

**NONPROFIT SECTOR IN PAKISTAN:
GOVERNMENT POLICY AND FUTURE ISSUES¹**
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I INTRODUCTION

The nonprofit sector remains relatively small and underdeveloped in Pakistan. During the decade of the 1990s, it has demonstrated some nascent growth resulting from a number of favourable factors like the return to democracy, the growing push towards deregulation and privatization, the process of globalization and the emergence of international coalitions of civil society and the deterioration in the financial position of governments which has limited the public provision of social services. The objective of this paper is to examine the role played by government policy in fostering this process of growth of the nonprofit sector of Pakistan and to review the key issues faced by the sector at this time.

Of particular concern are, first, the overall posture of the government towards the nonprofit sector, the types of policies in place, and the underlying philosophy or principles that guide policy making. Second, the forms of support to the nonprofit sector by different levels of government. Third, the posture of international organizations and supranational governments towards local nonprofit organizations and, forth, the major issues facing the nonprofit sector at the present time.

The objective of this paper is to analyze government policy towards the nonprofit sector in Pakistan over the last two decades and review some major issues facing the sector at the present time. It is important to note that analysis presented here does not cover the period of current government. The methodology is primarily based on the review of available literature and government policy documents, and interviews with the experts of the field. The paper is organized in three parts. Section I describes the policy environment, including the posture of government and forms and extent of official support. Section II discusses the role of

¹ This research was undertaken as part of the Johns Hopkins Comparative Nonprofit Sector Project. Pakistan is among 40 nations (developed as well developing) that are participating in this large international research project. The Pakistan country study is undertaken by Social Policy and Development Centre (SPDC) and the Aga Khan Foundation (Pakistan) with financial support from AKF, CIDA and USAID. Details of this International Project may be acquired from <http://www.jhu.edu/~cnp>.

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nonprofit organizations as vehicles of policy. Finally in Section III we identify some of the major issues facing the nonprofit sector.

II POLICY ENVIRONMENT

Overall Posture of Government

By and large, government policy towards the nonprofit sector has lacked consistency. During the 1990s, there have been periods when the policy can be considered to have been broadly supportive. This is evidenced by increasing reference in recent five year plan documents which have emphasized the role of nonprofit organizations as compared to previous plans. Other supportive acts include the granting of special fiscal incentives for philanthropic contributions by corporate entities or individuals to nonprofit organizations and the explicit recognition given to the role of nonprofit organizations in major programs of social development like the Social Action Program and the Family Planning Program. Perhaps as the ultimate symbol of recognition of the role of nonprofit organizations, well-known leaders of civil society representing different non-governmental entities were inducted into the federal cabinet in October 1999 following the military takeover. Important portfolios like information and broadcasting, education, environment, women, population planning and local government have been allocated to these representatives.

As opposed to this, a number of actions have indicated a hostile attitude, especially with regard to non-governmental organizations engaged in either social or political advocacy. This culminated in 1998 in intelligence enquiries, attacks and deregistration by provincial government of Punjab of advocacy groups. Since 1996, there has also been pending with the parliament, a NGO Bill which many see as an attempt by the government to bring the nonprofit sector directly under its control and regulation.

There are a number of factors that explain the dichotomy in government's posture towards the nonprofit sector. First, while government is supportive at the policy level, it is obstructionist at the operational level of line departments of federal, provincial and local governments who see non-governmental organizations as competitive with respect to funds and influence. Enhanced role of the latter is seen as cutting into the functions and responsibility of the former.

Second, government is generally supportive of the welfare and service providing role of the nonprofit sector, but openly hostile with regard to the role of nonprofit organizations in social and political advocacy. As highlighted earlier, the granting of tax exemption to charitable donations made primarily to social welfare nonprofit organizations like the Edhi Foundation and the explicit recognition of the role of nonprofit organizations in programs like SAP in social service delivery are demonstrative of the support. As opposed to this, governments, have felt increasingly threatened by the role played by nonprofit organizations in mobilizing support of civil society at large on issues like violence against women, honor killings, blasphemy law, freedom of the press, accountability and corruption, etc. The resulting hostility has been reflected in attempts at penetration of various nonprofit organizations and, in extreme cases, at attempts even for closure through deregistration.

The posture has also tended to vary among different parts of government. By and large, politicians from the ruling parties (like the Pakistan People's Party and Pakistan Muslim League) have been neutral in their attitude towards nonprofit organizations. This is based on the perception that in Pakistan such organizations have not yet become influential enough to impact significantly on the political agenda and the voting choices of the electorate. Bureaucracies, especially in the finance and planning ministries, are mostly supportive because of the realization that in the presence of severe fiscal constraints, enhanced role of nonprofit organizations in service delivery saves money for the government. Line ministries have an ambivalent attitude and prefer to use non-governmental organizations only when there is a well-defined gap in capacity or resources. Intelligence and security agencies are generally hostile and openly distrustful of nonprofit organizations, especially those performing an advocacy role.

There appears also to be another major dichotomy in government's posture depending upon the nature of the nonprofit organization. There is a greater tendency to support 'indigenous' nonprofit organizations, which mobilize resources locally and frequently operate at the grass roots level in order to mobilize communities and prepare them for organizing the provision of local services. Such support arises from the recognition that there are serious limitations in the outreach of government especially to pockets of poverty in far flung backward areas and this task has to be left to local NGOs. It is also predicated on the need to promote 'self-help' by communities so that the burden on government is minimized. The best example of this is the establishment of Rural Support Programs at the national and provincial levels to perform

the task of social mobilization through establishment of CBOs at the village level. In the mid-1990s the government (of the Pakistan Muslim League) made a sizeable allocation of Rs 500 million to establish an endowment fund for the National Rural Support Programme (NRSPP), which has been modelled on the Aga Khan Rural Support Programme (AKRSP), and has since played a major role in promoting the development of CBOs. It has also emerged as a major intermediary for channelizing microcredit.

As opposed to this, there is hostility to 'foreign-funded' nonprofit organizations, whose operations remain largely outside the regulatory control of government either because they are part of some large international umbrella nonprofit organization or because they receive funding directly from bilateral or multilateral donor agencies. However, the hostility arises not only because of the financial and functional autonomy but mainly because many of these nonprofit organizations have taken up causes like human and women's rights, environment, political freedom, nuclear disarmament, municipal building regulations, etc., which are considered politically sensitive or have security implications.

Given the lack of consistency in the government posture, no explicit comprehensive or cohesive policy has yet been articulated with respect to the nonprofit sector. This is also the consequence of the absence of an institutional mechanism to coordinate the role of different registration authorities (as highlighted in SPDC (2002a)). Nevertheless, some elements of the implicit policy towards nonprofit organizations can be adduced from behaviour and general policy statements.

First, the implicit policy appears to be that the nonprofit sector should preferably stay away from issues that impinge on national security or upon strategic interests and relations with other countries. Also, the advocacy role in the context of sensitive social, religious and political issues is to be discouraged. Second, the implicit policy encourages non-governmental involvement in the areas of social welfare and social sector delivery. For this purpose, fiscal incentives have been provided, a system of partial grant funding and, more recently, a more liberal approach towards public-private partnerships have been put in place to enhance the role of nonprofit organizations.

Third, there is emphasis now on the need to develop an appropriate legal and regulatory framework within which institutions in the non-government sector can operate in a

transparent and accountable manner. The revival in 1999 of the NGO Bill, pending in the Senate since 1996, highlighted the motivation for greater ‘control’ of nonprofit organizations. However, under military government, negotiations over the draft of the Bill (and a version of the Bill proposed by the Pakistan NGO Forum), which involved greater consultation, indicate a change away from control towards an approach of facilitation and developing an enabling environment. This positive change in the implicit policy was possibly a reflection of the influence of NGO representatives in the federal cabinet and the need to provide some space for nonprofit organizations to operate as a substitute for the ban on political activity under the military regime.

A recent example of this change is the commissioning by the Government of Pakistan of the Pakistan Centre for Philanthropy to undertake a study and consultative process to produce an Enabling Regulatory and Fiscal Framework for civil society organizations. This is part of the “Enabling Environment Initiative” launched by the Pakistan Centre of Philanthropy. The set objectives are as follows: first, to facilitate policy makers and stakeholders to evolve a consultation-based regulatory mechanism that helps create an enabling environment for the growth and development of civil society organizations and provides for a regulatory role of the State as a facilitator without compromising the autonomy and independence of civil society organizations; second, to produce an enabling regulatory and fiscal framework for Citizen Sector Organizations (CSOs) and philanthropy that is supported broadly across society; third, to build confidence and understanding between the government and CSOs thereby establishing a new foundation for co-operation for sustainable national development and poverty alleviation; and finally, to enhance and evolve mechanisms for promoting transparency and accountability in the operations of CSOs to underpin the formal regulatory system.

What are the philosophy and principles that lie behind the policy? One of the fundamental principles that guide government policy is that ‘the government cannot deliver alone, civil society has to share the burden’. This realization has become more acute in the face of rising fiscal constraints and the fact that the bulk of public expenditure has been pre-empted by the costs of debt servicing, defense and civil administration. It is also based on the recognition of the impediments to government delivery to poor, marginalized groups in relatively inaccessible backward areas. Such delivery is unlikely to be cost effective and properly

targeted. Therefore, the logical role for nonprofit organizations is to supplement government in the process of delivery of basic services.

The second principle is that of 'self-help'. Communities need to organize themselves collectively to cater for some of their basic needs. This is especially true at the grass-roots level. As such, local self-government or community-based organizations need to be encouraged to collaborate and organize the provision of local services or for welfare of the more vulnerable members of the community. This also explains the philosophy of decentralization of government and devolution of power followed by the military government. As a result of implementation of the Devolution Plan, the discharge of a number of functions has been transferred to local governments, down to the union council level (a collection of villages or urban neighborhoods) and community-based organizations are expected to oversee the provision of services and make line departments more accountable.

A more recently accepted principle has emerged from the new development paradigm which emphasizes 'peoples' participation and empowerment', arising from the need to focus peoples' talents and resources towards development. This development paradigm has largely been promoted by international donor agencies. Based on this principle, the task is one of social mobilization through formation of community-based organizations at the village level. But, in Pakistan, this principle has not been carried far enough where such social mobilization can go beyond the provision of services to more active participation in the political process and in the advocacy of social change.

This takes us to the posture of political parties or factions towards nonprofit organizations. Mainstream political parties, like the Pakistan Peoples' Party (PPP) and the Pakistan Muslim League (PML), which have shared power since 1988, up to the military takeover in 1999, have a somewhat different posture to nonprofit organizations than the fringe religious parties like the *Jamaat Islami* or *Jamiate Ulema Pakistan* and other groups which pursue a fundamentalist Islamic agenda.

During the PPP tenure (1988 to 1990 and 1993 to 1996) some progressive steps were taken to enhance the role of the nonprofit sector and to improve its relationship with the government. Perhaps for the first time, there was some recognition of the legitimate role that nonprofit organizations can play in espousing social and political causes. This explains the emergence

of NGOs promoting human rights in general and the rights of women in particular. But there continued to be elements within the PPP government that had an ambivalent attitude towards the nonprofit sector and harboured suspicions about its role. This explains the drafting of the NGO bill in 1996 by the PPP government, designed to achieve greater control over NGOs.

The Pakistan Muslim League government (1990 to 1993 and 1997 to 1999) also initially exhibited some enthusiasm for development of the nonprofit sector. Much of the emphasis, however, was for the use of nonprofit organizations as agents for social service delivery in order to reduce the fiscal burden on government. Consequently, a large endowment was given to the National Rural Support Program, the Pakistan Poverty Alleviation Fund was made operational, fiscal incentives were given for corporate and individual philanthropy, and space created within the Social Action Program for greater role of NGOs. But the PML was inherently distrustful of nonprofit organizations playing an advocacy role. The confrontation reached a peak on issues related to the nuclear blasts in 1998 and on criticism by NGOs of honor killings of women and the blasphemy law. This culminated in 1999 by attacks of NGOs by the government of Punjab and the attempt to deregister a large number of such entities.

Some religious parties have developed a strong antagonism towards nonprofit organizations. The animosity was articulated more aggressively as religious parties took centre stage following the imposition of restrictions on activities of mainstream political parties, the PPP and PML, in the aftermath of the military takeover in October 1999. Religious parties took on a head on confrontation, in particular, with nonprofit organizations challenging the orthodox Islamic position with regard to the status of women, blasphemy law, etc. The former have argued that such nonprofit organizations pursue a Western alien agenda aimed at transforming Pakistan from an Islamic state to a secular state on the basis of patronage from international umbrella civil society groups and sizeable external funding. A campaign was launched to either ban such organizations or bring them strongly under government control. Even the lives and security of leaders of some controversial non-governmental organizations have been threatened.

Underlying all this opposition by religious parties, there is the lurking suspicion that the real threat faced by them is the competition for funds and influence. Philanthropy is active in Pakistan but much of it is currently channelized for religious purposes, like construction of

mosques. The emergence of large nonprofit organizations like the Edhi Foundation, which are seen as effectively utilizing funds made available for social welfare or provision of basic services, has increasingly led to a diversion of charitable donations towards such organizations. Therefore, it is clearly in the interests of religious organizations to stem this trend.

Forms and Extent of Government Support

Government support to nonprofit organizations in Pakistan is generally considered as inadequate. SPDC (2002) reveals that public sector contributes only 6 percent of cash revenues of the nonprofit sector in Pakistan. It also includes bi-lateral and multi-lateral foreign aid. The lack of government support is clearly a reflection of the largely indifferent or somewhat hostile attitude of government towards nonprofit organizations, although it is possible that when the sample is extended to large nonprofit organizations the share of government funding will rise.

Despite limited funding, the sources are diverse. New sources have emerged during the 1990's, indicating that for nonprofit organizations, especially those engaged in welfare or service provision, medium run prospects are somewhat better. Traditionally, the principal source is small grants to nonprofit organizations registered under the Social Welfare Voluntary Ordinance of 1961 by the Social Welfare departments of the provincial governments. In addition, grants are available to nonprofit organizations managing orphanages and industrial homes for women from the religious *Zakat* and *Baitul Maal* funds.³ Other agencies making small grants are the ministries of sports and youth affairs and environment of the federal level.

The establishment of provincial educational and health foundations as semi-autonomous institutions for making grants and loans to nonprofit organizations has opened up a potentially significant source for financing the capital costs of new facilities like schools and

³ *Zakat* is a form of charity religiously mandated under Islam and is officially collected by Government of Pakistan from Muslims since 1980. An autonomous *Zakat* council administers the Central *Zakat* Fund maintained by the State Bank of Pakistan, which does not form part of the federal consolidated fund. *Zakat* funds are mainly distributed among individuals. However, limited grants are also available to NPOs.

Pakistan *Bait-ul-Maal* Fund (PBF) was established in 1992, mainly to provide assistance to those in need (such as minorities) who are not covered by *Zakat*. PBF is administered by an autonomous board of management. Funds for the PBF come from the federal government. The PBF also receives small grants from the Central *Zakat* Fund and provincial and local governments.

hospitals by such entities. The financing formula is as follows: one third of the capital cost as a grant, one third as a loan at a relatively low interest rate, and the remaining one third to be financed by the nonprofit organization. The Education and Health Foundations generally only finance the capital costs, nonprofit organizations are expected to finance their annual recurring costs. The Participatory Development Program of SAP also used to finance part of the capital costs of provision of social services by non-governmental entities.

Another innovation in the financing of nonprofit organizations is the setting up of trust funds. The Trust of Voluntary Organizations (TVO) was established in the early 1990s on the basis of an endowment of 90 million dollars by the United States Agency of International Development (USAID). This has emerged as a major source of funding to some of the larger nonprofit organizations in the country.

With regard to payments rendered as a part of the contract for services, there are a number of examples in the areas of family planning services and the provision of non-formal basic education by home based schools. This practice has also been extended to the area of immunization. Payments are expected to cover the costs of materials and equipment and a large component of the bill of salaries and utilities.

Other mechanisms again, of recent origin, include the access of relatively large non-governmental organizations to wholesale credit lines for retail extension of micro credit to relatively poor households and for small investments in infrastructure. The Pakistan Poverty Alleviation Fund (PPAF) was set up in early 1997 to perform this function. The federal government has created an endowment of Rs 100 million to defray the overhead costs and the World Bank is expected to make available a large credit line of up to 100 million dollars for onward lending. As part of its poverty alleviation package, the military government announced in 2000 the establishment of *Khushali* Bank, primarily for the extension for micro credit partly through a network of nonprofit organizations and partly directly through commercial bank branches. The Government of Pakistan has already signed an agreement with the Asian Development Bank (ADB) for a loan of 150 million dollars to support the operations of the *Khushali* Bank under ADB's Micro-finance Sector Development Program (MSDP).

Another mechanism, although indirect but significant in character, is the funding of the National Rural Support Program (NRSP) by the federal government and the provincial Rural Support Programs (like the Sarhad Rural Support Program) by the respective provincial governments. These organizations are expected to engage in the task of social mobilization in the villages, through the establishment of CBOs, essentially modelled on the successful experience of the Aga Khan Rural Support Program (AKRSP). It is of interest to note that the NRSP has emerged as a major intermediary for channelizing micro credit.

With regard to tax breaks, there are two types of fiscal incentives for nonprofit organizations in Pakistan. In the area of income and corporation tax, the fiscal status relating to tax deductibility of charitable contributions by corporate entities or individual tax payers is embodied in the Income Tax Ordinance of 1979. A major effort was made to relax the ceilings on donations in the Finance Act of 1997-98, where the maximum percentage of charitable contributions by companies was raised from 10 percent to 15 percent, while that for individuals was enhanced from 25 percent to 30 percent.

Another part of the fiscal framework that affects the nonprofit sector is contained in the Customs Tariff, and relates to the policy of granting customs duty exemptions on the import of equipment (including vehicles) by nonprofit organizations. By and large, this exemption has been restricted to large umbrella nonprofit organizations who have significant foreign grant funding.

Finally, there is government support in kind. This is reflected in either free or subsidized provision of land and lower tariffs by public utilities. Also, there are cases of public-private partnerships involving the leasing out of government facilities. Based primarily on disillusionment with the coverage and quality of government provision, some of the provincial governments and occasionally the federal government have opted for management contracts with nonprofit organizations, primarily of schools, clinics and hospitals. The expectation generally in such contracts is that the partner nonprofit organization will invest in upgrading the facilities and cover at least part of the recurring costs.

What are the perceived advantages and disadvantages of the different forms of support to nonprofit organizations mentioned above? We discuss each source in turn. We evaluate the various sources of finance on the basis of a number of criteria. The first criterion is whether

the particular form of support is non-distortionary in character or if it leads to changes in the behaviour of the recipient entity in order to qualify for the support, that is, if they affect autonomy or not. The second is certainty, indicating whether the support committed is disbursed in time at the agreed level. The third is objectivity, depending upon whether the disbursement of financial support by government is based on the application of objective criteria to determine the worthiness of different nonprofit organizations for receiving such support and whether the process of selection is transparent or not. The final criterion is sustainability, as to whether the form of support contributes to the continued operation of the recipient or not.

Recurring grants have the advantage that they are largely non-distortionary in character and do not affect the autonomy of the recipient organization, although a properly administered scheme should be accompanied by proper monitoring and evaluation of the use of funds. Disadvantages of recurring grants relate primarily to the other criteria. The lack of certainty arises in the irregular and unknown schedule of release of funds, depending upon the liquidity position of the entity making grants. Perhaps, the biggest problem is the absence of transparency and objectivity in the disbursements. Most interview respondents from nonprofit organizations have strongly complained that the process of selection of nonprofit organizations for grant support from the social welfare departments is highly politicized and usually based on kinship and other considerations. Transaction costs are high and the process of filing applications is complicated and cumbersome. In some cases, allegations have also been made about corruption in the process.

Capital grants can be distortionary in character, especially if they are oriented towards particular uses, like the construction of schools and hospitals. In the case of Education and Health Foundations and the Participatory Development Program of SAP there are allegations again of lack of transparency and favouritism in the allocation process. The Foundations also allocate state land for construction of the facilities and this has constituted a major motivation for many applicants to obtain such land at subsidized rates and engage subsequently in real estate speculation. This increases the possibility of corruption in the process. The other disadvantage is that in the absence of recurring grants, following the receipt of the capital grant, facilities constructed may remain underutilized.

Payments for delivery of services may be an efficient way of organizing the relationship between government and the private contractor. But the selection of contractors for delivery of services should be based on an objective bidding process, characterized by transparency. This is frequently not the case. For example, under Social Action Program (SAP), government had launched Participatory Development Program (PDP) with the objective to deliver social services through tripartite partnerships combining government, the private sector as represented by NGOs, and beneficiary communities. In this regard, SPDC (1997) notes: ‘No selection criteria on procedures were published. Although private sector firms were invited to submit proposals and several firms prepared and submitted proposals...all were rejected...’. Also, there is the problem of the lack of certainty. Nonprofit organizations face many problems in the reimbursement of the agreed amounts. The process of validation of services rendered is generally cumbersome and time consuming in character.

For most nonprofit organizations, the creation of endowments is the preferred form of support. Its primary advantage is that it contributes to sustainability due to the guaranteed annual flow of income from the endowment. This also imparts a high degree of autonomy in the conduct of operations. The disadvantage, however, is that in the presence of a permanent source of funding, organizations may become more introverted, less accountable and slack in the achievement of the original mission goals. Therefore, it is essential that while endowments can be used to cover some of the core budgets, nonprofit organizations continue to face market pressures to perform well so as to be able to finance the rest of the budget.

Tax breaks have the obvious advantage that the costs of support are effectively shared by the government with philanthropic entities. They also have the advantage of targeting funds towards those entities which have a good reputation for judicious and efficient utilization of funds received. Unconditional philanthropic contributions also preserve autonomy and flexibility of recipient nonprofit organizations. But, in Pakistan, while the tax deductibility provisions in the income tax ordinance for charitable contributions are fairly liberal, the system of classifying nonprofit organizations, donations to which enjoy these provisions, is highly selective and arbitrary in character. In addition, widespread tax evasion implies that the fiscal incentive arising from tax deductibility provisions for donations is weak.

With regard to support in kind in form of leasing out of government facilities, the advantage is that if the relationship is properly structured then there is enormous scope for ‘synergy’ in

the partnership, with each party benefiting significantly. But the basic problem is one of a general distrust among governmental and non-governmental entities and operational difficulties arising from fundamental differences in working styles. It is not surprising that public-private partnerships are of recent origin in Pakistan and there are only a few successful examples currently.

By and large, the pattern of government funding currently in Pakistan of nonprofit organizations is that of conditional grants and payments for services rendered. Also, there is a preference for once-and-for-all capital grants as opposed to recurrent funding. What factors explain this pattern of support and what considerations lie behind government's funding of nonprofit organizations?

The reliance on conditional grants is motivated by the concern that the behaviour of nonprofit organizations needs to be regulated by making support available only for activities that the government considers desirable. As such, the limited support is directed primarily towards nonprofit organizations that are either engaged in social welfare or provision of social services. Grant funding of such entities involved in social or political advocacy is, more or less, non-existent. Unconditional grant funding or the setting up of endowments is generally not resorted to by government because they make the recipient organizations more autonomous in their operations.

Capital grants are preferred over recurring grants primarily for two reasons. First, the effort on the part of government is to minimize its downstream liabilities in the provision of services and thereby reduce the fiscal burden over time. As such, the objective is to provide some initial assistance to a non-governmental entity in establishing a facility and then letting it operate largely on the basis of self-financing of its recurring costs. Second, there appears to be some aversion to creating a sizeable bureaucracy for managing a recurring grants scheme for a large number of non-governmental organizations.

Interview respondents have made a large number of useful suggestions for improving government support to nonprofit organizations as follows:

- i) Simplification of the system for making grant applications to the social welfare departments, accompanied by somewhat more rigorous scrutiny and accountability.
- ii) For sensitive activities (like a public radio broadcast) grants of an unconditional nature or endowments should be preferred.
- iii) Tax exemptions for philanthropy should be more widespread. The laws exist but their application is not easy. The certification of nonprofit organizations, donations to which are tax deductible, should not be done by the Central Board of Revenue (CBR) but by an independent rating authority. As an initial step, all nonprofit organizations registered under Section 42 of the Companies Ordinance, which requires relatively high standards of accounting and information disclosure, should be granted this status.
- iv) The Boards of Education and Health Foundations and the Steering Committee of the PDP should have majority representation from the private sector, consisting of distinguished members of civil society and the corporate sector. This model has been, more or less, successfully followed in the case of the PPAF. Grants should be based on proper criteria, applied with transparency.
- v) In the case of contracts for services, the bidding process should be made more transparent, and the process of validation of services provided made less cumbersome. In addition, revolving funds should be established with enough liquidity and a built-in monitoring system instituted.

Altogether, not only is there case for expanding the level of government support to nonprofit organizations, but also of streamlining the system and making it more autonomous, transparent and accountable.

Changes in Government Posture

We have highlighted earlier that the government posture towards nonprofit sector has been variable and lacked consistency. But behind all vagaries in the relationship there is a growing recognition of the role of nonprofit organizations, especially in the areas of social welfare and social service delivery. This is a consequence both of major external developments like globalization, return to democracy, the emerging fiscal crunch and the influence of donor agencies in promoting the role of the nonprofit sector, as well as due to internal changes in the role and character of nonprofit organizations. During the last two decades, recognition of

the role of non-governmental entities has been greatly facilitated by the visible and spectacular success achieved by some organizations like the Edhi Foundation and the Aga Khan Rural Support Program. Despite operating in difficult conditions, such organizations have achieved rapid growth and carved out a distinct role for themselves. More importantly, they have demonstrably contributed to significant improvements in the lives of those they have assisted.

There is now greater appreciation of the potential for greater cost effectiveness and better coverage and targeting by the non-government sector, especially in far-flung and backward areas. Given this recognition and in the presence of acute financial constraints, government has accepted the need for supplemental delivery by the nonprofit sector. As the priority for social development and poverty alleviation increased during the decade of the 1990's, inevitably more space has been created for operations by nonprofit organizations. Besides, non-governmental organizations have got more organized through establishment of coordinating agencies and resource centres (like the NGORC) for capacity building. This has culminated in a somewhat more active role of NGO representatives not only in policy forums but also in federal and provincial cabinets.

But as the NGO sector has grown, points of tension have emerged which have created hostility towards nonprofit organizations. Social and politically activist NGOs have come into confrontation with government and the more traditional elements of society, like religious organizations. As the competition for charitable contributions has intensified, social welfare nonprofit organizations have increasingly been pitched against entities performing religious activities, like construction and maintenance of mosques and the organization of festivals. Professional and managerial personnel have been diverted away from the government towards non-governmental organizations, frequently with better remuneration.

With regard to the level and form of government support there has been more diversification in the sources than in the quantum of support. New forms of capital grant funding have emerged like the Education and Health Foundations and the PDP. There are new financial intermediaries like the TVO, PPAF, the Khushali Bank and the NRSP. Payments for services rendered by nonprofit organizations have spread to a wider range of services related to non-formal education, immunization, family planning, etc.

There has also been also an improvement in the fiscal environment for nonprofit organizations. Major changes in tax legislation were introduced in the second half of the 1990s. But while the tax laws with regard to deductibility of charitable contributions has been liberalized, their application has remained limited due to the very selective granting of the appropriate status for receiving donations to nonprofit organizations.

With regard to changes in the overall legal and regulatory framework, perhaps the principal measure was the introduction of the NGO bill in the late 1990s, which has not yet been promulgated. Salient features of the bill include its 'umbrella' character whereby all social welfare organizations (SWOs) must mandatorily be registered under this law; restriction on the "social education" role of SWOs but an increase in the list of permitted activities and the inclusion of the term "development" for a number of activities undertaken by NGOs; need for compulsory auditing of accounts; discretion with government to terminate any NGO, take over its assets and operations; creation of an appellate mechanism and more information disclosure on sources of funding (SPDC, 2002a).

Interview respondents have criticized many of the provisions of the Bill. Some have questioned the ability of one 'umbrella' law to capture all the differences among nonprofit entities. Others have voiced their strong opposition to the proposed granting of extraordinary powers to government to close down, dissolve, replace and control nonprofit organizations. In addition, the proposal that all foreign funding should be routed through the government has been considered as encroaching on the financial autonomy of donor agencies and recipient organizations. Also, doubts have been expressed about the ability of small NGOs to hire external qualified auditors. Generally, representatives of nonprofit organizations have emphasized on the need for introducing stronger self-regulation within the nonprofit sector to obviate largely the need for this role to be performed by government.

Overall Posture of Local Government

In the context of the overall posture of local governments in Pakistan towards the nonprofit sector, the following questions arise: does the position of local government towards nonprofits diverge significantly from that of the national government? What is the nature of the differences and what seems to account for them?

Local governments inherently are more concerned directly with the provision of municipal services and less with broader issues relating to social and political change. Therefore, given the greater acceptance generally of the role of nonprofit organizations as service delivery agents, it appears more likely that local governments see a natural complementary role of nonprofit organizations. In many situations there may even be a hierarchical relationship with community based organizations, at the level of a village and urban neighbourhood, acting as a kind of lowest, though informal tier, of local government. For example, school management committees have been constituted in various parts of the country, as in Punjab, to supervise the functioning of government-owned primary schools and, in particular, to monitor the attendance of teachers.

But there are also points of stress in the relationship. For example, in large metropolitan cities, like Karachi, a number of non-governmental organizations, like SHEHRI, have emerged to monitor the observance of municipal building and zoning by-laws by construction companies. Frequently, these laws are violated on the basis of graft and corruption by municipal inspectors. Therefore, the accountability introduced by the presence of NGOs has led to serious conflicts, which in many cases have had to be resolved through the courts.

More recently, in the Devolution Plan implemented by the military government an explicit provision has been made for the establishment of community/citizens' boards to oversee the provision of services at the local level by line departments. This is likely to create greater accountability in service provision and influence the process of allocation of funds. However, the registration process, staffing and funding of these bodies has not yet been clearly specified.

Posture of Supra-national Governments

We examine next the policies of supranational authorities like the World Bank, the UNDP and other international bodies towards nonprofit organizations in Pakistan. International aid inflows into Pakistan have been substantial, and have financed a large portion of fiscal deficits. In particular, we focus on the impact of international agencies on the policy of the national government towards the nonprofit sector and the attitudes or reactions of nonprofit organizations in Pakistan to these international agencies.

The policies of supranational agencies towards nonprofit organizations in Pakistan has undergone a fundamental transformation. Traditionally, the former had preferred to implement programs and projects through government ministries and departments. But the high levels of corruption and inefficiency in public delivery has led international donor agencies, like the World Bank, to adopting a much more flexible and pro-active attitude with respect to working with non-governmental organizations. This is also the consequence of the global criticism of international agencies as closed entities in which the voice of NGOs was not heard in policy and programming decisions. For example, the Bank has been under attack for not taking fully into account the human displacement and environmental implications of large hydro-electricity projects. Now, the Bank has NGO offices all over the world and there is a full-fledged NGO unit in Washington.

Similarly, agencies of the United Nations have an important advocacy role to play in the implementation of various UN conventions and resolutions at the national level. This has created a natural partnership among UN agencies like UNDP, UNICEF, UNIFEM, UNEP, ILO, UNESCO, WHO, et, and national NGOs working in the areas of human rights, status of women, labor laws, environmental standards, etc. This partnership in advocacy has, of course, led sometimes to confrontation and an uneasy relationship with national governments. In recent years, international agencies like the World Bank, Asian Development Bank, UNDP, European Union, etc., have moved in to motivate federal and provincial agencies to build in mechanisms for a larger role for non-governmental organizations. This is evident in major programs like SAP and the family planning program. But progress has been slow, given the resistance of line departments to handing over part of their functions to non-governmental agencies.

In the area of micro credit, international agencies have pushed aggressively for involvement of NGOs/CBOs. The Pakistan Poverty Alleviation Fund (PPAF) has been promised sizeable support by the World Bank while the Khushali Bank is expected to receive a large credit line from the Asian Development Bank. Both institutions will channel credit to households through non-governmental organizations. It is of significance to note that TVO finances its operations largely through a big endowment from the USAID, made at the time of the departure of this agency from Pakistan.

Beyond the process of service delivery, international agencies are also promoting a greater role of civil society in the formulation of policies and in monitoring the implementation of policies. The World Bank has insisted on a dialogue between government and non-governmental organizations in the preparation of the Interim Poverty Reduction Strategy Paper (IPRSP), which will form the basis for funding by IFIs. The UNDP has emphasized the role of participative processes in good governance and is expected to support the role of non-governmental organizations in the area of poverty monitoring and in the design and establishment of social safety nets.

Besides support to nonprofit organizations engaged in advocacy, the role of international organizations has met with criticism from government, various political parties and religious organizations. There is, in particular, a strong aversion to the direct funding role of donor agencies without information on transfers to government. A popular complaint about foreign-funded NGOs is the generally high salaries and perquisites (including large duty free vehicles) being given to senior executives of such organizations. This has raised overhead costs, distorted the labor market, and diverted talent from government due to the relatively low salaries in the public sector.

What is the attitude of national nonprofit organizations towards supranational agencies? This ranges from one of strong affiliation of some NGOs to international agencies to that of hostility. The former consist of nonprofit organizations that have either been established by some international agency or pursue a mission that is closely aligned to the goals of the international agency and consequently receive a large portion of their funds from abroad. NGOs are frequently motivated to have a strong relationship with some international agency because of the quantum or security of funding and/or because of the prestige and the prospect of being able to pay high salaries.

As opposed to this, many 'local' or 'indigenous' nonprofit organizations prefer to maintain a distance from international agencies, especially those, like the World Bank, which have a controversial reputation in the local culture. Some of these organizations are quasi-political or quasi-religious in nature, and it is important for them to demonstrate their 'purity' and commitment to an entirely domestic agenda, so as to mobilize popular support.

III CURRENT ISSUES

We finally identify the major issues facing the nonprofit sector in Pakistan. We first rank the major issues confronting the nonprofit sector based on our knowledge of the field and the results of expert interviews (listing of respondents given in Annex I). Following this, we identify and discuss the five issues that are considered most important and salient for the future of the nonprofit sector of Pakistan. An attempt is made to indicate how each issue is likely to be resolved and what implication this is likely to have for the future evolution of the nonprofit sector in Pakistan.

Table 1 gives the ranking of issues confronting the nonprofit sector in Pakistan. Issues of high importance are to be found in areas relating to government policies, funding, management and personnel respectively. Within government policies, issues ranked high are the legal status of nonprofit organizations and extent of government control; within funding, the major issue is that of financial sustainability; within management and personnel, the key issues appear to be lack of professionalization and training, which undermine capacity, and the degree of accountability within the nonprofit sector. Finally, in other areas, the prime issues are related to ideological and political attacks on nonprofits. We take up detailed discussion of each of these issues.

Legal Status of Nonprofit Organizations

The legal status of nonprofit organizations has emerged as a key issue in view of the NGO bill pending with government. We have highlighted earlier that there is strong suspicion among non-governmental organizations that this Bill represents primarily an attempt by government to acquire greater control over nonprofits. Consequently, there has been agitation to prevent the promulgation of the Bill.

Provisions of the present draft of the Bill which are considered as draconian in character include the following: requirement that all NGOs re-register with the Ministry of Social Welfare within a specified period; arbitrary powers with government to de-register, suspend or dissolve an NGO or to remove any provision of the constitution of a NGO; removal of “social education” as a permitted activity of social welfare organizations; compulsory external audit, etc.

There are a number of major dangers if the Bill is allowed to go through in its present form. First, it will place an enormous unnecessary additional burden on nonprofit organizations which are already legally registered, particularly keeping in mind the voluminous documentation and the tedious process required for such registration. Government does not have the resources or institutional capacity to handle such a massive task within the period specified. The numbers will run into tens of thousands. Meanwhile, it means that the majority on non-governmental organizations will largely have to cease all their work.

Second, the “hidden” intent of the legislation appears to be that of targeting advocacy nonprofit organizations. Not only is there a danger that many of the NGOs pursuing an apparently controversial agenda may not be granted registration but also that the process whereby new NGOs, proposing to engage in social or political advocacy, operate will become increasingly difficult. This will greatly retard the future of the NGO movement in Pakistan. Even if such NGOs are given registration they will be constantly under the threat given the sweeping powers that will become available to government to dissolve or suspend operations of existing NGOs.

Third, the proposed Bill will place small nonprofit organizations in a disadvantageous position. Conditions of stronger internal governance requirement and external audit will be more difficult for nonprofit organizations, which have neither the institutional or financial capacity, to comply with. This could lead to the exit of many of the smaller more informal nonprofit organizations and community based entities at the local level.

A study done by the International Center for Not-for-Profit Law (ICNL) made the following recommendations in order to modify the draconian provisions of the bill:⁴

- a) The registration authority should not have the power to dissolve / remove the legal status of corporate bodies created under other laws.
- b) The law should clarify the general supervision and licensing functions of different agencies.
- c) The power given to government to terminate NGOs, seize their assets, freeze their funds or take over the operations should only be exercised as a last resort for very serious

⁴ As cited in Hussain (1996), p 27

- violations and that too after due notice. In addition, there should be the right of judicial appeal.
- d) There should be a provision of judicial review against the decision of the Standing Appellate Committee.
 - e) Provisions relating to the furnishing of all kinds of information, including financial, are too broad and should be limited to situations where there is a rational reason for the request.
 - f) Given the controversy and heat generated by the NGO Bill, it is suggested that in order to improve the climate the government instead focuses on preparing, in consultation with NGOs, a statement explicitly highlighting its NGO policy. Such a policy should focus more on providing an enabling environment for the nonprofit sector rather than on control. The policy should define the relationship between government and NGOs in the context of delivery of services and state the parameters within which nonprofit organizations can engage in an advocacy role. Such a policy should also clearly outline the fiscal framework within which NGOs can operate. As far as registration with a central authority is concerned this should only be made compulsory for nonprofit organizations which are currently receiving government support or are contemplating to apply for such support.

Financial Sustainability

At the present stage of development of the NGO sector of Pakistan, financial sustainability of the operations of nonprofit organizations remains a big issue. This is a reflection partly of the lack of government support, which is very limited, complex and arbitrary in nature. While tax laws for charitable contributions are fairly liberal, they are characterized by very restricted and selective application. Consequently, a tradition of widespread corporate and individual giving to nonprofit organizations has also not developed. Given information inadequacies and asymmetries, flows of funds are not necessarily routed to nonprofit organizations that have the best track record of efficient and sustained delivery. Besides most of the individual giving remains restricted to religious purposes.

The overall consequence of the lack of development of funding mechanisms is that the financial future of most non-governmental organizations, especially the smaller ones, remains quite uncertain. This is one of the factors explaining the high rates of turnover of NGOs observed in the field surveys. Many small NGOs come into existence because of some lump

sum funding from a particular source and die once the funding is consumed and there is no replenishment. Alternatively, operations cease when some promised funding does not come through. This means that many NGOs cannot pursue their missions within an extended time horizon. It then becomes difficult to invest in capacity building. Also, it proves difficult to attract qualified staff, given uncertainty about the duration of employment.

As highlighted earlier, the government has a tendency to prefer capital grants vis-à-vis recurring grants. Therefore, while nonprofit organizations are able to construct facilities on the basis of capital funding, they are unable to sustain their operations because of the inability to mobilize enough revenues to cover recurrent costs. The result is that many of these facilities are over-designed, but remain underutilized subsequently.

A special problem arises in the context of foreign-funded NGOs. Due to vagaries in the foreign aid environment, continued inflow of funds from donor agencies remain uncertain. In addition, international organizations are generally unlikely to make a long-term commitment for funding a particular non-governmental organization. The expectation is that after some initial period of support, the nonprofit entity will be able to establish a sufficiently good reputation to be able to find substitute domestic funding. This seldom happens. Consequently, nonprofit organizations that are dependent on foreign support are forced to downsize and curtail their operations once the funding diminishes or ceases. The lack of sustainability of foreign aided NGOs have been amply demonstrated when many of them ran into serious financial problems after May 1998 when donors imposed sanctions on aid to Pakistan following the nuclear blasts and more recently after October 99 due to the takeover by the military government.

A number of proposals have been made by the interviewees for improving the financial sustainability of nonprofit organizations. First, small grants from the Social Welfare departments of the provincial government should not be made on an annual basis. Once a nonprofit organization has filed a proper application, met the eligibility criteria and been approved for funding, it should be guaranteed financing for a longer period, say three years. This will introduce a degree of permanency in its operations and also reduce transactions costs. Reviews should be conducted normally at the end of the three-year period in order to qualify for the next cycle of funding. In addition, there should be regular monitoring.

This, of course, presupposes that, even in the presence of fiscal constraints, overall government allocations to the social welfare departments remain stable and perhaps even show some growth. One alternative worth considering is the establishment of Social Welfare/Development Foundations to perform the function of grant making which is currently the responsibility of the Social Welfare Departments. A sizeable initial endowment can then be made to Foundations so that in the presence of a regular flow of funds they can make a commitment for longer-term grants to individual nonprofit organizations.

The problem of an imbalance between capital and recurring grants for delivery of services also needs to be resolved. Ideally, the percentage contribution of grants to capital and recurring costs of nonprofit organizations should be the same. But, in view of inadequate access of such organizations to the banking system and the capital market, a higher contribution of grants to capital costs could be justified. But instead of a system whereby the government, for example, picks up the capital cost only, a somewhat more balanced form of support could be to finance half the capital cost initially and a share of the recurring cost annually, such that the present value of the support remains, more or less, the same.

With regard to the support by international donor agencies, it is also recommended that instead of opting for large initial support which is difficult to match subsequently by the recipient organizations, such agencies may choose to establish endowments either for organizations with an established track record of performance or with large trusts of foundations which can then route through funds annually to the target organizations. This can ensure a, more or less, continuous flow of funds to a number of non-governmental organizations. Of course, the move towards endowments will require appropriate safeguards for ensuring performance and possibly necessitate changes in funding procedures of donor agencies.

Lack of Professionalization and Training

The process of development of the nonprofit sector of Pakistan has been retarded by the lack of adequate human resources with nonprofit organizations. Most of these organizations, especially the smaller ones, rely on voluntary part-time inputs rather than on full-time professional inputs. While voluntarism is clearly one of the strengths of the sector, it limits the capacity to deliver beyond a point. Especially in the delivery of complex services, like health, a component of professionalism becomes essential for innovation and effectiveness in

the process of delivery. The itinerant nature of the activity of most NGOs does not make employment in nonprofit organizations an attractive career prospect. Most recent graduates have a strong preference for job security. In addition, employment in the rural areas with NGOs working in the villages is generally not the preference for the urban middle class.

How can professionalism and training opportunities be introduced increasingly to contribute to capacity building of the nonprofit sector? The government has taken a significant step in this regard through establishment of various Rural Support Programs, aimed at the strengthening of the capacity of community-based organizations at the local level. The National Rural Support Program (NRSP) has already done significant work in this area and has begun to channel significant micro credit to relatively poor households in the rural areas through these CBOs. Today, the operative constraint to local capacity building is perhaps the availability of trained social mobilizers with umbrella NGOs. The demand for this kind of personnel is likely to increase further following the establishment of social/community development departments in the recently constituted district governments.

The higher educational system will clearly need to be geared up to produce more personnel who can engage in this social mobilization function. For this purpose, enrollment in the social work and sociology departments of the universities will have to be expanded, with greater emphasis being placed on internship of students with NGOs. In addition, there is need for creating a class of professional managers with medium sized and large NGOs. Perhaps one or more business schools could also offer a specialization in the management of nonprofit organizations. Already, the Institute of Business Administration (IBA) at Karachi is encouraging its students to seek internship in NGOs. This has also been motivated by the fact that given the stagnation of Pakistan's economy, job opportunities are not opening up in the corporate sector.

As far as more short term and specific hands-on training of NGO personnel is concerned, there is also a need to augment the training capacity in this area. Along with the NGO Resource Center in Karachi, there is need for establishing such facilities in the other provincial capitals. These resource centers should perform an important training function through the offering of specialized short term courses for capacity building of NGOs. While this activity may initially be subsidized, it is important eventually that a market be created for training whereby NGOs become willing-to-pay for courses that they perceive as being

valuable to them. The government could also contribute to this process by offering short-term training programs with a focus on nonprofit organizations in its Rural Academy in Peshawar and the National Institutes of Public Administration (NIPA) located throughout the country.

Accountability within the Nonprofit Sector

One issue that has assumed importance in recent years is that of accountability within the nonprofit sector. Despite its many drawbacks, one of the merits of the proposed NGO Bill is that it focuses on mechanisms for introducing greater accountability of nonprofit organizations. The need for this has arisen for a number of reasons. First, entities interested in making charitable contributions are unable to properly assess the worthiness of different nonprofit organizations in the absence of adequate information disclosure on mission goals, internal governance structures, outputs and outcomes, budgets and sources of funds, etc.

Second, there is a negative perception that overhead costs of some nonprofit organizations are relatively high and reflect the exceptionally large salary and perquisites given to the chief executives and senior management. Third, there is concern that many nonprofit organizations receive foreign funding directly, information on which is generally not made available either to government or to the public at large. Since some of these organizations are engaged in political or social advocacy, this has created a particularly strong sensitivity within the government and religious organizations in the country that foreign agencies are using NGOs to pursue an 'alien' agenda.

Given these perceptions, it is important that unless the process of accountability is improved the NGO movement in Pakistan will meet strong resistance which could limit its growth. Therefore, the basic issue is one of building greater accountability in the system without jeopardizing the autonomy, especially with regard to funding, and leading to greater intrusion by government or attacks by hostile groups based on the greater information provided on nature of operations and external funding.

A number of proposals have been made by the nonprofit leaders with regard to improving accountability of the nonprofit sector. First, large NGOs, which are currently the prime targets, must be subject to higher standards of internal governance and audit and accounts. This can perhaps best be achieved by specifying that all NGOs handling budgets annually in excess of, say, 10 million rupees should obtain registration from the Corporate Law Authority

as a company under Section 42 of the Companies Ordinance (SPDC, 2002a). This will ensure that there is a proper Board of Directors, a General Body, minimum number of annual meetings, preparation of an Annual Report alongwith approval of the annual budget by the Board of Directors and external audit by a recognized firm of Chartered Accountants. All this will ensure greater internal accountability of the management of relatively large nonprofit organizations. We have recommended earlier that appropriate tax exemption status be given to encourage NGOs to register under Section 42 of the Companies Ordinance.

As far as external accountability is concerned, there is need to establish an independent agency which can be charged with the function of collection of information on nonprofit organizations in the form of a Directory of NGOs, with key summary information on each reporting NGO. The process should remain voluntary in character, with the incentive to individual NGOs that such a Directory will become a vehicle for publicity and for mobilizing support from organizations making charitable contributions. This independent agency could ultimately become a rating agency, whereby NGOs interested in funding could be ranked on the basis of various performance indicators. This could help in the development of a market for charitable contributions and create an incentive system whereby nonprofit organizations that have a high rating are able to attract more donations

An important issue is how can accounting standards can be improved, especially in the case of smaller nonprofit organizations. Most of these organizations do not have the capacity for maintaining proper accounts and for hiring external qualified auditors. One option is for establishing an Accounting Aid Center (AAC), with support either from government or some donor agency, attached perhaps to the NGO Resource Center, where NGOs can get training for establishing accounting systems and hire on a subsidized basis, auditors, who are employees of the AAC.

The issue of reporting on foreign funding of nonprofit organizations is a complex one, and needs to be examined objectively. On the one hand, compulsory reporting is felt to be an imposition on the autonomy of international agencies and of the recipient entities. On the other hand, absence of information has created a climate of ‘suspicion’ and affected the credibility of nonprofit organizations. Perhaps, as an intermediate solution, external agencies may be asked to provide information annually to the Economic Affairs Division (EAD) of the

Ministry of Finance, Government of Pakistan, on NGO recipients of assistance and the amounts given. The EAD has the responsibility for coordinating all aid inflows into Pakistan.

Ideological and Political Attacks on Nonprofits

The environment for nonprofit organizations, especially those engaged in social and political advocacy, has worsened in Pakistan due to the growing tension between religious organizations and ‘modern’ NGOs. Some religious organizations have highly criticized, and even resisted, the kind of agenda being pursued by NGOs like the campaigns against the blasphemy law, honor killings, etc. The military government has maintained a liberal posture with respect to the role of civil society and has seen this partly as a surrogate for the political process. But the situation could alter dramatically if some of the activist NGOs start agitating for improvements in the process of accountability, return to democracy, etc. Therefore, it is vital that in the interest of survival and growth of the nonprofit sector, especially that related to advocacy, an effort is made to minimize the ideological and political attacks on the nonprofit sector.

There is a general consensus among the leaders of nonprofit sector interviewed that one way of reducing the tension is for the government to formulate a policy on NGOs that, among other things, articulates the parameters within which nonprofit organizations can play an advocacy role. It is important that in the process of development of such a policy there is a dialogue between various stakeholders of the nonprofit sector such as NGOs, political parties and religious organizations leading to a better understanding of the respective roles.

In addition, some interviewees indicated that NGOs who are under suspicion should be more forthcoming with information on their governance structure, activities and funding arrangements. Greater information disclosure will perhaps improve the perceptions about these organizations. Further, from the viewpoint of protecting the sector, nonprofit organizations will need to demonstrate greater unity and solidarity and form stronger coalitions so that attacks on individual NGOs can be resisted collectively. The Pakistan NGO Forum, for example, will have to play a more active role in organizing the community of nonprofit organizations.

Beyond the above five big current issues of legal status, financial sustainability, lack of professionalization and training, accountability and ideological and political attacks

respectively relating to the development of the nonprofit sector in Pakistan there are other issues also like extent of individual and corporate giving and its tax treatment, level and nature of government support, new government policies in field like culture, health and education, lack of information on the NGO sector, etc. that will need attention. Tackling all these issues is essential if the nonprofit sector is to emerge as a vibrant third sector of Pakistan.

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ACRONYMS

AAC	Accounting Aid Center
ADB	Asian Development Bank
AKDN	Aga Khan Development Network
AKF	Aga Khan Foundation
AKRSP	Aga Khan Rural Support Program
CBO	Community Based Organization
CBR	Central Board of Revenue
CIDA	Canadian International Development Agency
CSO	Citizen Sector Organizations
EAD	Economic Affairs Division
HRC	Human Rights Commission
IBA	Institute of Business Administration
ICNL	International Center for Not-for-Profit Law
IFI	International Financial Institution
ILO	International Labour Organization
IPRSP	Interim Poverty Reduction Strategy Paper
IUCN	International Union for the Conservation of Nature
MSDP	Micro-finance Sector Development Program
NGO	Non-governmental Organization
NGORC	NGO Resource Centre
NIPA	National Institute of Public Administration
NPO	Nonprofit Organization
NRSP	National Rural Support Program
NWFP	North West Frontier Province
OPP	Orangi Pilot Project
PCP	Pakistan Centre for Philanthropy
PDP	Participatory Development Program
PHED	Public Health Engineering Department
PILER	Pakistan Institute of Labour Education and Research
PML	Pakistan Muslim League
PMN	Pakistan Micro Finance Network
PPAF	Pakistan Poverty Alleviation Fund
PPP	Pakistan People's Party
RSPN	Rural Support Programmes Network
SAP	Social Action Programme
SDPI	Sustainable Development Policy Institute
SPDC	Social Policy and Development Centre
SPO	Strengthening Participatory Organization
SURF	South and West Asia Sub-Regional Resource Facility
SWO	Social Welfare Organization
TVO	Trust for Voluntary Organizations
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNGASS	United Nations General Assembly Special Session
UNICEF	United Nations Children Fund
UNIFEM	United Nations Development Fund for Women
USA	United States of America
USAID	United States Agency for International Development
WHO	World Health Organization

ANNEX I
LIST OF INTERVIEW RESPONDENTS

Interviews of the following persons from various categories have been conducted:

- 1 Mr. Javed Jabbar
Chairman, Bhan Bahli and Small Projects Office (SPO), Karachi
- 2 Mr. I.A. Rehman
Human Rights Commission of Pakistan, Lahore
- 3 Ms. Khawar Mumtaz
Secretary, Pakistan NGO Forum, Lahore
- 4 Dr. Suleman Sheikh
Sindh Graduates Association, Hyderabad
- 5 Begum Surraya Jabeen
Chief Operating Officer of the Family Planning Association of Pakistan, Islamabad
- 6 Mr. Muhammad Tahseen
South Asia Partnership (SAP-Pak), Lahore
- 7 Mr. Qadeer Baig
NGO Resource Center (NGORC), Karachi
- 8 Ms. Zubeda Jalal
Federal Minister for Education, Islamabad
- 9 Mr. Omar Asghar Khan
Federal Minister for Local Government and Rural Development, Islamabad
- 10 Dr. Mushtaq Ahmed Khan
Federal SAP Coordinator and Member, Planning Commission, Islamabad
- 11 Mr. Shahid Khan
Director General, Voluntary Social Welfare Agencies, Government of Punjab
- 12 Mr. Shafiullah Khan
Chief Health / SAP Coordinator, Planning and Development Department, Government of NWFP, Peshawar
- 13 Mr. Saif-ur-Rehman Grami
Director, Social Welfare, Karachi Metropolitan Corporation, Karachi
- 14 Prof. Ghafoor Ahmed
Naib Amir, Jamat-e-Islami, Karachi

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- 15 Mr. Raza Rabbani
Deputy Secretary General, Pakistan People's Party, Karachi
- 16 Mr. Sartaj Aziz
Former Secretary General, Pakistan Muslim League, Islamabad
- 17 Ms. Seema Baloch
World Bank, Islamabad
- 18 Ms. Osaku Okai and Mr. Sardar Wasimuddin
Chief Economic Section and Senior Economic Consultant, Royal Embassy of Japan, Islamabad
- 19 Dr. Shahrukh Rafi Khan
Sustainable Development Policy Institute, Islamabad
- 20 Prof. Sarah Safdar
Chairperson, Department of Social Work, University of Peshawar, Peshawar

TABLE 1
RANKING OF ISSUES CONFRONTING
THE NONPROFIT SECTOR IN PAKISTAN

ISSUE	I M P O R T A N C E				
	Low 1	2	3	4	High 5
A. Government Policies					
1) Tax treatment of private giving			T		
2) Legal status of nonprofit organizations					T
3) Reductions in government support			T		
4) Changes in forms of government support		T			
5) Extent of government control				T	
6) Policies on nonprofit/for-profit competition	T				
7) Influence of international organizations (World Bank)		T			
8) Regional integration (e.g. European Community)	T				
B. Funding					
9) Extent of individual giving				T	
10) Corporate support				T	
11) Foundation giving				T	
12) International Support				T	
13) Competition from for-profits		T			
14) Fee income			T		
15) Sales and other business income			T		
16) Financial Sustainability					T
17) Volunteering: willingness, problems with recruitment			T		
C. Management and personnel					
18) Personnel recruitment/management		T			
19) Staff compensation and retention		T			
20) Over-Professionalization	T				
21) Lack of Professionalization, lack of training					T
22) Tension between advocacy & service provision				T	
23) Legal Problems (e.g. liability)	T				
24) Accountability within the nonprofit sector					T
D. Other					
25) Regional, religious and ethnic conflicts		T			
26) Political instability			T		
27) Ideological/political attacks on nonprofit					T
28) Independence from religious institutions			T		
29) Independence from business	T				
30) Independence from politics		T			
31) Ethical issues			T		
32) Lack of information on nonprofit sector			T		
33) User and client control	T				
34) Conflicts within nonprofit sector				T	
35) NGO co-ordination; networking and formation of umbrella groups				T	

**NONPROFIT SECTOR IN PAKISTAN:
GOVERNMENT POLICY AND FUTURE ISSUES**

BY

*Aisha Ghaus Pasha and
Muhammad Asif Iqbal*

ABSTRACT

There is no clear cut, comprehensive or cohesive government policy on nonprofit organizations. Policy documents talk about nonprofit organizations (NPOs) in a piece meal fashion. The overall posture of national government toward nonprofit sector ranges from indifference to support for the type of organizations involved in social service delivery. In the case of NPOs engaged in advocacy, human rights and political education, government's posture ranges from indifference to hostility. Moreover, the overall macro-political environment plays an important role in shaping government's attitude toward nonprofit sector. By and large, government policy towards the nonprofit sector has lacked consistency. During the last decade or so, there seems to be a positive shift in government's attitude particularly toward those NPOs which are involved in social service delivery. Some issues identified as crucial for the development of nonprofit sector include legal status of nonprofit organizations, financial sustainability, lack of professionalization and training, accountability within the nonprofit sector, and Ideological/political attacks on nonprofit organizations.

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