

Domestic Private Sector Participation: PAKISTAN

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OVERVIEW

In Pakistan, self-provisioning of water supply prevails in both urban and rural areas. In urban areas, only large cities have public water utilities, while in rural areas, construction (and management) of water supply is traditionally the role of the Government. In cities, the private sector is active in providing household-level storage, pumping, and filtration systems to augment intermittent and poor quality of the public water supply.

No specific policy or regulation for private sector participation (PSP) exists, resulting in limited private sector presence. Some small cooperatives and associations operate informally in large cities and small towns – and therefore, without much security. Public sector, in general, lacks the experience and practical know-how to deal with private providers, although some provinces are showing interest to resolve issues related to engagement of private providers. At federal level, the establishment of the Infrastructure Project Development Facility to promote private sector involvement is an indication of the Government's effort to recognize and formalize the participation of private sector in water and sanitation.

At the local level, and with WSP's support, the Government of Punjab is in the process of institutionalizing a regulatory framework for urban water and sanitation. This includes the establishment of an urban commission. It is also developing a performance monitoring system for community-based organizations (CBOs) that have been entrusted with the operations and maintenance (O&M) of systems built by Government with community contribution.

Officially, rural water supply and sanitation is entrusted to local Government bodies (*tehsil* municipal administration) through a local government ordinance. However, several studies have found that self-provision is the prevalent practice for water supply. Meanwhile, for rural sanitation a new trend is picking momentum through the community-led total sanitation (CLTS) approach that focuses on whole communities achieving an open defecation free status. This approach has been incorporated into national policy guidelines and provincial policies replacing financing for sanitation infrastructure with financing of rewards for outcomes. To date, 130 villages have become open defecation free through CLTS approaches applied by various non-governmental actors that are supporting municipal administrations.

TYPES OF PROVIDERS

Snap shot: Extent of Provider Involvement

	Public	International Private	Local Private	Users' Associations	Others	Dominant Provider
Urban water supply	1	2	3	4	5	
Rural water supply	X		X	X	X	5
Small towns water supply	X		X	X		1
Sanitation and Hygiene						
Sewerage, wastewater and sludge treatment	X					1
Desludging				X	X	3
Household sanitation product manufacturing and distribution				X		3
Hygiene promotion					X	4

Notes:

Rural water supply is mostly through self-provision or by non-government organizations (NGOs). This is followed by public provision through Public Health and Engineering Department and Tehsil Municipal Administration.

QUICK FACTS

Population	(2005)	155.8 M
Gross national income/capita	(2003)	US\$800
Urbanization	(1990-2005)	3.4%
People living in cities with > 100,000 inhabitants	(2005)	38.4%
People living in poverty	(2006)	24%
Access to water*	(2006)	
Urban		97%
Rural		89%
Access to sanitation**	(2006)	
Urban		65%
Rural		30%

Data Sources: World Development Indicator (2007); The World Bank;

*Pakistan Social and Living Standards Measurement Survey (2006-07);

**National Sanitation Policy (2006); World Bank World Development Indicators.



SITUATION ASSESSMENT

Policy and Regulatory Environment

RATING: Challenged

There is a lack of stated and coherent policy and regulatory framework for participation of private sector either in rural or urban water supply. While Government expresses interest to engage the private sector, the fundamental absence of legal and regulatory framework serves as a barrier to their participation.

- In rural water, no policy or guidance exists on the transfer of management of rural water systems to local private operators, though involvement of citizen community boards in service provision is encouraged.
- In large urban areas, public utilities have the ability to contract out services to the private sector.

Market and Business Infrastructure

RATING: High Improved

The market environment for private sector is not conducive. Tariffs are extremely low and local Governments are not allowed to access donor funds or private sector financing. Cost recovery by public sector utilities is low, and as a result, utilities in both urban and rural areas heavily depend on inter-governmental fiscal transfers. This issue has been recognized by the Government and proposals are in place to encourage PSP. For instance, the Infrastructure Project Development Facility (mentioned earlier) through the Ministry of Finance, is able to provide technical advice and transaction support to utilities to engage with the private sector.

Present local government framework provides space for community involvement in service delivery by instituting citizen community boards (CCBs) at local levels. These community boards are working closely with local Governments and investment projects to improve water supply in rural areas.

Domestic Provider Performance (Optional)

RATING: Not Rated

Rewards-based financing as a policy principle has generated a huge demand at local government level for CLTS champions. In response to this, community activists are trained as barefoot consultants who can be contracted out by the public sector or by NGO to implement CLTS in a community. These local consultants have the potential of becoming small enterprises for sanitation service delivery with appropriate capacity support.

KEY OPPORTUNITIES

Opportunities for enhancing DPSP activity in the next three years (2009-2012):

1 Policy and Regulatory Frameworks

- Technical assistance to new Provincial Governments for improvement of their decentralization frameworks.
- Technical assistance to Provincial Governments in developing and implementing new mechanisms for rewards based financing.
- Assistance to Provincial Governments for developing policy and regulatory frameworks for urban and rural service delivery and enabling policy environment for private sector engagement.

2 Capacity Building

- Capacity enhancement of Provincial Governments to appropriately induct and manage performance-based agreements with providers and strengthening of utilities to comply with performance requirements and standards established by Provincial Governments.
- Strengthening of local governments institutions to effectively contract out services to other public sector institutions and private providers.
- Capacity enhancement of domestic private sector especially local entrepreneurs, like barefoot consultants, to grow and work amicably with public sector utilities and local government institutions.

3 Voice and Client Power

At the local level, there is a strong desire expressed by civil society to be involved in governance and accountability for service improvement. Various tools such as information display boards, citizens report card, consumers surveys, participatory planning (through televising local Government planning sessions) have been piloted at local Government level and there is a demand to institutionalize these through capacity building of both providers and civil society actors.