



# Grants, incubators and innovation: a snapshot of social enterprise activity in Pakistan

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## Key messages

- Growing interest in social enterprise in Pakistan – demonstrated by social enterprise start-ups, as well as increasing numbers of business support organisations with social focus – is seen as an integral part of increased support to enterprise development and a response to the need to ensure that it is both more sustainable and less donor-reliant
- The continued reliance on grant funding in the social enterprise sector, as well as external-facing focus for learning and financial support, are perceived to be stifling potential activity
- Social enterprise in Pakistan will benefit from capitalising more on domestic knowledge sharing, creating local support and networks, which will in turn help create more diverse forms of finance and increase the potential to be self-financing

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# 1 Introduction and methodology

As their name suggests, social enterprises are businesses that seek to achieve social impact, often in tandem with financial returns. The social enterprise sector is growing rapidly in developing countries, largely driven by the push for more sustainability and accountability in the pursuit of socio-economic development. While there is no universally accepted definition of the term ‘social enterprise’ (with few countries having yet adopted a definition or created a legal entity<sup>1</sup>), it is generally used to refer to organisations that adopt a commercial approach to achieving social objectives (BC Centre for Social Enterprise, n.d.).

Pakistan is a populous country that faces a range of challenges to achieving social and economic development. This paper provides an overview of the role that social enterprises play in addressing social challenges and explores the obstacles that they need to overcome in order to achieve both social impact and financial viability.

Social enterprise is not a new concept in Pakistan. Various forms of social entrepreneurship and social businesses, including microfinance and microcredit institutions, locally managed community enterprises (such as cooperatives), and revenue-generating NGOs, have long been in existence. For example, the Hamdard Group is a socially motivated business founded in pre-partition India in 1906. The Pakistani branch of Hamdard, which became an Islamic trust or ‘*waqf*’ in 1953, now runs a wide range of organisations and businesses, including a university and several laboratories that produce and distribute a wide range of pharmaceuticals at highly affordable prices.<sup>2</sup> Other prominent examples of socially motivated businesses in Pakistan include several networks of low-cost education providers, such as The Citizen’s Foundation (which is also a non-profit organisation).<sup>3</sup> The lack of a separate legal category for socially motivated businesses and their frequent reliance on donations means, however, that many such enterprises are recognised and registered as non-profit organisations, even though they may have commercial aims.

This paper is based on online resources and stakeholder interviews conducted mainly in Lahore and Karachi in order to provide a brief overview of social enterprise activity in Pakistan. In particular, it focuses on the limitations resulting from the lack of a clear definition of social enterprise, and the wider issues facing social enterprises in Pakistan in expanding and sustaining their ventures.

The paper is structured as follows: the rest of Section 1 outlines its purpose and the methodology used. Section 2 sets out the social and economic context of Pakistan and briefly summarises the policy context for social enterprise and existing literature on social enterprise activity in Pakistan. Following this, an overview of evidence from social entrepreneurs and support organisations is presented in Sections 4 and 5. Overall findings are set out in Section 6, followed by conclusions and recommendations (Section 7).

## 1.1 Purpose of the study – research questions

This study sought to examine how social enterprise has evolved in Pakistan, especially in terms of the scale and scope of activity, and the sector’s infrastructural needs for further capacity building. The research sought to answer the following questions:

- Who are the key players in the ecosystem and what are the relationships between them
- What is the scope of the social enterprise space in Pakistan and what recent developments has it seen
- What challenges and opportunities do existing social enterprises face in scaling their operations

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<sup>1</sup> The UK created the Community Interest Company legal structure in 2004 specifically with social enterprise in mind, enabling organisations to adopt a unique set of characteristics, including a duty to act in the community interest, an asset lock and a dividend cap (Darko et al., forthcoming).

<sup>2</sup> Hamdard Laboratories (Waqf) Pakistan (2011) ‘Introduction & History’. Retrieved from: <http://www.hamdard.com.pk/introduction-history>

<sup>3</sup> The Citizens Foundation (2014) ‘TCF Story’. Retrieved from: <http://www.tcf.org.pk/TCFStory.aspx>

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- What opportunities and constraints exist for expanding support for incubation and early-stage development of social enterprises in the country

Since there is very limited literature on social enterprise activity in Pakistan (see Section 2.3) this paper also sought to contribute to addressing this gap.

## 1.2 Approach

The social enterprise sector in Pakistan is defined by a complex network of formal and informal collaboration and resource transfers across a wide range of sectors and economic actors, whether public, private or via international aid and the development industry. This paper attempts to identify and discuss these relationships and interactions, although it is important to note that these social enterprise ecosystems are not guided by formal regulation and so include organisations that could range from enterprises and non-government organisations (NGOs) to partly or even fully publicly funded organisations. An example of the latter is the Punjab Vocational Training Council (PVTC) which, while being a public-sector organisation, seeks to cultivate ‘social entrepreneurs’ that will establish their own social enterprises. More of these examples are discussed in the ‘Findings’ section.

Given the relatively nascent phenomenon of self-identifying social enterprises in Pakistan, the research questions were also geared to identifying specific challenges for early development of social enterprises as well as challenges facing existing enterprises’ ability to expand.

### 1.2.1 Desk-based work

A literature review on social enterprise and entrepreneurship examined literature related to social enterprise in Pakistan and South Asia, followed by a brief review of the social, economic and entrepreneurship context in Pakistan.

### 1.2.2 Fieldwork

Semi-structured stakeholder interviews were undertaken during August 2015 – mainly in Lahore and Karachi as well as via Skype in Islamabad and, where necessary, abroad. Interview content was subsequently analysed to identify key themes and unique or interesting insights that struck the authors.

### 1.2.3 Selection of participants

Four categories of participants were interviewed based on the main types of organisation that are central to the social enterprise ecosystem:

- Social Enterprises
- Support Organisations
- Government Bodies
- Investors

Given the lack of a formal ecosystem for social enterprises in Pakistan, there is significant overlap between various categories of organisation, with a few social enterprises acting as support organisations, mentors and investors for existing ventures as well as new and independent social enterprises, e.g. Naya Jeevan, one of the country’s earliest and best-known self-branded social enterprises and its spin-off, DoctHERS. There is also some collaboration between government bodies and support organisations/social enterprises, such as Saibaan, a social enterprise that works directly with local housing development authorities, as well as Plan 9/Plan X, which was founded by the government-led Punjab Information Technology Board (PITB).

See Annex 1 for a list of organisations interviewed. The sub-sections below outline the process used to identify stakeholders in each category.

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## **Social enterprises**

Identifying social enterprises poses a challenge in the absence of a legal definition or formal recognition of such enterprises (such as a sub-category in local business registries), where the sector is fairly nascent, and where smaller, more local, indigenous and grassroots organisations often lack online visibility. The problem is even greater for countries such as Pakistan with a sizeable informal sector and significant division between rural and urban economies. Interviewees noted that the lack of adequate infrastructure to facilitate trade and communication between rural and urban areas especially impedes capacity building and access to Bottom of Pyramid (BoP) markets for the social enterprise sector in Pakistan.

This paper uses the following definition of ‘social enterprise’: ‘a business operation which has social or environmental objectives which significantly modify its commercial orientation’ (Smith and Darko, 2015), but enterprises were selected for interview based on their self-identification as a social enterprise. The contradictions and constraints of this approach are discussed in Section 6.

First, an Internet search was conducted with the keywords ‘social enterprise Pakistan’, ‘social entrepreneurship Pakistan’ and ‘social entrepreneurs Pakistan’. Organisations that were mentioned or interviewed for other articles, case studies and research projects were also added to the list. Since the number of self-identified social enterprises in Pakistan found through online research was fairly modest, the researchers attempted to contact every organisation they came across and invite representatives to participate in the study. This allowed for a wide range of social enterprises from various sectors and stages of development to be interviewed, although participants were primarily based in the urban industrial centres of Lahore (Punjab) and Karachi (Sindh). Enterprises that were mentioned during interviews were also contacted for the study, although enterprises without a web presence were generally unresponsive.

## **Support organisations, including incubators/accelerators, training centres, etc.**

The support organisations approached to participate in this study were also primarily identified through an Internet search and from earlier research on impact investment, social enterprise and social entrepreneurship. Organisations identified as ‘support organisations’ were largely incubators,<sup>4</sup> accelerators,<sup>5</sup> academic institutions and other educational/advisory intermediaries, most of which are headquartered in Lahore and Karachi.

## **Government bodies**

Since ‘social enterprises’ do not have a separate legal definition in Pakistan, there is currently no government department or agency that deals with or supports them directly, at either the federal or provincial level. Therefore, the study identified departments and agencies that either support small and medium-sized enterprises (SMEs) or any industry/sector where social enterprises are most likely to operate, such as education, energy, infrastructure, etc. Government bodies that are more directly involved with international development initiatives, such as the Department of Women Empowerment,<sup>6</sup> were also considered. As interviews were conducted principally in Lahore and Karachi, the public-sector agencies interviewed belonged largely to provincial governments and could offer a perspective only on their particular province (in this case, Punjab and Sindh). Provincial governments maintain a great deal of autonomy in Pakistan and have a better understanding of and involvement in the local ecosystems within which most social enterprises, investors and supporting institutions operate than does the federal government (Commonwealth Local Government Forum, 2009; US Library of Congress).

## **Investors**

The study sought to speak to commercial and social impact investors, most of whom were identified through existing literature. A report on the impact investment climate in Pakistan (GIIN and Dalberg, 2015) identifies 18 ‘active’ impact investors in the country, including 11 development finance institutions (DFIs) and seven

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<sup>4</sup> A business incubator is an organisation designed to accelerate the growth and success of enterprises through an array of business support resources and services that could include physical space, capital, coaching, common services, and networking connections (Entrepreneur Media, Inc. (2015). Business Incubator. Retrieved from <http://www.entrepreneur.com/encyclopedia/business-incubator>)

<sup>5</sup> An accelerator performs similar services to an incubator, but working with ventures that are more established.

<sup>6</sup> These are the Women Development Departments that operate at the provincial level and are specifically concerned with promotion of gender equality and women’s empowerment and policies designed to protect women.

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funds. The report does not list the names of these organisations, however, and a Google search of ‘impact investors in Pakistan’ also yields websites for only a small number of them. This indicates that either many of these organisations do not identify themselves as impact investors or have no active web presence. Another possible explanation lies in the tangible confusions surrounding the purpose, definition and nature of social enterprise, impact enterprise (the term used to describe socially motivated business in the GIIN report) and impact investment that contribute to diverse interpretations of these terms. In addition, only a handful of ‘impact investment’ organisations that were recognised through web searches (and also the appendix of the GIIN report) invest specifically in social enterprises. These investors are both among the most actively engaged support organisations for social enterprise in Pakistan, and are also quite prominent and widely recognised for their efforts and success in reaching a broad cross-section of social entrepreneurs in the country. Two such impact investors, Acumen and SEED (Social, Entrepreneurship & Equity Development), were interviewed for this study.<sup>7</sup>

## 2 Context of Social Enterprises in Pakistan

### 2.1 Brief social and economic profile of Pakistan

Pakistan is a lower-middle-income country (LMIC) lying at the intersection between Central Asia, the Middle East and South Asia. Despite having the world’s seventh largest country population, Pakistan ranks only 146 in the United Nation Development Programme’s Human Development Index (HDI), reflecting the country’s poor public services (World Bank, 2015; GIIN and Dalberg, 2015) Although Pakistan has one of the slowest economic growth rates in South Asia (GIIN and Dalberg, 2015) its annual gross domestic product (GDP) growth rate has increased in recent years: in 2014 it was 5.4% and there are promising forecasts for the next few years (World Bank, 2015).

Pakistan faces a unique set of challenges. Prolonged political instability characterised by periods of military rule and continued domestic and border region conflict, worsening energy shortages, and very low access to education, have led to the stagnation of the domestic economy for the past several decades. Furthermore, unlike many of its neighbours, the country has been unable to capitalise on its economic potential through global trade and Foreign Direct Investment (FDI) and faces the problems of unresponsive state policies and gaps in human capital which have played a role in limiting private-sector development, investment, entrepreneurship and innovation. Given the lack of growth and development, the economy is heavily dependent on foreign loans and aid to meet its investment and development needs (GIIN and Dalberg, 2015; SEED, 2012).

Despite concerns about security and energy shortages, Pakistan’s large population, growing middle class, and increasingly favourable regulatory investment environment are creating strong foundations for attracting investors and the regulatory environment for business is seen to be improving (GIIN and Dalberg, 2015).

Table 1 below presents basic economic and social data.

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<sup>7</sup> Insitor Management Fund, a Cambodia-based impact investor that focuses exclusively on social enterprises, has also recently ventured into Pakistan. The company could not be reached for an interview in time for the completion of this report.

**Table 1: Pakistan Country Snapshot**

Population (millions, 2015)	199.1
Major ethnic groups (% population)	Punjabi 44.68%, Pashtun (Pathan) 15.42%, Sindhi 14.1%, Saraiki 8.38%, Muhajirs 7.57%, Balochi 3.57%, other 6.28%
Main economic sectors (% GDP 2014)	Agriculture: 25.1%; Industry: 21.3%; Services: 53.6%
Major cities (population, millions, 2015)	Karachi (16,618); Lahore (8,741); Faisalabad (3,567); Rawalpindi (2,506); Multan (1,921); Islamabad (capital) (1,365)
Religions (% population)	Muslim (official) 96.4% (Sunni 85–90%, Shia 10–15%), other includes Christian and Hindu (3.6%)
Age Structure (% population, millions, 2015)	0–14: 32.6%; 15–24: 21.4%; 25–54: 36.3%; 55–64: 5.3%; 65+: 4.4%
World Bank 'Ease of doing business' ranking	127 (2014); 128 (2015)
Economic contribution of SMEs	40% of GDP; 80% of non-agricultural labour force (SMEDA)
Public debt (% GDP)	64.3% (2014); 64.8% (2013)

**Sources:** CIA World Factbook and ADB Country Indicators

### 2.1.1 Cities of Lahore and Karachi

Pakistan has four provinces (Balochistan, Khyber Pakhtunkhwa (KPK or KP), Punjab and Sindh) a disputed territory (Azad Jammu and Kashmir), an autonomous territory (Gilgit-Baltistan), the federal capital territory (Islamabad) and tribal territories administered by the federal government. The regions are connected by a fairly effective range of transport links but remain divided across invisible boundaries of culture, ethnicity and political affiliations. Fieldwork for this study was conducted primarily in Lahore (Punjab), with stakeholder interviews also conducted in Karachi (Sindh).

The port city of Karachi, the former capital, is widely recognised as the country's financial centre. With a population of over 20 million, Karachi is the largest city in Pakistan and one of the world's most populous cities.<sup>8</sup> The city generates over 25% of the country's GDP and remains the country's commercial and financial capital. Much of the nation's industrial and manufacturing activity is based in Karachi and the city also houses the national headquarters of most banks as well as the country's largest stock exchange.<sup>9</sup>

With a population of over 9 million, Lahore is Pakistan's second largest city. It is located in Pakistan's most populous province, adjacent to the border with India. In addition, 40 million people live within a 30-mile radius of the city, meaning that Lahore is surrounded by a predominantly urban rather than a rural area.<sup>10</sup> With a number of infrastructural investments by the provincial government currently underway in addition to a flourishing entrepreneurial and industrial sector, Lahore is Pakistan's largest software-producing centre and has the most developed communications infrastructure in the country, and the most developed health and education sectors.<sup>11</sup>

Peshawar and Quetta, the provincial capitals of KPK and Balochistan respectively, are also major cities. However, the security issues in these provinces, primarily due to the Taliban insurgency, coupled with their geographic remoteness, has constrained their economic development and the spread of the recent impetus for entrepreneurship in the country. Regardless, the success of the second military operation in KPK as well as the development of the \$40 billion China–Pakistan Economic Corridor in Balochistan create ripe opportunities for the emergence of a robust social enterprise sector from and for the local BoP markets (see Section 4.2).

<sup>8</sup> Worldatlas (2015) 'Populations of World's 100 Largest Cities'. Retrieved from: <http://www.worldatlas.com/citypops.htm>

<sup>9</sup> Karachi.com (2015) 'Economy'. Retrieved from <http://karachi.com/v/economy>

<sup>10</sup> Burki, Shahid Javed (2013) 'Rising Lahore and recovering Pakistan'. *Tribune*, 28 July. Retrieved from: <http://tribune.com.pk/story/583094/rising-lahore-and-recovering-pakistan/>

<sup>11</sup> Metro Lahore 'Economy'. Retrieved from: <http://metrolahore.com/Economy-13-category/>



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## 2.2 NGO and MSME development in Pakistan

This section provides a brief overview of the Micro, Small and Medium Enterprise (MSME) sector, public sector and non-profit sector context in Pakistan as key components of the context in which social enterprises have emerged.

### 2.2.1 MSME Development

MSMEs comprise 90% of all business in Pakistan, although most of those remain confined to the country's informal economy (Ali et al, 2014). Despite the 'business-friendly' outlook of the past few government administrations,<sup>12</sup> the historic tension between rent-seeking and entrepreneurship still looms large over the economy from its early days as a closed, planned economy with heavily protectionist policies (ranging from tariff protection to tax incentives and import licensing) geared exclusively towards cultivating large industries under elite business-owners (Ul Haque, 2007).

The past decade has, however, seen greater interest by the public sector in promoting MSME development in Pakistan. The creation of the Small and Medium Enterprise Development Authority (SMEDA) in 1998 and the subsequent formalisation of SME policy<sup>13</sup> in 2007 are the most significant achievements of this impetus. SMEDA, which – by mandate – has a Board of Directors with a 50% distribution of public and private-sector members,<sup>14</sup> helped to spur the growing popularity and emergence of incubation centres across the country through its initial partnership with the Karachi-based Institute of Business Administration (IBA), the leading business school that was founded in cooperation with the Wharton School of Business at the University of Pennsylvania in 1955,<sup>15</sup> through which SMEDA ran a series of entrepreneurship workshops and programmes.

Nevertheless, the persisting bureaucratic inefficiencies limit the efficacy of public mechanisms to support domestic entrepreneurship and innovation. Consequently, the country's vibrant and ever-expanding MSME sector remains underserved. Taxation issues, access to finance, and attracting and cultivating talent continue to hinder MSME development in Pakistan. In addition, the SME Policy – while being the most tangible achievement in the institutional environment for SMEs in Pakistan – fails to meet the minimum criteria for policy reforms needed to facilitate SME development (Saleem, 2008). Moreover, the definition of SMEs proposed in the policy is not only too rigid and vague, but also overlooks micro-enterprises altogether, although these contribute to most entrepreneurial activity in Pakistan.

As a result, private-sector organisation and individuals continue to remain the primary advocates and supporters of MSME development in Pakistan, providing the vast majority of resources, support and mentorship available to MSME entrepreneurs. The list of support organisations for social enterprises interviewed in this study is indicative of this reality, since even publicly funded incubators such as Plan 9 and the Technology Incubation Centre at the National University of Science and Technology (a public university) are led, managed and supported by private individuals (see Table 3 in Section 4.1). Several other platforms intended to promote general entrepreneurship, such as the Organization of Pakistani Entrepreneurs (OPEN), and incubators (Nest i/o) as well as accelerators (Invest2Innovate) further demonstrate this trend.<sup>16</sup>

### 2.2.2 Non-government organisations (NGOs)

Pakistan has a vibrant and diverse non-profit sector of both domestic and international origin operating across sectors and across religious and secular spaces. The non-profit sector in Pakistan has grown considerably in

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<sup>12</sup> This 'business-friendly' approach is largely the result years of structural reforms, although the current administration has been most actively involved with the implementation of the Prime Minister's Youth Program which includes a loan for youth-initiated business schemes as well as the distribution of laptops. (<http://www.thenews.com.pk/article-195646-Dr.-Lodhi-highlights-Pakistans-investor-friendly-policies,-rings-NASDAQ-opening-bell>)

<sup>13</sup> The SME Policy, which was the culmination of work by a 2004 SME taskforce, sets out government approaches to improve the business-enabling environment, support access to finance, resources and services, and to define and monitor SME activity (<http://www.ere-pak.com/userfiles/files/SME%20Policy,%202007.pdf>)

<sup>14</sup> Government of Pakistan's Ministry of Law, Justice, Human Rights and Parliamentary Affairs of the Law, Justice and Human Rights Division. (2002). Ordinance No. XXXIX of 2002. Islamabad: Gazette of Pakistan, Extraordinary. Retrieved from: [http://www.smeda.org/files/SMEDA\\_Ordinance\\_2002.pdf](http://www.smeda.org/files/SMEDA_Ordinance_2002.pdf).

<sup>15</sup> <https://iba.edu.pk/historyofiba.php>

<sup>16</sup> <https://www.techinasia.com/13-startup-incubators-accelerators-coworking-spaces-pakistan/>

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recent years in both size and scope and there are now approximately 45,000 non-profit organisations operating in the country, although over a third are not legally registered (ICNL, 2014).

The state has had a difficult relationship with NGOs of late, as international NGOs have been temporarily closed down<sup>17</sup> and the Securities and Exchange Commission of Pakistan (SECP) revoked the licences of 108 NGOs in 2015<sup>18</sup> due to concerns about the sources and aims of foreign finance. The Foreign Contributions Act was passed in 2015 to tighten up the monitoring of funds flowing through non-profit organisations since the government is unable to account for up to 65% of funding (Gishkori, 2015). This may have contributed to increased interest among the non-profit community to explore social enterprise business models as a means of generating revenue rather than depending on traditional donor sources.

### **2.2.3 Brief overview of the Base of Pyramid (BoP) market in Pakistan**

The Base (or Bottom) of the Pyramid (BoP) refers to the lowest income segment of a market that is often underserved by the private sector, including multinational companies (Pralhad, 2009). There are various ways to classify and measure this segment, although in developing countries it is common to refer to the BoP as those living at subsistence level or below the poverty line. Pakistan's BoP sector is perceived to comprise of the 21 million people, or 12.4% of the population, living below the national poverty line in 2011 (and 8.3% living below the World Bank poverty line of \$1.90 a day).<sup>19</sup> More than 85% of the country's population is unbanked, rising to over 90% for the poorest third of the population. The country's teledensity<sup>20</sup> rate exceeds 75% of the whole population, while over 80% of outpatient services are performed by private health services as out-of-pocket expenses (Ahmad, 2015). While these statistics may not be the most promising indicators of economic growth and development, they do indicate vast opportunities for entrepreneurs seeking to tap into unexplored markets, particularly as competition stiffens and consumer markets become saturated in more developed economies.

The use of the term 'Base of Pyramid' has become especially prevalent in the realm of international business, with several well-established multinational corporations (MNCs) flocking to developing countries in order to penetrate the market and exploit the segment's untapped potential. Unilever and Procter & Gamble, for example, have been especially active in establishing a stronghold in South Asia, including Pakistan, introducing a range of variations to their existing products (e.g. PKR2 shampoo sachets) and enhancing their supply chain in order to make their products profitable by being affordable to the BoP segment (Amanullah, 2012). The sporadic rise and penetration of developing country markets by the telecommunications sector is another prominent outcome of this strategic entrepreneurial focus on BoP markets.

At the same time, the rise of capitalist, profit-driven interest in the sector has raised pressing concerns about social responsibility, thus drawing interest from social entrepreneurs eager to pursue more holistic and sustainable development of BoP communities. The trend is visible in Pakistan given the recent emergence of social entrepreneurship in relation to private enterprise. As the earlier discussion illustrates, however, the distinction between private and social enterprise is not very clear in Pakistani business circles, contributing to a lack of coordinated efforts to promote social enterprise as a means of achieving sustainable social impact through commercial means.

### **2.2.4 Local culture of philanthropy**

Despite a GDP per capita that is about 60 times smaller than the USA's, the ratio of total giving to per capita income in Pakistan is half as much as in the USA, amounting to as much as \$1.5 billion in 1998 alone. In fact, 87% of NGOs in Pakistan obtain local funding, indicating the presence of a strong domestic culture of

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<sup>17</sup> The international NGO Save the Children (SCF) was closed in Pakistan for several weeks in 2015 due to alleged 'anti-state activities'. It has been accused of involvement in US espionage operations in the past (DND (2015) 'The SCF Islamabad office reopened'. Dispatch News Desk (DND). Retrieved from: <http://www.dnd.com.pk/save-the-children-islamabad-office-reopened/94502>

<sup>18</sup> NAP non-compliance (2015) 'Govt revokes licences of 108 NGOs'. *The Nation*, 7 April. Retrieved from <http://nation.com.pk/national/07-Apr-2015/govt-revokes-licences-of-108-ngos>.

<sup>19</sup> Ministry of Finance of Government of Pakistan 'Poverty and Social Safety Nets. Pakistan Economic Survey 2013-14', pp. 231-43. Retrieved from: [http://finance.gov.pk/survey/chapters\\_14/15\\_Poverty\\_Social\\_Safety\\_Nets.pdf](http://finance.gov.pk/survey/chapters_14/15_Poverty_Social_Safety_Nets.pdf)

World Bank (2015). 'Poverty & Equity: Country Dashboard: Pakistan'. Retrieved from: <http://povertydata.worldbank.org/poverty/country/PAK>.

<sup>20</sup> The number of landline telephones in use for every 100 individuals living within an area. A teledensity greater than 100 means there are more telephones than people. Third-world countries may have a teledensity of less than 10. (<http://www.pcmag.com/encyclopedia/term/52686/teledensity>)

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philanthropy (Ayub, 2012). Most large-scale philanthropic funding is channelled as grant capital through family offices and foundations established by prosperous individuals, whether based in Pakistan or as part of the country's largely wealthy diaspora. Most of these funds are geared towards purely philanthropic activities and their potential for use as patient capital for social enterprises remains unexplored (GIIN and Dalberg, 2015). In addition, a general mistrust of formal or organisational channels of wealth distribution such as the Zakat Fund (see Section 4.1) and even NGOs leads to most smaller donations being distributed through informal channels, largely to cover the more visible and immediate gaps in consumption (such as food, health and wedding expenses for children of domestic staff). While these direct transfers are an important means of income redistribution in Pakistan, they are clearly short-sighted and unsustainable in addressing the deep-rooted issues of domestic income inequality and poverty (Ayub, 2012).

Another prominent channel for philanthropic funding in Pakistan is Corporate Social Responsibility (CSR), which amounted to PKR3.3 billion in 2010 (Ayub, 2012). Such funding has multiplied six-fold in the last decade alone, demonstrating the growing importance of social accountability for large corporations, especially MNCs (such as Shell) in Pakistan. However, given that marketing and publicity is one of the primary aims of these endeavours, CSR initiatives are now widely recognised to be an unreliable channel for systemic reform and socio-economic development, especially in developing countries where the market power of these firms tends to outweigh government and public influence (Ayub, 2012).

### 2.3 Social Entrepreneurship and Social Enterprise activity and literature

While concepts like social entrepreneurship and socially motivated businesses have long existed in a variety of forms in the Pakistani economy (largely as non-profits or small-scale village and/or community-based initiatives) the current market-based approach<sup>21</sup> to social entrepreneurship and social enterprise began with the establishment of a local office for Ashoka in Karachi and the election of the first cohort of 'Ashoka Fellows' in 1997. The programme has since supported 47 fellows, many of whom have proceeded to establish successful social enterprises and non-profits, including the first microfinance institution in Pakistan (Kashf Foundation) by Roshaneh Zafar, the Youth Engagement Services (YES) Network by Ali Raza Khan and a healthcare enterprise Naya Jeevan by Asher Hasan.<sup>22</sup> This was followed by the Acumen Fund arriving as the first impact investor in Pakistan in 2002. Acumen has since supported 11 social enterprises with a total investment of \$14.6 million and created 3,500 jobs in Pakistan.

There have been relatively few studies on the social enterprise activity in Pakistan. A 2009 research paper on 'Social Enterprise in Asia' published by the Centre on Asia and Globalisation at the Lee Kuan Yew School of Public Policy in Singapore provides a general overview of South, East and South East Asia. It examines them through an economic, demographic and cultural lens and identifies the challenges and opportunities these present, concluding with a range of suggestions, including policies, to allow social enterprises in these contexts to become ready for impact investment. Among these suggestions was a push for stronger capacity building based on the identification of a 'language of metrics and methodology (or methodologies) of social impact measurement'. The Centre on Asia and Globalisation (2009) suggests that a 'suitable social impact measurement method will bring transparency and discipline to the sector, communicate social mission achievement, and justify innovative business models' which will 'enhance the attractiveness and capital absorption capacity of these social enterprises'. However, by generalising their insights on a broad range of countries and regions based on only a handful of the most popular examples of successful Asian social enterprises in the past few decades, the authors limit the applicability of their conclusions to the diverse contexts they set out to address. In addition, while there is an obvious value in having concrete metrics to measure social impact as well as financial and operational performance to attract investment and support, there remain unanswered questions of how to establish metrics that reflect the often intangible goals of social entrepreneurs and prioritise active measurement and data collection.

Some of the earliest research focused on social enterprise in Pakistan dates back only to 2012. The most comprehensive and foundational among these is *The Handbook for Social Enterprise in Pakistan*, published

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<sup>21</sup> The current approach to social enterprise is based on principles of market economies and capitalism (emphasizing revenue streams, sustainable profit-generation, triple bottom line, etc.). Village-based forms of SE were more community based, co-op type endeavours.

<sup>22</sup> Ashoka. 'Ashoka Pakistan'. Retrieved from: <https://ashoka.org/country/pakistan>.

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by Literaty Publishing in 2012 and now available online<sup>23</sup> (Ayub et. al, 2012). The book discusses the strengths and weaknesses of existing channels of social impact in the country (such as philanthropy and CSR) before presenting an elaborate case for social enterprise in Pakistan. A number of detailed case studies of existing social enterprises (some of which, such as the Kashf Foundation and Ghonsla, were interviewed for this study) are also discussed. One of the two co-authors, Asad Ayub, an accomplished social entrepreneur and a Regional Fellow<sup>24</sup> for Acumen, then established the Social Innovation Desk, which eventually evolved into the Social Innovation Lab, the only incubator in Pakistan dedicated solely to supporting social enterprises (also interviewed for this study).

Shah and Shubisham of the UK-based Economic Policy Group (EPG) also published a paper in 2012 that explored incubation in the realm of business education in Pakistan as a means to harness ‘the potential to develop enterprises which serve both commercial and social purposes’. The authors conclude by stressing the need to develop a knowledge economy on social innovation in Pakistan (Shah and Shubisham, 2012). i-genius, a global social enterprise networking platform (both UK-based) jointly launched the report (i-genius News; 2013) and this was followed by a Commission convened by i-genius in 2013 that comprised 15 members from the UK, Australia, Italy and Pakistan, who visited the major commercial cities of Pakistan, including Lahore, Islamabad and Karachi, to identify the opportunities and challenges for the development of a robust context for social enterprises in Pakistan. The Commission met with a variety of stakeholders including current and aspiring social entrepreneurs, higher education institutions, government officials as well as interested NGOs, which also created a rare opportunity for an exchange of ideas and impetus for collaboration among stakeholders across the country (SEED et al., 2013; Commission on Social Entrepreneurship & Innovation, 2014). A policy paper jointly produced by SEED Ventures and i-genius after the conference was later presented at an event in Lahore.

A 2012 report by Acumen on the potential of ‘enterprise philanthropy’, i.e. channelling philanthropic funding towards long-term investment in the growth and development of social enterprises, further examines a range of case studies on social enterprises and entrepreneurship in Pakistan. The report sheds light on the diverse needs of social enterprises at various stages of development, particularly in terms of finance and strategic planning. It further emphasises the importance of validating the viability of innovative business models by evaluating their long-term potential profitability and preparing marketplaces for the ‘push’ products and services social enterprises often aim to offer BoP markets (Koh et al., 2012).

In 2015, GIIN and Dalberg published a landscape review of impact investing in South Asia, which included a chapter on Pakistan, and concluded that while there is a positive regulatory framework for impact investment and growing activity, there is a lack of local capacity to absorb capital and the ecosystem of support organisations will benefit from being strengthened.

## 3 Social enterprises in Pakistan

This section sets out findings from the social enterprises interviewed for the study. It begins with a brief discussion of the issues of defining social enterprise, then describes the profile of the organisations interviewed before reviewing the significance of the individuals who establish and run social enterprises – defined here as social entrepreneurs.

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<sup>23</sup> The handbook can be accessed at: [http://issuu.com/asadayub295/docs/hand\\_book](http://issuu.com/asadayub295/docs/hand_book)

<sup>24</sup> <http://acumen.org/people/regional-fellow/asad-ayub/>

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### 3.1 Defining social enterprise in Pakistan

The adoption of the term ‘social enterprise’ in the branding and conceptualisation of socially motivated businesses is a recent phenomenon inspired by a rising interest in entrepreneurship, a growing desire to strengthen the private sector and reduce reliance on foreign aid (SEED, 2012), as well as support for the sector from international donor and development agencies many of whom have increasing interest to pursue private sector development objectives and distribute returnable capital (Rogerson et al, 2013).

Despite widespread agreement among stakeholders who were interviewed regarding the two key elements of the definition (‘a business operation which has social or environmental objectives which significantly modify its commercial orientation’) – ‘financial sustainability’ and ‘social impact’ – several of these enterprises, whether they self-identified as social enterprises or were pioneers of similar models, remain predominantly grant-reliant and defend their models as such, citing the prevalent culture of philanthropy, the availability of foreign aid and the absence of accessible investment tools as the primary reasons for seeking donations as their preferred choice of finance. However, several of the more recently founded enterprises demonstrate active interest in building financial sustainability and self-sufficiency into their models, though they continue to struggle against the constraints of the general entrepreneurial ecosystem in Pakistan, including weak institutional support, lingering economic and socio-political instability, lack of adequate funding channels and unfavourable economic/industrial policies, as well as the additional responsibilities that accompany the double bottom line of social enterprises (i.e. achieving and reporting on positive and sustainable social impact).

### 3.2 Profile of social enterprises interviewed

A total of 11 organisations interviewed for this study were either self-identified social enterprises, or were in the process of rebranding and/or remodelling themselves as social enterprises. While this is not necessarily a representative sample of social enterprises in Pakistan, it illustrates the breadth of organisational models and entrepreneurial interests that are characteristic of ecosystem of social enterprises.

As shown in Table 2 below, most of the social enterprises interviewed were established in the last 15 years, and only two in the last five years. Six of the organisations are more than a decade old.

The majority use non-profit business models and they operate across a wide range of sectors and impact areas. At least six were originally founded as non-profits or NGOs, such as the Hashoo Foundation, and have only recently begun to model their activities as social enterprises – focusing on rebranding, capacity building, sustainability and the development of revenue streams. Four are for-profit enterprises. However, while these enterprises have either developed or are in the process of developing additional revenue streams, they are still dependent largely on grants and/or donations to sustain and expand their ventures.

Seven of these organisations are currently in the process of expansion. In addition, seven of the interviewed social enterprises have already witnessed significant growth, and seek to expand further. However, as is characteristic of enterprises with varying models and areas of operation, these areas of growth, as recognised by the organisations themselves, vary significantly. For instance, Kashf, PVTC, Akhwat, Saibaan and Pharmagen Water (or Pharmagen) have increased their impact by physically expanding their operations by increasing the number of branches, staff or customer base. The Youth Engagement Network (YES) and Hashoo, on the other hand, have experienced ‘growth’ and achieved greater social impact through partnerships and other forms of external expansion (as opposed to internal growth). YES has developed partnerships with a variety of support organisations, including the British Council and PVTC, to introduce its (social entrepreneurship) competitions and training programmes in a number of schools, vocational training centres as well as over 90 universities across the country. The organisation continues to expand its reach to the country’s most rural and remote areas, having recently completed a project in Gilgit-Baltistan with USAID<sup>25</sup>. Hashoo has seen its capacity-building programmes grow and become self-sustaining, allowing it to hand them over to communities of rural micro-entrepreneurs they support and move on to new programmes in other communities (see Section 5 for more details).

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<sup>25</sup> <http://usaidsgafp.yesnetworkpakistan.org/>

Almost all of these organisations view at least part of their intended aim or primary impact to be geared towards nurturing a stronger entrepreneurial ecosystem and/or empowering the BoP sector through education, training (Punjab Vocation Training Council or PVTC), loans (The Kashf Foundation or Kashf, Akhuwat), generating employment (all), supporting existing industries (The Hashoo Foundation or Hashoo) and/or creating new ones (TurrLahore).

Information about staff numbers is incomplete due to the lack of data, but the available data show that the relevant enterprises have relatively small staff (less than 50).

**Table 2: Profile of social enterprises interviewed**

Name	Year Founded	Reach/ 'Impact' (as measured by organisation)	Impact Sector	Core Intended Impact	Business Model	Geographic Location of Operations	Head Office Location
<b>Akhuwat</b>	2001	PKR 17,988,930,342 distributed to 1,012,764 families in loans with 99.91% recovery rate <sup>26</sup>	Microfinance	Provide interest-free microfinance and a range of other social goods and services to BoP	Non-profit	Nationwide	Lahore
<b>Ghonsla</b>	2008	Over 150,000 ft <sup>2</sup> of insulation installed across 300+ buildings, including homes, schools, offices, clinics and places of worship <sup>27</sup>	Sustainable Housing	Offering insulation in rural areas to improve quality of life, help cut energy costs and promote resource conservation	For-profit	KPK, expanding to urban regions	Chitral (KPK)
<b>Hashoo Foundation</b>	1988	4 schools, 2 health centres, 4 honey-bee farming project sites, 2 agri/dairy farming project sites, 10 skill-development projects, 3 youth development centres, 3 regional offices, etc. <sup>28</sup>	Supporting rural micro entrepreneurs	Three-pronged focus: economic development through capacity-building programmes for rural micro-entrepreneurs; human capital development through schools and youth development centres, etc.; social protection through refugee rehabilitation, flood intervention, health programmes, etc.	Non-profit	Various regions, including mostly remote villages in Sindh, KPK and Punjab	Lahore
<b>Kashf Foundation</b>	1996	230,810 female clients, cumulative disbursement Rs. 36.25 billion 477,588 covered under	Microfinance. Education, Women's empowerment	Offering female micro-entrepreneurs access to microcredit, life insurance, health insurance,	Non-profit	Extensive branch network across Punjab, KPK	Lahore

<sup>26</sup> [http://www.akhuwat.org.pk/progress\\_report.asp](http://www.akhuwat.org.pk/progress_report.asp)

<sup>27</sup> <http://ghonsla.com/>

<sup>28</sup> <http://hashoofoundation.org/wp-content/themes/hashoo/pdf/HF-Profile.pdf>

		life insurance and 95,339 under health insurance plans (June 2014 <sup>29</sup> )		advocacy through gender-justice workshops, etc.			
<b>Pharmagen Water</b>	2007	16 shops, estimated 40,000 consumers reached; first ISO 9001:2000 certified social business enterprise in Pakistan <sup>30</sup>	Drinking Water	Provide clean, safe drinking water to BoP through local distribution networks	For-profit	Extensive network of local shops in relatively remote areas of Punjab	Lahore
<b>Punjab Vocational Training Council (PVTC)</b>	1998	222 institutes that provide training programmes for 54 trades with 73% employability rate for graduates <sup>31</sup>	Vocational Training	Arm marginalised youth with vocational skills to start their own enterprise or attain gainful employment	Non-profit	Extensive branch network across Punjab	Lahore
<b>Rabtt</b>	2012	12 Summer camps, 1300 students, 150+ mentors <sup>32</sup>	Education	Offering personality and skill/talent development opportunities to students, especially in public schools in Pakistan	Non-profit	Punjab, with a few collaborative and spin-off projects in other regions.	Lahore
<b>Saibaan</b>	2000	Low-income housing development, youth engagement and community-building projects across several districts of AJK, KPK and Islamabad <sup>33</sup>	Community Development	Helping government-provision affordable housing communities build capacity, local governance structures	Non-profit	AJK (Azad Jammu and Kashmir), KPK (Khyber PakhtunKhwah), Islamabad (Punjab). Past projects in Lahore (Punjab), Karachi and Hyderabad (Sindh)	Mansehra (KPK)
<b>Sun Volts</b>	2010		Renewable Energy	Making solar energy accessible in rural areas for domestic, agricultural and industrial uses	For-profit	Various regions	Lahore
<b>TurrLahore</b>	2015		Tourism	Promote tourism and create a tourism ecosystem/ economy in the historic Inner	For-profit	Lahore	Lahore

<sup>29</sup> [http://kashf.org/wp-content/uploads/2013/04/Annual\\_Report\\_2013-2014.pdf](http://kashf.org/wp-content/uploads/2013/04/Annual_Report_2013-2014.pdf)

<sup>30</sup> <http://acumen.org/investment/pharmagen-healthcare-ltd/>

<sup>31</sup> <http://www.pvtc.gop.pk/>

<sup>32</sup> <http://rabtt.org/wp-content/uploads/2015/01/Rabtt-Summer-Report-2014-LQ2.pdf>

<sup>33</sup> <http://www.saibaan.org.pk/ArticleDisplay.aspx?ArticleCatID=18>

				Walled City of Lahore			
<b>Youth Engagement Services (YES) Network</b>	2001	Over 200,000 youth have undergone training programmes, 1500 teams of students have designed and implement business ideas through YES programmes <sup>34</sup>	Youth Engagement	Offer youngsters the opportunity to start their own business	Non-profit	Mostly Punjab, with a few programmes in other regions	Lahore

### 3.2.1 Social Entrepreneurs – organisation founders and leaders

Given that much of the recent rise in social enterprise in Pakistan attributed to a growing desire to become independent of foreign aid and pursue more ‘organic’, grassroots-driven economic growth (according to stakeholder interviews as well as SEED, 2012), it is useful to examine where this impetus is gaining traction and who is leading it.

Almost all of the self-identified social enterprises were founded and/or are led by highly-educated and relatively upwardly mobile social entrepreneurs. This is largely unsurprising given the networks and access required to access training and finance that are required to kick-start such an enterprise, as well as the fact that the term ‘social enterprise’ is mainly a Western import in countries where English is not the native language.

While a handful of the interviewed social entrepreneurs who have now become established role models in Pakistan come from entrepreneurial backgrounds, several came from extensive experience of or in the development and/or public sectors. Several of these ventures were inspired by these interactions and a desire to either complement efforts in these sectors, or counter their shortfalls by fostering alternative channels of impact. An example of the former is Saibaan, which was founded by Tasneem Siddiqui, an Ashoka Fellow and former civil servant whose extensive experience in the Hyderabad Development Authority in Pakistan led him to establish the non-profit as a complement to his proposed ‘incremental development’ approach to providing affordable shelter in partnership with local housing authorities. While the latter provided land and resources to support slum development, Saibaan focuses on capacity building through infrastructural, industrial and social development in these communities. By being able to navigate the public and private spheres as civil servant and social entrepreneur respectively, Siddiqui has actively helped to bridge the gap between them by enabling their efforts and resources to complement each other in the pursuit of shared objectives.

On the other hand, many social entrepreneurs seek to circumvent what they perceive to be ineffective (or even distortionary) endeavours by the public and private sectors towards achieving self-sufficiency and empowerment for the BoP by focusing on grassroots efforts. An example is the Youth Engagement Services (YES) Network, which is seeking to replace an ingrained perception of youth as ‘empty vessels’ with one that recognises them as a ‘promising resource’ that needs to be offered hands-on, ‘entrepreneurial’ opportunities in which they would be ‘equal partners in collective efforts to improve civic life, rather than consumers, constituents or foot soldiers for adult-supervised programs’. Inherent in this philosophy is a critique of the plethora of dry and lecture-centred training programmes that are specially geared towards low-income communities by an expanding number of domestic and international NGOs as well as the public sector<sup>35</sup>. Despite this implicit critique, however, one of the ultimate goals of the organisation, according to founder Ali Raza Khan – another Ashoka Fellow – is to influence policy by having social entrepreneurship included in the national curriculum.

It was noticeable that some social entrepreneurs had been particularly successful in expanding their ventures, which had been recognised through international award schemes, for example, such as Schwab, Ashoka and Acumen Fund. A key characteristic of the more prominent and successful social entrepreneurs that seems to set them apart from their counterparts (despite their apparent homogeneity in terms of education and class

<sup>34</sup> <http://yesnetworkpakistan.org/snapshot-of-YES/>

<sup>35</sup> <http://yesnetworkpakistan.org/vision/>



background) is the strength of their relationships and understandings of the BoP segment in general, and the communities they engage with, whether as consumers, suppliers or colleagues, in particular. Many social entrepreneurs describe the activities and strengths of their enterprises primarily in relation to their partners and consumers in the communities they aim to serve. The interviewee at Kashf Foundation, for instance, expressed great pride in the organisation’s policy of sending representatives or ‘agents’ to meet in person with current and prospective clients in order to design payment plans that are best suited to the latter’s circumstances and needs. Training programme coordinators at SEED attached a similar sense of importance to gearing their training and professional development programmes to the needs and sensibilities of the communities in which they are implemented, even fine-tuning the dialect, presentation styles and case studies offered to seem more relevant and accessible to their target entrepreneurs and the realities of the informal markets within which they operate. These relationships between entrepreneurs, their teams and BoP communities seem not only to serve the pivotal role of garnering market research essential to tailoring products and services to target markets (as recognised by the Acumen report cited in Section 2), but also allow for a dynamic exchange of feedback and ideas essential to community-building both within and across social groups, besides empowering BoP communities to engage in their own ‘development’.

## 4 Support to social enterprise: support organisations, investors and government

This section provides an overview of the range of organisations providing assistance to social enterprise – including support organisations, investors and government bodies.

### 4.1 Support organisations and investors

A total of nine support organisations and investors were interviewed for the study (in addition to the social entrepreneurs discussed in Section 3). Four consider themselves to be social enterprises which in turn support other social enterprises and four provide some form of investment to social enterprise. Table 3 below sets out the key features of each organisation.

**Table 3: Profile of support organisations interviewed**

Name	Self-identify as a social enterprise?	Also an investor?	University-based?	Areas of operation	Support offered specifically to social enterprises
<b>Acumen</b>	Yes	Yes	No	Karachi	Investment (loans and equity), mentorship, training, network-building
<b>British Council</b>	No	No	No	Islamabad	Lead workshops, training programmes on social enterprise; Operates the ‘Active Citizen’ programme that is geared towards fostering social entrepreneurs, currently planning to help create and implement curriculum for courses on social enterprise and entrepreneurship at several academic

					institutions across the country
<b>Naya Jeevan</b>	Yes	No	No	Karachi	Incubation space, mentorship, training, network-building
<b>Plan9/PlanX</b>	No	No	No	Lahore	Incubation space, mentorship, training, network-building, stipends/sustenance capital for tech start-ups (Plan 9 is an incubator for enterprises in early-stages, Plan X is an accelerator for enterprises seeking to expand)
<b>SEED Ventures</b>	Yes	Yes	No	Karachi	Incubation space, mentorship, training, investment for enterprises at all stages
<b>Shell Tameer</b>	No	Yes	No	Country-wide	Conducting competitions, training and workshops to promote entrepreneurship and support entrepreneurs, especially in BoP segment
<b>Social Innovation Lab</b>	No	No	Yes (Lahore University of Management Sciences- LUMS, Lahore)	Lahore (head office), incubates operate in diverse range of locations	Incubation space, mentorship, training, network-building for early-stage development
<b>Technology Incubation Center</b>	No	No	Yes (National University of Science and Technology- NUST, Islamabad)	Islamabad	Incubation space, mentorship, training, network-building, mostly for early-stage enterprises
<b>YES Network</b>	Yes	Yes	No	Lahore	Incubation space, mentorship, training, start-up capital (microcredit or micro-grants); geared towards grassroots entrepreneurs from underprivileged backgrounds

#### 4.1.1 Incubators and accelerators

The past decade has seen a number of new business incubators and, more recently, accelerators across the country (Hydri, 2014; Invest2Innovate, 2014). While many of the larger incubators and accelerators are based in business schools or higher education institutions (such as the Social Innovation Lab at LUMS in Lahore and Technology Incubation Centre at NUST in Islamabad), a significant number are independent, driven by either public support or established entrepreneurs, or a combination of both (such as Plan X and SEED).

According to stakeholders, the current impetus for social enterprise and entrepreneurship has both complemented and contributed to a general rise in entrepreneurship across the country – in particular fuelled by interest among international donors to fund socially minded entrepreneurial activity. Despite the wide range of services and enterprises they cater for, interviewees at all participating incubators indicated not only an active interest but also a commitment to build upon their centre’s involvement in supporting social entrepreneurs in establishing social enterprises. Most incubation centres view their activities as directly complementing the promotion of social enterprise, particularly given the presence of a large and lucrative BoP market that, according to stakeholders, is eager to obtain new products and services. Moreover, many are now also seeking to establish incentives to specifically attract and support social entrepreneurs, particularly among the country’s highly entrepreneurial and increasingly well-educated youth who are keen to turn around the economy’s protracted stagnation and its overwhelming reliance on foreign aid by engaging in entrepreneurship

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and innovation. The interviews suggested, however, that this domestic drive is difficult to separate from an external push by international donors and aid agencies, which continue to dedicate a wide range of resources including training programmes and grant funding to boost general entrepreneurship, especially social enterprise, in the country. This was indicated by a number of interviewees who recognised the importance of such agencies as the most viable sources of funds for both social and mainstream enterprises given the difficulty of sourcing investments from more conventional capital markets or investors.

A number of social enterprises and entrepreneurs have also become mentors, particularly given the presence of leadership and mentorship development programmes such as ‘Acumen Fellows’ and ‘Ashoka Changemakers’, facilitating the establishment of and offering various forms of support to new sister concerns as well as independent social enterprises. An example is Naya Jeevan, whose founder Asher Hasan, 2011 World Economic Forum/Schwab Foundation Asian Social Entrepreneur of the Year and 2011 Ashoka US Fellow. Hasan founded Naya Jeevan in 2007, the first micro insurance provider in Pakistan, which attracted a wide range of young talent from the country’s health sector. This ultimately led to the creation of doctHERS, which Asher facilitated by mentoring its founder, Dr Sara Khurram, formerly a member of his Naya Jeevan team, in addition to offering a range of resources for the project’s early-stage development. doctHERS builds on Naya Jeevan’s vision by aiming to make healthcare accessible to the country’s rural poor by connecting them to doctors through real-time communications and video calling applications. This pool of doctors consists largely of women, who often find it difficult to pursue or resume their medical career after marriage and bringing up children.

In addition, CSR initiatives such as those led by Shell Tameer (the Pakistani division of Shell LiveWire which is locally registered as an independent trust financed by oil company Shell) are seeking to promote enterprise and entrepreneurship through SME development and entrepreneur training programmes. In addition, Shell Tameer is actively involved with the British Council’s Active Citizen Programme<sup>36</sup>, helping to create social action plans for grass-roots ventures.

#### **4.1.2 Academic institutions**

While there are still very few higher education programmes geared specifically towards social enterprise and entrepreneurship in Pakistan, there is active and growing interest among academic institutions to promote social enterprise and offer support for entrepreneurial activities to students. Some of the earliest and most established incubators (for general entrepreneurship) were initially founded on university campuses, including the Centre for Entrepreneurial Development at the Institute of Business Administration (IBA) in Karachi or the Centre for Entrepreneurship (CoE) at the Lahore University of Management Sciences (LUMS). Currently, LUMS is also the only academic institution to host an incubator, the Social Innovation Lab (SIL) that is geared specifically towards supporting social enterprises. In fact, a number of universities now provide incubation space, either through the Business Incubation Centres or in the Office of Research innovation and Commercialisation (ORICs) on their campuses. In addition, business plan competitions organised by tertiary institutions also gaining popularity in promoting entrepreneurship in general and provide an opportunity for social enterprises to emerge and develop. Some interviewees also mentioned plans to create and implement courses on social enterprise entrepreneurship in 40 academic institutions throughout the country, in partnership with a range of other key players in the sector (see Section 5.4.5).

Another prominent academic institution that seeks to support social enterprise and social entrepreneurship in Pakistan is the Lahore-based Akhuwat Institute of Social Enterprise and Management (AISEM). Although this organisation exists on the periphery of mainstream academia in Pakistan since it does not award degrees, its Fellowship and Leadership Program (AFLP), Akhuwat Volunteer Services programme (AVS) and education grants and loans programme seek to fill a prominent gap in opportunities for practice-based learning (such as through internships, competitions and on-the-job training programmes) geared towards a wide range of applications, especially social enterprise. AISEM is one of several initiatives by Akhuwat, which was originally founded as a micro-finance institution to provide interest-free loans has since evolved into an umbrella organisation for a wide range of complementary and well-coordinated initiatives, including a Clothes Bank, Bix Incubation Center, Health Services and Khawajasira Rehabilitation Program.

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<sup>36</sup> <https://www.britishcouncil.org/active-citizens>

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The next major project for Akhuwat that is mainly being developed through AISEM is the establishment of the Akhuwat First University, which aims to reinvigorate the country's higher education system by introducing research and applied science programmes. While plans to develop a new university are still underway, Akhuwat and AISEM have already completed the first leg of the project through the inauguration of the Akhuwat Faisalabad Institute of Research, Science and Technology through an affiliation with the University of Health Sciences in Lahore. It is interesting to note how Akhuwat, a social enterprise with arguably the most dynamic and pronounced growth trajectory in Pakistan (see Table 1), sees the establishment of Akhuwat University as a continuation of its efforts to foster education and training for social enterprise and social entrepreneurship in Pakistan, even though the programmes being established do not have a unique social enterprise focus. It indicates a broadening understanding of the needs, goals and nature of social enterprise and social entrepreneurship in Pakistan that arise from the broader economic and social development objectives envisaged by social entrepreneurs and the communities which with they are engaged.

Most social enterprises that are included in this study were, however, founded by entrepreneurs who had received their training and education in social enterprise management principally from international organisations and academic programmes with a solid reputation in the field, such as Acumen's 'Global Fellows' and 'Regional Fellows' and Ashoka's 'Ashoka Fellows' programmes. These programmes often bring together cohorts of entrepreneurs from developing countries for workshops and training sessions, and also offer mentorship for local projects and initiatives.

#### **4.1.3 Investors**

Acumen and SEED are among only a handful of organisations that actively direct their 'impact investments' towards social enterprises in Pakistan. SEED, itself a Karachi-based social enterprise, is also an investor and research and support organisation dedicated to promoting social entrepreneurship and supporting a variety of social enterprises and relevant initiatives. Interviewees at both organisations lamented the lack of other organisations or investors who share their goals and recognise the potential of social enterprises in contributing to sustainable development in the country. These organisations do not represent the breadth of existing investors and fund-raising opportunities for social enterprises in Pakistan, which could be an interesting area for further research since access to finance is a very pertinent obstacle for social enterprises (as discussed in the proceeding sections).

It is important to note, however, that several social enterprises that were interviewed for the study relied on a multitude of alternative sources of funding other than investors or impact investors to kick-start, and even sustain, their operations. These primarily include grants from international donors and aid agencies, donations from local philanthropists as well as public funds that are channelled mainly through the 'Zakat Fund', where annual purifying dues or charity incumbent upon every economically able Muslim (determined by a set of criteria in Islamic jurisprudence) are collected by government departments that are separately managed by each of the four provincial governments. According to the Zakat & Ushr Department of the Government of Punjab province, Zakat is levied on 11 assets that are deductible (in the form of a tax) by banks, companies and financial institutions that manage these assets and are registered under the State Bank of Pakistan. While the collection of Zakat by provincial governments is relatively straightforward, the disbursement of Zakat funds is a multi-faceted and bureaucratic process as indicated by the description on Zakat & Ushr Department's website.<sup>37</sup>

Every social enterprise that was interviewed either incorporates a revenue scheme or repayment of loans in order to sustain its operations, although these resources are limited and need to be complemented by investment and external funding in order to facilitate their growth.

## **4.2 Government bodies**

As mentioned above, there is no government body that supports directly or intentionally interacts with social enterprises. Most interviewees (in the categories of social enterprises, support organisations and investors)

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<sup>37</sup> <http://www.zakat.gop.pk/overview> (the organisation could not be reached in time for an interview in Lahore).

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were unimpressed by government endeavours to support social entrepreneurship. Interviews with government officials in the departments of Energy, Monitoring & Evaluation as well as representatives from SMEDA offices revealed that the majority of public officials are unfamiliar with the terms ‘social enterprise’ and ‘social entrepreneurship’, or their current use by other stakeholders in Pakistan.

The study did, however, reveal indirect and implicit forms of interaction between the public sector and other stakeholders who were interviewed, indicating the unintentional but potentially pivotal role played by the public sector in supporting social enterprise in Pakistan, especially in collaboration with the private sector.

SMEDA, the main public institution that directly supports SME activity in Pakistan and maintains close ties with the private sector, began its collaboration with IBA, Pakistan’s leading business school, in 2010.<sup>38</sup> This proved to be a crucial foundation and catalyst for further programmes and initiatives, including incubation centres that are now the main base of support for social enterprises in Pakistan (according to SMEDA representatives who were interviewed for the study). Several non-governmental stakeholders who were interviewed also applauded SMEDA’s efforts in supporting SME development in Pakistan, although it was widely recognised that a lot more could be done, especially to revise the 2007 SME Policy in order to better suit the realities of the largely informal MSME sector.<sup>39</sup>

Entrepreneurship and Innovation are one of the seven pillars of Vision 2025 (a strategy document outlining the government’s plan and priorities for development in Pakistan). Another government body that is keen on developing the social enterprise sector is the Higher Education Commission (HEC) of Pakistan, which would like to integrate social enterprise in tertiary education through development of a curriculum and is already encouraging universities to support student-led social enterprise start-ups through their business incubation centres.

The Punjab Vocational Training Council (PVTC), a self-identified social enterprise, and the Punjab Information Technology Board (PITB) that has founded Plan 9 (incubator) and Plan X (accelerator), both interviewed for this study, are autonomous bodies that were established by the provincial Government of Punjab under unique ordinances in order to fill critical gaps in public services. For PVTC this gap lay in the realm of education, particularly vocational training, and for PITB the main focus is on the development of a robust and progressive information technology (IT) sector. Both organisations are led overwhelmingly by entrepreneurs and/or senior managers from large domestic corporations who comprise the majority of their respective boards and are closely involved with their operations. These organisations also actively seek to collaborate with foreign organisations, including a few social enterprises that have been interviewed in this study, in order to further their goals. For example, Roshaneh Zafar, the founder of Kashf, serves as a council/board member for PVTC, whereas Akhuwat is the primary MFI partner for the organisation, providing micro-loans to graduates from PVTC’s programmes to initiate their own ‘enterprises’. Furthermore, it was YES Network that first introduced and institutionalised the concept of social entrepreneurship in PVTC’s core curriculum over a span of five years<sup>40</sup>. YES Network continues to work with PVTC to conduct social entrepreneurship competitions and workshops across PVTC’s vocational centres in the province of Punjab.

Plan X and Plan 9 are currently involved in a group of organisations, which also includes the YES Network and SEED, working with British Council Pakistan on an initiative to introduce courses on social entrepreneurship and social enterprise in universities across the country.

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<sup>38</sup> infoPakistan. (2010). ‘SMEDA - IBA Joint Training Program on “Small Business Marketing”’. Message posted on 30 December at: <http://www.wiredpakistan.com/topic/13122-smeda-iba-joint-training-program-on-small-business-marketing/>.

<sup>39</sup> The SME Policy and its criticisms are discussed in Section 2.

<sup>40</sup> <http://www.pvtc.gop.pk/YesNetwork/SECMsg.aspx>

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# 5 Overall findings

This section sets out overall findings of the study in order to address the key research questions. The three main findings consider how the definition of social enterprise in Pakistan influences its development and the level of engagement of different actors. Interviewees identify access to finance as a major barrier to social enterprise growth, which is discussed below along with a discussion on the reliance on grant funding and preference for non-profit status among social enterprises interviewed for the study. The influence of international debate and funding setting the direction of social enterprise in Pakistan is also considered in the context of the opportunities and limitations it places on the development of the sector.

## 5.1 Access to appropriate finance

In line with most developing countries, access to appropriate finance remains a key challenge for any form of enterprise in Pakistan. However, the issues go beyond a mere lack of resources or investors.

While enthusiasm to establish social enterprises and engage in social entrepreneurship seems to be propelled in part by rising awareness of the dependence of the domestic economy on charity and aid as well as a desire to establish sustainable, local initiatives to meet domestic needs, most social enterprises still rely on grants and partnerships with aid and donor agencies to kick-start and scale up their operations. A few organisations that have been able to expand enthusiastically advocate for a more inclusive definition of social enterprise that takes into account the entrepreneurial and non-profit context of Pakistan with its own unique challenges and opportunities. Among these is Akhuwat, the first microfinance institution in Pakistan to offer interest-free loans. Despite scepticism about the potential of such a model, the organisation has succeeded in expanding its operations nationwide within only eight years, a feat yet to be achieved by even the oldest microfinance organisations in Pakistan (see Section 4.1.2 for further discussion on Akhuwat). Despite branding itself as a social enterprise, however, Akhuwat is almost entirely grant-reliant and its management expressed no intention to pursue an alternative model (see Section 5.3 for a more comprehensive discussion of problems of definition).

Nonetheless, the search to be financially sustainable while pursuing social impact continues to drive innovation in the sector, and support organisations are especially active in building linkages with investors to motivate a shift from grants to investment, particularly for enterprises that are ready for growth and expansion.

Table 4 below summarises the different sources finance social enterprises participating in the study have sought at different stages of their development, using an approach to understanding the social enterprise business lifecycle set out by Koh et al. (2012). The table shows that financing patterns conform to recognised instrument and stage models (such as that presented in Whitley et al., 2013 – beginning at seed/early stage, through validation, to scale), whereby in the early stage of development, enterprises are reliant on grants and other sources of non-returnable capital. Once they begin to expand, the expectation is that they become reliant on their own capacity to generate income as a major if not exclusive source of revenue, and build up the capacity to attract debt and equity investment as they wish to grow. However, as Table 4 indicates, the social enterprises interviewed for this study do not appear to be consistently accessing returnable capital as they reach the ‘scale’ stage of their organisational development.

**Table 4: Sources of finance, by development stage, for social enterprises interviewed**

Name of Organisation	Stage of Enterprise development	Nature of activity/plans	Source of capital
<b>Kashf Foundation</b>	Seed/Early-stage	Primarily MFI	Grants from international agencies, donations from mostly domestic philanthropists
	Validation	Expanding MFI programme, introducing new branches	Grants, some revenue from micro-credit programme
	Scale	Expanding branch network, introducing new programmes in collaboration with external partners, including micro-insurance programme, 'gender-justice' training, etc.	Interest revenue from microfinance lending sustains microcredit programme, other programmes are still run by grants and donations
<b>Hashoo Foundation</b>	Seed/Early-stage	Capacity-building programmes for beekeepers in rural areas introduced; purchasing equipment, initiating training programmes	Philanthropic funding from founding Hashwani family
	Validation	Packaging plant built, industry linkages developed	Grants and donations from domestic and foreign donors
	Scale	Capacity-building programme expanded to other areas, similar programmes introduced in agri/dairy farming sectors	Grants from international agencies, fundraising/donations from local and international philanthropists
<b>PVTC</b>	Seed/Early-stage	Introducing vocational schools	Zakat Fund
	Validation	Expanding range of programmes offered	Zakat Fund
	Scale	Establishing district teams under 'public-private partnership' (PPP) model where training is outsourced to local trainers, agencies	Expanded public budget and Zakat Fund and microfinance partners (to lend 'start-up capital' clients/students)
<b>Saibaan</b>	Seed/Early-stage	Introducing pilot programme, 'Khuda Ki Basti 1' in Mansehra District, Khyber PakhtunKhwah (KPK)	Grants
	Validation	Introducing 'KKB concept' to urban areas	Grants and donations
	Scale	Expanding programme to more rural areas, currently seeking to expand to communities recovering from war and natural disasters in KPK	Local philanthropy, grants from international agencies, partnerships with international NGOs
<b>Akhwat</b>	Seed/Early-stage	Offering interest-free loans to a small cohort of recipients	Grants and donations from local and foreign donors/philanthropists
	Validation	Establishment of Akhwat as an MFI	Grants and donations from local and foreign donors/philanthropists
	Scale	Introducing Akhwat branches across Punjab, introducing range of supplementary programmes including Clothes Bank, AISEM, etc.	Grants and donations from local and foreign donors/philanthropists
<b>YES Network</b>	Seed/Early-stage	Small-scale social entrepreneurship competitions	Personal investment (by entrepreneurs), Grants
	Validation	Founder becomes Ashoka Fellow, introduces MFI model (loaning micro-capital to student competitors for social entrepreneurship competitions)	Grants, some external investment, some personal investment
	Scale	Collaborating with PVTC to incorporate its training programmes and competitions into curricula across 1200 technical institutions across the country	Grants, some external investment, cross-subsidising through revenues from consulting services and training programmes
<b>Pharmagen Water</b>	Seed/Early-stage	Small-scale production with distribution through local partners, raising awareness about relative benefits of bottled water to BoP consumer base	Personal investment (by founding entrepreneur)
	Validation	Establishing and expanding independent branch network, boosting marketing	Investment from Acumen at early-growth stage

	Scale	Growing branch network across and beyond Punjab, boosting demand in order to improve plant efficiency (plants are currently working significantly below capacity)	Grants (currently in application process)
<b>Ghonsla</b>	Seed/Early-stage	Small-scale pilot installations products to rural areas after 2005 earthquake in Swat	Grants, revenues
	Validation	Adapting materials/designs to suit local demands, especially in terms of aesthetics, educating consumer base	Revenues
	Scale	-	
<b>Sun Volts</b>	Seed/Early-stage	Pilot projects for agribusinesses in rural areas	Grants
	Validation	Marketing expanded to urban areas; flexible payment plans introduced	Revenues and grants
	Scale	-	-
<b>Rabtt</b>	Seed/Early-stage	First summer camp in 2011	Grants and donations
	Validation	7 summer campus across country with 55 Rabtt 'Fellows'; intend to introduce personal development programs for high profile private schools for cross-subsidisation, reaching more than 2,000 students through over 200 Fellows	Grants and donations; cross-subsidising programmes in public schools through similar programmes in private schools
	Scale	-	-
<b>TurrLahore</b>	Seed/Early-stage	Pilot tours advertised primarily through friends and family	Personal investment (by founding entrepreneurs)
	Validation	Regular tours initiated through online marketing and word-of-mouth advertising, fostering relationships with local partners (e.g. restaurants); preparing local cottage industries (e.g. handicrafts) to complement tourism	Personal investment (by founding entrepreneurs), revenues
	Scale	-	-

Sources: Organisations' websites (Column 3) and interviews (Column 4)

Several interviewees, particularly those from support organisations such as incubation centres, cited the need to build up capacity to attract venture capital (VC) and angel investment in order to catalyse innovation and allow both mainstream and social enterprises to expand and achieve large-scale impact. Given the Silicon Valley origins of contemporary incubation and acceleration programmes, this aspiration is not unexpected and is also especially relevant to start-ups in the tech and energy sectors that have a long-term vision of tapping into markets beyond Pakistan. Many of these forward-looking start-ups actually formally register their businesses in the USA or UK despite being based in Pakistan since the legal environment in developed economies is not only more conducive to start-ups, but also because this is perceived to help these enterprises earn legitimacy with international investors and consumers. However, despite recent visits by representatives from VC and angel investment firms that are eager to tap into the entrepreneurial potential of young and innovative entrepreneurs in developing countries like Pakistan, there seems to be recognition that most start-ups emerging from the country's new incubation centres are not ready for such investments, particularly given the size of investments that angel investors and VC firms wish to make. Patient VC provider Acumen Fund emphasised the need for 'aid and investment complementarity', the notion that development aid needs to complement impact investment in order to enrich the sources of finance available to social entrepreneurs in the country. The interviewee indicated that Acumen Fund is currently in conversation with several aid agencies to try and pave the way for more structured and intentional 'enterprise philanthropy' as part of international development. Such collaboration has the potential to ensure that social enterprises receive non-returnable capital and business development support for long enough to build their capacity to attract returnable capital, and in turn for this initially to be provided at concessional rates or through other non-commercial routes – such as long-term investment.

Another emerging form of fund-raising that several stakeholders, especially those from incubators, seem excited about is crowd-funding. A few recent start-ups have found great success raising capital, particularly for early-stage development and validation, through global crowd-funding platforms such as GoFundMe and



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Kickstarter.<sup>41</sup> This has given way to wave of domestic crowd-funding websites that to aim to facilitate B2B and B2C marketing in Pakistan, while also serving as a capital-raising tool for emerging enterprises.<sup>42</sup>

Another aspect of access to finance that social enterprises recognise and seek to address is the challenge in obtaining finance faced by their consumers. By virtue of belonging to the BoP, most customers and consumers to whom social enterprises cater their products and services do not have substantial means for consumption or capital expenditure (given that organisations such as Ghonsla and Sun Volts are attempting to encourage BoP customers to make long-term investments in renewable energy). Many social enterprises seek to address this issue by collaborating with MFIs to offer flexible payment plans to their target customers, or even cross-subsidising their operations to allow revenues from more affluent customers to fund products and services in order to serve poorer communities (for example, the social enterprise Rabtt). However, enterprises offering consumer goods, such as insulation products in Ghonsla's case, find it more difficult to use these credit markets since loans end up being more expensive, and therefore even less affordable, for their consumers. The inability of clients to pay for goods and services is a fundamental barrier to revenue generation and sustainability of social enterprises in Pakistan.

## 5.2 Exploiting the potential of domestic resources for social enterprise growth

Given that the emergence of an entrepreneurial culture in Pakistan is relatively recent, it is not surprising that many proponents and leaders have turned to international supporters and trendsetters for guidance and support. The involvement and backing of support organisations such as the British Council, Ashoka and Acumen in establishing a vibrant and robust social enterprise ecosystem in Pakistan seems to be significant and valuable in exposing local social entrepreneurs to international standards and development models.

Nonetheless, a number of interviewees recognised the limitations of international understanding and ideals of social enterprise in the Pakistani context, and actively seek to adapt their goals and models to match the realities of their intended area(s) of impact. The struggle to maintain these efforts alongside a simultaneous attempt to 'mainstream' social enterprises to international standards and strategies is palpable and, to some extent, limiting for many of these enterprises. For example, while several of these enterprises interviewed for the study regularly maintain and publish detailed reports of their financial and operational performance, these reports are primarily written for international funders and aid agencies rather than to address explicit monitoring or business operational needs of the social enterprises themselves.

Furthermore, interviewees reported that they gear reports and marketing towards investors and spent a lot of resources on making their enterprises seem viable to international grants and aid agencies, which detracts from seeking more sustainable forms of domestic investment, such as building a revenue stream by establishing a customer base. Furthermore, 87% of funding for NGOs is raised locally (see Section 2.2.4), indicating the vast potential for patient capital to be obtained locally – which is ultimately more sustainable and cost-effective.

Instead, stakeholders – especially those that have been involved with the better-established social enterprises and support organisations such as Akhuwat, Kashf and SEED – indicated that local content and approaches can be useful for human resource development. According to interviews, some of the more forward-looking and successful programmes are based on local application methods by organisations such as PVTC, YES. These interventions have vast outreach, but could benefit from strategies and ideas from more academic training programmes – although they need to maintain their practical focus. Pakistani-originated social entrepreneurs and support organisations are very aware of local context, hence it is relatively easy for them to tailor programmes to the BoP sector.

Stakeholders suggested that dialogue about social enterprise within Pakistan is not very active and that this is a missed opportunity. While some of this is attributable to an excessive preoccupation with marketing enterprises to international aid and development agencies in order to solicit what is perceived to be the most readily available source of funding and support, the lack of emphasis on domestic cooperation and partnership-building was also diagnosed by many as an impediment to coordinated mainstreaming and capacity-building

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<sup>41</sup> <https://www.techinasia.com/markhor-pakistani-startup-accepted-combinator/>

<sup>42</sup> <http://tribune.com.pk/story/884088/crowdfunding-gateway-to-financial-access/>

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initiatives for the domestic sector. This is not unexpected since the economy is characterised by oligopolistic tendencies among the long-protected mega-corporations of the country's primary industrial sectors, along with fierce competition and vulnerability to risk in the informal sector. Several interviewees emphasised the need for social entrepreneurs and other stakeholders to abandon the tendency to work in 'silos' and adopt a more cooperative and collaborative approach in order to coalesce independent efforts into a more coherent 'movement' to promote social enterprise and entrepreneurship in Pakistan.

### 5.3 Transcending limits of definition

As elsewhere, there is the lack of a universally agreed definition or common understanding of the term 'social enterprise' in Pakistan, which not only complicates research but also impedes the process of mainstreaming social enterprise for social enterprises and support organisations alike. While several entrepreneurs and other stakeholders echoed the two central elements of the definition<sup>43</sup> – 'financial sustainability' and 'social impact' – there is significant ambiguity regarding how these two principles come together in a practical organisational model. This ambiguity is not entirely based on ignorance or a lack of understanding of the more conventional (market economy-based) interpretation of the term. In fact, several interviewees cited access to grants and other such funds that were best suited to their particular needs as the chief reason for defining themselves as a social enterprise – as opposed to a strong desire to adhere to a social enterprise business model as the best means to conduct their operations.

While the business models of some of the stakeholders interviewed may not necessarily align (yet) with that of a social enterprise as defined in this study (see Section 1), nor do they meet the criteria of a typical non-profit organisation, which hinders access to the majority of aid and philanthropic funding available for social impact creation in Pakistan. Thus, grants and financial support for social enterprises in Pakistan are still supporting a 'niche' sector (i.e. social enterprise) in the field of economic development, although it is uncertain whether the intended objectives and impact and their mode of delivery is achieved by mutual agreement between donors and grant-receiving organisations.

For example, Hashoo Foundation considers itself a social enterprise but does not meet the definition used in this study. Hashoo Foundation is a non-profit organisation with three key areas of focus: economic empowerment, human capital development and social protection. It is primarily through its economic development programmes that Hashoo seeks to engage in (what it terms) 'social enterprise' with rural micro-entrepreneurs in Pakistan by helping them build capacity, enhance productivity and improve their value chain to obtain fairer returns. Their pilot project (in the realm of social enterprise/entrepreneurship) involved providing access to better technology and information to 100 women beekeepers in Swat, a resource-rich yet underserved valley in Khyber Pakhtunkhwa (KPK). The project then sought to enhance the entrepreneurs' value chain by setting up an independent processing plant in Islamabad, where the honey was packaged and distributed through major retail outlets in Punjab (as opposed to sold to intermediaries for meagre rates). As a non-profit business, Hashoo forwarded all profits from this venture to the entrepreneurs, who experienced a significant improvement in their incomes and livelihoods and were eventually able to take over packaging and distribution by forming a cooperative. Therefore, while Hashoo achieves sustainable social impact by supporting rural enterprise, it serves more as an intermediary rather than as an independent enterprise (given its lack of focus on financial self-sufficiency and reliance on grants and donations).

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<sup>43</sup> The definition of 'social enterprise' used for this study is: 'a business operation which has social or environmental objectives which significantly modify its commercial orientation' (Smith and Darko, 2015).

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## 6 Conclusions and recommendations

Whilst this paper provides only a general overview of social enterprise activity in Pakistan, it has identified some key issues and opportunities for the development of social enterprises in future, some of which are reasonably applicable to or similar in other countries while others are specific to Pakistan.

Given the international priority given to social enterprise in general, and to funding to social enterprise in particular, there is recognition among stakeholders in Pakistan of the need to promote domestic dialogue to achieve more informed and better coordinated capacity in the sector, particularly among support organisations. This lack of dialogue among Pakistani social enterprise stakeholders indicates a need for a forum for experienced social entrepreneurs and support organisations to share ideas and build a community to promote their activities, but also to meet and support new entrepreneurs. Incubators serve this latter function up to a point, but geographic, cultural and linguistic gaps limit interaction across regions (such as Lahore and Karachi).

There are two key areas of discussion that could especially benefit from such a forum or platform. The first is to establish and raise awareness of the distinction between social and private enterprise. The emergence of CSR has only served to conflate the two further, but it is crucial to recognise the differing objectives of the two kinds of enterprise in order to allow for a focused discussion on the more holistic approach of social enterprise to generating social impact. While the creation of jobs and the provision of goods and services can be an important social benefit achieved by private enterprise, these alone do not account for the net social impact of an organisation (commercial or otherwise). Regardless, of the lingering confusion regarding the precise definition of 'social enterprise', it is crucial that the diverse priorities of private and social enterprises<sup>44</sup> be acknowledged and explained to aspiring (and current) entrepreneurs.

The second key area of dialogue is needed to determine (and advance) a more flexible and coherent definition of social enterprise in order not only to facilitate research, but to target public and private investment and support. It is generally understood that in Pakistan, as in many contexts, the term is imported and generally unfamiliar outside a clique of well-educated urban entrepreneurs. The creation of a Pakistan-specific interpretation (and application) of social enterprise is, therefore, crucial in order to coordinate activities that facilitate support, finance and customer outreach, especially as these continue to build capacity for the social enterprise sector in Pakistan.

There are nuanced and subjective understandings that arise from characteristics of the local context that warrant dialogue, as opposed to more pedantic or lecture-based training programmes and workshops, in both these areas of discussion. Some of these aspects include an interpretation/understanding of social impact as well as a set of measurable indicators that could be used to evaluate impact, and therefore direct strategic planning for social enterprises.

Clarifying objectives and distinct spheres of impact – whether it be between social and private entrepreneurs or social enterprises and NGOs – does not necessarily have to a separation of spheres of action between these different categories of organisation. On the contrary, stakeholders recognised that it can contribute to more constructive and intentional interactions between these different organisations. Many emphasised the importance of opportunities to learn from each other to avoid making the same mistakes or constantly re-inventing the wheel – recognising that this applies to support organisations as much as social enterprises.

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<sup>44</sup> Private enterprises measure net private benefit (or cost), i.e. profit, as their primary measure of effectiveness. Social enterprises measure net social benefit (or cost) as their primary measure of effectiveness. Social benefit (or cost) is the sum of private and external benefits (or costs), and therefore includes profit. Social entrepreneurs can choose to prioritize private and external benefit to varying degrees. However, the impact of their enterprises is still liable to measurement by both types of outcome (i.e. profit and social outcomes). This is part of the conceptual understanding of social enterprise and irrespective of a more technical definition that can be subjective to different socio-economic contexts.

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It is in the creation of these platforms and opportunities for the exchange of information and ideas that the role of international development and aid agencies (including the British Council, World Bank, and DFID) can potentially be important. While contacts for domestic organisations and enterprises tend to be limited to their particular province, or even city, international agencies often maintain extensive networks with a vast variety of organisations that often extend to even the most remote areas of the countries in which they work. International exposure to organisations with corresponding models and areas of impact in different countries is another key contribution that international NGOs and aid agencies can make that stakeholders found to be useful and constructive for the development of their own programmes and organisations. Moreover, several of these agencies are also in active communication with the government and can serve as intermediaries and advocates for the recognition of the domestic social enterprise sector, as well as efforts to achieve greater coordination and complementarity between relevant government departments<sup>45</sup> and the sector.

Stakeholders also indicated that there could simultaneously be more focus on increasing domestic revenue sources and ensuring coordination among international funding sources to increase the flow of capital to social enterprise. Stakeholders suggested that domestically, social enterprise could capitalise on the local culture of philanthropy through more widespread use of Zakat as capital for social enterprises, channelling enterprise philanthropy by emphasising social returns to potential philanthropic investors (such as PVTC and Akhuwat). Public funding could be better aligned with private sources of finance – in particular impact investment – to increase the flow of investment-ready ventures.

Islamic finance in Pakistan also presents valuable opportunities for domestic sources of capital. Akhuwat's widespread success as an interest-free MFI is testament of the support Islamic finance can offer the BoP sector. Other international examples include the recent creation of a \$500 million sukuk<sup>46</sup> or Islamic bond scheme to support immunisation programmes in developing countries<sup>47</sup>. There are at least seven private Islamic banks in operation in Pakistan, and domestic commercial bank offer Islamic banking services. In addition, the Pakistani government recently approved the creation of a four-member Sharia advisory board that would centralize initiatives around Islamic finance and advice the Securities and Exchange Commission of Pakistan<sup>48</sup>. The potential of Islamic finance to support social enterprise in Pakistan is an important topic for further research in the context of expanding domestic sources of investment, especially since it has the potential to facilitate the creation of tools to channel 'enterprise philanthropy' towards social enterprises (see Section 2.3).

Government stakeholders in particular highlighted the lack of general awareness and understanding of social enterprise activity in Pakistan. Raising awareness about social enterprise activity in the public sector could be important in encouraging greater engagement by the public sector in the social enterprise sector. There is some recognition of the importance of SMEs in general, evidenced by the creation of SMEDA and the 2007 SME policy. However, the inability of MSMEs to enter the formal sector due to the restricted definition proposed by the policy impedes their growth and development prospects by restricting the sources of finance, mentorship and other forms of support, as well as market opportunities. Furthermore, there is a perception that implementation of the policy and attempts to revise and update it are delayed by political and government processes.

In addition, despite the government's active support for a variety of vocational training and other skill development programmes (such as PVTC) typically geared towards such small-scale informal entrepreneurship, often in partnership with the International Labour Organization (ILO) and other international development agencies, a mismatch between training and skills gaps remains a prominent concern for MSMEs according to interviews conducted for this study.

In terms of government actors interviewed, the authors spoke mainly with provincial-level government stakeholders. Future research projects should attempt to elicit participation from the federal government, without whose involvement social enterprises will remain below the government's radar.

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<sup>45</sup> The Ministry of Planning, Development and Reform is a key government body involved in the pursuit of Vision 2025 (see Section 4.2).

<sup>46</sup> <http://www.investopedia.com/terms/s/sukuk.asp>

<sup>47</sup> <http://www.iffim.org/Library/News/Press-releases/2014/International-Finance-Facility-for-Immunisation-issues-first-Sukuk,-raising-US%24-500-million/>

<sup>48</sup><sup>4848</sup> <http://english.alarabiya.net/en/business/banking-and-finance/2015/06/10/Pakistan-approves-sharia-advisory-board-for-Islamic-finance.html>

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There is a growing culture of business incubation and acceleration in Pakistan, which is very receptive to – if not explicitly focused on – social impact and social enterprise concepts. However, stakeholders recognise the need to do more in not only raising the capacity of existing social enterprises, but also in inspiring new and innovative models through education, training and exposing people to examples of domestic success, and using local case studies in training, complemented by relevant global examples that can open entrepreneurs to new ideas and possibilities.

Stakeholders across all four types of organisation that comprise the social enterprise ecosystem in Pakistan almost unanimously emphasised the importance of continued, if not expanded, corporate engagement in supporting local enterprise, whether social or private. Mentorship and guidance were identified as the two key resources (even before finance and investment) that successful entrepreneurs from the domestic economy as well as the diaspora could offer as role models to emerging entrepreneurs in Pakistan, especially social entrepreneurs who take on an unprecedented level of risk in the volatile and vulnerable domestic markets. There is recognition of the need to tailor financial and non-financial development of the social enterprise sector to economic and socio-political realities and development needs of Pakistan.

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# Annex 1 – Interviewee List

Company/Organisation	Organisational base	Category	Interviewee name and position
Acumen	Karachi	Investor/ Accelerator	Noor Ullah, Global Agriculture Fellow
Akhuwat	Lahore	Microfinance Institution/Social Enterprise	Dr Amjad Saqib (Executive Director)
Akhuwat Institute of Social Enterprise and Management (AISEM)	Lahore	Education/Training Provider	Syed Hussain Haider, Director
Public Private Partnership Cell, Government of Punjab	Lahore	Government	Babar Zaidi, Chief (Chief Capacity Building)
Directorate General Monitoring and Evaluation, Planning and Development (PnD), Government of Punjab	Lahore	Government	Dr Sajjad Mubin, Directorate General
DocHERs	Karachi	Social Enterprise	Dr Sara Khurram, Project DirectHER, doctHERs
Energy Department, PnD, Government of Punjab	Lahore	Government	Hafiz Anees ur Rehman, Deputy Secretary (Oil & Gas)
Ghonsla	Lahore	Social Enterprise	Zehra Ali, Founder and CEO



Hashoo Foundation	Lahore	Non-Profit Organisation/ Incubator, Investor (channels philanthropic donations towards grassroots enterprises in low-income communities)	Javaid Akhter (Regional manager), Asad Umeir (Project Manager)
IDEASpak/Social Innovation Lab	Lahore	Research/Think Tank	Faisal Bari (professor at LUMS and head researcher at IDEAS)
Kashf Foundation	Lahore	Social Enterprise, Microfinance Institution/ Incubator	Zainab Saeed, Manager for Internal and External affairs (mostly communication)
Naya Jeevan	Karachi	Social Enterprise, Incubator	Dr Iffat Zafar, Team Head (Member Services)
Pharmagen Water	Lahore	Social Enterprise	Parvez Hussain Sufi, CEO
Plan9, PlanX	Lahore	Incubator, Government	Hafsa Shorish, Program Manager (PlanX)
Punjab Vocational Training Authority (PVTC)	Lahore	Education/ Training Provider	Faisal Ijaz Khan, Chairman, Sajid Naseer Khan, Managing Director
Rabtt	Lahore	Social Enterprise	Imran Sarwar, Co-founder and Managing Director
Saiban	Karachi	Non-Profit Organisation (modelled as social enterprise)	Rashid Mahmood
SEED	Karachi	Incubator, Investor, Research	Faraz Khan, Co-Founder & Director
Shell Tameer	Karachi	Corporate Social Responsibility Initiative (Shell Pakistan)	Muhammad Saifullah, Project Coordinator

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Small and Medium Enterprise Development Authority	Karachi (and Lahore)	Government	Shaharyar Tahir, Nadia Jagir (Lahore), Uzair Ali (Karachi)
Social Innovation Lab	Lahore	Incubator	Saad Idrees, Co-director
Sun Volts	Lahore	Social Enterprise	Syed Aun Abbas, Founder and CEO
Technology Incubation Center, National University of Science and Technology (NUST)	Incubator	Incubator	Sanna Chaudhry, Business Development Manager
TurrLahore	Lahore	Social Enterprise	Mohamed Murtaza, Co-Founder
YES Network	Lahore	Social Enterprise, Education/ Training Provider	Ali Raza Khan, Founder and CEO

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