing people’s potential to plan and implement activities that will improve their quality of life”. With minor variations, all RSPs see their strategic focus as the “provision of social guidance for community mobilization and organization leading to community empowerment”. Social mobilization activities include the formation of community organizations (COs) and their capacity building. Most COs are small in size although the actual size is typically driven by the nature of intervention. Community mobilization is accompanied by a range of activities intended to expand communities’ income earning potential. These include micro-credit, grant funding of community physical infrastructure, capacity building and training for employment. Communities are also encouraged to build their own assets through savings, internal lending and pooling resources.

33. The RSPs identify three levels of investments targeting the individual, household and village levels. The credit and savings program and various HRD activities are developed to benefit the individual CO members, while the investments in intra and inter village infrastructure target the household, mohallah and village levels. Given the difficulties associated in organizing a cluster of communities, the inter-village infrastructure is a relatively smaller proportion of the RSP portfolio.

34. The RSPs aim to work with communities without any pre-defined menu of projects. The community is supposed to articulate its own priorities with the RSPs acting as capacity building and funding intermediaries. A necessary signal of community demand is that the community must be willing to contribute to the project in some fashion. For infrastructure projects, this involves the community’s commitment to make contributions in terms of labour, cash (where possible), and responsibility for the operation and maintenance of projects.

35. A strategic goal is to enhance community access to available public services. This is achieved by information sharing and through networking between the community

organizations and the relevant service providers and government agencies. The RSP portfolio shows a large number of projects and activities supported by many donors. In response to questions on possible collaboration with local government without donor funding, they claim that local governments do not have the financial resources to engage RSPs, although some highly innovative pilot activities (in health and education sectors) have been launched with provincial and selected district governments.

36. The RSPs have been typically commissioned to support donor-funded projects ranging from single sector (such as water supply/sanitation and irrigation) to large multi-sectoral area development projects and programmes across Pakistan. They are also the largest recipient of donor/GOP assistance under an on-going World Bank program called the Pakistan Poverty Alleviation Fund. With nearly two decades of experience, a large network and considerable outreach, the RSPs are clearly the largest non state service provider in Pakistan with extensive experience in social mobilization, organizing communities, planning and development of village infrastructure and running effective village based programs in micro-credit.

37. With the implementation of the devolution plan, the RSPs anticipate a significant change in their mode of operations. The LGO 2001 specifically calls for allocating 25% of local government budgets for investments through the grass root NSPs such as the village based community citizen's boards (CCBs). Although fraught with significant problems, the piece of legislation on CCBs is an attempt to promote demand led participatory development at the Union levels.

38. The RSPs see this as a strategic opportunity whereby they can facilitate the registration of their village organizations (created under numerous projects) as CCBs and assist them in implementing development projects. The stated intention is to leverage their own funds to assist communities in obtaining better access to public development funds. Though the plan is still in its infancy, the RSPs (funded through donor grants such as the WB/PPAF) will provide support for 30% of the required funding, while the remainder will be contributed by the local government's development budget (50%) and local communities (20%).

39. Until recently, the RSPs were operating in geographically large areas and typically responded to development opportunities in an ad hoc manner. In most cases this was dictated by the compulsions of a project, for which the RSPs were commissioned. However, the new approach articulated by the senior management, calls for a more geographically integrated approach. The stated focus is now the lowest unit of the local government, i-e the union council and the organization progressively attempts to reach all villages and communities in a phased approach.

## **2.5 Analysis of the interventions**

40. The RSPs and some other NGOs have played an important role in service provision in large areas of Pakistan. However, it is important to recognize that the RSPs grew at a time when local government was not performing well.

41. The RSP literature suggests an expansionist vision that aims to target virtually all districts, tehsil and union councils of the country in a holistic manner. This is reflected in the five year Master Plans (of one of the RSPs); its future strategy of district level RSPs. Although admirable, it is unclear whether, this vision has been agreed with the local

government, which (at least in theory) have a similar mandate. The post devolution period has thrown up significant challenges including a challenge for the RSPs to closely align their future plans and activities with those of local government.

42. Available evidence suggests that the state has gradually accepted an increasingly larger role of NSPs, particularly RSPs, as service providers. However, this is not necessarily a widespread phenomenon and a large number of public sector institutions (particularly those in the W&S sector) continue to operate in a traditional top down manner with little interest in exploring alternative modes of service delivery.

43. The RSPs have largely thrived in a donor environment. However, their role and cost effectiveness in a pure public sector environment - particularly in partnerships with the newly formed local governments have yet to be tested. The RSPs have clearly played a central role in introducing and popularizing participatory development approaches in Pakistan. They have also shown that rural communities can effectively engage and take charge of their own development activities. However, critics of the RSPs contend that their approach is expensive to implement and is capital intensive compared to other smaller NGOs. Criticism has emerged even from within the RSPs which state that a heavy reliance on RSP staff, especially social organizers who mobilize communities, is costly. This is by contrast with training and supporting village-based activists and local communities to perform a variety of services. For these reasons, the sustainability of the RSPs remains a concern. To date there are no examples of an RSP having wound up its infrastructure even in areas where they have operated for 7-8 years.<sup>10</sup>

44. In general, the RSPs have successfully adapted to changing circumstances. Their autonomy and business approach have also led to an institutional ethos that is progressive. As a result they have been able to lobby, advocate and tap significant opportunities to further build on an impressive portfolio. However, discussions with some stakeholders suggest that the RSPs are not playing on a level playing field. The state as well as donors have single sourced the RSPs for a variety of projects, which raises doubts concerning fair competition.

45. The RSPs are largely focused on supporting projects in rural areas. This is driven by several considerations, such as an attempt to redress the disparity in access to rural services. However, an equally important consideration is the relative ease in organizing rural communities that are fairly homogenous in terms of their origin and other characteristics. In contrast, urban centres show a wide mix of people that present greater challenges of social organization.

46. The RSPs (and some other NGOs) appear to be reasonably comfortable with mohallah and small village schemes in the water and sanitation sectors. Given the RSPs' current institutional focus and technical capacity, the comparative advantage of the RSPs lies in providing assistance for the low cost and smaller water systems (refer to Box 2.2 for a summary of typical RSP water and sanitation schemes). The other levels of W&S systems serving larger and/or multiple villages and urban centres would perhaps be best managed through "for profit" larger NSPs with specialized skills and management capacities.

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<sup>10</sup> Pakistan National Human Development Report 2003, UNDP Pakistan

47. A summary of a new DFID funded rural water and sanitation project in the North West Frontier Province is included in Box 2.3. Such vertically funded programmes through federal and provincial governments, (in which RSPs partner), compete and at times may undermine local government initiatives. The RSPs and donors that may support such programmes will need to tread carefully to avoid friction that exists at the provincial and local levels. There is a need to closely align future investments within the framework of devolution and local government to maximize ownership, acceptance and future uptake. Where local government wishes to engage RSPs in their development programmes, there is evidence that the local government institutions need detailed guidance on how best to contract the services of RSPs to achieve good value for money, transparency and accountability.

48. There is still considerable resistance to the wide use of NSPs such as the large RSPs, among some government circles. More effort is required to convince the key stakeholder groups of the benefits of more collaboration between government and NSPs for improved service provision particularly to the poor. Doubts remain over the sustainability aspects of RSP programmes, particularly in relation to the O&M of the W&S assets. This would be an area for future research.

#### **Box 2.2: The Sarhad RSP's water and sanitation portfolio**

The SRSP in the North West Frontier Province has completed over 1300 schemes in the drinking water supply and nearly 500 schemes in the sanitation sub-sector, and benefit on average 100 to 200 households per scheme.

##### **RSP scheme eligibility criteria:**

a) Cost ceiling of Rs500,000 per scheme, b) Cost ceiling per capita (Rs5000/), c) Equity in terms of ensuring that the scheme benefits at least 50 % of the community, d) Sustainability criteria which requires assured O&M through local communities, e) Use of local labour and g) Social criteria which ensures that a potential scheme is free of disputes including land title/ownership and water/user rights.

SRSP also applies a variety of technical criteria prior to the selection of drinking water supply and sanitation schemes: Some of the criteria include the following:

**Drinking water schemes:** A key requirement is adequacy of water quality and the perennial reliability of water sources. Selection of technologies for water systems typically focus on the least cost options, both in terms of capital as well as recurring costs. The focus is on hand-pumps, gravity systems where possible and smaller network schemes in rural settlements.

**Sanitation schemes:** Under sanitation, the RSPs typically focus on low cost systems. These range from open street drains to solid waste systems as well as demonstration latrines in schools; the later are usually integrated with water storage tanks to ensure supplies for drinking and sanitation, as well as hygiene promotion which is treated as an integral part of sanitation.

### **Box 2.3 - DFID funded Rural Water and Sanitation Project: NWFP, Pakistan**

The Sarhad SRSP is currently engaged in the implementation of a multi-million dollar province wide program for improving water supply and sanitation systems in all 61 tehsils of the North West Frontier province of Pakistan. It has been commissioned as the lead contractor/NSP for implementation of the entire project which includes needs assessment, community development and organization, support for planning and implementation of W&S systems, as well as technical support to the municipal bodies for capacity building in selected areas.

## **3. CASE 2: MUNICIPAL COLLABORATION WITH NON-STATE PROVIDERS IN JARANWALA**

### **3.1 Types of Interventions**

49. Jaranwala is a progressive Tehsil Municipal Administration (TMA) in Faisalabad district with a total population of 1.34 million and an urban population of approximately 175,000. The TMA is responsible for water and sanitation amongst other services as defined in the local government ordinance. The Nazim of this TMA, Abdul Rehman Rana, has introduced a number of reforms since 2001, including working more effectively with for-profit and not-for-profit NSPs.

50. The extensive collaboration with NSPs in Jaranwala arises from the Nazim's recognition that the available skills amongst the staff he inherited are insufficient to provide good services across the many sectors for which they are responsible. There are restrictions on TMA recruitment of new staff, retrenchment and setting of salaries, so the scope of getting the right in-house skills and incentives are limited. As water and sanitation infrastructure is being extended into unserved areas, the use of NSPs is considered vital for the sustainable management of services. The diversity of Jaranwala TMA's initiatives for working more effectively with not-for-profit NSPs is shown in Box 3.1.

### **3.2 Analysis of interventions**

51. The examples of a municipal authority working with not-for-profit NSPs in Box 3.1 illustrates a diversity of promising interventions such as: collaboration with community groups, co-production in the component sharing approach to sewer construction with NGOs and communities, and policy dialogue with NGOs. The policy dialogue usually emerged from initial ideas put forward by NGOs. Doubts have been expressed about the effectiveness and representative nature of Citizen Community Boards elsewhere in Pakistan. At Jaranwala TMA the CCBs are seen as an effective means of involving community groups, reducing costs and developing projects in areas not favoured by the local politicians.

52. The examples of municipal collaboration with the private sector that are summarized in Box 3.2 describe limited contracting out of services in the municipality. The innovation of using the private sector to monitor other private operators is a useful way of enhancing the municipal authority's monitoring and regulatory capacity. Improving incentives for NSPs and other stakeholders in Jaranwala has underpinned



many of their reform initiatives. The Nazim has also introduced incentive schemes for municipal staff and village communities. Those villages that score well on self-help projects and a clean environment will have street-lights installed.

**Box 3.1: Working with NGOs and community groups in Jaranwala Municipality**  
**MoUs with NGOs**  
The municipal authority has signed a number of detailed Memoranda of Understanding (MoU) with NGOs including collaboration with Anjuman Samaji Behbood (ASB) to improve sanitation and water services to low-income communities. ASB has facilitated the construction of lane sewers with community groups, as part of a 'component sharing' approach together with the municipal authority. ASB's revised low cost sewer design standards and innovative ways of working have been accepted by the municipality.  
**Policy dialogue for infrastructure planning and implementation**  
Following advocacy and demonstration by ASB, the municipal authority has introduced Geographical Information Systems (GIS) based on satellite photographs for the city of Jaranwala. The photographs are stored digitally and can be used to produce accurate maps at the required scale of the town buildings and boundaries, together with infrastructure services. GIS has a variety of beneficial uses including better management of assets, strategic planning of infrastructure development, reduced survey and design costs, and it also enables the reduction of corrupt practices. Municipal staff have been reluctant to use the GIS, perhaps because they fear new technology or they may see it as way of reducing rent seeking activities. The Nazim is planning to expand the GIS to the whole TMA area. With UNDP funding, ASB collaborated in a Report Card survey on governance issues, for water, sanitation and street-light services in Jaranwala, which has informed the municipal authority's way of working. The governance issues used in the survey included: participation, rule of law, transparency, responses, equity, efficiency and effectiveness, accountability and strategic vision.  
**Working with Citizen Community Boards (CCBs)**  
Jaranwala TMA invited the NGO that emerged from the DFID Faisalabad Urban Upgrading Project (FAUP) to facilitate the formation and orientation of CCBs (community groups) in Jaranwala. Sixty CCBs have registered with the TMA and have submitted 77 schemes for consideration, out of which 28 were selected for implementation. The government pays 80% of the costs while the CCB contribute 20%, in accordance with the local government ordinance (2001). The TMA appointed a CCB co-ordinator to facilitate a quick approval and scheme design process that minimised the bureaucratic barriers for the CCBs that are common elsewhere.  
**Collaboration with community groups for lane sewers and water services**  
The municipal authority is now collaborating directly with community groups. For example, for those community groups who construct their own lane sewers, the Nazim (Mayor) has agreed to resurface their road and provide street-lights. Similarly for water, if about 70% of households in one lane pay Rs550 up-front for water connections, the municipal authority will provide a new water main.  
**Sources:** Adapted from ASB and EDC (2004), Nazim Jaranwala's presentation, and personal communications by Abdul Rehman Rana

53. As many of the interventions in Jaranwala are relatively new, it is probably too early to fully evaluate their performance. However, the various municipal initiatives collectively demonstrate a clear municipal vision to innovate and make the best use of non-state providers in service improvements. All the interventions have the potential to benefit a range of consumer groups including the poor, but particularly those citizens

who can afford to pay for the improved services. Chronically poor groups who cannot afford such services are likely to experience indirect benefits such as a cleaner environment. Examples of the Jaranwala TMA's initiatives for working more effectively with and regulating for-profit NSPs are set out in Box 3.2.

### **Box 3.2: Municipal collaboration with the private sector in Jaranwala**

#### **Contracting out services**

The municipal authority has contracted out the cleaning and maintenance of the drains in Jaranwala, over 300 sweepers are engaged in this activity. The Nazim is planning to contract out other municipal services including solid waste management. Penalty clauses are included in the drain cleaning contract of one year's duration, but as yet no incentive clauses have been introduced.

#### **Contracting out the monitoring of other private sector contractors**

The Nazim has engaged a private company to monitor the performance of other private operators engaged by the municipal authority, for activities such as drain cleaning; thereby increasing municipal capacity to regulate private operators.

#### **The 'schedule of rates' problem: negotiations with contractors to reduce costs and corruption**

Whenever local government organisations engage private contractors they are obliged to ensure that all rates for construction works are within 15% of the Punjab provincial government's schedule of rates that were set in the 1990s. Typically local government organisations add 37% to the 1998 rates to allow for inflation, although these figures are significantly higher than the market rate. In an effort to get better value for money and reduce corruption, the Nazim called a meeting of the municipal technical staff and local contractors. He negotiated a figure of 25% to be added to the schedule of rates instead of 37%. To secure the contractor's agreement, he agreed that contractors would not have to pay an 'approval fee' at the municipal offices before their invoices were paid and invoices would be approved for payment within 7 days, subject to any objections that were reviewed by the Nazim.

#### **Incentives for contractors**

The municipal authority has developed an incentive system for contractors based on scores against agreed criteria related to the quality of work, timely completion and the amount of work completed within the year. A cash prize is awarded, but the real rewards are in terms of enhancing the contractor's reputation and in promoting better performance amongst the private sector.

#### **Informal collaboration with water vendors**

Those people who do not have access to a piped connection in Jaranwala town are often dependent on the donkey cart vendors for drinking water. These vendors are allowed to fill their containers at the municipal tube wells next to the irrigation canals. This is an informal free service provided by the municipal authority until every house has access to piped water supplies.

**Sources:** Jaranwala TMA presentation (2004) and personal communications by Abdul Rehman Rana

54. Jaranwala TMA is reported to be an isolated successful municipal reform case, with few other TMAs adopting such reforms. The questions that emerge from these early reform successes are: how can further improvements be made in Jaranwala and how can they be replicated elsewhere in Pakistan? To answer these questions it is worth considering the constraints experienced in Jaranwala by the Nazim in improving services and more effective use of NSPs:

- The TMA has inherited staff from the previous local government administration who do not have the right skills mix for the challenges that face the municipality.
- The Punjab provincial government places strict restrictions on the TMA's autonomy to manage staffing issues, such as salary levels, recruitment and retrenchment, hampers both service improvements and effective engagement with NSPs.
- The fixed schedule of rates for construction work imposed by the provincial government (as described in Box 3.2) is intended to limit corruption but actually creates opportunities for it to happen. The schedules are higher than the market rates and limit the potential to make cost savings when using the private sector.
- Other municipal services are in need of strengthening such as improving water bill collections, but the TMA lacks guidance on how best to contract out and regulate services.

55. The local government ordinance (2001) provided the Nazim of Jaranawala TMA with the powers to introduce reforms and collaborate with NSPs, but other Nazims are likely to require more support. A clear role emerges for provincial government to facilitate the development of Tehsil Municipal Administrations and provide them with more autonomy to manage effectively and collaborate better with NSPs.

## **4. CASE 3: REPLICATION OF ORANGI PILOT PROJECT APPROACHES**

### **4.1 Development of the OPP sanitation approaches**

56. The Orangi Pilot Project (OPP) started in 1980 in the crowded Orangi settlement, Karachi's largest *katchi abadi* or informal settlement, with a population of 1.2 million. Led by Akhtar Hameed Khan, the OPP evolved into a remarkable self-funded and administered grass roots movement, relying on the resources and skills of the urban poor, who used local materials and labour in building hundreds of kilometres of low cost sewers. By 2001, 92,000 families in 6100 lanes, representing almost 90% of the entire settlement were covered (A.Zaidi, 2001). Gone were the murky stinking open sewers throughout the settlement, resulting in a much improved environment with substantial reductions in infant mortality.

57. The OPP Research and Training Institute (OPP – RTI) emerged as one of the most influential NGOs in the region during the 1990s. It has supported replication of its approach in many towns and cities throughout Pakistan by other NGOs, including collaborating with government organisations, with varying degrees of success. Regional NGO federations and UN organisations have been influenced by OPP and have adopted some of its principles. It has also expanded into other sectors such as credit, water, health and education, with the creation of separate trusts and associations to manage these concerns (ibid).

58. The OPP approaches have been adapted to suit local situations. Some of the distinctive features and principles used are summarised as follows (Adapted from Hasan, 1997 and Zaidi, 2001):

- Community facilitators and technicians are trained by the NGO to provide technical advice and support community groups in developing local infrastructure on a sustainable basis.
- Sufficient time should be spent on getting to know and understand the local people, their institutions, conditions and infrastructure.
- Local lane leaders are the frontline development workers who are selected by and are accountable to the residents on the lane committee, but they are supported by the NGO.
- A *Component sharing approach* entails separating the *internal component* (e.g. lane sewers that are provided and funded by the community groups), from the *external component* (e.g. trunk sewers, which should be provided by government).
- The NGO responds to requests for assistance by community groups, often following the successful implementation of a nearby community infrastructure scheme.
- The NGO seeks to collaborate with government agencies to enable effective and timely development of projects, including permitting appropriate low cost designs.

59. Perhaps the most distinctive feature of this approach is the *component sharing*, where the community group must finance and develop its own internal component of the infrastructure, with no cost sharing or subsidy. In some cases cheap credit is provided by the NGO. Critics question why groups in poor areas should pay the full cost for sections of public infrastructure such as lane sewers. It is for this reason that many government and donor organisations adopt *cost sharing* between government/donors and community groups, often based on agreed percentage contributions. Box 4.1 discusses cost sharing experiences for participatory urban sanitation programmes in Faisalabad.

60. Component sharing for local sewers has been successful where residents in a lane are sufficiently motivated to improve their local environment and incur all the associated costs. This may entail the NGO and local organisers persuading residents that it is pointless to wait for government to come and provide services and it is therefore better to do it themselves. The *component sharing* approach has a number of distinct advantages over *cost sharing*; these include:

- 1) The communities can develop a clear sense of ownership and empowerment by taking full responsibility for their own lane sewers or other local infrastructure.
- 2) Component sharing generally allows community groups to proceed with their component of the project, with much less bureaucratic interference or delays caused by government agencies.
- 3) The total infrastructure costs are less. Proponents of OPP argue that substantial savings are made by lane committees engaging local contractors or artisans to do the construction, thus eliminating the additional costs of government managed schemes that include: over-designed schemes, large contractor profits, fixed government schedules of rates and pay-offs to officials who grant approvals.

## 4.2 Analysis of the nature of interventions

61. The OPP approach has been replicated in many cities and towns including: Karachi, Faisalabad, Rawalpindi, Lodhran, Uch, Multan, Jaranwala and Peshawar. Projects have often been in low-income areas, but not exclusively. Some initiatives have fizzled out (Hassan, 2001), while others have endured and have included positive collaboration with local government agencies. The following sections summarise experiences of government agency interventions or responses where Non-State Providers have implemented the OPP methodologies.

### ***SKAA/OPP collaboration in Sindh Province***

62. The Sindh Katchi Abadi Authority (SKAA) is a provincial government authority established in 1987, with a revolving fund of \$6.2 million provided through an ADB loan. Its main functions were: the regularisation and development of *katchi abadis* (informal settlements), including the provision of social services such as health, education, water and sanitation in notified *katchi abadis*; either directly or through collaboration with NGOs, government agencies, or donors (Hasan, 1997).

63. SKAA and OPP began to work together in 1991 on an informal basis with policy dialogue concerning how SKAA should work in informal settlements. SKAA decided to accept the OPP model of development and requested that OPP become their consultant in evolving a government-NGO-community partnership for *katchi abadis* in Sindh Province. An official agreement was signed in 1994 between SKAA and OPP-RTI. OPP's role consisted of providing training and advisory services to SKAA for settlements under its jurisdiction for:

- Documentation of existing water and sanitation facilities
- Identification of *katchi abadis* that need external sanitation and water mains
- Designing and preparing estimates for external sanitation
- Organising and training the communities for *internal development*
- Training/orientation of SKAA personnel on OPP approaches.

64. A fee of Rs.500,000 was paid by SKAA for these services, with regular reporting and meetings between both parties. However, for a considerable time OPP-RTI did much more than train and advise. It negotiated with communities and participated in documentation and the production of designs, working alongside SKAA staff. Initially SKAA staff were reluctant to adopt the OPP way of working. But with the encouragement of SKAA senior staff, eventually the SKAA staff acquired the OPP's manner of functioning. In 1996 both parties agreed that OPP would revert to its advisory role, as per the terms of their agreement, as SKAA staff had acquired skills and it was up to them to carry on and modify the process. (Hasan, 1997).

65. Changes in SKAA's way of working became evident during this period, weekly meetings, and community interactions became routine for SKAA employees. It took extensive measures to involve the community in its work, including innovating to adapt to the communities requirements. (Zaidi, 2001). However, repeated changes in SKAA's leadership have had an adverse impact on the working relationship between OPP and SKAA. The most effective collaboration occurred during the periods when Tasnim Siddiqui was the Director General, due to his commitment to OPP and community

participation. SKAA scaled up its proactive engagement with community groups in all of its programmes. This is evident from the SKAA procedure manual (1999), which clearly sets out requirements to consult community groups and support their initiatives.

66. The collaboration has continued to 2003 with both the community and OPP-RTI being consulted about scheme designs. OPP-RTI also advise community groups and SKAA engineers on monitoring the work of contractors and SKAA seek a no-objection certificate from the community and OPP-RTI before the contractor receives his final payment (OPP, 2003). This is an example of a government using NSPs to assist in the regulation of its service provision.

67. Following the devolution government ordinance in 2001, SKAA is required to gradually transfer many of its functions to municipal town authorities. Its remaining roles relate to approvals for land regularisation and training of staff from town municipal authorities (OPP, March 2003). Its diminished role for the future does not detract from the fact that SKAA provided good examples of effective collaboration between government agencies and non-state providers during the 1990's.

### ***Replication of OPP approaches in Faisalabad District***

68. The NGO Anjuman Samji Behboob (ASB) has been developing community sanitation and water services by adapting the OPP approach in Faisalabad City. From 1995 to 2004, ASB report having worked on sanitation in 70 communities in 529 lanes, facilitating the laying of 142,000 feet of sewer that have benefited 6,600 households in the city. They have worked with 12 communities on improved water services.

69. They have generally followed the OPP approach, but in addition they have offered loans for poorer people who have not been able to afford the contribution of Rs1,000 per household for their lane sewers. People are offered interest free loans that are repaid to ASB by the lane committees. To encourage people to pay contributions before construction commences, the people are told they can pay Rs1,000 upfront before construction, or Rs2,000 later. The credit arrangements have been a success (A. Zaidi, 2001). WaterAid, a UK based NGO has provided a revolving fund for the credit facility.

70. Only limited collaboration between ASB and Faisalabad Water and Sanitation Agency (WASA) has taken place. An example of their working together was on new connections to community water pipes facilitated by ASB. WASA issued a No Objection Certificate (NOC), which stated that any proposed new house connection on the community water pipe would have to be approved by ASB and supervised by WASA. The requirement for approval by ASB was intended to limit unauthorised connections to the community water pipe after it was constructed.

71. ASB consider that policy dialogue and joint planning with WASA have not been particularly successful, due mainly to WASA's attitudes in relation to participatory development programmes (refer to Box 3.1). The advantage of the OPP component sharing approach is that it does not require too much liaison between NGOs and local government; the NGO can work directly with community groups. ASB has had more fruitful policy dialogue with the Tehsil Municipal Authority in Jaranwala, which is a town in Faisalabad district, where the Nazim has shown a clear reforming vision and is willing

to work with non-state providers. The NGO and municipal authority have signed an MoU in 2002 summarising their collaborative arrangements.

72. In Faisalabad, the NGO ASB concede that their component sharing process is disrupted by politicians and government agencies promising new schemes without any community contribution. It would also seem that persuading communities to fund all of their lane sewers is difficult when large government or donor contributions are on offer, such as the 80% government contribution offered via the Citizen Community Boards that are being established. This could explain ASB's reduced activity in Faisalabad City in 2004.

**Box 4.1: Faisalabad Water Authority collaboration in participatory sanitation programmes**

OPP were asked to assist with policy development in the Faisalabad Area Upgrading Project (FAUP) a government programme that was principally funded by DFID. GHK were the principal consultants involved. OPP's technical designs for lane sewers were adopted, but OPP withdrew their support when it became clear that their principle of no cost sharing for the internal component (lane sewer) was being ignored (A.Zaidi, 2001).

FAUP experienced problems in persuading households and community groups to pay their contributions which were initially 50% of costs, then reduced to Rs800. In one colony (Chalk 7) where people were reluctant to contribute, a large donation was paid by a benefactor to allow the project to go ahead. It is likely that the users' reluctance to pay contributions was because they hoped that the donor or government would pay more.

The FAUP achieved some initial success in establishing a Community Infrastructure Unit in Faisalabad Water and Sanitation Agency (WASA). It encouraged the WASA to become more consumer-oriented and participatory in its approaches. However after the FAUP finished in 2001 the WASA closed the CIU and they no longer work with NGOs on WASA projects. In addition, the WASA no longer use the OPP/FAUP technical designs because it does not comply with provincial government regulations.

***Replication of OPP approaches in Peshawar City District***

73. UNICEF in partnership with SABAWON (an NGO) initiated an urban environment sanitation programme in towns I to IV in refugee affected areas of Peshawar district in 2003. The project was implemented in close co-ordination with the Tehsil Municipal Authority (TMA) and the beneficiary communities. Project partners agreed to adapt the OPP approach including strengthening of the TMA. However, as the project period was short (6 months) the extent of capacity development was limited. According to the agreed MoU, the TMA was supposed to implement and fund the lane sewers, but TMA approvals were delayed, so half of the lane sewers were funded by the project. (SABOWON, 2003)

74. The chosen project towns were Shinwari and Afridiabad and the community response in the two towns was quite different. In Shinwari where the economic conditions were comparatively better, the people's response to the project was positive, they contributed Rs1,000 per household, despite short periods of time for community mobilisation. In Afridiabad, on the other hand, where the majority of people are poor and

live in rented houses, people were reluctant to participate in the project. The lane committees only paid for the construction of the house pipe connections and tee chambers, not for the lane sewers, as has happened elsewhere on OPP type projects. However, a substantial improvement in the cleanliness of the environment was achieved in the lanes where the project was implemented.

75. Eleven CCBs were created as part of the project, but unnecessary bureaucratic hurdles remain, which prevent the CCBs from developing. Clear policy directives are required from provincial government to facilitate the smooth functioning of CCBs (Ibid).

#### **4.3 Performance of the interventions**

76. Effective local government interventions or responses have occurred when working with non-state providers in Sindh province at the Sindh Katchi Abadi Authority and by the Tehsil Municipal Administration (TMA) in Jaranwala. Both the SKAA and Jaranwala cases demonstrate effective collaboration in terms of policy dialogue, direct contracting, joint planning for service improvements, capacity development of local government and community groups, facilitating community participation, as well as joint action on the regulation of the private sector.

77. SKAA produced positive results when working with OPP, largely due to the results orientated and reforming senior civil servants who managed to get into key positions once in a while (A. Zaidi, 2001). The successes at Jaranwala since 2001 are largely due to the clear reforming vision of the Nazim and his willingness to work with NSPs. Another important ingredient in successful collaboration is having capable NGOs who can contribute effectively to policy dialogue with local government on improving services. The policy dialogue is most effective when both parties are exploring new ways of working.

78. The collaboration between local government and NSPs was less productive in Faisalabad city and in the towns of Peshawar district. The Water Authority in Faisalabad (WASA) has had plenty of exposure to NGO and participatory approaches in recent years; they had a Community Infrastructure Unit (CIU) in their own organisation as part of the DFID funded FAUP project. But they have been unwilling to scale up NGO or participatory approaches and have closed their CIU. Unless local government organisations show a clear willingness to collaborate with NSPs and adopt more participatory approaches, then NGOs and donors should consider moving on to areas where government is more willing to reform.

79. The OPP approach has been replicated and adapted for the provision of community lane sewers in a number of urban areas in Pakistan with positive results. The most successful replications have occurred where there has been a dedicated and capable NGO that appreciates the OPP principles, but is willing to innovate to suit the local situation. Where government have intervened to support and collaborate with the NGO, more benefits and scaling up have been achieved. OPP RTI and ASB have successfully applied the approach but have been reluctant to work in other regions, preferring other NGOs to use the approach in their areas.

80. Future replications will depend to a large extent on the availability of willing and able NGOs and the incentives for community groups to invest in the local infrastructure.



The component sharing approach has clear merits but flexibility is required in agreeing the size of the community's component.

81. Problems have been encountered on donor programmes such as in Faisalabad and Peshawar city district where communities and/or local government have been reluctant to pay their contributions for infrastructure improvements. This may be due to communities and local government hoping that the donor will contribute more. This emphasises the need for clear, consistent and appropriate provincial government policies for matters such as subsidies and stakeholder contributions for projects, irrespective of whether donors or government are funding the programme.

82. Careful demand assessment is required particularly amongst the poor and people who do not own their houses. They may not be willing to make significant investments in new infrastructure. Dialogue with such communities is likely to entail offering a choice of technical options. If cheap credit is made available, it can be beneficial in assisting poor households to participate in infrastructure development programmes.

## **5. CASE 4: COLLABORATION ON WATER VENDING SERVICES IN ORANGI, KARACHI**

### **5.1 Introduction and stakeholder roles**

83. The average daily water production of the Karachi Water and Sewerage Board (KWSB) falls well short of the needs of the city's population. The acute water shortages have led to the development of various informal alternatives, including private informally developed boreholes. There are about 5,000 commercial tankers supplying water to areas that are poorly served. In the summer peak season the tankers do a thriving business which is even greater when the KWSB pipe services break down (Ahmed and Sohail, 2003).

84. In 1997 the city administration decided to use tankers to serve water scarce areas of Orangi. Initially this was entrusted to KWSB but they were unable to do this satisfactorily. As the situation became tense almost leading to water riots, the city administration decided to entrust the responsibility to the Pakistan Rangers (a paramilitary force). The Rangers undertook a survey and identified the need for local storage tanks where the tankers could be emptied.

85. Mosque and church committees agreed to make their water tanks available for community water supplies, while new tanks were built, either by the people themselves through self-help or by the Rangers. These tanks came to be known as Awami tanks, which are filled by the commercial water tankers using KWSB water, according to routes prescribed by the Rangers (Ibid). At least 22 community managed Awami tanks have been surveyed in Orangi. Some tanks are filled from tankers with untreated water from informal groundwater sources, particularly in times of shortage. Once the water is delivered to the tanks, local people purchase water and carry it in containers to their homes. It has been noted that the community managed tanks are better maintained than the government tanks, that are often vandalised. Figure 1 shows how the tanker water is distributed to the Awami tanks.

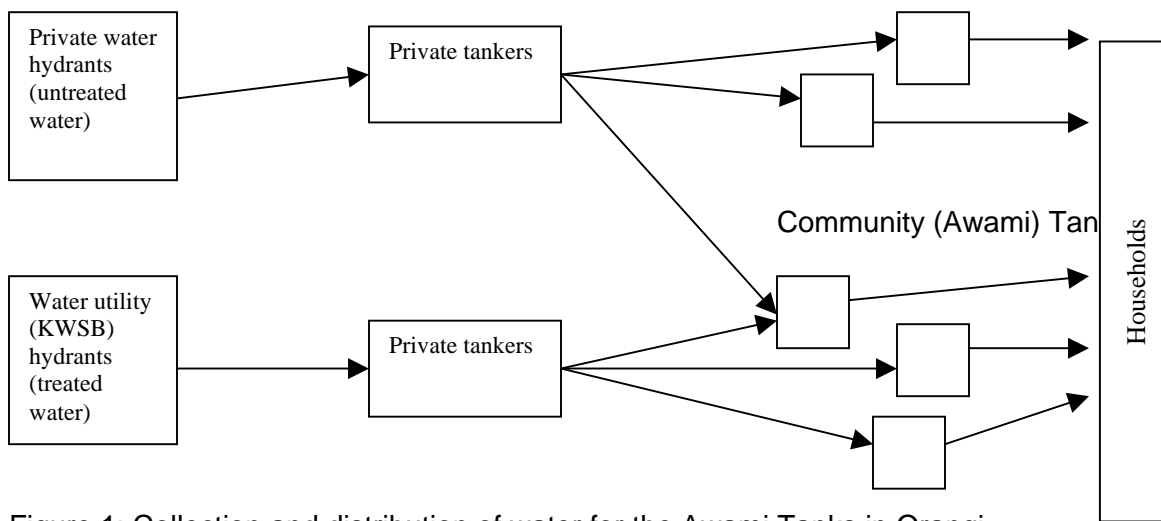


Figure 1: Collection and distribution of water for the Awami Tanks in Orangi  
(Adapted from R. Abdullah, 1999)

## 5.2 Analysis of the interventions

86. In response to a water service provision failure by the utility in the Orangi area of Karachi, a tankered water distribution system with local community storage tanks has emerged involving both state and non-state providers. The collection and distribution of the tankered water by the many stakeholders including the utility, private tankers, the Pakistan Rangers, community groups and users is well organised, but does not necessarily involve formal on-going partnerships.

87. The vended water market provides only 9% of the quantity of water consumed by residents of Karachi on a daily basis, yet it earns almost 50% of all the revenues expended on water in the city (R. Abdullah, 1999). This demonstrates the high cost of water paid by people who have to use vended water and these consumers are often poor without their own private connection.

88. Although a piped water distribution system is a far more effective and efficient system of providing water to users than tankered water, the tankered supplies are still substantial in Karachi. This is likely to be due to the fact that the water utility and its staff have insufficient autonomy, capacity and incentives to invest in extending and improving the water services on a sustainable basis. Until these utility performance issues are addressed, the expensive tankered supplies will continue.

89. Karachi Municipal Corporation (KMC) and KWSB have failed to regulate the extraction of groundwater by the private sector in Karachi. This is despite the fact that an important public resource is being depleted and over-extraction is causing some land subsidence. KMC have attempted to register private hydrants, but only 24% of hydrants in the city are registered (R. Abdullah, 1999). Rather than direct regulation of water vendors, KMC or KWSB would be better advised to promote transparency so that managers of community tanks and consumers are aware of which tankers are carrying treated waters and which ones are filled with untreated water. This could be promoted through the tanker association. Regulation of tanker water prices is difficult to manage,

particularly where water shortages occur. The best long-term solution is to encourage more competition including extension and improvement of the utility piped water network.

## **6. CONCLUSIONS**

### **6.1 Evolution of the Rural Support Programme Institutions**

90.

- a) The development of the provincial RSPs and the NRSP are good examples of government replicating and scaling up community participation approaches for the development of water, sanitation and other services, that have been piloted by NGOs, such as the Agha Khan Rural Support Programme.
- b) Concerns have been expressed about the reporting and cost effectiveness of RSPs on some development programmes. To encourage a 'level playing field' and improved performance of NGOs, the following interventions should be explored:
  - Provision of guidance for improved contracts or MoUs between local government and NGOs to be used when they work together on development programmes.
  - Improved 'market friendly' regulation of NGO operations through approached such as the voluntary accreditation schemes developed by the Pakistan Centre for Philanthropy (PCP). Such schemes should not, however, be too complicated or burdensome.
  - Introduce competitive bidding where local government procures the services of NGOs on larger government/donor funded programmes. The contract award process should not necessarily go to the lowest bidder but should take full account of the effectiveness of each NGO.

### **6.2 Municipal collaboration with NSPs in Jaranwala**

91. Jaranwala is a progressive TMA in Faisalabad district with a total population of 1.34 million. The Nazim of this TMA has introduced many reforms since 2001, including working with both not-for-profit and for-profit NSPs. Some emerging lessons include:

- a) The devolution policies and new institutional roles that are set out in the local government ordinance of 2001 provide TMAs (outside the major cities) with the powers to engage and work effectively with NSPs in improving water and sanitation services.
- b) The experiences in Jaranwala have shown that local government can collaborate effectively with NGOs, community groups and the private sector in improving the provision of urban infrastructure services. This can occur where there is good leadership and a willingness to engage effectively with NSPs.
- c) The Punjab provincial government's restrictions on the TMA's autonomy to manage staffing issues, such as salary levels, recruitment, retrenchment and schedule of rates hamper both service improvements and effective engagement with NSPs.
- d) Concerns have been expressed about whether Citizen Community Boards are representative of the local community. Jaranwala TMA shows that if the CCBs are

formed using professional facilitators and the municipal authorities respond quickly and effectively to CCB proposals, then CCBs can be useful interventions. CCB projects are particularly useful in areas not favoured by the local politicians.

- e) If the Jaranwala experiences are to be replicated and scaled up, local government requires appropriate capacity development and substantially more autonomy to manage effectively

### **6.3 Replication of the Orangi Pilot Project (OPP) Approaches**

92. The OPP approach was originally developed in Karachi and has since been replicated in many other areas of Pakistan with varying degrees of success. Some emerging findings are summarised as follows:

- a) The 'component sharing' approach developed by OPP (e.g. where the community pays for and develops its lane sewers, while government develops the primary infrastructure such as the main sewers) has proved to be a successful development model for urban sanitation in a number of cities and towns in Pakistan. This approach does however require significant community demand for service improvement so that they are willing to meet their necessary time and monetary costs. Careful community mobilisation by capable facilitators is also required if this approach is to be successful.
- b) In comparison with the 'cost sharing' approach (where community groups pay a contribution to the new infrastructure development scheme, e.g. the DFID supported FAUP in Faisalabad), the 'component sharing' approach has clear advantages. These include: 1) the communities can develop a clear sense of ownership and empowerment by taking full responsibility for its own lane sewers; 2) component sharing generally allows community groups to proceed with their component of the project, with much less bureaucratic interference or delays caused by government agencies; and 3) the total infrastructure costs are less. However, a 'cost sharing' approach that is adopted by an effective government agency that is committed to community participation can enable the development of infrastructure more quickly in an integrated manner.
- c) Both the 'component sharing' and the 'cost sharing' approaches can be adversely affected if alternative schemes are proposed or promised which would involve the communities in paying less. Examples of such schemes include politically sponsored schemes or government projects that may not be implemented for many years.
- d) In many donor-funded projects (e.g. Peshawar and Faisalabad), there is a tendency for local government and communities to delay giving their financial contributions in the hope of extracting greater contributions from donors. A potentially useful donor strategy for overcoming this problem is to introduce an element of competition. This could entail the donor/government deciding not to work in areas where financial contributions cannot be agreed.
- e) Careful co-ordination of donor/government subsidies and the contributions of stakeholders such as community groups is required in order to improve the effectiveness of infrastructure development.

### **6.4 Collaboration on water vended services in Orangi, Karachi**

93. Based on a literature review of informal water sector providers in Karachi and discussions with sector managers, officials and NGOs in Lahore, Faisalabad and Jaranwala, the following conclusions are reached:

- a) For-profit NSPs in the water and sanitation sector such as water vendors and private water tankers are generally ignored by government and formal providers such as utilities in many parts of Pakistan. This is mainly due to the fact that government sees these informal service providers as temporary and believes it to be better to devote efforts towards extending formal water and sanitation service provision.
- b) There are cases, such as in Karachi, where water utilities and their staff collaborate with both for-profit NSPs and community groups to provide alternative vended water to meet a clear need, but usually on an informal basis.
- c) NSPs such as water vendors often charge high water prices, so it is tempting to try and regulate their prices. However it would be impractical for a regulator to study and take into account all the varying costs of a wide range of water NSPs in a city and then regulate those NSPs on a fair basis. A more promising option is for a utility/regulator to publicise the price of water that the vendors pay when they collect their water, so that their customers know the vendors price mark up. Encouraging fair competition, such as ensuring that NSPs and potential NSPs are not unfairly excluded from the market is also important.
- d) The best long-term solution to high water vendor prices is for the utility to compete with the vendors by improving services to those areas. The utility has a clear comparative advantage over most NSPs because of their economies of scale associated with having large piped networks.
- e) Water quality seems a valid aspect for regulation, either in terms of regulating ground water extraction, or random water quality checks at water collection points. However, enforcement of non-use of sources where contamination is found can be very difficult if good alternatives are not available.

## **6.5 Policy issues impacting on NSPs' future role in service provision**

94. The devolution process in 2001 was a significant and far reaching change in the administrative and institutional landscape of Pakistan. Although the law has opened new windows for potential collaboration, NSPs remain a very small player in W&S service provisioning in Pakistan. This is partly explained by low awareness and limited capacities in local government.

95. Following the introduction of the local government ordinance for devolution, there has been little policy dialogue between central and local government concerning the detailed implementation of devolution and the effective engagement with NSPs. This is acknowledged in the Poverty Reduction Strategy Paper for Pakistan (2003). The main dialogue that has occurred with local government has been in the form of experience sharing. For example, the National Reconstruction Board (NRB) has held workshops attended by local government representatives to share experiences and good practice. Study visits by municipal staff to other municipal authorities who have embarked on interesting initiatives with NSPs have also taken place, but thorough dissemination of such lessons has not occurred.

96. In the absence of a clear policy, operational guidelines or systems for rewards and sanctions, various municipal bodies (including large WASAs and TMAs) continue to conduct business as usual, with NSPs being marginal players. There is a high reliance on direct service provision through old top down approaches that are increasingly unsustainable. A small number of progressive TMAs are experimenting with contracting

out arrangements and are demonstrating considerable success. However, a wider uptake of these approaches has not occurred.

97. Despite new legal provisions (LGO 2001) and the acceptance of a sector wide policy in support of wider use of NSPs, the government continues to fund highly subsidized programmes that tend to undermine local (and NSP) efforts to mobilize communities and develop sustainable services. For future programmes to succeed, consistency and uniform application of policies will be required.

98. Incomplete devolution in the water and sanitation sector has occurred, where local governments are constrained by the higher levels of governments from taking significant administrative decisions. Among other examples, provincial restrictions apply to local government hiring, retrenchments, incentives and a whole range of other areas that directly impact on institutional efficiencies. The combined effects of these factors constrain local government decision-making and reduce the incentives to consider other innovative ways of service delivery using NSPs.

99. The fiscal situation in a large number of local governments also reduces the incentive for alternative thinking and service provision. High and generally rigid institutional overheads combined with low and inelastic revenue sources result in a very difficult budgetary environment for most local governments. A significant part of a typical municipality budget (across Pakistan) comprises transfers from higher levels of government. These are often provided in small increments and are highly un-predictable in terms of its aggregate size and timing. Although some local governments are showing modest growth from their own revenue sources, the prospects for sizeable improvements appear limited in the short term. In addition, having transferred virtually all municipal responsibilities to the lower tiers of the government, several important and lucrative tax sources (theoretically transferred to local government) continue to be managed by the provincial governments such as urban property tax. These factors combine to reduce the incentives for reform and improvements in service delivery. LG incentives could be improved by measures such as: tariff reforms, encouraging outsourcing, and systems for performance-based grants.

100. The most effective policy dialogue and joint planning between government and NSPs occurs when the support is mutual and two-way. Unless NGOs 'bring something to the table' in terms of policy dialogue and good ideas on how government can improve services, it is unlikely that government will be willing to engage in genuine policy dialogue.

101. The few examples of successful government-NSP relationships in Pakistan are often dependent on the efforts of individuals, both in government and in the NSPs. If more widespread support and contracting between local government and NSPs is to occur, then national and provincial government need to do more to create an effective enabling environment at the local level, including providing strategic guidance.

## **6.6 Comparisons of experiences with the general hypotheses of the NSP research**

102.

- i) There is a limited but growing body of research on non-state providers in the water and sanitation sector in Pakistan. The OPP-RTI pioneered action research in the context of sanitation during the 1990s. There has also

been limited research by academic institutions and donors. The Water and Sanitation Program of the World Bank in Pakistan has recently been active in conducting sector-wide research, testing pilot activities, networking as well as dissemination. There is little evidence that this has influenced policy to date.

- ii) The water sector is highly politicised, particularly at the local government levels that have the primary responsibility for water supplies. As new water and sanitation infrastructure is often very visible, local politicians like to control or claim credit for local schemes and keep water tariffs low, which hampers effective service provision. As a result there has been limited effort to experiment with alternative NSP approaches in service delivery.
- iii) The hypothesis related to economic and political characteristics is true for water and sanitation. For an example see the comments in ii).
- iv) By comparison with the health and education sectors, the blurring of boundaries between the public and private sector provision is less of an issue in the water and sanitation sectors where public sector agencies are dominant in Pakistan and often do not fully acknowledge the contributions of NSPs.
- v) The state's recognition of NSPs is important and this is the reason for the efforts of the Pakistan Centre for Philanthropy to develop an NGO accreditation system. However, any NGO registration or accreditation system needs to be relatively simple and practical for it to be used extensively.
- vi) NSPs in the water and sanitation sector often serve poor households that are not connected to network services, as well as richer households that use NSPs to provide more expensive non-state solutions such as boreholes and septic tanks.
- vii) Institutional capacities in the W&S sector in Pakistan are limited, particularly at the tehsil and union council levels. This is also true for regulatory capacities, which makes for a strong argument to focus on capacity building in regulation and government's other enabling roles.
- viii) Pakistan has had some good experiences with low cost and high (or appropriate) quality services through NGOs, particularly in low cost sewerage using the Orangi-Pilot Project approaches.
- ix) The water and sanitation sector is effectively unregulated in Pakistan. The municipal institutions and some others, including the environmental agencies have little capacity for regulation.
- x) Regulation of water and sanitation NSP activities is difficult and is likely not to be cost-effective in many circumstances, except where NSPs are directly contracted by government agencies. The use of MoUs between local government and NGOs does offer some measure of regulatory control.
- xi) The difficulty of regulating informal water vendors has been borne out by experiences in Karachi.
- xii) Examples of governments strengthening the operation of NSP markets were not evident in Pakistan, apart from isolated individual efforts such as the initiative of nazims in Jaranwala and Faisalabad. The efforts of the Pakistan Centre for Philanthropy to develop an NGO accreditation system are another example of improving the operation of the market. However, it is still in a pilot phase and therefore its effectiveness and impacts on the NSPs remains to be seen.

- xiii) There is good evidence in the water and sanitation sector of good community participation at the design and construction phases of projects. This participation is typically the result of a given investment opportunity such as a donor or NGO scheme, as opposed to a pre-existing or indigenous, self sustaining community organization. Further evidence is required that community management that encompasses long term operation and maintenance of facilities is being carried out in Pakistan.
- xiv) Only isolated cases of contracting out of services were discovered in the Pakistan water sector, such as drain cleaning. Contracting out water and sanitation has more potential than in the other sectors because the services are more easily measurable.
- xv) Longer-term partnerships between the state and NSPs are not common in the Pakistan water sector, and this is in part due to the lack of political stability. There are however, examples of longer-term partnerships where the OPP approach has been replicated in Sindh and Jaranwala, Punjab. This has generally occurred where individual government staff have had a shared vision with individuals in NGOs.



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## **SUB-ANNEX 1: PERSONS INTERVIEWED**

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Abdul Halim Chaudhry, Dep Managing Director, Water & Sanitation Agency, Faisalabad

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