

PUNJAB DEVOLVED SOCIAL SERVICES PROGRAMME

WHITE PAPER ON PUBLIC - PRIVATE PARTNERSHIPS

FINAL REPORT

Submitted by

Masood Hayat

SoSec Consulting Services

PAKISTAN

Table of Contents

I.	Rationale for Public-private Partnerships	3
1.	Background	3
2.	Defining public-private partnership	4
3.	Why use public private partnership	6
II.	Study of the working PPP models in Punjab	7
4.	Objectives	7
5.	Methodology and process	7
6.	Management contracts	8
6.1	Contract with PRSP for management of the basic health units	8
6.2	Partnership between the Punjab AIDS Control Program and private consulting firms/NGOs.....	12
6.3	Women Health Project Punjab’s partnership with NGOs.....	14
7.	Use of CCBs and Community Forums	16
7.1	Health Development Initiative, District Gujrat.....	16
8.	Autonomy to the Medical and Health Institutions in Punjab.....	18
9.	Punjab Health Foundation.....	21
10.	Management contracts	24
10.1	School adoption under public-private partnership	24
10.2	Non Formal Education (NFE) Centers	26
10.3	PRSP managed community primary schools.....	28
11.	Concession Contracts.....	29
11.1	Up gradation of schools through community public partnership.....	29
12.	Build Operate Transfer (BOT).....	31
12.1	Islamia High School Bhati Gate	31
13.	The Punjab Education Foundation.....	33
14.	O & M contracts with community participation	35
14.1	Punjab Community Water Supply and Sanitation (Sector) Project.....	35
14.2	Installation of water filtration plants at tehsil Chiniot	37
15.	Overall analysis of the reviewed PPP models.....	38
15.1	Typologies of the reviewed models and their main differences	38
15.2	Partners, their roles and capacity	41
15.3	Regulatory framework	41
15.4	Monitoring, review and evaluation	41
15.5	Overall output	42
15.6	Overall SWOT analysis	43
16.	Issues and challenges	44
16.2	Public sector's capacity for entering and handling PPPs	44
16.3	Monitoring capacity of the public sector	45
16.4	Changes required in the existing legislator, rules of business, financial rules and administrative powers	45
16.5	Motivating private (for-profit) sector towards PPPs.....	45
III.	Recommendations for development of strategies and policy parameters for PPPs.....	46
Annex: A	Error! Bookmark not defined.
	Copy of some reviewed PPP Agreements	50

PUNJAB DEVOLVED SOCIAL SERVICES SECTOR DEVELOPMENT PROGRAM

WHITE PAPER ON PUBLIC-PRIVATE PARTNERSHIP

I. Rationale for Public-private Partnerships

1. Background

Historically, the responsibility for social service delivery has rested primarily within the realm of government. However, the private sector is increasingly playing an important role in the delivery of services even in countries with dominant public sectors, and so governments have begun to explore ways in which to involve the private sector in social service delivery without compromising public interest (Bennett et al, 1997).

Regarding the use of Public-Private Partnerships as an approach for sustainable development, a United Nations Economic and Social Commission for Asia and Pacific (UNESCAP) document records: "in August 2002, Heads of State from over 104 countries faced a great challenge, as they gathered in Johannesburg, South Africa, for the World Summit on Sustainable Development (WSSD). Poverty had deepened and environmental degradation had worsened in the decade that had passed since the Earth Summit (Rio de Janeiro, Brazil, 1992). Despite that governments had agreed upon a variety of treaties and commitments during the 1990s, under Agenda 21 forged at the Earth Summit, on ground there had been limited progress towards protecting the global environment. In a unique departure from previous United Nations conferences, the WSSD resulted in the launch of over 300 voluntary partnerships among governments, non-governmental organizations (NGOs), inter-governmental organizations and businesses to harness additional resources for the implementation of sustainable development. These partnerships, tied to government commitments, provided a stronger mechanism for implementation."¹

In Pakistan, the provision of basic social sector services is generally considered to be the mandate of the public sector. This aspect has gained significance after devolution of power at the grass-roots level by promulgation of the 'Local Government Ordinance' in the year 2001. On the other hand, due to various reasons such as efficiency, quality, and reliability, the private sector institutions have started to play an increasing role in the delivery of social sector services. In the urban areas, a small presence of private service delivery carries a long history, where it usually catered to the better offs. In recent years this phenomena has expanded to service provision to the middle class, low-income groups, as well as the people in peri-urban and rural areas.

During the last two decades private sector institutions have emerged as active development actors in Pakistan. Today almost all stakeholders, including government, the civil society, and donors generally recognize the increasing role of the private sector institutions in promoting participatory, equitable and sustainable development. Despite this recognition, there continues to be a degree of resistance and reservation among some government circles regarding the willingness and capacity of the private sector to participate in the social sectors' development efforts, where the profit maximization objective of the private sector does not find good incentive.

Since long, the Government of Pakistan has been considering the development of PPPs as an alternative mechanism for achieving the objective of sustainable development. In line with the thinking, the Prime Minister's Secretariat submitted a summary to the Cabinet on public-private partnership in the year 1994. The Cabinet directed to redraft the summary with a clarity of concept and identify how public-private partnership should be introduced in the social sector especially in hospitals and schools. In response, the Finance Division (Investment Wing) submitted a revised summary that contained the idea of developing an

¹ Partnership for Poverty Reduction: Pro-Poor Public Private Partnerships; April 2004; UNESCAP, Bangkok.

Education Foundation to support the development of public-private partnership in education and brought out the idea of rehabilitation of public sector BHUs and RHCs by partnering with the private sector medical practitioners.² The Planning Commission of Pakistan also considered the PPP as a viable option for sustainable development and emphasized the development of a policy in this regard. One of its documents laid down: "Public service delivery through more aggressive pursuit of PPP is relatively new in Pakistan. At present an enabling environment in the form of greater coherence and consistency in government policy is lacking. A formal policy from the government at federal, provincial and district will definitely provide clarity regarding the legal capacity of the various levels of government (or the relevant officials) to create binding commitments as well as about the roles and responsibilities of the respective partners".³

Recognizing the importance of public private partnership as a tool for poverty reduction, the Government of Punjab described the government's outlook in the 'Punjab Poverty Reduction Strategy Paper (P-PRSP)' as follows, " Public-private partnerships and community involvement is being encouraged through: Initiating a programme to encourage private sector to use unoccupied government buildings for establishing schools; to promote public-private partnership with adequate linkages with the Department of Education; strengthening parent-teacher associations (PTAs) and providing funds for instructional materials and minor repair (M&R) to individual schools through the PTAs".

The Government of Punjab established the Punjab Devolved Social Sector Programme (PDSSP) with the overall mission to strengthen devolved social services to achieve progress on Millennium Development Goals (MDGs) related to poverty, gender, education, health and water and sanitation. The program objective is to support more equitable, efficient, effective, and sustainable social services in line with the Punjab Local Government Ordinance (PLGO). The principle policy outcomes around which the program is built include: (i) realign intergovernmental relationship to support the delivery of devolved social services; (ii) rationalize social services and set minimum standards to support pro-poor policies and strategies; (iii) strengthen public accountability mechanisms and community participation at the province and district levels; (iv) promote public-private partnership and innovations in alternative service delivery; and (v) enhance social sector financing and allocative efficiency.

It was in the backdrop of the aforementioned situation that the PDSSP policy matrix included a review of the existing models of public-private partnerships in the province of Punjab, assessment of their strengths and weaknesses, identification of gaps and constraints that limit their use, and development of a white paper containing recommendations on strategies and policy parameters for development of a policy for using these partnerships as a viable and functional service delivery option.

2. Defining public-private partnership

Public-private partnership has been variously defined in the development literature, e. g. 'Guidelines for Successful Public-Private Partnerships' published by the European Commission's Directorate General of Regional Policy defines it as, "a partnership between the public sector and private sector for the purpose of delivering a project or a service traditionally provided by the public sector". The definition embraced by The Canadian Council for Public-Private Partnerships is, "A cooperative venture between the public and

² Summary-Case No. 104/6/94 Public-private partnership dated 7.3.1994 submitted by the Government of Pakistan, Finance Division (Investment Wing).

³ Working Draft Medium Term Development Framework 2005-10 Planning Commission of Pakistan.

private sectors, built on the expertise of each partner that best meets clearly defined public needs through the appropriate allocation of resources, risks and rewards".

However, a legal definition of the Public Private Partnership has been provided in the State Authorities (PPP Arrangements) Act, 2002 of the Government of Ireland, which states: "A Public Private Partnership is a partnership between the public and the private sectors for the purpose of delivering a project or a service traditionally provided by the public sector. Rather than simply providing an upfront asset to the specifications of the public sector, the private sector can be responsible for various elements of the project including designing, building and financing the asset, operating and maintaining the asset, and providing a long term service relating to the asset. This arrangement involves a transfer of risk to the private sector, and allows the local authority to draw on economic and other resources that might not have been otherwise available".

PPP is not static but dynamic phenomena and according to circumstances new categories continue to add on. Many forms of PPP exist and continue to develop to suit various projects' characteristics. However, major categories of the PPP contracts generally practiced include:

Service contract: The service provider receives a fee from the public sector to manage a particular aspect of a public service. Service contracts are usually short-term (one to three years). Examples include repair and maintenance or billing and collection functions. Evidence suggests that this type of arrangement is a starting point for involving CBOs and NGOs in public service provision with the other arrangements being considered as capacity and experience develop over time.

Management contract: The service provider is responsible for the overall management of all aspects of a public service, but without the responsibility to finance the operation, maintenance, repair, or capital costs of the service. Management contracts are typically for three to five years. Management contracts generally specify the payment of a fixed fee plus a variable component - the latter being payable when the contractor meets or exceeds specified performance targets. The service provider normally does not assume the risk for collecting tariffs from the beneficiaries; however, high collection rates could be a trigger for incentive payments to the service provider. An example may be contracting the management of water utility.

Lease: The service provider is responsible for the overall management of a public service, and the public sector's operating assets are leased to the contractor. The service provider is responsible for operating, repairing, and maintaining those assets. In some cases the service provider may be responsible for collecting tariffs and assume the related collection risk. The service provider pays the public sector rent for the facilities, which may include a component that varies with revenues. Generally, the service provider is not responsible for new capital investments or for replacement of the leased assets. Leases are usually for longer terms. Examples include the lease of a market, bridge or water system.

Build/Operate/Transfer (BOT): The service provider undertakes to design, build, manage, operate, maintain, and repair, at its own expense, a facility to be used for the delivery of a public service. The government becomes the owner of the facility at the end of the contract. BOTs may be used to develop new facilities, or expand existing ones. In the latter case, the service provider assumes the responsibility for operating and maintaining the existing facility, but may or may not (depending on the contract) assume responsibility for any replacement or improvement of the facility. A BOT typically requires the government to pay the service provider a fee (which may include performance incentives) for the services provided, leaving

responsibility for tariff collection with the government. Other variants of the BOT concept include: BOOT (build-own-operate-transfer) and BOO (build-own-operate).

Concession: The service provider undertakes the management, operation, repair, maintenance, replacement, design, construction and financing of a public service facility or system. The service provider often assumes responsibility for managing, opening, repairing, and maintenance of related existing facilities. The contractor collects and retains all service tariffs, assumes the collection risk and pays the public sector a concession fee (sometimes including a component that varies with revenue). The government still remains the owner of any existing facilities operated by the concessionaire, and of any new facilities constructed by the concessionaire. It is the responsibility of the government to ensure that the assets are properly used and maintained during the concession period and they are returned in good condition when the concession period is over.

Private divestiture: Private divestiture involves the sale of assets or shares of a state-owned entity to the private sector. Divestitures are approached in many different ways, can be either partial or complete and may be used as a vehicle to transfer the ownership of assets from the government to private companies.

3. Why use public private partnership

There are several reasons for the public sector to incorporate the private sector in development projects and infrastructure development, and reasons vary among countries. For instance, in the emerging economies of Asia, the main reason has been the scarcity of government resources to finance the infrastructure.

PPP is a viable option with a great potential which by combining skills, expertise and other resources from different entities can help achieve outcomes that are unattainable by independent action. There is growing realization in government about the significance of such partnerships. There is also greater willingness and capacity among the private sector today to engage in profitable partnerships with the government.

Public Private Partnership is more or less like a joint venture, in which all partners share the risks and also the benefits. For the public sector, it can provide additional resources as the private sector can bear part of the financial burden of overall investment. Since the private sector is generally expected to be more efficient than the state in running certain concerns and can often gain economies of scale that are mostly not available to the public sector, the cost of development of an asset mostly narrows down for the public sector.

The private sector, by making available necessary funds for PPP project may relieve the much needed public sector resources for use in areas and sectors of the socio-economic uplift and stabilization of the less advantaged citizens. The state can thus return to its core business of providing good governance, enhancing knowledge and skills, providing basic health needs, and increasing opportunities and security for its citizens.

For the private sector, certain PPP ventures involve the investment opportunity for private capital to design, finance, construct, operate, and maintain a project of public use for a specific term during which a private investor is able to collect revenue from the users of the facility. When the private partner's limited term of ownership expires, title to the project reverts to the government at no cost. By then, the private partner is expected to have collected enough revenue to recapture its investment and turn a profit on the investment.

The opportunities for development of public-private partnerships in Pakistan are considerable. Provision of basic social services is primarily the responsibility of the public sector in Pakistan, but the private sector institutions are increasingly involved in provision of services in health and education sectors, where there is increasing unmet demand. There is also a proven demand for new projects in the infrastructure sector as the economy is growing and local and international investors are interested in forming partnership with the public sector. The government's commitment to decentralization and market solutions to infrastructure projects is also an indicator of its intentions for developing and strengthening PPPs.

II. Study of the working PPP models in Punjab

4. Objectives

To gain knowledge on the current situation of public-private partnerships in the province of Punjab, and to assess their strengths, weaknesses and the challenges faced by them, the consultants conducted a review of certain working PPPs models. The specific objectives of the assignment included:

- (i) to review the PPP models under implementation in health, education, and water and sanitation sectors and classify them into various categories (e.g. outsourcing management of public sector facilities, outsourcing operations to civil society and private sector organizations, and use of CCBs) and identify best practices;
- (ii) in conjunction with DoH and in consultation with other stakeholders in the public and private sector, prepare a White Paper containing recommendations on strategies and policy parameters for development of a policy for using public-private partnerships as a viable and functional service delivery option; and
- (iii) undertake any other activities identified jointly by the Punjab Government and ADB.

5. Methodology and process

There is currently no regulatory framework under which the public-private partnerships are created and operate in provision of social services. Resultantly, the private sector entities, most of the time, have to follow the understanding and interpretation of the public sector incumbents in the creation and operation of these partnerships. Simultaneously, the lack of a regulatory framework also enables the private sector institutions to operate in an environment free of quality controls and rigorous monitoring. Taking a note of the prevailing conditions, it was considered that the research methodology should not focus to evaluate the success and failure of the reviewed models but attempt to collect all possible information on a wide range of public-private partnership issues ranging from institutional structures and capacities to selection processes, implementation conditions and commentary on public/private partners. This information, together with the secondary data, was expected to highlight the strengths and weaknesses of each model and point out opportunities and threats facing them. Accordingly, a combination of literature/documents review and loosely structured questionnaires, capable of encompassing multi dimensions of the study, was employed to obtain the required information.

The loosely structured questionnaires for interviews of the existing public-private partnerships served as a mechanism to ensure that all possible areas have been covered during the meetings rather than being formally administered to the respondents. The review of the literature/documents, which mainly comprised of the background material and legal contracts, provided an insight into the philosophy and mechanisms for creation of the PPP and together with the data collected through the loosely structured questionnaires, provided

base information for the SWOT analysis. The outcome of this exercise provides background material for recommending the strategies and policy parameters to the Government of Punjab for development of the PPP policy.

HEALTH SECTOR

6. Management contracts

6.1 Contract with PRSP for management of the basic health units

Mechanism of PPP creation

In the year 1999, the Health Department Punjab considered to upgrade the management and expand service delivery in Basic Health Units (BHUs) through involvement of NGO sector. As a first step, the management of three BHUs in District Lodhran was outsourced to the National Rural Support Program, forerunner of the Punjab Rural Support Programme (PRSP). Since the initiative showed some potential, a pilot of the model was experimented by contracting out management of all the 104 BHUs in the district Rahim Yar Khan to PRSP, in the year 2003. Another contract of this nature was executed with PRSP in the year 2004 when BHUs in the eight districts (Lahore, Chakwal Vehari, Faisalabad, Sahiwal, Kasur, Mianwali and Toba Tek Singh) were transferred to PRSP under the management contract signed with the respective district governments.

The duration of the management contract is five years but after completion of the first year, a third-party assessment of the contracted BHUs is to be carried out against mutually agreed indices of quality performance. The continuance of the management contract for the next four years shall be dependent on the results of the assessment.

Partner's Selection process: For selection of partner under the model, a competitive bidding process was not used, as PRSP had already shown its strength by managing 3 BHUs in District Lodhran after taking them over from its forerunner, NRSP. The Pilot in RYK and contracts for other districts were considered an extension for an already tried and tested partner. However, on a summary initiated by the Health Department, the Chief Minister of Punjab approved the outsourcing management of the proposed BHUs to PRSP as a policy decision.

For creation of the partnership, a formal legal agreement was designed and got vetted from the concerned departments. The agreement (annex-A) contained clauses pertaining to: rights and duties of each partner; funding mechanism; partner's access to resources; partner's access to decision making; quality control of the services; capacity development; price control mechanism; reporting requirements; M & E requirements; and conflict resolution.

All the allocated budgets of the transferred BHUs are made available to PRSP by the concerned district governments, while expenditure on the provincial and districts support units set up by the PRSP is provided as an allocation in the provincial health department budget.

Services and methodology for their delivery

Under the agreement, PRSP was required to provide all the services and perform all the functions that the BHUs were providing and performing before the commencement date of

the agreement. For the RYK pilot, PRSP used the methodology of clustering three BHUs under the charge of one medical officer (MO), provided him a fresh contract at enhanced compensatory package, made his post residential at the focal BHU, studied the role of various actors in the delivery of primary health care services, and undertook the capacity and infrastructure development tasks simultaneously.

Services for women and children: While implementing the RYK pilot a need was felt to address the specific health problems of women and younger children, who were the main patient load of the BHUs. On experimental basis PRSP posted women medical officer (WMO) in the tehsils of Rahim Yar Khan and Khanpur. Under this strategy one WMO provides services to a cluster of five BHUs by attending each BHU once in a week besides the appointment of male medical officer on a cluster of three BHUs. On the sixth day of the week, the WMO provides health education in a female school within the cluster.

Supply of medicines: PRSP has ensured availability of medicines in the BHUs under its management. In this regard, according to PRSP, contracts have been entered with well-reputed local manufacturers and a system evolved for timely supply of medicine to the peripheries. Simple laboratory tests have been introduced in the BHUs and necessary equipment in this regard provided.

Capacity building: Continued capacity development of the staff is ensured through various training sessions provided by the medical officers to the para-medical staff, while WMOs provide training to LHV's. The medical officers attend review meetings after close of every month and during these sessions some specialist is invited to give a lecture on some health problem.

PRSP has developed service delivery plans and for ensuring dedication and efficiency, higher salary incentive has been provided to the MOs responsible for service delivery in the cluster of two or three BHUs. This could be possible by appointing fewer MOs than the budgeted post and using the savings for the payment of higher salary incentive.

Overall output

According to a publication of PRSP, titled "Primary Health Care Services in the Rural Punjab", the RYK pilot resulted in almost three-fold increase in patients' attendance during the first year of PRSP management in comparison to the baseline year 2002-3. This may be considered an evidence of patients' satisfaction. Some comparative figures are given on the following page:

Year	Number of patients	Increase over baseline
2002-3 (base-year)	684,329	0
2003-4 (first year of PRSP intervention)	1,866,189	173%
2004-5 (eight months figures)	1,091,934	60%

Source: "Primary Health Care Services in the Rural Punjab", Booklet published by the PRSP-PSU, Punjab, Chief Minister's Initiative on PHC.

Curative services at the BHUs are very affordable for the poor population as only the 'Parchi Fee' of Re. 1/- per patient, fixed by the government, is charged against which medicines are also provided.

A statement of comparative performance of district Rahim Yar Khan and the adjoining district of Bahawalpur for the curative care has been prepared by the Statistical Officer/Regional HMIS Coordinator, Bahawalpur, which presents interesting situation, presented below:

COMPARISON OF CURATIVE CARE REPORT BETWEEN DISTRICT RAHIM YAR KHAN & BAHAWALPUR DURING THE YEARS 2003 AND 2004											
District	BHUs (Nos.)	Reports received (Nos.)		New cases (Nos.)		Avg. new cases /day/BHU		Total visits new & old (Nos.)		Avg. cases old & new /day/BHU	
		2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Bahawalpur	71	832	850	507,398	708,585	20	33.3	546,312	736,243	22	34.65
RYK	104	1059	1056	1,117,659	1,309,899	37	49.9	1,290,649	1,374,339	41	52.06

The average number of new cases in RYK increased between the years 2003 and 2004 but also in comparison with the adjoining district, Bahawalpur. This is anecdotal evidence that the increased number is due to availability of medicine supplies all through the year, because PRSP has the mandate to undertake local purchase at any time. The same argument explains the reason for lower stock outs of essential drugs and supplies experienced in the year 2004 in RYK in comparison with the year 2003 (please see the table).

COMPARISON OF ESSENTIAL DRUGS AND SUPPLIES' STOCKOUT IN DISTRICT RAHIM YAR KHAN DURING THE YEARS 2003 AND 2004										
District	ORS		Chloroquine		Iron Tabs.		Folic Acid		Tab.Cortrimoxazole	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
RYK	25%	12%	68%	20%	59%	20%	59%	20%	8%	6%

However, a comparison of stock out position of RYK with the adjoining district of Bahawalpur reveals that it was drastically adverse in RYK during the year 2003, but has shown a mixed trend in the year 2004. Some of the essential drugs experienced comparatively higher stock outs in RYK district while few others remained in short supply in Bahawalpur. The table below explains the situation:

COMPARISON OF ESSENTIAL DRUGS AND SUPPLIES' STOCKOUT BETWEEN DISTRICT BAHAWALPUR AND RAHIM YAR KHAN										
District	ORS		Chloroquine		Iron Tabs.		Folic Acid		Tab.Cortrimoxazole	
	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
Bahawalpur	24%	38%	5%	17%	48%	9%	55%	13%	6%	20%
RYK	25%	12%	68%	20%	59%	20%	59%	20%	8%	6%

According to the health personnel in the PRSP managed BHUs, the MOs/WMOs focused preventive health through the 'School Health Program' and Community Health Sessions. The health staff of the PRSP managed BHUs participates in the campaigns launched by the vertical health programs. However, when the situation of preventive services was reviewed with reference to the HMIS data compiled by the Statistical Officer/Regional HMIS Coordinator, Bahawalpur, the situation emerged as under:

COMPARISON BETWEEN DISTRICT BAHAWALPUR AND RAHIM YAR KHAN OF PROVISION OF PREVENTIVE SERVICES FOR WOMEN AND CHILDREN IN THE YEAR 2004							
District	BHUs (Nos.)	Report received (Nos.)	Growth monitoring (Nos.)	Immunization services (Nos.)	Prenatal care (Nos.)	Deliveries by trained staff	Family planning
Bahawalpur	71	850	307	667	334	332	265
RYK	104	1056	166	343	282	215	180

COMPARISON OF PREVENTIVE CARE FOR CHILDREN (GROWTH MONITORING) DURING THE YEAR 2004							
District	BHUs (Nos)	HMIS monthly repots (No)	Total newly registered < 1 year	Avg. newly registered /Bhu/year	Total visits of children for growth monitoring	Avg. visits for growth monitoring /BHU/year	Normal nutrition status
Bahawalpur	71	850	5,598	79	12,780	307	64%
RYK	104	1056	3,545	34	5,387	166	60%

All the above discussion and data indicate that the prime focus of the PRSP efforts is on the curative services while preventive service being an important component of the primary health could not gain the attention it deserved.

Monitoring system

Monthly reports in accordance with the District HMIS are submitted to the District Officer (Health) and PRSP, while other progress and program related reports (e.g. Monthly Review Report, Drug Stock Report, Vaccination Report, LHV's Report, and School Health Session/Community Health Session Reports) are submitted to PRSP on monthly basis. In PRSP Head Office, these report are compiled and used for planning, monitoring and evaluation purposes. The PRSP Head Office also sends a compiled copy of these reports to the concerned district governments on quarterly basis. According to the agreement, the authorized district health staff can inspect and monitor the BHUs at all reasonable times but during interviews majority of the district government health staff informed that their access to the BHUs is restricted.

The PRSP management informed that the 'Support Groups' developed at the BHU level from the community, not only help in delivery of health education to the population but also exercise vigilance over the performance of the BHU personnel.

As regards evaluations, recently the World Bank has carried out an evaluation of the RYK project for which final report is expected in the near future.

Some considerations

For management of the affairs of BHUs, PRSP is using the overall budget allocated by the district government. The higher salary incentive for the MOs has been managed through reappropriation of various categories of expenditure. After expiry of the contract with PRSP, the district governments may not be able to exercise this flexibility under the Government's Rules of Business.

The MOs/WMOs, owing to the high financial incentives, work enthusiastically but the lower-level staff is drawing their normal salary from the public-sector system. In the absence of any incentive, they may not maintain their efficiency level in the future.

The initiative focuses mainly on treating cases of minor ailments reporting at the health facility. The contract does not focus the management of preventive services like immunization, malaria, family planning, reproductive and child health services which ultimately contribute to improving negative local indicators.

The RYK model needs to be tried not only for the curative services but for all the eight components of PHC, only then its sustainability and replicability can be established.

SWOT analysis

Strengths	<p>PRSP is an autonomous NGO with systematic organizational structure and governance</p> <p>PPP formed under a legal agreement duly vetted by the concerned departments in the Government of Punjab</p> <p>Good performance in providing curative health care to the population visiting BHUs</p> <p>Contract continuity dependent upon third-party review of the first year's performance against indices to be agreed between PRSP and the Health Department</p> <p>Development of methodology for service delivery, staff capacity building and</p>
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	<p>financial incentives for the medical officer incharge</p> <p>Reporting, supervision and monitoring supporting the requirements of district government HMIS and the requirements of private partner</p> <p>Timely availability of financial resources and flexibility in reorganizing the budgetary allocations</p>
Weaknesses	<p>Services to be performed under the contract not specified in detail but covered by an overriding clause</p> <p>Performance indicators not spelt upfront but to be determined at the time of first evaluation after one year of working</p> <p>No financial incentives available for the junior staff (LHVs, dispensers, medical technicians) at the BHUs</p>
Opportunities	<p>Support from the highest tiers of the Punjab Government helps in quick decision making for the likewise contracts</p>
Threats	<p>More focus on curative services and little on preventive health may hinder the achievement of objectives of PHC in the catchments population</p> <p>Financial support from the Provincial Government budget for the district and provincial support units of PRSP is additional burden on the resources of the province.</p> <p>Beyond the project tenure, the district governments may not be able to exercise the budget reappropriation flexibility, which is being exercised by the PRSP</p>

6.2 Partnership between the Punjab AIDS Control Program and private consulting firms/NGOs

Mechanism of PPP creation

One objective of the National HIV/AIDS Strategic Framework 2001-2006 was to decentralize HIV/AIDS designing, programming and implementation to provincial and lower level. Accordingly, Punjab AIDS Control Program planned to involve support structures from communities, unions, NGOs, CBOs, educational institutions and research organizations etc. for reducing the risk of HIV infection amongst vulnerable and high risk groups of commercial sex workers (CSWs), men having sex with men (MSM) and injecting drug users (IDUs).

The contract was signed between the selected NGOs, CBOs or research organizations (defined as consultants) and the Punjab AIDS Control Program at the latter's office at Lahore. The contract provides for the obligations of each partner and specifies the activities to be undertaken.

The activities include the identification of the location of target/vulnerable population in the project area and plan strategies for their behaviour change. Arrange to educate target groups on sexual health and STIs, harm reduction and condom use. Provide primary health care services to the target area population and within this cover identify the patients suffering from sexually transmitted infections (STIs). Assist the STI patients in accessing appropriate curative services. Undertaking detoxification and rehabilitation activities was also within the purview of this contract. For review of progress on agreed activities, objectively verifiable indicators have been provided in the agreement.

Partners' selection process: A strategy was developed to identify the support structures that could undertake the task of training the target population in the areas of negotiation and communication for safer practices and in advocacy for increased support. Since the credit for the Program was received from International Development Association (IDA), the consultants' procurement procedure prescribed by the World Bank was followed. The partners selected had sufficient background and relevant experience in related research and interventions.

For creation of the partnership, a formal agreement under the applicable laws was signed, which specified partners' responsibility and rights; services to be performed; their timeframe; performance indicators; provision as to reporting, monitoring and evaluation; contract price; and, the payment procedure.

Methodology for service delivery

Four service delivery centers (SDCs) were set up at strategic locations within the Lahore metropolitan city. The locations were selected in line with the mapping exercise conducted by the National Aids control Program. The SDCs are multi-purpose centers providing the services of counseling, provision of PHC facilities to FSWs, offering basic diagnostics, act as a referral point and an information collection center.

In view of the social stigma attached with the pandemic of HIV/AIDS, the target population initially abstained from utilizing the services offered by the project. To overcome this difficulty, implementers of the initiative approached the target population through the primary health care services. After developing the initial rapport, they were able to interact with the target population on serious issues attached to the pandemic. The interventions focused on improving the target population's awareness/knowledge, attitudes towards safe sexual behaviour, improving their skills in prevention methods and alongside provided them the opportunity of screening and primary health care services.

During the project implementation, a problem of high turnover was faced with the peer educators as their services were in high demand and the project was unable to pay them market-based remuneration package owing to budgetary constraints.

Capacity building: For smooth operation of the management contract, proper systems and protocols were developed in the initial phase of the project. Standard operating practices, standard treatment protocol and guidelines, job descriptions, roles and responsibilities of the staff, reporting and monitoring systems were developed and relevant staff provided training in their areas of concern.

Overall output

In the beginning, the implementers faced difficulties in approaching their target groups. The FSWs and MSMs would not be ready to meet the staff collecting data about their organization and location. However, with the help of the local elders/influential people, the project was able to collect information on the focused indicators. During this phase 1400 FSWs and 450 MSMs were contacted and registered. They were provided first round information on HIV/AIDS.

Peer educators for the project developed from within the target groups are actively interacting with the target population by spending more than 80% of their time in the field. Their interaction has positively impacted upon the behaviour change communication strategy of the program. In case of FSWs 16 peer educators were initially recruited but now their number has increased to 20. For the MSMs, initially 16 outreach workers were recruited and after intensive training, 12 of them have been promoted as peer educators while eight persons are working as outreach workers.

The strategy of provision of primary health care services through the SDCs worked well and the project was able to provide the PHC services package to around 3000 and 2500 outpatients in the SDCs working for the FSWs and MSMs respectively. Clinical management protocols were developed for the vulnerable groups and they were also provided services for sexually transmitted infections. During provision of these services it was estimated that around 20% of the FSWs and 10% of MSMs were suffering from STI problems. A referral system with the health institutions having testing facilities for HIV/AIDS has been established, to whom cases are referred.

Monitoring system

A comprehensive monitoring system comprising of (i) project monitoring information system for the project area; (ii) monitoring by the Punjab AIDS Control Program; and, (iii) 3rd party assessments has been made applicable under the terms of the contract.

For developing a purposeful reporting/monitoring system, the Punjab AIDS control Program involved an experienced firm of chartered accountants and the system developed by them is being employed for reporting and monitoring purpose by the program.

Some considerations

(a) The private partners show their satisfaction with the process of payment and its timing. However, they were of the opinion that major portion of the contract price (around 80%) is consumed by the salaries, which leaves little margin for other innovative interventions.

(b) Peer educators for the vulnerable groups were developed by providing extensive training but their long-term retention posed problem, in view of high demand for their services by other development initiatives in the field of HIV/AIDS. The project cannot pay them market-based remuneration due to budgetary constraints.

SWOT analysis

Strengths	Project is regulated by a formal legal contract on the lines of World Bank's procurement procedures. It provides for rights and obligations of each partner, describes services, incorporates the performance indicators, payment schedule/ procedure and a clause for conflict resolution Contract for three years period but provides periodic milestones for review of progress An open bidding system based on technical proposal that identifies the capability and suitability of the private partner A strong reporting, monitoring and review system applicable under the terms of the contract.
Weaknesses	Budgetary constraints restrict undertaking of innovative interventions Budgetary constraints restrict payment of market-based salaries
Opportunities	Availability of a trained cadre of peer educators in the project area Awareness and knowledge among the target groups about the pandemic of HIV/AIDS
Threats	High turnover of peer educators due to market demand for their services

6.3 Women Health Project Punjab's partnership with NGOs

Mechanism for PPP creation

The Women health Project aims to reduce maternal and infant mortality and improve the health nutrition and social status of rural women and girls. Based on life cycle approach, the project focuses on skilled delivery care, emergency obstetric care, family planning, tetanus toxoid immunization, micro-nutrient supplementation and treatment of common infections.

In line with the Project objectives, the NGO component of the project was expected to Organize community committees focusing on women and decision makers, to train them in social mobilization on safe mother hood, counseling and IEC concerning gender issues, birth spacing, promotion of hygiene, nutrition, breast feeding, and introduction of timely weaning and linking

communities with health facilities in public sector. The NGOs were also to provide treatment for common gynecological problems and supervise treatment of TB patients.

Partners' selection process

The NGO component was planned to start in early 2003 for which wide publicity was given in the press. However, the local NGOs applying to partner in the Project could not qualify on the Asian Development Bank (ADB) criteria. As a result no NGOs could be short listed till the end of the year 2004, when the short-listing criteria was revised. 22 NGOs were short-listed as per revised criteria, in the project districts, by January 2005 and were asked to submit the bio-data technical proposals. At the time of this review, the technical proposals were under scrutiny.

Some considerations

The Project management expressed some practical difficulties in finding the NGO partners for the planned tasks in the project areas. The main constraints included:

The Project is focusing on many underdeveloped and remote districts where NGOs of high caliber matching the ADB criteria are rarely available;

Very few NGOs from the developed districts have the human and physical resources for working in remote districts and hard to reach areas;

Even after revising the selection criteria, the short listed NGOs have little capacity for financial proposal development and need capacity development in this area.

In view of the foregoing constraints, the project needed to revise, on time, its partner NGOs' selection criteria in line with the ground realities and also provide support for capacity development of the short-listed NGOs.

SWOT analysis

Strengths	An open bidding system based on technical proposal, capable of identifying the capacity and suitability of the partner NGOs Capacity of the project to revise potential partners' short-listing criteria according to the ground realities The TORs for the partner NGOs provide details of the services to be performed and specify performance indicators
Weaknesses	Long time taken in revising the private partners' selection criteria
Opportunities	Availability of local NGOs capable of providing required services in the remote areas covered by the project Willingness of the short-listed NGOs to develop their capacity to meet the project's requirements
Threats	The short span of time available for implementation of the NGO component of the project may impact upon achievement of the project objectives

7. Use of CCBs and Community Forums

7.1 Health Development Initiative, District Gujrat

Mechanism of PPP creation

After devolution, the District Government Gujrat showed keen interest in the development of health status of the district's poor population especially those residing in the rural areas. It was considered that the objective could be achieved through upgrading the status of the BHUs by providing complete PHC package with special focus on women and child health. At the very outset it was noticed that 60 to 80% of the disease burden of these areas relates to the mother and child health, which needs to be considered on priority.

Realizing that the active participation of all sections of the society is necessary for the success of this development effort, the district health department explored the possibility of involving the decision makers in the public sector, the civil society organizations and communities as well as the private sector health care providers in the initiative. For the purpose, a multi-pronged strategy of organizing Health Melas, community meetings, social mobilization and advocacy campaigns was used. These strategies could bring the community, civil society organizations, influential/notables of the area and the decision-makers on the same wavelength for achieving the health development objective of the district.

During these efforts it was realized that the private sector health care providers are reluctant to actively participate, however, they were kept involved in order to keep the process participatory and to avoid any opposition from their side.

Process for partners' involvement: To achieve the objective of public-private partnership, the Patients Welfare Association working at Aziz Bhatti Shaheed Hospital was actively involved in the district health campaign. Community support groups were established at each BHU/RHC level, District Health Management Team (DHMT) was formed and through its involvement, a joint venture with National Commission for Human Development (NCHD) was undertaken for primary health/mother and child health development. After their formation, the Citizen Community Boards (CCBs) were closely coordinated with the health department, and a close link was also established with the District Population Welfare Department.

Methodology for service delivery

For achieving a positive improvement in the status of the health facilities and increase impact of their services on the health of the poor population, the following strategy was used by the district government:

32 BHUs were upgraded in the district with the provision of fully equipped labour room with autoclave/oxygen cylinder and delivery table; clinical laboratory with basic tests facility was introduced; emergency room with oxygen cylinder, portable emergency light, nebulizer, ambu bag, autoclave and emergency drugs was provided in these BHUs.

Provision of vehicle/ambulance in BHUs through CCBs.

Establishment of one blood bank at RHC.

Provision of ultrasound machines in RHCs/BHUs through ADP/CCBs.

Organization of free health camps and health 'melas' in far-flung areas of the district.

Establishment of maternity and child hospitals in the rural areas.

Caesarian Section (CS) camps in coordination with the District Population Welfare Department, exchange of information and joint supervision.

Primary health care extension, ORS campaign and capacity building, health education, immunization, safe delivery, timely identification of high risk pregnancies, and effective and efficient referral system through a joint venture with the NCHD.

However, for scientific assessment of the health needs of the population, no baseline study was conducted in the district. This was also important from the impact assessment point of view of the outcomes of the development initiative.

Overall output

The overall effect of these coordinated efforts reflects upon the health status of the district's population, which can be assessed from the health statistics of the district. Some comparisons between the years 2001 and 2004 are given on the following page:

Indicator	Year 2001	Year 2004	Increase/(Decrease)
Antenatal cases registered	25,501	36,072	41%
Deliveries conducted	11,051	17,117	55%
Deliveries at home by TBAs	5,643	8,365	48%
Deliveries in health facilities	4,338	5,070	17%
Complicated cases referred	237	589	148%
TT-I coverage	40%	46%	15%
TT-II coverage	30%	33%	10%
EPI coverage	80%	95%	19%

The public-private partnership under this initiative is also converting itself into a source of revenue generation for the program. The BHUs and RHC which did not receive any contribution / donation from the communities during the prior years, have been able to generate an amount of Rs. 2.9 million through community donations during the year 2004. Also, the revenue generation from donations of the DHQ and THQ hospitals increased by more than 67% in comparison with the year 2001. This is important to note that CCBs have played a pivotal role for infrastructure development in the health facilities by influencing the district government to earmark sizeable portion of the district's development budget for the purpose.

Monitoring system

For effective supervision and monitoring of the health development efforts, all health facilities compile health indicators data in accordance with the district HMIS. Monitoring schedules are prepared and monitoring teams undertake regular monitoring visits of the field. During these visits not only inspection of records is carried out but also performance is reviewed and guidance, where required, is provided on the spot. In addition to the monitoring teams, DHMTs also perform the monitoring function. The feed back from the members of the community support groups at the BHUs/RHCs level also helps the monitoring and inspection teams in assessing the performance level of the service providers.

No evaluation of the initiative has yet taken place.

Some considerations

Although there has been a continued participation in the initiative from all sections of public, the private sector health providers joined with a lack-luster attitude. This phenomena needs to be studied and strategy designed for the active participation of the private sector health services providers.

The health staff in the district is very motivated and performs with dedication and efficiency. However, they cannot be granted any incentives for their meritorious services due to the budgetary constraints. This aspect needs to be considered, as sustainability of a good effort, to some extent, is dependent upon its recognition through some incentives.

The current program has been undertaken without first collecting the baseline data and its analysis for need identification. It may be in fitness of things if a proper baseline study is conducted and based on the analysis of the collected information; an evidence-based program approach is adopted.

SWOT analysis

Strengths	Improved health structures within the public sector system with the participation of various sections of society Financing for infrastructure development through involvement of CCBs Effective reporting, monitoring and supervision system
Weaknesses	No baseline conducted for scientific identification of needs and criteria for performance review Non-availability of incentives for efficient and devoted performance of the staff No formal agreement for input of various participants in the initiative
Opportunities	District government's commitment for health sector development Interested and involved community and civil society organizations Involvement of NCHD for funding certain component of the initiative
Threats	Low participation of the private sector health services providers

8. Autonomy to the Medical and Health Institutions in Punjab

Mechanism for PPP creation

With the objective to support decentralized decision-making for improvement of health care delivery, the Government of Punjab operated the model of autonomy to teaching hospitals and medical colleges since 1999. During the change of government, the model was disrupted for some time but re-established in the year 2002 by the promulgation of " Punjab Medical and Health Institutions Ordinance, 2002. The administration of nine medical colleges and 17 attached teaching hospitals was vested in the Board of Governors (BoGs) and the financial and administrative powers were devolved to the institutions. Current budget of the institutions is transferred as one-line grant and they were also allowed to generate funds by levy of user charges and fees. For ensuring availability of specialized medical care to the patient, the concept of "Institutional Private Practice" was introduced. The BoGs were also required to appoint a vigilance committee out of the members to oversee the working of the institutions in general and malpractices in private practice in particular.

The initiative, however, remained under much criticism from the professional bodies with regard to governance, health care delivery to the patients and interest of the professionals. The Government appointed a commission headed by Justice (Retd.) Mujaddad Mirza to look into the implications of the Ordinance and Rules framed there under in the perspective of the criticism of the professional bodies. Based on recommendations of the Commission, the 2002 Ordinance was repealed through the enactment of "The Punjab Medical and Health Institutions Act 2003 (Act IX of 2003)" on 7 June 2003. The Rules under the 2003 Act were

notified on 16 September 2003, which brought following amendments in the Ordinance of 2002 and the rules framed thereunder:

- (a) The principal of the medical college was made the head of the institution;
- (b) The eight-member Board of Governors was replaced by 10-member Board of Management (BoM) including chairperson, comprising six members from the civil society and four from the public sector;
- (c) Retired professors of medical colleges and doctors from the general cadre were also included in the BoM;
- (d) The principal and other staff were allowed to draw salary according to the government pay structure as against market driven salary admissible under the Ordinance 2002;
- (e) The medical superintendent of the main teaching hospital is the member/secretary of the Board;
- (f) No perks/privileges are allowed to the civil society members of the BoM;
- (g) A Special Selection Board (SSB) has been established to undertake recruitments of staff on contract basis against the posts of BS-17 and above;
- (h) A six-member Executive Committee headed by the principal has been constituted to look after day to day working of the institution. The executive Committee also includes one nurse and one junior doctor.

Some interesting features of the Act IX of 2003 and the Rules framed there, which at one place provide autonomy to the institutions alongwith the provisions limiting their application have been discussed below:

The Chairperson is to be elected by the members of the Board from amongst the six non-official members, but the government has the powers to remove him without assigning any reason;

The Chief Minister of Punjab has the authority to constitute an Administration Committee to perform functions of the Board for the period the Board is unable to perform its functions due to any reason.

All direct appointments in the Institution will be made on contract basis, this has the effect of devouring the staff from their career planning.

The Act prescribes a Special Selection Board (SSB) to be constituted by the Government. The mandate for the SSB is to "recommend to the Government for contract appointments against BS-17 and above posts of initial recruitment. This provision has the effect of withdrawing power of appointment of BS-17 and above staff from the Board of Management of the Institutions.

The Act empowers the BoM for constitution of such committees, as it may deem necessary for giving effect to the provisions of the Act. Accordingly, Rule-7(1) prescribe an 'Executive Committee' comprising of six members to run the day to day functions of the Institution. The members of the Committee include one member out of the non-official members of the BoM to be nominated by the Board, one doctor in BS-17/18 and one head nurse of the Institution. The tenure prescribed for the aforementioned members is one year only and during this short tenure, the Government or the Board can replace them without assigning any reason.

Overall output

Neither any baseline data nor post autonomy performance data is available to comment on the overall output of the autonomous health institutions. However, interviews with certain stakeholders in some of the autonomous institutions indicated a mixed trend. In certain institutions like Punjab Institute of Cardiology, the situation with regard to the service provision has improved but alongside charges for the services has also gone up. A general consensus was on improvement in the cleanliness, availability of diagnostic equipments, timely procurements and timely repair and maintenance. On the other hand low performance in certain institutions was attributed to non-availability of essential staff especially nursing

staff. The staff shortage was attributed to contract appointments and low government scale in comparison to the market-based compensation packages available to the skilled health staff.

Monitoring system

For monitoring purposes, the Rules framed under the Act provide a complete system of internal controls operating through the job description of various key positions of the system, including the supervision and review of responsibilities, delegation of authorities and responsibilities, procedures for appointment of staff, procurement, repair & maintenance and the rules for the civil works. These rules and procedures have, however, not been organized in the shape of a compendium of rules and procedure.

No assessment of the autonomous institutions is available, although a third party evaluation of four autonomous hospitals conducted in 1999 documented encouraging results. That evaluation recorded visible improvement in patient care by way of hospital cleanliness, improved maintenance of buildings, better patients' guidance, improved quality of services as measured by use rate of laboratory services going up by 77-266% and of emergency patients by 10-29% in various hospitals when compared with a corresponding pre-autonomy period. Utilization of in-patient beds improved in one hospital by 90%. Many of the equipment that was out of order since long were repaired and put to use. The recovery from user charges increased in one hospital by 30% without increase in the user fees.

Some considerations

The decision space within the autonomy is very narrow for the implementers of the initiative, e.g. all the appointment in BS-17 and above are under the Government control; the government scheme of Basic Scales has been made operative thus depriving the management of hiring competent staff on market-based compensation package; the chairperson, chief executive and any non-official member of the BoM can be removed by the Government without assigning any reason.

There is a rapid shift over in the structure of the autonomy since 1998 as three models have been tried without giving reasonable time for the outcomes to be measured.

A dire necessity exists for monitoring the performance of the autonomous hospitals on an institutional basis.

SWOT analysis

Strengths	The Act and the Rules provide necessary framework for operation and development of the autonomous medical institutions The Rules provide an outline for the development of complete monitoring system Autonomy has been helpful in addressing the infrastructure requirements of the institutions
Weaknesses	The decision space for the implementers of the initiative is very narrow as all the authority concentrates into the government in one way or another Non-availability of market-based compensation package for staff has resulted in many vacant positions Rapid shift over in the structure of the autonomy since 1998, without giving reasonable time for measurement of results
Opportunities	A structure of autonomy for medical institutions exists, which can be strengthened by attending to its weaknesses and setbacks
Threats	The attitude of the decision makers in the government for concentration of power

9. Punjab Health Foundation

Mechanism for PPP creation

The Punjab Health Foundation (PHF) was constituted under the Punjab Health Foundation Act 1992". The founding vision of the Foundation was to evolve institutional mechanism to facilitate better employment opportunity for health professionals, capacity building of NGOs and other community based organizations who are actively involved in health care related projects by providing them an initial government assistance. It provides financial assistance to individual doctors, promotes NGOs and private health institutions, and projects for expansion and for equipments.

The affairs of the Foundation are governed by a board of directors headed by the Minister of Health, Punjab. A financial and technical committee headed by the Secretary Health, Punjab, constituted by the government, scrutinizes and approves the budget, and various schemes of the foundation.

Methodology for service delivery

The Foundation has been mandated to provide grants as well as interest free loans. The application for assistance from the Foundation is regulated by " The Punjab Health Foundation (Provision of Grants/Loans and Lease of land) Rules 1993. Presently the Foundation provides following interest free loans to NGOs/institutions and private practitioners, working in the field of health:

Regular package for institutions of Rs. 1.2 million

Young doctors' package of Rs. 0.4 million

According to the Rules of the Foundation, loans are granted on a sharing basis. For NGOs' construction, expansion and purchase of equipments projects, the sharing ratio is: 1/3rd grant, 1/3rd loan and 1/3rd equity. For working capital it is 1/3rd loan and 2/3rd equity. For other organizations/individuals the sharing ratio is 2/3rd interest free loan and 1/3rd equity. The individuals/other institutions are not eligible for grants. This however needs to be pointed out that Foundation has never disbursed a grant out of its own resources; accordingly, NGOs have also to follow the ratio fixed for other applicants. Also the loan eligibility criteria do not prioritize any type of health services.

The loans are processed through the District Health Promotion Committee (DHPC) notified in each district. Situation of loan application varies from district to district, the district governments assigning high priority to health, normally process greater number of applications for the Foundation's assistance. After approval of the loan application a loan agreement, to which all legal documents like mortgage deed/ bank guarantee etc are attached is signed between the recipient and the Foundation. This agreement contains clauses pertaining to the use of the assistance or loan, assets mortgaged, and repayment conditions and schedule. The loan is repayable within a period of eight years, in six-monthly installments, starting from the date of issuance of the cheque against the last installment of the loan. The loan is repayable as per the repayment schedule but a grace period of one month is allowable. If a loanee is unable to pay the installment even after the grace period, he is charged a 'Late Remittance Charge' of 4% per month. In case of continuing default, the collateral/security is forfeited in line with the provisions of the Land Revenue Act.

The DHPC remains involved with the loan at all stages i.e. forwarding of the application, completion of the legal formalities, issue of installments and action in the event of default. Since the loan processing involves many departments and organizations, it consumes unduly long time. It has been informed that in many cases the loan processing takes more

than a year. Due to this very reason the Foundation has not been able to utilize its full quota in any year since its activation.

Overall output

The Foundation fund was to comprise of grants, donations, endowments, revolving fund, and income from investments and other source. In 1993, the Foundation was allowed an initial grant of Rs. 10 million but since then till 1997 it could neither receive any mentionable funds nor could undertake a noticeable activity. In 1997, the Government approved an Endowment Fund of Rs. 500 million against which Rs. 375 million were released. After receipt of the funds, the Foundation embarked upon its statutory functions. The majority of loans were, however, released during the years 2000 onward.

According to the Foundation's records, since its activation in 1997, the Foundation has disbursed Rs. 267.7 million against 422 loan cases, giving an average of about 53 loans per year. Out of this, Rs. 132.3 million pertained to the 156 loans given under the "Young Doctors Loan Package" while Rs. 235.4 million were released against the "Regular Loan Package" to 266 applicants. Another amount of Rs. 148.918 million was disbursed as grant-in-aid to six NGOs out of the KfW grant-in aid fund. The cases for grants-in aid were processed and approved by the KfW's consultants while disbursement of funds was made through the Foundation.

The total number of employees working with the beneficiaries of loans was 2,816 and the population covered by them is 11,060,375. It is important to note that major emphasis of these interventions remained on the districts of Lahore, Multan, Faisalabad and Rahim Yar Khan as more than 50% of the loans disbursed related to these areas. It is pertinent to mention that the Foundation has allocated the loan quota on the basis of development ranking of the districts in the categories of 'developed' and 'under-developed'. This quota is strictly observed while approving the loan cases. The Foundation has fixed the loan quota on development ranking of the districts with the understanding that the rural areas of a developed district are more empowered than the urban areas of an under-developed district. The loans installment recovery rate is at a satisfactory level of 95 to 97%. No grants out of the Foundation's funds have ever been approved.

Monitoring system

The monitoring system of the Foundation involves the DHPC at all stages of loans approval and later monitoring of progress on the project for which the loan was taken. Before approval of the loan or assistance, verification of the credentials of the applicant, inspection of the property offered for mortgage, as security etc is the responsibility of the DHPC. At the time of release of subsequent installments of the loan, DHPC verification of progress on project work is necessary. Rule 15 provides, "the District Health Promotion Committee or the Board shall itself or through authorized representative have the power to inspect, supervise and monitor the project to ascertain and ensure proper utilization of the assistance provided by the Foundation".

Some considerations

The founding vision of the Foundation envisaged guided withdrawal of the public sector by affording the private sector initial government assistance, evolving institutional mechanism to facilitate better employment opportunity for health professionals, capacity building of NGOs and other community based organizations who are actively involved in health care related projects.

This vision suffered badly at the hands of inconsistent policy approaches of the respective governments. However, even after the receipt of endowment fund, the Foundation has not been able to make a noticeable contribution towards its founding vision, for which it blames the lengthy loan processing at the district level and delays at the revenue department for registration of mortgages etc. The situation requires a serious attention of all concerned for

taking corrective measures to remove the bottlenecks in the achievement of the objectives for which the Foundation was established.

Given the size of population, area and number of unemployed doctors desiring to establish health facilities in the province of Punjab, the assistance provided by the Foundation is not very significant. The foundation had been receiving many applications for loans and grants but it could finally approve and disburse only a small proportion of the total applications in view of the long processing time at the district and revenue office level. If the desirability of extending this facility to larger numbers of unemployed doctors is established, the lengthy procedures will have to be revised.

Sine the policy emphasis after devolution has been on the districts, the Punjab Health Foundation needs to focus specifically on activities at the district level for expanding health care services in the poverty stricken poor/hard to reach areas. Especially the focus of activities needs to be shifted to rural areas, where no worthwhile health care facilities are available, and there is a possibility of expanding them by providing feasible incentive to unemployed doctors inclined to work in these areas.

The foundation disburses loans out of its earning on investments. With the drop in the interest rates, the available funds for loan disbursement have drastically reduced. To cater to the requirement of the districts under the devolve set up, it needs to expand the funds available for its activities. One possibility could be of allowing the Foundation to use its endowment fund as revolving capital for release of loans.

SWOT analysis

Strengths	An organized system for undertaking activities (granting of loans) mandated to the Foundation 422 loans amounting to Rs. 267.7 million disbursed to date to institutions and individual doctors. This provided employment to 2,816 persons and benefited 11.06 million population Due to a very tight system of loans approval, monitoring and recovery, the recovery rate in the range of 95to 97%.
Weaknesses	The Foundation's rules prescribe a very lengthy and time consuming process for loan approval and disbursement. Major amount of loans (more than 50%) released to developed districts
Opportunities	Most district governments interested in expanding health services for their population Health institutions and health professionals interested in taking loan for establishing health facilities
Threats	Some district governments not considering health a priority for development Long time taken at the district level for processing of the loan cases Time consuming process for mortgage creation (as security for the loans) at the district revenue offices Decreasing profits on foundation's investments have contracted the amount available for release as loans

EDUCATION SECTOR

10. Management contracts

10.1 School adoption under public-private partnership

Mechanism of PPP creation

Prior to devolution, the defunct Metropolitan Corporation of Lahore was operating a program of school adoption. Under the scheme, private sector institutions/NGOs having significant experience in providing quality education used to adopt a government school with the objective of improving its quality of education, provide the missing facilities and increase enrolment. After devolution, the district governments continued this practice. Currently 369 government schools have been adopted under the scheme by 24 NGOs only in the district of Lahore. A list of the NGOs along with the number of schools adopted by them in Lahore district is given below:

Name of NGO	Number of Schools adopted
CARE	161
DOVE	50
Help Line	18
Idara Taleem o Aaghi	10
National Progressive Society	8
Baba Azam Social Welfare Society	2
Ghazi Education Trust	1

The partner organization adopts the school without a commercial consideration, charges the fee according to the government scales, only the utility bills and some other identified expenditure can be paid out of the adopted schools' income, otherwise, the partner organization has no lien over this income. The salary of the staff appointed by the Education Department in the adopted school is paid by the district government through the normal public system but other operating and up gradation costs are borne by the partner organization.

Partner's selection procedure: A procedural guideline for the partnership was developed by the DDO (Coordination), City District Government Lahore, which covers the important areas, like:

- Collection of baseline information about the subject school;
- Relevant experience and financial sustainability of the NGO/organization proposing to adopt the school;
- Checklist for inventorying the shortfall in facilities and personnel of the subject school;
- Procedure for attaining community participation;
- Monitoring, evaluation and reporting procedures of the NGO.

CARE, the main NGO partner in the Lahore district was registered as a trust in the year 1988 and remained involved in providing quality education from the year 1990. During the year 2002 CARE was managing only 27 public sector schools but the number rose to 172 in the year 2004. These schools are located in the five districts of Punjab but overwhelming majority (161) is in Lahore district. According to the NGO's management, requests for adoption of more schools are received but cannot be acceded to due to paucity of resources.

Methodology for cooperation

Since inception of the program, NGOs had been providing the missing infrastructure such as drinking water facilities, lights, furniture and equipments as well as teachers into the adopted schools. Funds for the up gradation were provided by the NGO out of its own resources, without any reciprocal share from the district government. However, from the year 2003, Citizens Community Boards (CCBs) have been formed and the infrastructure development projects are being undertaken with their coordination. The district government allocates 80% of the funds for CCB schemes and 20% is contributed by the communities on self-help basis.

Overall output

According to the CARE records, its adopted schools are currently providing quality education to about 95,000 children studying in these schools. 820 trained teachers are in the employment of these schools. The teachers get continuous updating of their training from the CARE owned "Teachers Training Institute". Enrolment in the adopted schools has increased by more than 40% as compared to the period when they were with the government and to manage the high inflow, evening shifts have been started in a number of the institutions.

The success of the school adoption model can be ascertained from the indicator of overall pass percentage in the matriculation examination of the adopted schools, which increased from 46% in the year 1999 to 80% in the year 2004.

The savings occurred to the public exchequer from the investments made by the NGOs in providing missing facilities to the schools is quite significant at Rs.152.698 million. Details of the investments made by various NGOs, adopting schools, are given below:

Name of NGO	Funds Invested
CARE	Rs. 97.586 million
DOVE	10.000 million
Help Line	7.710 million
Idara Taleem o Aaghi	12.850 million
National Progressive Society	3.126 million
Baba Azam Social Welfare Society	1.426 million
Ghazi Education Trust	20.000
million	

(Source: Web site of the District Government of Lahore www.lahore.gov.pk)

Monitoring system

A cell within the education department of the district government undertakes the monitoring and supervision of the adopted schools. A monthly progress report is also submitted by the private partner to the district government. The management of the schools vests into the six members' School Management Committees comprising of two members each from the district government and the private partner and another two from the community. This committee also performs the supervision and monitoring function. Regular parent-teacher meetings have developed a spirit of coordination and the educational/attitudinal problems are solved with a spirit of cooperation.

Some considerations

The model has been classified as successful by various stakeholders contacted by the consultants, however, analysis of the total situation gives rise to certain sustainability issues, which need to be given serious attention by the public sector stakeholders. The issues include:

The fee and other income of the adopted schools is available for certain identified expenditure only. The private partners can neither increase this income nor can utilize it for the school expenditure committed by them. In case of paucity of resources, the adopted schools may not take a priority with the private partner and the arrangement may suffer badly;

The private partner has been allowed to recruit additional staff to overcome staff shortage in the adopted schools. However, the district government does not take responsibility for payment of salary of this staff or their continuity beyond the agreement period. This situation will effect adversely on the quality of education if the private partner's financial position depletes to a level where they are unable to pay the staff salary during currency of the agreement or the district government doesn't absorb this staff beyond the agreement's tenure.

SWOT analysis

Strengths	A legal contract signed for creation of the PPP which specify the objectives, rights and obligations of partners and duration of the contract Good performance of the private partner indicating 40% increase in enrolment rates, control of the drop outs and provision of missing facilities including teachers Sizeable financial saving for the government
Weaknesses	The fee and other income of the adopted schools not available to private partner except for certain prescribed expenses. This may impact the financial position of the schools In case of return of the schools to the government the teaching staff appointed by the private partner will not be available to the government, which will effect the quality of education.
Opportunities	The private partners expanding education according to their own mandate, for which they arrange finances from sources other than the government
Threats	If the current financial sources of the private organizations start contracting, they may not be in a position to carry the load of the adopted schools

10.2 Non Formal Education (NFE) Centers

Mechanism of PPP creation

To increase the literacy rate in the province, the Education Department, Punjab planned to bring the working children and dropouts from the formal schools in the loop of education. With this objective, the Metropolitan Corporation of Lahore had established and was maintaining 334 NFE centers in Lahore municipal area since the year 1996, with coordination of certain NGOs. After devolution, the City District Government Lahore (CDGL) took over these centers and expanded their number by supporting the NGO experienced in opening and running the NFE centers.

The District Literacy Committee comprising of District Nazim (as chairman) and the district members selects the NGO on the criteria that it should be registered, have at least two years experience of running NFE schools and could provide or arrange accommodation for the proposed NFE classes.

Methodology for service delivery

The NFE centers provide education in classes I to V and the methodology is that students enter in class I and when they complete the course, they are tested and promoted to the next class. The children completing the course for class V participate in class V examination conducted by the Board of Education. The students qualifying the examination are eligible for admission in class VI of the government schools.

The City District Government Lahore provides free of cost learners' kits to all the students, pays the salary of one teacher per NFE center. Need for expansion in the class or opening of a new class is decided in consultation with the concerned NGO and the NFE teacher.

Overall output

By the financial year 2004-5, the CDGL had opened 824 NFE centers in partnership with the NGOs having significant experience in the field of NFE, as detailed below:

2002-3	600 centers
2003-4	124 centers
2004-5	100 centers

Each NFE center provides education to 30 students, accordingly these institutions overall providing education to around 25000 students. This is important to note that the working children and those dropped out from regular schools join these institutions out of their own interest, therefore, drop-out ratio is negligible.

Monitoring system

The EDO (Literacy) is responsible for the supervision and monitoring of all the NFE schools that are scattered all over the district. For evaluation of the NFE schools, the CDGL has appointed a committee with membership from all the departments of the CDGL. The Committee will review the working of the centers and provide report.

Some considerations

A proper monitoring and review system does not exist for the NFE schools. The District Officer (Literacy) is responsible for the inspection and monitoring of all these schools, which are located in a radius of around 25 kilometers around Lahore. Keeping in view the number of these schools and their scatter, it seems impossible for a single person to supervise/monitor them effectively.

SWOT analysis

Strengths	An agreement between the district government education department and the NGO is signed which defines the roles and responsibilities of each partner The EDO (Literacy) himself conducts monitoring of the schools Inputs from the Review Committee comprising of members from various disciplines were helpful for increasing efficiency of the program
Weaknesses	Currently 824 new and 334 old NFE centers are operating in Lahore district which can not be efficiently monitored by one person i.e. EDO (Literacy) These schools needed to be converted into normal primary schools after successful operation for a certain length of time, this has not happened with a single school
Opportunities	NGOs who work on NFE inline with their own mandate are a strength for the schools The inflow of working children and dropped out children from the formal schools

Threats	Experienced NGOs selecting some other field (e.g formal education) for their operations
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10.3 PRSP managed community primary schools

Mechanism for PPP creation

In view of the devastating state of primary education in the province, the Punjab Government and PRSP established a partnership in April 1999, with the objective of bringing out of school children to the schools. Under the scheme, 100 community primary schools were planned to be established in the province. The funding of Rs. 20.0 million (@ Rs. 0.2 million per school) was provided as endowment fund from the Social Action Program of the Annual Development Plan of the province. The PRSP mobilized the community to provide building / space for school, furniture for students and physical improvement of premises.

Under the PRSP – community partnership, the school management was entrusted to the community itself. Communities put forth the demand for schools, selected the teachers, invested the endowment fund in profit-earning account and used the profit on endowment for school expenses including payment of salaries. The Community Organization (CO) is also responsible for the formation of the Village Education Committee, which manages the endowment fund and undertakes administrative management of the schools.

The second phase started in May 2003 when Punjab Government approved an additional Rs. 70 million for the Project. This envisaged the establishment of another 200 community primary schools during the next 14 months in the 20 PRSP program districts, and revised endowment to Rs. 0.3 million per school (for all the phase-1 and phase-2 schools).

Methodology for service delivery

The actual operation of the community schools was made possible by monthly return on the endowment fund. The Endowment Fund provides a regular flow of income, while the original amount remains intact. In addition to return on endowment fund and donations, another source of income for the community school was the tuition fee. The average amount received per school on this account was Rs. 8115 per year. It was also noted that 23.5 per cent of the students were exempted from tuition fee

The community's share came in the form of imputed rent of office building, and donations for meeting utility bills and miscellaneous expenses. It has been estimated that community share in operating a community school was 28.8 per cent⁴.

Overall output

In the first phase that started in April 1999, 100 Community schools were established under the scheme and 5,596 students (2,936 girls and 2,660 boys) were enrolled in these 100 schools, with 150 teachers. The schools were first established in the following regions of Punjab:

Region	No. of schools	No. of students
Muzaffargarh	20	945
Multan	26	15 67
Sahiwal	11	432
Sargodha	12	498

⁴Evaluation of PRSP Community Schools by M J Khan, M A Saleem; Publication No. 356- Feb. 2003; Punjab Economic Research Institute, Lahore.

Lahore	10	1019
Faisalabad	5	312

The second phase started in May 2003, during which another 200 community schools were established in the following 14 months, in the 20 PRSP program districts. Currently all the 300 community primary schools are functioning with 16,500 students and 428 male and female teachers.

The concept of establishing community schools by PRSP is a cost-effective method of providing primary level education, in the context of inadequate primary enrollment and the need for achieving universal primary education. Relatively better community school's location i.e. within the village was having a favourable impact on female student's participation.

With the community's involvement in school management, good monitoring arrangements, and the local teaching staff, the community schools were able to impart better quality education.

SWOT analysis

Strengths	PPP created by an agreement that specified objectives, obligations of partners and time frame. Provision of an upfront sizeable endowment fund by the government of Punjab Active community participation in the project 300 community schools established during the two phases of the project, which provide education to 16,500 students and have employed 428 teachers
Weaknesses	Very low salary of the teachers in comparison with the government schools resulting in high turnover rate
Opportunities	Since community organization has been entrusted the schools management, it can find alternate means for operational expenses of the schools if one source (profit on endowment funds) becomes insufficient to meet the expenditure
Threats	Reducing profits on investment of endowment fund result in low operational funds for the schools

11. Concession Contracts

11.1 Up gradation of schools through community public partnership

Mechanism of PPP creation

The Punjab Department of Education (DoE) desired to upgrade the lower-level government schools, improve their quality of education and service coverage. Since the government did not have sufficient budgetary resources to undertake the initiative, it was decided to involve the private sector organizations, with experience in provision of quality education. The scheme involves handing over government schools to private sector organizations for operation of up-graded schools in the afternoon shift. The contract allows private party to utilize the premises and furniture without any cost or rent besides giving other incentives like free access to existing laboratories /libraries etc.

Methodology for service delivery

The private partner was to take responsibility for upgrading the status of the taken over school (i.e. from primary to elementary; from elementary to high; and from high to higher secondary) and run the upgraded school in the afternoon. The professional teaching and non-teaching staff required to maintain, manage, establish and operate the school was provided by the private partner. The partner was authorized to charge an approved level of fee (upper limit fixed by the government at Rs. 200 for 6th to 10th class and Rs. 300 for 11th to 12th class) from the evening students. In return, the private partner had to pay the utility bills for the school for both shifts at a scale related with the number of students of the morning shift. The partner was also required to deposit 10% of its gross income into the school fund. Other conditions of the contract were that the private partner shall not run the classes that are operated by the morning school, and the evening school will not be converted into an academy or tuition center.

Overall output

So far 6,890 such upgraded afternoon schools have been opened in Punjab (4,212 girl schools and 2,678 boys schools) with over 50,000 students enrolled. Since up-gradation is expensive (roughly Rs. 0.8 m for up-gradation from primary to elementary level, Rs. 1.5 m for elementary to high school and Rs. 2 m for high to higher secondary school upgradation), the scheme has saved the government about Rs. 15 billion in different costs⁵.

However, some short comings of the scheme surfaced even during the peak time e.g. private sector did not show much interest in taking over the schools in the rural areas, considering them unprofitable. The maximization of profit objective prevailed and slowly many default cases emerged, e.g. many private partners defaulted in payment of their share in the utility bills, or abstained from depositing 10% share of their gross income in the school fund; at some places the schools were converted into tuition academies; at few places the situation was so tense that the district government had to seek help from the law-enforcing agencies. As informed by the education department of the district government Lahore, around 50% of such schools had to be close down during the first year of operation due to illicit practices of the private partners. Considering the volume of problems associated with the initiative, the district Nazim of Lahore has put a ban on this scheme.

Monitoring system

A five-members supervisory committee constituting of the following members was responsible for the supervision and monitoring of the school:
Head teacher of the morning school;
Two members from the afternoon school;
Two members from the morning school.

However, the monitoring system in most instances could not operate successfully for which the members of the committee blame each other.

Some considerations

An analysis of the initiative gives to understand that the program has a substantial growth potential if operated with development oriented private partners and profit maximization objective of the for-profit organizations could be effectively controlled. The design of the project can be considered to contain many strengths but the manner in which it was implemented is subject of many questions. Firstly, no selection criteria for the private partners was established and secondly the terms and conditions included in the project

⁵ Report of the RSPN/DFID Multi-Sectoral Dialogue on Public Private Partnership for the Delivery of Basic Services in Pakistan October 9, 2003 – Bhurban, Pakistan

design were not incorporated in the main body of the agreement. This provided lot of space to certain unscrupulous private partners to exploit the situation in their benefit. Yet another weakness was improper/weak implementation of the monitoring and review system.

SWOT analysis

Strengths	The scheme has great potential for upgrading the education level complemented with cost saving for the government The interest exhibited by the private sector in upgrading the schools also reflects positively on the feasibility of the scheme
Weaknesses	The process for selection of the private partners needs to be thoroughly reviewed The unchecked opportunity available to the private partners for maximization of profits under the scheme Ineffective monitoring system
Opportunities	If schemes is operated on sound lines after learning lessons from the previous failures, it can become a cost efficient method for up-gradation of education
Threats	Unchecked for-profit private sector

12. Build Operate Transfer (BOT)

12.1 Islamia High School Bhati Gate

Mechanism for PPP creation

Under adoption of schools initiative (detailed description in section 10.1), the Ghazi Education & Welfare Trust offered to adopt the Islamia High School Bhati Gate, which belonged to the City District Government Lahore. The main difference between this and the other adopted schools was that Islamia High School was inoperative for quite some time, its building was not in habitable condition and it was a place for illegal activities by the miscreants of the area.

The terms on which the school adoption was offered were: the reconstruction of the building will be carried out by the NGO with its own funds, all the requirements and facilities of a good school will be provided and the school shall be operated at the NGO's cost. However, the trust did not agree to the normal duration of five years for adopting the school but asked for the duration of the contract to be 20 years. The district government, considering the paucity of educational facilities in the area, agreed to the proposal and an agreement was signed in this respect on 8th December 2003.

Partner's selection procedure

The procedure as used in the school adoption initiatives (refer section 10.1) was also utilized to select the private partner under this partnership.

Monitoring, evaluation and reporting procedures.

The Ghazi Education & Welfare Trust has been a registered entity under the Trust Act and was working in the field of education for quite some time. Since the trust had the backing of an industrial group, it possessed necessary resources for construction of the building and

provision of missing facilities. The contract provided for formation of the school council by the trust, for supervision of the trust and affairs of the school.

Methodology for service delivery

After taking over the school building, the NGOs first embarked upon ousting the illegal occupants. Later all the damaged construction was dismantled and only those rooms that could become part of the new construction plan were kept intact. After completion of construction all the infrastructure necessary for a high school was arranged. This included the drinking water facilities, lights, furniture and equipments as well as all the teaching staff, since all the teachers recruited by the government for this school had been posted out to other educational institutions. Funds for the construction and resumption of facilities were provided by the NGO out of its own resources, without any reciprocal share from the district government.

It was also agreed with the district government that in view of the lower socio-economic status of the area population, the NGO partner would not charge any fee from the students.

Overall output

The private partner spent around Rs. 7 million on construction of the school building and also provided considerable funds for essential furniture, equipments and all other facilities. Currently the annual expenditure on school is in the vicinity of rupees 3.5 million.

In the first year of its operation, the school gave admission to little less than 300 students and currently the number has reached to 427. To control the high flow of students the school follows a strict policy of merit and only those students qualifying the admission test are eligible for admission. The school has the planning to increase the students strength to 530 by August 2005 and achieve the target of 1100 student by the year 2006.

The school has hired 21 teachers for the current 16 sections of various classes operating in the school. The teachers are being paid salaries as per government scales and for their continuity in service, they are allowed full salary during the summer vacations.

The school has established a science lab for the students and is planning to procure 30 computers for starting computer classes from August 2005.

Monitoring system

A cell within the education department of the district government undertakes the monitoring and supervision of the adopted schools. A monthly progress report is submitted by the private partner to the district government. The management of the schools vests into the six members' School Counsel comprising of two members each from the district government and the private partner and another two from the community. This committee also performs the supervision and monitoring function. Regular parent-teacher meetings have developed a spirit of coordination and the educational/attitudinal problems are solved with a spirit of cooperation.

SWOT analysis

Strengths	<p>A legal contract for creation of the PPP, specifying terms and conditions of the partnership.</p> <p>Partnership resulting in achievement of public sector's development objectives, which otherwise were not achievable due to lack of resources.</p> <p>Community benefiting from availability of free education.</p>
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Weaknesses	Since the school does not generate any income, its continuity is at stake if the alternate funding sources of the NGO partner are affected in the future. In case of return of the schools to the government the teaching staff appointed by the private partner will not be available to the government, which will effect the quality of education.
Opportunities	The NGO partner has its own mandate of expanding education, therefore, a possibility exists of continuity of the school in future.
Threats	If the current financial resources of the NGO partner start depleting, it may not be in a position to carry the burden of the adopted school.

13. The Punjab Education Foundation

Mechanism of PPP creation

The Punjab Education Foundation was established by the Government of Punjab under “The Punjab Education Foundation Act, 1991”. The objective was to exploit the potential of the private sector in supplementing the efforts of the government for providing education to the population of Punjab. However, the Act was repealed in the year 2004 and replaced by “The Punjab Education Foundation Act 2004”. Since rules under the new Act have not yet been framed, the 1991 Rules are still applicable.

The main functions of the Foundation include: providing financial assistance for the establishment, expansion, improvement, and management of educational institutions; promoting public-private partnership relating to education; providing technical assistance to educational institutions for testing policy interventions and innovative programs for replication; assist educational institutions in capacity building including training of teachers.

Methodology for service delivery

The Punjab Education Foundation (Provision of Grant/Loans and Lease of Land) Rules, 1991 regulate the loans/grants provided under the Punjab Education Foundation Act. As required by the Act, District Education Promotion Committees (DEPCs) have been formed by the Government in all districts, and the Foundation is not authorized to sanction any case without the recommendation of the concerned DEPC.

The Foundation provides assistance to the educational institutions registered with the relevant Directorate of Education, Board of Intermediate & secondary Education or the University. The assistance can be provided as loan or grant for purchase of land, construction of building, purchase of equipments, purchase of furniture and educational material including books, stationery or other such material, and for meeting the recurring expenditure.

Under the Rules of the Foundation, a proper system has been prescribed for submission of applications, authentication of documents required to be attached with the application, inspections to be carried out before approval and during progress of the project etc.

Overall output

From its inception to 30 June 2004, the Foundation sanctioned 354 loans and grants to the educational institutions. Out of the institutions receiving assistance, 222 (63%) were located in the urban areas, whereas, 132 (37%) were in the rural areas. It needs to be mentioned that majority of the assistance went to the developed district e.g. 53 sanctioned cases were from Lahore, 35 from Sargodha, 31 from Multan and 25 from Rawalpindi district. The total amount sanctioned as grant was Rs. 240.166 million against which releases were a little more than 78%. The sanctioned amount of the loans was higher than the grants at Rs. 259.460 million but the amount released Rs. 175.589 million was lower at 68%. The amount fallen due from 197 recipients of loans was Rs. 116.883 million against which the recovery

rate was satisfactory at about 89%. As regards the supervision and monitoring function, the DEPCs have the power to inspect, supervise and monitor the project to ascertain proper utilization of the funds and may submit a report thereof to the managing director of the Foundation, recommending release or withholding of the balance funds.

Monitoring system

The monitoring system of the Foundation involves the DEPC at all stages of loans approval and later monitoring of progress on the project for which the loan was taken. Before approval of the loan or assistance, verification of the credentials of the applicant, inspection of the property offered for mortgage, as security etc is the responsibility of the DEPC. At the time of release of subsequent installments of the loan, DEPC verification of progress on project work is necessary. The Foundation’s Rules provide that the District Education Promotion Committee has the power to inspect, supervise and monitor the project to ascertain and ensure proper utilization of the assistance provided by the Foundation.

Some considerations

(i) The performance of the foundation has remained far from satisfactory as it could review only 444 applications in its 14 years of existence, out of which 354 (80%) were approved. The Foundation has the following reasons for its low performance that need attention:

The Act has tried to inbuilt a system of check and balances within the procedure for processing and approval of the assistance applications. However, the overcautious attitude has given rise to certain problems, which are: the process for approval is very cumbersome and lengthy, as a result despite receiving many applications, DEPCs forwards few applications for final approval of the Foundation; for release of funds against the second installment of the assistance, a satisfactory progress verification report is required from the DEPC, which usually takes a long time and results in delaying the project; the penal clauses are very stringent, e.g. delayed installments, after the lapse of a grace period, are recovered with the penal charges of 5% per month, and in case of continuing default, the security/collateral is forfeited under the provisions of Land Revenue Act. Owing to these difficulties many NGOs have lost interest in their projects.

(ii) Programmatic sustainability is linked with the provision of greater numbers of loans for education development through expansion of educational facilities. Since the Foundation has been sanctioning loans only out of its earnings from the investment of its equity fund, the available amount has drastically contracted with the drop in the interest rates and restrictions on corporate investments with the National Saving Centers. To address the situation, the board of directors of the Foundation has forwarded to the Punjab Government for allowing the use of equity funds as revolving capital, from which more loans could be advanced.

(iii) The government ensured financial sustainability of the Foundation by fixing the equity amount at Rs. 100 million but the full amount was not released. If the government releases the balance amount of the equity, it will add to the financial sustainability of the Foundation.

SWOT analysis

Strengths	An organized system for undertaking activities (approval/release of grants and loans) mandated to the Foundation 354 cases of grants and loans were disbursed to date, which benefited various educational institutions Due to a tight system of loans approval, monitoring and recovery, the loan recovery rate is around 89%.
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Weaknesses	The Foundation's rules prescribe a very lengthy and time consuming process for loan approval and disbursement Major focus of the foundation's assistance remained on the urban areas The pace of loans approval/disbursement very slow
Opportunities	Most district governments interested in expanding educational facilities for the population Educational institutions interested in taking loan for establishing educational facilities
Threats	Some district governments do not consider education a priority for development Long time taken at the district level for processing of the loan cases Time consuming process for mortgage creation (as security for the loans) at the district revenue offices Decreasing profits on foundation's investments have contracted the amount available for release as loans

WATER SUPPLY AND SANITATION SECTOR

14. O & M contracts with community participation

14.1 Punjab Community Water Supply and Sanitation (Sector) Project

Mechanism of PPP creation

The Project is the follow-up of the Punjab Rural Water Supply and Sanitation Project, has been designed to extend water supply and sanitation facilities to 54 tehsils of 26 districts of Punjab. The Project objectives include: (i) extension of water supply, drainage and sanitation coverage to village communities that do not have access to organized water supply and are located in brackish and barani areas of Punjab, using a community-based, demand driven approach; (ii) institutional strengthening and capacity building of newly constituted Tehsil Municipal Administrations (TMAs) to organize community-based water supply and drainage development and improve the other management related functions; (iii) implementation of hygiene education program including assistance to selected beneficiaries in the project tehsils towards the construction of household latrines through revolving fund; and (iv) implementation of a pilot Social Uplift and Poverty Eradication Program (SUPER) aimed at establishing income generating sub-projects for very poor communities through a micro-credit system.

The projects is being implemented in line with the Government's 'Uniform Policy' for rural WSS programs, thus, ensures the participation of beneficiary communities in all stages of development, i.e. planning, designing, implementation and O&M.

Methodology for service delivery

The Project works with close commitment of the beneficiary communities, as such, only those communities that undertake the responsibility for full cost of operating and maintaining the sub-projects qualify for the Project support. To manifest the active involvement, the Project beneficiaries are contributing 6.5% of the total cost of the Project. About 70% of the beneficiary contribution is in the shape of land, labor and provision of earthwork for street surfacing, while 30% is deposited in the concerned CBO accounts, in advance of the commencement of civil works construction. This is a four-year project commencing from January 2003 and completing in December 2006.

Overall output

As regards the progress on the project, around 40% of the total civil works contracts have been awarded, out of which 42% have completed by end of January 2005. The 60 completed sub-projects have been handed over to the communities for assuming full responsibility of O&M. A mid-term review mission was fielded by the Asian Development Bank in February 2005 and according to its findings, some cost-effective and easy to operate methodologies were being utilised by the communities for making the handed over schemes feasible. For example, in Dera Ghazi Khan lower-level reservoirs (LLR) were being used on many schemes, which ensured them 24 hours water supply and in Chakwal some communities have metered all their connections to charge the households according to the use of piped water. In Rawalpindi, a village has contributed considerable amount as a component sharing and introduced several other innovations regarding social welfare works using the platform of motivated CBO.

Some considerations

It has been pointed out that the CBOs who are the implementation arm of the project at community level are currently not being registered with any government entity and their linkages with other line departments remain weak. With the objective of providing an opportunity to the CBOs of converting into a registered entity and access the local development funds it was proposed by the Project to register them as CCBs. Certain difficulties were experienced by the Project in materializing the proposal, due to limited outreach of the district CCB registration authority, lengthy procedures of registration and limited capacity of TMAs to facilitate CBOs in registration. These difficulties need to be removed on priority for providing the CBOs an opportunity of proving their potential.

Sustainability of all the subprojects that have completed and handed over to communities for O&M, depends on CBOs continued commitment, ownership, social cohesion, and overall backup support from their respective TMAs in resolving their social disputes and major technical problems whenever they emerge. With regard to the technical problems, TMAs continued involvement is essential in all the stages of sub-project implementation, especially identification and handing over stage. Once a sub-project is completed as per agreed layout/design with no outstanding technical and social issues, TMA should be formally given the charge to assume the role of problem solving as a back-up support to CBO and of monitoring the operations of the completed schemes. In this context, a main concern is the existing lack of capacity of TMA to handle technical and social issues, for which their capacity development is essential.

SWOT analysis

Strengths	Ensures participation of beneficiary communities in all stages of development i.e. planning, designing, implementation and O&M Beneficiaries contributing 6.5% of the total cost of the project 60 completed projects handed over to community Innovative strategies used by communities for O&M and revenue collection
Weaknesses	Community-based organizations not being registered with any government entity, therefore their link is weak with other line departments
Opportunities	Possibility of CBOs converting into CCBs under the devolved set up TMAs (Tehsil Municipal Administration) role as problem solver, back-up support and monitor of operations
Threats	Limited capacity of CCB registration authority and lengthy registration procedures Little capacity of TMAs to handle technical and social issues

14.2 Installation of water filtration plants at tehsil Chiniot

Mechanism for PPP creation

The objective of this program is to create new opportunities for local governments (at District, Town, Tehsil and Union Council levels) to address priority development challenges within their communities through partnerships with the private, for-profit sector, Non-profit NGOs and community-based organizations. The major funding for the program is provided by the USAID while the concerned local government, private partner and where possible, the community-based organizations also undertake to provide certain agreed percentage of the overall cost of the project.

The installation of two water filtration plants at tehsil Chiniot of district Jhang has been implemented by a partnership of Tehsil Municipal Administration (TMA) Chiniot and a private for-profit organization namely Iqbal Rice Mills (PVT) Limited. The project aims to provide clean drinking water to village Chenab Nagar that lacks access to hygienic water due to impurities in water supply pipelines and contamination of water by discharge of industrial effluents and municipal sewage. The total cost of the project was estimated at Rs. 2 million, of which Rs. 1.5 million was contributed by USAID, Rs. 0.4 million by the TMA and Rs. 0.1 million was provided by the private partner. The project has since completed and handed over to the TMA for operation and management in coordination with the local community.

Methodology for service delivery

Information about the project and available funding was provided to the concerned organizations and communities through workshops/seminars at the local level. To ensure that the information about the program reaches even those areas where workshops/seminars could not be conducted, the project concepts were invited through national and local newspapers. The application for funding of the project by USAID included the requirement of submission of an agreement between the concerned government department and the local partner. This agreement described the rights and obligations of each partner along-with the each partner's share in the total cost of the project.

The Project was implemented by the Rural Support Programs Network (RSPN), which involved the Punjab Rural Support Program (PRSP) for supervising and providing the technical backstopping to the project. The USAID's share of total cost of the projects was also released through the PRSP.

At the local level, the Project Committee (PC) consisting of the representatives from all the partners was responsible for the project implementation. The capacity development of the PC was undertaken by the PRSP.

Monitoring and evaluation

The monitoring and supervision of the project was conducted by the PRSP through supervisory visits and introduction of monthly progress and financial reports. It is planned that an end of the project evaluation will be carried out by the RSPN to identify good practices and lessons learnt.

Overall output

The project has completed the installation of the two water filtration plants at the village Chenab Nagar and supply of filtered water has commenced for the local communities. The direct beneficiaries of the project are around 15,000 people. The responsibility for operation

and maintenance of the project has been entrusted to the Project Committee with technical and managerial backstopping from the TMA.

SWOT analysis

Strengths	A scientific procedure for informing and involving the partners into the project Reducing the financial burden of the local government in implementation of the development agenda Proper agreement between the partners of the project specifying partners' rights and obligations
Weaknesses	Low community ownership as no participation in the project cost
Opportunities	Continuity of funding by the donors for local development initiative Community interested to participate more actively in the forthcoming projects
Threats	Continuity in the interest of the for-profit organizations to financially participate in the government's development projects

15. Overall analysis of the reviewed PPP models

Public-private partnership is new phenomena for Pakistan of which few models have been experimented that too without a proper organization and structure. Accordingly, it cannot be expected that any of the experimented model would form a perfect example for replication in all future PPP contracts. In the previous sections of the study separate analysis of each reviewed PPP was done under the headings of (i) mechanism for PPP creation; (ii) methodology for service delivery; (iii) overall output; (iv) monitoring system; points for consideration; and, SWOT analysis. The aforementioned analysis provided insight into the good and bad points of the PPP and threw some light on the opportunities and threats confronting these models in the future.

Following the same approach, it is considered that an overall analysis would throw some light on the good practices due to which the partnerships were able to achieve planned objectives. It is also expected that the analysis would identify the pitfalls that were responsible for slow progress and created hurdles in the smooth functioning. This exercise will provide the foundations for recommending the parameters for PPP policy and strategy development. The findings according to this approach have been given in the following sub-sections.

15.1 Typologies of the reviewed models and their main differences

The reviewed PPP models can be categorized under seven different types of PPPs. An analysis of various types used and their main differences is as under:

Management contracts: This was the main typology of PPPs used by the health and education sectors in Punjab. Out of the total 12 models studied from health and education sectors, six or 50% pertained to this category.

In theory, the management contracts make the service provider responsible for management of all aspects of a public service while the responsibility of operational, maintenance or capital cost of the services remains that of the public sector. The contractor is generally paid an agreed fee for the management services. While analysing from this perspective, the contracts entered by the district health departments with the PRSP for management of BHUs, generally followed the philosophy of this category. Under these contracts all the operational and capital allocations of the BHUs were transferred to PRSP. Although no

management fee was paid, the PRSP's cost of maintaining district and provincial support offices was picked up by the Provincial Health Department. In contrast, the management contracts for revival of low performing or closed schools, entered by the education department with certain NGOs, contain high element of volunteerism. The NGOs who had education as their mandate, not only financed the initial cost of missing facilities but are continuing to finance salary of the additional teaching staff appointed to strengthen the school.

CCBs and community forums: CCBs or Citizen Community Boards are new form of public-private partnership introduced in Punjab under the Punjab Local Government Ordinance 2001. The main purpose of CCBs is to energize community for development and improvement in service delivery, development and management of a new or existing public facility, identification of development and municipal needs, mobilization of stakeholders for community involvement in the improvement and maintenance of facilities, establishment of farming, marketing and consumers cooperatives and reinforcing the capacity of a special monitoring committee at the behest of the concerned council.

Since the local governments are required to spend 25% of their development budget through the CCBs, they have shown their potential by not only improving the health situation in the district Gujrat, where this PPP model was reviewed but their progress was witnessed in all the districts visited by the consultants. In most of the cases CCBs have proved to be active development partners as they not only identified the much needed development projects in their areas but also were able to generate the community share of 20% in the total project cost. It has also been experienced that where community was not able to generate their share of the development fund, the CCBs were successful in reverting to alternate means of local philanthropy, participation of the NGOs or for-profit corporate sector. Examples can be quoted of district Okara where a CCB by the name of 'Amal' is constructing a ward for TB patients in the district head quarter hospital in collaboration with an NGO and with assistance from local philanthropy. In district Faisalabad, a CCB was able to obtain participation of the City School for construction of a bridge on a canal. This bridge facilitated the students of the City School living on the other bank of the canal, as well as commuters from the general public.

Although the Punjab Local Government Ordinance 2001 created the forum of CCBs, their actual formation and activation started in 2003 in most of the districts of Punjab. At the initial stage their focus in rural areas remained on infrastructure projects for agriculture, however, with the passage of time not only vision of the CCBs is broadening but the local governments are also forming byelaws and procedures to align their efforts with the overall development strategy of the district.

Autonomous medical and health institutions: This model attempts to achieve improvement in health care delivery through decentralized decision making. For the purpose, the tertiary health institutions and medical colleges were declared autonomous and their management was vested in their Board of Management through the promulgation of Punjab Medical and Health Institutions Act 2003. The Board of Management envisaged membership from the private sector also. However, various provisions of the Act of 2003 and the rules framed there under are against the spirit of autonomy and leave very narrow space for autonomous decision-making.

The Punjab Health Foundation and Punjab Education Foundation: These foundations were created under the Acts of the Parliament of the Government of Punjab for development of health and educational institutions. The prime mandate of the foundations is to provide financial support to the private individuals, institutions and NGOs for establishment and expansion of health and education infrastructure. For this public-private partnership, which is created between the foundations and their beneficiaries through the loan agreements, the

Act and Rules of the Foundations prescribe complete infrastructure and procedure. Since this is a very organized institution for undertaking PPPs and their personnel have vast experience of dealing these cases, the Foundations possess all the ingredients of forming into a support organization for assisting any public sector organization for entering into the PPPs.

The Foundations are however criticized for their slow pace of progress, which the Foundations' incumbents link with the lengthy and time consuming procedures at the district level from where the loan proposals are initiated and after approval, all the documentation/registration is done at the district offices. This set-back can, however, be addressed by conducting a review of the whole situation, identifying the bottlenecks and taking measures for their rectification.

Concession contracts: Under the concession contracts the concessionaire undertakes the management, operation, repair, maintenance, replacement, design, construction and financing of a public service facility or system. The concessionaire collects and retains all service tariffs, assumes the collection risk and pays the public sector a concession fee.

The model of concession contract was tried only by the Education Department, Government of Punjab. At the outset it received a welcome response from the private sector and around 7000 institutions were handed over to the private sector organizations for up gradation. However, due to illicit practices of some of the private sector organizations, the default in payment of dues to the public sector occurred. The lesson learnt from the experience was that private partners should be selected very carefully after due scrutiny of their status and previous record, further an efficient monitoring system capable of timely identifying the problems and taking remedial action was a requirement for success of such type of contracts.

Build, operate and transfer (BOT) contracts: This type of contracts were also undertaken only by the Education Department, for rebuilding dilapidated school buildings and restart of the school by the private partner. The property under these contracts does not transfer to the private partner but he operates the facility for the whole period of contract and receives the revenue generated by the facility.

Since this type of contracts were entered with the NGOs having mandate of providing education to the general public and commanding sufficient resources to fund the construction and operational cost of the school, the project met success and the school is operating efficiently, despite the contract does not allow the NGO partner to charge any fee from the beneficiary students. However, this contract has supported the NGO by providing a school building at a prime location of Lahore and start work according to its mandate without much loss of time.

Operation and maintenance (O & M) contracts: The projects studied under this model contained a condition that the public sector hands over the facility to the locally organized communities for operation and maintenance. The charges collected from the beneficiaries are also received and kept by the organized community for financing any repair or maintenance expenditure.

This model has been successful except that the CBOs are facing difficulty in registering them as CCBs with the district registration authority due to low capacity of the CBOs to fulfill the registration formalities and limited capacity of the PTAs to support them in this area.

15.2 Partners, their roles and capacity

In the public sector, the major player in PPP field is the Education Department that has entered numerous contracts with NGOs and private for-profit institutions having education as their basic mandate. Health department has experimented public private partnership mainly by transferring the management of their primary health facilities in certain districts to a government financed NGO i.e. PRSP and by granting (so called) autonomy to the tertiary health institutions and medical colleges attached therewith. The role of CCBs has however been evident as informal partners in development, be it the PPP contracts of education department with NGOs or health department with PRSP or the district health department's efforts to raise the health status of the population in the district. The community organizations are also partnering with the PHED in taking over the operation and maintenance role for the completed water supply and sanitation schemes.

The public sector organizations have the capacity to identify the potential areas for PPP initiatives and locate private partners to undertake these assignments but lack capacity to formalize legal and technical arrangements. However, the Punjab Health Foundation and the Punjab Education Foundation are the two autonomous bodies in public sector that possess necessary infrastructure (prescribed under their enactments and the rules) and skills for dealing with the PPP initiatives. These institutions can be allocated the role of resource organization for providing assistance needed by other public sector entities for finalizing the PPP contracts.

For the reviewed PPP models, the NGOs have demonstrated their suitability as they were mandated to work in the areas for which they entered into the PPP contracts. Additionally, they possessed alternate financial resources for working in the assigned fields, therefore, were able to bear the cost of development intervention that otherwise required public sector financing.

The private partners also have the flexibility to experiment innovative ideas in performance of their assigned tasks; this facility is not available to the public sector partners.

15.3 Regulatory framework

Leaving aside the Health and Education Foundations, no other public sector organization employs a regulatory framework for entering into various types of PPPs. As a result, most of the legal and technical clauses in the reviewed contracts were incorporated on the expediency of the public sector functionaries.

In the absence of a regulatory framework, most of the agreements were referred to the departments possessing the necessary legal expertise. This take up resulted in extending the time for finalization of the agreements beyond the normal limits.

15.4 Monitoring, review and evaluation

Almost all contracts contained a clause regarding progress reporting, monitoring and evaluation. However, very few contracts provided a detailed structure for the reporting and monitoring including a description of indicators for verification of performance. In case of the Punjab Health and Education Foundations, the rules framed under the respective legislation provide a rigorous framework for monitoring along-with the role of each level of the monitoring team.

Except for the monitoring system of the PPP model for "Up-gradation of Schools through Community Public Partnership" no other monitoring system was reported to be a failure. The effectiveness of most of the monitoring systems is however questionable due to insufficiently described monitoring mechanisms or low capacity of the monitoring staff.

15.5 Overall output

Overall, the partnerships working under the 'Management Contracts' were more successful. In this category those partnerships performed even better, where the contracts explicitly defined the services to be performed or specified the outputs to be delivered, along with the milestones to measure the progress. Example may be quoted of Punjab AIDS Control Program and the Punjab Community Water Supply and Sanitation Project. Also the management contracts under the school adoption scheme through PPPs worked well according to the assertion of the Education Department. In this case also the short-fall in each school was inventoried prior to handing over the school to the NGO partner and later this inventory was used to monitor the progress. The contracts, which did not amply specify the services to be delivered, e.g. contracts for management of BHUs by PRSP, ran the risk of missing one or the other component of the service package during implementation.

Almost all contracts contained clauses regarding sharing of risks and rewards between the partners e.g. in school adoption model the inventory of missing facilities at the time of adoption of school was prepared and the private partner had the responsibility to provide all the missing facilities. Likewise, the private partner was allowed under this partnership to use the fee income of the adopted school on some specific heads of expenditure.

The benefits accruing to the project beneficiaries were also part of the contract as the project outputs were specified in the contracts. However, where the outputs were amply specified and indicators for their verification made part of the contract, their monitoring and evaluation was facilitated.

Partnerships with those private organizations were more successful which held the status of an autonomous institution with defined policies and a systematic organizational and governance structure. For reference, names of PRSP, CARE and some other NGOs working with education sector can be quoted.

In the absence of a well-defined framework for PPPs, the public sector institutions could not be expected to possess necessary expertise for finalizing a good legal contract for creation of a public-private partnership. A positive indicator noticed during the review was that in most of the cases the agreements were got vetted from the government departments carrying the legal knowledge for review of such documents. This procedure could work as no exclusive legislation or rules are operative for PPP contracts but these are subject of general commercial laws applicable to any other contract.

Almost all partnerships either prescribed criteria for selection of the private partner or focused an already tried and tested partner. However, in certain cases, these provisions could not be stringently followed while selecting the private partners. This flaw resulted into problems during the partnership implementation or at the time of termination of the partnerships. An example may be quoted of the partnership of Education Department for up gradation of schools under the "Community-Public Partnership (CPP)" initiative, where some of the partners defaulted and when their contracts were rescinded, they took the matter to the court on one pretext or the other. Some also resorted to other coercive methods.

In the reviewed PPP models the voluntary or non-profit nature of most of the private partners (NGOs) has proved to be beneficial for the partnerships. This attribute reduced the risk of employing illicit tactics for cost reduction with profit maximization objective by the for-profit organizations. The question can be raised that when a partner to PPP does not have a financial stake, why he should continue with it? The answer is that these organizations (e.g NGOs, CARE and Ghazi Welfare Trust working under Schools Adoption Model) were able to generate their resources from the alternate means since they were working in accordance with their mandate of provision of education to the communities through the adopted schools. However, this type of PPPs were exposed to certain risks also, which include:

- If the current funding source ceases to exist or reduces drastically, the PPP may fall into crisis.
- For considering any expansion in the project, the private partner (NGO) is constrained by limitation of available funding.

15.6 Overall SWOT analysis

Strengths: Majority of the PPPs (83%) used the contracting method i.e. signing of legal agreement for creation of partnership relation between the public and private partners. Six or 46% of the partners told that the personnel from legal department of the government vetted their agreements. Most of the agreements for reviewed PPP models contained clauses focusing monitoring and supervision, while a lower percentage (31%) included verifiable performance indicators. Around 38% of the private partners were the autonomous organizations having systematic governance structures. Output review of the projects revealed that about 38% of the partnerships demonstrated outstanding performance. Open bidding system was used only for 23% of the partnerships while others were assigned to the organization having previous rapport of handling similar projects. Involvement of Citizen Community Boards (CCBs), formed under the devolution plan was reported at least in three PPP projects. The Punjab Education Foundation and Punjab Health Foundation reported to possess organized legislative system for their PPP projects, due to which their recovery rate was in the range of 89 to 97 percent.

Weaknesses: The major weakness of the reviewed projects has been the selection of private partners without resorting to open bidding process. In 77% of the cases private partners were selected based upon previous reference of remaining involved with a similar project. Another important area needing attention was the non-availability of verifiable performance indicators in most (69%) of the contracts. One weakness specific to the Punjab Health/Education Foundations was that the stringent process of involving many government structures in the processing, approval and disbursement of loans for development of health/educational institutions has slowed down the Foundations' progress.

One general weakness in the design of many initiatives was that the baseline studies, playing an important role in the need assessment and identification of resources for the proposed project, were not conducted. This aspect will be highlighted in more detail when the evaluation missions will analyze the outputs and outcome of various schemes.

A funding mechanism that smoothly transfers funds to the implementing partners and provide a system for reorganizing the budgetary allocations according to the needs of actual implementation, is considered a great plus point for the effective implementation of the partnership. Whereas, for some of the reviewed projects the mechanism was operating efficiently (e.g. PRSP contracts and donors funded projects), some other partners complained about delayed payment of salaries to the government staff working in the facilities or timely transfer of funds to the partner organization for specified activities.

In certain cases the criteria prescribed for partners' selection did not match the ground realities e.g. the Women Health Project, Punjab, under its methodology for service delivery needed to select NGOs having local presence in the program districts. The criteria used for short-listing of the NGOs were the normal criteria prescribed for selection of consultants. The result was that for a long time, despite all efforts, no NGO could be associated. After revision of the criteria, some NGOs have been short-listed but their capacity for preparation of financial proposal is limited and they require capacity building in this area.

Opportunities: The opportunities for undertaking PPP as a viable development option exists as the highest tier of government in Punjab is convinced of its feasibility and this has been incorporated as such in many policy documents. Further many private partners are available who have experience of working on PPP projects and can prove their strength in open bidding process. Another welcome situation is that most of the district governments consider PPP a viable option and they can easily use this option through the involvement of Citizen Community Boards (CCBs).

Threats: It has been observed that the private sector, other than NGOs, has hardly participated in the reviewed PPPs and where it participated (school adoption under CPP model), many complaints surfaced about its illicit attitude. A review and analysis of the whole situation gives to understand that without a strong regulatory framework, transparent and competitive bidding process these problems cannot be addressed. Another threat to smooth functioning of PPPs in future could be the bureaucratic attitude of the public sector functionaries.

16. Issues and challenges

Based upon the foregoing review of the PPP experiences and their analysis, some issues and challenges have emerged whose discussion will provide a strong basis for the development of draft strategies and policy parameters for public-private partnership. The main issues are:

16.1 Regulatory framework

Since the regulatory mechanisms influence and guide the parties to a PPP, especially the private sector decision-making, it is critical to ensure before embarking on a PPP relationship that effective legislative and regulatory framework has been developed that facilitates and supports the PPP promotion. An effective and supportive regulatory framework has the following objectives:

- to identify the elements that may impede private sector's participation, affect viability or distort advantages to be gained;
- to identify the need for and design of sector specific regulations making the private sector participation possible, including the development of institutional structures to oversee and regulate private sector operatives;
- to identify the regulations that are required to be included in the PPP contracts, assess their impact and whether any safeguards against regulatory risk need to be included.

16.2 Public sector's capacity for entering and handling PPPs

Considerable skills are required for entering and handling public-private partnerships, both at official and institutional level. The public sector suffers from inadequate capacity, both of skills and systems. In contrast, private sector companies and organizations generally employ such personnel who possess skills and experience in the corporate legal matters, commercial transactions handling and contract management. Further, they are much more flexible and less bureaucratic than their public sector counterparts. They are able to make

immediate decisions and respond quickly to proposed changes, whereas, government staff at various level needs to consider government rules and more often has to seek approval from the respective hierarchy of command. This opinion is also borne out by a cursory look at the government systems, rules and regulations.

The skills required for PPP to be considered and implemented are often not those normally required in the operations of a government department. There is a need for having a legal capacity and support for negotiation of contracts at all the levels of the government especially at the district and down level. Contract management and financial management skills are also limited with the public sector, whereas, successful handling of PPPs require the necessary contract management and financial management skills. Another requirement is of overcoming the lengthy bureaucratic administrative processes, which may make the private sector disinterested in the PPP.

16.3 Monitoring capacity of the public sector

The monitoring and evaluation mechanisms and capacity required to examine the impact of the projects need to be defined upfront. The monitoring structures need to be developed separately for the infrastructure development and service provision contracts, verifiable monitoring indicators and monitoring procedures need to be developed separately for each type of PPP and included as an integral part of the PPP contract. The essential monitoring staff needs to be provided and their capacity developed in the monitoring systems designed for the PPPs.

16.4 Changes required in the existing legislator, rules of business, financial rules and administrative powers

Various requirements for efficient entering and handling of PPPs, at the staff level and institutional level, have already been discussed in section 16.2 above. For proposing changes in the legislation, rules of business and financial rules, each public sector organization will have to first identify the areas for PPP intervention within its own sphere of work under the broader policy of the government on PPP; locate the potential private partners and become aware of their market strategy, business capacity and corporate practices; based on the information thus obtained, review the prevailing legislative environment, rules of business and financial rules to identify the hindrances for achievement of an enabling environment for entering and handling PPPs.

16.5 Motivating private (for-profit) sector towards PPPs

Historically the corporate sector understood their corporate social responsibility in terms of the following components: i) looking after employee welfare; ii) making donations to citizen organizations and/or beneficiaries; and iii) sending staff for charitable products. However, there is worldwide growing recognition that corporate responsibility extends much beyond the aforementioned thought. Corporate responsibility is now considered to be strategic in its approach aiming to address deep underlying social problems with sustainable solutions. It is in response to this change that the companies are becoming aware of their role and responsibility for social development. Many examples can be quoted of this attitudinal change, a few of which include:

In September 2003 WWF-Pakistan and Shell Pakistan jointly launched a three-year conservation project costing about Rs 5 million, aimed at upgrading the mangrove ecosystem located in the outskirts of Karachi.

Tameer, to build, is a non-profit organization that has been running successfully since its introduction in Pakistan in January 2003. The program is a Shell initiative, which has been adapted from Shell *Live WIRE* International recognizing the need to promote youth enterprise in Pakistan.

Pakistan Tobacco Company (PTC) a multi-national manufacturer of cigarettes had set up a waste composting incarnation plant in Jhelum cantonment. PTC is also involved in an environment project by funding tree plantation through NGOs and students of the local schools.

In Sialkot the private sector has provided about Rs. 180 million for road construction and Sialkot air port is being built by the private sector.

The above examples show that there exists a potential for channelising the corporate sector's philanthropy funds to the public sector social development programs by using the medium of PPPs. However, this will require rebuilding the confidence of the private for-profit sector in the potential of the public sector for efficient and equitable delivery of the social services.

III. Recommendations for development of strategies and policy parameters for PPPs

From the review and analysis of the PPP models operating in Punjab, certain lessons have been learnt that are helpful for making recommendations for development of a policy and strategies for public private partnerships. The main recommendations are:

(a) An effective and supportive institutional framework

Public service delivery through the pursuit of PPP is relatively new in Pakistan. At present an enabling environment in the form of consistent government policy is lacking. A formal policy from the government at provincial and district level is an identified need for providing clarity regarding the legal capacity of the various levels of government (or the relevant officials) to create binding commitments under the PPP arrangement as well as about the roles and responsibilities of the respective partners.

Any projects which are designed and are to be implemented, should clearly enunciate about what is acceptable in terms of gains from public-private partnerships and how they better promote service delivery to the public.

In the absence of a strong institutional framework, proposals are going to be reviewed and assessed by the concerned government department on an ad hoc basis. There is no forum at any level to deal with representation and concerns from all stakeholders.

To address the requirement, a provincial PPP Forum should be established with representation from relevant government departments and various stakeholders like the local nazims/ councilors, local chamber of commerce & industry, potential private partners, local representatives of professional organizations and representatives from the beneficiary population. This forum should be involved for development of a supportive policy for PPP and guide the strategy development in the public sector. Simultaneously, a committee at the provincial level should review existing policies and legislation to identify potential constraints to successful implementation of PPP. Additionally, the Committee would prepare advisory guidelines to assist departments in following suitable practices to implement their PPP programs.

(b) Development of a clear performance criteria (Issue of monitoring and evaluation)

Linked to the overall development of a strategic framework is the need to agree on what the performance criteria are and the basis on which these criteria will be measured. The monitoring and evaluation mechanisms and capacity required to examine the impact of the projects need to be defined upfront. It is suggested that minimum contractual provisions for PPP should include:

- i. Duration of the contract
- ii. Ownership of the assets during and after the partnership
- iii. Treatment of the public employees who may be displaced by the partnership
- ii. Range of services and output levels
- iii. Basis of payment in relation to service and output levels
- iv. Relationships between the Department and service provider
- v. Use and retention of technology by the Department
- vi. Accommodation of a Department's changing requirements over the duration of the contract.

(c). The guiding principles, strategies and regulations

The development of a PPP strategy at the government level with supporting regulations should ensure that the objectives of PPP are in line with the overall policy objectives of the public sector. The strategy should ensure that systems are in place to support PPP and that the public sector plays a pro-active, rather than reactive role in implementing PPP. Departments at various levels of government should identify those areas in which a PPP is an acceptable and viable service delivery option and then actively research and engage the private sector partners.

(d). Organizational structure (including capacity development)

Considerable skills are required for entering and handling public-private partnerships, both at official and institutional level. The public sector suffers from inadequate capacity, both of skills and systems. In contrast, private sector companies and organizations generally employ such personnel who possess skills and experience in the corporate legal matters, commercial transactions handling and contract management. Further, they are much more flexible and less bureaucratic than their public sector counterparts. They are able to make immediate decisions and respond quickly to proposed changes, whereas, government staff at various level needs to consider government rules and more often has to seek approval from the respective hierarchy of command. This opinion is also borne out by a cursory look at the government systems, rules and regulations.

The skills required for PPP to be considered and implemented are often not those normally required in the operations of a government department. There is a need for having a legal capacity and support for negotiation of contracts at all the levels of the government especially at the district and down level. Contract management and financial management skills are also limited with the public sector, whereas, successful handling of PPPs require the necessary contract management and financial management skills. Another requirement is of overcoming the lengthy bureaucratic administrative processes, which may make the private sector disinterested in the PPP.

(e). Types of services and projects to be covered by PPP (PPP assessment)

All the projects are not suitable for implementation as PPPs. The public sector organization needs to conduct an assessment of a project under the overall PPP policy of the government and strategies designed for undertaking the PPP projects. The PPP Assessment would help

the public sector in deciding whether the project in question is a potential PPP project, and if so what form of PPP is most appropriate. It will also determine the optimum allocation of risk between the public and private sector and the procurement procedure to be used.

(f). Degree of risk and its management

A risk denotes any factor, event or influence that threatens the successful completion of a project in terms of time, cost or quality. A key principle of PPP strategy is that risk should be allocated to the party best able to manage it. The effective allocation of risk has a direct financial impact on the project as it will result in lower overall project costs and will therefore provide enhanced value for money if compared to traditional procurement methods. The direct relationship between risk and financial impact lies also in the fact that the degree of risk transfer to the private sector will influence the overall cost of the project to the public sector, as risk will be associated with a price premium. Therefore the objective must endeavor to achieve cost effective risk transfer.

The objectives of risk transfer include:

- To reduce long term cost of a project by allocating risk to the party best able to manage it in a most cost effective manner
- To provide incentives to the contractor to deliver projects on time, to required standard and within the budget
- To improve the quality of service and increase revenue through more efficient operation
- To provide a more consistent and predictable profile of expenditure

Annex: A

COPY OF SOME REVIEWED PPP AGREEMENTS