



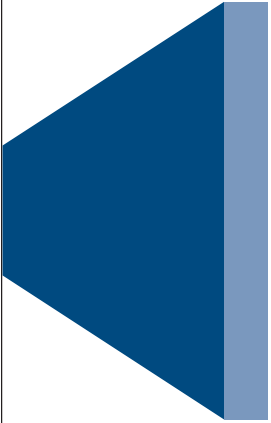
Institute of
Social and Policy Sciences



Education Sector Procurements in Khyber Pakhtunkhwa

A Horizontal Accountability Perspective





Education Sector Procurements in Khyber Pakhtunkhwa

Analysis of Federal and Provincial Budgets



Education Sector Procurements in
Khyber Pakhtunkhwa
A Horizontal Accountability Perspective

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Acronyms

| | |
|--------|--|
| ACE | Anti-Corruption Establishment |
| ADP | Annual Development Programme |
| ASDEO | Assistant District Education Officers |
| ADO | Assistant District Officer |
| CAR | Capability, Accountability and Responsiveness |
| CWD | Communications and Works Department |
| DAC | Departmental Accounts Committee |
| DDAC | District Development Advisory Committee |
| DDO | Drawing and Disbursing Officer |
| DDSC | Departmental Development Sub-Committee |
| DEO | District Education Officer |
| DFID | Department for International Development |
| DSD | Directorate of Staff Development |
| EDO | Executive District Officer |
| EMIS | Education Management Information System |
| ESED | Elementary and Secondary Education Department |
| FATA | Federally Administered Tribal Areas |
| GDP | Gross Domestic Product |
| I-SAPS | Institute of Social and Policy Sciences |
| KPPRA | Khyber Pakhtunkhwa Public Procurement Regulatory Authority |
| KPTB | Khyber Pakhtunkhwa Textbook Board |

| | |
|------|--------------------------------------|
| M&E | Monitoring and Evaluation |
| MPA | Member of Provincial Assembly |
| NWFP | North West Frontier Province |
| P&D | Planning and Development |
| PAC | Public Accounts Committee |
| PDWP | Provincial Development Working Party |
| PEC | Pakistan Engineering Council |
| PTC | Parent Teacher Council |
| SAP | Social Action Programme |
| TPV | Third Party Validation |
| TTB | Trade Testing Board |
| XEN | Executive Engineer |

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Executive Summary

Khyber Pakhtunkhwa has more than two million out-of-school children. Those who are already in schools are not learning enough to an acceptable standard. Constant exposure to conflict and disasters has further exacerbated this challenge by increasing the need for reconstruction and rehabilitation of schools. The provincial government is undertaking ambitious steps to improve service delivery. This includes, among other things, a Tameer-e-School Programme encouraging well-off people to adopt schools, increasing the number of primary classrooms from two to six, and up-gradation of middle and high schools. The pace of progress on these reforms however has been a constant challenge. Of a total 29,037 government schools in the province in September 2013, 11,786 were without electricity, 8,894 without drinking water facility, 6,442 lacked boundary wall and 5,956 schools were without washrooms (ESED EMIS, 2013).

Out of School Children



A key challenge for the provincial government is to ensure that the public expenditure on education is planned and executed efficiently and effectively to overcome the deficit in school infrastructure, human resource, and supply of inputs such as textbooks for millions of children who are entitled to a quality education. Procurement of civil works, textbooks, learning and teaching materials and other inputs is an essential process in the execution of education expenditure. The scale of procurement is substantial in Khyber Pakhtunkhwa. In 2014-15, the provincial government has allocated Rs. 4.3 billion for school civil works – equivalent to 52 percent of the Annual Development Programme (ADP) for education sector. Printing and distribution of textbooks constitutes another big procurement budget line as it costs over Rs. 2 billion annually. At school level, parent teacher councils (PTCs) are

involved in procurement of repair and maintenance and purchases of stationery and learning materials, etc.

These are a few examples of expenditure where improvement in procurement practices can bring about huge efficiency gains, save resources to benefit more children, provide safe school buildings, and generate more interest of children in learning. However, public funds that actually reach the schools may be lesser than intended, and fewer children benefit from school supplies, buildings, textbooks and

services due to wastage, inefficiencies, delays and cost escalation. These issues are entrenched in the public sector and cannot be fixed without proactive oversight of procurement process and mutual scrutiny by concerned government agencies for integrity, transparency and efficiency gains in public expenditure on education.

This study discusses the procurement of school civil works, textbooks and purchases by PTCs in Khyber Pakhtunkhwa from a horizontal accountability perspective. Multiple government departments are involved in these procurements with the Elementary and Secondary Education Department (ESED) as the primary client. The role of Communications and Works Department (CWD) is especially important for major civil works involving new school construction, rehabilitation and provision of missing facilities. In the case of textbooks, the role of Khyber Pakhtunkhwa Textbook Board (KPTB) is central in textbook development and printing. Similarly, Planning and Development (P&D), Finance Department, Auditor General of Pakistan, Khyber Pakhtunkhwa Public Procurement Regulatory Authority (KPPRA), and Public Accounts Committee (PAC) of the Provincial Assembly have a mandate to hold the procurement process to account for transparency and integrity (see Tables 2.2 and 3.1 for departmental roles in procurement).

The study notes that “accountability deficit” is a key feature of education sector procurements. In the case of textbooks, concentration of all key functions in KPTB has thrown up challenge of weak management capacity to keep a check on textbook development as well as printing. Conflict of interest, entrenched norms of collusion among printers and compromise on quality of printing as a result of sub-contracting to small publishers emerge as key concerns. Quality control and compliance with technical parameters is not strictly enforced, especially related to the use of ink and paper. ESED, Audit, KPPRA, and PAC need to amplify their roles to ensure integrity, transparency, efficiency and value for money in the procurement of textbooks.

Budgetary Allocation 2014-15



School Civil Works
Rs. 4.3 Billion



Textbooks
Rs. 2.5 Billion



PSCs Purchases
Rs. 890 Million

Procurement of school civil works to bridge deficit in infrastructure has been a persistent challenge because the ESED, despite being the primary client, has no control over the CWD which carries out civil works. Informal coalitions, collusions and rent-seeking norms dominate the contracting process and pose a challenge to enforcement of formal rules and competition. Key informant interviews validated the prevalent public information about fixed bribe rates which contractors pay in order to get the contract and seek approvals at different stages. Exceptions notwithstanding, the concerned Executive Engineer (XEN) ensures that the






customary 9-12 percent is received from the contractors on all the running bills. According to established norms, 4 percent out of this money goes to the XEN himself, 2 percent goes to the Sub-Divisional Officer, 1 percent to the Overseer, 1 percent to the accounting and clerical staff and the last 1 percent is kept for entertainment and stationery. Use of substandard construction materials and cost escalation in connivance with XEN are also cited as key issues which need attention of internal control mechanisms.

In the case of PTCs, goods and services purchased are at varying scales, involving maintenance and repair, small construction works, purchase of stationery and learning materials, etc. The importance of procurement function of PTCs has increased tremendously over time as the expectations of the government have increased. In Khyber Pakhtunkhwa, the four most frequent procurements and payments made by the PTCs include repair and maintenance of school building, purchase of school stationery, payment of electricity bills and teaching and learning materials. Repair and maintenance of school building involves procurement of masons and local labour and is one of the major expenses.

Poor record keeping is a key issue in procurement by PTCs. A survey carried out in Abbottabad and Mardan for this study indicated that 38 percent PTCs do not file and maintain quotations from the service providers. 88 Chairpersons of PTCs informed that expenditure records are not publicly displayed. In most schools where a procurement committee does not exist,

Need of Civil Works in KP

(as of Sep. 2013)

| | |
|---|-------------------------|
|  | Classroom 25,894 |
|  | Electricity 11,786 |
|  | Drinking Water 8,894 |
|  | Toilets 5,956 |
|  | Boundary Walls 6,442 |

Issues in PTC Procurements

-  Poor Record Keeping
-  Lack of Transparency
-  Lack of Participatory Decision Making

decision-making is dominated by the head teacher or one or two members, and therefore lacks oversight of the community and parents.

These issues emphasize the need to address “accountability deficit” in education sector procurement in Khyber Pakhtunkhwa. Government departments have the powers and mandate to exercise scrutiny and pressure on other departments to perform their roles in line with policy and rules. If anything goes wrong in procurement, it is because a line department has not performed its role effectively. If the ink or paper used in printing of textbooks is of poor quality, it means that ESED, KPTB, Audit and PAC have not fulfilled their duties properly. If the cost of a school construction scheme is escalated hugely within a few months, ESED, CWD and Audit should ensure that the cost escalation is justified on verifiable grounds. These are examples of accountability issues which can hardly be solved by non-state actors as they sit outside the government and have limited access to information. Mutual scrutiny and oversight by the government departments themselves can be more effective in procurement.

KPPRA should take a lead in establishing a coordination forum for all respective departments involved in procurement of school civil works, textbooks and other areas. The forum should address an important institutional gap as no mechanism exists where horizontal accountability functions of all relevant departments are specified/ clarified, discussed and followed-up.



CHAPTER 1

Introduction

CHAPTER 1

Introduction

1.1 Context

Pakistan is struggling to overcome an 'education emergency' which is manifest in the fact that 25 million children aged 5-16 years are not in schools. Khyber Pakhtunkhwa has more than two million children who are not attending schools.¹ Learning outcomes are not to an acceptable standard. Many children in Grade 5 cannot read text meant for Grade 2 students.² Civil society and international community have repeatedly challenged the successive governments to respond to the emergency by improving governance and increasing the education expenditure which have been traditionally low at around 2 percent of Gross Domestic Product (GDP). While the demand for more resources has to continue, emphasis on improving the composition and quality of education expenditure is also vital.³ This is only possible when sustained efforts are made for accountability and transparency in how resources are planned, allocated, and executed.

The magnitude of education crisis in Khyber Pakhtunkhwa has thrown up many challenges. Exposure to conflict and disasters has further exacerbated the crisis by increasing the need for reconstruction and rehabilitation of schools. A key challenge is to ensure that the education expenditure, however meager, is made efficiently and effectively if the education system has to bridge the deficit in school infrastructure, human resource, and supply of inputs such as textbooks for millions of

¹ Alif Ailaan (2014), *25 Million Broken Promises: The Crisis of Pakistan's Out-of-School Children*. Islamabad.

² *Idara-i-Taleem-o-Agahi* (2013), *Annual Status of Education Report 2013*, Islamabad.

³ I-SAPS (2013), *Public Financing of Education in Pakistan*, Islamabad.

children. The provincial government is taking ambitious steps to improve service delivery. This includes, among other things, Tameer-e-School Programme encouraging well-off people to adopt schools, increasing the number of classrooms in primary schools from two to six, and up-gradation of middle and high schools.⁴ The pace of progress on these reforms however has been a constant challenge.

Procurement is a vital stage in the execution of non-salary recurrent and development budget – which is nearly 15-20 percent of total government spending on education. Scrutiny and oversight of procurement process and mutual scrutiny by concerned government agencies is extremely crucial for integrity, transparency and efficiency gains in public expenditure on education. Due to wastage, inefficiencies and delays leading to cost escalation, public funds that reach the schools are lesser than intended, and fewer children benefit from school supplies, buildings, textbooks and services. While research reports and media stories often highlight issues of inefficiencies, corruption and lack of transparency in public sector procurements, this aspect has received little attention in education research and debate.⁵ This is partly due to the fact that information about procurement process is not easily obtainable due to commercial sensitivities and tendency to hide information in public sector.

The scale of education sector procurement is substantial in Khyber Pakhtunkhwa. In 2013-14, the provincial government allocated Rs. 4.3 billion for school civil works– equivalent to 52 percent of the Annual Development Programme (ADP) for education sector. Development, printing and distribution of textbooks constitute another big procurement budget line as it costs over Rs.2 billion annually. At school level, parent teacher councils (PTCs) are involved in procurement of minor civil works and purchases of stationery and learning materials, etc. These are a few examples of major expenditure where improvement in procurement practices can bring about huge efficiency gains and save resources to benefit more children.

1.2 Education Sector Procurement and Horizontal Accountability

This study discusses the procurement of civil works/ textbooks and purchases by PTCs in Khyber Pakhtunkhwa from a horizontal accountability perspective. Multiple government departments and agencies are involved in these procurements with the Elementary and Secondary Education Department (ESED) as the primary client. The role of Communications and Works Department (CWD) is especially important because it is responsible to carry out major civil works involving new school

⁴ Sector priorities are listed on website of the Education Department.
<http://www.khyberpakhtunkhwa.gov.pk/education.php>

⁵ Corruption in public sector procurement globally results in loss of US \$400 billion annually. See Transparency International (2004), *Corruption Perceptions Index 2004*, Germany.

construction, rehabilitation and provision of missing facilities. In the case of textbooks, the role of Khyber Pakhtunkhwa Textbook Board (KPTB) is central in manuscript development, printing and distribution (see chapter 3). PTCs fall under the administrative oversight of ESED and district education offices.

Other departments such as Planning and Development (P&D), Finance, Audit and Khyber Pakhtunkhwa Public Procurement Regulatory Authority (KPPRA) also have a role in government's procurement processes across all sectors involving their approvals, complaint management or general oversight at different stages. In addition, parliamentary mechanisms such as Public Accounts Committee (PAC) have a mandate to hold all these departments to account for their performance in the procurement process and impact.

There are two routes to accountability – vertical and horizontal. Vertical accountability is about non-state actors such as non-governmental organizations, citizen groups, media, and donors questioning the state agencies and government on their performance. Horizontal accountability, on the other hand, is about mutual scrutiny by the state institutions internally. For example, KPPRA, Audit Department and PAC are mandated to ensure that procurement process is in compliance with government rules and free from corruption and hence, they can hold ESED and KPTB to account on this matter. Similarly, if the quality of bricks and concrete used in construction of a school is poor, ESED, Audit and PAC should bring the CWD officers and service providers to account for failing to meet the specifications.

This study emphasizes the need to promote horizontal accountability in education sector procurement because its impact is embedded within government and is more likely to be sustainable than vertical accountability. Government departments have the powers and mandate to exercise scrutiny and pressure on other departments to perform their roles in line with policy and rules. If anything goes wrong in procurement, it is most probably because a line department has not performed its role effectively. If the ink / paper used in printing of textbooks is/ are of poor quality, it means that ESED, KPTB, Audit and PAC have not fulfilled their duties properly. If the cost of a school construction scheme is escalated hugely within a few months, ESED, CWD and Audit Department should ensure that the cost escalation is justified on verifiable grounds. These are examples of accountability issues which can hardly be solved by non-state actors as they sit outside the government and have limited access to information. Mutual scrutiny and oversight by the government departments themselves can be more effective in procurement.

1.3 Theoretical Approaches to Horizontal Accountability

This discussion can be grounded more explicitly in theoretical frameworks around

accountability. The Capability, Accountability and Responsiveness (CAR) provide important theoretical basis. The framework views accountability as a relationship between citizens and state officials in which individuals and groups exercise their agency and voice to claim rights from the state. This relationship can be vertical or horizontal. The state needs to have adequate capability comprising formal and informal institutions, and is expressed in the form of “responsiveness”.⁶ The World Bank proposed an Accountability Framework in service delivery context.⁷ This framework envisages achievement of accountability through a “short route” and a “long route”. The short route works through client power and direct relationship, without involving the state agencies. The long route works through the state to hold the service providers to account, and is more akin to the concept of horizontal accountability.

Schillemans has written a seminal paper on horizontal accountability.⁸ He defines the concept in terms of “mechanisms of accountability in which agencies account for their behavior toward accountees that are not hierarchically superior, such as boards of stakeholders, boards of commissioners, and visitations”. He explains how “accountability deficit” of executive agencies happens. The deficit arises from two related issues. First, demanding accountability is difficult from semi-autonomous agencies because they exert their powers and autonomy. Secondly, public sector is organized along a hierarchy of power; all government agencies and officials are not “horizontal” strictly speaking. This becomes an issue where procedures are not clearly explained and leave more discretion to the decision-making authorities.

Thomas evaluates as to what extent horizontal mechanisms of accountability can remedy both aspects of the accountability deficit. Horizontal accountability mechanisms serve as promising, moderately positive remedies for the insufficiency of vertical accountability by non-state actors. These mechanisms may be valuable as additions to top-down control but cannot be proxies for democratic control. He didn't find horizontal accountability, however, to be an effective way of realizing democratic control via a different route.

Government agencies respond differently to different accountees. For example, any agency would tend to give more information when the query is raised by another government agency and try to conceal information when the query is raised by a non-governmental organization. According to a research reported in the

⁶ Moore and Graham (2006), “The CAR Framework: Capability, Accountability, Responsiveness. What Do These Terms Mean, Individually and Collectively?” <http://www2.ids.ac.uk/gdr/cfs/pdfs/CARframeworkDRCweb.pdf>

⁷ World Bank (2004), *Making Services for Poor People*, World Development Report, Washington DC.

⁸ Schillemans, Thomas (2011), “Does Horizontal Accountability Work?: Evaluating Potential Remedies for the Accountability Deficit of Agencies”, *Administration and Society*, July 12.

paper, horizontal accountability made organizations' operations more transparent and triggered a livelier debate on policy decisions within the agencies though they could not exercise much influence on punitive sanctions.

In another article, Schillemans has discussed the joint impact of vertical accountability of agencies towards parent departments and horizontal accountability to professional evaluations and board of commissioners.⁹ He argues that autonomous agencies seem to operate in a redundant accountability regime where they have to provide accounts of the same behavior towards different stakeholders. Redundancy may be problematic and costly, yet it has significant benefit in complex systems that it creates capacity to incorporate different values. The analysis conducted by him on nine Dutch agencies shows that the agencies indeed faced multiple or redundant accountability. Although this did involve costs, in these cases the systems' reliability and predictability improved. Also the redundancy improved information symmetry between agencies and their principals. He found that “extra investments in horizontal accountability mechanisms outweighed their costs.”¹⁰

These insights are useful to understand the context in which this study looks at mutual scrutiny by government departments in education sector procurement. Inefficiencies and corruption can be seen as an outcome of “accountability deficit” of government departments, which is more difficult to tackle keeping in view the autonomy of organizations such as KPTB, PAC, Audit and PTCs. Opening the debate on this front will provide pathways in which the accountability deficit can be abridged on sustainable basis.

1.4 About the Study

The Institute of Social and Policy Sciences (I-SAPS) has undertaken this study under a special initiative, “Procurement In-Sight”. This initiative is part of a wider portfolio of IIm Ideas to promote innovative approaches in the education sector by strengthening government's internal mechanisms for horizontal accountability and transparency.

The objective of this study is to promote a debate on the need for strengthened internal accountability mechanisms in education sector procurements in Khyber Pakhtunkhwa. The study is a first step towards this objective. It has been developed with the intention to bridge the gap in understanding about the role of different government departments in education sector procurement. In doing so, the analysis highlights key issues as well to develop a sense of “accountability deficit” of

⁹ Schillemans, Thomas (2010), “Redundant Accountability: The Joint impact of horizontal and vertical accountability on autonomous agencies”, *Public Administration Quarterly*, Vol. 34, No. 3.

¹⁰ Schillemans (2010).

the concerned government departments. The hope is that it will contribute to the education policy debate and increase attention towards the role of government's internal accountability mechanisms for making the education sector procurement more efficient and transparent.

The study discusses institutional roles and accountability mechanisms in three types of procurements: (1) textbooks, (2) civil works, and (3) purchases and procurement by PTCs. The reason for choosing these topics is that they constitute the bulk of non-salary and development expenditure. In addition, procurement of these works has important implications on quality of learning and school safety.

The study is based on a desk-based review of literature, secondary data sources and procurement policy and rules. In addition, interviews and meetings were conducted with senior officials of ESED, CWD, Finance, Audit, KPPRA and P&D. The meetings and interviews were aimed to map views of government officials regarding procurements of construction works and textbooks in education sector which were helpful in identifying the challenges at system level. The analysis also draws on an earlier study conducted by I-SAPS on civil works and textbooks and includes insights from ex-CWD officials and contractors.¹¹

It is important to mention a limitation that information obtained from key informants and departmental officials has been anonymized where it involved an imperative of confidentiality. This has been done to acknowledge the openness and honesty with which the interviewees discussed issues of corruption and accountability deficit, but also raised concerns about risks of being in the spotlight and attracting unnecessary criticism for information disclosure. Some information, though hard to prove empirically, is also included in the analysis because it validates the existing anecdotal public knowledge about how corruption and inefficiencies undermine the procurement processes. It is a common knowledge – for example – that the rates of kickbacks in civil works contracts are informally fixed, but it was important to triangulate this from the interviewees who actually had been involved in the procurement process. This type of common knowledge has to be brought in the mainstream discourse to generate momentum for positive change.

In order to get first-hand knowledge of procurement at school level, the research team carried out a survey of PTCs in Abbottabad and Mardan. A representative sample of schools was selected with 95 percent confidence interval and 5 percent margin of error. A total of 278 primary, middle and high schools were selected - further stratified on the basis of gender using a systematic sampling

¹¹ I-SAPS (2014), Procurement of Textbooks and Civil Works in Punjab and Khyber Pakhtunkhwa, Islamabad.

technique. The survey respondents included chairpersons of PTCs i.e. head teachers. School records and infrastructure were also observed in order to collect the required data. The analysis however also draws secondary data and research studies on PTCs.

A similar study has been undertaken for Punjab. Some sections of content and inferences are identical in both studies where nature of issues is common in both provinces. In particular, procurement process and nature of accountability deficit are identical in both provinces.



CHAPTER 2

Procurement of Textbooks

CHAPTER 2

Procurement of Textbooks

2.1 Introduction

Textbooks are the primary source of teaching and learning in schools to achieve objectives of the national curriculum. Therefore, students are required to possess textbooks for their relevant grade throughout the academic year. While concerns persist about the relevance and quality of curriculum and content of textbooks,¹² affordability and shortage of textbooks have also been key issues in government schools. The imperative for timely provision of free textbooks is important where poverty and weak parental appetite, especially for girls' education, are keeping a large number of children out of school.¹³

In Khyber Pakhtunkhwa, provision of free textbooks first started in 2004 for primary schools' students only. Then it was expanded to girls' and boys' in secondary schools in 2005 and 2006 respectively. From 2008, free textbooks are being provided to all students up to grade 12 to tackle financial barriers to schooling. This task has remained a big challenge from manuscript development to printing and distribution of textbooks for millions of children in schools every year. The role of Khyber Pakhtunkhwa Textbook Board (KPTB) is central in development, printing and distribution of textbooks.

A number of other government departments, especially the Elementary and Secondary Education Department (ESED), Khyber Pakhtunkhwa Public

¹² See for example, Nayyar and Salim (2002). *The Subtle Subversion: The State of Curricula and Textbooks in Pakistan*. Islamabad, Sustainable Development Policy Institute, Islamabad.

¹³ Poverty is a key driver of dropout before completing primary grade. See *Pakistan Social and Living Standards Measurement Survey (PSLM) 2011-12*, Government of Pakistan.

Procurement Regulatory Authority (KPPRA), Auditor General of Pakistan and Public Accounts Committee (PAC) of KP Provincial Assembly, have a responsibility to ensure integrity, transparency, and efficiency in the procurement process. Accountability and mutual scrutiny by government departments in the whole procurement process is crucial due to the huge scale of textbooks production, and especially the fact that lack of oversight might result in delays and loss of public funds to corruption and inefficiencies.¹⁴

This chapter discusses the procurement process with a focus on the role of KPTB. It provides insights into aspects which drive or hinder internal scrutiny in the process. The aim of this analysis is to increase understanding on institutional roles and responsibilities in the procurement process for textbooks in Khyber Pakhtunkhwa. The chapter provides pointers for debate and actions to strengthen horizontal accountability in the process i.e. mutual scrutiny by government departments. This requires in the first place an informed debate on departmental roles and how political economy and capacity limitations are constraining the fulfillment of those roles.

The chapter provides a brief overview of free provision of textbook reforms in Khyber Pakhtunkhwa. This is followed by an explanation of the textbook procurement process and the role of key institutions at each stage. The last section discusses key issues and challenges arising from “accountability deficit” at different stages of the procurement process.

2.2 Provision of Textbooks in Khyber Pakhtunkhwa

The North West Frontier Province Textbook Ordinance was promulgated on March 29, 1971 to establish a provincial textbook board in Khyber Pakhtunkhwa (previously N.W.F.P). Its main objective was to conduct research in the field of curricula, textbooks and supplementary material and to develop textbooks for Classes 1-12.¹⁵ The Ordinance made the textbook board responsible for publication of textbooks for primary, secondary, and intermediate education and making policy for distribution of textbooks and making arrangements with sale outlets throughout the province to make the textbooks available to students well in time. The board has been renamed as Khyber Pakhtunkhwa Textbook Board (KPTB), which is responsible for development, printing and distribution of textbooks, although transportation and distribution of books in government schools is the responsibility of ESED.

The Government provides free textbooks to all students from kindergarten (KG) to Class 10 in all government schools in Khyber Pakhtunkhwa as well as

¹⁴ Delays do occur but a majority of students – up to 95 percent – receive textbooks before the start of the academic year. See I-SAPS (2011), Third Party Validation of Interim Support to Khyber Pakhtunkhwa. DFID. Islamabad.

¹⁵ Preamble of Khyber Pakhtunkhwa Textbook Board Ordinance, 1971.

Federally Administered Tribal Areas (FATA). Table 2.1 shows a class-wise breakdown of textbooks printed for academic year 2014-15. In total, 45.55 million textbooks were printed, the bulk of which were provided to government school students. A small proportion of textbooks are placed in the open market for direct purchases by students and parents as well. In 2014-15, 973,593 textbooks were printed for sale at retail shops.

Table 2.1: Class-wise Number of Total Books Printed for Academic Year 2014-15

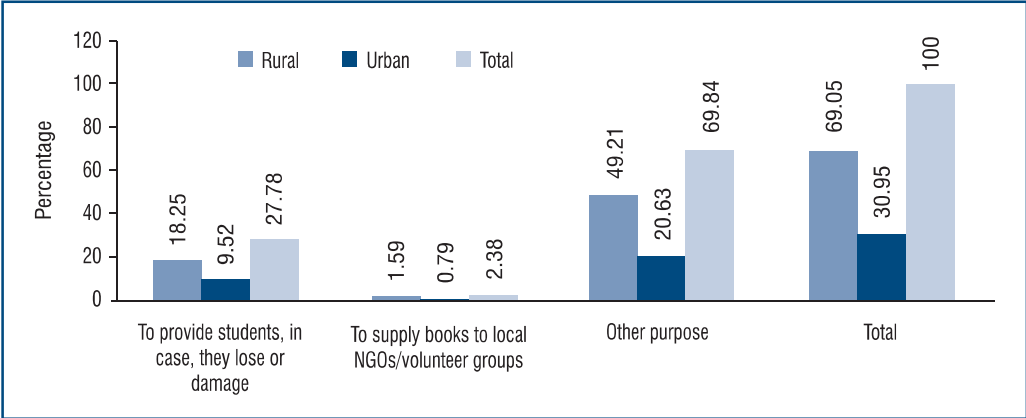
| Class | ESED | Additional Demand | FATA | Market | NGOs | Total |
|--------------|-------------------|-------------------|------------------|----------------|----------------|-------------------|
| K.G. | 3,760,438 | 27,760 | 658,488 | 1 17,177 | 58,764 | 4,622,627 |
| 1 | 3,710,644 | 26,750 | 614,165 | 2,550 | 40,434 | 4,394,543 |
| 2 | 5,127,562 | 11,820 | 487,595 | 16,850 | 47,394 | 5,691,221 |
| 3 | 4,663,757 | 31,050 | 497,410 | 19,400 | 39,525 | 5,251,142 |
| 4 | 5,167,073 | 40,650 | 499,058 | 59,941 | 38,099 | 5,804,821 |
| 5 | 4,949,835 | 19,880 | 401,653 | 45,919 | 29,149 | 5,446,436 |
| 6 | 3,649,904 | 23,920 | 393,925 | 86,712 | 9,064 | 4,163,525 |
| 7 | 2,235,367 | 18,990 | 306,460 | 7,334 | 8,182 | 2,576,333 |
| 8 | 2,483,586 | 32,560 | 232,361 | 28,502 | 5,574 | 2,782,583 |
| 9 | 1,674,202 | 28,810 | 202,524 | 576,914 | 9,765 | 2,492,215 |
| 10 | 1,721,967 | 19,315 | 148,038 | 12,294 | 5,534 | 1,907,148 |
| 11 | 263,374 | 1,055 | 0 | 0 | 550 | 264,979 |
| 12 | 152,017 | 2,650 | 0 | 0 | 550 | 155,217 |
| Total | 39,559,726 | 285,210 | 4,441,677 | 973,593 | 292,584 | 45,552,790 |

Source: Khyber Pakhtunkhwa Textbook Board

Demand for textbooks in government schools is determined on the basis of enrolment. "Additional demand", on the other hand, represents additional books required due to a number of factors. According to an earlier Third Party Validation report conducted by I-SAPS, there are differences among various levels of schools in demanding additional textbooks. In 2010, high schools demanded 1696 sets of the books followed by the primary schools, which demanded 1228 sets of books. Middle schools demanded only 399 sets of books. Chart 2.1 lists reasons for additional demand. About 70 percent of the additional demand originates from rural schools to cover for loss or damage by students or new enrolment.

Over the last three years, the budget for textbooks has increased from Rs.1.46 billion in 2011-12 to Rs.2.34 billion in 2013-14 - up by 60.23 percent. This increase is mainly attributed to upward trends in school enrolment. According to

Chart 2.1: Reasons for Additional Demand of Textbooks

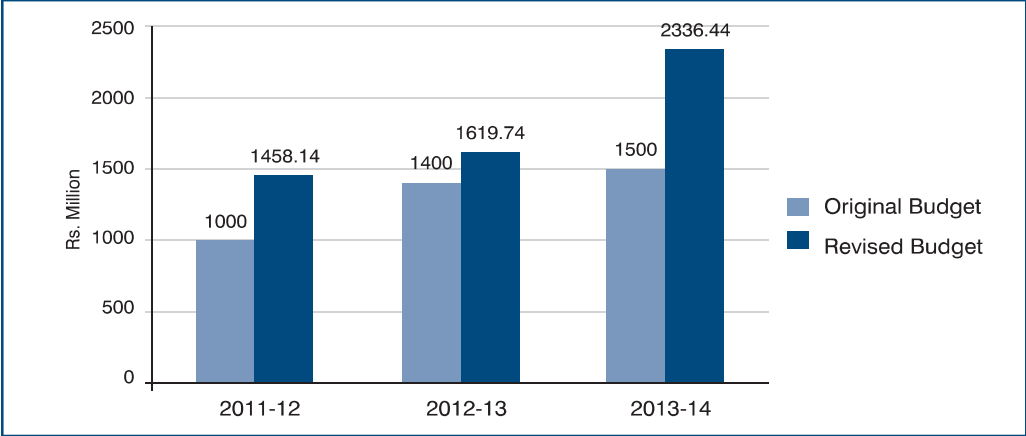


Source: I-SAPS (2011)

government officials interviewed for an earlier study,¹⁶ the provincial government is fully committed to universal provision of free textbooks. Therefore, there is no resource constraint to meet the growing demand for textbooks in contrast with other priorities faced with budget deficit such as construction.

As evident from Chart 2.2, the revised budget always exceeded the original budget. This is mainly because the allocations were made on the basis of tentative estimates of demand for textbooks which were below the actual demand. However, this area has been a priority for the government enabling the ESED and KPTB to get additional resources from the Finance Department to meet the increased demand.

Chart 2.2 : Budget Allocations for Printing of Textbooks



Source: Compiled from KP Budget Books

¹⁶ I-SAPS (2014), Procurement of Textbooks and Civil Works in Punjab and Khyber Pakhtunkhwa, Islamabad.

2.3 Procurement Process

Procurement of textbooks comprises a long process from manuscript development to printing and distribution to government schools and open market. In contrast with Punjab where responsibilities are divided among three organizations,¹⁷ KPTB is responsible for developing textbooks according to the curriculum and outsources the printing of books to selected publishers and delivers the printed books to the ESED. The role of ESED is limited to transportation of textbooks to school clusters and distribution to students. Although the Ordinance allows the KPTB to manage the whole process from production to publishing and distribution of textbooks, it lacks required printing capacity.

Before the provision of free textbooks started in 2004, KPTB printed the books and sold to open market. When the provincial government decided to provide free textbooks, ESED and KPTB signed a Memorandum of Understanding (MoU) by which the former purchases textbooks from KPTB, but a proportion of textbooks is also meant for private schools and open market. The demand for textbooks is prepared by schools on the basis of enrolment. The demands prepared at schools are sent to Assistant District Officers (ADOs). The demands collected by ADOs are aggregated at the district level by the EDOs and sent to the KPTB.

Table 2.2: Institutional Accountabilities for Textbooks

| Institution | Role in Textbooks Process |
|-------------|---|
| KPTB | <ul style="list-style-type: none"> • Publication of textbooks for primary, secondary and intermediate education as well as teacher's training courses • Printing / publication and marketing of books |
| ESED | <ul style="list-style-type: none"> • Primary client of KPTB and budget holder for printing and distribution of textbooks • Preparation of total demand for textbooks • Transportation of printed textbooks and distribution in schools |
| KPPRA | <ul style="list-style-type: none"> • Review and monitoring of compliance with procurement rules • Receipt of complaints on violation of procurement rules • Provide information and advice about procurement rules |
| Audit | <ul style="list-style-type: none"> • Conduct financial audit of textbooks and indicate irregularities and procedural issues |
| PAC | <ul style="list-style-type: none"> • Examine Audit reports and hold the concerned departments to account • Examine the expenditures, administration and policies of departments (in this case ESED) and associated bodies (in this case KPTB) |

¹⁷ These organizations include Punjab Curriculum Authority (PCA), Punjab Textbook Board (PTB) and Programme Monitoring and Implementation Unit (PMIU).

Planning for printing of textbooks begins with estimation of class- and subject-wise demand for textbooks from open market to cater for needs of private schools, FATA Secretariat for schools in FATA, and ESED for public sector schools in Khyber Pakhtunkhwa. Each year, the ESED collects enrolment data from District Education Officers (Male and Female) in the month of July to project class-wise demand for textbooks. Collection of data from districts is completed by September which is shared with the KPTB to work out the cost of printed books.

KPTB has framed Financial Regulations, 1992 to regulate procurement and outsourcing of services.¹⁸ The paragraph 11(i) of the Financial Regulations, 1992 stipulates that all expenditures of Rs.500 or above shall be made after inviting tenders, except in cases of emergency. KPTB is also allowed to constitute Purchase Committee, in case, it does not invite tenders (provided the reasons are stated in writing, and the Purchase Committee certifies that the rates have been fixed after verification from the market).¹⁹

Contracting process for printing of textbooks is initiated according to the procurement policy and rules set out by KPPRA. Successful bidders submit their printing rates in the form of financial proposals, which include rate per jacket/ book, total value of work and bid security. The contract/tenders are awarded to the bidders

Table 2.3: Composition of KPTB Procurement Committee

| Position in Government | Position in Committee |
|--|-----------------------|
| Chairman KPTB | Chairman |
| Deputy Secretary (M&E), ESED | Member |
| Director General, P&D Department | Member |
| Representative of Finance Department | Member |
| Representative of Industries Department | Member |
| Representative of National Accountability Bureau | Member |
| Member (PS&P) TBB | Member |
| A Prominent Publisher of Khyber Pakhtunkhwa | Member |
| Additional Director (Dev.) Directorate of ESED | Member |
| Secretary TTB, Secretary | Secretary |

¹⁸ These rules are framed in exercise of powers conferred upon it by Sections 24 and 25 of the NWFP Textbook Board Ordinance 1971.

¹⁹ Paragraphs 3 and 4 of Appendix A (Procedure for Purchases) attached to the Financial Regulations, 1992.

who quote the lowest prices in their respective categories. Technical evaluation of bids received is carried out by KPTB in accordance with defined criteria, including the following key technical parameters.

- ◆ Brand of ink to be used;
- ◆ Production capacity;
- ◆ Quality control and working standards;
- ◆ Quantity and specifications of machine (single Colour, two Colour, four Colour);
- ◆ Alternate power facility;
- ◆ Binding facility etc. and
- ◆ Specification of paper to be used in printing.

According to a number of officials interviewed, a number of similarities between Punjab and Khyber Pakhtunkhwa exist in terms of collusion among contractors as well as between contractors and officials involved in procurement process. The bidding process is done according to the KPPRA rules, the contractors get into an informal agreement for bid rigging or “pooling”. Exceptions notwithstanding, the contractors form a ring to agree that only one contractor would run for the contract, all others would stand back. Payments that have been agreed upon with the colluding contractors are paid to them at the award of contract.

Textbooks have to be printed in millions every year requiring huge resources (see Table 2.1). This inevitably involves large scale procurement of paper by the KPTB. In 2013-14, KPTB placed an advertisement for procurement of 11,000 metric tons of imported as well as locally manufactured-68 grams paper. Four bidders submitted quotes for locally manufactured paper indicating that they were not in a position to bid for the entire requirement of paper. The lowest priced bid was for 4,500 metric tons only due to which KPTB had to re-tender the procurement for the remaining supplies. The bids received subsequently were able to meet the requirement but at a higher cost. They were accepted to ensure availability of paper for printing.

From the viewpoint of transparency and accountability, the process is far from ideal. An earlier Third Party Validation noted discrepancies against the financial rules and highlighted this example to substantiate this claim:²⁰ The pricing rate for the printing of 10th class English textbook 2011-12 by University Book Printers Peshawar did not indicate if any market survey was carried out or Punjab Textbook Board's rates for similar work were considered.²¹ The costing worked out by KPTB for English

²⁰ See I-SAPS (2011), Third Party Validation of Interim Support to Khyber Pakhtunkhwa. DFID. Islamabad.

²¹ KPTB uses Punjab Textbook Board's approved rates for quotation purposes, but can carry out a market survey as well.

textbook included the cost of paper and title page. It is not clear if this cost was deducted from the printing charges paid to the printer given the fact that the KPTB did not share its agreement with the University Book Printers.

As far as distribution is concerned, ESED is responsible for transportation and distribution of textbooks from the printers to schools. It has designated some schools as cluster centers which serve as a temporary warehouse for storing textbooks. Once textbooks are printed, schedule is prepared to transport books to the districts. Generally it takes around two months to transport books to the districts. Each head teacher is responsible to collect textbooks from the cluster center and for this purpose a transport allowance is provided.

2.4 Key Issues and Challenges

Procurement for textbooks comprises a long process from development to printing and distribution to government schools and open market. KPTB and ESED play important role in the process. Key issues arising at different stages of the process are highlighted below.

2.4.1 Cost escalation:

Over the last three years, the budget for textbooks has increased from Rs.1.46 billion in 2011-12 to Rs.2.34 billion in 2013-14 - up by 60.23 percent. This increase is mainly attributed to upward trends in school enrolment. While this is partly attributed to increase in demand for textbooks, requirement of colour printing and cost of paper are also crucial drivers of cost. Although the government is committed to this reform, upward trajectory of cost is high and may render it difficult for the government to provide sufficient resources in the future. There is a need for consistent approach and clear procedures for negotiations with private printers to reduce the cost. Moreover, there is a need to consider alternative solutions such as use of textbooks for more than one year.

2.4.2 Subcontracting to small printers:

During the printing process, if the printers are convinced that they will overshoot the print schedules, they outsource the work to small printers. This way the print schedules are normally met but it results in quality issues as small printers are not well equipped to carry out the work according to the agreed specifications. The government has to compromise on the quality of books as it is under pressure to send books to the schools before the start of the academic year. This practice is sometimes done intentionally to put government under pressure and force it to receive substandard books before the start of the school year. The government suffers a loss due to this practice, as it does not get the value for its money due to compromise on quality of textbooks.

2.4.3 Conflict of interest:

Composition of Procurement Committee includes a prominent publisher, which is an obvious conflict of interest in the system. Interviews with KPTB officials revealed that it is easy to influence the whole process as the publisher gets access to privileged information. A conflict of interest law has recently been enacted by the Provincial Assembly of Khyber Pakhtunkhwa under which this issue needs to be resolved.

2.4.4 Limited competition:

Bidding for printing of books is limited to bidders which have printing press within the territorial jurisdiction of the province and are registered with KPTB. A downside of this limitation is manifest in limited competition which sometimes results in poor quality printing. Some exceptions notwithstanding, printers with territorial jurisdiction have old printing machines. Modern printing technology is not widely deployed.

2.4.5 Collusion for private schools textbooks:

KPTB has a separate arrangement for printing of textbooks for private schools which opt to use government textbooks. Printers are issued license to print KPTB textbooks at 7.5 percent of the total print value. They are allowed to print a specific number of textbooks under the license. However, the private publishers print textbooks in far bigger quantities and KPTB has no arrangement to verify the number of textbooks printed. They sell the books to the wholesale agents who package these textbooks with their supplementary readers to increase their profits. This increases the cost of education for parents who in many cases cannot easily afford the supplementary readers but have no option as the textbooks are not available anywhere else in the market.

2.4.6 Unavailability of basic data:

Lack of information in public domain is a key source of concerns about lack of transparency, and requires robust monitoring systems within KPTB. Although procedures for information disclosure in procurement process are defined, monitoring systems within KPTB need to have robustness and a set of clear monitoring objectives. This is essential to generate and publish information in public domain to allay concerns about secrecy and corruption. Such information can be used to analyze the tendering process. It can help, for example, to see if the process is competitive enough or if one publishing house is operating under different names to avoid tax issues.

2.4.7 Quality control and compliance with technical parameters:

Poor quality of textbooks may be a big source of disinterest of children in learning. KPTB needs to ensure strict enforcement of technical parameters for quality of

textbooks, especially in relation to the quality of ink and paper used by the publishers. Quality of textbooks might be inferior to the samples which are submitted at the time of tendering. High quality sample testing is critical in this regard to produce accurate verification reports of manuscripts. A strong quality assurance system is needed to ensure compliance with technical parameters.

2.4.8 Internal accountability:

ESED, Audit, KPPRA, and PAC have important oversight role to ensure integrity, transparency, efficiency and value for money in the procurement of textbooks. There is a need to bolster this role by clarifying the institutional mandates, putting in place strong monitoring and evaluation system, disclosure of information proactively in the public domain, and establishing routines to scrutinize the process and information.



CHAPTER 3

Procurement of School Civil Works

CHAPTER 3

Procurement of School Civil Works

3.1 Introduction

The Government of Khyber Pakhtunkhwa introduced a number of reforms under Social Action Programme in the 1990s to tackle education crisis, which included considerable investment in school infrastructure. However, the deficit of schools, missing facilities and recurrent need for repair and maintenance has remained a constant issue. Currently, two million children aged 5-16 years are not attending schools in the province.²² A key challenge for the education system therefore is to bring the out-of-school children into schools and retain them longer to learn more and better, besides provision of adequate number of classrooms and physical facilities to those already enrolled in schools.

The current unmet need for new construction, up-gradation, rehabilitation, maintenance and repair, and provision of missing facilities continues to pose a daunting challenge. While the private schools have some impact in terms of reduction in the need for establishment of new government schools, the shortfall in existing school infrastructure persists in the form of dysfunctional or missing physical facilities (e.g. classrooms, boundary wall, toilets, drinking water, and electricity) and requirements of upgrading primary and middle schools where access to private schools is limited. In September 2013, 11,786 schools were without electricity, 8,894 without drinking water facility, 6,442 lacked boundary wall and 5,956 schools were without washrooms..²³ The need for up-grading middle and high schools is even more acute as the imperative for completion of basic education is gaining more attention.

²² Alif Ailaan (2014). *25 million Broken Promises: The Crisis of Pakistan's Out-of-School Children*, Islamabad.

²³ Elementary and Secondary Education Department (ESED) Education Management Information System (EMIS), September 2013.

A high proportion of development schemes in the Annual Development Programme (ADP) of Khyber Pakhtunkhwa are meant to expand physical capacity of the public education system every year. In 2014-15, Rs. 4.3 billion has been allocated for this purpose. Recurrent expenditure also includes non-salary budget and grants to PTCs part of which are used on repair and maintenance and minor civil works. In addition, off-budget infrastructure projects financed by donors are also important to bridge the shortfall.²⁴ Due to huge amounts of public funds involved and perceptions about corruption and inefficiencies in civil works,²⁵ emphasis on integrity of the procurement process is vital to increase efficiency and savings in the system. This cannot be done in a sustained manner unless relevant government departments proactively engage in oversight and mutual scrutiny of the procurement process.

Addressing the infrastructure deficit involves procurement of small and large civil works which draw on expertise, monitoring and scrutiny of multiple government departments, especially the Elementary and Secondary Education Department (ESED) and Communications and Works Department (CWD). The roles of Planning and Development (P&D), Finance Department, Accounts Department, Auditor General of Pakistan, Khyber Pakhtunkhwa Public Procurement Regulatory Authority (KPPRA), and Public Accounts Committee are also crucial for internal checks, scrutiny, and transparency in the procurement process.

This chapter discusses the procurement process for school civil works with a focus on institutional roles of ESED and CWD. The objective is to highlight key aspects at different stages of procurement which are important from the viewpoint of scrutiny by government's internal mechanisms for monitoring and transparency. The analysis draws on secondary data but the research team also held interviews with departmental officials. The analysis is expected to increase understanding of institutional roles and responsibilities and provide entry points for debate and actions to strengthen mutual scrutiny by government departments in school civil works.

The next section of this chapter provides a brief snapshot of Khyber Pakhtunkhwa's experience in school civil works. This is followed by a detailed description of different stages of civil works procurement and the role of CWD, ESED and other departments. The last section sheds light on key issues and challenges which arise due to lack of proper oversight and internal accountability.

²⁴ DFID, for example, is implementing an off-budget School Reconstruction and Rehabilitation Programme to construct additional classrooms and physical facilities in schools, but this project is being implemented by private service providers.

²⁵ See Transparency International (2011), National Corruption Perception Survey, Karachi. <http://www.transparency.org.pk/report/ncps2011/ncps2011.pdf>

3.2 Khyber Pakhtunkhwa's Experience in School Civil Works

Procurement of school civil works has been a persistent challenge because the ESED, despite being the primary client and budget holder for school construction works, has no control over CWD which executes civil works for all government departments. Concerns about limited space for ESED to hold the CWD to account for high costs, lack of transparency and gaps in quality of construction have driven reforms and experimentation with different approaches to procurement, contracting and monitoring of school construction works.

The role of parent teacher councils (PTCs) has been leveraged to overcome the issues of high cost in CWD-managed school civil works. Their role gained prominence during the two phases of Social Action Programme in the 1990s in planning and oversight. Gradually, they have received greater attention both from the Government and donors and have been entrusted the responsibility to carry out minor civil works (see Chapter 4 for details). Under the output-based budgeting reform supported by DFID, PTCs proved to be well placed to carry out minor civil works at a cost which is substantially lower than the rates charged by CWD,²⁶ and are within the administrative control of ESED. The use of PTCs has proved to be a viable alternative to CWD, though the Government is still skeptical of their capacity to carry out major civil works.

3.3 Procurement Process

Procurement process for civil works is identical across the public sector, though criteria for identification of schemes and monitoring might differ in some aspects not least because multiple sector-specific interest groups and organizations are involved. While the process is non-linear and complicated, a typified description is given below to develop a sense of key stages and institutional roles.

3.3.1 Identification and Preparation of Schemes

ESED identifies the criteria for selection of sites and schools. However, the criteria may also be influenced by elected representatives especially when grants for schemes are tied to them in the budget. This may also include Chief Minister's directives to implement a scheme/sub-scheme in a given constituency. ESED issues instructions to District Development Advisory Committee (DDAC) which selects the site. This is followed by a request to CWD to confirm the suitability of site for construction of the work and preparation of PC-1.

²⁶ I-SAPS (2014), Procurement of Textbooks and Civil Works in Punjab and Khyber Pakhtunkhwa, Islamabad.

After a project is identified, the Chief Architect of the provincial Government with the help of his team develops the architectural design of the building to be constructed and sends to CWD along with drawings for developing an estimate of the work to be done. In case of new construction, CWD staff accordingly undertakes visits of the area and selects the site for construction of a new school and prepares cost estimates which are shared with ESED. Once these estimates are approved by the Planning and Development Department, then the scheme is included in the ADP. The estimates are developed and vetted by the Chief Engineer of the CWD based on a formula and sent to the client department i.e. ESED. On receipt of the estimates, ESED prepares the PC-1 after which the approval process begins.

3.3.2 Three-stage Approval of PC-1

There are three key stages of approval of a scheme. The first stage is approval of the PC-1 (i.e. project proposal) by the Planning and Development Department. If the total budget of PC-1 is up to Rs.200 million, it is approved by the Secretary Education. If the PC-1 is over Rs.200 million, then it goes to the Provincial Development Working Party (PDWP) of the Government of Khyber Pakhtunkhwa which is headed by the Secretary Planning and Development, with Secretary Finance and Secretary Education as members. The PC-1, after discussion by the PDWP, is either approved or sent to the client department for modifications. The second stage is about “administrative” approval, which is granted by the Secretary of the client department, i.e. ESED. At the third stage, the Finance Department grants “financial” approval to confirm the availability and release of funds.

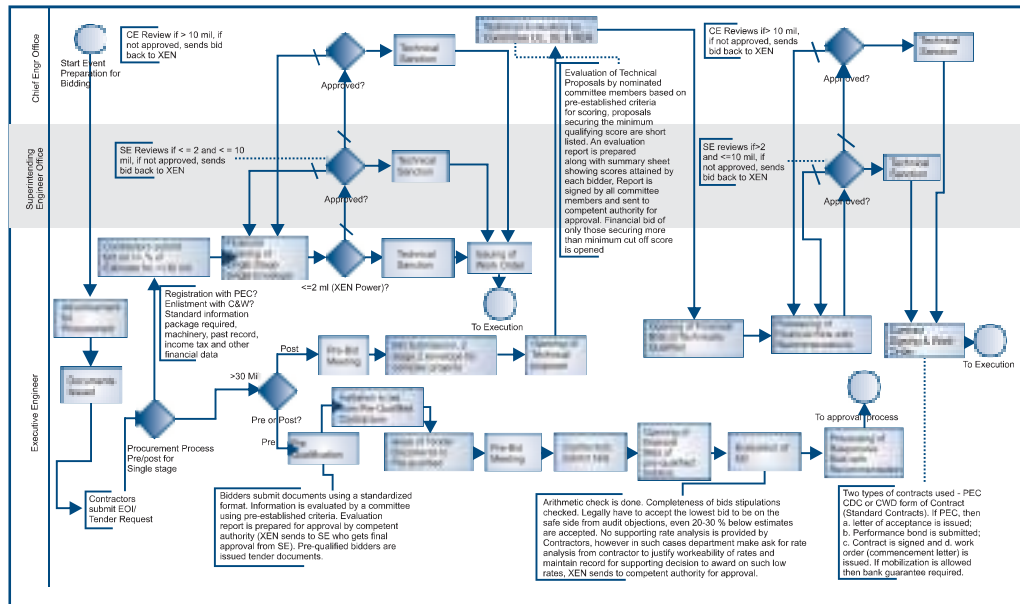
Before the CWD initiates the procurement process, selection of site has to be finalized followed by taking over possession. This process is one of the major causes of delay. Politics kicks in as soon as information about approval of the scheme is sent to DDAC. Members of provincial assembly (MPAs) try to influence the feasibility of site and DDAC approval. The objective is to ensure a site of their own choice as construction of a school or missing facilities entails new posts or labour which can be then filled on the recommendations of the MPA.

3.3.3 Tendering and Procurement of Service Providers

After the three stages of approval are cleared, the Executive Engineer (XEN) issues the technical sanctions for the project if the amount is up to Rs. 10 million. For schemes of higher value but up to Rs. 20 million, this task is performed by the Superintending Engineer. The Chief Engineer has full sanctioning powers. After the issuance of technical sanctions, tendering process is initiated. All works above Rs. 45 million are awarded through pre-qualification of contractors through the committee of the Chief Engineers. For pre-qualification, firms apply on prescribed forms and are

evaluated according to agreed criteria prescribed by the Pakistan Engineering Council (PEC). All firms that apply for pre-qualification are evaluated on a date announced by the CWD. The qualified firms are informed of successful outcome. All works between Rs. 0.1 million to Rs. 2.5 million are awarded through departmental website whereas all works between Rs. 2.5 million to Rs. 45 million are awarded through open tender.

Chart 3.1: Procurement Process for School Civil Works



Tender forms are issued to the prequalified firms for completion. The pre-qualified firms complete the tender forms and submit them on or before the closing date. The tenders are opened and evaluated on fixed dates already communicated to the bidders in the bidding document. The Superintendent Engineer in the office of the commissioner opens the tenders in presence of the bidders. Comparative statements are prepared on the basis of costs received in the bidding documents. The lowest bidder is recommended for approval. If the tender costs are more than 5 percent lower than the estimated costs, the contractor is asked to furnish a guarantee for the difference between his costs and the base price worked out by the CWD. The work is allotted to the lowest bidder and a contract is signed between the contractor and CWD for completing the work on agreed costs in agreed time frames.

The role of Khyber Pakhtunkhwa Public Procurement Regulatory Authority (KPPRA) is crucial to ensure that the award of works is according to procedures described under the KPPRA Rules. Whilst KPPRA is facing teething problems and needs more capacity and human resource to monitor the implementation of laws,

rules and regulations, it has been viewed as a key agency to ensure integrity in procurement process. In case of non-compliance or irregularities, KPPRA submits written observations to the tendering agency and if irregularities are not removed, then the Managing Director KPPRA refers the case to the Chief Secretary. If the violation from KPPRA Rules is of serious nature, then Anti-Corruption Establishment (ACE) initiates inquiry under Khyber Pakhtunkhwa ACE Rules. However, ACE initiates enquiries after receiving complaints and in serious matters, criminal cases are registered against the responsible persons.

3.3.4 Execution of Construction Works

The contractor commences the work by planning the layout of the project under the supervision of CWD engineers. The excavation work is started after the layout is complete. The contractor stores material for the ongoing work on site so that work moves on uninterrupted. Construction is started according to the approved work plan and contract. Payments are made to the contractor in the form of running bills at different stages of the construction process.

3.4 Oversight, Monitoring and Accountability

Monitoring of school civil works schemes is primarily a responsibility of ESED, which intimates the District Education Officers (DEOs) about the schemes to be implemented in their area of responsibility. The information so received is passed on to the respective District Development Advisory Committee (DDAC) for location and selection of site, subject to prescribed planning criteria.²⁷ The expenditure and progress are regularly reviewed and monitored at the provincial level by the Secretary School Education. The Finance Departments and the Planning and Development Departments have little role to play once the money is released or the PC-1s are approved. Only in the case of construction projects where escalation in costs is involved, the cases are processed by Finance Departments.

Effective monitoring is crucial especially because a number of issues are undermining integrity of the procurement process: preparation of cost estimates without a survey, non-transparent evaluation of bids and contracting, weak capacity of contractors, sub-contracting, lack of coordination between DEOs and XEN, and poor quality of work. The present government has tried to shift to market-oriented process and appointment of consultants to supervise implementation of CWD works, but it has brought the implementation to a standstill.

²⁷ Section 4(1)(iii)(a) of Khyber Pakhtunkhwa District Development Advisory Committees Act, 1989.

Table 3.1: Key roles in school civil works

| Institution | Role in Procurement of School Civil Works |
|---|--|
| ESED | <ul style="list-style-type: none"> • Approval of umbrella PC1 by the P&D Board • Identification of schemes and preparation of district wise PC-1 • District monitoring committees to oversee progress and quality • Repair and maintenance of school buildings • Construction of new schools |
| CWD | <ul style="list-style-type: none"> • Preparation of cost estimates and architectural design • Tendering and procurement of service providers • Execution of construction work • Engineering supervision |
| KPPRA | <ul style="list-style-type: none"> • Compliance with KPPRA rules • Written observations on tendering |
| Finance Department | <ul style="list-style-type: none"> • Sectoral allocation to confirm the availability and release of funds • Approval of cost escalation case submitted by CWD |
| District Development Advisory Committee | <ul style="list-style-type: none"> • Planning of development schemes at district level • Selection and approval of site of the scheme |
| District Audit Department | <ul style="list-style-type: none"> • Internal audit of district government • The Audit team of Auditor General performs audit and submits report which is examined by the Departmental Accounts Committee headed by Principal Accounting Officer • The items not cleared by DAC are sent to Public Accounts Committee |
| Public Accounts Committee | <ul style="list-style-type: none"> • Action on Audits observations • Strategic oversight of financial controls and integrity in the process |
| Anti -Corruption Establishment | <ul style="list-style-type: none"> • Commission inquiry on serious corruption issues referred by KPPRA |

The Auditor General of Pakistan conducts the external audit of public works schemes. It is statutory audit focusing mostly on procedural issues; it does report cases of fraud and corruption but are mostly not properly documented and normally get dropped in the Departmental Accounts Committee meetings (DACs) or get dropped by the Provincial Accounts Committee. The Auditor General needs to have better capacity find out the loopholes in the procurement process and how backdoor channels are used to subvert the legal frameworks and to bend rules. Currently, their main focus is on compliance with rules and regulations. The Auditor General does not conduct performance audits and does not have the necessary wherewithal to comment on the legal frameworks and the rules that dominate the procurement of goods and services. The Auditor General may consider hiring engineers and

specialized people for such audits as the current staff in the Auditor General's Department is mostly generalist and has no proper trainings for conducting complicated audits.

3.5 Key Issues and Challenges

Key stages in the procurement process are similar for all public works and represent a fairly straightforward process. However, a number of issues pose a serious challenge to compliance with government's specifications for construction and procurement rules. A brief description of key issues is given below.

3.5.1 Informal coalitions, collusions and rent-seeking norms dominate the contracting process and pose a challenge to enforcement of the formal rules.

Interviews with a number of retired CWD officials reinforced the existing perceptions about political economy and informal coalitions of procurement. It is important to note that it is extremely difficult to get verifiable documentary evidence of this process because decisions and transactions are based on strong norms and mutual trust and hardly involve written documentation.

Insiders to the procurement process are adamant that whilst the bidding process is done according to the KPPRA rules, the contractors might get into an informal agreement for bid rigging or “pooling” as it is known in the language of civil works. Exceptions notwithstanding, the contractors would form a ring to agree that only one contractor would run for the contract, all others would stand back. All the bids are filled by a single contractor, keeping his firm the lowest while padding up the costs for other companies which are part of the “pooling” arrangement. Payments that have been agreed upon with the colluding contractors are made to them at the award of contract. The concerned XEN is the guarantor for the payments to the contractors.

According to information provided by key informant interviews, the XEN who is the Drawing and Disbursing Officer (DDO) of projects in his jurisdiction ensures that the customary 9-12 percent is received from the contractors on all the running bills. According to a CWD employee, 4 percent out of this money goes to the XEN himself, 2 percent goes to the Sub-Divisional Officer, 1 percent to the Overseer, 1 percent to the accounting and clerical staff and the last 1 percent is kept for entertainment and stationery. For works that are within the powers of the Superintending Engineers and Chief Engineer, they get their share accordingly.

3.5.2 Use of sub-standard materials in construction work is a key driver of profit making.

Use of sub-standard materials makes school buildings unsafe for children. A key

area of graft and corruption in the construction works is the use of sub-standard and defective material. Many audit observations have pointed this out that the materials used in the construction and rehabilitation of schools and other public buildings construction works is not according to the specified standards. The materials used are sent to the laboratories for tests but these materials are different from the ones used on the site. The laboratory reports for all the material sent comes out according to the agreed specifications, whereas the actual material used is quite different from the ones sent to the laboratory.

A contractor who was interviewed to discuss the fraud and corruption in construction works pointed out that in some cases, they wittingly use sub-standard materials and compromise on the quality of concrete and curing as they are under severe pressure from the politicians and engineers for paying kickbacks. It is not possible without the collusion of these officers to use sub-standard materials. In some cases, availability of specified material becomes a genuine issue. For example, brick kilns cannot provide “A” grade bricks and suppliers of sand compromise the quality despite that they pay the full cost of the material. In such a situation, the contractors change the material for laboratory tests because they cannot afford the material to be rejected.

3.5.3 Cost escalation is another driver of collusion and profit sharing.

A number of audit observations sent to the Public Accounts Committee were about escalation of costs. Price escalation is permitted after the price of construction material escalates in the open market. The contractors buy the necessary materials in advance and as soon as the price escalates, they put up a claim to the concerned XEN for paying them the escalation. A case for escalation is prepared by the XEN and sent to the Finance Department for approval. It was reported that the concerned staff of the XENs office, CWD and Finance Department receive kickbacks in lieu for approval of the escalation. The contractor and the XEN benefit the most out of it. In some cases, the scope of work is also changed after giving the contract, which inflates the value of the contract.

A genuine reason for cost escalation is the procedure for release of funds. Funds for new construction, especially for large projects, are released in tranches over 3-4 years which results in cost overrun. On the other hand, all funds are mostly released for small schemes, or for those pertaining to repairs or provision of missing facilities, within one fiscal year.

3.5.4 Lack of coordination between ESED and CWD poses a constant challenge in ensuring quality of civil works.

ESED, despite being the primary client and budget holder for school construction

works, has no control over the CWD which has been entrusted to execute civil works for all government departments. Concerns about limited space for ESED to hold the CWD to account for high costs, lack of transparency and gaps in quality of construction have driven reforms and experimentation with different approaches to procurement, contracting and monitoring of school construction works. ESED, being the primary client, is inherently interested in good quality of school construction, but lacks capacity and powers to scrutinize the process at every stage.

3.5.5 Political influencing of site selection undermines merit and transparency in school civil works.

Before the CWD could initiate the procurement process, selection of site is finalized followed by taking over possession. This process is one of the major causes of delay because politics kicks in as soon as information about approval of the scheme is sent to DDAC. Members of provincial assembly (MPAs) try to influence the feasibility of site and DDAC approval. The objective is to ensure a site of their own choice as construction of a school or missing facilities entails new posts or labour which can be then filled on the recommendations of the MPA. This may lead to wrong selection and neglect of populations in need of school civil works.

3.5.6 Capacity of contractors to deliver quality construction is questionable.

Most civil works schemes of ESED are under Rs.250 million which are executed by contractors enlisted in category PK-5 to PK-10.²⁸ According to enlistment data of CWD, 4.4 percent of all contractors enlisted are for PK-5 category, 7.8 percent in PK-6 (Rs.100 million), and 84.0 percent in PK-7 to PK-10 (Rs.30 million and below). Enlistment criteria requires Rs.5 million cash in hand with easily convertible resources of Rs.15 million and two Civil Engineering degree-holders on pay of the PK-5 contractor, while the PK-9 contractor (who can be awarded Rs. 10 million contracts) should have at least one Civil Engineer having B.E, Rs.1 million in cash and Rs.3 million convertible resources. On ground, a large number of contractors do not meet the minimum qualification criteria and cash requirement. This has a direct bearing on quality and timeliness of construction.

These issues highlight that a culture of kickbacks, collusion and cost escalation is very well entrenched in public sector and is not a secret. This means that concerned departments are not performing their functions despite that detailed procedures and rules exist. SED, CWD, Audit, KPPRA and PAC are responsible to ensure that costs are reasonable and materials used in construction meet the specifications.

²⁸ These categories are meant to classify contractors according to their financial management and capacity for delivering services. PK-1 and PK-10 represent the highest end and the lowest categories.

3.5.7 Failure of government departments to indulge in mutual scrutiny is costing the public millions of rupees.

According to all insiders interviewed by the research team, frauds, leakages and corruption in the public sector construction works is costing the Government of Khyber Pakhtunkhwa millions of rupees every year as they need more budget for repair and maintenance and rehabilitation. The culture of kickbacks, collusion and cost escalation is very well entrenched in public sector and is not a secret. This means that concerned departments are not performing their functions despite that detailed procedures and rules exist.



CHAPTER 4

Parent Teacher Councils and Procurement

CHAPTER 4

Parent Teacher Councils and Procurement

4.1 Introduction

In Khyber Pakhtunkhwa, first systematic effort to institutionalize community participation in the education system is traced back to 1997 when Parent Teacher Associations (PTAs) were established. Later, changes were introduced in their composition and they were re-named as Parent Teacher Councils (PTCs). Currently each primary, middle and high school has a PTC which comprises the head teacher and elected members from parents and community. The procedure for their election is laid down in PTC Policy Guidelines 2012. The chairperson has to be a parent member, whereas the head teacher acts as the co-chairperson. Each PTC receives an annual grant based on a formula which takes into account number of classrooms.

PTCs are important institutional structures for citizen participation, voice and accountability in school management. Under the PTC Guidelines 2012, they have a clear mandate for repair and maintenance and school civil works. They can spend up to 1 million rupees per year.²⁹ They are required to maintain records to an acceptable standard, and are subject to third party verification of their records and accounts. However, they are exempt from standard audit procedures of the government because it has deterred the PTCs from spending funds in the past.

PTCs have attracted significant attention of researchers and development community. The Elementary and Secondary Education Department (ESED) commissioned a Third Party Validation (TPV) report in 2011 which revealed gaps in formation, capacity and skills to carry out the responsibilities. Barring sporadic

²⁹ The amount is Rs. 0.2 million for normal PTC expenditure whereas for conditional grants, they can spend up to Rs. 1 million.

training Programmes, no systematic effort has been made to build PTCs as an institution with knowledge and skills to harness the role of community participation in school development. Recently, a PC-1 has been approved for capacity development of over 28,000 PTCs in 25 districts.³⁰ Implementation has not yet started. The training Programme will focus on awareness about their roles, responsibilities and functions, management, including procurement and financial management, social mobilization, community participation, community and leadership skills and assessment of school performance through school report cards, and development of School Improvement Plan.

The PC-1 also envisages contracting call centers to use information technology and telephone calls for continuous engagement, mobilization and follow-up support to PTCs. The Programme is broad enough to cover a range of skills, including record keeping and financial management. However, this training is not especially designed to carry out procurement of constructions works, and may not involve aspects of infrastructure standards and design, procurement of construction materials, and management of related issues. Given that each PTC is required to carry out procurements and purchases, special module procurement and purchase procedures need be added to this training Programme.

This chapter discusses the role of PTCs in relation to procurement of goods and services. This is particularly important because their decisions have important bearing on school management and transparency in utilization of funds which are meant to benefit children. From another perspective, their organizational structure and capability to carry out procurement effectively has remained in question in considering them as an alternative option to procure large scale school civil works. This chapter discusses their experience with procurement with a focus on mechanisms for accountability of what they do and how. For this purpose, the research team carried out a survey of PTCs in Abbottabad and Mardan to examine different aspects of their procurement practices.

4.2 Procurement Policy for PTCs

PTCs are viewed as an important mechanism for school development in which parents and community members have a voice. The Government of Khyber Pakhtunkhwa provides an annual grant to each PTC on per-classroom basis. The total budget allocated for this purpose is around 1 billion annually. This grant goes to bank account of respective PTC which is responsible for identifying priorities and procuring necessary goods and services.

³⁰ This Programme has been developed under DFID-supported Khyber Pakhtunkhwa Education Sector Programme (KESP). A number of earlier projects funded by other donors, notably GIZ and CIDA, also delivered trainings for PTCs.

The PTCs Guidelines 2012 have laid down a clear policy for procurement to spend funds at the disposal of PTCs. They are authorized to spend up to 1 million rupees per year. This limit has been fixed keeping in view their capacity to procure and manage funds. They are required to obtain quotations for large procurements, maintain records to an acceptable standard, and are subject to third party verification of their records and accounts. However, they are exempted from standard financial audit procedures of the government because it has deterred the PTCs from spending funds in the past. Key features of the procurement policy are given in **Box 1**.

Box 1

Procurement Rules for PTCs

- ◆ PTC shall ensure transparent, effective and efficient financial management and that the funds are being used for the purpose they are meant for.
- ◆ The expenditure incurred through PTCs has been exempted from Audit, however, in order to ensure transparency in the expenditure process, Third Party Validation and Monitoring system has been introduced.
- ◆ A bank account in the name of PTC shall be opened, which will be operated jointly by the Chairperson and Secretary of the council.
- ◆ PTC has been authorized to spend up to Rs. 1,000,000 on addition of classrooms, provision of boundary walls, latrines and electrification in schools.
- ◆ Cash book will be maintained regularly which should have all entries including credit and debit along with cash balance being brought forward.
- ◆ A purchase/procurement committee comprising 5 members of PTC should be formed to undertake purchases including petty purchases and procurement of goods and works for the schools.
- ◆ The PTC funds shall not be lapsable and could be utilized during the succeeding financial year. However, efforts should be made to utilize them within the same fiscal year.
- ◆ For making purchases, PTC procurement committee is required to obtain more than one quotation from different shops/vendors.
- ◆ The secretary of each PTC is responsible for preparing the details of income and expenditure, share the same with all the PTC members at least on quarterly basis, present the details in the PTC meeting and display the same on the notice board.

4.3 Findings from a Survey of PTCs

The research team for this study undertook a survey of PTCs to assess their capacity and practices regarding procurement of goods and services. The survey was done in

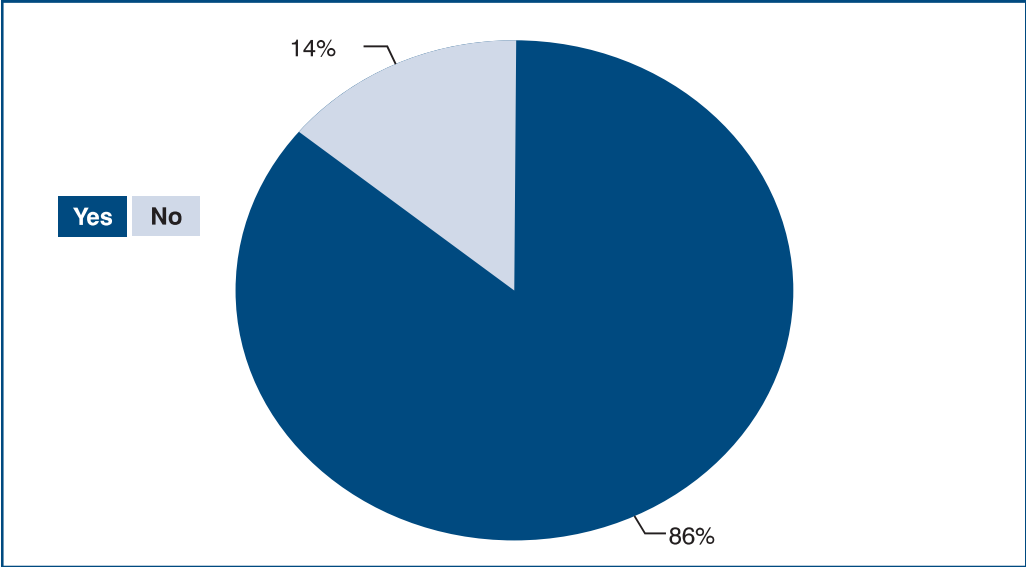
Abbottabad and Mardan districts. A random sample of 278 schools was selected. The sample included 164 boys' schools and 113 girls' schools. Interviews were held with chairpersons (i.e. head teachers) of PTCs. Key findings are described below:

4.3.1 Organizational Awareness and Preparedness for Procurement

While considering more autonomy and powers for PTCs to manage funds, a key policy question pertains to maturity of their organizational structure and preparedness to make decisions and manage procurements. Their composition, knowledge and skills of members, and ability to manage records are some of the most important pre-requisites for efficient and transparent purchases of goods and services. A number of questions were asked about these aspects from head teachers of PTCs in Mardan and Abbottabad.

The criterion for election of members is clearly laid down in the PTCs Guidelines 2012. The survey asked questions to ascertain whether the members were “chosen” or were elected as per the policy. About 86 percent of the total number of surveyed PTCs' chairpersons reported that members of their PTCs were elected through a proper process. However it is revealing that composition of 14 percent PTCs was against the policy because members were selected without an election process. The PTCs which were not elected had most of their members nominated and selected by head teachers. This is an indication of tendency on the part of head teacher to bypass the government policy, and might lead to neglect of procurement rules as well.

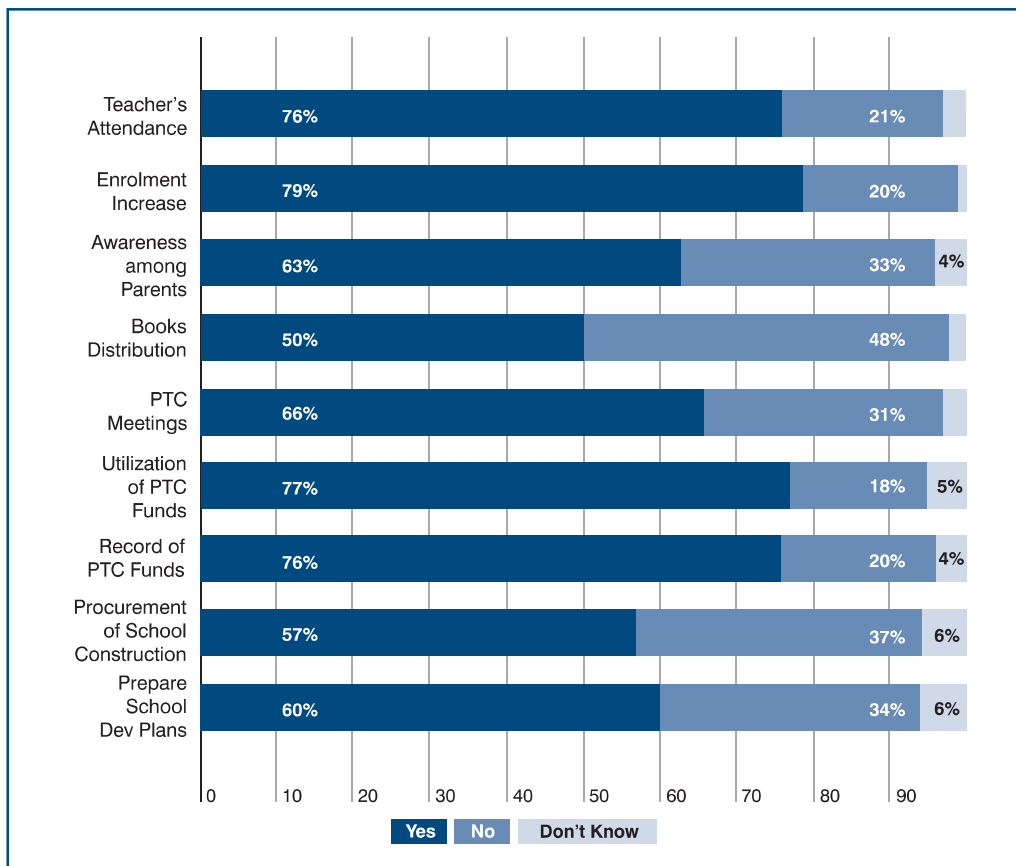
Chart 4.1: Number of PTCs Formed through Elections



Source: I-SAPS PTCs Survey 2014

Most of the PTC members are aware of their responsibilities. This is essential to perform their mandated roles. 63 percent of PTC chairpersons informed that all the members of their respective PTCs were aware of their responsibilities whereas in others, most or some members had knowledge of their roles. The survey also collected information about the types of responsibilities in which members were involved to any extent. The responses of head teachers indicated that members in a high majority of PTCs did play a role in areas of teacher attendance, enrolment, awareness, record keeping, monthly meetings, procurement, distribution of books and utilization of funds (see chart 4.2).

Chart 4.2: Types of Responsibilities in which PTC Members are Involved



Source: I-SAPS PTCs Survey 2014

Given the high level of illiteracy and low level of skills in household which send their children to government schools, it is highly likely that members of PTCs will lack education and competencies to effectively perform their responsibilities. Therefore, capacity development is very significant in developing understanding and skills of PTC members and guiding them to better utilize and manage the funds. The

respondents were also asked if they or other members of the PTCs received any training in the last two years. As Table 4.1 shows, the picture is very uneven. Broadly, about 25-38 percent of chairpersons and co-chairpersons received training on key aspects such as financial management and record keeping and procurement rules and process.

Table 4.1: Training Received by Members of PTCs in Past 2 Years

| Areas | Chairperson | | Co-Chairperson | | Parent Members | | General Members | |
|--|-------------|----|----------------|----|----------------|----|-----------------|----|
| | Yes | No | Yes | No | Yes | No | Yes | No |
| Leadership / planning | 36 | 53 | 38 | 45 | 29 | 53 | 30 | 53 |
| Using EMIS data for planning and financing | 25 | 59 | 29 | 48 | 20 | 57 | 21 | 56 |
| Financial management and record keeping | 32 | 56 | 34 | 46 | 24 | 54 | 25 | 53 |
| Procurement rules and process | 28 | 55 | 32 | 45 | 24 | 53 | 24 | 52 |
| Construction / civil works | 29 | 57 | 30 | 48 | 25 | 54 | 25 | 54 |
| Water, sanitation and hygiene | 29 | 57 | 31 | 48 | 25 | 55 | 25 | 54 |
| School improvement plans | 30 | 57 | 32 | 47 | 26 | 54 | 26 | 54 |

Source: I-SAPS PTCs Survey 2014

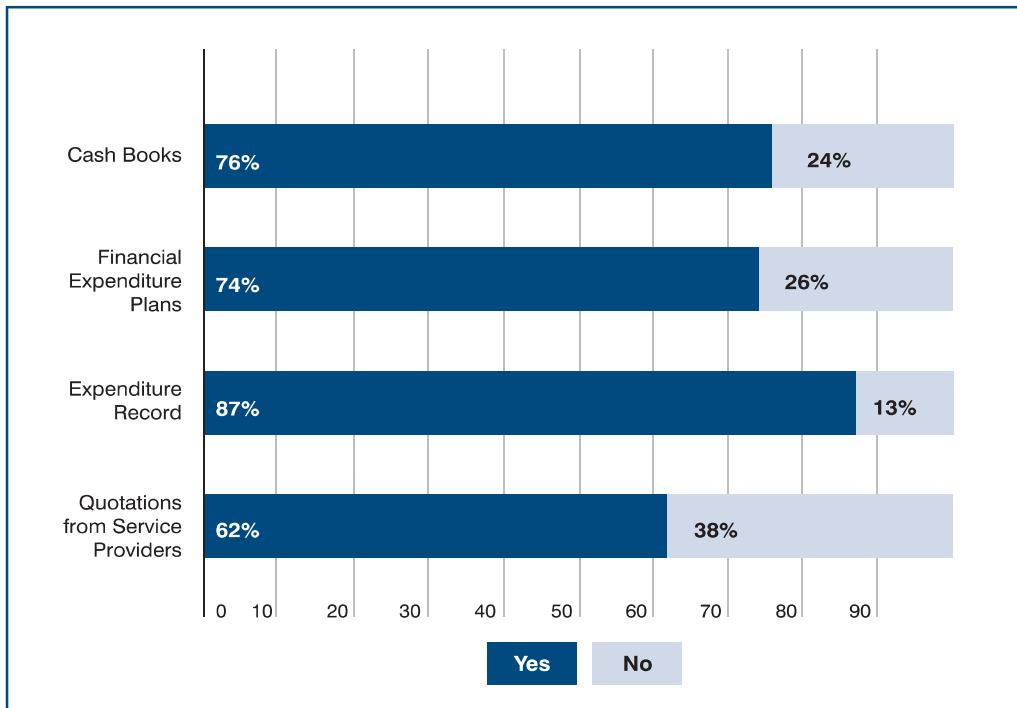
Despite the uneven capacity, most of the surveyed schools were maintaining financial records in the form of cash books, financial expenditure plans, expenditure record and quotations from the service providers. However, it is revealing that 38 percent PTCs do not file and maintain quotations from the service providers.

Transparency in terms of information disclosure is uneven across the board. About 22 percent of the chairpersons of the PTCs reported that they do not allow the parents of the enrolled children to view the financial records. 66 percent of the PTCs were found to have an open policy for the community to view the financial documents if they demanded. 88 percent of the respondents informed that these records were not publicly displayed.

The PTCs are exempt from audit, but are subject to a third party verification of their records and accounts. 58 percent PTCs reported that their accounts were audited by the government during the last 3 years. This is not clear whether the audit in this case was indeed a third party verification or proper government audit.

It is evident from the above analysis that there is a great deal of variation in capacity and preparedness of PTCs to undertake procurements. While composition, awareness and record keeping practices are generally good for majority of the PTCs,

Chart 4.3: Financial Records Maintained by PTCs



Source: I-SAPS PTCs Survey 2014

compliance with policy and procurement procedures is not universal, and poses risks in terms of abuse of powers and lack of transparency in how funds are utilized.

4.3.2 PTCs' Experience in Procurement

All PTCs procure services and goods for schools. In most cases, this involves procurement of local contractors and labour for whitewash, minor construction works related to classrooms and physical facilities, and repair and maintenance. The survey conducted for this study in Abbottabad and Mardan asked questions about their experience in procurement. The following four aspects were covered:

- ◆ Procurement committees
- ◆ Major types of procurement
- ◆ Risk management and fiduciary controls
- ◆ Support required for procurement by PTCs

a) Procurement Committees

The survey found that 52 percent PTCs had formed procurement committees comprising members. On average, a functional committee had 3-5 members. Some procurement committees had more than 8 members. The chairpersons of the PTCs

having no procurement committees were also asked about how procurement decisions were made in the absence of a committee. Key responses were as follows:

- ◆ All procurements are done individually by the head teacher;
- ◆ All procurements are done by the head teacher in consultation with some senior teachers;
- ◆ All procurements are done by the chairperson and co-chair of the PTC; and
- ◆ All procurements are done after consultation with members of the PTC.

It is evident from these responses that in most cases where a procurement committee does not exist, decision-making is dominated by the head teacher or one or two members.

b) Major Types of Procurements and Payments

The chairpersons were asked about the types of procurements and payments that their PTCs had made in 2013-14. They were also asked to recall the average spending on each type of procurement. Table 4.2 below summarizes the responses.

Table 4.2: Types of Procurements and Payments made by PTCs in 2013-14

| Purchase head | % PTCs which spent funds on the purchase head in 2013-14 | Average spend in rupees per school (approximate) | Purchase head | % PTCs which spent funds on the purchase head in 2013-14 | Average spend in rupees per school (approximate) |
|---|--|--|---|--|--|
| Payment of electricity bills | 21 | n.a | Security equipment | 1 | n.a |
| Repair and maintenance of school building | 50 | <50,000 | Water connections | 7 | n.a |
| School stationery | 41 | n.a | Hazard protection and damp proofing | 18 | 10,000 |
| Teaching and learning materials | 19 | n.a | Electricity connection | 19 | n.a |
| Construction of additional classrooms | 4 | <50000s | Purchase of water pump | 3 | 10,000 |
| Construction of boundary wall | 15 | 10,000-50,000 | Payment of water bills | 6 | n.a |
| Appointment of temporary teachers | 1 | <10000 | Drainage, sewers and solid waste management | 12 | n.a |
| Purchase of new furniture | 16 | <25000 | Sports goods | 21 | n.a |
| Repair of furniture | 23 | | WASH facilities | | 25,000 |

Source: I-SAPS PTCs Survey 2014

Note: n.a. indicates that estimates of the average spend are not available.

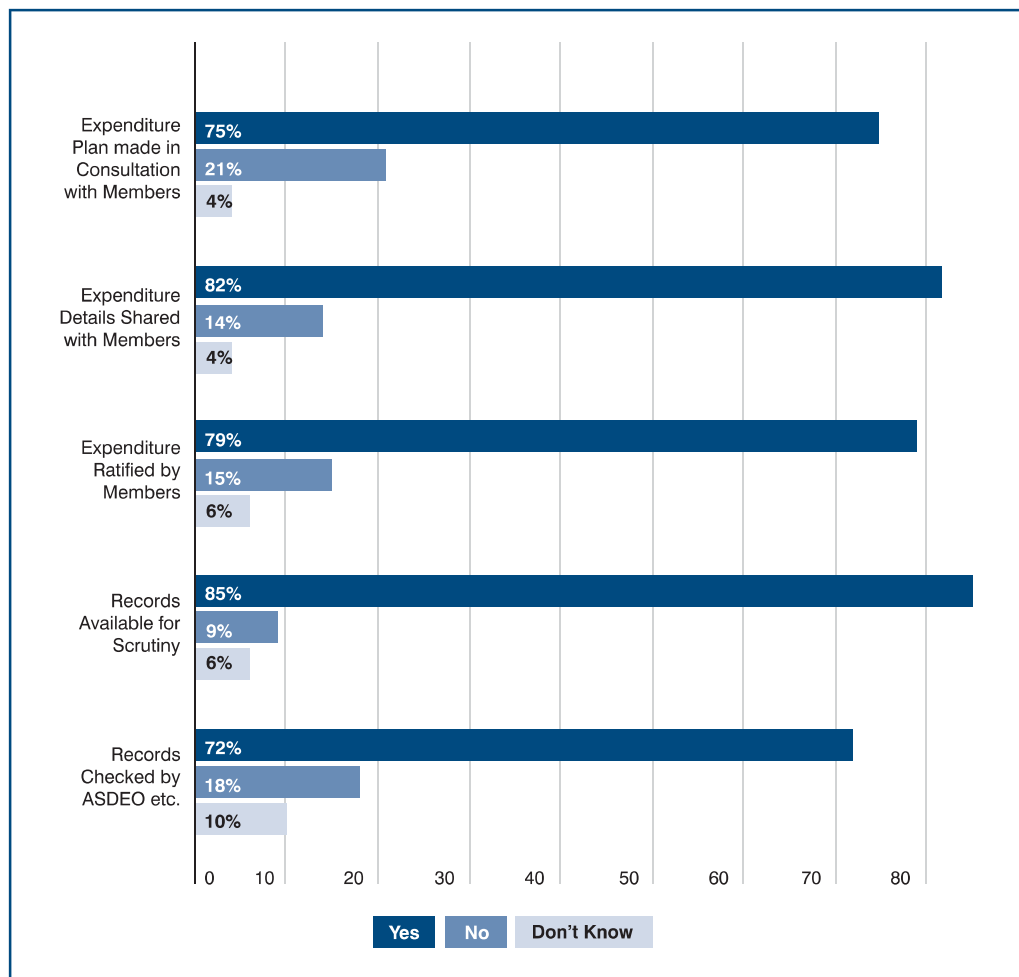
The five most frequent procurements and payments made by the PTCs include repair and maintenance of school building, purchase of school stationery, payment of electricity bills, teaching and learning materials, and repair of furniture. Out of

these five types, repair and maintenance of building involves procurement of masons and local labour and is one of the major expenses. As it is evident from Table 4.2, maximum amount spent in a year is up to Rs. 50,000.

c) *Risk Management and Fiduciary Controls*

PTCs are authorized to collect and spend funds and hence are vulnerable to abuse of resources. They are required to exercise prudence and transparency and put in place effective safeguards. In this regard, the head teachers were asked if their respective PTCs had put in place some anti-corruption safeguards such as expenditure plans, sharing of expenditure details with members, ratification of expenditure by members and availability of records for scrutiny and record checking by Assistant District Education Officers (ASDEOs). Chart 4.4 highlights the responses of head teachers.

Chart 4.4: Transparency and Anti-Corruption Safeguards Adopted by PTCs



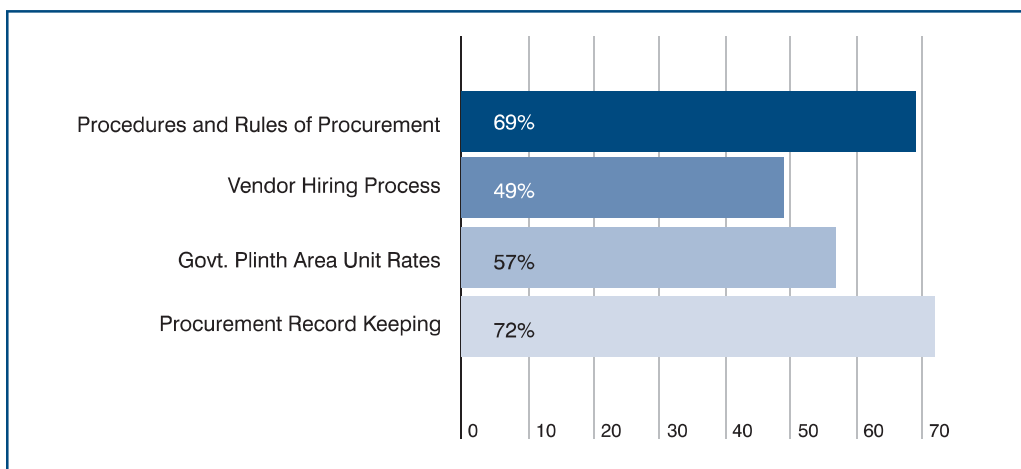
Source: I-SAPS PTCs Survey 2014

A high majority of the PTCs reported to have put in place the above said measures for transparency. In 75-82 percent schools, expenditure plans are prepared in consultation with members, details are shared and ratified by members, and records are made available for scrutiny. 72 percent head teachers confirmed that ASDEOs had checked the PTCs' records. It is evident from the table that ASDEOs do not look at records in 18 percent schools.

d) Support Required for Procurement by PTCs

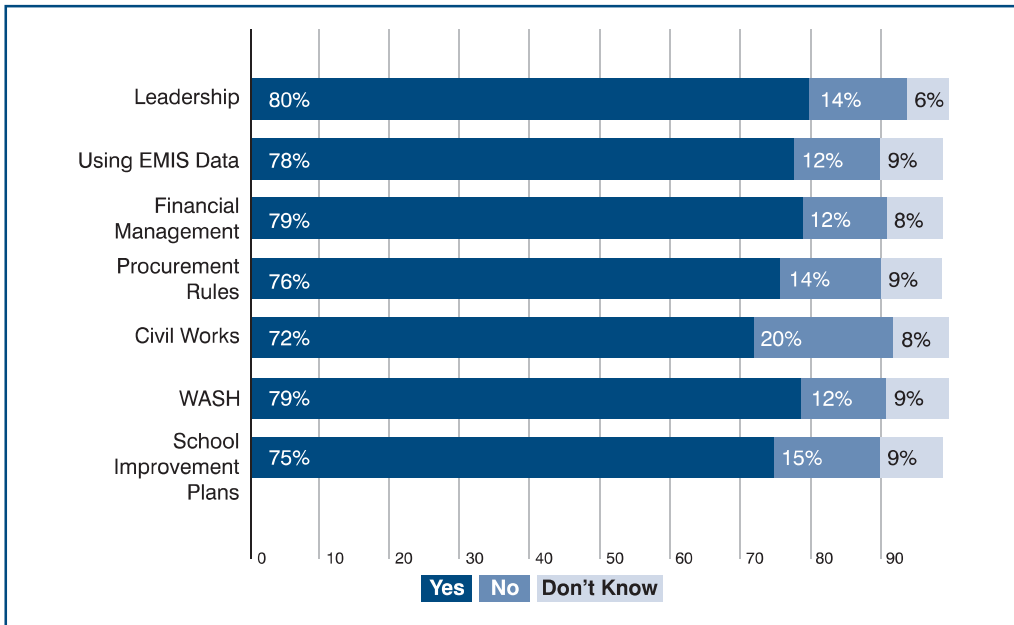
The survey explored the need for further support required by PTCs to improve their procurement practices. The chairpersons of the PTCs were asked about the measures which should be taken in order to facilitate the procurement done by PTCs. Majority of the respondents said that the PTCs should be provided additional funds and related guidance/training; work plans should be made and that the Government should admire the good work done by them and create sense of responsibility among the PTCs. The respondents also stressed the need for more information to improve the procurement of works. Chart 4.5 shows that members require information regarding procurement rules, record keeping and government's plinth area unit rates.

Chart 4.5: Information Needed to Improve Procurement by PTCs



Source: I-SAPS PTCs Survey 2014

The chairpersons were also asked about the areas in which they would need further training. As Chart 4.6 shows, the four biggest training needs are leadership, use of information and data, financial management, and procurement rules. Most of the respondents were of the view that such training is very essential and suggested that these should be held in future also.

Chart 4.5: Capacity Gaps in Relation to Procurement by PTCs

Source: I-SAPS PTCs Survey 2014

4.4 Institutional Roles and Accountability in Procurement

The analysis presented above indicates that PTCs procure goods and services at varying scales, involving maintenance and repair, small construction works, purchase of stationery and learning materials, etc. While a majority of PTCs are reportedly doing well on key aspects of preparedness and practices of procurement, a number of issues are important from an accountability point of view. Examples include:

- ◆ Composition of 14 percent PTCs was against the policy because members were selected without an election process. This is an indication of tendency on the part of head teacher to bypass the government policy, and might lead to neglect of procurement rules as well.
- ◆ 38 percent respondents of survey in Abbottabad and Mardan informed that PTCs do not file and maintain quotations from the service providers.
- ◆ 88 percent respondents informed that expenditure records are not publicly displayed.
- ◆ 22 percent of the chairpersons of the PTCs reported that they do not allow the parents to view financial records.

- ◆ In most schools where a procurement committee does not exist, decision-making is dominated by the head teacher or one or two members.
- ◆ 38 percent PTCs did not report auditing or verification of their accounts in past three years.
- ◆ ASDEOs do not check records of PTCs in 18 percent schools.
- ◆ A majority of chairpersons and co-chairpersons have not received any training on key aspects such as financial management and record keeping and procurement rules and process during the past two years. Gap in information and capacity is high.

These examples highlight some issues in transparency and accountability of the procurements made by PTCs. The extent to which the PTCs should be exposed to scrutiny to solve these issues is a tricky question. Parents and community members who opt to serve on PTCs do it on voluntary basis and do not get any monetary benefits. Moreover, the very idea of PTCs is premised on trust on people and their inherent stake in ensuring development of school in their area. Strict scrutiny and questioning may deter the parent and community members to give up their interest in school affairs. Fear of audit in the past prevented them to spend money and as a result they had to be exempted from standard audit requirements. Therefore, efforts to ensure integrity, efficiency, and transparency in procurement need to strike a fine balance between administrative monitoring and guidance, as strict monitoring might be viewed as interference and deterrence by the voluntary members. More guidance, capacity, motivation and information disclosure can bring about significant improvements in the way PTCs plan and spend resources.



CHAPTER 5

Conclusions and Recommendations

CHAPTER 5

Conclusions and Recommendations

5.1 Background

The magnitude of education crisis in Khyber Pakhtunkhwa has thrown up many challenges. Exposure to conflict and disasters has further exacerbated the crisis by increasing the need for reconstruction and rehabilitation of schools. A key challenge is to ensure that the education expenditure, however meager, has to be made efficiently and effectively if the education system has to bridge the deficit in school infrastructure, human resource, and supply of inputs such as textbooks for millions of children who are entitled to a quality education.

The scale of education sector procurement is substantial in Khyber Pakhtunkhwa. In 2014-15, the provincial government has allocated Rs. 4.3 billion for school civil works– equivalent to 52 percent of the Annual Development Programme (ADP) for education sector. Development, printing and distribution of textbooks constitute another big procurement budget line as it costs over Rs. 2 billion annually. At school level, parent teacher councils (PTCs) are involved in procurement of minor civil works and purchases of stationery and learning materials, etc. These are a few examples of major expenditure where improvement in procurement practices can bring about huge efficiency gains and save resources to benefit more children.

Procurement is a vital strand in the execution of non-salary recurrent and development budget. Scrutiny and oversight of procurement process and mutual scrutiny by concerned agencies is extremely crucial for integrity, transparency and efficiency gains in public expenditure on education. Due to wastage, inefficiencies

and delays leading to cost escalation, money that reaches the schools is less than intended, and fewer children benefit from school supplies, buildings, textbooks and services.

The study has discussed the process and key challenges in procurement of textbooks, school civil works, and goods and services procured by PTCs. It emphasizes the need to promote horizontal accountability in education sector procurement i.e. mutual scrutiny by the state institutions internally. For example, Khyber Pakhtunkhwa Public Procurement Regulatory Authority (KPPRA), Audit Department, Anti-Corruption Establishment (ACE) and Public Accounts Committee (PAC) are mandated to ensure that procurement process is in compliance with government rules and free from corruption and hence, they can hold Elementary and Secondary Education Department (ESED) and Khyber Pakhtunkhwa Textbook Board (KPTB) to account on this matter. Similarly, if the quality of bricks and concrete used in construction of a school is of poor, ESED, Audit, ACE and PAC should bring the Communications and Works Department's (CWD) and contractors to account for failing to meet the specifications.

Key conclusions and recommendations from the analysis presented in chapters 2, 3 and 4 are summarized below.

5.2 Textbooks

The Government of Khyber Pakhtunkhwa initiated the provision of free textbooks in 2004 to tackle financial barriers to schooling. This task has remained a big challenge from manuscript development to printing and distribution of textbooks for millions of children in schools every year. The role of Khyber Pakhtunkhwa Textbook Board (KPTB) and ESED is central in this regard. Other government agencies, especially Khyber Pakhtunkhwa Public Procurement Regulatory Authority (KPPRA), Auditor General of Pakistan and Public Accounts Committee (PAC) of KP Provincial Assembly, have a responsibility to ensure integrity, transparency, and efficiency in the procurement process.

The Government provides free textbooks to all students from kindergarten (KG) to Class 10 in all government schools in Khyber Pakhtunkhwa as well as Federally Administered Tribal Areas (FATA). The scale of this procurement is huge. In 2014-15, 45.55 million textbooks were printed, the bulk of which were provided to government school students. A small proportion of textbooks are placed in the open market for direct purchases by students and parents as well. In 2014-15, 973,593 textbooks were printed for sale at retail shops.

Over the last three years, the budget for textbooks has increased from Rs.1.46 billion in 2011-12 to Rs.2.34 billion in 2013-14 - up by 60.23 percent. This increase is mainly attributed to upward trends in school enrolment. While this is partly

attributed to increase in demand for textbooks, requirement of colour printing and cost of paper are also crucial drivers of cost. While the government is committed to this reform, upward trajectory of cost is high and may render it difficult for the government to provide sufficient resources in the future. There is a need for consistent approach and clear procedures for negotiations with private printers to reduce the cost. Moreover, there is a need to consider alternative solutions such as use of textbooks for more than one year.

During the printing process, if the printers are convinced that they will overshoot the print schedules, they outsource the work to small printers. This way the print schedules are normally met but it results in quality issues as small printers are not well equipped to carry out the work according to the agreed specifications. The government has to compromise on the quality of books as it is under pressure to send books to the schools before the start of academic year.

Lack of information in public domain is a key source of concern about lack of transparency, and requires a feasible strategy and robust monitoring system within KPTB. Although procedures for information disclosure in procurement process are defined, monitoring system within KPTB needs to have robustness and a set of clear monitoring objectives. This is essential to generate and publish information in public domain to allay concerns about secrecy and corruption.

Majority of the students gets most textbooks in time, but some students do suffer due to delays every year. Delays do occur in distribution, approval of manuscripts and tendering resulting in delayed availability of textbooks in some schools.

Quality control and compliance with technical parameters need to be strictly enforced, especially related to the use of ink and paper. KPPRA has received many complaints regarding the lack of enforcement of standards and violations of KPPRA rules and specifications. The most common complaints pertain to the quality of ink and paper used by the publishers. Quality of textbooks might be inferior to the samples which are submitted at the time of tendering.

Recommendations

- a. Successful contractors resort to sub-contracting to small printers to meet the printing schedule, which leads to poor quality of textbooks. KPTB and ESED should take steps to keep a check on this practice. A monitoring system, including spot checks and verification, should be in place to check the quality after a certain number of books have been printed, rather than leaving it to the point of printing of all books.
- b. Conflict of interest should be properly logged and managed.

- Publishers or organizations having close association with prospective bidders should not be allowed to be members of the Textbook Review Committee.
- c. Monopoly of the wholesale agents who package KPTB textbooks with their supplementary readers to increase their profits should be dismantled. This practice increases the cost of education for parents who in many cases cannot easily afford the supplementary readers but have no option as the textbooks are not available anywhere else in the market. In this regard, ESED should develop procedures for oversight of the whole chain from textbook printing to distribution and sale. Packaging supplementary readers with textbooks should be banned.
 - d. Procurement and use of printing paper should receive greater oversight and monitoring attention. Outsourcing and procurement procedures should be reformed to curtail the use of low quality paper and increased costs to the government. Quality control and compliance with technical parameters should be strictly enforced, especially related to the use of ink and paper. In this regard, ESED and Audit department have an important role to triangulate laboratory reports on paper and ink used and their compliance with specifications. A strong quality assurance system is needed to ensure compliance with technical parameters.
 - e. ESED should publish an annual report showing key details about the procurement process, costs, timelines, observations and complaints, the roles played by KPTB, Finance, P&D, ESED, Audit, KPPRA, and PAC.
 - f. KPPRA should take a lead in establishing a coordination forum for all respective departments involved in procurement of textbooks. The forum should address an important institutional gap as no mechanism exists where horizontal accountability functions of all relevant departments are clarified, discussed and followed-up.

5.3 School Civil Works

Khyber Pakhtunkhwa has two million children who are out of school. The current unmet need for new construction, up-gradation, rehabilitation, maintenance and repair, and provision of missing facilities continues to pose a daunting challenge. In September 2013, 11,786 schools were without electricity, 8,894 without drinking water facility, 6,442 lacked boundary wall and 5,956 schools were without

washrooms. The need for up-grading middle and high schools is even more acute as the imperative for completion of basic education is gaining more attention.

A high proportion of development schemes in the Annual Development Programme (ADP) of Khyber Pakhtunkhwa are meant to expand physical capacity of the public education system every year. In 2014-15, Rs. 4.3 billion have been allocated for this purpose. Recurrent expenditure also includes non-salary budget and grants to PTCs, part of which is used on repair and maintenance and minor civil works. Due to huge amounts of public funds involved and perceptions about corruption and inefficiencies in civil works, emphasis on integrity of the procurement process is vital to increase efficiency and savings in the system. This cannot be done in a sustained manner unless relevant government departments proactively engage in oversight and mutual scrutiny of the procurement process.

Addressing the infrastructure deficit involves procurement of small and large civil works which draw on expertise, monitoring and scrutiny of multiple government departments, especially the Elementary and Secondary Education Department (ESED) and Communications and Works Department (CWD). The roles of Planning and Development (P&D), Finance Department, Accounts Department, Auditor General of Pakistan, Khyber Pakhtunkhwa Public Procurement Regulatory Authority (KPPRA), and Public Accounts Committee are also crucial for internal checks, scrutiny, and transparency in the procurement process.

Procurement of school civil works has been a persistent challenge because the ESED, despite being the primary client and budget holder for school construction works, has no control over the CWD which has been entrusted to execute civil works for all government departments. Informal coalitions, collusions and rent-seeking norms dominate the contracting process and pose a challenge to enforcement of the formal rules. Exceptions notwithstanding, the contractors would form a ring to agree that only one contractor would run for the contract, all others would stand back. The normative rates are prevalent across the public sector. The XEN who is the Drawing and Disbursing Officer (DDO) of projects in his jurisdiction ensures that the customary 9-12 percent is received from the contractors on all the running bills. According to a CWD employee, 4 percent out of this money goes to the XEN, 2 percent goes to the Sub-Divisional Officer, 1 percent to the Overseer, 1 percent to the accounting and clerical staff and the last 1 percent is kept for entertainment and stationery.

Use of sub-standard materials in construction work is a key driver of profit making. Materials used in the construction and rehabilitation of schools and construction works of other public buildings may not be according to the specified standards. The materials used are sent to the laboratories for tests but these materials are different from the ones used on the site. The laboratory reports for all

the material sent come out according to the agreed specifications, whereas the actual material used is quite different from the ones sent to the laboratory.

Costs escalation is another driver of collusion and profit sharing. The contractors buy the necessary materials in advance and as soon as the price escalates, they put up a claim to the concerned XEN for paying them the escalation. The contractor and the XEN benefit the most out of it. In some cases, the scope of work is also changed after giving the contract, which inflates the value of the contract.

Lack of coordination between ESED and CWD poses a constant challenge in ensuring quality of civil works. ESED, despite being the primary client and budget holder for school construction works, has no control over the CWD which has been entrusted to execute civil works for all government departments. Concerns about limited space for ESED to hold the CWD to account for high costs, lack of transparency and gaps in quality of construction have driven reforms and experimentation with different approaches to procurement, contracting and monitoring of school construction works.

Recommendations

- a. ESED, as the primary client, should be given more powers to hold the CWD accountable for costs and quality of school infrastructure delivered by CWD. It is important to break the monopoly of CWD in public sector construction. Rules should allow more freedom to the client departments such as ESED to procure civil works in a competitive manner.
- b. Transparency, monitoring and scrutiny of contracting needs greater attention and practical actions to eliminate the prevalent informal rules and bribe rates. Clear rules should be enforced to publish information at all key stages of a procurement cycle, and not just tender advertisements.
- c. Special measures should be taken to control cost escalation, and officials involved should be brought to account. Justifications for cost escalation exceeding a certain threshold should be published on SED and PPRA website to deter the abuse of powers conferred on XEN in this matter.
- d. ESED, CWD, Audit, KPPRA and PAC are responsible to ensure that costs are reasonable and materials used in construction meet the specifications. Given the amounts of money involved every year, a special study should be undertaken which should assess the reasonableness of costs and quality of materials used in schools. Additional funds required for maintenance due to use of poor quality

materials should be quantified. This step is likely to provide a basis for stronger internal checks on the whole procurement process.

- e. ESED should publish an annual report showing key details about the procurement process, costs, timelines, observations and complaints, the roles played by ESED, CWD, Finance, P&D, Audit, KPPRA and PAC.
- f. KPPRA should take a lead in establishing a coordination forum for all respective departments involved in procurement of school civil works. The forum should address an important institutional gap as no mechanism exists where horizontal accountability functions of all relevant departments are clarified, discussed and followed-up.

5.4 Parent Teacher Councils

PTCs are important institutional structures for citizen participation, voice and accountability in school management. Under the PTC Guidelines 2012, they have a clear mandate for repair and maintenance and school civil works. They can spend up to one million rupees per year. They are required to maintain records to an acceptable standard, and are subject to third party verification of their records and accounts. However, they are exempt from standard audit procedures of the government because it has deterred the PTCs from spending funds in the past.

PTCs have attracted significant attention of researchers and development community. The Elementary and Secondary Education Department (ESED) commissioned a Third Party Validation (TPV) report in 2011 which revealed gaps in formation, capacity and skills to carry out the responsibilities. Barring sporadic training Programmes, no systematic effort has been made to build PTCs as an institution with knowledge and skills to harness the role of community participation in school development. Recently, a PC-1 has been approved for capacity development of over 28,000 PTCs in 25 districts.

PTCs procure goods and services at varying scales, involving maintenance and repair, small construction works, purchase of stationery and learning materials, etc. The importance of procurement function of school councils has increased tremendously over time as the expectations of the government from school councils have increased. The four most frequent procurements and payments made by the school councils include payment of electricity bills, repair and maintenance of school building, purchase of school stationery and teaching and learning materials. Of these three types, repair and maintenance of building involves procurement of masons and local labour and is one of the major expenses.

- ◆ According to a survey conducted for this study in Abbottabad and Mardan, a majority of councils are reportedly doing well on key aspects of preparedness

and practices of procurement but a number of issues emerge from an accountability point of view. Examples include:

- ◆ Composition of 14 percent PTCs was against the policy because members were selected without an election process. This is an indication of tendency on the part of head teacher to bypass the government policy, and might lead to neglect of procurement rules as well.
- ◆ 38 percent respondents of survey in Abbottabad and Mardan informed that PTCs do not file and maintain quotations from the service providers.
- ◆ 88 percent respondents informed that expenditure records are not publicly displayed.
- ◆ 22 percent of the chairpersons of the PTCs reported that they do not allow the parents to view financial records.
- ◆ In most schools where a procurement committee does not exist, decision-making is dominated by the head teacher or one or two members.
- ◆ 38 percent PTCs did not report auditing or verification of their accounts in past three years.
- ◆ ASDEOs do not check records of PTCs in 18 percent schools.
- ◆ A majority of chairpersons and co-chairpersons have not received any training on key aspects such as financial management and record keeping and procurement rules and process during the past two years. Gap in information and capacity is high.

Recommendations

The extent to which the PTCs should be exposed to scrutiny to solve these issues is a tricky question. Parents and community members who opt to serve on PTCs do it on voluntary basis and do not get any monetary benefits. Therefore, government rules cannot be applied to them in the manner as they apply to teachers and other government servants. Moreover, the very idea of PTCs is premised on trust on people and their inherent stake in ensuring development of school in their area. Strict scrutiny under government rules may deter the parent and community members to give up their interest in school affairs. Fear of audit in the past prevented them to spend money and as a result they had to be exempted from standard audit requirements. Therefore, efforts to ensure integrity, efficiency, and transparency in procurement should strike a fine balance between administrative monitoring and guidance, as strict monitoring might be viewed as interference and deterrence by the

voluntary members. More guidance, capacity building, motivation and information disclosure should be promoted to bring about significant improvements in the way PTCs plan and spend resources.



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