Policy Brief:

Public-Private Partnerships (PPP) Optimisation

Public Private Partnerships for Education: Optimising Delivery in Punjab and Khyber Pakhtunkhwa

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1. Background and Context

Pakistan's economic recovery is stabilising but remains fragile. Provincial governments are attempting to balance fiscal consolidation with continued investment in human capital. Education budgets have expanded in both Khyber Pakhtunkhwa and Punjab, yet large gaps in access, infrastructure, and learning outcomes remain. The challenge is therefore not simply how much is spent on education, but how effectively those resources are used.

Public Private Partnerships (PPP) have historically played an important role in expanding access to education in Pakistan. In both provinces, partnerships with private schools, civil society organisations, and corporate actors have allowed governments to reach students who might otherwise remain outside the formal system. These arrangements have contributed to increased enrolment and have provided flexibility where the public system faces operational constraints.

At the same time, PPP models require continuous adjustment. As programmes expand, questions arise around fiscal sustainability, regulatory oversight, and alignment with provincial education priorities. This brief therefore examines how PPPs can be strengthened and better integrated into provincial education systems in both provinces.

This brief applies a four-layer diagnostic methodology to assess the feasibility and design of PPP instruments. The first layer examines macro fiscal and expenditure trends in provincial education budgets in order to identify financing constraints and delivery gaps. The second layer assesses institutional readiness for PPP expansion, including legal frameworks, administrative capacity, market appetite among private operators, and fiscal sustainability. The third layer incorporates insights from consultations with government departments, development partners, financial institutions, and private sector stakeholders. The fourth layer translates these findings into practical PPP product designs and implementation pathways that can operate within existing provincial systems. The analysis focuses on school education from pre primary to secondary level.

2. Leveraging Private Efficiency for Public Good

In an education PPP, the government defines service standards and outcomes, allocates resources, and regulates performance, while private actors deliver education services. The structure typically follows a clear sequence. Government sets policy and enters into contracts with private providers. Private schools, civil society organisations, or firms then deliver school services. Payments to providers are linked to measurable results such as enrolment, retention, or learning gains. Independent monitors verify results before payments are released.

The key actors involved are education departments, finance departments, private providers, regulators, and independent evaluators. Internationally and regionally, PPPs have been used to expand access, improve efficiency, and introduce performance incentives into publicly funded education systems. In Pakistan, PPP models have largely focused on access expansion through publicly financed private schools.[1] The next stage of reform requires strengthening quality incentives and ensuring that PPP models remain fiscally sustainable and aligned with provincial education systems.

PPPs have delivered scale but now face a second generation reform challenge. In both provinces, the question is no longer whether partnerships can expand access, but how they can be designed to improve learning outcomes, contain fiscal costs, and integrate fully with mainstream public education systems.

3. Punjab: Large-Scale PPPs and the Imperative of Optimisation

Punjab has made PPPs a central feature of its education system. Through programmes such as the Foundation Assisted Schools initiative operated by the Punjab Education Foundation, the province has developed one of the largest publicly funded private education systems in the region, significantly expanding enrolment and improving access for low income students.

Despite these gains, structural challenges remain. A large share of the education budget is absorbed by current expenditure, leaving limited fiscal space for expansion and quality improvements. While PPPs have helped increase access, existing arrangements are often fiscally demanding and operate partly as a parallel system rather than being fully integrated into provincial education delivery. Regulatory complexity, institutional capacity constraints, and weak performance incentives have also raised concerns about long term sustainability.

Punjab's challenge is therefore how to optimise the current model. Reform is needed to improve cost effectiveness, strengthen regulatory oversight, and align financial incentives more closely with learning outcomes and equity goals. The following sections present two complementary options designed to address these gaps. Both aim to expand access in underserved communities, improve quality through performance incentives, and increase efficiency by leveraging existing private education infrastructure.

[1] 'Foundation Assisted Schools (FAS): Overview of Program', Punjab Education Foundation, https://www.pef.edu.pk/FoundationAssistedSchools/Overview [accessed 18 March 2026].

Option One: Optimising Punjab's Existing PPP Model

This option focuses on improving the current Punjab Education Foundation system through four pilot ready reforms.

> **Double shift PPPs** would allow under enrolled government schools to operate a second shift managed by private partners. Private providers would run the school in the afternoon after the government school day ends. Government would provide a per student grant set at roughly seventy percent of the cost of a regular public school. This expands access without requiring new infrastructure.
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> **Co-payment pilots** would introduce regulated parental contributions in mature Foundation Assisted Schools. A defined group of established schools would move from full government subsidy to a model where parents contribute a small, regulated fee. Fee exemptions would remain for poorer households, while government savings could be redirected to expand access in underserved areas.
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> **Value added measurement** would introduce an approach that measures how much progress students make over time rather than focusing only on absolute test scores. This approach rewards schools that work with disadvantaged students and identifies schools that genuinely improve learning outcomes.
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> **Adopt a School evolution** would transform existing corporate partnerships into performance-based models. Revised agreements would include explicit targets for learning and retention and a clear plan for gradually phasing out corporate support as schools become self-sustaining.

Pilot implementation is achievable within a defined timeframe, with full reform requiring sustained commitment. Legal feasibility requires explicit policy authority for co payment mechanisms which is currently absent. Institutional capacity is moderate, with the Punjab Education Foundation bringing scale and partnership experience while other provincial institutions provide monitoring expertise and quality support. Market appetite from private operators remains high, and corporate interest is encouraging. Fiscal sustainability is currently limited but would improve under the proposed reforms.

During the first phase, double shift pilots could be launched in under enrolled schools in southern Punjab, co payment pilots could be introduced in mature schools, value added measurement could begin in a defined group of schools, and existing corporate partnerships could be revised into performance-based models.

Over the medium term, double shift operations could expand to more schools, value added measurement could be extended, and a dedicated regulatory and contracting unit could be established.

Over the longer term, legislative amendments could formalise co-payment authority, integrate education data systems, enable teacher mobility across sectors, and introduce statutory reviews of PPP value for money.

Option Two: Punjab Education Access and Quality Partnership

This option introduces a financing instrument designed to address three persistent problems in southern Punjab: teacher shortages in remote secondary schools, weak teacher training and subject mastery, and low girls' retention.

The instrument blends public funding, development partner support, and private capital, with payments linked to verified results.

> The **Remote Teacher Deployment Fund** addresses the shortage of teachers in remote areas. Private operators manage clusters of underserved secondary schools and recruit teachers locally or deploy teachers with financial incentives. Government pays a package consisting of a fixed salary component conditional on verified attendance and a performance component linked to student learning improvements.
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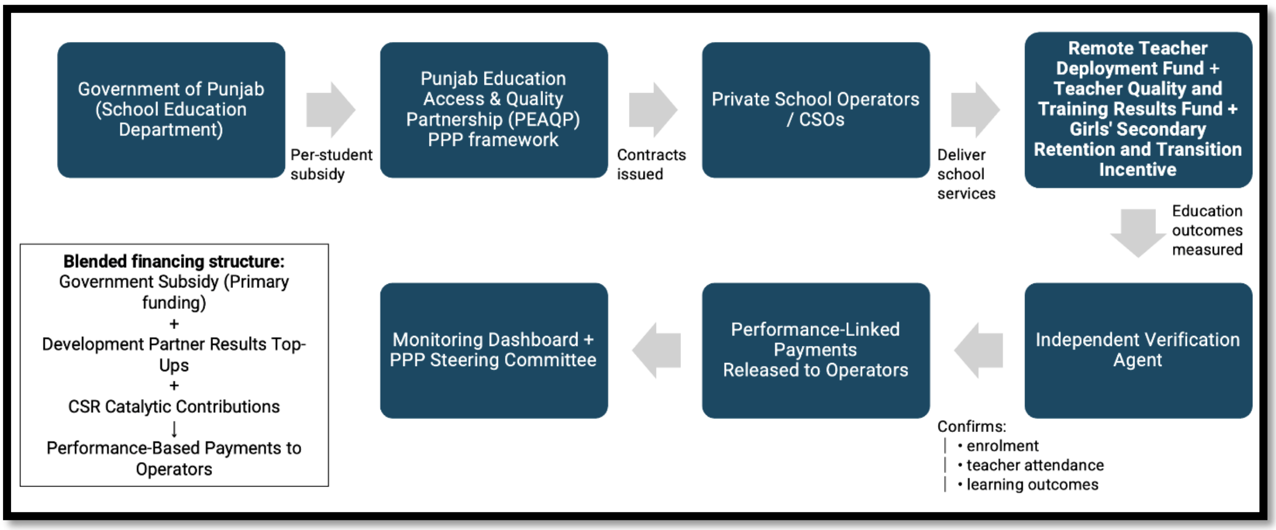
> The **Teacher Quality and Training Results Fund** strengthens teacher capability. Government contracts accredited training providers, including universities, private training organisations, and education technology companies. Payments are made only when teachers complete certification, improve classroom observation scores, and demonstrate measurable improvements in student learning.



> The **Girls' Secondary Retention and Transition Incentive** encourages girls to remain in school. Operators receive an enrolment subsidy for each girl, a retention bonus for completing the next grade, and a transition bonus when girls move to higher levels of education or vocational pathways. Additional incentives reward high attendance and learning outcomes.

Pilot implementation is feasible within a defined period, with full reform requiring sustained commitment. Legal feasibility requires clear education specific PPP guidelines. Institutional capacity is moderate but improving. Fiscal sustainability is encouraging because payments are linked to per student outcomes rather than permanent staffing commitments.

The first phase would involve pilots in districts in southern Punjab, mapping teacher gaps and designing monitoring systems. The second phase would expand the programme to all southern districts and introduce digital certification systems. The third phase would institutionalise the partnership within provincial planning and budgeting systems.

4. Khyber Pakhtunkhwa: Expanding Budgets and Strengthening School Performance

Khyber Pakhtunkhwa has maintained fiscal discipline while increasing education spending significantly. Resources have been directed towards infrastructure upgrades and initiatives to reduce the number of out of school children.

Despite this increase in spending, many public schools continue to face persistent operational challenges. Missing facilities, shortages of qualified teachers, low enrolment, and high dropout rates remain common, particularly for girls in secondary grades. In several districts, school buildings exist but remain under enrolled or not fully functional. At the same time, fiscal flexibility is limited because a large share of the education budget is absorbed by recurrent expenditures such as salaries and pensions, which are rising steadily each year.

The province therefore faces a dual challenge of funding pressures and delivery inefficiencies. Increasing spending alone will not necessarily improve school performance. In response, the provincial government has begun exploring PPPs as a mechanism to strengthen school management, expand access, and improve outcomes without creating long term fiscal liabilities.

Khyber Pakhtunkhwa's engagement with PPPs in education is still evolving. The Planning and Development Department's PPP Unit has undertaken feasibility surveys and identified underperforming schools that could transition to partnership management. Within this context, PPPs are viewed as a practical instrument to improve service delivery while maintaining government oversight and regulatory control.

Optimising the Khyber Pakhtunkhwa PPP Model

Pilot ready optimisation instruments focus on improving the management and utilisation of existing public school infrastructure.

Double shift PPPs would allow under enrolled government schools to operate second shifts managed by private partners. Private operators would run the school in the afternoon after the government school day ends. This approach expands access without requiring new infrastructure and improves utilisation of existing public investment.

Adopt a School evolution would transform the current largely philanthropic framework into structured partnerships with clear accountability. Recent models in Sindh (Education Management Organisations) and Punjab (Public School Support Programme) demonstrate that private operators can take on more structured roles in school management.

Under an enhanced model, private operators would manage clusters of low performing public schools under multi year agreements. Performance indicators would focus on enrolment, retention, learning outcomes, and school management. Payment would combine a fixed per student subsidy with performance incentives. An illustrative structure might include a fixed subsidy component, a portion linked to teacher attendance, and a portion linked to enrolment increases and girls' retention.

Government retains ownership of infrastructure while operators assume operational responsibility. Payments may be routed through escrow arrangements to reduce delays. Implementation will require several supporting measures: mapping potential private operators capable of managing school clusters, clear exit mechanisms where performance is unsatisfactory, and guidelines for managing public teacher transfers where necessary.

School selection would prioritise schools with very low enrolment, non-functional schools with existing infrastructure, low performing schools based on assessments, and districts with high numbers of out of school children. An implementation toolkit similar to Sindh's Education Management Organisation framework could support the programme by providing standard contracts, monitoring templates, and clear procurement guidelines.

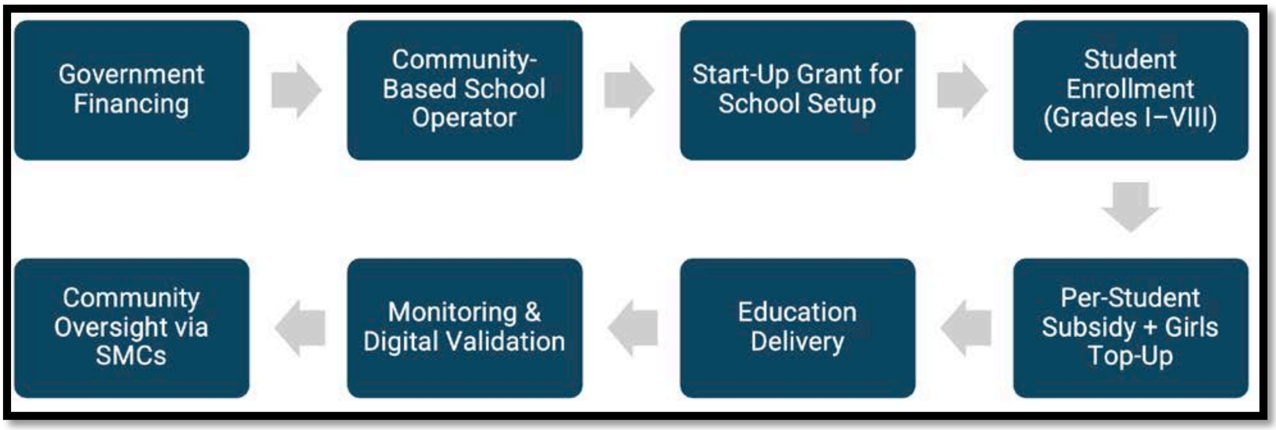
A Community Based Framework for Merged Districts

A second PPP instrument focuses specifically on the merged districts, where education delivery faces additional structural constraints. The Merged Areas Education Foundation has already planned community based schools through PPP arrangements.

The model for merged districts must operate effectively in low capacity and remote environments. It therefore emphasises simplicity, community participation, and incentives for girls' enrolment.

Key design features include per student operational subsidy paid directly to school operators, girls' participation top up to address gender gaps in enrolment, and one time start up grants for classrooms, furniture, and learning materials. Infrastructure remains community owned while education delivery is regulated by provincial authorities.

Community oversight through School Management Committees will strengthen accountability. Additional safeguards include cluster-based rollout to manage security risks, digital validation of enrolment to reduce ghost students, and targeted incentives to recruit female teachers.



Pilot implementation is feasible within a defined timeframe. Legal feasibility is moderate and may require clearer education specific PPP guidelines to complement the existing PPP Act framework. Institutional capacity is moderate, with the Planning and Development Department's PPP Unit providing structuring expertise while the education department contributes sector knowledge and implementation capacity. Market appetite among capable private operators appears encouraging, particularly where contracts include clear performance incentives.

During the first phase, the provincial government could develop education specific PPP guidelines jointly through the Education Department and Planning and Development Department, launch double shift and Adopt a School pilots in selected districts with high numbers of underperforming schools, and begin community-based PPP pilots in merged districts.

Over the medium term, successful pilots could expand to additional districts, with the double shift and Adopt a School models scaling to larger clusters of schools and the merged districts partnership extending to more communities. Monitoring systems tracking enrolment, teacher attendance, and learning outcomes would also be strengthened.

Over the longer term, the PPP models could be integrated into the provincial education financing framework, with improved data integration, strengthened monitoring arrangements, and periodic reviews of PPP performance and value for money.

5. Conclusion

Both Khyber Pakhtunkhwa and Punjab face persistent education delivery challenges despite increased public spending. PPPs offer a structured mechanism to improve efficiency, expand access, and strengthen accountability while managing fiscal pressures.

In Punjab, the priority is to optimise an already extensive PPP system by strengthening incentives, regulatory clarity, and fiscal sustainability. The province has the institutional foundation to move from access focused partnerships to quality focused partnerships that reward learning outcomes and efficient use of public resources.

In Khyber Pakhtunkhwa, the focus should be on gradual expansion through carefully designed pilot programmes that improve management of underperforming schools and expand access in underserved districts, particularly in the merged areas. The province can learn from Punjab's experience while adapting models to its own institutional context and fiscal constraints.

When governed transparently and linked to measurable outcomes, PPPs can complement public education systems and help provinces achieve better results within existing fiscal limits. The next stage of reform requires moving beyond access alone to partnerships that actively improve learning, strengthen accountability, and deliver value for money.

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