



Pakistan

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The nonprofit citizen sector in Pakistan is large and influential. There are 45,000 active nonprofit citizen organisations, with more than six million members, and more than a quarter of a million staff.¹ Large sums of money are mobilized. The operating cash revenue of these citizen organizations is close to Rs. 16 billion — 1/2% of GDP. 37% of this funding is from domestic philanthropy.² International development agencies contribute only 7% of total nonprofit revenues. Only 6% comes from the government. The sums given in philanthropy are similarly large³. Rs 70.5 billion were given to charities in 1998. Of these, 41 billion were given in cash and kind.

The citizen sector in Pakistan engages in a diverse set of activities. These range from religious education to sports activities, from performing religious rites to lobbying for civic amenities, from running neighbourhood vocational centres to national human rights advocacy organisations. Sizes also range from small informal neighbourhood graveyard management committees to multi-billion rupee hospitals.

Custom and religion are the two most prominent bases for associational and philanthropic activity. Some 30% of these active nonprofit organisations are not registered. Most individual giving (65%) is also individual and personal and is given directly to beneficiaries for relief purposes. Most of the prominent institutional giving is also founded, nurtured and managed by immediate families. The Cowasjee Foundation, Habib Foundation, Rangoonwala Trust, and Dawood Foundation are examples. The giving structures of most businesses are also primarily extensions of

¹ The report uses the term civil society, nonprofit organisations (NPOs) and citizen organisations interchangeably. The term NGO, however, is reserved for development or advocacy based organisations, whether rural or urban. This discussion excludes the trade unions, the cooperatives and the wakfs. The first two are not widely considered to be nonprofit organisations in the Pakistani context. Wakfs, the great Islamic source of charitable activity, have been mostly taken over by the government and are not widely considered to be a part of the civil society philanthropic equation.

² The data in this para is drawn from 'Dimensions of Pakistan's Nonprofit Sector: Preliminary Estimates; a Report of the Johns Hopkins University Comparative Nonprofit Sector Project' (Social Policy and Development Centre, May 2002).

³ Philanthropy in Pakistan, AKDN. 2000.

the family philanthropic tradition. Most family foundations, for example, can be cited as prominent examples of business foundations. Professional foundations that manage funds of their own and of other benefactors and then channel these funds to nonprofits are few in number.

The largest block of citizen organisations (29.5% of all active organisations) are engaged in religious education. Another 2,250 are dedicated to running religious events. Religion is also the overwhelming reason for, as well as the focus of, individual charity. Of the 35% of individual charity that went to organizations in 1998, 94% went to religious organisations.

There are clear structural changes happening in the nature of the sector. Significant umbrella bodies have evolved to coordinate and represent elements of the sector according to the nature of the work. Most significant has been the growth of the Pakistan NGO Forum (PNF). Religious organisations have long organised themselves into well-knit hierarchical bodies based on party or sectarian lines.

Growing size and increased organisation have meant increased recognition and influence. Almost all official social sector planning documents, for example, emphasise the desire of the government to partner with the nonprofit citizen sector for alleviation of poverty. The Interim Poverty Reduction Strategy Paper—the master blue print for all government planning policies—states:

“In recent years, the NGO sector has risen to meet the growing demand for social services. Interventions include empowerment through participatory development at the grassroots level towards raising consciousness about rights and responsibilities, capacity building and poverty reduction. At the provincial and national level, NGOs are also contributors to policy formulation, planning and research.”

The growth of advocacy and rights based organisations has significantly influenced the dynamics of state-citizen sector relationship. These groups have impacted policy by leading criticism against government, political parties, and customary social practices. On the other hand, the tens of thousands of students trained in the large number of *Madaris* (religious seminaries) are the muscle behind the power wielded by the religious right. These seminaries are widely held to have contributed to the Taliban movement in Afghanistan. Ballot box successes of religious political parties in the 2002 elections can also partly be attributed to the cadres trained in the seminaries in the past two decades. How did the citizen sector evolve and what factors have contributed to its evolution?



HISTORY AND GROWTH OF THE NONPROFIT SECTOR

The charitable and associational activities in areas that comprise Pakistan today were based since time immemorial on tradition and religion. Onto this timeless mosaic, colonial rule grafted western notions of organisation, rule of law, and civic development in the mid-19th century. The Societies Registration Act was enacted in 1860 to “improve the legal condition” of societies set up for literary, scientific or charitable purposes.

In 1864, Sir Syed Ahmad Khan (1817-1898) launched the first modern effort for civic reform of Muslims, from the platform of The Scientific Society, an NPO registered under the new enabling legislation. Taking the lead from Sir Syed, several Muslim philanthropists established institutions focusing on educational and civic uplifting of Muslims in the late nineteenth and early twentieth century, in the areas that now comprise Pakistan. Collectively these efforts are known as the Aligarh movement.

The influence of the Aligarh movement on the social and political fabric of Pakistan has been enormous. Many historians credit Sir Syed’s reform movement with igniting the Muslim consciousness that led to the creation of Pakistan. The traditional sections of society—especially the religious wing of associational, educational and charitable activities—opposed this focus on “secular” civil renewal. This clash of means—revival of Muslims through civic reform or through greater focus on religious education—continues to dog civil society today. The grafting has not as yet taken root.

From the late 1940s to the 1960s, the nascent citizen sector focused on apolitical service delivery. The creation of a new country and the consequent dislocation of millions of refugees prompted a focus on relief work and humanitarian assistance. The 60s saw a major government sponsored push for community mobilisation. The Voluntary Social Welfare Agencies Ordinance of 1961 was promulgated to create agents for a welfare state. The government organised and funded hundreds of voluntary agencies across the county to deliver social services to the underprivileged. These decades also saw many business barons actively engaged in philanthropic activities from the platforms of their family business.

The emerging citizen sector received a considerable setback in the 70s with the socialism-inspired expansion of the state. The government took over educational institutions owned by voluntary organisations. Furthermore, state acquisitions of basic industries diminished the funding sources for many charitable organisations. The Islamic institution of Zakat, a great source of individual giving, was also brought under state control thus harming a major source of philanthropic funding.



Too Many Laws

There are too many laws that invariably cause duplication and confusion. Some eight laws create or regulate some aspect of nonprofit activity. Of these, the Society Registration Act “Act of 1860” is the most important. Enacted in 1860 to provide legal cover to a wide range of organisations, it governs approximately 43,000 organisations. The second most important law is the Voluntary Social Welfare Agencies (Registration and Control) Ordinance “Ordinance of 1961”. Promulgated in 1961 to regulate the subset of nonprofit organisations that focused on social welfare and depended on public funds, it governs some 12,000 organisations.⁴

In addition to these two major laws that govern around 90% of organised nonprofit activity, there are three more laws that create nonprofit organisations. The Companies Ordinance of 1984, basically meant to regulate commercial enterprises, also registers nonprofit organisations that aim to promote “commerce, art, science, religion, sports, social services, charity or any other useful object”. It regulates around five hundred organisations. The Trusts Act of 1882 and related minor public trust laws govern charitable and religious foundations. However, the number of organisations that are registered as trusts is not known.

In addition to the above laws that create organisations, there are two more laws that impact nonprofit public benefit organisations. The Charitable Funds (Regulation of Collection) Act of 1953 regulates the collection of charitable funds, regardless of the status of registration of the organisation and the source of funds. The Income Tax Ordinance of 2001 does not create any entity but imposes internal governance and reporting requirements on those organisations registered under any of the preceding laws that voluntarily apply for grant tax benefits.

Variations in Requirements

There are vast variations in the prescribed governance standards. Of the two major laws, the Societies Registration Act of 1860 is libertarian. There is only one reporting requirement. All registered organisations must submit annually a list of their governing body members. No penalty is prescribed if this requirement is violated. The government does not have any powers of routine inspection. In complete contrast, the Ordinance of 1961, a parallel legislation, prescribes vigorous monitoring, reporting and accountability provisions. Every registered organisation must publish an annual report

⁴ The total number of organisations registered under the two major laws seemingly clashes with the Johns Hopkins-SPDC data. This is not the case though. The number of registered organisations is close to 56,000. The number of active organisations, extrapolated by the JHU survey, is 45,000. These universes overlap, but not entirely. Some registered organisations are inactive and thus are not accounted for. Some active organisations are not registered and are not accounted for in government data.

This study documents the state of the large modern organisations (often donor funded) and reports good governance health. But how do the governing bodies of the vast bulk of NPOs operate? This remains a mystery. It appears that they remain highly personalized. The association of Pakistan’s most famous organisation, the Edhi Foundation, with one individual is a good example. The AKDN report profiling the fifteen most famous philanthropic organisations in 2000 politely points to the problem by saying that “the close association between one individual and the organisation raises the possibility of future difficulties” when the founder or original members pass away or become inactive.

The quality of internal governance is often poor. The vast bulk of citizen organisations are under-organised with weak internal planning and assessment systems. Effective independent oversight of trustees is uncommon. This leads to serious problems for organisational development in the long term as it undermines independent oversight of the management. Among smaller organisations, elections if prescribed are rarely held. Many NGO activists, especially at the district level, often refer to the organisation they found as “my NGO”.

Management capacity is limited too. Nonprofit public benefit organisations range from small *mohallah* based associations to large universities. Many of the smaller organisations lack managerial and technical skills. Often they have limited access to people and capital, and to elite networks through which to exercise influence, or improve their operating environment. Consequently, many organisations that have talented and committed leadership with potential for significance find it difficult to develop beyond a certain point.

Reform Efforts in the 1990s

Dissatisfied with the regulatory regime, the government has attempted two major reform efforts. The first was in 1994. A bill titled “Social Welfare Agencies (Registration and Regulation) Act” was tabled in Parliament. There were two aims. The government wanted to liquidate inactive and fraudulent NPOs to ensure transparency in the sector. Second, government wanted to monitor foreign funding to NPOs for security reasons, especially those it called the “Afghan/Arab NGOs” operating in the North West Frontier Province bordering Afghanistan. Because of the feisty resistance of civil society leaders, this attempt by the government was not actively pursued.

The second attempt was made in 1996 through amuch tougher bill presented before the Senate. The Ordinance of 1961 was to be repealed and all social welfare organisations using public funds, especially foreign funds—whether registered under

INNOVATIVE RESPONSES

The need for improved governance standards is felt by many. The only difference in opinion is the manner in which this thorny problem may be approached. The PNF argues that the government cannot solve the problem, as it has little legitimacy of its own to ask others for better governance. On the other hand, government says that it cannot abdicate its role of being the ultimate protector and promoter of public interest. Since the late 1990s, these two major stakeholders have made efforts to address these issues in their own different ways.

PNF Code of Conduct

The legislative reform efforts of the 1990s all failed. However, there were many important beneficial outcomes. The increased emphasis of the government on financial transparency and holding NPOs accountable through the official machinery resulted in NPO attempts to organise their own governance. The PNF set up groups to “evolve guidelines for the NGO community so that the highest standards of accountability, transparency and good practices can be observed.” This was done to “to demonstrate that NGOs/CBOs not only teach others about principles of sharing, partnership, transparency and accountability but also apply them to their organizational and programmatic domains”. After a two-year consultative process, a code of conduct was published in 1999.

The code intends to regulate NPOs’ “relationship with each other, with the government, international development agencies as well as their own staff (volunteers and paid professionals).” More specifically, it aims to promote “greater collaboration, information and resource sharing and unity amongst” NGOs; “genuine partnership between NGOs and state institutions based on mutual trust and respect and geared towards the common goal of eradicating poverty and deprivation;” and “transparency and accountability within the NGO sector, encouraging mutual respect and understanding to put an end to narrow differences and unhealthy competition.”

The code then goes on to list forty-four specific methods through which these objectives would be achieved. These range from the bland “organizing financial matters on proper lines,” to the more specifically useful instruction of “getting amounts exceeding (Rs) 100,000 audited annually by a chartered accountant. Amounts less than 100,000 must be approved by an authorised officer and those less than 10,000 must be verified by the executive body.”⁶

⁶ One US Dollar approximates Pakistan Rupees fifty five.

shelved. Given the newfound legislative power of the religious parties in the 2002 elections, this reform effort is likely to remain in cold storage for some time.

Enabling Environment Initiative

The reform efforts of the government during the 1990s failed mainly because of the active resistance mounted by civil society groups. But these legislative efforts, including that of the PNF, had two clear outcomes. On the positive side, it ensured that governance reform in the nonprofit sector was high on the legislative agenda. On the negative side, the controversy surrounding the efforts resulted in increased antagonism between government and leading civil society groups. The debate, often acrimonious, led to further aggravation of already negative public opinion of NGOs.

Mindful of this history, the government launched a different kind of reform effort in late 2001. Titled “the Enabling Environment Initiative” (EEI), it was based on four enabling premises. The government recognized that it wanted to partner with civil society for social development and poverty alleviation and that the regulatory reform effort would be aimed at achieving that goal. Second, the government wanted to improve the transparency and accountability of citizen organisations but without compromising their autonomy. Three, the government wanted to come up with reform proposals in consultation with all the stakeholders, especially the citizen sector. Fourth, the scope of this reform proposal was set much wider. The government wanted to look at the nonprofit sector in its totality. All major nonprofit laws were to be reviewed. More important, the fiscal regime governing NPOs was also to be reviewed with a view to increasing the support of citizen organisations. Governance was important but so was support.

A major reason for the enabling attitude of the government was the presence of three in the federal cabinet. Another was that the military government was aggressively pursuing deregulatory reforms in many sectors. EEI was welcomed by most nonprofit activists. Some however saw EEI as an effort by the undemocratic government to co-opt the civil society

The Pakistan Centre for Philanthropy (PCP) was commissioned to produce a reform plan in consultation with various stakeholders. Dr. Attiya Inayatullah, the then Minister of Social Welfare and a leading NGO leader of international renown, enunciating the vision of the government at an EEI consultation in August 2002, said that government was “seeking to build confidence and understanding between government and civil society organisations” and “hoping to put the unnecessary battle between civil society and government to rest”.

Certification

The military government also accepted many reforms in the fiscal regime proposed by the EEI. The menu of incentives on offer and the categories of organisations that were eligible were broadened. More important for the long-term reform of the sector was the proposed tax exemptions reform. In the new rules of the Income Tax Ordinance 2002, the Central Board of Revenue (CBR) was empowered to allow an outside professional agency to evaluate the performance, governance and organisational effectiveness of an organisation that applied for tax benefits.

The benefits of certification are many. It will bridge the information and credibility gap between NPOs and philanthropists. It will help NPOs access government benefits through a transparent, criteria-based evaluation system. Certification and its allied activities will build the capacity of the nonprofit citizen sector and help improve governance by linking higher governance standards with greater benefits. It will also assist the grant-awarding and partnerships building processes of government ministries and donor agencies.

CHALLENGES FACED BY THE SECTOR

The citizen sector has grown exponentially in the last two decades in terms of number and influence. Questions remain whether this growth can be sustained given the major fault lines in the sector that are bound to inhibit its development. There are a number of serious issues – state security concerns, indigenisation of advocacy agendas, poor financial transparency, donor dependency, management capacity, and internal governance — that afflict the sector and will continue to hamper its efforts to serve as an effective partner of the state in the delivery of services, and as an effective counterpoise of the state in checking its excesses.

To address these concerns, an enabling regulatory environment needs to be created that will amend and consolidate the law, improve capacity of the regulating authorities, and change their character from controlling to participatory. EEI has attempted to do just that.

The government needs to follow up and actualise the reforms that it agreed to in the true spirit of partnership and consensus building. Most importantly, government capacity needs to be built to implement the existing or any reformed regulatory regime. Regulatory regimes are however only one part of the process of building the institutional means of a transparent and effective citizen sector. There are many other activities that must run parallel.

This lack of transparency requires immediate rectification. The internet is an important medium that can be exploited to reach out to the public for full disclosure, especially the educated urban professionals and the young. The proliferation of electronic mass media is another great window of opportunity. This new media and the press need to be engaged to promote the work of civil society organisations and to hold the citizen sector accountable.

Organisational capacities needs to be improved. The basic deficiencies in Pakistan's education system and lack of economic mobility mean that the vast majority of citizen organisations will continue to have limited access to people who can be trained to run more effective organisations. The constraint of capital to attract, retain and develop people will further compound the objective of building capability. This has important consequences for organisational effectiveness. Government, support organisations, as well as civil society coalitions will have to build effective programmes to tackle this problem. In particular, support and capacity building organisations are needed that can focus on building the capacity of the sector.

Given that fundamentals like compliance with minimum provisions of the law and disclosure of information are still major issues, it may appear to be a luxury to focus on governing boards. But ignoring the boards would be short-sighted. Capacity-building initiatives have to focus on improving the effectiveness of boards, a strategic intervention through which many governance problems can be addressed. The commitment, the passion, and sense of proprietorship of founders is understandable, but organisations must be taught ways and means to institutionalise this commitment and knowledge.

Perhaps a more important long-term issue for Pakistan's civil society is to yoke tradition while avoiding its associated problems. Most Pakistanis give and give a lot, but at the same time are not interested in knowing about the results and the effectiveness of their giving. This traditional philanthropic impulse needs to be harnessed but the accompanying lack of interest in holding organisations accountable needs to be changed. The institutionalisation and organisation of the widely practiced and deeply personal philanthropic impulse along modern lines is a clash in itself. This is the central challenge.

Participation of APPC Seminars on Governance and Organisational Effectiveness in the Nonprofit Sector

ISLAMABAD, December 24, 2002

1. **Mr. Sajid Manzoor Qaisrani**
Director Resource Service,
Aurat Foundation
Islamabad
2. **Mr. Agha Ali Javad**
General Manager, NRSP-
National Rural Support Program
Islamabad
3. **Mr. Syed Ayub Qutub**
Executive Director,
PIEDAR-Pakistan Institute for
Environment, Development
Action Research
Islamabad
4. **Mr. Muhammad Fayyaz Khan**
Executive Director
READ (Rural Education &
Development) Foundation
Islamabad
5. **Mr. Nadeem Fazil Ayaz**
Programme Coordinator
Action Aid
Islamabad
6. **Ms. Shandana Khan**
Chief Executive Officer
RSPs Network Cell, NRSP
Islamabad
7. **Dr. Tauqir Shah**
National Project Coordinator
Ministry of Momen Development,
Social Welfare and Special
Education
Islamabad
8. **Mr. Muhammad Mujahid Rafiq**
Islamabad
9. **Mr. Tauseef Ahmed**
Director
Innovative Development
Strategies(Pvt)Ltd.
Islamabad

10. **Mr. Aazar Ayaz**
Executive Director
The Researchers
Islamabad
11. **Ms. Rehana Hashmi**
Advisor
Pakistan Education Society
Islamabad
12. **Ms. Humaira Malik**
Managar Community Development
BHP Billiton Pakistan
Islamabad
13. **Ms. Bushra Gohar**
Director
HRMDC-Human Resources
Management and Development
Centre
Peshawar
14. **Engr. Shah Nawaz Khan**
Hony President
Pakistan Environmental Protection
Foundation
Peshawar
15. **Mr. Ghani Khan Marwat**
Chief Executive Officer
Human Development Foundation
Rawalpindi

LAHORE, December 28, 2002

16. **Mr. Shahzada Irfan Ahmed**
Senior Staff Reporter
Daily Times
Lahore
17. **Mrs. Zareen Hassain**
Chairperson
Family Welfare Cooperative Society
Lahore
18. **Ms. Shaista Khalid Jan**
Director
Community Support Concern (CSC)
Lahore

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| <p>40. Mr. Sohail Kizilbash <i>Secretary General</i> Infaq Foundation Karachi</p> <p>41. Mr. Suleman Shaikh Chief Executive Sindh Graduates Association Karachi</p> <p>42. Mr. Z. A. Bukhari <i>Public Affairs Officer</i> Engro Chemicals Pakistan Ltd. Karachi</p> <p>43. Mr. Zafar Ismail <i>Company Secretary</i> Social Policy Development Centre Karachi</p> <p>44. Ms. Afsheen Ahmed President PAVHNA-Pakistan Voluntary Health & Nutrition Karachi</p> <p>45. Ms. Nighat Saeed Khan <i>Executive Officer</i> Maternity & Child Welfare Association, Sindh Chapter (MCWA-S) Karachi</p> | <p>46. Ms. Sadiqa Salahuddin <i>Executive Director</i> IRC-Indus Resource Centre Karachi</p> <p>47. Ms. Shireen Rehmatullah <i>Secretary</i> Institute of Sical Research & Development Karachi</p> <p>48. Ms. Uzma Mirza <i>Administrator</i> Concern for Children Trust (CEC) Karachi</p> <p>49. Ms. Zahida Hashmi Director SOS Children Village Karachi</p> <p>50. Prof. Mujib Ansari Chairman Community Health Science Jinnah Medical & Dental College Karachi</p> <p>51. Syed Latif Khan Founder Bright Educational Society Karachi</p> |
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Personal interviews were conducted with the following persons.

All interviews were conducted in Karachi on 3rd and 4th of December 2002.

| Name | Position |
|---------------------------|--|
| 1 Mr. Ardsher Cowasjee | Columnist and Philanthropist, Karachi |
| 2 Saeed B. Mirza | Director, Rangoonwala Community Centre, Karachi |
| 3 Mohsin Tejani | President, Community Development Association, Karachi |
| 4 Ms. Nasra Wazir Ali | Chairperson, Nasra Schools, Karachi |
| 5 Begum Kaneez Wajid Khan | Trustee, Nasra Schools, Karachi |
| 6 Wasif Rizvi | GM (South), Aga Khan Educational Service, Karachi |
| 7 Hassan Abdulhussain | Vice President. Mehfil-i-Murtaza, Sir Syed Road, Karachi |

