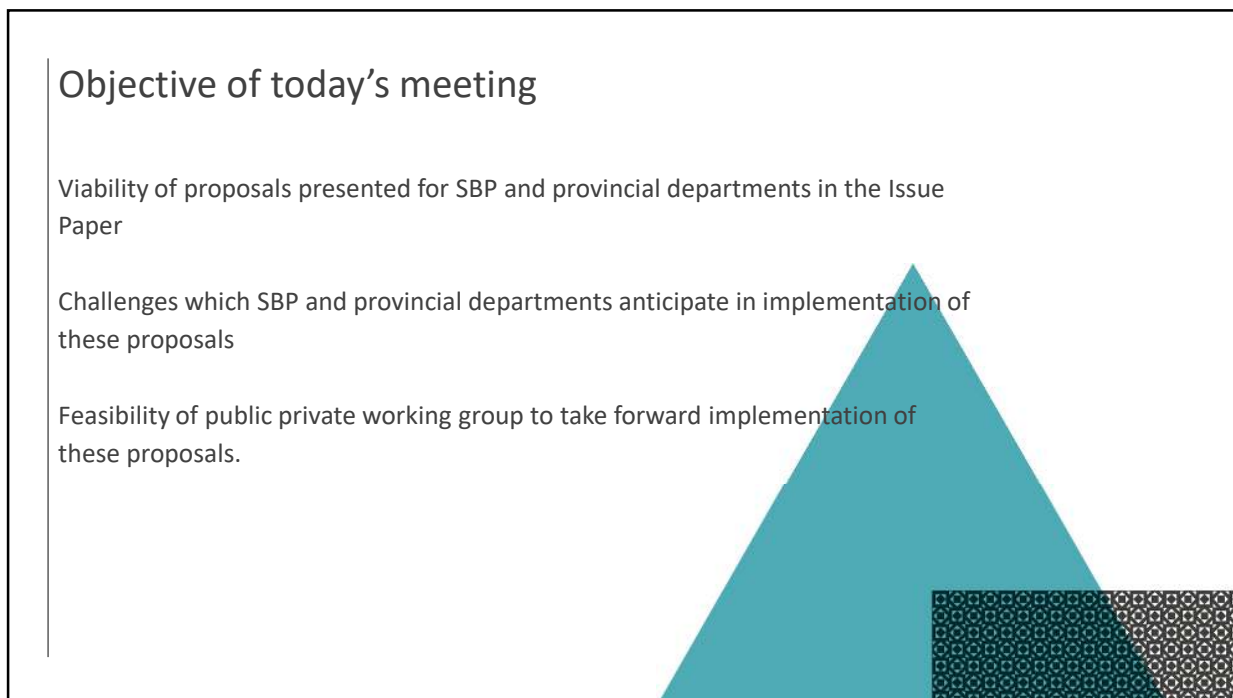


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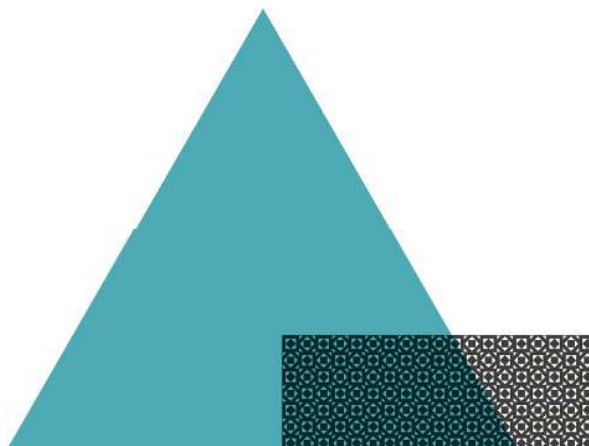
2

Recap from the Planning Commission, FBR and SECP Meetings

Presented the key regulatory challenges faced by social enterprises

Identified policies and institutions at federal and provincial-level responsible for developing support mechanisms for social enterprises

The need for social enterprise law was highlighted by FBR and SECP.



3

Going beyond past research

Community welfare including microfinance (e.g. Akhwat and Kashf Foundation)

Sustainable and low-cost housing (e.g. Ghonsla)

Health and environment (e.g. Hashoo Foundation, DoctHERs, Milestone Disability, Naya Jeevan)

Renewable energy (e.g. Sun Volts)

Peacebuilding and youth engagement (e.g. The Second Floor, SEPLAA and Peshawar 2.0)

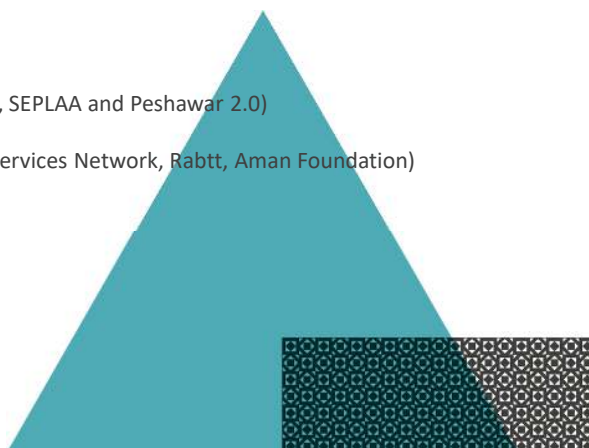
Skills development (e.g. SEED Ventures, Youth Engagement Services Network, Rabtt, Aman Foundation)

Income generation (e.g. Fori Mazdoori, Paper Miracles)

Food security (e.g. RIZQ)

Tourism (e.g. Desi Tour),

Environmental protection (e.g. Saibaan).



4

What is evidence telling us?



5

What is evidence telling us?

We have a thriving startup culture in Pakistan

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

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

6

Policy priorities which can hinder or support social enterprises

Culture, awareness and understanding

Data and evidence

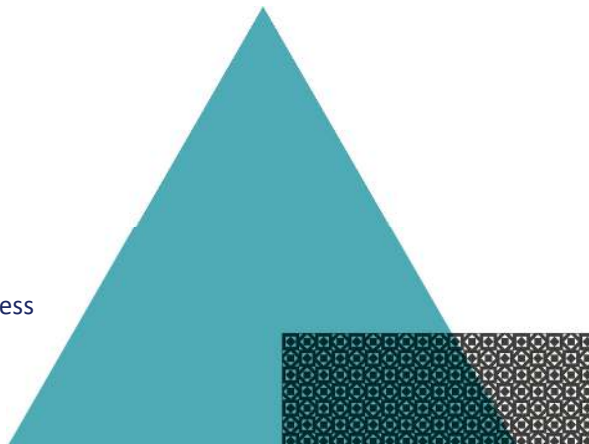
Tax treatment of social enterprises

Access to procurement opportunities

Funding and Finance

Legal and regulatory issues

Capacity building and skills, networks and market access

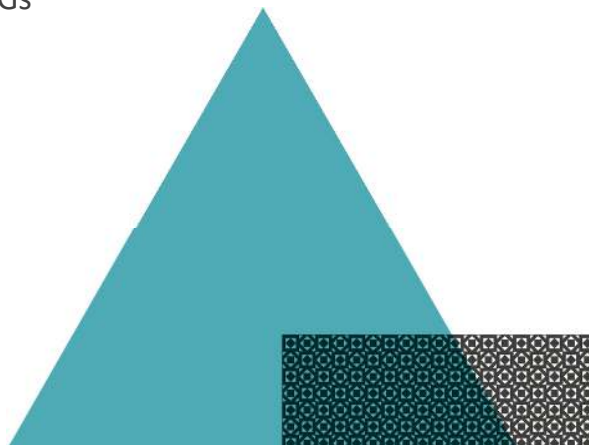


7

What are we proposing?

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

How do we do this?

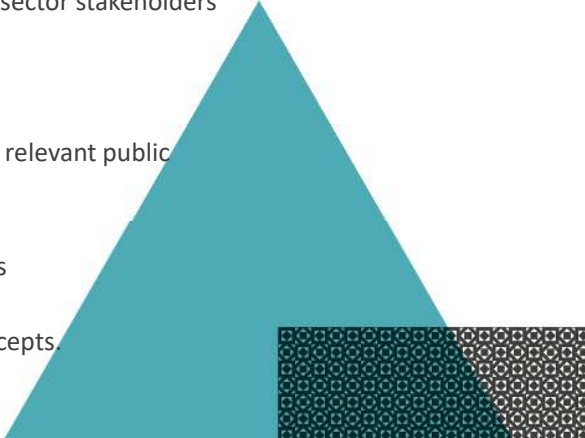


8

What needs to change?

I. Culture, Awareness & Understanding

- An agreed upon definition by both public and private sector stakeholders
- Recognize the contribution of social enterprises
- Orientation regarding role and contribution of SEs for relevant public sector bodies
- Presenting SE sector as a form of responsible business
- Allowing education curricula to accommodate SE concepts.

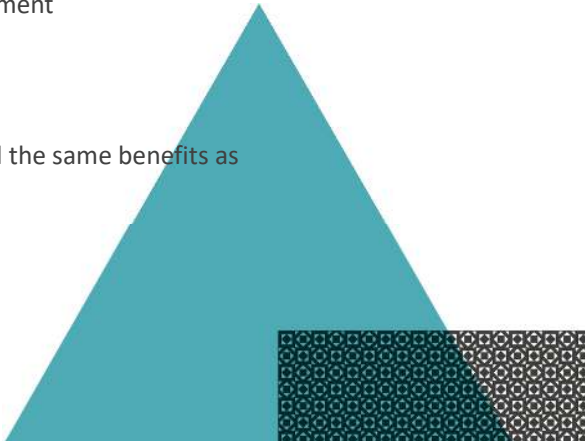


9

What needs to change?

II. Tax Treatment for Social Enterprises

- Social enterprises not asking for any differential treatment
- FBR can incentivize shareholders of social enterprises
- Investors taking a risk for social cause may be allowed the same benefits as allowed to life insurance and charities.



10

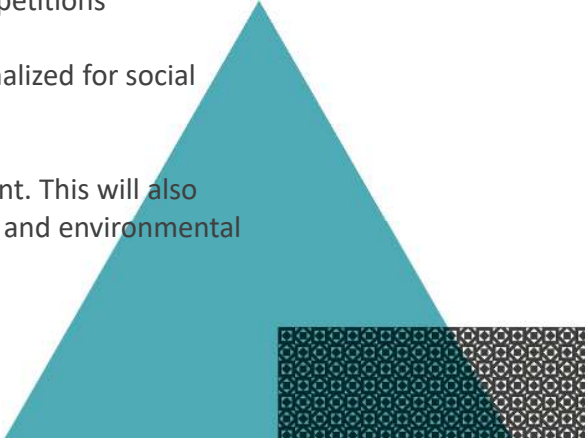
What needs to change?

III. Access to Procurement Opportunities

Recognize eligibility of SEs in procurement competitions

Eligibility conditions in PPRA laws may be rationalized for social enterprises

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



11

What needs to change?

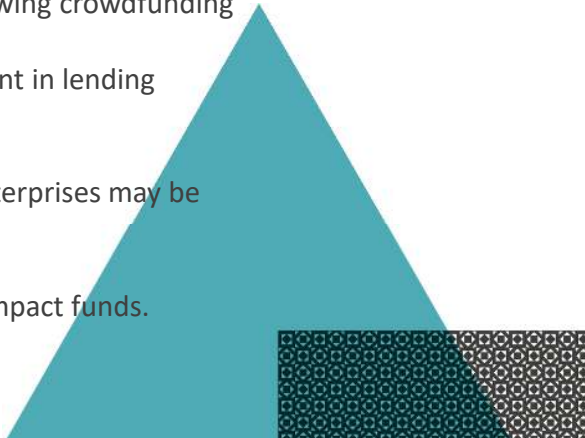
IV. Funding & Finance

SECP's expert group may expedite work on allowing crowdfunding

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

Guarantees provided by SBP for women-led enterprises may be expanded

Past governments have hinted towards social impact funds.



12

What needs to change?

V. Legal & Regulatory Issues

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

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

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

13

What needs to change?

VI. Capacity Building, Networks & Market Access

Limited social enterprise incubators across Pakistan

Existing platforms to help SMEs lack orientation regarding social enterprises

Association body for social enterprises missing

No inventory of SEs currently working across the country.

14

How are other governments helping?

India: enacted Section 135 of the Indian Companies Act prescribing a mandatory CSR which directly or indirectly helps SE sector

Vietnam: article 10 of the Enterprise Law defines SEs where at least 51 per cent of its profits are re-invested to social and environmental cause. Helps SEs in accessing credit

Thailand: approved bill allowing SEs to enjoy tax exemption, access to grant by the public sector, interest rate subsidy and support with research and development.

15

How are other governments helping SEs?

Philippines: The Social Entrepreneurship Bill allows non-collateralized loans, capacity development; preferential treatment in government procurement; and cash incentives equivalent to at least 25% of the minimum wage for SEs employing persons with disability

South Korea: Social Entrepreneurship Law has paved way for certification to over 1600 social enterprises. Thomson Reuters Foundation ranked Korea the 7th best country in the world to be a social entrepreneur in 2016.

16

Evolving progress

The Prime Minister has set up a Startup-Pakistan Program under the Special Assistant for Youth Affairs

SBP issued regulations for Electronic Money Institutions. These institutions will be able to innovatively provide payment services

SBP's "Refinance and Credit Guarantee" was initially served only to women of underserved areas but hopefully will soon be available country-wide

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

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



17

Challenges still exist

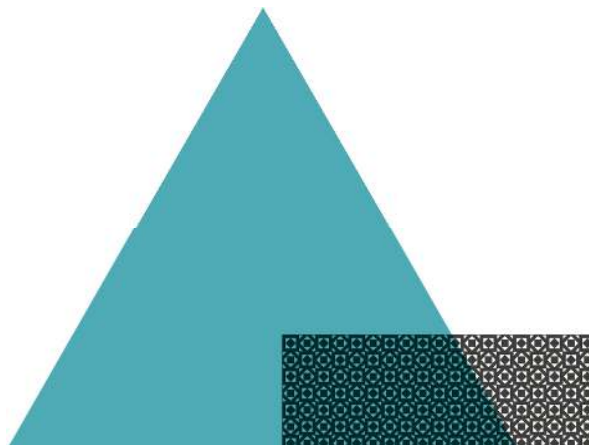
Culture, awareness and understanding

Tax treatment of social enterprises

Access to procurement opportunities

Funding and finance

Information, networking and market access



18

Challenges still exit...

19

How can SBP help?

SBP may constitute a working group based on experts from financial as well as social enterprise sector to look into the credit issues faced by these enterprises

The funding issues at both start-up and scale-up stages may be evaluated

SBP in collaboration with CSE may also conduct capacity building session for commercial and investment banking institutions on the possible business models of social enterprises

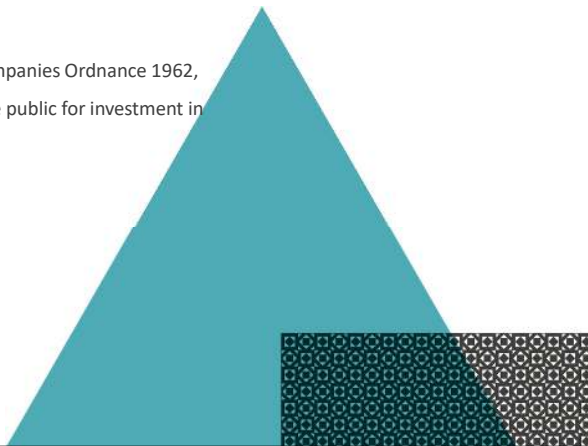
The procedure for registration of equity with SBP may also be eased for social businesses. Some possible recommendations have already been provided in BOI's letter to SBP vide letter no. 1(1) MOS/Chairman/BOI/2018-SBP, dated May 14, 2018 with the subject "Facilitation of New Companies for Registration of Equity with the SBP".

20

How can SBP help?

Prudential regulations at the central bank could ensure that banking sector takes a risk towards social enterprise ventures. This could be achieved by relaxing risk-weighted calculation for lending to social enterprises

Crowd funding platforms can be encouraged by amending Banking Companies Ordinance 1962, Section 27-A, which prohibits from inviting deposits of money from the public for investment in their venture or for borrowing.

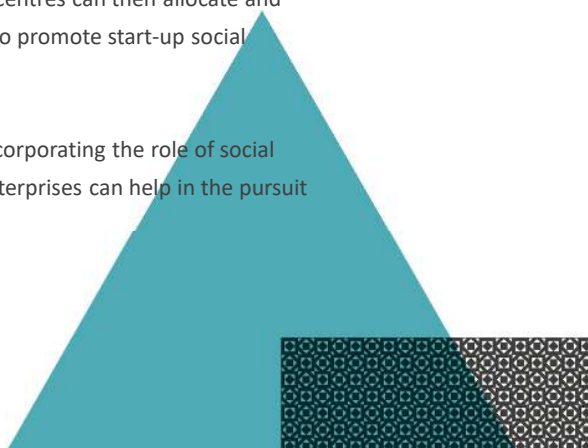


21

How can Provincial P&D Departments Help?

Provincial Planning & Development Departments could establish centres for social enterprise development on the lines of the federal government. These centres can then allocate and disburse funding through Annual Development Programme to promote start-up social enterprises and conduct challenge fund competitions

The provincial planning departments can also considering incorporating the role of social enterprises in provincial growth strategies and how these enterprises can help in the pursuit of SDGs.



22

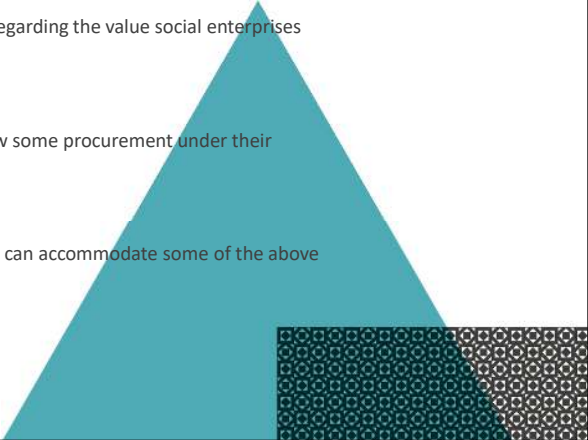
How can Social Welfare Departments Help?

These offices in all provinces have long term policies and budgets to make interventions which could improve standard of living in some of the poorest of the poor areas of Pakistan. These departments however require an orientation regarding how social enterprises can become their partners in service delivery

They may seek support from CSE to help improve their understanding regarding the value social enterprises could contribute towards provincial social welfare priorities

Overtime these departments could also work with PPRA in devising how some procurement under their jurisdiction could be channeled through social enterprises

The new social welfare policy draft being discussed in Punjab and Sindh can accommodate some of the above mentioned proposals.



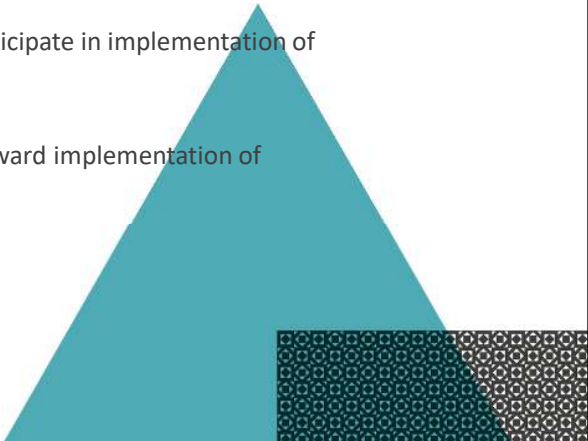
23

Objective of today's meeting

Viability of proposals presented for SBP and provincial departments in the Issue Paper

Challenges which SBP and provincial departments anticipate in implementation of these proposals

Feasibility of public private working group to take forward implementation of these proposals.



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Thank You