Social Enterprises in Pakistan

BY AHAD NAZI, SDPI

*ALL INFORMATION IN THE PRESENTATION IS PART OF THE RESEARCH & ADVOCACY CARRIED OUT BY BRITISH COUNCIL & SDPI

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

DECEMBER 12, 2019, GUILIN, GUANGXI PROVINCE, CHINA
Agenda

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

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

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

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

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
Main Issues being faced

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?

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?

- 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?

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?

- 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?

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?

- 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

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