

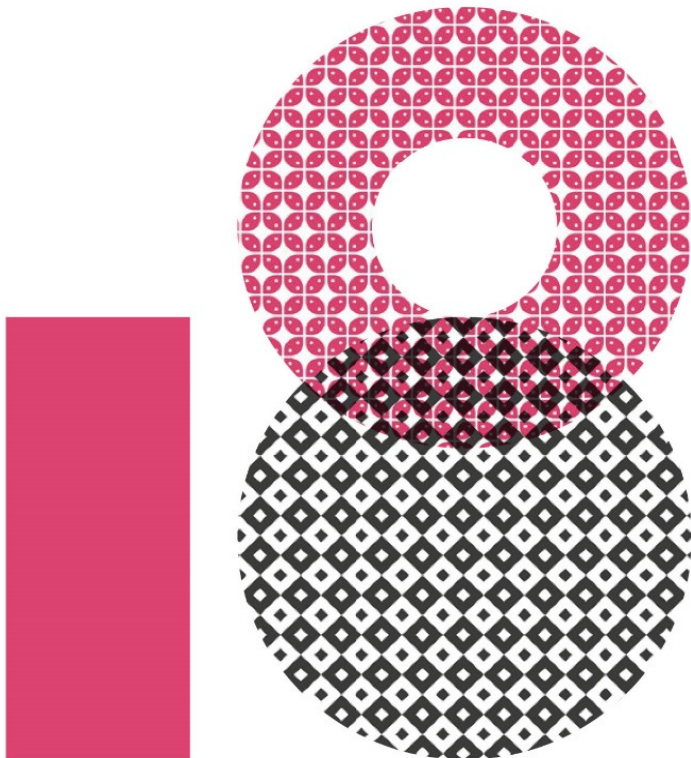


Social
Enterprise UK



Social Enterprise Policy Toolkit Pakistan

February 2020, Islamabad



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DICE | Developing
Inclusive
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Economies
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Abbreviations

AI	Artificial Intelligence
Bol	Board of Investment
CCP	Competition Commission of Pakistan
CSE	Centre for Social Entrepreneurship
CSR	corporate social responsibility
ESCAP	Economic and Social Commission for Asia and the Pacific
FBR	Federal Board of Revenue
HEC	Higher Education Commission
INGO	International non-government organization
IoT	Internet of Things
MFI	Microfinance Institutions
MoITT	Ministry of Information Technology and Telecom
MoPDR	Ministry of Planning, Development and Reform
MSME	Micro, small and medium enterprise
NGO	Non-government Organisation
NIC	National Incubation Centre
NPO	Non-profit Organization
PASSD	Poverty Alleviation and Social Safety Division
PCP	Pakistan Centre for Philanthropy
PSIC	Punjab Small Industries Corporation
RIA	Regulatory Investment Assessment
SBP	State Bank of Pakistan
SDGs	Sustainable Development Goals
SDPI	Sustainable Development Policy Institute
SECP	Securities and Exchange Commission of Pakistan
SME	Small and Medium Enterprises
SMEDA	Small and Medium Enterprises Development Authority
SWD	Social Welfare Department
TDAP	Trade Development Authority of Pakistan

I. Background

The British Council and the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) have agreed to jointly promote the growth of social enterprise and social impact investment across the Asia-Pacific region.¹ Building on the research and analysis undertaken in Pakistan already and upon request from the Ministry of Planning, Development and Reform (MoPDR) of Pakistan, UN ESCAP and the British Council are providing technical assistance and advisory services to the Government of Pakistan, with support from the Sustainable Development Policy Institute (SDPI) and Social Enterprise UK. An issue paper has been developed with the overarching objective of informing policy makers at the federal and provincial-level regarding the facilitation required by social enterprises in Pakistan (V. Ahmed, 2019).²

Social enterprises in Pakistan have evolved out of societal imperatives, based on the unmet demands of the local communities. The country's social enterprise ecosystem is in its nascent stages but has experienced rapid expansion and growth in recent years. It offers the potential to fill the gap between public services which do not currently reach the entire population and services provided by the private sector which are often unaffordable for vulnerable and marginalised communities. Social enterprises can assist Pakistan towards the achievement of the SDGs. These enterprises can also offer economic empowerment, innovation and access to new markets at the bottom of the pyramid.

Pakistan has seen a growth in number of social enterprises working in diverse sectors and aiming to tackling some pressing issues faced by communities, including energy, clean drinking water, education, health, construction, financial inclusion and retail, among others. Today social enterprises are found in varied sectors of 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), Renewable energy (e.g. Sun Volts), skills development (e.g. SEED Ventures, Youth Engagement Services Network, Rabtt, Aman Foundation), income generation (e.g. Fori

¹ Team members who have contributed to the toolkit include: Vaqar Ahmed, Ahad Nazir, Dan Gregory, Zenial Faraz, Tristan Ace, Yusra Nabil, and Madame Agyeben.

² For full issue paper please contact ahad@sdpi.org.

Mazdoori) food security (e.g. RIZQ), tourism (e.g. Desi Tour), peacebuilding and youth engagement (e.g. The Second Floor, SEPLAA and Peshawar 2.0), environmental protection (e.g. Saibaan).

Most social enterprises are led by relatively younger segment of entrepreneurs. Social enterprises hire nearly four times as many women as mainstream SMEs and most social enterprises are seeking to grow and develop new products and services.

Recent literature has shown that social enterprises often face legal, regulatory, policy and procedural barriers.³ Sometimes these are shared with the wider business community but often times they are specific to social enterprises. Corruption, the tax regime, government and policy instability, and the labour market are key factors hindering business. But policies relating to non-government organisations (NGOs), SMEs and small-scale industries for example, all potentially have an impact on social enterprises. The problems range from a large regulatory burden to funding and investment, taxation, international trade and public procurement. Women-led social enterprises also face particular barriers. While cross-cutting policies which result in improved ecosystem for social enterprises remain important, equally significant are the sectoral policies, around education, health, housing, food, and clean drinking water.

a. Culture, Awareness and Understanding

It is clear that social enterprise is far from well understood in Pakistan. The social economy includes social enterprises, co-operatives and community businesses. While all of these forms play a leading role in responding to the challenges faced by communities, there are often misleading perceptions about such organisations. There is a need to develop a definition of social enterprise that is agreed upon by both public and private sector stakeholders.

b. Tax Treatment of Social Enterprises

The burden of tax compliance could be reduced at least for start-ups. There are certain institutions in the country that already benefit from tax exemptions and an existing process for certain NPOs to seek tax exemption, for instance. Selective tax benefits distort the level playing field and pose challenges for new social enterprises. Other social

³ Ahmed (2016).

enterprises are today faced with double taxation. Several business activities have found it difficult to take-off due to differences across federal and provincial authorities. The system of tax filing also differs across provinces.

c. Access to procurement opportunities

In India, the Public Procurement Bill 2012 mandates a national requirement of 20 per cent of procurement from micro, small and medium enterprises. In Pakistan the Public Procurement Rules 2004 and Public Procurement Regulations 2011 do not provide any similar rules. However, several public sector enterprises, Pakistan International Airlines for instance, benefits from public sector procurement preference in Pakistan.

d. Funding and Finance

Access to finance can be difficult while social enterprises may be perceived to be higher risk propositions. Crowd funding is yet to be legalized and very few social enterprises in Pakistan have received loans. In a recent survey, no female-led social enterprises had received commercial loans. Over a third of social enterprises reported that limited supply of capital is their main financing constraint, followed by access to investors. Lending institutions remain reluctant to lend to social enterprises, particularly at the startup phase, or demand prohibitively high rates of interest and service charges. Collateral, guarantee and guarantor requirements are stringent.

e. Data and Evidence

Currently there is no mechanism for coordinating the collection, analysis and dissemination of information on social enterprises in Pakistan and only fragmented information exists within limited resources. The information available is often general in nature and does not always stand up to scrutiny. There is an underlying need to develop research capacity amongst academic institutions, policy think tanks and relevant public sector bodies to document contribution of social enterprise to the economy, society and national policies.

f. Legal and regulatory issues

Currently social enterprises, co-operatives, trusts, societies and community businesses are

registered under different laws and authorities which in turn may be under varied levels of government, such as federal, provincial or districts, bringing different requirements and conditions, increasing transactions costs.

g. Capacity building and skills, networks and market access

There is no association of social entrepreneurs in Pakistan. The current state of incubator activity is still concentrated within universities and few in number. There is a limited social enterprise incubator across Pakistan. The existing platforms to help SMEs lack orientation regarding social enterprises. There is no association body for social enterprises in Pakistan and there is no inventory of SEs currently working across the country.

II. How are Other Governments Helping Social Enterprises?

There are various ways through which governments around the world are working to support the development of social enterprise.

- In 2013, India enacted Section 135 of the Indian Companies Act prescribing a mandatory “CSR spend of 2% of average net profits” for all companies meeting specified financial thresholds, which has positive spillover effects on the work of social enterprises.⁴
- There are ongoing consultations for having a similar law in Sri Lanka.
- In Vietnam, article 10 of the Law on Enterprise has three characteristics which distinguish a social enterprise from the conventional company types.⁵
- In Thailand, the cabinet approved a bill for social enterprise promotion, with a focus on income tax exemptions, access to financial aid, and support with research and development, among other measures.
- In the Philippines, the Poverty Reduction through Social Entrepreneurship Bill defines social enterprise and mandates the establishment of the National Poverty Reduction through Social Entrepreneurship (PRESENT) Program and makes it a flagship program of the government, with measures including loan finance, capacity building,

⁴ (Holmström, 2018)

⁵ New laws promote social enterprises in Viet Nam. Viet Nam News. Accessed on web: <http://vietnamnews.vn/economy/279915/new-laws-promote-social-enterprises-in-vietnam.html#GUf6MUXxrSK50QJl.99>, accessed on December 21, 2018.

preferential treatment in government procurement and more.⁶

- In South Korea the Law on the Promotion of Social Entrepreneurship (2007) introduced a legal status for social enterprises.⁷

III. A Policy Roadmap

As yet, there is no specific policy directed at social enterprises in Pakistan. The 2018-19 federal budget⁸ saw significant debate in Parliament around how social entrepreneurs can be supported to effectively contribute towards SDGs. To address the above-mentioned issues there is an urgent need to recognise the vibrant and growing social enterprise sector in Pakistan⁹, develop the evidence base, raise awareness, develop improved policy framework and build capacity in the sector¹⁰. We propose that:

a. Poverty Alleviation and Social Safety Division (PESSD):

The Centre for Social Entrepreneurship (CSE) under the PESSD could draft a national strategy for promotion of social enterprise in the country, focused on the ease of doing business, reducing red tape, seed funding and better information and research.

b. Ministry of Planning, Development and Reforms (MoPDR):

The MoPDR may encourage and protect the funding coming through PC-1s from other ministries or provinces that may enable the Social Enterprise development in Pakistan. The Centre for Sustainable Development Goals (SDGs) and Centre for Rural Development may under the MoPDR may work in liaison with the CSE in order to ensure that the SDGs agenda can guide the social enterprise development and vice versa.

c. Small and Medium Enterprise Development Authority (SMEDA):

SMEDA may look into how social enterprises can become part of the overall SME

⁶ For details see: http://philsocialenterprisenetwork.com/poverty_reduction.html, accessed on December 21, 2018.

⁷ For details see: http://www.socialenterprise.or.kr/eng/info/What_is.do

⁸ Annual Budget Statement accessed on web: http://www.finance.gov.pk/fb_2018_19.html, April 27th, 2018.

⁹ SDPI (2016) Social Enterprise Landscape in Pakistan. Sustainable Development Policy Institute and British Council, Pakistan. Accessed on web: <https://www.slideshare.net/vahmed/socialenterprise-landscape>, December 17, 2018. &

¹⁰ Richardson, Mark; Tsui, Josephine; Nazir, Ahad; Ahmed, Vaqar (2017) Activist to Entrepreneur: The Role of Social Enterprise in Supporting Women's Empowerment in Pakistan. Sustainable Development Policy Institute and British Council. Accessed on web: <https://thinkasia.org/handle/11540/7848>, December 17, 2018.

development strategy and SME policy, focused on the regulatory burden faced by social enterprises, including fees and permit costs seen in case of incorporation, renewal of licenses, taxation, procurement and intellectual property rights regime. This can be carried out at both Provincial and Federal levels.

d. Securities & Exchange Commission of Pakistan (SECP)

SECP may constitute a public-private working group, to work on developing an agreed upon definition of social enterprises in Pakistan and consideration of a certification system for social enterprises. SECP should look at guidelines for CSR and how a specific percentage of CSR may be required to go to social enterprises, as well as how social enterprises may fit under their unified business registry. Not legal but at least an agreed upon definition of 'social enterprise' is required. SECP already working on rules for crowdfunding. SECP in collaboration with PCP can also look into putting in place a certification system for social enterprises. Such certification can help build credibility in front of potential donors and funders. SECP may amend CSR guidelines and incorporate a requirement of a specific percentage of CSR that should go to social enterprises. SECP and PSX may discuss feasibility for model stock exchange for social enterprises. SECP is currently in process of introducing a unified business registry. It is therefore recommended that all organisations providing social services should also be part of this registry database.

e. State Bank of Pakistan (SBP):

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". 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.

f. Ministry of Commerce (MoC)

MoC support establishment of Chamber of Social Enterprises to act as the apex association of social enterprises in Pakistan and evaluate how trade policy can help social enterprises and how more (social) entrepreneurs can become exporters of goods and services.

g. Federal Board of Revenue (FBR) and Provincial Tax Departments (PTD)

FBR could consider tax-based incentives linked to improvements in service delivery or locating in economically less developed regions, consider the tax regime for investors wishing to take a risk on social enterprise and consider reducing exposure of social enterprises to indirect tax burden. Budget 2018-19 allowed permanent income tax exemption to Aziz Tabba Foundation, Saylani welfare international trust and Al-Shifa Eye Hospital. Given that it is difficult for most NPOs to access permanent exemption, a transparent criterion to allow tax exemption may be devised. Conventional charity and investments in life insurance are eligible for tax deduction in Pakistan. It will become easier for social enterprises to attract investment if similar tax deductions are allowed.

Government could consider tax-based incentives linked to improvements in service delivery or locating in economically less developed regions. FBR could incentivize shareholders of social enterprises. Individual investors wishing to take a risk for social cause may be allowed the same benefits when for example they invest in buying life insurance and claim reduction in tax liability.

h. Higher Education Commission (HEC):

HEC may recommend necessary additions to the curriculum so that business and management science faculties include social entrepreneurship. HEC may include Social Enterprise research in the agenda for future research & development through grants and scholarships. The Office of Research, Innovation & Commercialization (ORIC) and Business Incubation Centres (BICs) at various universities may be oriented to the concept of social entrepreneurship and impact and local engagement may be given necessary weightage in the evaluation of student startups.

i. Ministry of Industries & Production (MoIP):

MoIP should look at constraints faced by social enterprises through the Industrial Policy and incentives to promote entry of social entrepreneurs in small-scale manufacturing initiatives. This may also include providing space for the social enterprises in the existing Special Economic Zones (SEZs) and also placing emphasis on social enterprise SEZs for the future.

j. Provincial Planning & Development Departments (PnDs):

PnD 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 consider incorporating the role of social enterprises in provincial growth strategies and how these enterprises can help in the pursuit of SDGs.

k. Federal and Provincial Board of Investment (BoI)

Bols should explore incentives for investing in social enterprises under the investment promotion regime. This may also include establishment and marketing of an impact investment fund designed for the diaspora to invest in Pakistan. Also, provincial priorities with regards to impact investment may be made part of the annual agendas.

l. Competition Commission of Pakistan (CCP)

CCP may carry out a detailed regulatory impact assessment (RIA) for social enterprises working in sectors with high social impact. This will allow an assessment of origins of regulatory burden and how much this costs the social enterprises in monetary terms. Such an exercise will go a long way in reducing the cost of doing business for social enterprises.

m. Ministry of Information Technology and Telecommunication (MoITT)

MoITT could help in establishing dedicated incubator and accelerator programmes for social enterprises. The inclusion of social service delivery with regards to technical training and incubation especially under the IGNITE fund may be expedited. The National Incubation Centres at federal and provincial levels should also give priority to social impact of the startups coming up. NICs need to be opened in second-tier cities or HEC

could provide support to public sector universities for replication of NICs in these cities.

n. Provincial Government Social Welfare Departments (SWD)

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.

o. Federal and Provincial Public Procurement Regulatory Authorities (PPRA):

The procurement rules at federal and provincial levels may be amended to allow a quota for social enterprises in public competitions. Procurement processes could be simplified for social enterprises. Challenge funds and innovation funds would open up public budgets to greater innovation and enable social enterprises to develop solutions to pressing problems facing public agencies. Alternatively, the introduction of the idea of social value or social clauses in procurement.

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Annexure-1: Compendium of Presentations at various roundtables



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).

What is evidence telling us?



What is evidence telling us?

We have a thriving startup culture in Pakistan

The social sector 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 can help

Policy priorities under following themes can hinder or support social enterprises

Culture, awareness and understanding

Data and evidence

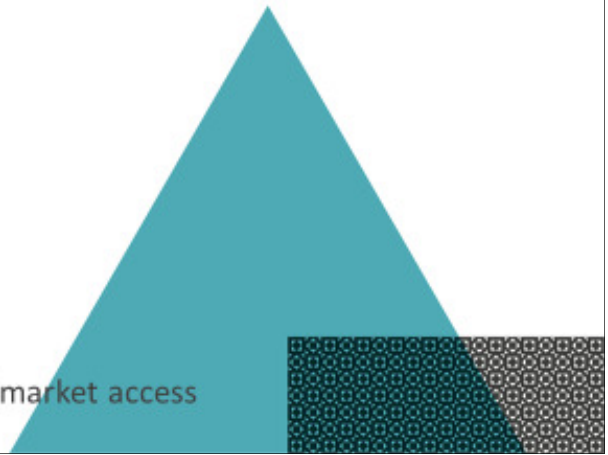
Tax treatment of social enterprises

Access to procurement opportunities

Funding and Finance

Legal and regulatory issues

Capacity building and skills, networks and market access



What are we proposing?

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

How do we do this?



What needs to change?

I. Culture, Awareness & Understanding

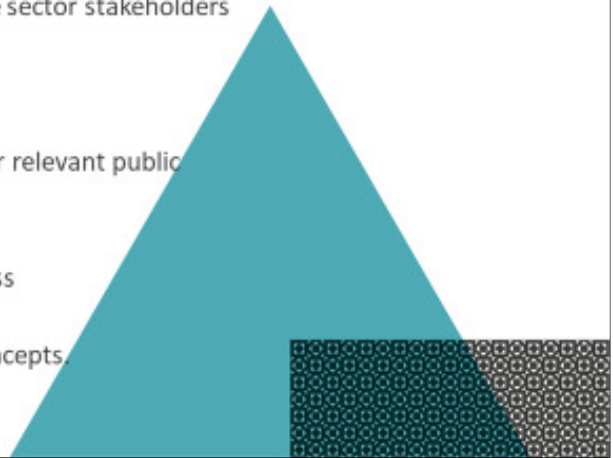
An agreed upon definition by both public and private sector stakeholders

Recognize the contribution of social enterprises

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

Presenting SE sector as a form of responsible business

Allowing education curricula to accommodate SE concepts.



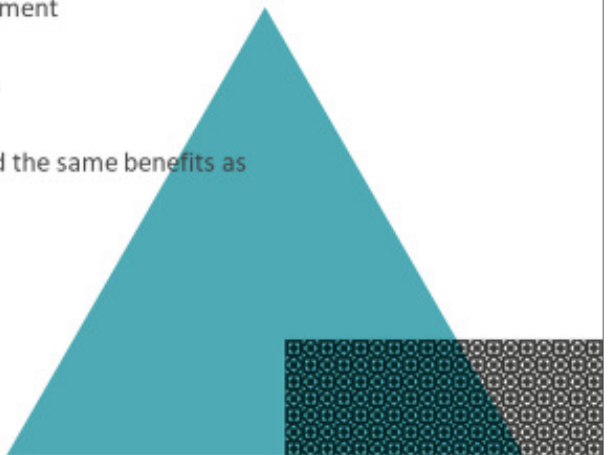
What needs to change?

II. Tax Treatment for Social Enterprises

Social enterprises not asking for any differential treatment

FBR can incentivize shareholders of social enterprises

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



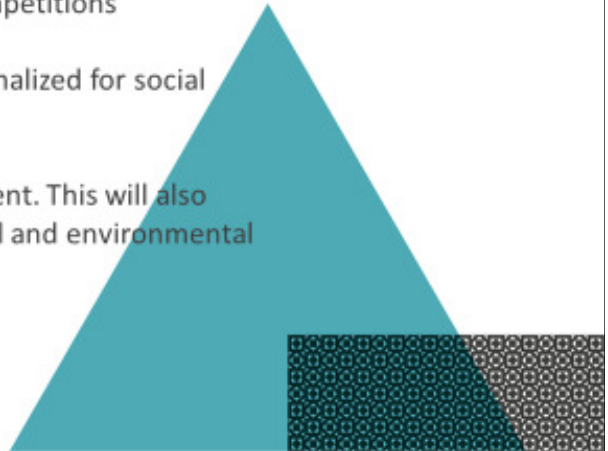
What needs to change?

III. Access to Procurement Opportunities

Recognize eligibility of SEs in procurement competitions

Eligibility conditions in PPRA laws may be rationalized for social enterprises

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



What needs to change?

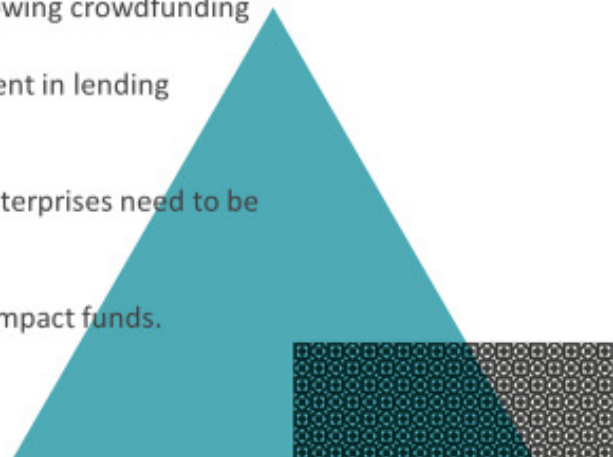
IV. Funding & Finance

SECP's expert group may expedite work on allowing crowdfunding

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

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

Past governments have hinted towards social impact funds.



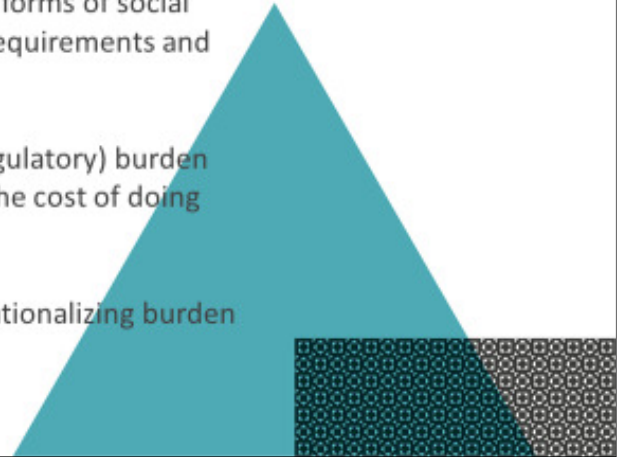
What needs to change?

V. Legal & Regulatory Issues

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

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

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



What needs to change?

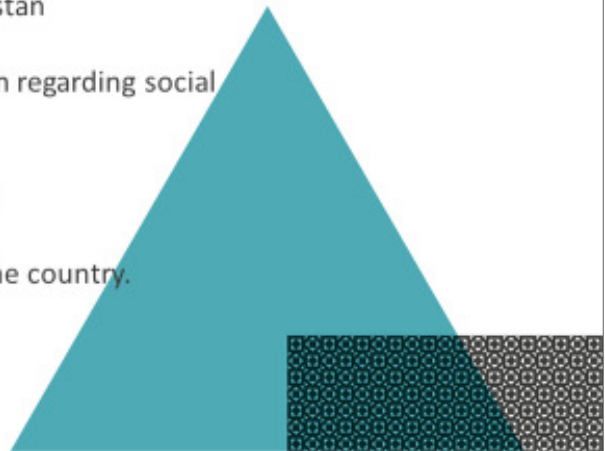
VI. Capacity Building, Networks & Market Access

To few 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.

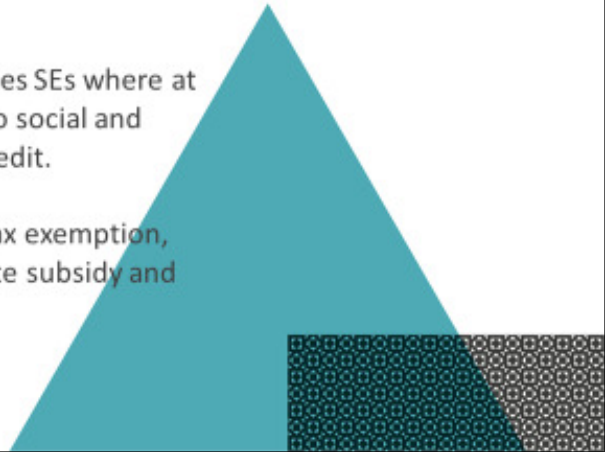


How are other governments helping?

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.

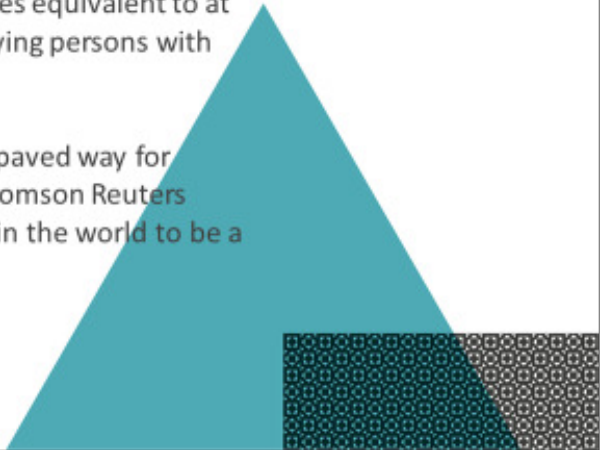
Thailand: approved bill allowing SEs to enjoy tax exemption, access to grant by the public sector, interest rate subsidy and support with research and development.



How are other governments helping SEs?

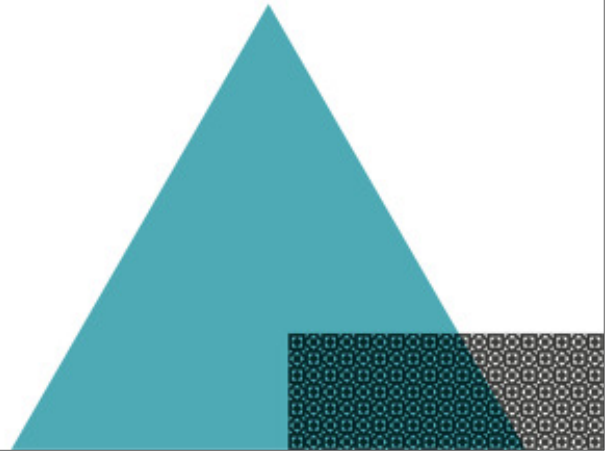
Philippines: The Social Entrepreneurship Bill allows non-collateralized loans, capacity development; preferential treatment in government procurement; and cash incentives equivalent to at least 25% of the minimum wage for SEs employing persons with disability

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.



Interventions do not require “whole of the government” approach

Ministry of Planning, Development & Reform
Ministry of Commerce
Ministry of Industries & Production
Ministry of IT & Telecom
Provincial Planning & Development Departments
Board of Investment
Competition Commission of Pakistan
Small and Medium Enterprise Development Authority
Securities & Exchange Commission of Pakistan
State Bank of Pakistan
Federal Board of Revenue
Provincial Tax Authorities
Higher Education Commission
Procurement Regulatory Authorities



How can SECP help?

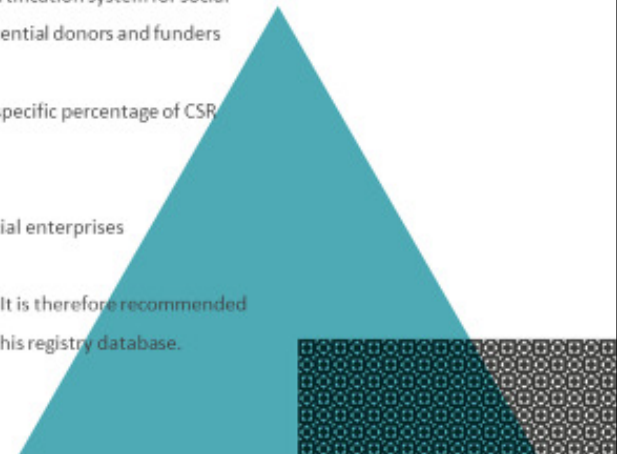
Not legal but at least an agreed upon definition of ‘social enterprise’ is required. SECP already working on rules for crowdfunding

SECP in collaboration with PCP can also look into putting in place a certification system for social enterprises. Such certification can help build credibility in front of potential donors and funders

SECP may amend CSR guidelines and incorporate a requirement of a specific percentage of CSR that should go to social enterprises (e.g. see India’s example)

SECP and PSX may discuss feasibility for model stock exchange for social enterprises

SECP is currently in process of introducing a unified business registry. It is therefore recommended that all organisations providing social services should also be part of this registry database.



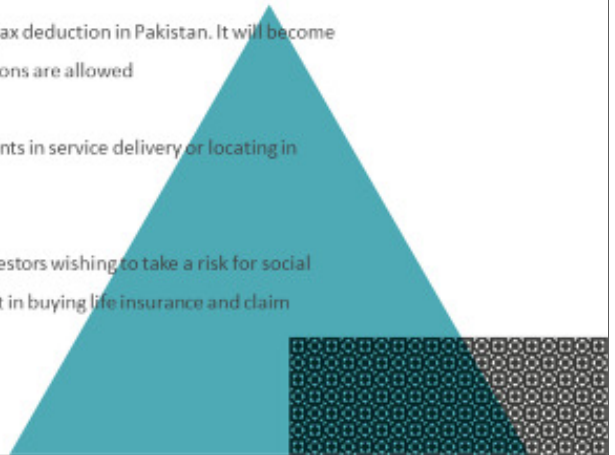
How can FBR help?

Budget 2018-19 allowed permanent income tax exemption to Aziz Tabba Foundation, Saylani welfare international trust and Al-Shifa Eye Hospital. Given that it is difficult for most NPOs to access permanent exemption, a transparent criteria to allow tax exemption may be devised

Conventional charity and investments in life insurance are eligible for tax deduction in Pakistan. It will become easier for social enterprises to attract investment if similar tax deductions are allowed

Government could consider tax-based incentives linked to improvements in service delivery or locating in economically less developed regions

FBR could incentivize shareholders of social enterprises. Individual investors wishing to take a risk for social cause may be allowed the same benefits when for example they invest in buying life insurance and claim reduction in tax liability.



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

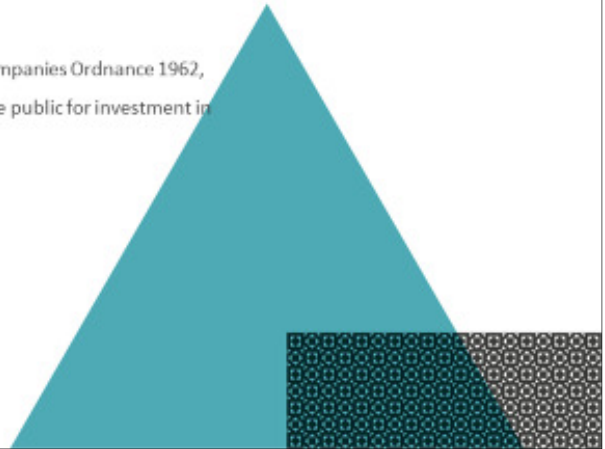
The procedure for registration of equity with SBP may also be eased for social businesses. Some possible recommendations have already been provided in BOI's letter to SBP vide letter no. 1(1) MOS/Chairman/BOI/2018-SBP, dated May 14, 2018 with the subject "Facilitation of New Companies for Registration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



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

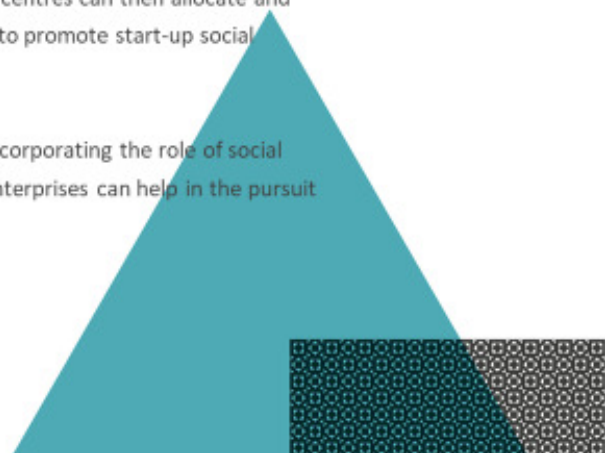
Crowd funding platforms can be encouraged by amending Banking Companies Ordinance 1962, Section 27-A, which prohibits from inviting deposits of money from the public for investment in their venture or for borrowing.



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.



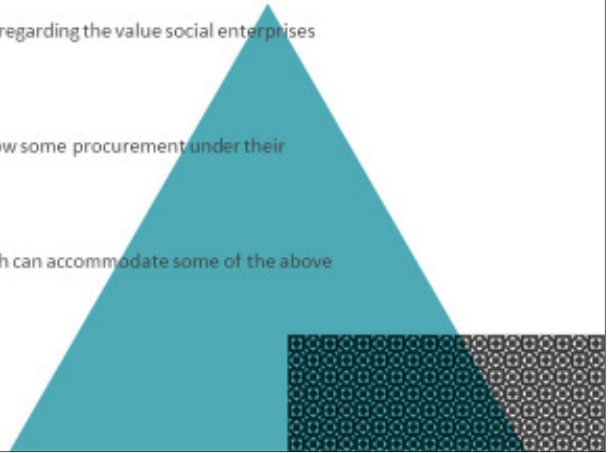
How can Social Welfare Departments Help?

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.



Thank You

Annexure-2: Social Enterprise Act: Draft for Discussion

THE SOCIAL ENTERPRISES ACT, 2020

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An Act to provide for the establishment and regulation of social enterprises

WHEREAS *it is necessary and expedient to make and consolidate the law for the establishment, registration and regulation of social enterprises and to provide for matters connected therewith and ancillary thereto*

And WHEREAS it is necessary to formulate policies, plans, programs and projects to develop and promote Social Enterprises as a tool for poverty reduction and social well-being of marginalized sector

It is hereby enacted as follows: --

CHAPTER I

PRELIMINARY

1. **Short title, Application and Commencement –**

(1) This Act may be called the Social Enterprises Act, 2020.

(2) It extends to the whole of Pakistan.

(3) It shall come into force at once.

2. **Definitions –**

In this Act, unless there is anything repugnant in the subject or context, --

(a) “**Association**” means the Association of Social Enterprises established under section 14 of this Act.

(b) “**Business accelerator**” means a program or an entity that provides developing enterprises guidance, investment and other support in order to enable them become self-sustainable businesses.

(c) “**Business Enabler**” means an entity that facilitates a startup enterprise in developing its capacity, skills, capabilities, infrastructure and/or workforce and access to market and includes business incubators and business accelerators.

(d) “**Business Incubator**” means an entity that helps new and startup enterprises to develop and grow by providing services such as capacity building or provision of basic infrastructure.

(e) “**Casting vote**” means the deciding vote when all other votes are equally divided.

(f) “**Co-opted member**” means a member who may be co-opted by the Council to take part in the meetings of the Council or its Committees.

(g) “**Council**” means the National Council of Social Enterprise as established under Section 3 of this Act.

(h) “**Enterprise**” means any organization whether in the form of a company, an association, registered partnership, corporation, micro, small and medium enterprise, firm, society, trust or a single member company duly registered under

the laws of Pakistan.

- (i) **"Financial year"** means a period of twelve months starting on the 1st day of July and ending on the 30th day of June next year.
- (j) **"Small and Medium Enterprise"** means any enterprise which is duly registered and regulated by the Small and Medium Enterprises Regulatory Authority.
- (k) **"IGNITE"** means the Ignite National Technology Fund under the administration of the Ministry of Information Technology and Telecommunication.
- (l) **"Infrastructure"** means all administrative and technical machinery, equipment, appliances, systems and other necessities for the efficient and effective management of the Council.
- (m) **"International Enterprise"** means an enterprise which provides its goods, services and results from outside Pakistan and has been registered outside Pakistan.
- (n) **"Impact Investment"** means investments made into companies, organizations, and funds with the intention to generate a measurable social and environmental impact alongside a financial return.
- (o) **"Marginalized Sectors"** means those people who are marginalized by virtue of their physical, economic, social and cultural circumstances and includes the poor section of the society, disabled persons, women and youth in need of financial sustenance.
- (p) **"Public Sector Agency"** means any Ministry, Government, Department, Authority or Statutory body.
- (q) **"Senior Representative"** means a person not below BPS-20 and/or equivalent in his or her respective Ministry/Department/Organisation.
- (r) **"Social well-being"** means the improvement of standards in the fields of health, education and other social utilities.
- (s) **"Regulations"** means the regulations made by the Council
- (t) **"Rules"** means the rules made by the Council.
- (u) **"Rupees"** means the currency in Pakistani Rupees.

CHAPTER II

THE COUNCIL

3. Establishment of a National Council of Social Enterprise –

(1) *As soon as may be after the commencement of this Act, the President of Pakistan shall establish, in accordance with the provisions of this Act, a Council to be called the National Council of Social Enterprise.*

(2) *The Council shall be a body corporate by the name of the National Council of Social Enterprise having perpetual succession and a common seal, with powers, subject to the provisions of this Act, to hold, manage and dispose of property, and shall in the said name sue and be sued.*

(3) *The Council shall be responsible for the formulation of policies, plans, programs and projects to develop and promote Social Enterprises as a tool for poverty reduction and social well-being of marginalized sectors;*

4. Composition of the Council

(1) *The Council shall comprise the following members to be notified in the Official Gazette of Pakistan after approval by the Federal Government:*

(a) *From the Federal Government and concerned departments:*

- (i) *A senior representative of the Ministry of Planning, Development and Reform;*
- (ii) *A senior representative of the Ministry of Finance;*
- (iii) *A senior representative of the Ministry of Industries and Production;*
- (iv) *A senior representative of the Federal Board of Revenue;*
- (v) *A senior representative of the Securities and Exchange Commission of Pakistan;*

- (vi) A senior representative of the State Bank of Pakistan;
- (vii) A senior representative of the Public Procurement Regulatory Authority;
- (viii) A senior representative of the Social Protection and Poverty Alleviation Division;
- (ix) A senior representative of the Pakistan Center of Philanthropy;
- (x) A senior representative of IGNITE.

(b) From the private sector, the following representatives:

- (i) Four representatives of the private sector having at least three years' experience in social entrepreneurship;
- (ii) Three business enablers having at least three years' experience in business enabling;
- (iii) Two local investors who are engaged in Impact Investment; and
- (iv) One global investor who is engaged in Impact Investment.

Provided that all members of the private sector must be enrolled with the Association.

(c) Any co-opted members that are selected by the Council.

Provided that a co-opted member shall not have any voting rights in meetings.

(2) Subject to subsection (3), a member, other than an ex-officio member, shall hold office for not more than three years but shall be eligible for reappointment for more terms of three years.

(3) A member shall cease to hold office of the Council—

- (a) On completion of his or her term of office;
- (b) On his or her resignation; or
- (c) where he or she, without sufficient cause, fails to attend three consecutive

meetings of the Council;

- (4) Where a vacancy occurs in the membership of the Council, the vacancy shall be filled by a person appointed by the Federal Government, on the advice of the Council, who shall hold office for the remainder of the term of office of that member.*
- (5) No member shall engage in any activity which may undermine or compromise the reputation and integrity of the Council.*
- (6) For the first three meetings of the Council, the Federal Government shall appoint members under clause (b) of subsection (1) within ninety days of the enactment of this Act.*
- (7) The Federal Government shall appoint a Registrar and an Administrative and Finance Director, in the manner prescribed by Rules, to carry out the purposes of this Act.*
- (8) The Council shall appoint such officers, officials and support staff on regular or contract basis as the Council deems necessary to carry out the purposes of this Act.*
- (9) Any member may be removed from office by a two-third majority vote among the members of the Council on ground of inefficiency or misconduct.*
- (10) In the event of dissolution of the Council, the Federal Government shall appoint an Administrator to look after the affairs and carry out the functions of the Council within a period of fifteen days.*

5. Functions of the Council

- (1) The Council shall have such functions as are necessary to attain its objectives most effectively and shall, in particular –*
 - (a) Establish and operate a registration scheme for Social Enterprises;*
 - (b) Provide core support services, particularly entrepreneurship development, business facilitation, and mentoring services;*
 - (c) Facilitate access to industrial space, finance and other productive resources to social enterprises;*

- (d) Review the compliance of every social enterprise with a Code of Ethics including monitoring of finances;*
- (e) Support the establishment of an Association of Social Enterprises for the consolidation and integration of their interests;*
- (f) Facilitate networking among Social Enterprises and develop linkages between Social Enterprises and the Government of Pakistan;*
- (g) Ensure that Social Enterprises benefit from every incentive which the Government of Pakistan grants to them and assist them to obtain those incentives;*
- (h) Ensure that the best practices and Standard Operating Procedures (SOPs) are disseminated to Social Enterprises;*
- (i) Conduct research in the Social Enterprises sector and provide market intelligence to those enterprises, including the compilation of reports on various economic indicators;*
- (j) Facilitate collaboration with other local and international agencies dealing with Social Enterprises and academia to develop local Social Enterprises by administering skills and capacity building programs or activities;*
- (k) Grant accreditation to International Enterprises;*
- (l) Assess and scrutinize applications for tax exemption made by Social Enterprises and make onward submissions to the Ministry of Finance/Government of Pakistan for grant of tax exemptions;*
- (m) Prepare a policy for the potential tax exemptions in favour of Social Enterprises;*
- (n) Support the provision of favourable incentives for improvement of service delivery in less developed areas of Pakistan according to the Human Development Index;*
- (o) Subject to the policy and rules of the State Bank of Pakistan, support the incentivization of loans by commercial banks to Social Enterprises;*
- (p) Identify the sources of financing to expand Social Enterprises;*
- (q) Perform such other functions as may be necessary for its effective operations and for the continued growth and development of social enterprises.*

6. Powers of the Council –

- (1) *The Council shall have such powers as are necessary to attain its objectives and discharge its functions most effectively and may, in particular—*
- (a) Establish such mechanisms as may be necessary with public sector agencies for the expeditious and timely processing of any application for funding and any relevant permission;*
 - (b) Receive Funds from the Government and raise funds from other sources for the development and promotion of Social Enterprises;*
 - (c) Constitute from amongst its members such committees and subcommittees as it deems necessary to carry out the functions of the Council from time to time;*
 - (d) Determine a fee for Social Enterprises for registration and/or accreditation;*
 - (e) Approve budgets and finances for the operations of the Council;*
 - (f) Monitor the finances, activities and operations of Social Enterprises;*
 - (g) Frame a Code of Ethics which would be binding on all the members of the Council;*
 - (h) Undertake revenue generating activities which enable it to become self-financing and self-sustaining;*
 - (i) Require a Registered Social Enterprise to submit documents relating to its operation and funding;*
 - (j) Manage a third party financial and administrative audit of social enterprises whenever required; and*
 - (k) Issue guidelines for the purposes of this Act;*

7. Secretariat of the Council

- (1) *There shall be a Council Secretariat to be the national, technical and administrative secretariat of the Council.*
- (2) *The Secretariat shall perform the following functions—*
- (a) To provide staff support to the Council, in administrative and regulatory affairs of the Council;*
 - (b) To assist the Council in the implementation of its objectives;*

- (c) To assist the Council in the registration and accreditation of Social Enterprises;
 - (d) To assist the Council in supervising and monitoring the activities of the Social Enterprises registered with and accredited by the Council;
 - (e) To prepare, collate and integrate all necessary records for the Council's annual report on the status of the Social Enterprises in the country;
 - (f) To submit periodic reports to the Council on the progress and accomplishment of its programs; and
 - (g) To perform ad-hoc functions as authorized by the Council.
- (3) The Secretariat of the Council shall be located in Islamabad with suitably equipped infrastructure and support necessary for the fulfillment of the objectives of this Act.

Provided that nothing in this section shall prevent the Council from establishing as many offices, in any area of Pakistan, as it deems necessary for the fulfillment of the objectives of this Act, after approval from the Federal Government.

8. Meetings of the Council

- (1) The Council shall hold a meeting at least once within every three months at the time and place fixed by the Chairperson.
- (2) In its first meeting, the Council shall elect a Chairperson to chair subsequent meetings.
- (3) A minimum of ten members shall form a quorum, and all acts of the Council shall be decided by a majority of the members present and voting.

Provided that the Chairperson shall have the casting vote in case of a tie between the members.

- (4) The Council shall conduct a meeting with the Association at least once within every six months at the time and place fixed by the Chairperson.

9. Chairperson of the Council –

- (1) The Chairperson of the Council shall be the Head of the Council and shall be elected by the members of the Council.
- (2) The Chairperson shall chair all the meetings of the Council.
- (3) The Chairperson shall hold office for a period of three years after his or her election by the Council.

Provided that the tenure of a Chairperson shall be the period for which his or her membership of the Council is valid.

Provided further that the Chairperson may be re-elected for further terms of three years by the Council.

10. The Registrar—

(1) The Registrar shall be the Chief Executive Officer and will be responsible for managing, facilitating and carrying out all administrative affairs and functions as directed by the Council from time to time.

(2) The Registrar shall—

(a) Be the custodian of the common seal and records of the Council;

(b) Maintain a register of registered social enterprises in the manner prescribed by the Council;

(c) Act and perform functions as the Secretary of the Council; and

(d) Perform such other functions as may be prescribed or delegated by the Council from time to time.

(3) The Registrar shall at least be of the rank of Additional Secretary.

(4) The Office of the Registrar shall be for a fixed term of three years, which may be renewed by the Council for a further term of three years.

Provided that the incumbent of the office shall not be entitled to appointment after completion of the second term.

Provided further that the Council may terminate the appointment of and remove the Registrar from his or her office by a two-third majority on grounds of inefficiency or misconduct in accordance with the prescribed procedure.

(5) Subject to anything contained in the law for the time being in force, the Registrar shall only be answerable to and report to the Council through the Chairperson.

11. Administrative and Finance Director

(1) There shall be an Administrative and Finance Director of the Council, appointed on such terms and conditions as may be prescribed by the Rules.

(2) The Administrative and Finance Director shall be the Chief financial and administrative officer of the Council and shall—

(a) Manage the assets, liabilities, receipts, expenditures and funds of the

Council.

- (b) Prepare the annual and revised budget estimates of the Council and present them to the Council for approval and incorporation in the budget by the Council;
 - (c) Ensure that the funds of the Council are utilized for the purposes for which they were granted;
 - (d) Have the accounts audited annually for onward submission to the Council; and
 - (e) Perform such other duties as may be prescribed from time to time.
- (3) The office of the Administrative and Finance Director shall be for a fixed term of three years which may be renewed by the Council for a further term of three years.

Provided that the incumbent of the office shall not be entitled to appointment after completion of the second term.

Provided further that the Council may terminate the appointment of and remove the Administrative and Finance Director from his or her office by a two-third majority on grounds of inefficiency or misconduct in accordance with the prescribed procedure.

12. Committees of the Council –

- (1) The Council shall have the power to constitute necessary committees and subcommittees for undertaking the functions of the Council and to assist the Council in the exercise of its powers.
- (2) The Council may delegate such powers to the Committees and subcommittees as it deems necessary for the effectiveness of their functions.

13. Funding of the Council –

(1) There shall be, for the purposes of this Act, a Fund to be administered and controlled by the Council.

(2) The Fund shall consist of –

- (a) Such sums as the Federal Government may grant from time to time;
- (b) Grants of money and sums borrowed or raised by the Council for the purposes of meeting any of its obligations or discharging any of its duties and functions under this Act;
- (c) Fees or other charges prescribed by the Council under this Act and the

Rules and Regulations issued pursuant to it;

(d) All other sums which may in respect of any manner become payable to the Council and in respect of any matter incidental to the exercise of its functions.

(4) It shall be the duty of the Council to conserve the Fund by performing its functions and exercising its powers under this Act so as to ensure that the total revenues of the Council are sufficient to meet all sums properly chargeable to its account.

14. Association of Social Enterprises

(1) There shall be an Association of Social Enterprises which shall be duly registered with the Council.

(2) The Association shall meet with the Council at least once every six months.

(3) The Association shall file an annual report containing the details of all the members of the Association, their functions and funding to the Council.

(4) Notwithstanding subsection (3), the Association shall make available any documents that may be required by the Council from time to time.

(5) The Association shall be responsible for the election of the members to the Council in clause (b) of subsection (1) of Section 4 of this Act.

15. President of the Association

(1) There shall be a President of the Association who shall be elected by the members of the Association.

(2) The President in subsection (1) shall be elected by members of the Association by way of a secret ballot.

(3) The Electoral College for the election of the President shall consist of all the registered members of the Association.

(4) The President shall hold the office for a period of two years from the date of notification of election result.

Provided that the President may be re-elected for further terms of two years.

Provided further that the President may be removed from office on grounds of inefficiency and misconduct by a two-third majority of the Association in accordance with the procedure prescribed by the Council.

(5) The voter-list of the members of the Association shall be prepared and

maintained by the Registrar.

16. Funding of the Association

(1) Subject to the law and the policies for the time being in force, the Association shall be self-financed by its members.

Provided that its self-financing shall not preclude its members from benefitting from tax and custom duties exemptions and procurement relaxations that may be granted from time to time.

(2) Notwithstanding subsection (1), the Association may seek relaxation of legal, regulatory, tax and other financial constraints or limitations by filing an application to the Council.

Provided that the filing of an application does not absolve the Association of the obligation to comply with the other requirements imposed under this Act or the Rules or Regulations made hereunder, or any other legal obligations arising from the law for the time being in force.

CHAPTER III

Social Enterprise

17. Definition of Social Enterprise

A social enterprise is any enterprise that is directly engaged in the provision of goods, services or results for the improvement, promotion or facilitation of the social well-being of the people of Pakistan, and reinvests at least fifty-one (51) percent of its annual profit for that purpose.

Provided that an enterprise shall not be recognized as a social enterprise unless it has been duly registered with the Council.

18. Application for Registration as Social Enterprise –

(1) Every person who owns, runs or operates an enterprise may apply for its registration as a social enterprise with the Council in such form and manner that is prescribed by it.

(2) Every application made under subsection (1) shall be accompanied by such information and fee as may be prescribed by the Council.

(3) For the purpose of subsection (2), a fee shall mean a nominal fee as may be prescribed by the Council from time to time.

19. Grant or Refusal of an application –

(1) Subject to subsection (2), on receipt of an application under section 18, the Council may grant or refuse an application within the time prescribed by the Council in the Rules and Regulations.

(2) Before taking a decision under subsection (1), the Council may –

(a) Refer the application for consideration to its Secretariat; or

(b) Require the applicant to give such further information as may be necessary to determine the application for registration.

20. Issuance of Registration Certificate

(1) Notwithstanding anything contained in the law for the time being in force, where the Council grants an application under subsection (1) of Section 19, it shall issue a registration certificate to the applicant, subject to the terms and conditions it deems fit.

(2) Subject to the other provisions of this section, a registration certificate –

(a) Shall remain valid for three years from its date of issuance unless it is cancelled under the following section; and

(b) Shall specify --

(i) The name and address of the Social Enterprise;

(ii) The nature of its business activity;

(iii) The location of the business' activity;

(iv) Its expected or actual workforce;

(v) The duration of the validity of the certificate;

(vi) The terms and conditions attached as a schedule to the certificate;

(vii) Such other information as the Council may deem fit.

(3) The registration certificate shall be in such form, and shall be issued in such manner, as may be prescribed by the Council.

(4) A registration certificate may be renewed by the Council periodically as determined by the Rules.

(5) Where the holder of the registration certificate –

(a) Seeks to change the name or address specified in the registration certificate; or

(b) Intends to change the nature of the business activity specified in the registration certificate,

He shall immediately make a written application to the Registrar for the registration certificate to be amended, specifying the reasons for the change and giving such further information or particulars as may be required by the Registrar.

(6) An application under subsection (4) shall be processed in the same manner as provided in Sections 18 to 20 of this Act, and upon its approval, the person shall be granted with an amended registration certificate or a new registration certificate as the case may be.

(7) Where a social enterprise, which has been issued with a registration certificate, ceases to meet the criteria to be considered as a social enterprise, the holder of the registration certificate shall inform the Registrar in writing within fifteen days of that cessation.

21. Cancellation or Variation of Registration Certificate:

(1) Subject to the provisions of this section, the Council may cancel or vary the terms and conditions of a registration certificate where –

(a) Any material information given to it by the holder of the registration certificate is false or misleading;

(b) The holder of the registration certificate, without lawful excuse, fails to—

(i) Comply with any requirement under this Act or any Rules and Regulations made thereunder;

(ii) Pay any fee or charge prescribed under this Act, or any Rules or Regulations made thereunder; or

(iii) A social enterprise, which has been issued with a registration certificate, ceases to meet the criteria to be considered a social enterprise.

(2) Before cancelling or varying a registration certificate, the Council shall, by notice in writing, within such reasonable time as it deems fit, require the holder of the registration certificate to show cause as to why his or her registration certificate should not be cancelled or varied.

22. Notification of closure

Where the holder of a registration certificate ceases its operations either temporarily or permanently, he or she shall immediately notify the Registrar of that cessation.

23. Accreditation of International Enterprises

- (1) An international enterprise shall only be recognized as a social enterprise in Pakistan if it is granted accreditation by the Council.
- (2) An application for accreditation shall be made to the Council in the form and manner prescribed by it.
- (3) For accreditation under subsection (2), an applicant shall provide details of operations and funding and any other information required by the Council for the determination of the application.
- (4) Accreditation granted to an international enterprise shall remain valid for three years from the date of issuance of the accreditation certificate.

Provided that accreditation may be re-granted by the Council after the expiry of such term.

Provided further that the accreditation may be cancelled on any of the grounds enlisted in section 21 of this Act or the Rules and Regulations framed under this Act.

CHAPTER IV

DEVELOPMENT OF SOCIAL ENTERPRISES

24. Capacity Building and Social Development Program

- (1) There shall be a Social Enterprise Capacity Building and Sustainability Program whose primary objective is to guarantee the viability and sustainability of Social Enterprises.
- (2) This program shall include training in social entrepreneurship development, institutional strengthening, human resource management and skills development, business planning and advisory services, upgradation of accounting and auditing systems, technical assistance for the installation or improvement of management information systems, technology incubation and other related activities.

25. Social Enterprise Marketing Infrastructure Development

- (1) The Council shall promote the development and expansion of local and foreign markets for the products and services of Social Enterprises subject to the principles of fair trade.
- (2) In pursuance of subsection (1) the Council shall establish a Marketing Assistance Program which assists Social Enterprises in matching supply with

demand in both domestic and foreign markets.

26. Culture, Awareness and Understanding

- (1) The Council shall take all reasonable steps to promote the purpose, utility and efficacy of social enterprises among the people of Pakistan.
- (2) The Council shall publish an annual report both on its website and in print form which shall be disseminated to media services all over Pakistan.
- (3) Notwithstanding anything contained in subsection (2), the Council shall utilize any other means of promoting social enterprises as a tool for poverty reduction and social well-being including the dissemination of its objectives by television, radio services, newspapers, pamphlets and the means of digital marketing.

27. Regulatory Impact Assessment – Before proceeding with any of the objectives contained in this Chapter, the Council shall conduct a Regulatory Impact Assessment of the viability and practicality of the implementation of any of the programs for the sustainable development of social enterprises.

CHAPTER V

INCENTIVES AND BENEFITS

28. Incentives and Benefits –

- (1) The Council shall formulate a policy favourable to social enterprises registered or accredited with it for access to financial and regulatory benefits.
- (2) For social enterprises employing at least twenty per cent of its workforce from persons with disabilities, financial and procurement incentives shall be provided to them to enable them to achieve financial stability.

Provided that persons with disabilities working for social enterprises shall be entitled to a cash incentive representing twenty percent (20%) of their daily minimum wage for such services.

29. Tariffs and Duties Exemption for the Import of Products

- (1) A Social Enterprise, duly registered or accredited with the Council, may apply for an exemption from payment of tariffs and duties for the import of all types of industrial goods.

Provided that these industrial goods shall be for the exclusive use of the importing Social Enterprise and can be shown to be directly related to the improvement of the value

chain operations of the Social Enterprise.

(2) The Council shall review and scrutinize the application and, after consultation with the Ministry of Finance, Ministry of Commerce and the Board of Investment, may recommend an exemption to the Government of Pakistan.

Provided that the Rules and Regulations for exemption from tariff and import duties shall be formulated within six months of the constitution of the Council.

(3) For the purpose of this section, "industrial goods" means equipment, machinery, appliances and spare parts.

30. Tax Exemption for Social Enterprises

(1) A social enterprise, duly registered or accredited with the Council, may apply for an exemption from tax to the Federal Board of Revenue/Government of Pakistan through the Council.

(2) A social enterprise making an application under subsection (1) must provide all the information and documents required by the Council for the scrutiny and assessment of such application.

Provided that such an application shall not be made within the last sixty days of the financial year.

(3) The Council shall scrutinize and review the application and, after consultation with the Ministry of Finance and the Federal Board of Revenue, may recommend an exemption from income tax to the Federal Government for the Annual Federal Budget.

(4) The Council shall be responsible for reviewing and approving applications for tax exemption in accordance with the exemptions granted in the previous Finance Act.

31. Relaxation in Procurement Requirements

(1) Notwithstanding anything contained in Section 24, the Council shall take all reasonable steps for the relaxation of the strict requirements of the procurement process.

(2) Subject to the Public Procurement Regulatory Authority Ordinance and Rules made thereunder, the Council shall support the allowance of a quota and incentivized inclusion in the contract awarding process for social enterprises in procurement competitions.

- (3) Any relaxation in the procurement process shall not be disadvantageous to smaller enterprises as compared to large enterprises.
- (4) For the purpose of this section, "smaller enterprise" means Small and Medium Enterprises, Single Member Companies and other enterprises whose annual revenue does not exceed the amount prescribed in the Rules.

CHAPTER VI

ACCOUNTABILITY MEASURES

32. Accountability and Oversight—

- (1) The Council shall adopt such systems and procedures for the accountability, oversight and regulation of Social Enterprises as it deems necessary from time to time;
- (2) The Council may utilize electronic and digital means to oversee the activities, operations and funding of a Social Enterprise.
- (3) Notwithstanding subsection (1), the Council shall have the power to require a Social Enterprise to make available the premises of the business and any document for inspection.

33. Non-compliance with any of the provisions of this Act—

- (1) The Council, on a social enterprise's non-compliance or violation of any of the provisions of this Act and the Rules made hereunder, may—
- (a) Refuse an application for grant or renewal of registration of a social enterprise;
 - (b) Refuse an application for grant or renewal of accreditation of an international enterprise;
 - (c) Require a social enterprise to renew its registration certificate; and
 - (d) Require an enterprise to pay a fine which may extend up to fifty million rupees.
- (2) Notwithstanding anything contained in this Act, the Council may, on a finding of fraud, bribery, embezzlement, money-laundering, abuse of social enterprise status, corrupt practices, or the direct or indirect undermining or endangerment of the integrity or security of Pakistan, impose a fine which may extend up to fifty million Rupees or cancel the registration or accreditation of

a social enterprise or both.

34. Complaints

- (1) Any person may file a complaint to the Council against a Social Enterprise within Pakistan.
- (2) There shall be a complaint cell situated at the Council Secretariat which shall be tasked with handling and managing complaints that are received from time to time.

CHAPTER VII

MISCELLANEOUS

35. Indemnity – No suit, prosecution or other proceedings shall lie against the Government, Ministry, Council, any Committee of the Council, Chairperson, Administrative and Finance Director, Registrar or any member or officer of the Council in respect of anything done or intended to be done in good faith under this Act.

36. Power to Make Rules –

The Council may make rules for carrying out the objectives of this Act with the approval of the Federal Government.

37. Power to Make Regulations

The Council shall make regulations, not inconsistent with the provisions of this Act or the rules for performing its functions under this Act, regarding its internal procedures and, without limiting the generality of the foregoing, it may make regulations regarding—

- (a) Registration schemes and methods;
- (b) Record management standards;
- (c) Fee structure for registration and accreditation;
- (d) Policy for tax exemptions to Social Enterprises;
- (e) Election Process and criteria for election to the Council;
- (f) Investment schemes to be adopted and implemented;
- (g) Framing of a Code of Ethics for the regulation of the members of the Council;
- (h) Participation of a co-opted member in the meetings of the Council;
- (i) Adoption of an accountability and oversight mechanism for regulating social enterprises;

(j) Elections of the Association; and

(k) Any other regulations to carry out the objectives of the Act or the Rules framed under this Act.

38. Removal of Difficulties – The Federal Government may, for the purpose of removing any difficulties in the enforcement of this Act, make modifications, additions or omissions as may be deemed necessary or expedient in the interests of the State.