



# LSE Pakistan Summit 2017

## Working Paper #1

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1. **Philanthropy and Institution Building**
2. Art and Modernity
3. The Constitution of Pakistan
4. Development and its Dividends



## Table of Contents

Executive Summary .....	2
Panellists .....	2
Introduction .....	2
Defining philanthropy .....	3
The philanthropy landscape in Pakistan.....	3
Structuring philanthropic institutions.....	4
Fostering partnerships and driving social change.....	4
Developing human capital .....	5
Recommendations .....	6

## Executive Summary

The first panel of the LSE Pakistan Summit discussed the current status of philanthropy and institution building in Pakistan. Although Pakistan's rich history of philanthropy was acknowledged, panellists also warned against a perpetual reliance on private sector philanthropy by the government in lieu of actual tax income. It was agreed that new forms of assessment were required to ensure and monitor the delivery of effective philanthropy and the transparency of fund disbursement. Ultimately, more opportunities need to be available to Pakistan's young and rural population.

## Panellists

**Samad Dawood**, CEO of [Dawood Hercules Corporation Limited](#) and Chairman of Engro Foods Limited.

**Tahera Hasan**, founding Director of Imkaan Welfare Organisation and Advocate at Tahera Hasan & Co.

**Zaffar Ahmad Khan**, Adjunct Professor of Human Resources Management at the Institute of Business Administration, Karachi.

**Fayeeza Naqvi**, Chairman and Co-Founder of Aman Foundation.

The session was chaired by **Malik Ahmad Jalal**, CEO of Aman Foundation.

## Introduction

Pakistan has a rich tradition of philanthropy. In a context where the state is unwilling or unable to provide basic services and [one third](#) of the population are living below the poverty line, the practice of investing to achieve positive social outcomes can significantly impact the lives of the most vulnerable and contributes to the building of institutions. At the same time, the challenges facing Pakistan are wide-ranging and complex, so philanthropists have to work with the state and private sector to build capacity and come up with solutions.

In his opening remarks, Malik Ahmad Jalal noted that in [2011](#) the World Giving Index placed Pakistan 34<sup>th</sup> (on the basis of both money and time donated) but in [2016](#) it had dropped to 92<sup>nd</sup>. A lack of understanding and dedicated research into

philanthropy in Pakistan makes it hard to pin-point whether this decline in the rankings can be attributed to high levels of giving in other countries, donor fatigue, or linked to measurement and the structure of Pakistan's philanthropic institutions (PIs). However, it laid the foundations for a wide-ranging discussion on the drivers, strengths and weaknesses of philanthropy in Pakistan, and the identification of areas which would benefit from deeper investigation.

## Defining philanthropy

Samad Dawood highlighted that there are two major stakeholders in Pakistan, the government and the private sector. Their interactions generate a lot of social and economic activity, but as things stand many ordinary citizens are left out of the cycle, due to poverty, market failures, inefficient government policy and so on. In his eyes, the role of philanthropy is to include those who have been left out and make it possible for them to succeed and contribute to society.

Jalal outlined an emerging model of 'institutionalised philanthropy' in Pakistan, as distinct from charity. Instead of being responsive and offering only short-term relief, it takes a long-term view and seeks sustainability. The aim is to establish systems that will allow a given PI to outlast its founders and achieve maximum impact with the resources that are available. Even the terminology is different: donors might become social investors, while beneficiaries are clients/consumers i.e. individuals with agency rather than groups waiting for handouts.

Tahera Hasan summarised the contrast between charity and philanthropy as "feeling good versus doing good". One-to-one giving or donating to a disaster relief fund is typically reactive and gives an immediate emotional return. On the other hand, it can be difficult to persuade people to support PIs because they do not necessarily trigger the same empathetic response. Zaffar Ahmad Khan agreed an institution is more distanced from its investors so the approach must be to communicate the wider vision and long-term proactive model that donors are buying into.

## The philanthropy landscape in Pakistan

To sketch the current context, Khan drew on research conducted by the [Pakistan Centre for Philanthropy](#) (PCP), an NGO which seeks to enhance the volume and effectiveness of philanthropy in the country. A [2016 study](#) found that giving by individuals in Pakistan (excluding corporations, foundations etc.) amounted to PKR 240 billion. In addition, in-kind giving amounted to PKR 40 billion, and the value of time volunteered was estimated at PKR 83 billion. An impressive 98 per cent of people said they were involved in some kind of giving, citing religion and compassion as their primary motivations.

Another study on corporate social responsibility showed that corporate giving from listed companies has risen from PKR 230 million a decade ago, to PKR 6.9 billion. Although this is a significant increase, this only amounts to 0.7 per cent of profit before tax (compared to a global benchmark of 1.5 per cent) and it was found that only 55 per cent of the listed companies gave. There is therefore clearly potential to significantly grow and institutionalise corporate philanthropy.

Hasan noted that Imkaan Welfare Organisation's work is entirely funded by companies' CSR programmes and individuals in Pakistan. The NGO has never applied for any foreign grants, partly because they believe that it is possible to

generate enough funds via these avenues, and partly because it builds community, in that those who support their programmes are more deeply invested and engaged in the outcomes. She also suggested that in some circumstances a low-cost model was favourable to no cost model, for similar reasons. If users in a community contribute towards a service provided by a PI it creates a sense of ownership, promoting acceptance and sustainability.

## **Structuring philanthropic institutions**

Fayeeza Navqi stressed that philanthropy needs to be an agent of positive change, and should strive to achieve the 'three S's' i.e. scalability, sustainability and systemic change. Drawing on her own experience, which evolved from individual giving to co-founding [Aman Foundation](#) to achieve greater impact in health and education, Navqi emphasised the necessity of having transparent and accountable governance with clear monitoring and evaluation systems to measure impact and efficiency.

Applying insights from the private sector is also important. According to Khan the building blocks required for PIs are similar to those found in corporates, the only different is that one is working to achieve social impact, while the other is seeking profits. Dawood agreed, indicating that PIs need to maximise scarce resources, develop institutions, ensure customer needs are being served and investors are kept updated with how their resources are being used. In addition, it is important that, like businesses, PIs are willing to take calculated risks because this allows PIs to innovate and adapt their approaches in response to new developments.

Finally, it is essential that PIs conduct research to develop an in-depth understanding of the problems they are seeking to address. Hasan described how when Imkaan began its work in Machar colony, Karachi's largest informal settlement, the primary aim was to identify what kind of support the children needed to get them off the street and into a safe environment where they could learn positive attitudes. All their subsequent activities – a mother and child care centre, solid waste management programme, maternity home and children's recreational centre – were therefore born out of the requirements on the ground.

## **Fostering partnerships and driving social change**

At Aman Foundation, partnerships have played a key role in realising the 'three S's' philosophy. Links with government, the private sector, international aid, and local foundations have enabled the creation of a network that is greater than the sum of its parts, enabling the organisation to scale up and develop a multifaceted understanding of the issues it is working on. Harnessing the capacity of communities is also key to building trust and enabling resources to be used more efficiently. For example, Aman's health worker programme has a field force of hundreds of women all drawn from the communities they serve.

At the same time, when working with partners, it is important to make sure that both parties share the same values. If they don't it can become difficult to work together, and undermine the success of a programme in the longer term. Similarly, managing donors can be difficult when they attach terms to their donation, e.g. the money can only be used for establishing a new programme rather than supporting an existing one. PI's have to be firm if this does not fit in with their business model or respond to the needs of the community. Otherwise they risk spreading themselves too thin and undermining the success of their other programmes.

Several of the panellists also stressed that PIs had to be careful not to write off the government. Khan noted that as a country, Pakistan's social indicators are poor, not just in relation to developed countries but even in relation to neighbours in the region such as Bangladesh and Sri Lanka. Bad governance has contributed to this: failures of the tax collection system, nepotism, corruption, the absence of merit, have all played a role. However, there are limits to what non-profits and the private sector can do, so it is only by effecting change in government that it will be possible to achieve far-reaching transformation.

It was noted that philanthropic giving cannot replace taxation. In an ideal world, the government would collect taxes and use the money to provide basic services and the philanthropy would address the areas that were not served by the public or private sector. However, in the meantime, PIs have to do what they can without letting the government off the hook. In this context, Navqi highlighted the importance of approaches such as advocacy and grassroots mobilisation. Hasan indicated that PIs also have a role to play representing the vulnerable groups that they work with and offering their expertise to support policy change, for example around child abandonment and adoption.

## **Developing human capital**

A key way in which PIs contribute to the institution building in Pakistan is through the development of human capital. For example, Navqi underscored the importance of developing skills among in-house and outsourced staff and making sure they are passionate about the PI's cause(s). However, many organisations also run programmes which help to increase employability more generally. Aman's vocational training programme, which equips young people who have been on the streets with a variety of life skills ranging from hygiene, to etiquette to language learning and helps them to get placements on completing the course. The idea is to enable them to be socially mobile, and 8000 people have graduated from the programme to date.

Dawood agreed this is an important area to invest in even from a business perspective, which is why the [Dawood Foundation](#) was established with a focus on education. As the economy evolves and more sophisticated technologies are adopted, more capable and tech savvy people will be needed. Traditional growth paths, with mass industrialisation and people moving from agriculture to industrial sector, may not exist in 25 years' time. Pakistan needs to plan for this by fostering more cohesive interactions between government, the private sector, philanthropic institutions, and academia to identify the capabilities that will be required and allocate capital.

At the same time as planning for the longer term, Pakistan needs to develop an ecosystem where there are jobs and opportunities young people entering the labour market and those migrating from rural areas now. Done well, philanthropic livelihood programmes can have significant positive returns: Dawood highlighted an Engro Foods programme which focuses on livelihoods for women living in rural areas. He highlighted that as women already play a key role in agricultural activities (for example, by caring for livestock) providing relevant support to expand and strengthen women's participation in economic activities has been found to improve social indicators more than money spent on healthcare or education in these areas.

## Building trust in institutions

The PCP research indicated that although citizens give generously, most of the money goes to individuals in need, followed by mosques and madrassas. Very few give to NGOs, which is a concern because the best PIs make resources go much further. This raised the question of why people don't give to organisations, and what can be done about it. Khan stressed that given the lack of social nets in Pakistan the aim should not be to discourage individual to individual giving, but to grow the amount of money going into organisations.

A key issue is one of trust – there are a large number of NGOs doing valuable work but as with any sector there are bad eggs which tarnish everyone's reputation and deter donors. To build confidence organisations need to have clear structures and transparent reporting on how resources are being used. There is also an issue around the dearth of statistical data available on the sector which makes it difficult to establish benchmarks or publish research to inform stakeholders. For example, Khan noted that in the CfR's CSR study researchers had tried to find out more about corporate giving in Pakistan's unlisted companies (which number in their thousands). However, the information was simply not available.

## Recommendations

- There is a need for an independent system of rating and rewarding NGOs to build confidence among individual donors. The PCP has already begun a certification programme which draws on 80 indicators to measure performance so these efforts could be supported and expanded.
- Philanthropy should be taught in schools. In this way students would be introduced to different forms of philanthropy, calculating Zakat etc. at an early age to foster life-long and considered giving.
- Corporate social responsibility needs to be fostered in companies to increase both the level of giving and its effectiveness (e.g. through partnerships with PIs).
- True scale can only be achieved with state involvement so non-profits and the private should not give up on engaging central and state governments to enforce taxation and provide basic services such as health, education and welfare.
- PIs can also play an important role mediating between minority groups and the government, amplifying their voices to bring about inclusive policy change.
- Philanthropists must be careful to avoid building organisations which are person-centric. Institutions should have succession plans to ensure that after the initial phase they can function on their own.
- PIs should also be careful not to undermine their own models to cater for donor-driven demands. Although it can be tempting given the challenges associated with raising funds, a coherent business model based on a deep

understanding of the target communities will have greater impact in the long term.

- Philanthropy should draw on the private sector connections and expertise. Recruiting and retaining talent, establishing clear systems, ensuring accountability, maximising resources and developing good communications – these aspects of businesses are all relevant to achieving impact and sustainability in philanthropic institutions.
- More research is needed to understand Pakistan's philanthropy landscape and how the available resources can be maximised. A key starting point is to collect more data, which would also help to foster greater transparency around giving and CSR activities in Pakistan.



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