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# Social Enterprises in Pakistan

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UN – MOST JOINT CAPACITY BUILDING WORKSHOP ON SCIENCE, TECHNOLOGY AND  
INNOVATION FOR SUSTAINABLE DEVELOPMENT GOALS

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# Agenda

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Need for Social Enterprises in Pakistan

Importance of Social Enterprise and Impact Investing

Main Issues being faced

Regulatory Reforms

Policy Reforms

Legislative Reforms

Some Success stories



# Problem Statement

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Issues in Public Sector Service Delivery

- Health
- Education
- Water and Sanitation

Multidimensional Poverty

Unemployment

Urbanization

High Charity/ Venture Philanthropist

Growing Startup Culture

Religious Angles to helping others e.g. Zakat, etc.



# Social Enterprises

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Private (for profit entities) that give prime importance to the Social Service instead of profitability is called Social Enterprise

This refers to re-investment into social services in many countries

SEs have started to flourish due to problems identified

Reducing regulatory burden on social enterprises can help achievement of growth, jobs and other SDGs

How do we do this?



# Impact Investment

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Charity may be converted into Impact Investment in order to decrease the incidences of

- Unsafe Charity
- Terrorism funding

Investors are bound to be more involved with the beneficiaries in terms of knowing what they will be doing with their investment than charity: Safe Charity

Huge potential of impact investment in-house

Patient Capital Investment is on the rise



# Main Issues being faced

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We have a thriving startup culture in Pakistan

Social business accounts for more than five per cent of GDP and employs over ten per cent of the workforce

Not all social enterprises graduate beyond startup phase; policy reforms can help



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# Main Issues being faced

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Culture, awareness and understanding

Data and evidence

Tax treatment of social enterprises

Access to procurement opportunities

Funding and Finance

Legal and regulatory issues

Capacity building and skills, networks and market access

# What needs to change?

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- I. Culture, Awareness & Understanding

An agreed upon definition by both public and private sector stakeholders

Recognize the contribution of social enterprises

Orientation regarding role and contribution of SEs for relevant public sector bodies

Presenting SE sector as a form of responsible business

Allowing education curricula to accommodate SE concepts.



# What needs to change?

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- II. Tax Treatment for Social Enterprises

Social enterprises not asking for any differential treatment

FBR can incentivize shareholders of social enterprises

Investors taking a risk for social cause may be allowed the same benefits as allowed to life insurance and charities.

# What needs to change?

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- III. Access to Procurement Opportunities

Recognize eligibility of SEs in procurement competitions

Eligibility conditions in PPRA laws may be rationalized for social enterprises

Introduce the idea of *social value* in procurement. This will also prompt other businesses to demonstrate social and environmental value in their business models.

# What needs to change?

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- IV. Funding & Finance

SECP's expert group may expedite work on allowing crowdfunding

Central bank can incentivise through amendment in lending targets provided under SME Finance Policy

Guarantees provided by SBP for women-led enterprises need to be expanded

Past governments have hinted towards social impact funds.

# What needs to change?



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- V. Legal & Regulatory Issues

Introduce a unified business registry. Different forms of social activity have different types of incorporation requirements and renewal conditions

Regulatory Impact Assessment to measure (regulatory) burden long over due. Will go a long way in reducing the cost of doing business for social enterprises

How can provincial growth strategies help in rationalizing burden on businesses with social impact?

# What needs to change?

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- VI. Capacity Building, Networks & Market Access

Limited social enterprise incubators across Pakistan

Existing platforms to help SMEs lack orientation regarding social enterprises

Association body for social enterprises missing

No inventory of SEs currently working across the country.



# Successes So Far

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The Prime Minister has set up a Startup-Pakistan Program under the Special Assistant for Youth Affairs, Mr. Usman Dar

State Bank of Pakistan issued regulations for Electronic Money Institutions. These institutions will be able to innovatively provide payment services

SBP's "Refinance and Credit Guarantee" was initially served only to women of underserved areas but is now available country-wide

SBP aims to increase share of credit to SMEs to 17% by 2020 as part of National Finance Inclusion Strategy.

Prime Minister has approved a body to help ease doing business in Pakistan.

SECP has prepared a draft legislation for Crowdfunding and it will be going to the parliament soon

SBP has prepared a focus group with the commercial banks for better facilitation of Ses

We are in process of preparing a draft legislation for the Social Enterprise Act