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**PUBLIC PRIVATE PARTNERSHIP IN EDUCATION: A CASE IN  
PAKISTAN**

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**PUBLIC PRIVATE PARTNERSHIP IN EDUCATION: A CASE IN  
PAKISTAN**

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**Report**

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## **Dedication**

Dedicated to the countless men and women who strive for education reform in Pakistan each day. Your contributions to our future generations are many, and your efforts are valued by an entire nation.

*“Next in importance to freedom and justice is popular education, without which neither freedom nor justice can be permanently maintained”*

*James Garfield*

## **Acknowledgements**

The inspiration for this thesis came after witnessing the conditions of a rural public school in Pakistan. The school barely had walls and a seating place. Students sat on the ground with temperatures exceeding 100 degrees, and only one working fan to console them. The entire school shared a single bathroom. The conditions were appalling. My visit to this school made me think about the injustices present in society. These children would never even be given a chance to change their conditions and break free from the cycle of poverty.

My resolve to work for these children was further strengthened by a talk with former civil servant, Dr. Anjum Khurshid, who had experience with public private partnerships in education. Persistence and Dr. Kurshids continuous guidance led me to a remote area in Punjab called Khanpur. Here, I would investigate the workings of public private partnerships, their problems, and their effects on surrounding areas.

I am grateful to my supervisors and readers, Dr. Patrick Wong and Dr. Jennifer Bussell who guided me through the process of writing a professional report. Their patience and knowledge was exemplary. Both provided invaluable assistance, while allowing me room to work in my own way. This report could not have been written without their guidance.

I am also thankful to my parents, Shahid Ahmed Khan and Kamilah Shahid who encouraged me to dream, to travel hundreds of miles in body and thousands of miles in

mind to realize my goals and give life a meaning. My love goes out to my grandparents, Nisar Ahmed Khan, Sajida Khanum, Tabarrak Lodhi and Ruqqaya Tabarrak. All of these people always remembered me in their prayers and taught me the values of life.

My friends' support during this project was unwavering. They listened to my complaints, helped me proof read countless drafts, and were always there for me when I needed to take a break.

Thank you all.

## **Abstract**

# **PUBLIC PRIVATE PARTNERSHIP IN EDUCATION: A CASE IN PAKISTAN**

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Pakistan had a literacy rate of 54 percent in 2008. This was considerably lower than all of its neighbors. 43 million people in Pakistan live below the poverty line of a dollar a day, and receiving quality education remains a dream for most of them. The government spends less than 3 percent of its Gross Domestic Product on education, which means that little can be done to provide even basic education to all.

While there is no conclusive evidence regarding the effectiveness of public private partnerships, they have been promoted as part of the national agenda on education since 2000. This report explores the effectiveness of such partnerships in the education sector in Pakistan, and analyzes the problems that these partnerships face. The focal point of the assessment is an in-depth analysis of various public private partnership programs in Pakistan, based on primary and secondary data. Primary data includes information gathered by visiting a school that was formed under one such partnership, and by

conducting detailed interviews with key stake holders. Secondary data comprises of evaluation reports by donor agencies and the Ministry of Education.

The primary aim of this report is to examine the effectiveness of such programs and the reasons for their success or failures. The secondary aim is to determine if active community involvement in education yields better results. Finally, this report offers guidelines to the government for designing successful public private partnerships. Findings reveal that such partnerships have varying results within Pakistan and these results depend greatly on the design of such partnerships. The author recommends that a national policy on public private partnerships be formed, and elements of accountability and performance measure be added to each contract to make the partnership more effective, sustainable and successful.

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## **Chapter 1: Introduction to PPPs**

Public private partnerships (PPPs) can be loosely defined as an institutional arrangement between the public and the private sector to achieve certain goals. Many countries have experimented with public private partnerships across a wide spectrum of policy arenas. For instance, PPPs have historically been prevalent in projects of infrastructural development such as the building of roads, tunnels, and ports. They are also popular in social services, particularly in education, health and, in the case of United States, in the delivery of welfare provision services. (Greve and Hodge, 2005).

### **IMPORTANCE OF PPPS**

The role of public private partnerships has gradually been gaining prominence in developing countries. These countries are experimenting with such models across a wide variety of policy issues. Examples include health schemes in India, like the Yeshasvini health scheme in Karnataka and the Aroghya Raksha scheme in Andhra Pradesh<sup>1</sup> (Sangha, Sandakov and Hankinson, 2005), infrastructure development schemes in The Republic of Korea, such as PIMAC<sup>2</sup> (Sangha, Sandakov and Hankinson, 2005), and waste management schemes in Pakistan (IPDF, 2008).

Developing countries have paid an increased interest in public private partnerships, primarily due to the active role that international agencies are playing to

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<sup>1</sup> These schemes among many other health schemes in India are example of government working out with a private company to provide health insurance targeted towards the poor.

<sup>2</sup> PIMAC in the Republic of Korea is responsible for a wide variety of initiatives undertaken for the development of PPPs in infrastructure.

promote such PPP initiatives. International financial agencies like the World Bank and the International Monetary Fund have been trying to persuade governments to move to more market-friendly policies by encouraging market liberalization and privatization. These are often among the pre-conditions for financial assistance from such agencies (Hughes, 1998). The World Bank in particular, has vigorously propagated the use of PPPs in the less-developed countries by arguing that public private partnerships can improve quality, increase efficiency and increase the infrastructure available for the public services. (Economist Intelligence Unit, 1999; Hall & Pfeiffer, 2000; Osborne, 2000; Wiliamson, 2000.) The past decade has seen international agencies celebrate PPPs as a key strategy for service delivery to third world countries (USAID 2002, DFID 1999), and as an important aspect of donor-country developmental thinking and a central component of their foreign policy. (Weaver and Manning, 1991)

This report will look at public private partnerships in Pakistan in the field of education and assess their effectiveness. It will explain the various factors that accounted for the success and sustainability or failures of various PPP schemes in Pakistan and the challenges that such initiatives face. This chapter will discuss the existing literature in public private partnership. It will go on to explain the research question and the methodology of research that is conducted in this report.

## **LITERATURE ON PPPS**

While the World Bank makes a strong case for public private partnerships, their success, however, is less clear in the literature. Proponents and opponents offer a variety of arguments to make their respective cases. On the positive side, there are findings of

UK commentator, Pollit (2002), who looks across ten case studies of public private partnerships in the UK and concludes that the best deal in terms of money was achieved when such a partnership was used. On the other side, there are others like Monbiot (2000), who accuse the UK treasury of compromising the public interest in its haste to sign such deals. Similarly, other analysts like Davidson (2004) argue that “public private partnerships have nothing to do with economics but [rather are employed by] powerful vested interests that are happy to hide behind the complexity of this issue to enrich themselves”. These arguments, which will be discussed in greater detail later in chapter three, suggest that the literature on public private partnerships is drawn with conflicting opinions about their economic value and effectiveness.

The perceived role of the public private partnerships is more important for the service provision sectors in third world countries, where the wide socio-economic gaps and the low quality of infrastructure are appalling when compared to the developed countries. When we look at these developing countries, one of the areas which suffer public neglect and low quality is often that of education. Enrollment rates are low due to the absence of efficient and equitable education. Low income families, females and other marginalized groups are usually left deprived of even primary education.

With the formalization of international commitments to the Education For All goals (EFA) and Millennium Development Goals (MDGs), developing countries are now asked to provide equitable access to primary education to all children by the year 2015. World leaders have promised to ease the plight of people living in poverty by providing

them with the opportunity of universal primary school completion and with gender equality. At present, however, most countries are far from achieving that goal.

Education is a very sensitive social issue, and primary education is perceived as the basic right of every child<sup>3</sup>. Getting good education to the children of third world countries depends on a wide variety of factors, including the income level of the parents, and the cost that education entails. This cost consists not only of the direct expenses of books and fees, but is also seen as comprising of wages that children lose if they give up work, and opt for school instead. If left to their parents, poor and marginalized students would almost never receive quality education, and that, in itself, is a major injustice to them. Usually, for such children and their families, generation after generation is ensnared in a cycle of poverty, getting out of which is almost impossible. The lack of opportunity or the unavailability of any chances to break this cycle is seen as unfair; hence, the public sector or the central government continues to be an important player in the provision of basic facilities such as education. The central governments in developing countries have limited resources, and are financially unable to tackle large scale social problems such as education. The private sector, on the other hand, does not have enough incentives to provide equitable education on its own.

The deficiencies that arise in the public provision of education can be tackled by involving other private actors. Businesses usually gain from the increased investment in education, primarily in the form of increased human capital, stability in the country, and a

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<sup>3</sup> International commitments such as Education for All goals (EFA) and Millennium Development Goals(MDGs) requires that equitable access to primary education should be provided to all children.

strengthening of relationships with the community. Supporters of PPPs maintain that such partnerships allow the provision of services to be quicker, cheaper, and better since the government gains access to corporate expertise, experience in management, strategic planning, innovation, and problem solving expertise. PPPs then become an instrument to synergize the private sector with the public sector in order to overcome various shortcomings that may arise if each works individually.

Public private partnerships have not shown consistently positive results across countries and projects. This suggests that perhaps a wide variety of factors, such as the institutional environment in which they operate, the incentive structure, and the nature of partnerships, all are important factors in determining the success or the failure of a public private partnership

## **RESEARCH QUESTION AND METHODOLOGY**

I chose Pakistan as the country of analysis for this report mainly because Pakistan has a deteriorating public education sector, and very little has been discussed about the country in academic literature. It is my hope, that with this report, the problems being faced by the education sector come to light, and possible solutions are found. Pakistan is also the country of my birth, and my homeland, and therefore, I have easier access to researchers, policy makers, and government officials. Being a Pakistani, I was able to interview hard-to-find policy makers, and was given access to a lot of research documents that I otherwise might not have been able to obtain.

In this report, I will try to gauge the effectiveness of public private partnerships in Pakistan in the field of education. ‘Effectiveness’ here refers to success in terms of achieving both the short term objectives of the partnership, and the overall sustainability of the project. The report will go into details about the factors that contributed to the success or failure of such initiatives. This will include a discussion on institutional structure, the governance structure, accountability mechanisms and other factors that played a role in the outcome of the respective partnerships. After exploring such projects on the macro level to better explain the landscape of such initiatives, I will move on to a specific case study of a local private start-up school in Khanpur. This case study is interesting as the *Tehsil* (county) of Khanpur is an impoverished area with not many quality schools. It is also an interesting case study because the school continues to perform well after 10 years and is a thriving success. My methodology for this case study was primarily interviews. I interviewed 8 out of the 10 board of trustees to get information about the formation of this initiative and the school policy and procedures.

I also reviewed publicly displayed school documents that showed yearly results, progress of the school, and overall statistics. The trust members were very eager to discuss their experience with the school in hopes that other such schools would someday benefit from this information. At the end of this report, I will conclude with some recommendations that will assist in framing a design that will promote prosperous public private partnerships in education. The research data for this report consists primarily of literature reviews, evaluation documents, and detailed interviews.

The report is divided into five chapters. The first chapter gives a brief introduction and touches on the significance of research done in the context of public private partnerships in education. This chapter delves into the importance and viability of such ventures, particularly in the field of education. The second chapter talks about the education sector in Pakistan. It discusses, in detail, the private and the public education system and how each differs from the other. Chapter three will take a closer look at debates in the literature about public private partnerships in general.

After defining and discussing public private partnerships, chapter four and five will create two models of PPPs that differ in their role and functional responsibilities between entities. A detailed discussion of these models, and the examples of programs within these models will bring attention to various factors that influence the workings of PPPs. Keeping these factors in mind, along with the macro environment in which PPPs operate, we will move to chapter six, which will then discuss the case study of a public private partnership school in Khanpur. This chapter will consist of micro-level insights into the opportunities and the challenges that public private partnerships face. The need for such a school, the existing political environment in the area, the management of the school and the incentive structure that made it possible to create a partnership will be fully discussed in this chapter. I will conclude the report by summarizing my recommendations that will make PPPs more effective and sustainable.

## **Chapter 2: The Education System in Pakistan**

### **EDUCATION IN PAKISTAN**

Pakistan, a former British colony was created in 1947. The Gross Domestic Product (GDP) is 161 billion dollars (WB, dataset, 2009). The Gross National Income (GNP) per capita in 2009 was 1020 dollars. (UNICEF, 2010). With a total population of over 160 million (WB, 2009), 43 million people live below the poverty line of dollar a day (FCO, 2011). Pakistan is the sixth most populous country in the world, with 38 percent of its total population being less than 15 years old (Leahy, 2007). The United Nations estimates that Pakistan's population will increase by another 54 million people in the next 15 years (UN, 2005). These statistics point out that Pakistan has a rather young population, a majority of which cannot even afford basic private education. This chapter explains the educational structure of Pakistan and the disparities that exist within the system. The divides are across gender, geography and economic income level. Understanding these issues will help us better formulate policy suggestions.

With an increasing youth population, Pakistan faces serious challenges in ensuring universal primary education. The literacy rate, which is based on the ability to write your name, is barely 50 percent (FCO, 2011). For females, it drops down to around 35 percent. Pakistan is one of the five nations with the lowest literacy rates and is among the twelve nations that spend less than three percent of their gross domestic product on education (Shah 2003; Kronstadt 2004; Farah 2007). The United States Agency for International Development states that of the two-thirds of Pakistani children (ages five to nine) who have ever been enrolled in school, only one-third manage to complete primary education

(fifth grade; Kronstadt 2004). 70 percent of these students who do complete primary education are male and 30 percent are female. The primary Gender Parity Index (GER ratio)<sup>4</sup> rests at 0.78 (World Bank 2008). Furthermore, the primary school completion rate for girls in rural areas is three times lower than that for boys, and in urban areas it is twice as low (Herz and Sperling 2004).

The quality of education is also low and great disparity exists within the provinces and the urban-rural divide. Surveys assessing the quality of education, which were conducted for the period of 2003-2007 under the Learning and Educational Achievement in Punjab Schools (LEAPS), show that children are performing well below their grade levels. By the end of the third grade, barely 50 percent of children had mastered the mathematics curriculum for the first grade (Andrabi 2008). This is an example of how the current education system is not only inaccessible to most children but also lacks in quality.

Pakistan does not have a mandatory school attendance policy in place. Students, who do choose to go to school, enroll in either a private school or a public institution. According to the Karachi-based policy research institute, Social Policy and Development Center, of the total number of students going to primary school (grades 1 to 5), about 73 percent go to public or government schools, 26 percent to private schools, and less than 1 percent to *Madrassas*. Within the public and the private sector, there are elite schools catering to a small minority of students. The majority of students, however, attend low-

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<sup>4</sup> The **Gender Parity Index (GPI)** is a socioeconomic index usually designed to measure the relative access to education of males and females. In its simplest form, it is calculated as the quotient of the number of females by the number of males enrolled in a given stage of education.

quality private and public schools with poor curriculum, limited teaching materials, and inadequately trained teachers, or in many cases absent teachers (Bano, 2008).

Private schools in Pakistan are not based on the concept of equity, nor do they aim to increase access to education for the masses. They are usually located in the larger cities or richer villages, and tend to target students who can afford to pay for education (Andrabi, 2002). Public schools, although present in rural areas, are not effectively monitored and the quality of education is often sub-par. This brings us to the classic economic problem of equity versus efficiency. While the for-profit private schools are cost efficient, they are not equitable and while public schools have access to government grants and funds, they are not deemed efficient enough.

Private schools are financed, operated and managed by private individuals, and are often characterized with high costs of education. The tuition fee within the private system varies greatly. It will vary from as little as 10 dollars a month (in rural areas) to as much as 50 dollars a month, or more<sup>5</sup> (Andrabi, 2002). The private sector consists of for-profit schools as well as non-profit schools. These private schools are perceived to have a relatively better standard than the government operated public schools; and that is the reason most people opt to send their children to private schools. Private schools in Pakistan serve a sizeable portion of the population, and are increasingly becoming more popular. In 1990, private schools accounted for around 25 percent of the total enrollment in primary schools (WB, 2006)

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<sup>5</sup> Schools in urban areas like Beaconhouse School System, City School, Atchison College, etc which cater to the upper middle class have fees over 50 dollars a month whereas other private schools that target the lower class have fees of around 5 dollars a month.

The public schools are funded, operated, and managed by the state. Employees in these schools are public employees and follow a curriculum set by the government. Tuition fee for these schools is near to none, however, Pakistan's current spending on education -- less than 3 percent of its budget -- is anemic, and far lower on a relative basis when compared to neighboring India or Bangladesh. The education spending almost never trickles down to the students. Pakistan's public education system is prone to corruption and includes thousands of "ghost schools" which exist on paper and receive state funding. In reality, these schools do not function or even exist. A local landlord gets the money, and either pockets it or dispenses it to individuals who are on the payroll as teachers. These individuals are in fact associates or relatives of the landlord who do nothing to earn their salaries. Assumed school buildings are often used for housing farm workers or livestock, instead of students. (UNICEF, 2009)

The schools that do operate often lack basic facilities -- a 2006 HDI government study found that more than half of all public schools do not have electricity and 40 percent have no bathrooms. About a third of students drop out by the fifth grade, and the enrollment ratio falls tremendously in secondary education. For males, it falls from 93 percent in primary education to 37 percent in secondary. For females it falls from 60 percent to 28 percent (UNICEF, 2009). Teachers, meanwhile, earn as little as \$50 a month. A typical domestic servant usually earns more than that. The low pay truly mirrors teachers' perceived value in Pakistani society.

The alternate to public and private schools is that of *Madrassas*. A *Madrassa* is a traditional styled religious school where religious education is imparted to the students.

The 9/11 Commission Report, released in 2004 stated that some of Pakistan's religious schools or *madrassas* served as "incubators for violent extremism." (9/11 Commission Report, 2004). Since then, *madrassas* have been debated over frequently, with their connections to militancy and extremist tendencies being highlighted in the world's media. As stated above, however, they account for less than one percentage of total student enrollments.

### **PROBLEM OF ACCESS AND EQUITY**

As explained previously, there are numerous disparities in the education sector of Pakistan. The lack of access to education across different income and gender groups further exacerbates the problem. The overall literacy rate among the poor in Pakistan is 28 percent, while among the middle and upper-middle classes this jumps to 49 percent. The net enrollment rate<sup>6</sup> is 37 percent for poor as opposed to 59 percent for the middle and upper classes (World Bank 2002). Enrollment remains the lowest in the poorest quintile, and the dropout rate is highest among this group.

More often than not, the head of a poor household is uneducated. The percentage of literate heads in non-poor families is 52 percent whereas in poor households this is only 27 percent (PRSP 2003). This is a troublesome fact, especially since 65 percent of the population of Pakistan lives below 2 dollars a day (UNESCO 2006). With the

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<sup>6</sup> According to the UN definition "Net primary enrolment rate in primary education is the number of children of official primary school age (according to ISCED97<sup>1</sup>) who are enrolled in primary education as a percentage of the total children of the official school age population. Total net primary enrolment rate also includes children of primary school age enrolled in secondary education. Where more than one system of primary education exists within the country the most widespread or common structure is used for determining the official school age group"

commitments to Millennium Development Goals and Education For All goals, extensive efforts will have to be made to provide equitable access to this group that is at risk of being uneducated.

The variation across gender is also wide as we have seen in the statistics above. Female enrollment rates are lower than those of their male counterparts, and the dropout rates for females are higher as well. The reason for this discrepancy stems from cultural norms as well as sparse educational facilities. Girls in rural areas are less likely to be sent to school if the school is not within walking distance, or if it is located in a different “*Zilla*” (county). The religious and cultural emphasis on “*Purdah*” (wearing a head scarf when a female leaves her house), and the tradition of being accompanied by a male member of the family (often the brother or the father) discourages families from sending their girls over long distances<sup>7</sup>. The cultural expectation from a female in most lower class families is to get married, and to stay at home. Such norms and expectations reduce the incentives of providing education to girls. Schools with male teachers, co-educational institutions, or institutions with teachers who do not respect the “*purdah*” also experience low female enrolment. To improve the educational situation in Pakistan, institutional arrangements are required to respond to their cultural environment. For example, each county should have its own school, female teachers should be part of the staff, and security and safety of the female students should be ensured.

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<sup>7</sup> Interview with Sardar Hamid Kamal, Jan 2011

## **GOVERNMENT RESPONSE**

The government has failed to respond to the numerous challenges faced by the education sector. The amount of funds allocated to the education sector is alarmingly low. Access to education has become even more difficult after the floods of 2010 which damaged over 5,000km (3,000 miles) of roads and crippled around 7,000 schools. These floods have not only had short term negative effect on Pakistan but they have also impacted Pakistan in the long run, destroying schools and paralyzing the institutional and educational structure. A decreased number of schools mean that education standards will suffer even more. With the government unwilling to increase the education budget, the only choice left for a typical low income person would be to keep their children illiterate, or to send them to a *madrassas*, most of which have already come under severe criticism for their lack of monitoring and curriculum.

With a mere 3 percent of budget allowance for education, and with no plans to increase it, enhancing the access and quality of schools will be very hard. The Pakistani tax system does not allow provinces (states) or local communities to tax its residents. Only the federal government has the authority to tax citizens. This lack of power takes away the opportunity of having public schools funded by local community taxes.

With such restraints on financing by the central government, a strategy to involve the private sector by introducing public private partnerships has been seen as a viable solution. The government of Pakistan termed PPPs as fundamental to the Education Sector Reform program of 2001. The ministry of education listed the following incentives for the creation of PPPs (MOE, 2004b).

The ministry explicitly stated, that “The government has officially recognized that the public sector, on its own, lacks all the necessary resources and expertise to effectively address and rectify low education indicator”(MOE, 2004b). Public private partnerships, on the other hand, offer

- 1) “A less radical alternative to sometimes controversial and less desirable wholesale privatization
- 2) A more transparent and proactive manner of engaging the private sector for improving access and quality of education
- 3) Enhanced managerial performance, entrepreneurial spirit through capacity building inherent in the model
- 4) Access to proven leading edge technologies
- 5) Improved transparency through involvement of local community from design, implementation through to the operation
- 6) Support to local knowledge and employment generation at local levels” (MOE, 2004b)

The document of the Ministry of Education stated that “an anchor area of the education sector reforms action plan 2001 – 2005 has been the promotion of PPPs to address access and quality targets at all levels of the education spectrum” (MOE 2004b:2). The ministry pledged to create a thriving environment to encourage such partnerships among the private sector and NGOs.

During 2006, the MOE initiated another consultative program to assess the progress since 2001 and develop future growth plans. The consultative report that was published in 2006 criticized the private sector on its handling of equity concerns. This shifted the policy back on the state as reflected in the Draft National Education Policy (2008). The government policy regarding the public private partnership has shifted twice substantially within a time frame of 8 years.

The importance of a better-educated population grows significantly as Pakistan moves from an agrarian based to a service sector based country. In 1999, the labor force employed in agriculture was 27 percent while 49 percent were in working in the services sector. In 2009, the number of people employed in agriculture has declined to 21.6 percent and those employed in service sectors has increased to 54.2 percent. This structural change means that the traditional, brute force work, or work linked to peoples' ancestors occupation is declining (Labor force survey, 2010). Thirty years back, working in the public sector required an individual to at least be a high school graduate. This requirement has now been raised to an undergraduate degree (Idress, 2011).<sup>8</sup> With the growth of the internet, English is gradually becoming the language of formal communication within organizations. All of these factors are increasing the demand for English medium schools.

More focus on education will help the country in this structural change and enable students to find the jobs that they desire.

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<sup>8</sup> Interview with Idress, 2011

Since 2001, a number of programs under the banner of PPPs have gained prominence in Pakistan. This section set up a background to the education sector in Pakistan and how public private partnerships can be used to positively affect education in Pakistan. I will now move forward to the next chapter, which discusses the overall literature available in the realm of PPPs and critically assesses their advantages and disadvantages.

### **Chapter 3: Public Private Partnerships**

In the last two chapters I discussed the neglected state of education in Pakistan and how international organizations call for a more active role by public private partnerships. It was argued that public private partnerships are needed without discussing the existing literature in this policy area. In this chapter, I will also formulate a formal definition of the term PPP and discuss its perceived advantages and disadvantages. I will then focus on critically analyzing the evidence that exists in the literature and the impact that it might have on PPPs in Pakistan.

#### **DEFINITION OF PUBLIC PRIVATE PARTNERSHIPS**

Before moving further, let us formally define a public private partnership. For the purpose of this paper I will consider a PPP as a set of “working arrangements based on a mutual commitment between a public sector organization and any organization outside of the public sector”. (Selsky and Parker, 2005). Public private partnerships are seen as a way to combine the advantages of the public sector with those of the private sector; to achieve the effectiveness of the private sector with the social advantages of the public sector.

This definition does not identify which function is associated with each actor. The new interdependencies created by the free market system mean that there will be a need of new partnerships and collaborations across the organizational models. There is, hence, no single model for PPPs, but rather various models with varying functional responsibilities.

Some see PPPs as representing the middle way between state capitalism and privatization (Leitch and Motion 2003). Privatization itself has never had the desired effect in developing countries. It has not resulted in massive reductions in national debts, nor has the private sector ever demonstrated superiority in running businesses (Broadbent and Laughlin, 2003, Leitch and Motion, 2003). The realization that the private sector needed to be involved, but in a more effective way, was the core of the formation of PPPs.

### **SCHOLARLY OPINION ON PPPS**

The literature on PPPs is divided into two categories. The first one is the academic discipline of public management. It primarily talks about resource constraints and the need for such partnerships to solve organizational problems. Core arguments are that organizations collaborate because they lack essential competencies and because their environment is more uncertain (Selsky and Parker, 2005). This literature includes the strategy literature which sees such PPPs as a way to overcome resource constraints that each sector may face.

The other stream of literature looks towards PPPs as means of dealing with social issues. The idea here is that traditional sectors cannot address certain challenges due to resource constraints and a partnership will allow each sector to borrow from the other and formulate innovative solutions (Selasky and Parker, 2005). The hypothesis is based on two arguments. The first argument rests on the fact that every sector has a traditional, specific role to play but it can be replaced by another sector if it fails to provide the

expected product. We see this primarily in third world countries, where welfare is taken up by the non-government organizations and community leaders once the government fails to address popular issues. The success of PPPs in this stream of literature is reflected by the effective solution of the social issue at hand.

In the case of my report, I will focus more on the second strand of literature that looks at PPPs as a way to deal with social success. The government and the private sector will work hand in hand and by means of creating such synergies, PPPs will be effectively able to meet social challenges.

### **MAJOR CATEGORIES OF PPPS**

As mentioned before while defining PPPs, a wide variety of actors can be involved in creating a public private partnership. It can be a partnership between a for-profit business and the government, or a partnership amongst governments, civil society and the private sector. It can also be all encompassing by being a multi-stakeholder partnership which can include anyone who wants to achieve the desired goals.

My report will, however, focus on private-civil society partnerships and the division of responsibilities within such partnerships will form the basis of the models discussed in the next chapter. A brief discussion of these categories is discussed below.

#### **Category 1: The Business Alliance**

This category involves the partnership between the business sector and the government to tackle development issues. Businesses often find it helpful to maintain their image as “corporately responsible”, and always desire to maintain a healthy

relationship with the community at large. A typical private business will favor educational cooperation with the community because ultimately a better educated workforce will benefit the business in the long-run, and the actions will lend more credibility to the business organization. Such corporations, however, are often seen as exploitative. Introducing the concept of corporate responsibility and linking it with their brand undoubtedly portrays the corporation in good light. It must be noted, however, that such ventures are often narrow in scope and usually only target the local area near which the organization is based.

Milliman and Grosskopf (2004) examined collaborations between government agencies and businesses. They argued that collaborations can be undertaken to facilitate development and to transfer new strategy and technology for better performance. Focusing on international health, Richter argues that PPPs are “not necessarily positively innovative, but that many of them carry large risks that are neither highlighted nor addressed due to the political connotation of the term”.(2004:23). There may be better alternatives than such partnerships that would serve the public interest more effectively

## **Category 2: Public-Private-Civil Society Partnership**

These partnerships involve the private sector and/or the government working with non-profit actors such as social entrepreneurs, community leaders, etc. Some define it as public private civil society partnerships or PPCPs. There are numerous benefits of adding the civil sector to a partnership. First, the civil sector brings along with it, knowledge about community needs, limits to affordability, and gender and cultural sensitivities.

Second, the civil sector provides a communication channel between the society and the policy makers. Direct involvement can ensure that community interests will be served. Involvement of the civil society also helps guarantee the continuity of the program if or when the other partner, the private sector or the government, withdraws its support. The extent to which this statement holds will be discussed in subsequent chapters.

### **Category 3: Multi Stake Holders' Partnerships**

Multi stake holders' partnerships (MSPs) are partnerships that involve multiple parties like civil society, the public sector, the private sector and others, to pool the resources and contribute to one goal. The term MSPs is primarily used to indicate the complex nature of such partnerships, since the partnership involves more actors than just those in the traditional PPPs.

These three categories reflect how different organizational structures can all still be called public private partnerships, and can still fall under its umbrella. It, thus, becomes important to revisit the meaning of the term "public private partnerships" so that the reader gets a broader understanding of the word and the underlying implications that it carries.

Linder (1999) examined the multiple meanings of public private partnerships, its underlying premises, and ideological commitments well. He argues that such partnerships can be effective political and policy tools. The outcomes assigned to PPPs include how

governments function, address finances, deliver public provision of services and bring the governments closer to the efficient outcomes of the market.

The literature in this area notes the importance of institutional arrangements between the actors. Pongsiri (2002) argues that the implementation of PPPs depends on successful development of legal procedures, agreements and contracts that define the relationship between the different entities. What is more most astonishing is that even a lack or low quality of such agreements, specifically in developing countries, still results in some very successful PPPs. These partnerships are viable, both in terms of sustainability and quality of outcomes. To make this case, I will be discussing a case study of a small *Tehsil* (town) in Pakistan and its educational endeavors.

#### **ARGUMENTS IN FAVOR OF PUBLIC-PRIVATE PARTNERSHIPS**

The theoretical literature on PPPs suggests many positive outcomes in the area of education. Multiple reports by the World Bank (WB, 2007, WB 2009) suggest the following advantages of public private partnerships.

1. *PPP contracts can be more flexible than the public sector.* In most developing countries, the public sector has less autonomy in management decisions than the private sector. This includes decisions like the hiring and firing of staff, and the general management of schools. The flexibility of public private contracts can attribute to more efficient and innovative management skills.

2. ***The government can choose private partners using an open process which will increase quality.*** Private partners are chosen on the basis of the quality of services that they provide, and the goals of their organization. This will automatically raise the quality standards of schools working under PPPs.
3. ***PPP contracts can also achieve an increased level of risk-sharing between the government and the private sector.*** This risk sharing will ease the burden on both entities and will allow for inducing of additional resources to the provision for education.
4. ***PPP can have efficiency savings.*** One of the promises of PPPs is that they are more efficient and will result in efficiency savings. This is primarily because the private sector is more innovative and concerned about costs than the public sector. The PPP arrangement will make the entity more cost-conscious, and hence more efficient.
5. ***PPPs reduce the tight fiscal burden on the government.*** This is primarily a reason why governments of developing countries find PPPs very attractive. They reduce the fiscal burden on the governments by sharing it with a private sector partner.

Other expected benefits of PPPs include an increased stream of finance, innovation, improved incentives and greater value for money for public projects (Spackman 2002, Nijkamp, et al 2002).

## **ARGUMENTS AGAINST PPPs**

The usefulness of PPPs has been contested for as long as they have existed (Boward, 2004). Although most studies examine PPPs in a positive and instrumental way, some critique them on quality grounds. While some PPPs may be more sustainable and longer-lasting, the proper measure of success should be, especially in the service provision industry, that of quality. This leads to numerous debates of how to actually measure quality. The issue is further compounded if the PPP is operating in the education sector. For example, how best would the effectiveness and the quality of education being imparted to students be measured?

In a review of the current state of PPPs, Rosenau (1999, 2000b) concluded that they have several problems. They may decrease costs in the short term, but the total costs and externalities are defined narrowly. PPPs do not necessarily exhibit superior performance in terms of access, quality and democracy. Moreover, they do not necessarily reduce regulation costs, since the government still has to monitor them to fulfill its role as the protector of public good.

In the context of developing countries, Miraftab (2004) highlighted conceptual inconsistencies underlying PPPs that lead them to deliver results opposite to what they claim. Hence, she believed that ambivalence and deception may lie at the core of such partnership. Dixon et al. (2004) pointed out that PPPs may advance interests of the private sector through private rent-seeking opportunities, under the banner of sharing the power with the poor and the state.

PPPs are also feared to have reduced the government's control over public services. They have also thought to increase socio-economic segregation since poor students will be left in deteriorating public schools while others will move to private schools or the newly formed PPPs.

## **PUBLIC PRIVATE PARTNERSHIP IN EDUCATION**

This chapter discusses the existing literature available on public private partnerships. The advantages and disadvantages both are plentiful and discussion suggests that the evidence of PPP effectiveness is largely mixed. This lack of conclusiveness on the macro level argues for a more in-depth analysis of public private partnership. To do this, I will now move to the country of my reference, Pakistan. I will discuss how public private partnerships work in the sector of education in Pakistan, and what can we conclude about their effectiveness. Research suggests that these partnerships have had mixed outcomes, with results largely dependent on the design of each partnership.

The next chapter will look at various examples of PPPs that work in the field of education. I have created two models based on the division of responsibility between the actors, and will discuss various examples under it. The chapter will then go on to discuss the problems and the advantages of these models to help us better understand the organizational dynamics of public private partnerships.

## **Chapter 4: First Model of Public Private Partnerships**

The last chapter outlined the existing literature on public private partnership and the various categories that exist within the literature. While the last chapter provided the bigger picture, this chapter moves on to a micro-level perspective. As mentioned earlier, I am interested in analyzing the effects of public private partnership from the societal platform perspective. Within it, I will focus on two categories of such partnerships and discuss the relationships that exist between the public and civil society.

In analyzing such relationships, it is natural to question how the nature of relationships differs with varying functional responsibilities. This chapter digs deeper into the question, and attempts to create two models out of the existing programs employed in the education sector in Pakistan. The two models differ in their roles and the functions that each entity performs. Both models have their own sets of problems that will be discussed and analyzed in detail in the following chapters. I will now move on to discuss the first model in this chapter:

### **MODEL 1: DIRECT PUBLIC INVOLVEMENT MODEL**

The **first model**, which I refer to as the Direct Public Involvement Model, is one in which the government continues to provide educational services and the private sector (NGOs, community boards, etc.) regulates and monitors their provision. This monitoring can take many forms. It can be in the form of citizen community boards, or school management committees, where a group of elected members undertake community mobilization, monitor the school service provisions, and maintain administrative records

of the schools. Monitoring bodies can also take the form of an NGO, which is held responsible for improving school standards. In this model, the private sector also contributes financially to the school, and the contribution can range from zero to a hundred percent. Involvement varies across actors and situations. In some cases, the private sector is more concerned about dealing with management issues while in others it turns its attention primarily towards improving the educational content and teacher training. The main role of an NGO or a private actor is to facilitate, contribute towards the finances, and to regulate the provision of education by making public school more efficient, provide teacher training and regulatory visits to the school.

### **Management of schools**

The primary management of the school remains with the public sector. The teachers, headmasters/headmistresses and other staff members continue to be from the public sector. The private sector plays a purely regulatory role by actively reviewing staff performance, and providing an accountability mechanism to improve their performance. The private sector may also assist in improving school management by training teachers and administrators'. In this model, the general public is usually much more satisfied as they feel that the public sector is still in-charge of education.

### **Finances**

Within this model, expenses are shared between the government and the private sector. This reduces the burden on the public sector to finance the entire school. NGOs, religious organizations, local and corporate philanthropists can all contribute to the

workings of the school, and can assist in reducing the financial burden on the public sector. At times, the private sector takes over the financial burden entirely, while on other occasions it just contributes on an activity basis. For example, upgrading the school infrastructure, paying utility bills or adding and/or upgrading science laboratories can be some of the responsibilities of the private sector. PPP contracts have a minimum length of five years. This model provides the flexibility of contracts that the public sector education provision was lacking.

### **Monitoring**

School monitoring is undertaken by the private sector in this model. NGOs and the community that contribute to the financial and managerial support of the school also participate in this monitoring. The uniqueness of this model is that it allows the private sector to be an effective monitor of the public provision. Earlier, public provision of schools did not have any monitoring. This lack of oversight allowed “ghost” schools to form, and also kept the quality of existing schools below average. Teachers and administrators had virtually no accountability. The purpose of this model was to make the public sector more accountable, and to make the private sector more engaged and involved.

To encourage local and community monitoring efforts, the government devolution plan of 2002 was introduced. The plan allowed school management committees (SMCs) and school councils to be formed, primarily to serve the same purpose of monitoring and maintaining records. Parents and the community, along with teachers, were asked to

participate in the affairs of the schools so that all stake holders could contribute to a quick and effective solution towards their problems. The structure of the devolution plan will be discussed in detail in the examples a little further on.

To train SMCs in community mobilization, the government entered into an agreement with NGOs since they were known to be more effective in community outreach and communication skills. The success of such monitoring efforts will be discussed later in the chapter.

### **Community involvement**

Community involvement was highly encouraged under this model. NGOs also promoted the use of school management committees within their schools. The intuition or economic rationale behind such active community involvement was that once the community becomes effectively mobile, they would take ownership of these projects and make it easy for NGOs or the public sector to withdraw their support.

### **Fees structure**

Since it is still a public school by nature, tuition fees are pretty low, almost zero. Such schools are thus seen to be more equitable as they do not discriminate between students on the basis of income or social status. The model was to encourage quality education similar to the private sector, with the low fee structure of the public sector. It was meant to be the best of both worlds. The success of the model varies with various examples and will be discussed below.

To further expand on the model outline above, I will be discussing two examples of programs that run in Pakistan and that follow the first model approach outlined above. These examples are of “Adopt-a-School” programs and the adoption of “School Management Committees” or “Citizen Community Boards”. These examples will then form a base to discuss the problems with this model.

### **‘Adopt-A-School’ Program**

The “Adopt-A-School program” was initiated by a semi-governmental body of Sindh Education Foundation in 1997. Its purpose was to improve the quality of education in public schools by a systematic collaboration between the public and the private sectors. The goal was to replicate the success of such programs across the country. (Sindh Education Foundation, 1998). The “Adopt-A-School” program has since become a very popular PPP program within the education sector. The program was initiated by the Sindh Education Foundation but by early 2000, two big NGOs that have nationwide acclaim (CARE<sup>9</sup> and Idara e Taleem O Aagahi<sup>10</sup> (ITA)) had implemented it with great success.

Both of these NGOs work to bring quality education to underprivileged students. CARE is a sister organization of the US-based nonprofit organization called Pakistan Literacy Fund, and has been working in Pakistan for more than 20 years. ITA is an organization that gets donations from the World Bank, United States Institute of Peace,

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<sup>9</sup> CARE Foundation is an international organization that seeks to empower by giving quality education. It is a sister charity of the a US based NGO called Pakistan Literacy Fund that seeks to create awareness of importance of educating the underprivileged youth of Pakistan

<sup>10</sup> ITA is also an organization that seeks to provide education for all citizen of Pakistan. It is a group of influential people in Pakistan committed to provide education.

the United Nations, and other international organizations. The various donor sources help understand the relatively large scale of these programs, and the power that these organizations bring with them to the negotiating table.

The Adopt-A-School program basically implies that a non state actor, a NGO or a corporate philanthropist takes responsibility of improving the status of a government school. The exact nature of this engagement and the responsibilities vary from school to school within the program. Some private state actors simply rely on providing the financial support for the infrastructural improvement, while others are more actively involved in improving the educational contents and/or the management and teaching styles being employed.

The two NGOs discussed above, CARE and ITA, operate independently and differently from each other, but follow the general approach of the Sindh Education Foundations 'Adopt-A-School' program. ITA runs the program in 5 districts and primarily focuses on improving educational content by providing teachers with required trainings, and weekly supervisory and monitoring visits to each school. CARE, on the other hand, runs 350 schools in Pakistan, and is more closely involved in regulating the management and the educational content of each school. School staff is trained by CARE, and effective monitoring of the school management and teachers helps ensure that the training is being put into practice. While ITA focuses on the broad issues and lets the management take control of day to day issues, CARE is more active in daily management and ensuring that trainings are actually being put into practice.

This example of the Adopt-A-School program was meant to be a model that could easily be replicated across the country on different scale levels. While the main players of this approach continue to be ITA and CARE, a diverse range of non-state providers, such as individual philanthropists, corporate philanthropists and NGOs have also experimented with it with varying levels of success (Bano, 2008). The number of schools adopted by each provider also varies. There are official figures published for the total number of adopted government schools, but when compared to the total number of public schools in Pakistan, the numbers are miniscule. Some international companies such as USAID have also invested in this program.

The extent to which each adopter involves the community also often varies. Some NGOs like ITA and USAID encourage the need to involve the community in the management and monitoring of teachers, so that the school can continue with the monitoring even after the adopter withdraws support. Many adopters, however, lack the skills to mobilize the community to support the program.

Let us now look at another initiative which is seen as a good example of Direct Public Involvement model. This initiative was started by the government devolution plan of 2002 and it asked School Management Committees (SMC) and Citizen Community Boards (CCBs) to involve the community to act as a regulator and monitor. While in the previous example of the Adopt-A-School program, NGOs were given the task of management and monitoring of public schools, this example focuses on empowering and educating the civil sector and the community to effectively monitor the progress of each school. The details of this initiative by the government will be discussed below.

## **School Management Committees and Citizen Community Boards**

The government devolution plan of 2002 called for the formation of School Management Committees (SMCs) and school councils, primarily to monitor and maintain school records. Parents and the community were asked to be involved in the affairs of schools, along with the teachers, so that all of them could together find a solution to their common. The head of the school now appointed committee members in consultation with the community. In case of an objection to a member's appointment, the district education officer (DEO) would take action. Each committee was to be selected for two years.

The duties of such committees would include increasing the enrolment of students, reducing the drop-out rate, assuring a friendly environment in the school, monitoring teacher presence, and other management issues. They were also required to participate actively in monitoring schools, overseeing repairs, and finances.

The salient feature of the Local Government Plan of 2000 is that the government encouraged the involvement of the local community in the decision making process to ensure efficiency and a sense of ownership (NRB, 2000, p. 1-2; Anjum, 2005, p. 48). Under this initiative citizen community boards are formed, and usually consist of elected members of the community. The role of the board is to take an active part in creating developmental initiatives for the community and the efficient provision of public goods. A new concept of matching grants was introduced by which citizen community boards would provide twenty percent of the cost of the project, and the local government would pay the remaining eighty percent.

A typical citizen community board (CCB) is composed of a general body of twenty five non-elected members of the community. These members then nominate from amongst themselves, seven members for an executive committee, which includes a chairman and a secretary to carry out the functions of citizen community board (Anjum, 2005, 196-197; NRB, 2006, p. 66).

The term of each executive committee is two years, after which a new committee is formed for the next term (Anjum, 2005, 196-197).

Such examples of community involvement have shown mixed results. Data from one survey of district managers in 114 districts shows that “67 percent had SMC in schools in their areas, whereas 31 percent had parent teacher associations. Almost 40 percent also reported that these school councils were leading to improvement in enhancing enrolment in schools, generating resources from community, ensuring teacher attendance and improving physical features” (Shami and Hussian, 2005)

While preliminary reports from another study indicate that the role of SMCs has been negligible, and that there is a tendency of decision making happening at district levels rather than the local level as was originally intended.

### **PROBLEMS WITH THE FIRST MODEL**

After discussing the two examples in detail under this model, I will now move on to the set of problems that exist within this model.

## **Lack of trust**

There is usually a great deal of mistrust between the partners in a public private partnership initiative. This problem exists with most PPPs and is not specific to this model. The PPP program is still new to Pakistan and there is a major trust deficit between the public and the private sectors. The ‘Adopt-a-School’ program undertaken by corporate NGOs is criticized on the account that it is usually only initiated near corporate factory locations to gain the goodwill of the local population. The support of the corporate sector, hence, cannot be relied upon across the country and over time.

The same trust deficit exists between the government and NGOs as well. A study of the Adopt-a-School programs belonging to 10 major NGOs notes that despite the emphasis on PPPs, there is a great deal of suspicion in the minds of government workers. The NGOs are thought of as merely “trendy”, or at worst as “international spy organizations”. This conflict results in a jostling of control between the two entities. The government wants the adopter to simply bear the financial costs and be a resource provider rather than to be involved in improving the management or teaching quality of the schools. Adopters that are trying to improve the quality are seen as intruders who have encroached on the authority of the government officials. (Bano, 2008)

## **Requirement of networks at a large scale**

Having an effective network is seen as central to the success of the examples under this model. NGOs that have been involved in the Adopt-a-School programs in the past have been those with huge people networks, high negotiating power and usually

work under the patronage of organizations that have access to government authorities. Small NGOs have often run into problems with the hierarchical structure of the education department and their ability to get approval for the interventions that they desire (Rashid, 2000). This existing trust deficit further adds to the requirement of networks. Many experts on education see the background of the agency as the most important determinant of the nature of partnership (Bano, 2008).

Similarly, even with the governments' encouragement and praise for SMC and CCBs, such bodies have still found problems in their functioning, primarily due to the nature of the institutional structure which requires government contracts and relations.

These reports also indicate that district governments are not involving the communities in areas like school repair, construction, and other improvements, but are instead appointing their own contractors, limiting the role of the community to merely that of an observer. In most of the schools, SMCs have no functional role except for some involvement in school finance. A majority of the SMCs are not clear about their roles and responsibilities. Participation of SMCs in school management has therefore been declining over time, mainly because of discouraging government policies, lack of flexibility in the utilization of funds, and a lack of training. The weakest link in the fiscal chain is the citizen community boards that have not been allocated funds, and are unable to come up with the required 20% matching funds to qualify for registration. (Khan 2006). CCB members have little information about which department deals with their project type and are often frustrated when they have to make repeated visits to various offices. CCBs are driven with few leading individuals and internal delegation is virtually

non-existent. Districts with the best running CCBs are those with a strong political will and commitment to the CCB concept. Thus, the potential benefits of this model have not been fully reaped due to institutional problems in functioning of the system and the requirement of having effective networks.

### **The market mechanism**

This model still emphasizes on the market mechanism which relies on the public sector providing the service of education. Although the private sector is involved in monitoring, it is not a market outcome and is still heavily influenced by the public sector. In the very theoretical sense, the monitoring that the private sector promises varies across actors and examples. The absence of economic competition and no economic incentive to reduce costs means that there is a huge tendency for deadweight loss and inefficiency in the system. The level of this inefficiency, though, varies across examples depending on the agency and its effectiveness.

### **Job insecurity for teachers**

This model makes public teachers insecure about their current jobs. There is no systematic mechanism to introduce the program to teachers of the adopted government schools, and the information asymmetry is huge. As a result, teachers in the adopted schools are highly insecure about their future and have the ever lingering fear that schools will be privatized, resulting in job loss (Rashid, 2000). This has often led to teachers trying hard to get transferred to other public schools which are not part of a public private partnership.

### **Increasing socio-economic disparities**

It is widely believed that schools which perform better than their peers are taken over by adopting agencies, since the private sector does not wish to take responsibility for poorly performing schools. The most effective CCBs and SMCs were also found in communities where more emphasis on the merits of education was placed. I think of this as a selection problem which might further increase socio-economic disparities within the public sector; especially since the quality of the least effective schools still remains low. Schools that increase in quality are already the better ones or those with engaged and educated communities. Many people believe that the government should primarily encourage NGOs to target the least successful schools within the most impoverished community.

### **Information asymmetry**

Under this model, the private sector is to monitor the public sector in financial and quality control areas. This model assumes perfect information and perfect harmony between these agencies who work together towards the same goals. In reality, this hasn't been the case in the examples of the model. Each partner has a major trust deficit against the other, and does not like their interference. As a result of this animosity, they frequently hold out information from each other. At times, the monitoring agency isn't aware of the role it is required to play and its own ability to achieve it. So, the information asymmetry exists on two fronts. First, monitoring agencies aren't aware of their role and what they can or cannot do. Second, even if they are aware of their role and

ability, they do not have enough information from the other agency. This presence of information asymmetry severely limits the effectiveness of the monitoring agency.

The associated problems with this model lead us to my next model which differs on the basis of the responsibilities shared by the entities, but has its own set of issues. The next model differs from this one as it focuses on incentivizing the private education to achieve a closer to market outcome. In the next chapter, the model and the various examples of that model will be discussed in detail.

## **Chapter 5: Second Model of Public Private Partnerships**

The last chapter explained the first model in detail and the various problems that it faces. This chapter will elaborate on the other model of the public private partnership and the examples of various government programs that work under this model.

### **MODEL 2: INCENTIVIZING PRIVATE EDUCATION MODEL**

The **second model** which I refer to as the “Incentivizing Private Education” model is different from model one in that the government provides the financial incentives to the private sector, which in turn handles the provision of education. This model is based on the World Bank's recommendation that the state should finance education for all children, but that it should not necessarily provide the service since financing providers instead can lead to cheaper and cost efficient outcomes. In this model, private sector schools provide educational services but are financially helped by the public sector. The government role in this model shifts from the provider to the facilitator, and it focuses more on providing the environment that encourages private sector participation in the education sector. The government realizes its weakness of not efficiently being able to provide these services and hence focuses more on its role as a facilitator. The financial incentives vary across different cases. They can be in the form of subsidies, concessionary rates for utilities, or voucher schemes. The public sector plays no role in the management decisions of schools. The private sector operates in a competitive environment and focuses on innovation and cost reduction or else runs the risk of going out of business. Market mechanism is at the core of this model. The model

is described below in detail to help the reader get a better understanding of how it operates.

### **Management**

The management of the school is entirely private. The teachers, headmasters/headmistresses and other staff continue to be from the private sector. This means that administrators have more flexibility with management contracts as they have more autonomy in the hiring and firing decisions of staff. This ability to fire staff members keeps them accountable and improves the overall quality of education. There are no unions for private sector teachers and the government does not interfere as a regulator or in any oversight capacity. The public sector does not participate in school management, but does take some part at the foundation level or the government level. It does this to provide financial incentives and the environment to enable and encourage the private sector.

### **Finances**

The purpose of this model is not to reduce government's financial burden but to basically encourage competition that will lead to efficiency and high quality education. The finances in this model are shared between the public and the private sector with varying degrees on a case by case basis. In some examples the public sectors provides financial incentives such as free land, tax breaks, concessionary rate for utilities, etc. The main purpose is to encourage private investment in this sector. In other examples, the public sector introduced the "voucher system" whereby it paid private schools a fee based

on the number of students. This model, as the last one, has varying financial arrangements within the examples. This model, however, was not intended to reduce the financial burden from the government but rather to encourage the market mechanism.

### **Monitoring**

The element of regulation or monitoring is missing from this model. This model rests on the assumption that market forces themselves will solve the problem of finding an effective regulator. In the last model, the main reason for the existence of a partnership between these two actors was the fact that the public sector needed effective regulation, which was provided by local community boards and various NGOs. Within this model, there might be some private schools that encourage the involvement of the community as a regulator, but the model, on its own, was basically formed to minimize this need of effective monitoring.

### **Community involvement**

As explained earlier in the previous model, the government did introduce various measures to encourage community participation. The creation of CCBs and SMCs were also for this purpose. The ability of CCBs to use 20 percent of the local development budget in any way that they wanted encouraged some schools to be formed in impoverished areas. In such schools the community was very involved. In other cases, the community involvement would not always be so great. On the whole, though, the government devolution plan of 2000 was penned to encourage community involvement.

## **Equity and fee structure**

This model promotes the private sectors role instead of the more traditional role played by the public sector. Unlike the previous model, this might seem to be more inequitable. The private sector charges a higher fee than the public school fee, which in some cases is near to none. The government can support low income students by handing out vouchers or by urging the private sector to consider a lower fee structure in return for financial benefits and subsidies. The government can use its power and negotiate terms that make it more equitable for low income students. Usually, the government sets a maximum fee that private schools can charge and/or defines a minimum level of need based scholarships that need to be given out to low income students by each school. The terms that the government dictates will vary between different private schools and the government of the time, but in its nature, the model does not aim for equity. Instead, by easing financial constraints, the government much rather desires efficiency and participation in impoverished areas by the private sector.

To better understand how this model translates into practice and the associated problems it brings with it, I will now discuss a few examples of programs that work under this model structure.

## **Education voucher scheme**

The education voucher scheme is a provincial scheme. Each province has a semi-governmental body that works towards improving the education in its province. The government of Punjab (a province in Pakistan) created such a body called the Punjab

Education Foundation (PEF) to contribute to improving the standards of education in the province. Punjab is the most populated province in Pakistan and contributes the most in terms of GDP. The number of public institutions is also the highest in Punjab, followed by Sindh (Ministry of Education, 2007)

PEF launched its Education Voucher Scheme in 2005 with the assistance from the World Bank. Under this scheme, each child in the age cohort of 4-17 receives a non-redeemable voucher of Rs. 300 per month. This voucher is given to the school by the parents. The child's parents' have the freedom to select the school of their choice from amongst the institutions that have been accredited by the government. For accreditation, the government selects those private schools that charge a maximum of Rs. 300 per child, and it pays the full amount to the school even if the fee is less than Rs. 300. The parents of a student can also choose to enroll their child in a school charging a fee higher than Rs. 300. In this case, the government voucher covers for the first Rs. 300 of the fee. The parents then directly pay the difference to the school. The program, so far, has focused on urban slums. A low-income locality is selected and all children of the households (whether poor or not) in the locality qualify for the voucher.

Initiated in 2005, the project is still in its initial stages, and has only about 10 private partner schools (called the Foundation Assisted Schools) located within a radius of 2 km from the target area. Proximity of schools plays an important role in providing students easier access to them. Presently 10,000 vouchers per month are being distributed in selected urban slums in Lahore (Bano, 2008). These vouchers are not equally

distributed among the participating schools. Some schools may receive a higher percentage of vouchers depending on its popularity among students and their parents.

The average fee across these selected schools is Rs. 130 per month. The criteria for selection of a school includes location (rural, urban slums), availability of physical infrastructure to accommodate students, pupil-teacher ratio, and the delivery of quality education. The government conducts a Quality Assurance Test (QAT) twice a year to monitor the quality. For continuation of participation in the program, it is mandatory for at least two-thirds of the students in a school to achieve a 40 percent score on the QAT (PEF 2008).

The Foundation claims to have registered an increase ranging between 55 percent and 35 percent in student enrollment. The foundation also claims an improvement in the quality of education within schools: the average scores of students on the QAT increased from 41.7 to 55.1 percent. Presently 1,107 educational institutions with 392,000 students are being supported by the PEF. To encourage competition and to increase the quality of schools, PEF has introduced a competitive system whereby the school performing best on the QAT in a district is given a cash reward of Rs. 50,000. In addition, five teachers are chosen from all schools with at least 90 percent students scoring at least 40 percent marks on the QAT. These teachers are awarded cash rewards of Rs. 10,000 each. Each school is required to display its ranking in the district in the administered QAT on its notice board (PEF 2008).

The voucher approach under the umbrella of PEF is a new and innovative approach to increase the quality and the participation of private schools. At present, it is

only being used in Pakistan on a very small scale as the sustainability of this program is largely linked with donors and their willingness to contribute.

### **Concessions to private schools**

While the first program directly provided financial support to encourage an increase in quality and participation by the private sector, the second example focuses more on creating an encouraging environment for the establishment of private schools. This program gives concessions to private schools, including, but not limited to, free land for school buildings, domestic rather than commercial rates for electricity and gas bills, tax exemption on imports and exemptions from income tax. There are no restrictions in terms of which type of private schools can access these facilities, and even some elite private schools are included in the list. There is, however, a limit on the units of electricity and other utilities allowed at concessional rates. No systematic study has been conducted to examine the outcome of these incentives for private schools in Pakistan. However, research that focused on interviews with the education ministry suggests that the program has not been applied in a systematic manner. Like the previous model, particularly in the Adopt-A-School example, the success of winning these concessions is based on the negotiating power of individual schools.

These models and the examples that are discussed above have a number of problems associated with them. A brief discussion of the problems will help us better analyze the issues in the implementation of public private partnerships. It will also help us come up with some recommendations to improve such partnerships.

### **High turnover of teachers**

Teachers prefer the public sector over the private sector due to the job security and the advantages it offers in terms of old age benefits, pensions, etc. Since this model focuses on the private provision of education, it suffers from a high turnover of teachers because most teachers prefer to join the public sector whenever possible. The failure of private schools to pay market competitive rates adds to the problem of high turnover. These schools serve as training grounds for teachers, where they get experience and then move on to the public sector whenever an opportunity arises (Bano, 2008: Kamal, 2011<sup>11</sup>). This high turnover, because of non-reliability of teachers, negatively impacts the quality of education in such schools.

### **Privatization of education**

The general public in Pakistan is not comfortable with the idea of private provisioning of education, especially since they feel that it is the federal government's responsibility to ensure good quality education. Passing the sector of education over to the private sector is usually seen as a failure of the government. Parents are also uncomfortable with fears of the school being privatized and leading to higher fees in the future (Kamal, 2011:Shad, 2011<sup>12</sup>). This fear results in low trust in private schools and reluctance of parents to send their children to private schools. This perception of the privatization of education is seen as an impediment for public private partnerships to succeed.

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<sup>11</sup> Interview with Sardar Kamal 2011

<sup>12</sup> Interview with Dr Shad, 2011

### **Sustainability is linked to donors**

The sustainability of this model is linked with the ability and the capacity of the government and donors to provide financial help. This high reliance on donors makes it harder for these programs to be replicated as the capacity and willingness of sponsors varies over time and region. There are many examples of programs which are unsustainable and only last a single donor cycle. This uncertainty and heavy reliance on the public sector and donors for support is a major problem with this model.

### **Changing policy of the government impacts the model negatively**

In this model the government has an important role to play; that of the financial provider and the creator of an environment of incentives. This model is much more dependable on the economic policy of the government. For example, the Punjab Education Foundation was created during the regime of President Pervez Musharraf and its provincial government and was registering steady growth. In 2008, when President Asif Zardari came to power, the growth stalled. Abrupt policy shifts caused by changes in the PEF management and the board of directors seriously affected the progress of the programs. People started to raise questions about the transparency and accountability of the PEF's administration, and by early 2009, there was tremendous public pressure and questions were raised regarding the efficacy and social acceptability of the PPPs sponsored by the PEF.

As a result, there was another restructuring of the foundation and funding became available again, making possible the resumption and expansion of PEF programs.

Questions remained, however, about the ability of the PEF to function in the absence of a board of directors and a capable management selected by the board. By 2009, appointments to the board of directors were completed and a new management was put in place. (ADB, 2008)

The above example illustrates how shifting policies and changing governments can severely affect the examples within the model.

### **DISCUSSION OF THE TWO MODELS**

The models that are explained above are organized differently from each other. Neither of the two models is perfect, and each has its own set of problems. The first model emphasizes the need for regulation and private sector involvement, whereas the second model focuses on public financial provision of education. The responsibility of the government in the first model is to continue to provide public education but to also encourage private participation and regulation towards its functions. The prime responsibility of the government in the second model is to provide financial support and to create an environment of economic incentives that will automatically encourage private participation. Hence, the second model is more susceptible to changes in government policy and funding with regards to the continuation and sustainability of these projects.

In comparing the quality of students across the models, model one is more dependent on the effectiveness of the regulation provided by the private sector, whereas

in model two there are built-in incentives that encourage and reward better quality private schools, and act as an automatic check on the progress of these schools.

Present in both models, although to varying extents, is the element of bureaucracy and red tape mechanism that slows the growth and progress of these examples. Understanding these elements is critical as they can significantly impact the outcome of the programs in developing countries. We saw that in the first model, the ability of Community Citizen Boards (CCBs) and School Management Committees (SMCs) was heavily dependent on these factors. The information asymmetries and lack of clear division of duties allowed government officials to exploit their position. The ability of the private sector greatly depended on its negotiation skills and its persuading power. The role of such bureaucracy plays an important role within model two as well where most finance decision rest with the government and outcomes can change drastically when the government changes. The concessions offered to encourage private sector investment in education also depend greatly on the negotiating powers of the two entities. So while on paper the government might be totally supportive and encouraging towards public private partnerships, the incentives provided might not translate in the same way on the ground.

Knowledge of local customs and norms, and appreciating their sensitivities is also important in the success of the school within any given area. Literature suggests the importance of this informal institution, and an advantage of public private partnerships is the knowledge of such norms. The two models discussed, however, do not include this important determinant explicitly. There is anecdotal evidence that schools which were not sensitive to the cultural norms were closed due to local opposition and low enrolment

numbers. Generally, examples that are considerate towards such sensitivities are more successful than others.

Teacher turnover is a concern for some examples in both models. Teachers prefer to work at public school as it guarantees a higher pay, job security, and fringe benefits. They prefer schools with low accountability, low work load and a low percentage of low income students. Schools that cater to low income students usually always have problems of a high teacher turnover rate, as most teachers would prefer to move to better schools. Further adding to the turnover rate is the fact that teachers in Pakistan are mostly female, and most of them resign from their jobs after marriage. This high turnover of teachers needs to be effectively managed by formulating targeted solution to tackle this problem.

Another critique of both models is that neither makes any effort to integrate students of various income levels. While they focus on making education better at the low income level, they make no significant and direct effort to integrate low-income children with middle and higher-income children. To solve this problem, I feel that concessions should be provided to all private schools, be it an elite or a low income private school. Although many critics would see this as an attempt at wasting money on non-target population, I feel that by introducing certain conditions such as scholarships for low income students in assisted schools, such children will be better integrated in society at large.

When we compare these models, the most distinguishing feature that stands out is the government's expectation of scale. In the first model, the scale to which the governments can do is much larger than the second. It is also easy to duplicate the model

across the country as it requires little financial support from the government. The second model is more dependent on the financial ability of donors and the government. As was the case with the example of education vouchers, partnerships in the second model are particularly dependent on the financial ability of governments, and are be hard to duplicate without the necessary financial funds.

Both models, while having positive outcomes and problems, are not exhaustive in terms of policy solutions. Many examples try to integrate the positives of both models which they feel are significant for the population that they are serving. This mixing and matching to create a hybrid solution results in more individual examples, many of which are not even recorded in the literature due to lack of research in the area. The next chapter will explore one such hybrid model that is being implemented in Khanpur. No existing literature could be found on it. It is, however, a successful example of a public private partnership in a rural setting.

## **Chapter 6: The Case of Khanpur**

The previous chapter discussed various examples of the models that exist within public private partnerships. The division of examples in one model or the other is not easy identifiable as a wide number of hybrid examples also exist. These hybrid partnerships primarily follow one model but then borrow some features from the second model as well. One such example is that of a school in Khanpur, Pakistan. This example fits best in the second category of the model since the government assisted the project by providing free land and by structuring a committee for the formation of the school. It is hence a hybrid of both the second model, whereby financial incentives were provided, and the first model, whereby the community was involved and tasked to act as regulators.

### **RESEARCH RESOURCES**

The information in this chapter focuses on primary research that I conducted in Pakistan. I interviewed the trust members, the management of the school and the Assistant Commissioner of Khanpur who started the initiative. I was able to interview eight out of the ten trust members during my visit. The other two were not in town during my stay. I questioned the trust members about the origin of the school, the daily management of the school and the problems that they face. The school management was eager to answer all questions, and gave me complete access to all records and personals in Khanpur.

I interviewed the following trust members

1. Haji Maqbool Ahmed Bhatti (Chairman)
2. Sardar Hamid Kamal Khan (Secretary)
3. Khawaja Muhammad Idress
4. Dr Muhammad Tariq Shad
5. Shiekh Fayyaz ud Din
6. Prof. Khuda Baksh Soomro
7. Haji Mohammad Murad Khan
8. Haji Mukhtar Khan

I also got a chance to interview the ex-Assistant Commissioner of Khanpur, Dr. Anjum Khurshid. The project was Mr. Kurshids brainchild and he was instrumental in initiating this project. I also reviewed school documents that were publically accessible and that showed yearly results, progress and statistics about the school. It is pertinent to mention once again, that I got full support from any and all parties involved with the Khanpur project, and got nothing but encouragement while I was there. Towards the end of this report, I will conclude with some recommendations that will assist in framing a design to promote prosperous public private partnerships in education. The information in this section comes primarily from detailed interviews and reviewing school documents.

## **HISTORY OF THE AREA**

Khanpur is a sub-division in the relatively less developed southern part of Punjab. The town itself is home to about 150,000 people. It is a predominantly rural area, and agriculture is the main occupation of the people. The few industrial units that are located here also process agricultural products. It is a local saying that Satan was born in Ahmedpur East, raised in Liaquatpur, and buried in Khanpur. This implies that while the neighboring sub divisions of Ahmedpur East, and Liaquatpur were able to get rid of evil eventually, it is destined to remain in Khanpur forever<sup>13</sup>. The area is a high crime area with multiple cases of robbery every day. Robbers from neighboring areas frequently stop the few cars travelling in Khanpur at night and rob them. The affluent, thus, always travel with bodyguards.<sup>14</sup>

This southern Punjab district was once part of the princely state that joined Pakistan during the independence of the country in 1947, but has since faced constant discrimination against it in the form of low budget allotments. Banners and graffiti on roads and buildings are full of hate towards Lahore, the provincial capital of Punjab, and usually support a separation movement to free the area from “the tyranny of Lahore.”

Comparing the facilities and opportunities available in Khanpur to those that are available in some of the larger cities of Pakistan makes one aware of these social differences. I chose this particular school because I wanted to see how public private

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<sup>14</sup> The history is anecdotal evidence. The story about Satan is the area’s local fable that is told. The area is not safe and daily accidents of robbery and abduction for ransom are narrated. I had to travel with bodyguards as well since it was not considered safe to travel alone.

partnerships operated in very impoverished areas such as in Southern Punjab. Another interesting factor for the selection of this school was the fact that this was the first English medium school in the area to be formed as a public private partnership venture. The school first opened its doors to students in 1994 and still continues to function as a high quality institution. Since the school has been functioning for a relatively longer period of time, it will also be possible to determine the long term effects of such ventures.

### **ORIGIN OF THE SCHOOL**

The school was started as an innovative project by community mobilization, directed by the office of Assistant Commissioner. The surrounding area did not have any English medium private schools in the area. Existing public schools all performed below par and the closest English medium schools were more than 2 hours away. We have already discussed in chapter two the growing demand for education in English language. This meant that students wishing to study in a quality English medium school had to stay in hostels, or travel around 4 hours each day. This distance, coupled with Pakistan's conservative roots made it hard for male students, but almost impossible for female students to attain quality education.

Before delving deeper into our case study, let us take a quick look at the structure of the Assistant Commissioners' office, which was pivotal in the formation of the school. The post of Assistant Commissioner is a bureaucratic post with a term of five years. The Assistant Commissioner is a technocrat, who is selected after passing the Civil Services Exams. This person then receives two years worth of training to help accomplish

economic and social development in the area. With the posting of a new Assistant Commissioner in Khanpur in 1994, various demands of a quality school were hurled at him. He realized the financial constraints of the government and decided to involve the community by giving them a direction for resource mobilization. There was an existing fund with around Rs. 2,500,000 to Rs. 3,000,000 already collected. The funds had come from taxes imposed by the federal government, but could be used as a welfare fund in projects for local development. From this fund, the government released around Rs. 500,000 immediately and the rest was kept by the district for future projects (Kamal, 2011, Bhatti, 2011, Shad, 2011).

### **BROAD BASED DECISION MAKING**

The issue of better schools was raised with the new Assistant Commissioner in various town meetings. Five or six supporters, mainly physicians and social workers, emerged who actively started discussing it within the town. The response from most quarters was encouraging. A large section of the community was invited to an evening meeting with some of the influential people of the area, whose support was essential for the formation of the school. These people included leaders of political parties, representatives of religious groups, traders, lawyers, agriculturalists, educators, journalists, industrialists, physicians and government officers (Khurshid, 2011).

The meeting initiated the talks, and the possibility of such a venture soon became the talk of the town. Teachers, intellectuals, and parents who had moved to the

neighboring districts for their children's education urged the district to start the project as soon as possible.

There was, however, a lack of trust between various party leaders. Party leaders in the area usually compete against each other for votes, and the main agenda that they compete on is the delivery of public goods. Most leaders feared that if this project succeeded, credit would go to a single party or a person, which would negatively affect their position amongst the voters. There was also some speculation about the personal motives behind this idea that was being championed by the Assistant Commissioner and his political aspirations. The Assistant Commissioner, then realized, that in order for the school to be successful, the decision making had to be as broad based as possible. To achieve this end, he suggested the formation of a private, non-profit, educational trust run by the board of trustees that would oversee and manage all of the school's affairs. Each participant at the meeting was asked to name 10 people they thought were the most suitable for the job. The 10 most popular people would be the trustees of the school. In the end, the trustees represented a good cross-section of the community, including social workers, lawyers, physicians, journalists and politicians. They also included some influential people and local elites. In a feudal and greatly parochial society like Khanpur, a few individuals such as these can significantly influence the decision of the masses. Another benefit of such leaders was that by involving them in the decision making, the alliance and support of their sub-groups and followers was also guaranteed. This also led to the long-term sustainability and the support of the project.

The backing and support of the influential people and groups of Khanpur removed a major roadblock towards the sustainability of the project. Usually, such projects which are championed by government officials tend not to sustain themselves after the officer is posted to another location. In such cases, involvement of the community and constant evolution of the leadership from within ensures that the project is not abandoned half-way.

Within a week of the first meetings, the board of trustees was sworn in. The broad based inclusion of representatives from different sections of society ensured that the project was non-partisan, and that there was no longer any suspicion that it served the interest of one group, party or person. The board of trustees that was sworn in realized the responsibility of the task at hand, and themselves made some of the first donations to the school. Donations by each trustee ranged from Rs. 100,000 to Rs. 200,000. They were also assisted by the government fund that was mentioned earlier. Many people joined hands to contribute to the success of this story. A physician rented one of his own buildings to house the school; journalists publicized the school, educators helped in selecting the curriculum and politicians promised to ask the government for help in the future.

Overwhelming public participation and support helped the Khanpur Model School begin operations within the next two months. Initially, only the first five grades were introduced with a plan to add a grade each year. In a place where constructing boundary walls around schools takes almost a year, and where classes are often held in

open fields because approvals to build new structures or rebuild old ones take years to come through, the fact that the school had even started up, was a major achievement.

### **MY VISIT TO THE SCHOOL IN 2011**

I visited the school in 2011, 16 years after it was created. I was greatly impressed by the progress. I interviewed the trust members of the school and discussed the project in great detail. All trustees were very interested in sharing information and provided various documents to analyze the evidence. The interviews focused on the creation, the policy implication, and the management aspects of the school. I will now move on to discuss the management of the school, the features of this model, the policy implication and the problems that it faces.

### **INFRASTRUCTURE OF THE SCHOOL**

The school began modestly in a small rented building, but has now grown to include three separate buildings, covering a total area of eight acres. The district was granted the concession of free land from the government for the purpose of the school. Currently, 1,352 students are studying at the school. It has a primary, a secondary, a high school and even the first two years of college. The campus is equipped with science labs, computer rooms and a language lab, a rarity in those parts of the country.

### **FEE STRUCTURE**

The school charges a monthly fee of Rs. 1000. This is significantly higher compared to the fee of the surrounding public schools, which are nearly free. Other

private schools in the district charge on average of Rs. 1600 per month. The Khanpur Model School has a scholarship program in place, through which around 30 percent of the students are taught free of cost. The scholarship program is strictly need based since it is relatively easy to verify the need of each student in such a small and tightly knit community. Orphans are the first on list for this scholarship. They also receive a monthly stipend to cover the costs of uniform, school supplies, books, etc.

### **NON-PROFIT ENTITY**

The school is a not for profit entity. The members of the board make annual contributions to the school, and do not earn a salary. The profits earned are spent on renovations and further infrastructural developments, which are decided by consensus amongst all members.

### **QUALITY**

My research did not particularly focus on conducting tests to determine the quality of the school. The quality, for the purpose of my research, was best assessed by the schools performance in the annual State Level Tests at grade 10, the results of which are available publicly. Since 1999, among female students, the school has an average passing rate of more than 99 percent, with students frequently bagging the first prize in the *District* and *Tehsil* (County; it is the division of the province into administrative units) levels. The progress for male students has also been similar. The passing rate for male students is around 95 percent, and they also frequently achieve positions at the *District* and *Tehsil* (county) levels. The curriculum that the school follows is structured by the

Cambridge University, and is the same curriculum used in most English medium private schools in Pakistan. From 8<sup>th</sup> grade and onwards, however, the school follows the Punjab Test Curriculum. On average, there are 25-30 students in every class.

## **MONITORING**

The administrative head of the school is the principal, but the Board of Trustees remains actively involved in regular monitoring of the school. The board members attend monthly meetings with the administrative head to discuss the progress and the problems of the school. Teachers also hold monthly meetings to discuss school-related issues. Members of the board of trustees attend classes and inspect student notebooks frequently to assess the progress of the students and to keep a check on the teachers.

## **TEACHERS' PERFORMANCE**

A school day consists of eight lectures, and on average each teacher conducts 7 lectures a day. Each lecture lasts 50 minutes. In my opinion, this seems to be an overload on the teachers, and might negatively affect their performance, since their energy level is bound to drop as the day progresses. This problem occurs throughout the educational system and is not unique to this example. Teachers in other private and public schools also have about the same workload. The problem of overloading teachers does, however, point to an essential element of teacher quality and how school management policy can impact it.

The creation and the functioning of this school, which was formed by broad based consensus in a deprived rural area, have many social and economic benefits that will be now be discussed.

### **SETTING THE PRECEDENT FOR PRIVATE INVESTMENT**

The Khanpur Model School was the first English medium private school in the area. Earlier, private organizations were reluctant to establish schools due to the uncertainty of student enrolment, social conditions and the perceived low demand for such schools. The establishment and successful operation of this school showed that there was demand for good private education in the area, and it encouraged other private organizations to invest in the education sector<sup>15</sup> (Idrees, Soomro and Baksh, 2011). Soon enough, numerous private schools sprang up in the area. This suggests the importance of engaging the community, and the effect it has on influencing and encouraging private investments by setting such precedents.

### **INTEGRATION OF SOCIAL NORMS IN THE FUNCTIONS OF PPP**

The area of Khanpur is very conventional. The board of trustees recognized that there would be a demand for *Hifz*, a religious education in which the Holy Quran is memorized. Traditionally, this was not available on public or private schools and students had to attend madrassas to get this education. The school foresaw the demand and introduced *Hifz* as a special class in the school. Conventional madrassas require students to stay in hostels and only focus on religious education, with no training in any other

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<sup>15</sup>Interviews with Idrees. 201, Soomro, 2011 and Baksh 2011

subjects. Those students, upon completion of the madrassas program, have to make special efforts to be integrated back into society, and most find it hard to make up for the education lost while at the madrassas. This school made it easier for both the students and the parents by introducing the *Hifz* class. In the past seven years, seventy students have completed this class. Students are taught English, Math and Science subjects side by side, so that the transition into conventional education is not particularly hard (Kamal, 2011, Bhatti 2011). To me this is an example of how public private partnerships, with sound community presence, are aware of the social norms and are able to come up with innovative ideas to achieve this end.

#### **INCREASE IN FEMALE ENROLMENT**

In an area which is primarily rural and which lags behind in female education and empowerment, this school has an immense social impact. As explained earlier, females were not allowed to go to schools in nearby districts, since they were at considerable distances. The only option was a state run public school within the district, and some conservative families were even reluctant to send their daughters to that.

The creation of this school resulted in a significant increase in female enrollment as the local leaders were able to convince most families to send their daughters to the school. The board of trustees was made up of well respected people in the community who have an influence within the community, and parents were usually comfortable with

sending their daughters to a school managed by such reputable local leaders.<sup>16</sup> Unlike the “Direct Involvement” model, this example is home grown and school leaders are not seen as intruders or viewed with suspicion as people view the international organization.

Despite the immense advantages in the social arena, I did find some parts of school management that were somewhat discerning. We will discuss these below.

### **DURATION OF THE FUNCTIONING OF THE SCHOOL**

The school has been functioning for around 16 years and has seen immense growth in terms of buildings, student enrolment, staff and classes. During this period, the board of trustees has remained the same. While growth is a nice indicator of the success of the school, I fear that this growth and success might directly be linked to the members of the board of trustees, who some see as holding the project together. With the death or retirement of these members, the school and its progress might fall apart, especially if new members are not as involved in the community. During the interviews, I also noticed that the board had not planned for the death or loss of a member. If a member was to retire, what would happen to his position? Would his son inherit it, or would it be decided by a vote? The answers to these questions were not apparent, and thus, this seems to be the biggest area of concern for the school.

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<sup>16</sup> This was reported to me by the chairman of the trust, Mahboob Ali who also runs many charitable organizations such as a free dispensary and is widely respected in the area.

## **TEACHER TURNOVER**

The teacher turnover rate for the school has also been a lingering problem. Teachers get experience at Khanpur Model School, and then leave at the first better paying opportunity that they find. This problem is the same as the one encountered by the Incentivizing Private Education model. Like we discussed earlier, teachers prefer working in public schools because of the advantages that they provide in terms of higher pay, job security and old age benefits. Additionally, with new private schools opening up in the area, public schools try to recruit teachers with experience from successful private schools, and offer them higher pays and better, administration-related posts. This, on the whole, means that the positive effects of a successful school are branching out, but on the other hand, it also creates problems for the school in terms of teacher retention, and negatively impacts the performance of the school in the long run.

## **DEPENDENCE ON A FEW LEADERS FOR SUCCESS**

During the course of the interviews I realized that the school relies heavily on a few leaders (the board of trustees) for its growth and planning. These leaders provide both the short and long-term vision for the school. The school has become self sustaining now, and does not rely on the provision of funds for its operations, but greatly relies on the vision and monitoring of the board of trustees. The school is micro managed to the point that it has not developed institutions to ensure continuity of operations, but rather relies on the board of trustees for all management.

The case study of Khanpur Model School is interesting as it highlights an example which took elements from both models and came up with a model that suited the needs of the people. Such administrative innovation is what makes public private partnerships so popular and appealing.

#### **DISCUSSION OF THE CASE STUDY**

This case study, as mentioned before, belongs to the second model, which states that the government will provide financial incentives to the private sector, and the private sector in return will provide the services. The government, in this case, facilitated the private sector by helping it establish an institution in the form of a committee. The committee, in turn, led to the formation of the school. Initially, the community was not able to achieve such success due to the differences within the various groups and factions. The presence of impartial bureaucratic leaders, however, allowed the selection process to be deemed fair and non-partisan. The government also allotted free land to the school and the Arms License Development Fund (out of which only a percentage was given to Khanpur). With the provision of these funds, the government became a catalyst for the successful implementation of a private venture in the field of education.

As explained in the management section of this case study, the school holds the ability to hire and fire teachers since it is run as a private school. This makes the staff much more accountable, and allows for flexibility in management contracts.

An interesting thing that came up during the interviews with the board of trustees was the fact that this example was immune to changing government policies and offices.

Theoretically, model two incurs problems when the government and policy change. This, however, is not true for the case of Khanpur. The fact that the mandate for the school had a broad based consensus, and that each party was represented by the board of trustees, made the school impervious to threats of being hijacked as a political accomplishment of any one party. The funds that were allocated to the school were a one-time affair, so there was no subsequent dependence on the local government and its policy.

This case study contained elements from the first model as well. In particular, an active role in the monitoring of the school by the civil sector, and a heavy involvement by the community was strongly emphasized in this case. This put in place strict accountability mechanisms to which the private sector had to adhere to. By successfully involving the community, the school made sure that it became self sustaining and did not rely too much on public funding. From the financial aspect, this case study takes from the first model which was aimed at reducing the government's financial burden.

The school works as a private entity, which is according to the principles of market mechanisms. It responded to market competition, which increased in recent years. This element of competition required the school to be more efficient in terms of cost, and eventually increased the quality of education. Such market forces pressure private firms to undertake the best actions and encourage them to behave in pareto optimal condition.

In the example of Khanpur, information asymmetry was non-existent. This was primarily due to the fact that the government did not take any part in the working of the school after its formation. There was a need for continuous communication and feedback; a lack of which usually contributes to information asymmetry.

While it is an interesting example of a successful public private partnership in terms of the self sustaining mechanism and the quality of education, it adds little value to increase economic equity in the area. It is still a variation of a private school which is largely out of the reach of low income students unless they manage to obtain a scholarship. This is one major critique of this example, and other examples that work under these principles. The example still shows that PPPs can sustain and provide quality education to students who can afford it.

## **Chapter 7: Recommendations For The Success Of Public Private Partnerships**

The previous chapters have laid the ground for some systematic thinking about PPPs and their effectiveness. The discussion of both models and the case study makes it clear that there is a great role that PPPs, if used wisely, can play in the development of the education sector. The misuse of PPPs, however, may undermine the private sector and may send a negative message about the credibility of the government. Thus, it is pertinent that PPPs are used wisely and effectively to achieve the desired objectives of the government.

There is no one model of public private partnerships that seems to work in all cases. Such models have to be adapted and experimented with to meet the local conditions and expectations. Because of the lack of one perfect solution, I will be making some broad recommendations about public private partnerships that need to be kept in mind when designing a new program, or when changing the structure of existing programs.

This list of recommendations should be used to ensure the effective use of PPPs. I will be discussing each item in the context of the education sector in Pakistan, but these guidelines can be applied to any developing country. The list is, however, by no means exhaustive.

### **GUIDELINE 1: A NATIONAL POLICY ON PPPS IN EDUCATION**

The first thing that a government needs to do is to define the nature and the scope of PPPs in the sector and the country they will operate in. The government should assess

the scope by looking at the current economic and social conditions in the country, and the role that the private sector is expected to play towards the betterment of these conditions. The objectives of such PPPs should be clearly defined. If the objective of the government is to increase equity, then model one might be preferred; however, if the government wants to increase the quality of education, then examples under model two might be the best to follow. The problem with PPPs in Pakistan is that there is no national policy or long-term rules to govern them. Instead, there are a bunch of separate programs that operate in their own individual capacity. A national agenda that could guide the policy on PPPs is largely missing. The devolution plan that was introduced in 2000 favored more private sector investment, with the public sector primarily providing finances and assistance. It was, however, reversed in 2008 when the country began to move towards a more government-controlled education sector. From then on, we have seen a number of different programs, without a national agenda that could guide the country's policy towards PPPs. A realistic, cost-benefit analysis of the current education situation and of the role of PPPs would be a good first step to start improving the performance of PPPs.

**GUIDELINE 2: PPPS SHOULD BE CORRUPTION FREE AND HELD ACCOUNTABLE**

It was clear from the examples discussed that corruption was negatively affecting the impact of PPPs and undermining their benefits. We discussed earlier that the district government uses the available funds to appoint its own contractors, who in turn use low quality materials and give a share of the profits to the officials to keep them quiet. The government and the private sector should work together to make this venture free of

corruption, and this can only be achieved by putting in place appropriate measures for the accountability of both partners. Community boards were an attempt in this direction, but were not very successful, partly because of misinformation and misunderstanding about their roles, and partly due to the nepotism and red tape that existed. Complete contract agreements and transparent accountability measures that include monitoring mechanisms for both partners will undoubtedly result in low levels of corruption. International NGOs that fund these projects can include measures in their contracts to ensure that effective monitoring and a transparent system.

Another recommendation that would tie in within this is to have mechanisms and institutions in place that would guarantee the continuation of these programs even in case the government changes. Currently, a government change negatively impacts such programs as the new government makes significant modifications to the structure of the program and its appointees. We saw this earlier in the paper with the example of programs that were operating under the banner of PEF (Pakistan Education Foundation). These were severely affected by any change in governments or policies. Such situations, no doubt, make it hard to have complete trust in the continuation of PPP arrangements.

**GUIDELINE 3: PARTNERSHIPS WITH PRIVATE PARTNERS SHOULD INCLUDE THE ELEMENT OF PERFORMANCE OR OUTPUT MEASURES**

It is important that the government be free of corruption and is accountable, but at the same time, the private sector should also be held accountable for the quality of students that they produce. Such accountability mechanisms improve the quality of education tremendously. Financial help by the public sector should be tied to the

performance of the private sector. The performance measures should be, however, carefully selected so as to not to give perverse incentives. One of the best practices that we found in Pakistani education was the example of the Education Voucher Scheme. That scheme required a minimum percentage of students who pass the QAT in partner schools. Effective monitoring of the outcome led to an optimal level of resource allocation. The major pre-condition for receiving public financial help was the performance of students. This led to more efficient outcomes as public money was not being wasted on low quality schools, and that in turn ensured good quality of education. Partnering with private sector in the presence of such accountability mechanisms, thus, is more rewarding and improves the quality of education.

#### **GUIDELINE 4: PPPs SHOULD BE BASED ON COMPETITIVENESS**

PPPs should be established on competitiveness and quality, and not on political connections of the private players. The element of fairness and competitiveness will ensure that the best value of resources is achieved. It will also act as a regulatory mechanism for organizations that only want to enter a PPP contract for short term benefits. This, combined with the accountability mechanism, will create a positive environment for PPPs to work and operate in. It will build market confidence for organizations who want to participate in service delivery and will lead to a high quality outcome as only the best organizations will be selected to participate.

**GUIDELINE 5: PPPs SHOULD INVOLVE COMMUNITY BOARDS AND LOCALS FOR FAR REACHING IMPACT**

PPPs should involve the local support and community boards for a far reaching positive impact, especially since PPPs are often viewed with distrust and suspicion in the area. The involvement of community leaders, boards, and other active local intellectuals will increase the trust that the population has in such PPPs. With less opposition towards them, the impact of service delivery will also increase. It will also result in an increased sense of “ownership” towards the project among the local population. Local bodies can effectively regulate the PPPs, help them understand the culture and the society, and can even help them continue the project once the government or the private partner withdraws its support.

**GUIDELINE 6: BUREAUCRATS SHOULD BE INVOLVED IN INITIATING AND SUPPORTING PPPs**

The bureaucratic structure in Pakistan allows bureaucrats to be involved in programs of local development. The typical civil bureaucrat is very comfortable with the political system and can contribute significantly to the development of the area. These bureaucrats have the incentives to contribute since their performance evaluations explicitly ask for projects that they started or that were completed under their supervision. The bureaucrats are, however, also susceptible to political pressure from the governing party. The bureaucratic structure worked to the advantage of Khanpur Model School since no political party was opposed to it or felt threatened by it.

The example of Khanpur in the case study was a good example to show that the bureaucratic structure can successfully initiate and develop a local project. It worked well in this case. However, the Assistant Commissioner has since been replaced by a DCO, which is a political position. The DCO is from the area and has long worked under political affiliations. This change will negatively impact the local development of PPPs as DCOs do not have the intense training that Assistant Commissioners have to go through. They are also often not as comfortable with the political system and this usually negatively impacts their performance. My interviews with the board of trustees in Khanpur also suggested that the new system of DCOs will negatively impact future PPPs, owing primarily to the lack of DCO training.

#### **GUIDELINE 7: PROMISES SHOULD BE FULFILLED**

It was noted throughout the paper how trust deficit between partners negatively impacts the PPP structure and functioning. Most of my recommendations are about reducing the trust gap that exists between the public and the private sectors. The lack of trust and the absence of clear goals and expectations make long term commitments harder between the two entities. The government is currently making all kinds of promises to provide support and funds, but we have already seen that the ground realities are starkly different. The first step that the public sector and the government need to take is to make credible commitments. The case study pointed out that the government promised the use of development funds for the purpose of the school, but only a small percentage of that fund was actually released for local development. Such false promises create an

environment of uncertainty and widen the trust deficit between both parties. Therefore, the government should only make commitments that it can uphold. This is an important first step to increase the trust level and to create an environment of certainty.

#### **GUIDELINE 8: PROGRAMS MUST BE EVALUATED**

During the course of my research, I noticed how few evaluations were available regarding PPP programs. Only programs that were funded by the donor agency were evaluated. The lack of data and non-availability of program evaluations make it harder to observe the development of programs and identify any potential problems they may contain. Annual program evaluations by independent evaluators will help in understanding the progress and the challenges faced by these programs. Such evaluations will also make it possible to assess or construct a national policy on education by using the existing best practices.

Some of these recommendations are institutional recommendations while others are more specific to public private partnerships in education. The institutional recommendations highlight how important the institutional structure is to the performance of these partnerships. I will now move on to the conclusion of the paper in the next chapter.

## **Chapter 8: Conclusion**

This paper highlights the performance of public private partnerships in Pakistan in the area of education. The paper started out by giving a perspective on the debate of public private partnerships in developing countries and the role that these partnerships play in the development of such countries. Two models were created to show the partnerships between public and private entities on the basis of their division of responsibilities. Various examples were given for each model along with its critiques. I then moved on to discuss a specific successful case study from a rural area which showed promising results in terms of sustainability. An analytical discussion of that case study was followed by my recommendations of creating an environment in which PPPs can work and thrive.

This paper also emphasized that the commitments of the national and local governments to PPPs are extremely important in determining their success. While on paper the commitment has historically been strong, ground reality showed otherwise. We saw, however, that despite these challenges, successful PPPs are still operating rather effectively.

This paper was an attempt to discuss the role of PPPs and how they can better achieve their goals; to bring good quality education to every child in Pakistan. PPPs hold many promises for the future but they can only be successful if effective partnerships are formed. The private sector must be given effective tools and an environment to enable

PPPs to grow, prosper and contribute to the development of the nation. Only then can a developing nation like Pakistan provide the promise of good education to its people.

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