



## DIASPORA GIVING: AN AGENT OF CHANGE IN ASIA PACIFIC COMMUNITIES?

### PAKISTAN

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Jhang City in Punjab, Pakistan and Madera County in California, United States appear to have little in common. Jhang is poor and plain even by Pakistan standards; Madera is prosperous and lovely even by those of the United States. Yet, powered by the ambition of Dr. Aftab Naz, a cardiologist, and his 70-strong extended family, all originally from Jhang and now settled comfortably in Madera, these two became sister cities in July 2007. This partnership would, according to Dr. Naz, lead to “more people-to-people contacts, easier travel opportunities for Pakistani citizens, and most importantly, a source of philanthropic funding for the extremely under-equipped social sectors of Jhang”.

The details of Dr. Naz’s story may be unique, but the plot line—fortunately for Pakistan—is commonplace. An intelligent, motivated young man of modest means with a degree from a top Pakistani professional institution finds his way to the West in the mid-1970s. Finding almost

immediate success, he begins to support his family and other kin in Pakistan with a steady stream of remittances. In addition, he begins to bring his kin into the country and helps them to succeed in professions or in small businesses. With years of professional and financial success, he earns the respect of the community. Then, nearing retirement with comfortable savings, he becomes interested in finding investment opportunities back home. At the same time, he becomes increasingly interested in funding—and raising funds from others—for charitable causes back home in Pakistan. This is the story of thousands of Pakistani professionals.

However, not all overseas Pakistanis are as prosperous or as well-settled in their host communities. The Pakistani diaspora is comprised of a diverse population ranging from well-educated physicians writing prescriptions in California to unskilled laborers hauling sand in Saudi Arabia, from illegal immigrants washing dishes in



Europe to retired factory workers waiting for state pensions in the United Kingdom, from accountants in the United Arab Emirates to taxi drivers in New York. Yet their financial contributions—including family support, economic investments, and charitable contributions—are invariably of great economic significance to Pakistan.

This study explores the third stream of remittances, charitable giving, and—in particular—charitable giving that aims to foster sustainable development in Pakistan. The first section provides an overview of the Pakistani diaspora, including their migration and settlement patterns, their economic and social features, and the remittances returned to Pakistan. The second section explores giving patterns of diaspora communities, and highlights the complex mosaic that influences these practices. The third section investigates the effectiveness of existing giving patterns and explores the pronounced trend towards more strategic philanthropy. The fourth section focuses on the legal and policy issues affecting overseas charitable contributions. The final section suggests opportunities for various players—NGOs, intermediary organizations, and government—to increase the volume and effectiveness of Pakistani diaspora philanthropy.

## The Pakistani Diaspora: A Brief Profile

### *Diaspora Numbers*

How large is the Pakistani diaspora? Estimates vary widely—ranging from 3.5 to 7 million, depending upon the source and the definition employed. The Minis-

try of Overseas Pakistanis 2004 yearbook reported 3.9 million Pakistanis living, studying, or working abroad. Saudi Arabia had the largest share with 1.1 million (28%), followed by the United Kingdom with 0.8 million (15%), the United States with 0.6 million (15%), the United Arab Emirates with 0.5 million (13%), Continental Europe with 0.3 million (7%), and Canada with 0.25 (6%). The Ministry of Labor and Overseas Pakistanis (2004) qualifies that the real number of overseas Pakistanis is likely to be close to 7 million if over-stayers and illegal immigrants are included. Unregistered Pakistanis, based on patterns of illegal economic immigration, are likely to be concentrated in the United States and Europe. Najam (2005), for example, reports that estimates of the Pakistani population in the United States range from 0.5 to 1.5 million. In the United Kingdom, estimates range from 0.5 to 0.8 million. In Continental Europe, numbers are even more contested because of the higher rates of illegal immigration.

The significance of these numbers is clear. “In terms of the proportion of the total population, the Pakistani diaspora is considerably larger than that associated with other large countries,” Burki (2005) pointed out, “it is much greater in size, for instance, than the Indian and Chinese diasporas.” Even six million Pakistanis—averaging the lowest estimate of 3.9 million and the highest of 8 million—would mean that 3.75% of current Pakistani population of 160 million is living overseas. Given the size and the relative wealth of these communities, their charitable contributions are therefore of great significance as well.

*Diaspora Dollars*

In 2006-2007, an estimated 3.9 million overseas Pakistanis sent home US\$ 5.5 billion through formal banking channels according to official figures. Unofficial totals—adding unregistered and illegal immigrant Pakistanis and funds sent through unofficial means—are far greater. As estimated by the Ministry and other researchers, 7 million persons of Pakistani origin returned almost US\$ 8 billion (Ministry of Labor and Overseas Pakistanis, 2004; Hyder, 2003) to the country.

The financial contributions of this large diaspora are of great significance to Pakistan, with 160 million citizens and a low GNP per capita of US\$ 720. Manpower export has provided much needed jobs for a fast-growing population. At the peak of Middle East migration in 1982, overseas Pakistanis represented 10% of Pakistani households and more than 7% of the labor force (Addleton, 1992). For decades, remittances have been the mainstay of Pakistan's foreign exchange earnings, helping to fill a major balance of trade gap. From US \$136 million in 1973, remittances grew dramatically to US\$ 2.9 billion in 1983. By 2006, remittances, at US\$ 4.4 billion, were the second biggest source of foreign exchange after textiles. During the 1970s and 1980s, remittances—almost 12% of national GDP in 1982—helped Pakistan to maintain the highest growth rates in the subcontinent (Addleton, 1992, p.123). Remittances, most economists agree, have contributed substantially to the country's economic growth of recent years; for example, Burki (2005) suggested that they may have supplied one percentage point to the 6.4% growth in 2005.

*Pre-Independence History of Migration*

British India—in particular, Punjab province, half of which formed part of Pakistan—had a history of voluntary, economically-motivated migration. Starting in the late nineteenth century, millions left rain-fed areas to work lands opened by new canals in Punjab; tens of thousands served across India in the Army; and thousands went overseas during the two world wars (Shaw, 1988). By the mid-twentieth century, entrepreneurial Punjabis were used to the idea of migration for economic gains. According to Shaw (1988, p.22), “the tradition of army and navy service and of labor migration abroad and the experience of colonization had the effect of instilling in Punjabis the desire and the confidence to seek their fortunes abroad and to work for money that would assist them in improving their status at home.”

This itinerant national disposition was further accentuated by events surrounding partition in 1947. In the largest ever migration in human history over a short span of time, some 14 million persons—Muslims and Hindus and Sikhs—were displaced across the province of Punjab (mostly violently) and from other parts of the subcontinent (mostly voluntarily). In 1951, every fifth Pakistani, according to Addleton (1992, p. 32), was a migrant.

*The Modern Diaspora:  
Formation and Features*

Pakistanis started spreading around the world in ever-larger numbers some 10 years after independence. Early migration to the United Kingdom was followed by migrations to the Middle East in the early 1970s



and to North America in the early 1980s. By the late twentieth century, three distinct and robust bodies of Pakistani diaspora—in the United Kingdom, the Middle East, and the United States—had emerged. Each main body of Pakistanis has unique characteristics shaped by their widely different demographics, ethnic backgrounds, skill sets, and legal status, as well as the political, economic, and social situations in the host country. The profile of an average Pakistani therefore varies widely across—and even within—these communities. As elaborated later, all these factors impact the nature and volume of diaspora philanthropy.

#### *The United Kingdom*

In the 1950s, the United Kingdom started importing labor from India, Pakistan, and the Caribbean for its growing industries. The Pakistani immigrants, mainly from the Punjab districts of Faisalabad, Toba Tek Singh, Gujrat, Attock, Jhelum, and Sahiwal, started the chain of bringing their other male relatives. In the 1960s, the displacement of Mirpur town in the Pakistani part of the disputed territory of Jammu and Kashmir for the construction of a new water reservoir ushered in the biggest wave of labor migration to the United Kingdom. Also in the 1960s, many ethnic Pathans from the Nowshera area of the Frontier province migrated. With little or no education, these men found low-paying jobs in factories. Later, some started their own small businesses, and the Pakistani corner grocer became a staple of London life. In the 1980s and 90s, professional Pakistanis from urban Punjab, Sindh, and the Frontier, encouraged by

the government to earn foreign exchange, also migrated to the United Kingdom in large numbers. Legal migration of low-skill labor stopped in the 1990s in the face of stringent U.K. immigration laws; meanwhile, a steady trickle of relatives, students, and professionals continues (Shaw, 1998; Masood, 2006).

As a result of the socio-economic background of the majority of Pakistanis, they are (with the possible exception of Bangladeshis in certain categories), the least-educated of all ethnic communities in the United Kingdom and are most likely to be unemployed and living in deprived areas (Masood, 2006, p.6; “Bangladeshis in Britain”, 2007). Notably, from the original U.K. diaspora is now emerging both the first group of retirees and a second generation of Pakistanis born and bred in the United Kingdom.

Integration for this population, which is highly concentrated in Bradford, Glasgow, and Birmingham, has been difficult. This density, according to Ahmed (1993), means that the “community can import and perpetuate its sectarian and ethnic characteristics from home,” slowing down assimilation and learning of new ideas. The relatively low economic and social status of Pakistanis in the United Kingdom, often perpetuated in the second generation, has also contributed to the lack of assimilation. Consequently, according to Burki, former Vice-President of the World Bank, newspaper columnist, and a prominent member of the Pakistani community in the United States, this Pakistani community has suffered much “greater agony of identity questions” after 9/11 and 7/7 (S. J. Burki,

personal communication, November 2, 2007).

### *The Middle East*

In terms of numbers, the migration of Pakistanis to the Gulf States—mainly to Saudi Arabia and to the United Arab Emirates—has been the most significant. Addleton (1992), in his book *Undermining the Centre: The Gulf Migration and Pakistan*, noted that on the eve of 1972, there were about 0.2 million Pakistani in the Middle East employed in the Oman navy, in the nascent oil industry, or working as self-employed traders. In 10 years, this number grew ten-fold to 2 million; entire villages of unskilled men emigrated to participate in the oil-boom-led construction frenzy. In contrast to migration to the United Kingdom, where kinship was a key factor in determining the districts of origin, migration to the Middle East originated from a wider geographical area including the North West Frontier Province, especially the Kohat and Bannu districts and even tribal areas, and Pakistani parts of Kashmir, as well the more traditional regions of Punjab. A small stream of professionals and highly skilled workers accompanied a generally unskilled group. This massive immigration wave crested in the early 1980s and receded in the early 1990s.

Pakistanis in the Middle East are mostly Pathan, Kashmiri, and Punjabi men in their 20s and 30s—with little or no education or skills, mainly working in services or in the construction industry. Professionals form a small but increasing percentage of new migrants, taking prominent part in the service economy of the United Arab Emir-

ates. Also, some Pakistanis, who stayed on for extended periods, have started to own businesses, some of them with extreme success. Notably, there is almost no integration with host societies; naturalization is not allowed, stays are short. Families, unlike those of Pakistanis in the United Kingdom, almost always stay in Pakistan because of relatively poorer wages and restrictive policies of host countries.

### *The United States*

The United States has also received a large number of Pakistani immigrants, creating the third main Pakistani diaspora. Najam (2005), detailing the ebb and flow of this important stream in his study *Philanthropy by Pakistanis in USA*, noted that there was a steady dribble of professional Pakistanis since the 1950s, but numbers started to climb with changes in U.S. immigration laws in 1965 and the yearly number of immigrants, mostly educated professionals, increasing from hundreds to thousands. Further liberalization in the mid-1980s brought in another large wave comprised of kin of earlier immigrants, illegal immigrants, and a large number of professionals. By way of example, some 20,000 Pakistanis were naturalized in 1991. The 9/11 tragedy tightened immigration from Pakistan leading to, according to Najam, slow naturalization of legal migrants and relatively strict treatment, including deportation, of hundreds of illegal immigrants.

Compared with Pakistanis in the United Kingdom and in the Middle East, Pakistanis in America are more likely to be educated, prosperous, and young. Migration of professionals preceded that of low-skill workers



and continues to dominate the total number of legal migrations. The age of the second generation and the most recent arrivals is generally between the late 20s and early 40s. “Pakistani Americans are a community with higher-than-average income, higher-than-average educational attainment, higher-than-average rates of savings, and higher-than-average representation in high-skill professions” (Najam, 2005).

Pakistanis in the United States, like most diaspora Muslims in the West, have also been forced to question their identity following the World Trade Center attacks. In general, Pakistanis in the United States tend to be more integrated in their communities than those in the United Kingdom. In part, this may be a result of their prosperity and the relatively open host society. In addition, their settlement patterns are less concentrated than those of their U.K. brethren. According to Ahmed (1993), this has contributed to their relatively high levels of assimilation. However, the “integration” experience of recently immigrated Pakistanis, a substantial percentage of whom is illegal, is different. These blue-collar workers, with little education, male, young, and often living without families, still mostly exist on the margins of host communities. Indeed, they have very little interaction with their professional Pakistani brothers and sisters.

#### *Europe and elsewhere*

In addition to the United Kingdom, the Gulf, and the United States, Canada and continental Europe (mainly France, Germany, Italy, and Scandinavian countries) have received—and continue to receive

through illegal immigration, among other routes—a steady sprinkling of Pakistanis. Those arriving in Canada are mainly professionals from urban Pakistan who have found legal jobs through formal immigration programs. Those coming to Europe belong mostly to the labor-exporting districts of the Punjab and the Frontier and are unskilled. Recently, Pakistani unskilled and semi-skilled labor has also found work in Malaysia and in South Korea, but the numbers are small and the phenomenon relatively recent.

#### *Changing Economic Significance*

The changing demographics of the diaspora are reflected in the changing patterns of remittances. Pakistanis in Saudi Arabia, the mainstay of remittance income during the 1980s, contributed US\$1.1 billion or 50% of total remittances in 1981-82. By 2005-06, only US\$750 million, or 16%, of remittances, originated in Saudi Arabia. During the same period, the U.S. share of remittances increased substantially. It comprised some US\$10 million dollars (7%) in early 1971-72, rose to US\$80 million (9%) in 1999-2000, and increased dramatically following 9/11, rising to US\$1.2 billion (27%) in 2005-2006. The United Kingdom, the largest contributor with US\$72 million (53%) in 1972-73, is presently the third largest, with US\$438 million (10%) in 2005-06 (Pakistan Statistics Bulletin, 2006).

### **Diaspora Giving: Practices and Patterns**

Popular media—along with some research—has extensively documented the

rapid economic ascent, and consequent social dislocations, of families receiving windfall remittances. The impact of charitable contributions by the diaspora on communities is, on the other hand, comparatively less understood.

*Discerning Giving Patterns: Pakistanis at Home and in the United States*

What is the volume of philanthropic contributions from the diaspora? What drives their giving? Who are the recipients? Are the contributions effectively utilized? Two studies provide evidence-based insights into the giving patterns of Pakistanis. In 2000, the Aga Khan Foundation published the results of an extensive research study estimating volumes and patterns of indigenous giving, *Dimensions of Individual Giving in Philanthropy in Pakistan: A Report of the Initiative on Indigenous Philanthropy*. A second study, by Adil Najam, *Philanthropy by Pakistanis in USA*, was published by the Pakistan Centre for Philanthropy in 2005. The giving patterns of Pakistanis in other countries have not been studied, but these two key studies have enough reliable details to guide formation of informed inferences about giving patterns of most overseas Pakistanis, for two clear reasons. First, it is common sense that the giving patterns of overseas Pakistanis mimic those of their brothers and sisters at home. Second, giving patterns of Pakistanis in the United States—comprising the most educated, prosperous, and aware group of Pakistanis in the world—is likely to demarcate the outer boundary of giving patterns of Pakistanis. Giving habits of non-U.S. diaspora are likely to fall somewhere between these

two patterns depending upon factors such as education, income, and the level of integration with host societies. Several features of diaspora philanthropy can therefore be inferred from these studies.

The first feature of diaspora giving confirms the common observation that Pakistanis are a giving people—more so in the case of Pakistanis in the United States because of their relative prosperity. Najam (2005) estimated that U.S.-based Pakistanis contribute US\$100 million in cash and in-kind to Pakistani causes in Pakistan, US\$100 million to non-Pakistani causes in United States, and another US\$50 million to Pakistani causes in the United States. In Pakistan, giving through *Zakat, Fitrana, Sadaka, Kaffara, Wakf*, and other forms of giving are common.<sup>1</sup>

The AKDN (2000) study substantiated this widespread cultural practice, reporting that giving in cash, kind, and time aggregated to US\$1.5 billion or 2.2 percent of GNP in 1998. Of this, US\$ 0.5 billion was given in cash.

The second feature of diaspora giving is that, similar to giving in Pakistan, it mainly aims to directly alleviate the needs of individuals. Najam (2005) found that the most preferred form of giving was donating directly to individuals. “There is a very strongly held belief that giving directly to the needy and the deserving is superior to institutional giving” because it is seen to be more transparent, more effective, and more satisfying (Najam, 2005, p.127). Similarly, the Aga Khan Development Network (1998) study found that 94% of all giving went directly to individuals. Since *Zakat* focuses mainly on relief of the poor and the



needy, almost all Zakat funds, as expected, went directly to individuals. In addition, 40% of non-Zakat contributions were given to individuals.

Ancillary to the common practice of giving to individuals or to faith-based organizations is the commonly observed feature that government and secular NGOs are often not trusted.<sup>2</sup> Najam observed that the government role as a channel of funds, other than major disaster relief (and in one case debt relief drive) is minimal. Seventy percent of respondents also thought that NGOs were not working on issues important to the country, and 80% thought that Pakistani NGOs did not use funds efficiently and honestly. This contrasts markedly with the relative trust in U.S. NGOs and, more importantly, with Pakistani NGOs with which the respondents had direct contact.

Disaster relief, education, and health were found to be major concerns both in Pakistan and in the United States. Phenomenal contributions of diaspora Pakistanis following the October 2006 earthquake are a case in point. Promotion of the arts, sports, human rights, and protection of the environment are low priorities.

*Key differences in giving patterns  
between the United States and Pakistan*

These studies show that Pakistanis in Pakistan and in the United States, as expected, share many giving patterns. They give generously, they mostly give to individuals, and they distrust giving through government and NGOs. When giving to organizations, they prefer giving to causes of health, education, and disaster relief

and not to civic education or the promotion of human rights. Yet there are several significant differences in their giving—as expected—because of the vast difference in their education, prosperity, political status, and exposure to international practices.

The first difference is the relative role of religion as a driver of giving. Faith is a main inspiration of giving in Pakistan. Religious faith was cited as a motivation by 98% of donors along with human compassion (98%), social responsibility (87%), and civic duty (84%) (Aga Khan Development Network, 1998). Among the diaspora in United States, religion is an important motivation, though it co-exists comfortably, according to Najam, with more secular motivations. Prosperity, education, and exposure perhaps explain this difference.

The second difference between these groups is the starkly different interest in giving to faith-based organizations. In the United States, only 11% would give to religious causes in Pakistan (Najam, 2005). This figure may be under-reported because of the post 9/11 fear of reporting such charitable interest, but it is still very different from the pattern of giving in Pakistan, where religious organizations and causes receive the bulk of philanthropic funds. AKDN (2000) reported that of the 35% of monetary giving that is allocated to organizations, 94% went to religious institutions and causes.

The third major difference is that Pakistanis in the United States are more interested in the results of their giving. The AKDN (2000) study found that 95% of Pakistanis in Pakistan giving to organizations were not interested in obtaining results or financial details. Pakistanis in the United

States, on the other hand, were relatively more interested in assessing the impact of their giving. Najam (2005) noted that survey “respondents were most keen on information that would convince them that the value addition of institutional giving was enough to offset the personal satisfaction they gain from direct individual giving”

Finally, U.S. Pakistanis are, understandably, less invested in Pakistan. They have loyalties beyond the home country and community needs. Najam (2005) discovered that American Pakistanis give an estimated US\$50 million to Pakistani social and community causes—mosques, community centres, political action groups etc.—and another US\$100 million to non-Pakistani causes in United States. This interest in non-Pakistani causes reflects the complex evolution of a new identity. Thirty percent of survey respondents, for example, said that their giving to causes unrelated to Pakistan had increased since 9/11. More giving had gone to causes that “contributed to being better, active citizens of their American neighborhood and communities.” When asked by another Pakistani why he gave a multi-million dollar gift to a West Coast University and not to a Pakistani cause, a prominent Pakistani Silicon Valley millionaire answered simply, “We are not going back. This is home now. This is where I want to contribute” (S. J. Burki, personal communication, November 2, 2007).

### *Giving Patterns in the United Kingdom and the Middle East*

From these lessons and other research we can draw inferences about the giving habits of the Pakistani diaspora in other

regions. It should be fair to surmise that the volumes of donations from other Pakistani communities are not as large as those from the United States. U.S. remittances are greater than those from other countries and the Pakistanis there are the most prosperous of all overseas Pakistanis. However, the volume of giving of U.K. Pakistanis is also likely to be substantial. While they may not be remitting large sums because most have their families with them, their Zakat giving is likely to be targeted to Pakistan because of the absence of “poor” (by Pakistani standards) in their own communities. The substantial size of U.K. charitable funds is evidenced by the fact that several Pakistani NGOs who raise funds overseas raise about as much funds in the United Kingdom as they do in the United States. Per-capita diaspora giving from United Kingdom, on the other hand, is likely to be much less than that of the United States diaspora.

The use of giving channels in the United Kingdom is likely to follow the patterns in Pakistan, reflecting the relatively poor educational backgrounds of the first generation of immigrants. Professional Pakistanis, on the other hand, are likely to exhibit giving patterns similar to those in United States.

The identity-development process of Pakistanis in the United Kingdom—buffeted by the major soul-searching debates following the Rushdie affair, the 9/11 attacks in New York, and the 7/7 London terrorism acts—is also reflected in their giving. Many second-generation Pakistanis in the United Kingdom are likely to identify themselves as “Muslims,” as distinct from “Pakistanis.” Consequently, the philanthropic contributions of many young Pakistanis are also



likely to focus on their religious identity rather than on their country. Moreover, Pakistanis are the largest ethnic group in the United Kingdom, but there is no national Pakistani charity in the country. Major “Muslim” U.K. international charities such as Islamic Relief and Muslim Aid focus on disaster relief and development across the Muslim world (Masood, 2005).

The volume of giving by Pakistanis in Canada is likely to be much less than that of the United States because the number of Pakistanis in Canada is relatively small. Per-capita giving, however, is likely to be similar due to their similar levels of affluence. Philanthropic transfers of Pakistanis in the Middle East are also likely to be substantial, though not close to the United States on a per-capita basis. The personal, economic, and social profile of an average Pakistani in the Middle East, as discussed above, is close to the Pakistani rural average; therefore, his giving patterns are likely to be similar—giving to individuals, for relief efforts, and giving to religious causes and organizations for promotion of faith.

## The Impact of Diaspora Giving

A great percentage of Pakistani giving is directed to needy individuals for immediate relief. Yet trends can be discerned—sharper in the case of overseas Pakistanis—that suggest that more and more funds are being aimed at long-term social change. According to Burki (2005a), overseas Pakistanis, many of them increasingly prosperous and increasingly aware that “their country is fast losing the race to get better integrated into the global economy,” are looking for ways to change the situation.

## *History of Giving for Social Change*

Strategic giving is not a new phenomenon in Pakistan. Among the Muslims of the subcontinent, a proud tradition of philanthropy as an instrument of social change has long co-existed with the dominant impulse of helping the poor. During Mughal times, many elites established mosques with attached seminaries, endowing lands (Wakf) for their sustenance (Iqbal, 2004, p.4). During colonial days, leading social reformers, assisted by philanthropists, established several prominent “secular” schools. Some of the most prominent examples include Aligarh School in Aligarh, Sindh Madrassa-ul-Islam in Karachi, Anjuman-Himayat-i-Islam in Lahore, and Islamia College in Peshawar (Iqbal, 2004, p.13). In particular, the fund-raising efforts of Sir Syed Ahmad Khan, the founder of Aligarh school and considered by many to be the father of modern Muslim consciousness in the subcontinent, are the stuff of legend.

## *Strategic Philanthropy in Pakistan*

These days there are several signs that that this tradition of strategic philanthropy is attracting more funds, if not necessarily a greater share of total giving, in Pakistan. The number of modern NGOs is rising along with the visibility of their work and their fund-raising activities. Their quick, prominent, and effective relief role following the October 2005 earthquake won them widespread admiration. During the month of Ramadan, when Muslims traditionally give away their Zakat money, major city boulevards are crammed with billboards and newspapers and TV screens

are flush with advertisements of charitable organizations seeking funds. Such omnipresent campaigning was not the case even a decade ago, where fund-raising by NGOs was a quiet affair mainly aimed at the social elite.

Several other social and economic trends have also helped to increase the volume of strategic philanthropy. The rapid economic growth of the country—at a steady 6-7% for the last several years—has increased the disposable incomes of growing numbers of the middle class. More donors, especially urban-educated ones, are increasingly willing to give their donations, including a greater percentage of their Zakat, to organizations rather than to the poor in the family or immediate locality according to the traditional interpretation of Zakat. Alumni organizations, though still few in number, are increasingly likely to engage in organized giving. The growing interest in corporate social responsibility has encouraged wealthy businessmen to support the not-for-profit sector. Several mobile phone companies, for example, partnered with prominent NGOs during Ramadan to raise funds through SMS messages.

#### *Strategic Philanthropy by the Diaspora*

This national trend of more visible giving to NGOs is reflected—and magnified—in the giving patterns of overseas Pakistanis. Importantly, prosperous American Pakistanis have begun to utilize two modern philanthropic instruments: personal foundations, and funding organizations. Thousands of Pakistanis have set up tax-exempt personal foundations to channel their giving to organizations (S. J. Burki, personal

communication, November 2, 2007). Safi Qureshi Foundation, set up by a founder of AST Computers in Pakistan and in the United States, is a prominent foundation example. Development in Literacy, conceived and managed in the United States, is an example of an organization established to finance other development initiatives.

There are additional signs of a shift toward more informed philanthropy. The share of overseas funds raised by a few prominent NGOs, already substantial, is rising. The Citizens Foundation (see case study in Appendix), an NGO providing education to the poor, raised more than 40% of its growing annual revenues from overseas Pakistanis (A.A. Saeed, personal communication, August 2007). The Shaukat Khanum Cancer Hospital, led by the prominent cricket hero Imran Khan, also raised an average of 30% of its total funds from overseas over the last five years (A. Tariq, Marketing Manager, personal communication, August 2007). The Edhi Trust collects some 10% of its huge annual funds from overseas Pakistanis (Edhi Foundation, n.d.). These successes are leading many other NGOs to set up international chapters to facilitate fund-raising.

#### *Drivers of Change*

What explains this slow but sure shift towards strategic philanthropy? Change of attitudes and giving habits in Pakistan, summarized above, explain part of the phenomenon. Yet there are other factors that influence the giving patterns of the Pakistani diaspora.

First, overseas Pakistanis in general are more educated, more aware, and more



affluent—especially in the case of U.S. Pakistanis—than Pakistanis back home. They are therefore more likely to adopt more modern approaches to their giving. Furthermore, the educated diaspora, especially in the United States, the United Kingdom, and other parts of Europe, have seen the role of strategic philanthropy in these societies. Those with high levels of education are also likely to adopt more liberal interpretations of Zakat, sadaka and alms giving. This paves the way for increasing the impact of this great source of philanthropy in Muslim societies.

Second, the first generation of emigrant Pakistanis, who arrived in the United Kingdom and the United States in the 1960s, is now retiring. It has the disposable income, the assets, the social prominence, and the time to invest in charitable activities. Some Pakistani businessmen in the Middle East, especially in the United Arab Emirates, have also become extremely rich and are increasingly interested in contributing towards development and social causes in Pakistan. Some, like Chaudhary Sarwar, a member of the British Parliament, are not only wealthy but also influential. Their prominence within host countries helps to raise additional funds from a broader public.

Third, alumni of several prominent institutions—especially medical colleges—having left Pakistan beginning in the 1970s, have also reached a stage in their careers where they can use their financial resources and contacts to mobilize funds for their alma mater and other related social causes. Successful efforts by various graduating classes of the elite Dow Medical College in Karachi to renovate the Civil Hospital Karachi, that

mainly serves the poor, are a case in point. Though these were mainly indigenous efforts, overseas alumni participated actively. Overseas alumni of the prestigious King Edward Medical College in Lahore, the alma mater of a large number of Pakistani doctors in the United States, have set up scholarship funds and contributed equipment and technical advice to parent hospitals.

Fourth, the increasing maturity and reach of professional associations, especially in the United States, have also contributed to an increase in strategic philanthropy. The Association of Physicians of Pakistani Descent in North America (APNAA), the most prominent of these organizations, boasts some 10,000 members. Among other efforts, it has spawned an organization supporting health and education initiatives in rural areas of Pakistan. These professional associations and their progeny are becoming key platforms for aggregation, organization, and distribution of philanthropic resources.

Fifth, long-time residents are less likely to personally know the poor in Pakistan, and they also slowly lose touch with friends and relatives that could help to distribute charity to the poor. As such, these individuals are more likely to give to organizations.

Sixth, the changing composition of remittances to Pakistan also influences the nature of philanthropy. Saudi Arabia, once the dominant source of remittances, has slowly lost ground to the United States. Since NGOs are not allowed to actively raise funds in Saudi Arabia, the growing size of remittances from the United States represents greater opportunities for organized fund-raising.

Finally, the debate on security, integration, and migration following the 9/11 World Trade Center attacks in New York, wars in Afghanistan and Iraq, and the 7/7 train and bus bombings in London affects philanthropy, along with every other facet of Muslim life in the West. According to Najam (2005), increasingly cautious Pakistanis, eager to avoid the possibility of investigations by U.S. security apparatus, are more likely to give through organized means to well-known charities. At the same time, second-generation Pakistanis in the United States have been forced to confront questions of identity. Some of this questioning is likely to lead to more social engagement with the “motherland.”

#### *Impact and Effectiveness*

While there is no doubt that remittances have had a powerful effect on economic development of the country, the impact of diaspora philanthropy is harder to judge. Hard figures are unavailable. No institutional mechanisms record charitable flows. The impact of indirect giving—relatives helping relatives to give onwards to a certain person or cause—cannot be captured. Moreover, Pakistan faces immense social development and governance challenges. Even far more generous philanthropic efforts would still be a drop in the bucket, with limited visible or measurable impact. Nevertheless, several observations relevant to the impact of diaspora philanthropy can be noted.

#### *Significant volume*

The amount of diaspora philanthropy is substantial. Burki estimated that the actual

number must be higher than the US\$150 million estimated by Najam (2005), given the new trend by prosperous Pakistanis of setting up personal foundations with substantial assets (S. J. Burki, personal communication, November 2, 2007). Taking numbers provided by Najam as a conservative estimate, we can deduce, again conservatively, that Pakistanis in the United Kingdom, Europe, and Canada also give a similar amount and that Pakistani in the Middle East give half such an amount every year. This would add up to US\$250 million of philanthropy directed to Pakistan annually. Compared with AKDN (2000) estimates of US\$700 million of indigenous philanthropy in cash and kind, these numbers—even when allowances are made for these extremely broad inferences—are substantial.

Another study appears to substantiate the assertion that overseas philanthropy contributes substantially to Pakistan’s not-for-profit sector. Johns Hopkins University found that contributions from overseas individuals accounted for 0.59% (US\$16 million) of the sector’s total estimated annual funds of \$300 million (Pasha, 2002). This figure also includes giving by non-Pakistani individuals but that number is likely to be small. On balance, this estimate also probably underreports the real diaspora contribution.

#### *Individual and institutional giving*

The strategic impact of diaspora giving is limited by the propensity to give to individuals rather than to institutions. Even within the share of institutional giving, development organizations receive a



relatively small fraction of the funds with the bulk of giving supporting mosques and related places of worship. Prominent anthropologist Akbar S. Ahmed noted that “almost the first investments the younger Pakhtuns, earning money from especially the Gulf states, make is in a new cement mosque” (Ahmed, 1984, as cited in Addleton, 1992). Chaudhary Riaz, a businessman from the labor exporting rural Kharian region of Gujrat, noted that “almost all mosques in my home village of Bangial and surrounding villages are fully air-conditioned and carpeted” (Ch. Riaz, personal communication, November 2007). This investment in collective goods is not surprising, since it “closely follows cultural norms and patterns already in place in rural Pakistan” (Addleton, 1992, p.154). Christians from rural Punjab, flush with cash, also heavily invest in the building of churches. (Addleton, 1992, p.154)

After giving to individuals and to places of worship, only a fraction of diaspora philanthropy supports social development and welfare organizations. There are four main parts of this fraction. The major portion sponsors madrasas. The second part finances professional and other community organizations overseas, which though not directly connected with Pakistani development are extremely important instruments of community identity and organization and thus affect practices of philanthropy. A third portion supports social development through hometown engagements, and a fourth portion supports secular organizations and NGOs. A discussion of the impact of strategic diaspora philanthropy has to focus on these four distinct strands.

### 1. Diaspora Funding of Madrasas: The Controversy

Large-scale sponsorship of madrasas has been the single most important—and controversial—role of diaspora philanthropy. These religious seminaries, providing mostly free instruction, accommodation, and meals to poorer students, are a major part of the Pakistani organized charitable sector. Their actual numbers are subject to much debate. A Johns Hopkins study (2002a) estimated that variants of these institutions constitute some 45% of the organized not-for-profit sector in the country. International Crisis Group (2002) estimated, based on a World Bank study, that half a million children attend more than 20,000 such schools. Candland (2005) surveyed the range of data available and estimated that madrasas educate some two million students.

Numbering only a few dozen in 1947, madrasas slowly gathered strength through the 1970s. Their numbers exploded in the 1980s when these were sponsored, mainly by Saudi Arabia with support of the-then military-led Government of Pakistan, to counter the 1979 Soviet occupation of Afghanistan (International Crisis Group, 2002). According to Candland (2005), the United States Government, among others, delivered hundreds of millions of dollars of weapons into Pakistan, much of it through madrasas, using their students to fight a proxy war in Afghanistan. Madrasas have continued to grow ever since, contributing massively, according to most observers, to the growing militancy and polarization of Pakistani society. Relatively recently, madrasas have been linked with abetting terrorism.

Madrasas are the main vehicle through which overseas Pakistanis, mainly the millions in Middle East and the relatively uneducated in Europe, have invested in social change in their communities of origin. Mainly reliant on foreign and Pakistani state support in the beginning, these institutions now chiefly depend on Pakistani philanthropy. According to International Crisis Group (2002, p.15), “Indigenous madrasas have ... become part of a global financing network. Private charities collect alms (including Zakat) from overseas Pakistanis in the Gulf, Britain and North America.” Anecdotal evidence, circumstantial data, and discussions with madrasa leaders and officials in the Gujrat district substantiate the argument that expatriate funds contribute substantially to the construction and the operation of several dozen small and large madrasas in the district. Similar patterns are likely to apply to other labor-exporting districts.

Despite the debate and the controversy about the role of madrasas in breeding terrorism and intolerance, it is also widely recognized that most madrasas are peaceful, performing much-needed social functions. They provide education, especially literacy training, to tens of thousands of poor students who may not otherwise attend a school—clearly a worthy recipient of philanthropy. “Generally.....madaris, are institutions of caretaking and education. Most have done a remarkable job of caring for and educating a large population whose basic needs have been entirely neglected by the state” (Candland, 2005, p, 154)

## 2. Community and cultural organizations

Diaspora philanthropy has contributed, through overseas professional and community organizations, to foster identity and pride among the Pakistani community. The APPNAA and the Association of Pakistani Scientists and Engineers in North America are two prominent examples of professional organizations that have spawned charitable organizations. Involvement in such activities by the younger generation also helps develop their interest in Pakistan and therefore the possibility of more philanthropy. Increasing interest in better use of philanthropy and more funds, as shown through Development in Literacy, also means that better and more effective channels for giving are being investigated.

## 3. Engagement with home communities

There is promising evidence that Pakistanis are slowly becoming more actively engaged with the social and economic well-being of their home communities. The Pakistan International Foundation exemplifies an effort to forge effective partnerships. Registered as a charity in 1999 in Glasgow by Chaudhary Sarwar, a Glasgow-based Member of the Parliament, and Mahmood Hassan, another overseas Pakistani, it aims “to bring desperately needed healthcare and education facilities to the people in Pakistan”. The Foundation has built its first hospital in the rural town of Rajana, in a district with substantial emigration to the United Kingdom and the United States. In its first two years, some 75,000 patients were treated in the hospital’s first-rate cura-



tive facilities. The annual cost of running the hospital, approximately £150,000, is being raised from donations from U.K.-based Pakistanis.

In other cases, partnerships are being forged with local governments. The Bestway Foundation, founded in 1997 by the U.K.-based Pakistani tycoon, Sir Anwar Pervaiz, works with the District Government Rawalpindi to upgrade physical facilities, train teachers, and improve management in 29 schools around Pervaiz's home village, Thathli. A modern secondary school for girls and boys is close to completion. Scholarships enable promising students to attend institutions of higher learning. The Foundation also leverages its contributions through a local government program, Citizens Community Boards, through which the government provides 80% of funds for small development projects if the community offers 20% in cash (Bestway Group, n.d.)

Many other diaspora members are engaging with their communities on a smaller scale. For example, Pakistanis in Lancashire (the United Kingdom) have provided furniture and computers to schools in their home region of Gujrat. There are likely myriad such contributions that remain undocumented.

#### 4. Support for NGOs

Substantial funding for many prominent Pakistani NGOs comes from the diaspora. The impact of these NGOs—fostering hope, creating trust, leading innovations, providing basic social services, and encouraging changes in giving patterns—is also the impact of diaspora philanthropy.

This is the most important and strategic strand of philanthropy of overseas Pakistanis. Consider the following examples:

- The Edhi Trust, the most well-known and well-supported organization among overseas Pakistanis, receives some 10% of its large annual funds from overseas. With the largest fleet of ambulances in the world, it has helped millions of victims of ethnic violence, disasters, accidents, or plain sickness. More importantly, it has provided Pakistanis self-belief and hope through its example of idealism, selflessness, and tolerance. “My religion is humanity,” says Abdul Sattar Edhi, the legendary founder of the Trust (Belt, 2007).
- The Shaukat Khanum Memorial Trust, banking on the popularity of its cricket star founder, Imran Khan, raises 30% percent of its revenues from overseas Pakistanis. It has treated tens of thousands of poor cancer patients in its modern facilities in Lahore. More importantly, it symbolizes hope for the poor that cancer and other illnesses need not be fatal—physically or financially.
- The Citizens Foundation (TCF), a leading Pakistani not-for-profit, was established in 1995 to take poor children “off the streets and into schools, ensure that they stay in schools, and are equipped with basic tools they need to succeed in life.” (The Citizens Foundation, 2006). By 2006, TCF supported more than 300 schools with over 38,000 students in 42 locations in the poorest urban slums and far-flung villages of Pakistan. Some 50% of funds

raised last year were from outside Pakistan, primarily from the diaspora (A.A. Saeed, Head Resource Mobilization Department, personal communication, August 2007).

- The National Commission of Human Development, founded by Dr. Nasim Ashraf, a doctor who returned from the United States following his increasing social development engagements back home, has established education, health, literacy, and other human development services in most districts of the country. A volunteer team of young expatriate Pakistanis from the United States laid out its designs. The Human Development Fund, its fund-raising arm, was financed initially by US\$ 2.5 million from local and expatriate Pakistanis.
- Development in Literacy (DIL), based in California, disbursed more than US\$250,000 to self-run schools and other organizations in Pakistan. Some 13,000 students are enrolled in DIL-funded schools.
- Sahara for Life Trust, founded by Abrar-ul-Haq, a wildly popular organization among young overseas Pakistanis, raises revenues from across the world to finance a high-quality hospital in Hafizabad district in the hinterland of Punjab. It plans to build more hospitals with funds to be raised from “all corners of the world.”
- Layton Rehmatullah Benevolent Trust, with three overseas chapters in Dubai, the United Kingdom, and the United States, focuses on ailments of the eye. Every year, it treats more than a million patients in its 14 hospitals and 27 clin-

ics across the country. All treatment is free.

- Al-Shifa Eye Trust, with five large hospitals in the four provinces, is another organization focusing on sight that raises a substantial percentage of its funds from overseas Pakistanis. It has treated millions of patients since 1985. The Trust also focuses on capacity-building in ophthalmology with its state-of-the-art training facilities. The fact that incidence of blindness has come down by 40% in Pakistan since 1989 is in part due to the efforts of these vital organizations and the philanthropy that supports them.

Through aggressive mass-media advertising, these NGOs and many others are also changing the traditional concept of philanthropy. Zakat used to be reserved for direct payment in cash to the needy, according to most interpretations of the concept. By aggressively pursuing Zakat funds in their annual campaigns during Ramadan, their most important fund-raising month, these NGOs are changing the way Pakistanis and their brothers overseas think about Zakat—persuading them that a contribution to a highly effective organization might have more of an impact than traditional alms-giving.

### *Organizing Change*

Recognizing the promise and potential of Pakistani philanthropy, including diaspora philanthropy, the Pakistani Centre for Philanthropy (PCP) was established in 2001. It is the only organization, in Pakistan or overseas, that aims to facilitate local and diaspora philanthropy by providing



information, publishing research, and promoting collaboration between stakeholders. PCP has already established several strategic initiatives:

- A certification program identifies and certifies NGOs that are transparent and effective. To date it has evaluated 126 NGOs, certified 84, and published a directory, Gateway to Giving, showcasing these organizations.
- A public-private partnership program brings corporate philanthropy to public sector rural schools and has helped strengthen the regulatory environment for philanthropic contributions to schools. The government of Faisalabad district, where many such activities are concentrated, is now creating a Development Trust to be led by local philanthropists that could adopt district social sector facilities. This model could provide an important vehicle for diaspora philanthropic relationships with local government.
- A corporate philanthropy award program to identify best practice, promote competition, and recognize top achievers.
- The first major study of U.S. Pakistani diaspora philanthropy, providing valuable insights into their giving patterns and ways to promote more effective giving.
- In partnership with the Asia Foundation, PCP launched a program to help international donors identify credible not-for-profit partners during the massive rehabilitation work following the earthquake disaster.

PCP is currently developing an ambitious philanthropy portal for diaspora and other international grant-makers to contribute to not-for-profit work in Pakistan. It will establish links with existing major portals such as GlobalGiving and Give2Asia and international philanthropy resource centers such as GuideStar; identify “friends of PCP” among the diaspora communities to act as ambassadors and market the portal; and establish online linkages with diaspora associations such as students’ associations and professional associations.

## The Policy and Regulatory Environment

### *Philanthropy and the State*

Philanthropy as an institution caught the government’s attention in the mid-1980s, when the government introduced compulsory Zakat deductions. These funds, totaling US\$4 billion in 1997-98 for example, were to be spent by the state on the welfare of the indigent. Most observers believe that this coercive deduction badly damaged the voluntary spirit of Zakat. The corruption of the state delivery mechanism further eroded credibility. Consequently, most coercive measures have been reversed and greater flexibility has been introduced. Though the state Zakat machinery still functions, the institutional role of the state in the organization and promotion of philanthropy, if any, is mostly indirect.

No major measure, project, or ministry, aimed exclusively at diaspora philanthropy has been introduced. Pakistani leaders traveling to other countries invariably meet

prominent diaspora Pakistanis during state tours and ask for more help in lobbying to their host government and for more remittances through investment. The government has also appealed to the patriotic impulses of overseas Pakistanis on a couple of occasions, such as for debt relief, disaster relief funds, and, most prominently, the October 2005 Earthquake Relief Fund.

The 2000 AKDN report on indigenous philanthropy put the issue on the agenda again. The Poverty Reduction Strategy Paper mentioned the mobilization of philanthropy as a state objective. A major government-sponsored policy reform effort to review and improve the legal and fiscal environment of not-for-profits and philanthropy was launched in 2003; this resulted in the introduction of PCP's not-for-profit certification system, described above (Pakistan Centre for Philanthropy, 2003).

### *The Legal Regime*

After the disastrous incursion into Zakat of the mid-1980s, the regulatory environment governing philanthropy, if not necessarily facilitating, has now been less intrusive and controlling. Government has, in the main, helped to foster organized philanthropy, including diaspora giving, by staying away. This default situation can therefore be—however grudgingly—called “enabling”, as defined by legal expert Sidel (2007).

The not-for-profit law regime exemplifies such “benign inefficiency.” Two major not-for-profit registration laws, the Societies Registration Act and the Trust Act, do not require reporting and auditing of funds received from non-religious

organizations. The third major registration law, the Voluntary Social Welfare Agencies Ordinance, requires reporting and auditing but its requirements can be (and are) easily ignored without fear of any repercussions. Companies Ordinances requires rigorous reporting but a very small number of organizations are registered under this law.

Fund-raising through the mass media, door-to-door, or on the streets is easy. The Charitable Funds Regulation of Collection Act ostensibly regulates public fund-raising but is rarely implemented or obeyed. Generous financial incentives are available in income tax and customs laws (Pakistan Centre for Philanthropy, 2003; Ismail, 2003). There is no law requiring reporting or channeling of overseas donations. Unofficial channels of remittances, and increasingly formal channels, are financially attractive and easily available.

### *Reform Efforts*

In the mid-1990s there were some attempts to revamp this liberal regime with greater restrictions on the receipt of funds, especially foreign funds, and stricter requirements of financial reporting. Seen as discriminatory targeting of selective organizations, especially the rights-based NGOs mainly funded by international organizations and governments, the proposed new laws were successfully resisted. A coalition of NGOs, named the Pakistan NGO Forum, proposed two reforms in return. One was an NGO bill that sought to further liberalize the regime. Another was a self-regulating Code of Conduct. The first was not acceptable to government. The second did not require any approval other



than from NGOs themselves, and it has had limited, if any, impact in introducing greater voluntary financial reporting (Pakistan Centre for Philanthropy, 2002; Ismail, 2003). Therefore, the same open regime continues to apply.

Efforts also have been underway, following considerable international pressure, to regulate the unofficial channels of funds transfers. International Crisis Group (2002, p.iii) recommended that G-8 countries “implement fully the eight special anti-terrorism financing recommendations of the Intergovernmental Financial Task Force (FATF) on Money Laundering and urge Pakistan to adopt legislation that meets these standards.” More intensive regulation of not-for-profit organizations is one of the eight special anti-terrorism recommendations of FATF. (Organization for Economic Cooperation and Development, n.d.). Security Council Resolution 1373 also required Pakistan to amend its banking laws to conform to FATF recommendations (International Crisis Group, 2002).

An Anti-money Laundering Ordinance was finally promulgated in August 2007. It grants new specialized agency-wide powers to investigate any suspicious financial transaction. It is difficult to assess the impact of this intrusive (though much-needed) law on legitimate diaspora philanthropy, but it is possible that the threat of state invasiveness will dent giving to Pakistani organizations (Jaffer, M., personal communication, September 2007). It is especially likely to reduce giving to faith-based charities, madrasas in particular, however benign they may be.

### *The Challenges*

Benign regulatory inefficiency, though better than malevolent intrusiveness, also means that major challenges need to be overcome to increase the effectiveness of indigenous philanthropy. The lack of periodic reporting means that there is little credible information about the nature, size, and scope of the sector, thereby presenting challenges for development planning. It is well-known that some indigenous and diaspora philanthropy has been used to finance religious militancy, mainly through madrasas. Following widespread international pressure, amendments were introduced in the Societies Registration Act in 2004 requiring all madrasas to register with the government, report sources of funds, and submit audited utilization reports; however, there has been little compliance. Both madrasas and human rights NGOs have become so used to complete freedom from any state oversight that any effort to introduce measures of reporting and disclosure is strongly resisted. Most importantly, the absence of sector-wide transparency makes it difficult to persuade the ordinary man to give strategically. The unfortunate reality is that a Pakistani on the street, in Lahore, or in London, widely distrusts NGOs.

### **Towards More Strategic Diaspora Philanthropy**

To become a true agent of social change, diaspora philanthropy must overcome many challenges. In addition to the limitations imposed by the regulatory environment, strategic giving confronts

cultural and demographic obstacles, as well as concerns regarding its equitable distribution and impact.

As noted several times in this study, the vast majority of diaspora giving goes to individuals for charity relief rather than to institutions for systemic social change. This manner of giving is deeply rooted in religious and culture traditions of Pakistanis. As demonstrated by many Pakistanis in the United States, this practice can change with education, greater income, and exposure to new practices and ideas. Nevertheless, many Pakistanis, even educated ones, remain uncomfortable with “institutionalized charity.” Masood (2006) reported that “Most ordinary Muslims in Britain are not at all used to the idea of the modern, professional charity and its relatively arms-length relationship with its donor base. In addition, the idea that their hard-earned donation will be used to recruit lobbyists, researchers and press officers in London (as opposed to directly helping the poor in Muslim countries) is not altogether a welcome one for many.”

Demographic features of the diaspora and of communities of origin present another set of challenges. The largest Pakistani diaspora resides in Saudi Arabia, where organized civic activity and outdoor fundraising are not allowed. Mobilization of diaspora philanthropy, therefore, becomes very difficult. In addition, the vast majority of Pakistanis migrate from rural areas; in many labor-exporting villages few young men are left in the communities. “Almost all have either gone overseas or to the cities,” according to Chaudhary Riaz. “There is lots of potential for more and better giv-

ing but the problem is that there is no one left in the village to mobilize this asset.” In the absence of any credible alternative, the default recipients—mosques and graveyards etc—get more and more funds (Ch. Riaz, personal communication, November 2007).

The current identity debate, especially among second-generation Pakistanis, is also likely to present challenges to diaspora philanthropy. The tragic incidents of 9/11 and 7/7 and their after effects have deepened the debate on issues of identity and integration of Pakistanis in the Americas and Europe. Some may want to disassociate themselves from Pakistan and turn towards their new country. Others may begin to identify themselves with the wider Muslim world rather than with Pakistan. Charitable contributions of these groups are less likely to focus on Pakistan.

Even with strategic philanthropy, equity remains an entrenched challenge. The great majority of labor-exporting districts in the Punjab are already relatively better off. Indeed, none of the 15 least developed of 35 districts are known to have exported substantial manpower. Philanthropic interest in communities of origin is likely to worsen, however slightly, this inequity among communities. In addition, diaspora giving is not likely to proportionately benefit rural Sindh and Balochistan, the two poorest regions of Pakistan that also have not contributed substantially to migration.

While the challenges to strategic philanthropy are substantial, they are not insurmountable. What can be done to harvest this resource? The following provides some preliminary recommendations for actions



to be taken by not-for-profit organizations, diaspora organizations, not-for-profit support organizations, and government.

#### *Not-for-Profit Organizations*

Najam (2005) recommended several measures to enable not-for-profits to gain more from U.S. Pakistani philanthropy. These suggestions are well-known best practices and could easily apply to the Pakistani diaspora in many other countries as well. Not-for-profits should:

- Establish trust. With the notable exceptions of a few major organizations, most not-for-profits face a major credibility challenge, the biggest challenge impeding not-for-profit fund-raising overseas (and in Pakistan). NGOs need to focus on communicating the “difference they have already made” and not merely plans for future activities. Another way to cure the trust deficit, according to Najam, is to “acquire as many types of outside certifications of their impact and influence as they can.” Registering as a U.S. not-for-profit sends a signal that organization is credible. Most importantly, not-for-profits must also develop credibility within Pakistan. The more funds raised in the country, reported Najam, the easier it is for an organization to receive funds for the diaspora audience.
- Learn the art of modern fund-raising. According to Najam, using credit cards for philanthropic contributions provides two main benefits: it allows donors to maintain records of their giving (important after 9/11), and facilitates spur-of-the-moment giving, especially

giving of small amounts. Najam also recommended that Pakistani not-for-profits ask, ask gently and ask a lot—as do their U.S. counterparts. Further, appeals could be targeted more directly to diaspora donors. TCF, for example, quotes its range of giving products—from sponsoring a child to naming a school after a major donor—in dollars.

- Target the small giver through professional marketing. Pakistani not-for-profits have mainly focused on the high-end giver who can be tapped with personal connections or through small, high-profile fund-raising events. Not-for-profits could additionally aim at the retail market. This would involve a much more professional approach to marketing involving databases, advertising campaigns, and other standard fund-raising activities.

#### *Diaspora Organizations*

Diaspora community and professional organizations, of all purposes and all sizes, are critical for the promotion of diaspora philanthropy. They are the main platforms through which Pakistani not-for-profits, intermediary organizations, and government can interact with the community. To expand diaspora philanthropy, they should:

- Expand dialogue with the second generation. If an emotional link with Pakistan is not nurtured through language, culture, custom, tradition, and travel, the bond of the second generation with the homeland shall become much weaker, limiting giving.

- Expand lobbying activities to increase donor interest in Pakistan. Pakistanis in the United Kingdom have successfully lobbied to the U.K. government, according to Chaudhary Sarwar, to massively expand development funding to assist Pakistan in the global war against terror through anti-poverty efforts (Ch. Sarwar, personal communication, February 2008). These bilateral funds are not exactly diaspora philanthropy. However, the time and energy spent on lobbying by prominent Pakistanis clearly is. With a huge multiplier effect, this is a very effective form of diaspora philanthropy.

#### *Intermediary Organizations*

The role of intermediary or facilitation organizations, such as the Pakistan Centre for Philanthropy, is critical because they can help to bridge the credibility and information gap between donors and not-for-profits. They should:

- Promote certification and quality control efforts. Ongoing certification of not-for-profits is an important first step. This important measure, however, needs to be constantly examined to ensure that it meets the (exacting) expectations of its main customer, the individual donor in Pakistan and overseas.
- Market the certified not-for-profits among donors with dissemination of information, mass publicity campaigns, and pooled funding drives (Pakistan Centre for Philanthropy, 2006). These steps are integral to bridge credibility and information gaps. Presently, this is

an unaddressed area, making the certification program less useful for both the organizations and the donors.

- Initiate pilot projects in communities of origin to mobilize and organize philanthropy. District development trusts that promote public private partnerships, like the one in the Faisalabad district, could be extremely credible receiving mechanisms for diaspora philanthropy. Citizen Community Boards allows local governments to match contributions of 20% for any local development project with 80% government funds. This is an important incentive that needs to be promoted and disseminated among the diaspora.
- Increase visibility through national mass media campaigns and public service advertisements. Most diaspora philanthropy is channeled through relatives and friends at home. Even if it is not, opinions of these gatekeepers on giving decisions are important. These opinions can be influenced through effective communication campaigns that stimulate thinking about charitable contributions affecting sustainable social change.

#### *Government*

Government can—and must—play a leading role in the promotion of diaspora philanthropy by establishing an enabling environment. At the same time, it should avoid the use of the “patriotism card” because it will have limited impact (S. J. Burki, personal communication, November 2, 2007). Government should:



- Assist not-for-profits with funds and technical assistance to help achieve international levels of professional management and operations. For example, the government could consider paying overhead costs that Pakistani donors are reluctant to support. It could help NGOs improve their marketing through technical assistance. A government-assisted volunteer-exchange program with NGOs abroad could also be an effective training and acculturation tool.
- Mobilize and educate donors. Government could recognize individual and corporate philanthropy from overseas through appreciation letters, special privileges, and awards. It could organize regional donor conferences. It could launch or support awareness campaigns about successful government- or NGO-related social development projects. An International Crisis Group (2002, p.iii) report recommended that G-8 countries “launch, with the help of domestic Islamic organizations, a public awareness campaign to dissuade expatriate Muslims from funding jihadi madrasas.”
- Improve the regulation of philanthropy. Government policies should reflect an understanding that civil society has a key role to play in social services, social change, and social development. Existing non-intrusive policies should continue, with increased efforts to mitigate some of their negative effects. Powers of scrutiny of bank records under the new anti-money laundering ordinance, for example, need to be exercised with due caution to avoid scaring away legitimate donations to legitimate causes. Tax benefits should be available to all organizations that meet the minimum criteria of transparency, international governance, and program effectiveness. Forming, registering, and dissolving organizations should be made easier.
- Promote and support public-private partnerships. This would provide more opportunities for local state social delivery organizations to partner with NGOs and philanthropists. Such partnerships are likely to have greater social impact with relatively less cost. The Government of Punjab, for example, is enacting a new law to facilitate such partnerships. Districts with large diaspora populations—including Gujrat, Jhelum, Toba Tek Singh, Newshehra, Kohat, and others—must plan to attract diaspora philanthropy through such mechanisms.
- Deepen ongoing madrasas reforms. These efforts, if successful, could greatly influence the impact of the philanthropy that supports them. Attempts to widen their curriculum from traditional rote doctrinal learning to include science and English, for example, will help improve the exposure and the employability of its graduates, thus minimizing the negative outcomes of madrasas while safeguarding their positive contributions.
- Promote tourism and student and professional exchanges. Such measures, according to Chaudhary Sarwar, would help to foster and maintain the emotional link of the second generation

of Pakistanis with the home of their parents (Sarwar, Ch, personal communication, February 2008).

- Create an enabling business and governance environment for all kinds of activities—whether for-profit or not-for-profit. This efficient, transparent space is critical to attract economic or social investments. Issues related to trust and information are intrinsically linked with this wider—and more challenging—issue.
- Create hope and optimism for the future of Pakistan. This is a fundamental necessity if the diaspora, especially the second generation, is to be engaged with the country's development. The late 2007 spate of news—increases in militancy, the imposition of extra-constitutional measures, the consequent muzzling of the press and civil society, and the assassination of a national leader—were exactly the kind that could challenge the diaspora's love for their homeland. Fortunately, the early 2008 news events—free elections and the success of democratic liberal forces—are exactly the kind that could ignite interest, hope, enthusiasm, and philanthropy.

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## Notes

- 1 *Zakat* is one of the five pillars of Islam. Muslims are required to annually give out 2.5% of all wealth above a certain level to defined purposes. *Fitrana* is a per-capita donation that all Muslims with means give on Eid to celebrate the end of the holy month of fasting. *Qurbani* is the portion of meat given to the poor and the needy on the second Eid. *Sadaka* is a donation, in cash or in kind, given mainly to express repentance or to expiate guilt. *Kaffara* is also a form of expiation of violating and Islamic injunction *Wakf* is the creation of trust with endowed property or other means of income for charitable purposes.
- 2 The terms “NGO”, “not-for-profit”, and “charitable organization” are used interchangeably.

## Appendix

### Case Studies in Diaspora Philanthropy

#### The Citizens Foundation

Pakistan ranks at the bottom 20% of the United Nations Human Development Index. Predictably, poor education contributes massively to this low status. Sixty million of Pakistan's 155 million people are school-age children. Sixty percent of these children are not enrolled in any school—whether public, not-for-profit, or private. Without quality, affordable education, Pakistan's children are doomed to a life of ignorance and exclusion.

The Citizens Foundation (TCF), established in 1995, aims to get poor Pakistani children “off the streets and into schools, ensure that they stay in schools, and are equipped with basic tools they need to succeed in life.” The dream is to “turn back the tide of poverty, illiteracy, intolerance and despondency” (The Citizens Foundation, 2006).

#### *Rapid Growth*

In its first year of operation, TCF had five schools with 800 students. In 2007, there were 455 schools—343 primary and 112 secondary—with over 55,000 students in 56 locations in the poorest urban slums and far-flung villages across Pakistan. A new school was added every four days in 2007. Presently, more than 3,000 teachers are employed. More than 50% of the students, both at the primary and the secondary levels, are girls. Some 700 more schools are planned over the next seven years—a

hundred every year—to provide education for a total of 360,000 students. Responding to the October 2005 earthquake, TCF set up a separate relief fund and used its fund-raising networks and professional management to aid some 50,000 victims with basic necessities, field hospitals, and livelihood training programs. Twenty-two schools are being opened this year in affected areas (TCF, 2006).

All TCF schools are purpose-built with a separate administrative block, six to 10 airy classrooms, a library, and an art room. Secondary schools have modern science and computer laboratories. Every school has toilets, running water, and electricity. The curriculum is modern and teachers are well-trained. To ensure that children are not abandoned to the inefficient vagaries of government schools after completion of primary education, a secondary school is built to cater to a cluster of primary schools.

Up to 95% of school fees is subsidized depending upon family income. This ability-to-pay model does not come close to covering the costs of building or running a school. A typical primary school needs US\$110,000 for construction and US\$ 15,500 for annual operation. To help cover expenses, TCF relies on philanthropic contributions. In 2001, the organization raised US\$2 million. In 2006, contributions reached nearly US\$10 million. With rapid expansion, construction and operating expenses are becoming a big challenge.



### *Fund-raising*

TCF's leadership is primarily from the corporate sector. To date, funds have mostly been raised through the personal contacts—and the credibility—of the board members. Several “products” are offered, including the naming of a new school after large benefactors. Most fund-raising is aimed at the wealthy, with whom the potential for large donations is obviously greatest. The “retail market” is not being targeted aggressively except with the Ramadan campaigns. Part of the reason is that, unlike some other Pakistani not-for-profits identified with well-known sports or music personalities, TCF is not very well-known among ordinary Pakistanis overseas (A.A. Saeed, Head Resource Mobilization Department, personal communication, August 2007)

Overseas Pakistanis have been a major source of support for TCF. Some 50% of funds raised last year were from outside Pakistan. The United Kingdom is the biggest source of contributions (12%), followed closely by the United Arab Emirates and the United States. The remaining funds are raised from other countries in Europe with some small support from the Pakistani population. Six TCF chapters have been established overseas; all are manned by volunteers.

TCF is an important case study for the strategic use of diaspora philanthropy for several reasons. First, TCF has a simple appeal. It fills an extremely important gap in education for the poor, especially girls. Also, it demonstrates that quality, not mere access, is the key determinant to ensure a decrease in drop-out rates and to provide the poor with well-defined avenues out

of poverty. Its growth has been rapid and its presence is significant—55,000 kids in schools in 2007. Increasingly, graduating girls are returning to work as teachers. Many other students have become professionals. One recent graduate topped a competitive examination.

Second, its mission for tolerance appeals to the diaspora. TCF sees quality education as a means to “bring out tolerance of diversity and help achieve much-needed harmony” and “raise citizens, equipped with knowledge and literary skills, with high moral groundings and the confidence to live by them”. This mission—in deep contrast to the increasing militancy of some of the madrasas—stands out as vital to the highly educated part of the diaspora.

Third, TCF's governance and management structure is an example to many. TCF aims to use its professionalism as a differential advantage. It has subjected itself to rating by JCR-VIS, a major credit rating agency, and the Pakistan Centre for Philanthropy. Donors are always welcome to visit the schools.

Fourth, its wide network of volunteers and affiliate fund-raising arms across major diaspora centers make it an important model for leveraging diaspora philanthropy. Its past reliance on overseas Pakistanis as source of funds and its future plans for more intensive branding and marketing among diaspora make it a particularly important case study. The challenge of raising resources from overseas Pakistanis was explored in a September 2007 conference of all overseas chapters. The following decisions, all ideas that can be emulated by any other organization aiming to market

itself in the diaspora market, were made (A.A. Saeed, Head Resource Mobilization Department, personal communication, February 2008):

- Chapters supported a Global Marketing Plan to be developed with help of a professional agency/consultant and committed US\$ 10,000 each as seed money;
- Chapters were to use software already used by USA Chapter to analyze donor and financial data;
- Each Global Chapter was to have a national office with suitable infrastructure and professional staff;
- Each Chapter was to have its own email domain (e.g. tcfusa.org) for professional branding of the TCF organization, globally;
- Chapter officers, key volunteers, and employees were to have email addresses from their TCF Chapter domain;
- Chapters agreed to develop other support groups and chapters in each region/country:
- Chapters were to share guidelines and policies for volunteers, support groups/chapters, employment policies;
- Chapters were to encourage cross-fertilization of ideas through the sharing of resources—such as presentation and proposal templates, marketing collaterals (pictures, videos, newsletters, giveaways, ideas for fund-raising events, etc.);
- Effort should be made to encourage the addition of youth groups for leadership development, sustainability, and succession planning within the organization;

- Possible ways of donor recognition were to be discussed and deliberated on TCF Global Chapters Yahoo Group, with each chapter deciding its own strategy to recognize supporters;
- Key Supporters who have migrated or moved away from TCF activity should be recognized by the Board as “TCF Ambassadors.” Efforts should be made to keep “Ambassadors” engaged in TCF activities, and their expertise and mentorship utilized;
- Efforts should be made to convert TCF Earthquake Relief donors to education donors.

### **Pakistan International Foundation**

District Toba Tek Singh in Punjab, with a population 1.91 million, has fertile land irrigated by canals from the River Chenab. However, social sector indicators for the region are poor. The malnutrition rate is 36% and illiteracy rate is 40%. The average per capita monthly income is only about US\$200 per month. Most farmers have small land holdings and, other than subsistence agriculture, there are no job opportunities. A small fraction of households have, however, one major supplement of income: remittances from the large numbers that migrated to the United Kingdom in the 1960s and 70s, followed by a steady stream of migration to the United States.

Chaudhary Sarwar, a multi-millionaire businessman and member of British House of Commons from Glasgow, was one such emigrant from a small village. Even before leaving for England, he was already inter-



ested in charitable work. Having achieved financial and social success in his adopted homeland, the scale of his philanthropic ambition became increasingly larger. To begin with, he actively supported fundraising drives for major not-for-profit organizations such as the Shaukat Khanum Memorial Trust Hospital, the Edhi Trust, and Muslim causes in Palestine and Bosnia. Slowly, along with friends, he set out to do something substantial. In 1999, they registered the Pakistan International Foundation (PIF) as a charity in Glasgow “to bring desperately needed healthcare and education facilities to the people in Pakistan.”

PIF planned its first initiative in the rural market town of Rajana, a junction of roads from several major nearby towns. Rural areas of Toba Tek Singh, like other parts of rural Pakistan, lack adequate health care. Only 18% of births in the district are attended by skilled health care workers. Other statistics of health care of women and children are equally dire. Government facilities are present but the quality of care is poor.

A PIF-hospital opened in 2005, three years after construction and planning started. Modern health care—consultations with specialists, operation theaters, 24-hour emergency, obstetric care, and vaccinations—are available at subsidized affordable rates. In two years, close to 75,000 patients were treated in the hospital. Preventive health care and education outreach programs are being planned. About US\$300,000 funds the annual running cost of the hospital. The foundation has also started work on finishing a partially-built hospital, “Rai Ali Nawaz Foundation Hospital Chica Watni”,

in adjacent Sahiwal district. A school is being planned in the Pir Mahal area of the district.

The most ambitious and far-reaching of PIF plans, however, could be its initiative to use U.K. technical skills to upgrade technical training institutions of the district. PIF has approached the Technical and Vocational Training Authority of the Government of Punjab to hand over its institutions in the districts to the care of the Foundation. Starting with two institutions, PIF would upgrade the curriculum and the training methods based on U.K. standards and run the institutions on behalf of Government of Punjab. A senior British expert visited the area’s government facilities to explore areas of cooperation. The idea aims to eventually help some 10,000 young persons every year. Top-level contacts were made, culminating in a four-hour presentation before the Governor of Punjab in June 2007. With the death of Chaudhary Hameed, PIF board member and chief architect of this concept of collaboration, in a road accident, this project received a major set back but it remains on the cards with potentially major rewards for the people.

Social and economic needs of the poor in Toba Tek Singh (and in Pakistan) are immense; the prolific generosity by Chaudhary Sarwar and his friends (and their likes across the diaspora) is not enough to meet these needs. Yet the profiles of courage, love, commitment, and compassion carved by their philanthropy have illuminated many dark corners and warmed many hearts. More philanthropy is bound to flow from this soulful warmth.

## Zubair Bhatti

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Public and nonprofit sector governance reforms are his main areas of interest. He has contributed to several reports on reform of nonprofit regulation and organizational effectiveness and corporate philanthropy. He has also lectured in major universities and training institutions on these topics.

He holds a Bachelors in Engineering from University of Science and Technology, Beijing, Master in Business Administration from Imperial College, London, and Master in Public Policy from Princeton University.