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Centre *for*  
Philanthropy



# Family Foundations in the Punjab

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2010



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## **FAMILY FOUNDATIONS IN THE PUNJAB**

## FAMILY FOUNDATIONS IN THE PUNJAB 2010

The Pakistan Centre for Philanthropy (PCP) acknowledges financial support for this report from the Government of the Punjab (GoP).

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Government of the Punjab



Pakistan Centre  
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Printed by Colorline Islamabad

*Cover and design, copy-editing, desktop composition and production management: Dr. Jennifer Bennett, Ali Shoaib, Rabia Hasan & Syed Hassan Sagheer, Pakistan Centre for Philanthropy, Islamabad*

Published in March, 2012

# Contents

<b>List of Tables</b>	ii
<b>List of Figures</b>	ii
<b>Acronyms</b>	iii
<b>Foreword</b>	v
<b>Acknowledgments</b>	vii
<b>Executive Summary</b>	viii
<b>1. Introduction</b>	1
<b>2. Literature Review - International Experience of Family Foundations</b>	8
<b>3. Methodology</b>	12
<b>4. Survey Findings</b>	15
<b>5. Discussion on Findings and Recommendations</b>	35
<b>6. Profiles of Family Foundations</b>	40
<b>7. Best Practices Followed by Family Foundations</b>	43
<b>References</b>	44
<b>ANNEX A</b>	45
<b>ANNEX B</b>	46
<b>ANNEX C</b>	47



# List of Tables

Table 1	Number of Registered Non-Profit Organizations Up to June 2000	6
Table 2	Age of Family Foundations	15
Table 3	Purposes of Establishing Family Foundations	16
Table 4	Vision of Family Foundations' Founders	16
Table 5	Family Foundations' Registration under Laws	17
Table 6	Programme Areas of Family Foundations	18
Table 7	Programme Activities of Family Foundations	18
Table 8	Programme Areas of facilities run by Family Foundations	19
Table 9	Family Foundations Giving Cash and In-Kind Grants to Other Organizations	20
Table 10	Family Foundations Giving Cash and In-Kind Grants to Individuals	20
Table 11	Gender Distribution of Beneficiaries in Programme Activities	21
Table 12	Sector-wise Distribution of Beneficiaries	22
Table 13	Distribution of Beneficiaries in Health and Education Programme	23
Table 14	Income and Expenditure of Family Foundations in FY 2008-09	25
Table 15	Sources of Donations Other Than Founder in FY 2008-09	26
Table 16	Share of Various Types of Assets Held by Family Foundations	27
Table 17	Ranges of Real Estate Value	27
Table 18	Factors Influencing Donors Reported by Family Foundations	28
Table 19	Method Used for Determining Demand for Services	28
Table 20	Methods of Reporting to Donors Used by Family Foundations	29
Table 21	Responsibilities of Board of Directors of Family Foundations	29
Table 22	Relationship of Senior Staff with Founder	30
Table 23	Voluntary Time Contribution in Family Foundations	31
Table 24	Annual Financial Audits of Family Foundations	31
Table 25	Use of Standard Procedures by Family Foundations	31
Table 26	Areas of Beneficiary Involvement by Family Foundations	32
Table 27	Nature of Collaboration Forged with Other Organizations	32
Table 28	Desired Objectives of Establishing Joint Family Foundations' Platform	33
Table 29	Family Foundations' Experience of Government Dealings	33
Table 30	Total Giving by Family Foundations	34

# List of Figures

Figure 1	Geographical Coverage of Programmes	17
Figure 2	Average Expenditure of Family Foundations (July 2008-June 2009)	24
Figure 3	Sources of Income for Family Foundations	25

# Acronyms

AKDN	Aga Khan Development Network
APWA	All Pakistan Women's Association
BHU	Basic Health Unit
FBR	Federal Board of Revenue
FF	Family Foundation
FY	Financial Year
FPAP	Family Planning Association of Pakistan
GBP	Great Britain Pounds
GoP	Government of Pakistan
GotP	Government of the Punjab
HSRC	Human Sciences Research Council
NGO	Non-Governmental Organization
PCP	Pakistan Centre for Philanthropy
PIHS	Pakistan Integrated Household Survey
PPHI	People's Primary Health Care Initiative
PRSP	Poverty Reduction Strategy Paper
PSLM	Pakistan Social and Living Standards Measurement Survey
Rs.	(Pakistan) Rupees
SECP	Security and Exchange Commission of Pakistan
SPDC	Social Policy and Development Centre
UK	United Kingdom
USA	United States of America

FAMILY FOUNDATIONS IN THE PUNJAB 2010

1

# Foreword

This publication marks the culmination of a six months research initiative undertaken by the Pakistan Centre for Philanthropy (PCP) to understand and measure the potential for indigenous institutional Philanthropy in the Punjab Province. The research study was commissioned by the Planning and Development Department, Government of Punjab, Pakistan to explore ways of mobilizing, organizing and facilitating philanthropic activities in the province in support of social development initiatives, identifying trends that would support a knowledge-base for future dialogue, analysis and action for citizen led growth in social development. The research effort intended to examine the relationship between stakeholders (grant makers and grant seekers), identify ways to facilitate productive equations, and to identify constraints and barriers to institutional philanthropy and propose/ recommend policy action by Government to remove such barriers. The findings of the Family Foundations research study will provide crucial information and insight about private social development initiatives to the Government of Punjab in developing its first ever Social Development Policy.

In recent years, the Government of Pakistan's (GoPs) approach towards planning and delivery of development services in most sectors has been guided by systematic assessments and reform. A paradigm shift views the Government not as a sole provider of services but also as a facilitator and

financier of the private sector including the non-profit sector. GoP's policy documents not only acknowledge the participatory role of the private and civil society sectors but also seeks complementary partnerships.

Independently governed and funded, principally by the personal gift of a family business or family, charitable Family Foundations have historically played a vital role in philanthropy throughout the world. Such structures also exist in the Punjab. The courage, vision and effort, with which they are built however, remain an unwritten narrative that needs to be formalized so that the giving trends of wealthy families can be explored and consolidated further as an important resource pool for organized social investing. The particular nature of the Punjab's philanthropic landscape necessitated a far-reaching research effort in order to provide a comprehensive layout of the philanthropic sector. Historical roots, Islamic traditions, legal frameworks, and current practices by individuals and foundations combine to form the unique setting of Punjab philanthropy today. While many wealthy people are engaged in strategic philanthropic activities, currently there is very little data on which to review levels and trends in such philanthropic pursuits.

Traditional giving responds to immediate needs, whereas philanthropy as social investment addresses the root causes of problems, often tackling issues of inequality and the distribution of power. While there will always be a role for traditional giving as a remedy for basic

## FAMILY FOUNDATIONS IN THE PUNJAB 2010

and immediate issues, deeper problems such as poverty and inequality require comprehensive solutions and strategies. What this study conveys is an important need to focus on bringing institutional philanthropic structure further, along with supporting and undertaking social development causes and efforts.

As the first research initiative on philanthropy at the provincial level, this publication adds to our understanding and broadening of vision of institutional giving. The analysis contained here offers the promise of a new beginning, acting as a first step towards stimulating deeper research on the intersection of social change and the role of

Foundations in the Punjab. We hope that Family Foundations in the Punjab will take up the challenge of self-examination and find ways to lead our citizens towards a more just and hopeful future.



Dr. Shamsh Kassim-Lakha, H.I., S.I  
Chairman Board of Directors, PCP

# Acknowledgments

Pakistan Centre for Philanthropy recognizes the financial support provided by the Planning and Development department, Government of the Punjab, to conduct the study. The Centre owes its gratitude to Mr. Javed Aslam, Chairman, Planning and Development Department, Government of Punjab, and Mr. Khalid Sultan, Chief (DERA) for their valuable support and cooperation during the process of the study. The Department of Social Welfare, Government of Punjab is respectfully recognized for their ownership and support of the study.

PCP's research endeavours are the result of a collective effort that involves our highest policy making bodies, trickling down to the research team that works in the field. First and foremost, gratitude and acknowledgement is due to the Chairman of the Board, Dr. Shamsh Kassim-Lakha and the entire Board for their encouragement and continuous support. The Centre is indebted to the Chair of its Research Committee, Mr. Mahomed J. Jaffer and Co Chair Mr. Zaffar A. Khan, along with its members Mr. Badar F. Vellani, Mr. Mueen Afzal, Mian Ahsan M. Saleem, Dr. Attiya Inayatullah, Mr. Shoaib Sultan Khan and Mr. Hussain Dawood for their guidance and perceptive input.

Ms. Shahnaz Wazir Ali, the founding Executive Director of PCP, who is no longer with the institution, was the driving force behind the initial conceptualization of the study. She supported the Centre throughout the study with her invaluable input in multiple roles. We will always be indebted to her.

The description of results and analysis is principally the contribution of Mr. Farooq Azam, Development Consultant. Our sincere thanks to him for developing the research design, for his critical analysis of the very rich data generated through an examination of the financial records and one to one interviews with Family Foundations in the Punjab. The Centre would like to acknowledge and appreciate the untiring and committed efforts of the research unit Mr. Zubair Faisal Abbasi, Manager Research, Syed Tariq Ali, Senior Research Officer, Mr. Ali Shoaib, Programme Officer, Ms. Rabia M. Hasan, Programme Officer and Syed Hassan Sagheer, Junior Programme Officer, whose dedicated and painstaking work made this report possible.

PCP would like to record its thanks to the Securities and Exchange Commission of Pakistan and the Federal Bureau of Revenue for providing access to data, without which the study would not have been possible

PCP acknowledges the participation of the Family Foundations in the Punjab for their quick responses in providing the required data to its research team and finding the time for qualitative interviews.



Ms. Anjum R. Haque  
Executive Director

# Executive Summary

Family Foundations are one of the main vehicles of philanthropy worldwide. All indications are that the phenomenon is widespread, but has largely remained unexplored. Being part of the non-government, not-for-profit sector, Family Foundations largely rely on funding from the founding family, and are further distinguished from other entities in the sector, in terms of a strong commitment of the founders to the social cause for which the Foundation is established. The cause, or purpose, mainly focuses on filling significant gaps left by the Government in meeting basic needs of the poor and marginalized groups and helping them in building sustainable livelihoods for themselves.

In the course of reviewing its poverty reduction strategies for developing the second provincial Poverty Reduction Strategy Paper and formulating a Social Development Policy, the Government of the Punjab decided to explore further the role of the non-governmental sector in poverty reduction in order to fully realize its potential. With this objective the Government commissioned two studies to investigate the trends in philanthropy by individuals and non-governmental institutions in the province. The latter study especially focused on Family Foundations, given that historically they have played a predominant role in philanthropy in the province.

The study of Family Foundations in the Punjab is a pioneering study, not only in the province but also in the whole country. The main findings of the study and related policy recommendations are summarized below.

The Foundations had a good working experience as they had been established for

an average of 17 years, their age ranging from three to 48 years. Generally, the family's obligation to work for the poor and vulnerable groups was the main stated purpose for their establishment. Improving people's health, helping the helpless to stand on their own feet and improving literacy and educational levels were the three main objectives of the Foundations. Although the Foundations were working in more than nine sectors, the major focus of their work was in the sectors of Health, Education and Charitable & Welfare Services. The programmatic focus of the Foundations, therefore, was largely developmental in nature rather than providing short-term assistance to the needy.

The major programme activities of the Foundations included operating service facilities (by 77 percent Foundations), and making cash and in-kind donations directly to needy individuals (by 50 percent and 16 percent Foundations, respectively); providing cash and in-kind grants to other philanthropic organizations to support their programmes (by 11 percent and 16 percent Foundations, respectively) were relatively less common activities.

In all, 77 percent Foundations were operating 204 facilities (more than 2.6 facilities per Foundation) including 88 hospitals and 9 clinics; 60 schools, 13 colleges and 3 adult literacy centres; 11 welfare centres; and 24 facilities of different nature in other areas of work. In providing cash and in-kind grants directly to individuals, there was a greater tendency to do the former, whereas the opposite was the case when these grants were made to support the philanthropic programmes of other organizations.

The total number of beneficiaries of all programmes run by the Foundations was more than 2.79 million in the financial year 2008-09, at an average of about 28,000 per Foundation. This comes to 93 beneficiaries per day per Foundation, which is a substantial number. The activity of running of facilities produced 85 percent of all beneficiaries while direct in-kind support to individuals made up the next highest proportion of 13 percent beneficiaries. The ratio of female beneficiaries was slightly less, at 47.5 percent. More than 92 percent beneficiaries belonged to the Health sector, followed by the Charitable & Welfare Services sector that claimed 6 percent beneficiaries. Only 1.3 percent beneficiaries belonged to the Education sector. The findings underline the need for a better alignment of health services to women's needs and an improved organization for the education sector.

Only a little over half the Foundations provided information on their financial matters. Further, the information provided was on the conservative side. The findings related to financial matters, therefore, should be treated as indicative of trends rather than in absolute terms. The Foundations, on an average, spent 75 percent of their income in running programmes and the rest, 25 percent, on administrative heads including staff salaries. This implies that the Foundations were running very cost effective operations by keeping the administrative costs down. However, the cost per beneficiary per month was merely Rs. 102, which could imply that lower quality services were being offered by the Foundations. As about a quarter of the annual income of the Foundations was left unspent, there were resources available with them for improving service quality.

The source of 69 percent of the Foundations' income was the founding family, followed by donations from other sources that contributed 13 percent. The Foundations, therefore, were heavily relying on donations,

mainly from the founding family. Income from asset, commercial and financial investments barely made up 10 percent of the total income. The average value of assets (mainly in the form of real estate) held by the Foundations was Rs. 55.6 million, with about half of the Foundations having real estate assets of only Rs. 3 million. The Foundations, therefore, had a meagre asset base even after being in existence for 17 years.

The higher management and decision making in the Foundations was dominated by the founding family; members of the family also dominated the board of directors. The founders and their relatives working in the Foundation made the largest voluntary time contribution. On an average, the board members, senior staff and volunteers together contributed 3.81 work years per annum per Foundation.

More than 80 percent Foundations had their annual financial audit conducted by an external auditor. However, only 31 percent Foundations had adopted some Standard Operating Procedures (SOPs) and were using a selection criterion for beneficiaries. Perhaps, the dominance of decision-making by the founding family precluded the adoption of these measures. Use of any systematic methods for determining the need for their services, identifying beneficiaries, and assessment of programme effectiveness by the Foundations was also uncommon.

Generally, the Foundations had not forged any institutional linkages with other voluntary organizations, government or other development partners and were not desirous of forming any joint platform with other Foundations. They had mostly interacted with the Government for tax exemption and registration matters and described this experience in very positive terms.

A number of policy recommendations emerge from the survey findings. It should be kept in mind that the Foundations are run by very committed founders who strongly believe

in attaining the purpose for which they have established them and fund them generously. On an average, the Foundations have a good 17 years of experience behind them. All of this can help them to grow further, provided appropriate conditions are created for this purpose.

The programmes run by the Foundations are largely developmental in nature, but they are also accompanied by some charitable and welfare services. Both are essential because while benefitting from the latter to meet some immediate needs, the poor families are able to make use of the former for longer term gains. Similarly, the services offered through facilities are supplemented by cash and in-kind grants; this helps the poor children, for example, not only to attend schools but also to meet their related expenses. Both the approaches are, therefore, complimentary but an appropriate balance between the two must be kept.

There might be a need to help the Foundations to examine the appropriateness and quality of their services to make them more women focused and effective. Given that the Foundations are left with some savings, it should be possible to help them introduce these changes by arranging technical assistance.

The heavy dependence of the Foundations on donations and a thin asset base makes them quite vulnerable. For longer term sustainability, they will need to diversify their

income base. To achieve this, the strategy should be to develop an appropriate investment portfolio where surplus funds could be invested and to improve income by attracting more donations. Improvement in governance mechanisms, SOPs, reporting to donors, and better programme planning and monitoring and evaluation systems will not only help to improve the programme quality but also to build donor confidence. A more systematic and proactive approach towards attracting donations, both from within the country and abroad, is needed. Also, building partnerships with other organizations engaged in philanthropy will help the Foundations to generate more resources and improve their programme effectiveness and quality.

The Foundations, therefore, have many areas of strength that can be capitalized upon, and some weaknesses that can be addressed, to enhance their capacity for philanthropic work. For this, an overall enabling environment needs to be established consisting of supporting policies, more transparent legal framework, and fiscal incentives especially relating to programme expansion and improvements. Simplification of procedures in all of these areas is also required. A transparent reporting system that does not interfere with the independence of the Foundations but helps the documentation of their programmes will also be needed, once a relationship of trust is established between the Government and the non-profit NGO sector.

# 1

# Introduction

The Poverty Reduction Strategy Paper (PRSP) of the Punjab Government, published in 2003, noted that poverty had been on the rise in both rural and urban areas of the province. Quoting estimates from 1999 it showed that poverty incidence in Punjab was greater than the country as a whole, and the provinces of Balochistan and Sindh (GoP, 2003).

The World Bank estimates of poverty headcount rates, based on Pakistan Integrated Household Survey (PIHS) and Pakistan Social and Living Standards Measurement Survey (PSLM), actually show a declining trend for the province. The urban poverty in Punjab declined from 23.9 percent in 1998-99 to 12.1 percent in 2005-06, and the rural poverty declined over the period from 33.0 percent to 21.0 percent. The estimates for 2005-06 show that poverty in Punjab was less than in the country as a whole and the other three provinces (World Bank, n.d.).

The poverty estimates for 1998-99, 2000-01, 2004-05 and 2005-06 actually show considerable volatility during the intervening three periods, underlying the force of relevant causative factors and their variation. The socio-economic crisis, political uncertainty and physical insecurity have been aggravating since 2005-06, resulting in job losses and price hikes, which are bound to have an adverse impact on the poverty incidence, and quite probably reversing the earlier gains in poverty reduction.

The Punjab PRSP, in the Preface, highlighted that besides depriving people of their assets, poverty has other

dimensions, as it deprives them of their rights and liberties and leads them to lose their dignity.

The Punjab PRSP was the first systematic endeavour of the provincial government to reduce poverty in the province, by focusing on the poor in its important programmatic interventions. The poverty analysis identified some main characteristics of the poor, including low or no assets, food deficiency and insecurity, low literacy and education levels, and restricted access to health and sanitation services, and severe gender imbalances in all these areas.

Besides tuning its own programmes towards poverty reduction, the provincial Government also underscored the role of the non-governmental sector to achieve this goal. The Government acknowledged their contribution in developing policy and research. It noted that NGOs were particularly supported by the Department of Women's Development and Social Welfare, National Council for Social Welfare and National Zakat Foundation<sup>1</sup>. It also mentioned the role of Rural Support Programmes in promoting participatory development mainly aimed at poverty reduction.

The Punjab Government's focus on poverty reduction has led it to explore various initiatives, pursued by both individuals, private and non-governmental organizations targeting poor groups, with a view to determine how these initiatives could be strengthened by expanding their scope and maximizing their impacts through government support, mainly in the shape of appropriate social policies. The

<sup>1</sup> Zakat disbursements in Punjab have averaged Rs. 2,622.77 million during the three financial years of 2005-06, 2006-07 and 2007-08. There was a slight decline of 3.5 percent in disbursements in the last year over the previous year. The number of Zakat beneficiaries in the province averaged 1,308,725 per annum. The average Zakat disbursement per person was Rs. 2,015 per annum during the three years. The 'Guzara' (or subsistence) allowance was the main mode of giving, accounting for an average of 46 percent of the total Zakat funds in the three years. Further details are provided in Annex A.

Punjab government, therefore, decided to commission two studies: the first on individual philanthropic behaviour and attitude in the province; and the second on; philanthropic practices of private and non-governmental sector organizations established, and largely financed, by families believing in philanthropy. The initiative is part of the work on developing the second provincial Poverty Reduction Strategy Paper and Social Development Policy by the Punjab Government.

### **Role of Philanthropy in Poverty Reduction**

The provincial Government's focus on philanthropic practices, as contributing towards its goal of poverty reduction, was at least partially influenced by an earlier study undertaken by the Aga Khan Foundation, based on a survey of 1,365 individuals across Pakistan. Conducted in 1999, the survey measured individual voluntary giving of money (both Zakat and non-Zakat contributions), goods and time for philanthropic purposes. The study estimated that in 1998 alone the aggregate individual giving amounted to Rs. 70.5 billion of which Rs. 41 billion was in the shape of cash and goods donations. Comparing it with the Government's spending on health and education, it noted that the federal and provincial expenditures combined in 1996-97 fiscal year were Rs. 84 billion in the two sectors. Compared with foreign grants during the same fiscal year the cash donations by Pakistanis for philanthropic purposes, at Rs. 30 billion, were five times more (AKDN, 2000). These findings were highly significant and merited more systematic investigation of giving practices at both the individual and organizational levels, which the Punjab Government decided to pursue.

### **Family Foundations and Philanthropy**

The present report exclusively deals with the dynamics of philanthropy by organizations that are established by an individual or her/his family and are largely financed by them; these organizations are usually referred to as 'Family Foundations' in the

relevant international literature. Later in the report, some prominent examples of large Family Foundations are examined, but as the current study shows the phenomenon runs much deeper than that, involving Family Foundations, operating at all points, on the scale from the local to the national level. In the socio-cultural context of Pakistan, Family Foundations are believed to have been the predominant mode of organizational philanthropy. Essentially Family Foundations are established and run by a family, often with the consequence of an association developing between the Foundation's philanthropic activities and family's name. The intended and declared main motive of establishing Family Foundations might not be the same as the consequence, but in all cases the purpose served by the Family Foundations is to provide ameliorative and/or developmental support to the poor and marginalized individuals, families or groups.

Family Foundations are either off-shoots of a business concern or result from citizen's initiatives, commonly known as non-governmental organizations or NGOs. In the former case, a family's head or one of its members formally establishes a separate entity, linked to her/his business concerns, to undertake philanthropic activities and mainly finances it from business profits, an example of which is the Hashoo Foundation established by the Hashoo Group; or directly provides assistance to the beneficiaries from its business profits. A survey of 120 business companies located in three major cities in Pakistan, conducted by Aga Khan Foundation in 1999, showed that 93 percent of the companies surveyed were engaged in a wide range of philanthropic activities of which 75 percent provided assistance directly to the target individuals and families (AKDN, 2000). The study, however, did not establish as to how many of the business concerns surveyed were engaged in philanthropy through the Family Foundations.

Where the Family Foundation results from a citizen's or a family's initiative not linked to a business concern, in the form of an NGO, the funds for its activities are drawn from

diverse sources including, among others, the family's own contribution and donations from individuals and businesses. A famous example of such an initiative is the Edhi Foundation. However, the majority of Family Foundations are likely to operate on a much smaller scale than Edhi Foundation, mostly serving local poor and marginalized groups.

Family Foundations, therefore, include both the organizations linked to family business concerns and NGOs not having such linkages. Although the former are funded through profits resulting from the family business, they also raise additional funds through other means as their activities expand. The NGOs draw upon a variety of contributions, which might include donations from businesses. Both types of Family Foundations are private initiatives and are not established, controlled or managed by the Government. Unlike 'associations' they do not have or serve a specific membership but work towards providing assistance to the poor and marginalized, and other groups in need. The profits generated by them, through any investments or commercial operations, are spent on philanthropic activities and are not distributed to their owners or directors.

### **Definition of Family Foundations**

The above are some broad characteristics that distinguish Family Foundations from other philanthropic organizations, there being insufficient investigation globally and more specifically regionally on the phenomenon. However, based on the foregoing and available literature, 'Three Fs' in the following three questions are important in defining the Family Foundations:

- Who are their Founders?
- How are they Financed?
- How do they Function?

### **Importance of the Founders**

Family Foundations are distinct from other types of foundations and similar

entities; in that they are not only founded by a family or its head but also carry the family's strong imprint in their governance and/or management. The family members, therefore, would often serve as trustees or directors on a voluntary basis. The strong commitment of the family, in the cause of achieving the goals set by the founder is also distinctly discernable in Family Foundations. The linking of the defined cause with the family name produces its tremendous buy-in by the Foundation's management.

### **Importance of Financing Sources**

Family Foundations are often largely financed by the family through regular direct financial contributions by family members and/or by regular financial grants received from family business enterprises. Donations from other sources could also be received and the Foundation's funds could be invested to generate profits for its operations, but these will usually constitute a much smaller proportion of the Foundation's income compared to the family's donations. Profits from investments are meant for the sole purpose of financing the Foundation's operations, and not for distribution among its trustees, directors or employees.

### **Importance of Functioning Nature**

Family Foundations serve a cause for the good of people that is defined by the founding family. The programmes run by the Foundations are seldom influenced by any outside institution, and are mostly aimed at philanthropic activities, in favour of the less privileged and poor populations. For this purpose, they may give financial and other support to other organizations for health, educational, religious, cultural, scientific advancement and charitable activities and/or provide these services directly to the communities. They are established and function as non-governmental organizations with fully autonomous managements, but are subject to government oversight requirements prescribed under the registration laws.

### The Meaning of Philanthropy

It is important to understand what the term 'philanthropy' means in the socio-cultural context of Pakistan, in the light of historical experience. The term is derived from Ancient Greek, meaning 'to love people'. According to an internationally accepted definition, 'philanthropy is the act of donating money, goods, services, time and/or effort to support a socially beneficial cause, with a defined objective and with no financial or material reward to the donor' (Wikipedia, 2010). By implication, the groups served through philanthropy are beyond the donor's family. This broad definition of philanthropy allows for the integration of various socio-cultural and religious practices of giving that have been prevalent in the country.

An understanding of how such giving is articulated, in Pakistan's socio-cultural context, will help to develop broader social policies for the welfare of the needy population, building meaningful social safety nets and systematically supporting the process of sustainable livelihoods for poverty alleviation. From this perspective, it is useful to make a distinction between 'charity' and 'philanthropy'<sup>2</sup>: the former is aimed at providing immediate relief in the shape of welfare donations, providing the needy people with food, clothes or shelter, while the latter follows a longer-term developmental approach, by building human and social capital through investments in education, health and income generation. Philanthropy, therefore, requires a systematic approach and intensive involvement with the target populations over a longer period. Such an endeavour requires the framework of an organizational set-up, working ideally in partnership with the government and private sector, under the umbrella of supportive social policies.

### Institutional Philanthropy in Pakistan

It is important, therefore, to know the institutional arrangements that exist today for philanthropy in Pakistan. As

mentioned earlier, there are mainly two types of institutional arrangements in place, including an institutional setup for corporate philanthropy and the intermediate institutions that collect donations for their philanthropic activities, but are independent of any formal corporate linkages. There are also intermediate institutions that are engaged in developmental activities through grassroots groups, targeting poor and disadvantaged communities, and often collecting individual contributions from the communities served, besides putting in their own funds that are generated through Government and international donor grants. The rural support programmes in Pakistan fall in this category. These institutions, however, are not part of the citizen-led initiatives that are the focus of the current study. Also, there are intermediate institutions that receive voluntary contributions from citizens and are run by a religious or political party or group; these institutions are also not included in the scope under discussion.

Family Foundations include both the organizations established as a result of citizen-led initiatives and corporate philanthropy. Their sizes, in terms of scope of work, the geographical area of coverage and the funding available for activities vary considerably. Usually, they are legally registered, though some may work without seeking a registration. Most of the Family Foundations are referred to as 'NGOs' or non-governmental organizations. However, not all NGOs are Family Foundations and are formed with a variety of objectives. Undoubtedly, there is a need for a more systematic differentiation of organizations that are currently all lumped together as NGOs.

Before the inception of Pakistan, the colonial administration encouraged a formal registration of citizen-led initiatives by introducing the Societies Registration Act in 1860. Some of the main social institutions established at the time in Punjab are still active today.

<sup>2</sup> Such a distinction is also made by the Aga Khan Foundation study (AKDN 2000)

Sir Ganga Ram, a leading philanthropist of the time, established Sir Ganga Ram Free Hospital, Hailey College of Commerce and Lady MacLagan Girls High School, in addition to many other welfare institutions. Dayal Singh College was established by Dayal Singh Majithia Trust. Anjuman-e-Himayat-e-Islam, established by a small group of Punjabi Muslims, created a chain of Islamia colleges in Lahore, in addition to orphanages and other welfare institutions.

After independence, some of the main citizen-led initiatives include All Pakistan Women's Association (APWA) was established by Begum Ra'ana Liaqat Ali Khan, wife of Pakistan's first Prime Minister, to initially mobilize women volunteers to help the large number of refugees that had migrated to Pakistan, and later to provide health, education and vocational training facilities to women and girls in all the four provinces. APWA now operates a large number of schools, colleges, industrial homes, cottage industry shops, hospitals, dispensaries and adult literacy centres throughout the country. The Behbud Association of Pakistan was founded by Begum Akhtar Riazuddin for emergency volunteer work by women during the country's war with India in 1965, but it has since evolved into a leading organization to provide services to poor women and children in the areas of reproductive health, adult education, skills upgrading and training, income generating activities including credit for small business, stipends and scholarships, counselling and legal services and community development. Behbud Association also operates in all the four provinces. The Family Planning Association of Pakistan (FPAP) was established by Mrs. Saeeda Waheed for providing reproductive health services to poor women. Working in all the four provinces, FPAP's main programmes include operating a large number of family health centres, training programme for upgrading the skills of traditional birth attendants, establishment of family health hospitals in their focal programme areas and improving family planning service delivery and knowledge through

community volunteers, private medical practitioners and Hakeems<sup>3</sup>. The Layton Rahmatullah Benevolent Trust was established by two business partners Graham Layton and Zaka Rahmatullah for the treatment of eye diseases focusing poor groups. Their programme is currently operational at many places in the country, including Lahore. The Edhi Welfare Trust, founded by Abdul Sattar Edhi and his wife Bilquis Edhi, is perhaps the largest philanthropic organization working throughout Pakistan in the areas of emergency services, health, poverty relief, shelter homes, prisoners' aid and animal protection. They operate the largest ambulance fleet in the country to meet a growing number of emergencies. They do not accept any international donor or government contributions and mainly rely on individual donations by Pakistani nationals within the country and abroad. The Shaukat Khanum Memorial Trust was established by the famous Pakistani cricketer, Imran Khan, mainly to run a cancer treatment hospital, in memory of his mother who died of the disease. About 80 percent of the patients, mainly belonging to poor families, are treated free of cost. The Punjab Government had donated land for the hospital and its affiliated research centre.

The organizations mentioned above not only receive donations from individuals but also grants from government, businesses and international donors, with only a few exceptions as already noted. However, most of the donations by individuals are not given to organizations, but to the needy individuals; this has been the case for corporate giving as well, as found out by the AKDN study. The implication is that most of the giving is used for meeting immediate needs of the concerned families and individuals, and does not effectively contribute towards their longer term development. Zakat is the most dominant form of giving and is practiced as a religious obligation towards the poor and needy. The AKDN study found that, in the survey year, more than 90 percent of the respondents had given Zakat, but mostly to

<sup>3</sup> Hakeems are traditional medicine practitioners.

## FAMILY FOUNDATIONS IN THE PUNJAB 2010

individuals. Interestingly, very few individuals contributed to the official collection of Zakat and preferred to pay themselves directly to the needy. Other forms of religious giving include Sadqa and Ushr, the former paid to the poor as a mark of expiation and the latter denoting levy on agricultural produce under the law, to be collected and distributed by the local administration (AKDN, 2000).

### **Number of Organizations Practicing Philanthropy**

There are no reliable estimates of the number of Family Foundations or the organizations that practice philanthropy. The Social Policy and Development Centre

(SPDC) and the Aga Khan Foundation had conducted a study on the 'Dimensions of Non-profit Sector in Pakistan' in 2002, as part of an international project carried out by the Johns Hopkins University in 40 countries. The non-profit sector also includes organizations involved in philanthropy, specifically the Family Foundations. The Pakistan study recognized that the non-profit sector consists of organizations that are registered under one of the various relevant laws, as well as unregistered organizations, the latter mostly being small in size and working at grassroots level. The study collected data on non-profit organizations registered under various laws from relevant authorities, the results of which are provided in Table 1.

**Table 1: Number of Registered Non-Profit Organizations up to June 2000**

	Voluntary Social Welfare Agency Ordinance, 1961	Societies Registration Act, 1860	Companies Ordinance, 1984	Total
Pakistan	12,703	43,007	509	56,219
Provinces				
Punjab	5,421	27,702	45	33,168
Sindh	4,572	11,877	442	16,891
NWFP	1,675	1,343	15	3,033
Balochistan	1,035	2,085	7	3,127

Sources: National Council of Social Welfare, Provincial Social Welfare Departments, Provincial Directorates of Industrial Development, and Registrar Joint Stock Companies

### **Legal Framework for Registering and Regulating Non-Profit Sector**

The legal framework guiding the working of non-profit organizations is quite old, comprising many laws, the principal ones among them being the Societies Registration Act of 1860, the Voluntary Social Welfare Agencies Ordinance of 1961, the Trust Act of 1882, and the Companies' Ordinance of 1984. These laws are generally outdated and need to be revisited to bring them in consonance with the massive growth of the non-profit sector and its immense developmental potential. A brief description of these laws is given below. Under the Societies

Registration Act of 1860, a group of seven or more persons can establish a 'society' for the promotion of culture, arts, science, literature, etc. and to provide charitable services. The organization is required to be registered with the Registrar of Joint Stock Companies, operating under the provincial Department of Industries.

The social welfare organizations are registered under the Voluntary Social Welfare Agencies Ordinance of 1962. The Directorate of Social Welfare, working under the provincial Department of Social Welfare, are responsible for registering these voluntarily established organizations for the purposes of welfare

services for vulnerable groups, social education and awareness-raising, health services to the needy, etc. At least 10 members are required to establish such an organization. They work in specified areas and are funded through government grants and public donations. The award of government grants puts them under a reporting and inspection system enforced by the registration authority.

A public charitable trust can be established under the Trust Act of 1882, but the registration of the trust under the law is optional. There is no membership requirement for establishing a trust. Trusts are established for the good of society as a whole or a certain segment of the society, generally for the promotion of knowledge, religion, moral values, health services, risk mitigation etc.

Under the Companies Ordinance of 1984, a non-profit company can be established for promoting social development, income generation for poor, social services including health and education, art, culture, science, etc. Any profits earned through its operations cannot be distributed among its members, but are channeled to

promote its activities. The non-profit companies can be registered either with the Registrar of Joint Stock Companies or the Securities and Exchange Commission of Pakistan.

The Table shows that 59 percent of the registered non-profit organizations were in the Punjab province. In line with the national trend, the majority (83.5 percent) of the organizations in the province were registered under the Societies Registration Act, 1860. The vast majority (87 percent) of the organizations registered under the Companies Ordinance, 1984 were, however, in Sindh, most likely due to the concentration of corporate sector in Karachi. A survey carried out by SPDC based on the above-mentioned universe of non-profit organizations found that 53 percent of them were inactive, closed or untraceable (SPDC, 2002a). The finding highlights the absence of any systems for a two-way communication between the registration authorities and the organizations that would help to keep the registration records up to date<sup>4</sup>.

**4** Unfortunately, no studies were conducted after the SPDC and Aga Khan Foundation study that could provide more recent data relevant to the present study. Post June 2000 scenario regarding provincial distribution of the non-profit organizations could have altered following the numerous NGO initiatives to rehabilitate the victims of the 2005 earthquake and people displaced due to anti-terrorism operations of the law enforcement agencies in recent times. However, the findings that Punjab is the dominant province with the largest number of NGOs and more than half of the registered NGOs are actually defunct are most likely to remain true today and in the foreseeable future.

## 2 Literature review International Experience of Family Foundations

There is a dearth of systematic studies on Family Foundations in the world in general and in the South Asian region in particular. The phenomenon remains largely unexplored despite its apparent predominance and despite the fact that historically Family Foundations have played a major role in promoting philanthropy. However, there is a growing interest now in understanding the motives and drive behind the establishment of Family Foundations that impact their ensuing work. In this section, the main findings of selected studies from various regions are mentioned.

### **Family Foundations in Developed World**

Recognizing the value of research on the subject, a recent research project focusing on selected European countries and the United States has been documenting periodic changes in the trends in philanthropy by Family Foundations. The project analyzes published information by the 100 largest charitable Family Foundations in each country including the United Kingdom, Germany, Italy and the United States; the information used was mostly compiled and published to meet legal requirements (*Pharoah, 2009*).

The charitable expenditure of the Family Foundations in UK was GBP 1.2 billion in 2007, increasing by 10 percent in real terms over the previous year. The expenditure of the Family Foundations in Germany was GBP 492 million. The annual growth of the expenditure by Family Foundations in US was recorded as 33.5 percent<sup>5</sup>.

<sup>5</sup> According to another source, the Bill & Melinda Gates Foundation is the largest Family Foundation in US with over \$38 billion in assets. However, most private Foundations are much smaller and approximately two-thirds of more than 84,000 filing annual returns in 2008 had less than \$1 million in assets and 93 percent had less than \$10 million worth of assets. In aggregate, private Foundations in the U.S. control over \$628 billion in assets and made more than \$44 billion in charitable contributions in 2007 (Wikipedia 2010) .

Family Foundations were found to be principally funded by family businesses or contributions from a wealthy family. The Foundations had been mainly involved in making grants to charities, individuals and other public benefit institutions.

Family Foundations provided successful entrepreneurs an effective way to make an impact on the cultural, scientific, economic and industrial developments of their time. Often, their philanthropic goals were combined with a strong thrust towards social reform. Another significant role played by them was to promote innovation, change and advocacy; it has been possible for them to play these roles because of their financial resources and independence.

The study notes that many people in the US were turning to the Foundations as a main vehicle of social change. In European countries some of the large Foundations had promoted research, environmental preservation and prevention of children's poverty and neglect, both nationally and globally. Their growing influence on social policy and practice was noticeable. Bill Gates had been challenging Government approaches to international health problems and in Germany Hans Werner Hector had been continuously influencing the shape of higher education.

The study notes that in all countries the complexity and the scale of Family Foundations' operations had led at times to the felt need of government regulation of their working. However, this area was still under-researched.

### **Family Foundations in Taiwan**

A survey of the Taiwanese Foundations conducted in 2001, focusing on their management structures, found that more than 60 percent of the Foundations were established and run by wealthy families and their governing Boards were dominated by family members. The governing Boards were more involved in internal control and management of the Foundations rather than external networking. The heads of 60 percent Foundations were working in a voluntary capacity on a part time basis, which could have negative effects on the leadership and management of the Foundations (Kuan et al., 2005).

The study further notes that although women formed 65 percent of the staff, they were mainly in operational level jobs while a few of them also occupied mid-level management positions. The top positions of decision makers were all occupied by men.

The financial position of the Foundations was stated to be very strong; however, more than 80 percent Foundations were not making any financial investments, which could bring down the real value of their funds over time, due to depreciation of the currency.

There was little networking and cooperation between the Foundations. The relationship between the Government and the Foundations was defined by the exercise of legal authority by the former, and not by the spirit of public-private cooperative partnership.

### **Family Foundations in South Africa**

An interesting study involving in-depth investigation of five Family Foundations was recently published in South Africa. The Foundations were selected on the basis of their distinct religious, ethno-linguistic and racial characters to explore if these characteristics influence the nature and extent of giving. The findings suggested that giving was indeed influenced by these

considerations during the apartheid period when the principal concern of the Foundations was protection of their respective communities of origin, from the negative impacts of discriminatory policies and practices of the regime. In the post-apartheid period the Foundations' programmes had become increasingly diverse, benefitting people from a mix of cultural, religious and ethnic backgrounds (HSRC, 2005).

Family Foundations were registered under one or the other of the several laws of the country, which were available for this purpose. The Foundations were, therefore, positioned at the interface of public and private realms, as from now onwards the private acts of giving by a family were open to a certain degree of public scrutiny with the formalization of the practice. With the establishment of the Foundation, the deeply personal nature of family giving was also institutionalized, giving the founders the opportunity to better target their cherished causes, and thus providing them a better sense of fulfilment over time; the feeling provided them the stimulus for continued and increased giving that also helped them to establish their public profile.

The motivation for establishing the Foundation were diverse, including treatment of giving as a religious duty, pressures within the family and community for giving, desire to dedicate one's wealth for social causes and investing in development programmes to ensure a better future for the people.

Family Foundations generally had a loose giving framework to accommodate changing philanthropic inclinations of the founders and the perceived needs of their beneficiaries. It was rare for the Foundations to have a clear-cut and definitive policy framework. There were two methods of giving practiced by the Foundations: supporting established charities and organizations related to their programmes and directly providing support to individuals.

Family Foundations generally paid little attention to concerns such as project assessment, decision-making criteria and monitoring procedures, and mostly relied on their impressionistic views. On the other hand, some Foundations were strongly influenced by professional and corporate models and adopted formal giving procedures, and project assessment and monitoring.

The study highlighted the need for further work in improving the understanding of Family Foundations' working as they could be an alternative resource for civil society initiatives in view of declining foreign funding and failed grant programmes of the Government.

### **Private Foundations in Turkey**

Nearest to the region, a survey of 'Foundations' was carried out in Turkey recently. The study does not precisely define the term 'Foundation' but the survey only involved private Foundations working in the field of philanthropy. In all 452 Foundations were included in the survey sample.

The study aimed to determine general characteristics of the Foundations to understand their internal functioning systems and analyze their relationship with beneficiaries and the state. Interestingly, the survey was conducted in parallel with a survey on individual philanthropic behaviour, as is the case with the present study.

An important finding of the study was that 85 percent of the Foundations were established by an average of 35 founders; this finding led the study authors to question the general assumption that a Foundation was established by one person or a family, and was generally supported by an endowment. In the 'changed' scenario, people from different backgrounds and sectors were getting together and making personal contributions for the endowment.

The study notes, however, that there could be several legal, political and economic

factors contributing to this trend, though not specifying what these factors might be. There was an almost equal division between the number of Foundations where an equal contribution was made by the founders, and where some founders made more contribution than the others. The overwhelming majority of the Foundation managers interviewed indicated that the weight in the decision making, in running the Foundation, remained the same irrespective of the amount of contribution made (Aydin et al, n.d.).

The average number of paid employees was very small, being a little over five employees (including managers) per Foundation, which implied that the Foundations were working on a very small scale. The financial data provided by the Foundations also indicated that they could not afford to have a larger number of paid employees. There were, however, more than 18 volunteers on an average working with the Foundations; whether they were working full time or part-time was not mentioned.

The main areas of programme activities of the Foundations were education, social and economic development, art and culture, aid to poor and needy, health and aid to children and youth, in that order. Since their establishment, the Foundations changed their by-laws at least once mainly because their programme areas changed over time. About three-quarters of the Foundations provided individual support services such as scholarships and financial aid; very few Foundations carried out any group activities such as trainings, schools, clinics, etc. The study points out that the inability of the state to meet the basic needs of the people was widespread, and the organizations like the Foundations were forced to step in to fill these gaps.

The Foundations generated funds from three main activities, namely donations, commercial operations and real estate rent, in that order. About 80 percent of the Foundations relied on donations as their source of income, which on an average accounted for 57 percent of a Foundation's

annual income. The study notes that majority of the Foundations, therefore, were not providing funds for the activities they were engaged in but rather raising funds for this purpose, and unlike family and corporate Foundations, did not have their own funds to support their activities. In this sense the Foundations were acting more like NGOs or associations. The study found that individuals were the source of 75 percent of the donations while companies contributed only 17 percent. In most cases, cash donations were made followed by in-kind contributions. Most Foundations did not have a system for collection of donations. The majority of Foundations claimed that they informed their donors how the donations were used. In general, lack of human and financial capacities deterred the Foundations to pursue any institutional, long term strategies for income generation, thus significantly limiting their ability to perform.

For about 24 percent Foundations, commercial activities were a significant source of income accounting for 42 percent of their total annual income. The study found that a great majority of the Foundations involved were earning significant income through their commercial operations. Most of the commercial activities were in the service sector.

About 36 percent Foundations earned 41 percent of their annual income from real estate operations. The other significant sources of income were investments in

banking schemes and state bonds. The study concludes that overall the Foundation sector was financially quite weak and vulnerable. Staff salaries, maintenance and rent accounted for nearly 40 percent of the expenditure while the rest was spent on programmes.

The methods of identifying and reaching the beneficiaries were mostly informal and even underlined, a passive approach on the part of the Foundations. The most common response was that people who knew their programme approached the Foundation themselves. Public announcements or advertisements were uncommon. The Foundations reported applying some eligibility criteria in the selection of beneficiaries. The feedback from beneficiaries was mostly non-solicited, and no systematic attempt was made for this purpose. These practices by the Foundations also resulted from their small financial and human resource bases, making more institutionalized approaches harder to adopt.

The Foundations mostly expected the government to play a supportive role by creating incentives to promote their activities. Legal regulations and procedures ranging from Foundation management, asset management, fund raising and taxation were cumbersome. About one-third of the Foundations were found to be cooperating with local and provincial governments in executing their programmes.

# 3 Methodology of the Survey

The methodology of the study, ideally, should have entailed a survey of a randomly selected sample of Family Foundations in Punjab, disaggregated on important variables such as regional or district representation and size of philanthropic activity. To achieve this, a comprehensive list of all Family Foundations active in the province was required. This course could not be followed as such a list does not exist, and a field survey would have been required to construct the list for which neither resources nor time were available.

The second best option was to obtain the list of non-profit organizations from all registration authorities, and carry out a sample survey retaining only those non-profit organizations that qualified as Family Foundations. This option was also discarded because it was not possible to obtain such lists from a central office of all the concerned registration authorities. For example, there is no such compilation for the organizations registered under the Trust Act. Further, even if such lists would have been available it would not be possible to identify the organizations that were no longer active. The SPDC survey quoted in the last Chapter shows that as many as 53 percent of the non-profit organizations were inactive, closed or untraceable.

Another approach considered was to carry out a district level survey of key informants to determine the existence of Family Foundations in each district, which would have helped to prepare a list of such organizations for drawing the sample. The idea was abandoned because such key informants who also understood the dynamics of Family Foundations would have been very difficult to find, and also due to

lack of financial resources and the time constraint.

The approach found most feasible, under the circumstances, was to obtain lists of tax exempted organizations from the Federal Board of Revenue (FBR), and apply a set of exclusion criteria to get a list of organizations that would have a greater probability of being Family Foundations. The assumption was that the organizations engaged in philanthropy would have approached FBR for tax exemption, if they were carrying out philanthropic activities. Once the list was ready, the organizations would be approached individually through a letter sent by post, fax or email, stating the purpose of the survey and requesting them to answer a few questions sent with the letter to determine their status as a Family Foundation.

Simultaneously, another list of Public Listed Companies for the Punjab province was obtained from the Securities and Exchange Commission of Pakistan (SECP), and letters were sent to them to know if they had established an entity to carry out philanthropic work and if so, to answer a short questionnaire for determining their status as a Family Foundation.

The organizations registered under the Voluntary Social Welfare Agencies Ordinance were excluded as they received funding from the Social Welfare Department (although they may also collect donations) and, importantly, cannot be dominated by any one family as per the ordinance. These organizations though mainly involved in philanthropic activities would have little chances of qualifying as Family Foundations.

The list of tax exempted organizations belonging to Punjab, numbering 257, was obtained from FBR, and public enterprises, private sector associations and professional bodies were identified and excluded from it, as they would not qualify to be Family Foundations. After this exercise, 225 organizations remained on the list; they were sent the letter with a standard short questionnaire to determine their status as Family Foundations. The letter was followed by contact on telephone and email, but only 64 organizations responded and filled the questionnaire.

There were 165 public listed companies from Punjab on the list obtained from SECP, and letters with the standard questionnaire were sent to them to determine their status as Family Foundations. The letters were followed up as in the case of the companies selected from the FBR list. Unfortunately, there was only one response.

The above process consumed a large amount of time, led to the identification of 51 organizations that qualified as Family Foundations. It was then decided to supplement the sample to include at least 49 more Family Foundations so that the total sample comprised 100 Family Foundations. The approach followed to identify additional Foundations was to contact the Family Foundations initially identified. The main purpose was to ask if they knew of other philanthropic organizations in the province that would qualify as Family Foundations. The approach is called snowball sampling which is a special non-probability method used when the desired sample characteristic is rare. It was extremely difficult or cost prohibitive to locate respondents in these situations. Snowball sampling relies on referrals from initial subjects to generate additional subjects<sup>6</sup>. The survey team then covered the identified organizations after confirming they were Family Foundations. The exercise was stopped when the figure of 100 was reached. All the 51 Foundations originally identified were covered in the survey.

The sample of 100 Family Foundations was completed in 18 districts, spread over north to south of the province. The list of the districts is given in Annex B. The sample was heavily concentrated in districts with large urban areas, including Lahore, Faisalabad and Gujranwala that accounted for 50 percent, 14 percent and 8 percent of the sample, respectively. This corresponds to the findings of a survey of non-profit organizations, that these organizations were mainly concentrated in large urban centres (SPDC, 2002a).

Strictly speaking, the sample cannot be verified as representative mainly because there is no baseline data on Family Foundations. In fact, such a data does not even exist for all NGOs. Limitations of the registration data have been mentioned in the previous Chapter. Given the resource and time constraint, the adopted methodology was the best possible option. Beside, as intended, that study was expected to identify trends rather than provide census information.

### **Limitations of the Study**

It needs to be recognized that the present study, being the first of its kind in the country, and in all probability also in the neighbouring region, did not have the advantage of building on existing studies on the subject; in many cases this helps to identify and hence rectify any shortcomings already experienced. The following limitations of the study are being highlighted not only to better understand the findings of the study, but also to help similar future efforts on the subject.

Ideally, up-to-date data on the number and locations of existing and active Family Foundations was required to draw a representative sample for the survey. However, as shown in Table 1, the only data available on the non-profit sector, of which Family Foundations are a part, dates back to June 2000. Even this data was not complete as it did not cover the organizations registered under the Trust Act,

<sup>6</sup> <http://www.statpac.com/survey/s/sampling.htm>

information on which would be very difficult to collect due to its non-availability at any central point. Further the data presented in the Table was not completely reliable as the study conducted at the time showed that more than half of the organizations were not functioning or had ceased to exist. The present study, therefore, had to rely on the method best possible under the circumstances, as explained in the section on methodology.

The limitations on time and resources prevented the survey from covering more than 100 Family Foundations. However, this number is considered sufficient to provide a representative picture of the characteristics and working of the Foundations as defined the terms of reference of the study and to indicate trends.

Much time and effort were spent in explaining the concept and significance of Family Foundations and the reason for investigating this phenomenon, to the respondents and others who had knowledge of similar organizations working in the neighbourhood and beyond; the services of these knowledgeable people were used to locate Family Foundations additional to the ones already identified. It is hoped that the present study will help to fill some of this knowledge gap.

Obtaining reliable financial data relating to the Foundation, including their incomes, expenditures, savings and investments and assets, proved to be most difficult. Besides their unwillingness to share these details, despite the researchers' assurances of confidentiality, only about half of the Foundations provided informed estimates

but refused to share any documents in this regard. These estimates, therefore, should be treated as indicative rather than in absolute terms. The limited number of Foundations offering the estimates has also restricted the financial analysis at more disaggregated levels; e.g. supplementing the overall analysis with more detailed sectoral scenarios.

Poor record keeping in many Foundations also prevented them from sharing precise data on beneficiaries and the time volunteered by staff in various categories. These Foundations, therefore, could only provide their informed estimates to the researchers.

Ideally, future surveys on Family Foundations should also include surveys of beneficiaries in the programmes run by them and in their catchment areas, to help make estimates of financial costs, number of beneficiaries and quality of services. This could not be done for the present study as some of these difficulties were not foreseen, including lack of sufficient financial resources and time.

Despite the above limitations this is a pioneering study of a hitherto unexplored phenomenon, bringing into light a number of important characteristics and peculiarities of Family Foundations that provide the bases for developing policies for expanding their philanthropic programmes. Such a policy framework will be an important contribution of the study towards poverty reduction efforts.

# 4 Survey Findings

The presentation of survey findings is organized in six main sections. The first section on 'General Characteristics of Family Foundations' provides information on the age, purpose of establishment and vision of the Foundations and the geographical coverage of their programmes.

The second section on 'Analysis of Programmes Implemented by Family Foundations' discusses their programme areas and activities.

The third section on 'Analysis of Beneficiaries of Family Foundations' Programmes' discusses issues such as the number and gender composition of the beneficiaries under various programme activities.

The fourth section on 'Financial Performance of Family Foundations' analyzes expenditures on programmes, per capita beneficiary cost, administrative expenditures, incomes and income sources and level of assets.

The fifth section on 'Operational Methods Adopted by Family Foundations' provides information on their methods for demand

analysis, beneficiary identification and assessment of programme effectiveness.

The sixth section on 'Governance of Family Foundations' discusses issues such as reporting to donors, role of Board of Directors, time volunteered by Foundations' staff, financial audits and adoption of standard procedures.

The seventh and final section on 'Forging Partnerships by Family Foundations' discusses their experience of developing partnerships and linkages with other entities and organizations in governmental, private and non-governmental sectors.

The survey findings are discussed and recommendations made for the Punjab government in the next Chapter.

## **General Characteristics of Family Foundations**

### **Age of Family Foundations**

The Foundations surveyed had been established for an average of around 17 years, ranging from 3 to 48 years, as shown in Table 2.

**Table 2: Age of Family Foundations**

<b>Range of Years Since Establishment (Years)</b>	<b>Percent FF</b>	<b>Average No.of Years Since Establishment (Years)</b>
3-10	38	07.2
11-20	33	15.4
21-30	15	24.1
31-40	10	33.9
41-48	04	46.8
All	100	16.7

## FAMILY FOUNDATIONS IN THE PUNJAB 2010

The majority of Foundations were relatively young, with 71 percent of them being established up to 20 years ago. This means there has been a relative surge in the establishment of Family Foundations in the past two decades. The reasons could be multiple, including growing perception of the government's inability to deliver much needed services to the poor people and the felt urgency for the civil society to come forward to fill the rapidly growing gap. Yet another reason could be a limited life of the Foundations, as the number declines progressively for the Foundations in higher age brackets.

### **Motivation for Establishing Family Foundation**

The Foundations were established for multiple purposes, as shown in Table 3. The important finding is that 68 percent of the respondents stated family related motivations for establishing the Foundation, including family's commitment to social or religious causes, memory of a dear family member and family's glory. More than half of the Foundations were also established for the purpose of 'serving vulnerable people', which could actually be supplemental to the 'family's commitment to social causes'.

**Table 3: Purposes of Establishing Family Foundations**

Purpose of Establishing Foundation	Percent FF
Serving vulnerable people	51
Family's commitment to social causes	30
Memory of dear family member	16
Family's obligation to religious causes	15
Glory of family	07
Improving conditions of a particular community	04
Other	04

### **Vision of Family Foundations' Founders**

The Foundations were established on the basis of their Founder's vision that guided their work programmes, as shown in Table 4. The visions stated were closely linked to

the work the Foundations had been doing. The vision of improving health, therefore, was shared by the majority of Foundations. This followed the vision of helping helpless people, which was common to the Foundations providing health and welfare services.

**Table 4: Vision of Family Foundations Founders**

Stated Vision	Percent FF
Improving people's health	54
Helping the helpless people stand on their own feet	41
Improving educational and literacy levels	35
Contributing towards poverty reduction	19
Helping to create a more just society	14

### **Foundations' Laws of Registration**

Table 5 below provides the distribution of Family Foundations according to laws under which they were registered.

The largest proportion of the Foundations was registered under the Trust Act, which appears to be the most common registration option exercised by the organizations doing philanthropic work.

**Table 5: Family Foundations Registration under Laws**

Registration Law	Percent FF
Trust Act	43
Societies Act	25
Companies Ordinance	22
Other Laws	10

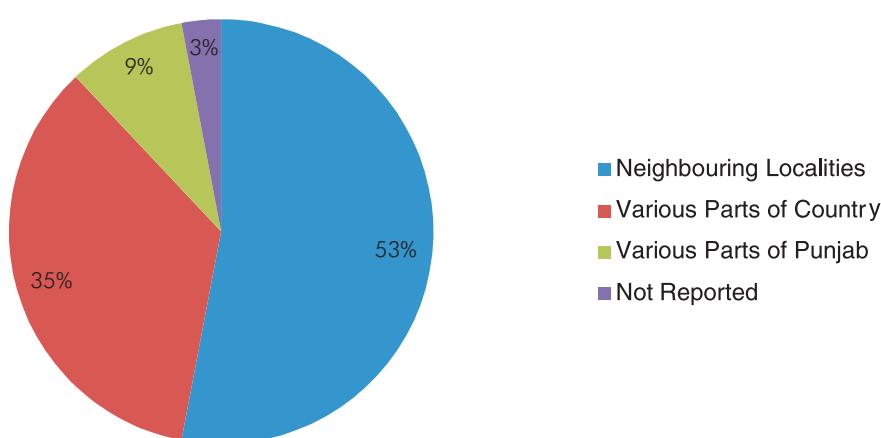
The registration under the Companies Ordinance could be a more feasible option for the Founders who organized their philanthropic work around the industrial or commercial enterprise they were running.

#### **Geographical Coverage of Programmes by Family Foundations**

A little over half of the Foundations were working in their neighbouring localities only, meaning their philanthropic work was centred on serving the local populations. Although this seems to be the dominant

tendency, more than one-third of the Foundations were working in various parts of the country; these Foundations, therefore, had much larger philanthropic programmes than the ones working only in their neighbouring localities. Only a small proportion of the Foundations were working in various parts of the Punjab province and not beyond the provincial borders. One of the Foundations was also working internationally. All Foundations, in addition to the ones working only in their neighbouring localities were also serving the local communities.

**Figure 1: Geographical Coverage of Programmes**



It could not be ascertained if the Foundations working in other parts of the country had also originated in the province, as those in the other two categories most likely had. This is an important factor having implications for inviting philanthropists

from other parts of the country to extend implementation of their programmes in the province, and for the philanthropists from the province to serve poor communities in other parts of the country<sup>7</sup>.

<sup>7</sup> The survey focused on the Foundations' activities in Punjab alone.

### **Analysis of Programmes Implemented by Family Foundations**

#### **Programme Areas of Family Foundations**

The study explored the main programme areas in which the Family Foundations were working, as shown in Table 6. A major

finding of the survey is that the programmatic focus of the Foundations was overwhelmingly developmental in nature rather than short term assistance to the needy. The most dominant areas of work, far exceeding others, were Health and Education, where 73 percent and 56 percent Foundations were working, respectively.

**Table 6: Programme Areas of Family Foundations**

Programme Area	Percent FF Working
Health	73
Education	56
Charitable & Welfare Services	29
Religious Education & Activities	14
Womens Rights	12
Environment	09
You th & Spo rts	05
Advocacy & Civil Rights	03
Art & Culture	02
Others	05

The next significant area was of Charitable & Welfare Services involving 29 percent Foundations. The activities in this programme area mainly included short term assistance to the needy, in cash or in kind. The next mentionable programme areas were Religious Education & Activities, Women Rights and Environment, but the proportions of Family Foundations working in these areas were not so significant. Another significant finding was that the Foundations were mostly working in more than one programme area, which is evident from the above Table. This reflected their

desire to provide the maximum possible benefits to needy populations, and also implies the availability of resources to the Foundations to undertake diverse activities.

#### **Programme Activities of Family Foundations**

The study also explored the nature of activities undertaken by the Family Foundations in various programme areas. Table 7 shows the proportion of Foundations engaged in these activities.

**Table 7: Programme Activities of Family Foundations**

Programme Activities	Percent FF Working
Operating facilities	77
Making cash grants to other organizations	11
Providing in-kind support to other organizations	16
Making cash grants to individuals	50
Providing in-kind support to individuals	32

There were three major activities of the Family Foundations, namely operating health, educational and other facilities that far exceeded any other activity, followed by making direct cash grants to needy individuals in which half of the Foundations were engaged. Another significant activity was providing direct in-kind support to individuals. Making cash grants and providing in-kind support to other organizations, rather than individuals, were relatively less significant activities.

The kind of facilities operated by the Foundations included clinics and hospitals in Health programmes; schools, colleges and adult literacy centres in Education programmes; welfare centres in Charitable & Welfare Services programmes; and

Madrassa<sup>8</sup> and mosques in Religious Education programmes, among others. The cash and in-kind grants to other organizations were mainly meant for supporting their programmes, including operating facilities and direct support to the needy.

#### **Facilities Run by Family Foundations**

As shown in Table 7, the proportion of Family Foundations running their own facilities (e.g. schools, clinics, welfare centres) was 77 percent. These facilities were used for providing services to the needy in their programme area of work. Sector-wise distribution of the number of facilities of various kinds run by the Foundations is given in Table 8.

**Table 8: Programme Areas of Facilities run by Family Foundations**

Programme Area/ Kind of Facilities	No. of Facilities
<u>Health</u>	97
Hospitals	88
Clinics	09
<u>Education</u>	76
Schools	60
Colleges	13
Adult Literacy Centres	03
Charitable & Welfare Services	11
Welfare Centres	11
Others	24
Total	204

Seventy-seven percent of the Foundations, therefore, were running a total of 204 facilities at 2.65 facilities per Foundation, on an average. These facilities included 88 hospitals and 9 clinics; 60 schools, 13 colleges and 3 adult literacy centres; 11 welfare centres; and 24 other facilities comprising Madrassas, mosques, youth and sports clubs, women rights' centres, and arts and cultural centres, among others. Health and Education were the

dominant sectors accounting for 48 percent facilities and 37 percent facilities, respectively. Most of the philanthropic investments in facility establishment, therefore, went into these sectors. Establishment of such a large number of facilities implies sizeable investments besides operating costs. The survey, however, did not capture the establishment costs.

<sup>8</sup> Madrassa is an institution for religious education. The cash grants to individuals mainly included medical treatment expenses, educational scholarships, stipends for religious studies and subsistence allowance. The in-kind support to individuals mainly included medicines, educational materials, clothes and food.

## FAMILY FOUNDATIONS IN THE PUNJAB 2010

### **Grants and In-Kind Support to Other Organizations**

Only 11 percent Foundations were making cash grants to other organizations; their sector-wise distribution is given in Table 9.

In addition to providing grants to other organizations, 16 percent Foundations were providing in-kind support for related programmes run by other organizations.

**Table 9: Family Foundations Giving Cash and In-Kind Grants to Other Organizations**

Programme Sector	Cash Grants (Percent FF in Sector)	In-Kind Support (Percent FF in Sector)
Health	14	15
Education	11	20
Charitable & Welfare Services	17	28
Religious Education & Activities	07	29
Women's Rights	25	17
Environment	44	33
Youth & Sports	40	40
Advocacy & Civil Rights	33	33
Art & Culture	00	00
Others	40	20

The Table above shows distribution of the Foundations engaged in the activity according to programme areas.

Supporting the programmes of other organizations generally was not a preferred activity of the Foundations. However, relatively speaking, there was a greater inclination to provide in-kind contributions rather than cash grants when supporting the other organization's programme.

### **Direct Grants and In-Kind Support to Individuals by Family Foundations**

Half of the Foundations surveyed were providing direct cash grants to individuals. In addition, 32 percent Family Foundations were providing direct in-kind support to individuals. The distribution of Foundations engaged in these activities according to programme areas is given in Table 10.

**Table 10: Family Foundations Giving Cash and In-Kind Grants to Individuals**

Programme Sector	Cash Grants (Percent FF in Sector)	In-Kind Support (Percent FF in Sector)
Health	51	30
Education	50	34
Charitable & Welfare Services	48	28
Religious Education & Activities	50	36
Women's Rights	50	33
Environment	78	33
Youth & Sports	80	40
Advocacy & Civil Rights	67	33
Art & Culture	50	00
Others	60	20

Giving cash grants to individuals was the second largest activity of the Foundations, preceded by the Foundations operating their own facilities. This trend was opposite to the trend observed in case of the Foundations supporting other organizations' programmes, where giving in-kind contribution was preferred over cash grants.

This behaviour of the Foundations could be explained on the grounds that credentials of the ultimate beneficiaries in case of individual grants were directly verified by the Foundations, which might not be the case when grants were made to other organizations. Foundations, therefore, wanted to ensure that the benefits offered by them reach the deserving individuals who fulfil their criteria for support.

### **Analysis of Beneficiaries of Family Foundations' Programmes**

#### **Number of Beneficiaries of Family Foundations' Programmes**

The total number of beneficiaries of various philanthropic activities undertaken by Family Foundations was more than 2.79 million in the financial year 2008-09, at an average of 27,907 per Foundation. This comes to 93 beneficiaries per day (at 25 work days per month), which is a substantial number. Further details are provided in Table 11.

The main programme activity of running various facilities (hospitals, clinics, schools, etc.) accounted for almost 85 percent of the beneficiaries

**Table 11: Gender Distribution of Beneficiaries in Programme Activities**

Programme Activity	FF (Percent)	No. of Males	No. of Females	Total No.	Female (Percent)
Running facilities	77	1,244,807	1,115,337	2,360,144	47.3
Grants to other organizations	11	2,278	7,260	9,538	76.1
In-kind support to other organizations	16	11,360	11,036	22,396	49.3
Direct cash grants to individuals	50	42,342	42,842	85,184	50.3
Direct in-kind support to individuals	32	165,757	147,676	313,433	47.1
<b>Total</b>		<b>1,466,544</b>	<b>1,324,151</b>	<b>2,790,695</b>	<b>47.5</b>

The next important programme activity of direct in-kind support to individuals, implemented by 32 percent Family Foundations, claimed more than 13 percent beneficiaries. Significantly, this activity produced 3.7 times the number of beneficiaries of direct cash grants to individuals implemented by 50 percent Foundations<sup>9</sup>. The number of beneficiaries of grants and in-kind support to other organizations were relatively less.

Among the programme activities listed in the Table, running of facilities and direct cash grants and in-kind support to individuals were the most targeted activities aimed at identifying and serving the needy. The least targeted, where the Foundations would find it difficult to do so themselves, were the activities of providing cash grants and in-kind support to other

<sup>9</sup> A better understanding of the phenomenon, of the number of beneficiaries of in-kind support far exceeding those of cash grants, could have been possible if programme activity based expenditures were available. The data could not be collected due to the Foundations' reluctance to share financial information.

## FAMILY FOUNDATIONS IN THE PUNJAB 2010

organizations. This would help to explain the preference of the Foundations for certain types of activities.

The gender distribution of beneficiaries was generally in favour of males; 'direct grants to individuals' was the only significant activity where females had a slight edge. However, the difference between the number of male and female beneficiaries was not very large.

### **Beneficiaries and Programme Areas of Family Foundations**

The overwhelming majority of beneficiaries of the Family Foundations' activities in financial year 2008-09, comprising more than 92 percent, belonged to Health sector alone. The second most important sector in terms of the number of beneficiaries was Charitable & Welfare Services to which about 6 percent beneficiaries belonged. Education accounted for a little over one percent of the beneficiaries. The details are given in Table 12.

**Table 12: Sector-wise Distribution of Beneficiaries**

	FF (Percent)	No. of Males	No. of Females	Total No.	Percent of Total
Running facilities	77	1,244,807	1,115,337	2,360,144	100.0
Education		14,024	11,832	25,856	1.1
Health		1,226,651	1,102,471	2,329,122	98.7
Charitable & Welfare Services		462	517	979	0.04
Sub-total		1,241,137	1,114,820	2,355,957	99.8
Grants to other organizations	11	2,278	7,260	9,538	100.0
Education		1,040	5,010	6,050	63.4
Health		1,000	2,000	3,000	31.5
Charitable & Welfare Services		0	12	12	0.1
Sub-total		2,040	7,022	9,062	95.0
In-kind support to other organizations	16	11,360	11,036	22,396	100.0
Education		454	212	666	3.0
Health		9,568	9,761	19,329	86.3
Charitable & Welfare Services		850	850	1,700	7.6
Sub-total		10,872	10,823	21,695	96.9
Direct grants to individuals	50	42,342	42,842	85,184	100.0
Education		1,439	1,372	2,811	3.3
Health		37,374	39,140	76,514	89.8
Charitable & Welfare Services		2,122	1,227	3,349	3.9
Sub-total		40,935	41,739	82,674	97.1
Direct in-kind support to individuals	32	165,757	147,676	313,433	100.0
Education		688	155	843	0.3
Health		82,639	68,289	150,928	48.2
Charitable & Welfare Services		81,344	78,528	159,872	51.0
Sub-total		164,671	146,972	311,643	99.4
Total		1,466,544	1,324,151	2,790,695	100.0
Education		17,645	18,581	36,226	1.3
Health		1,357,232	1,221,661	2,578,893	92.4
Charitable & Welfare Services		84,778	81,134	165,912	6.0
Sub-total		1,459,655	1,321,376	2,781,031	100.0

Although Education was found to be the second most important sector in terms of the number of Family Foundations engaged in related activities as shown in Table 6, and also in terms of running the second largest number of facilities as shown in Table 8, its contribution in terms of the beneficiaries' number was much less significant. This was because the number of students in a given academic year remained largely constant, while hospitals and clinics catered to a diverse clientele. Also, the health facility records especially for out-patients generally do not distinguish between the first time

patient visits and the repeat visits by patients. Therefore, although a large number of the Foundations were engaged in Education related activities, the scope of their operations would appear fairly restricted. Health services also signified a pressing need of the poor and the Foundations were engaged in relatively larger operations in the sector.

Further disaggregation of beneficiaries of the facility operations in Health and Education sectors is presented in Table 13.

**Table 13: Distribution of Beneficiaries in Health and Education Programme**

Programme Area/ Facilities	No. of Facilities	Total No. of Beneficiaries	Average No. of Beneficiaries
Education	76	25,856	340
Schools	60	21,977	366
Colleges	13	3,079	236
Adult Literacy Centres	03	800	267
Health	97	2,329,122	24,011
Hospitals	88	2,319,437	26,357
Clinics	09	9,685	1,076

The average enrolment during the financial year 2008-09 in the schools run by the Family Foundations was 366. Depending on the school level (i.e. primary, middle or high), the enrolment will be classified as ranging from adequate to thin. The college level average enrolment clearly looks to be on the thin side. The scope of educational activities of the Family Foundations, therefore, was quite restricted; this would further explain the low number of beneficiaries in Education sector highlighted in the previous section.

In Health sector, the major activity was running of hospitals where the average number of beneficiaries, or the patients provided treatment, during the financial year 2008-09 was 26,357. This means the hospitals were treating 2,196 patients per month, or 88 patients a day (based on 25

work days per month). The findings imply that the Foundations were running relatively larger operations in health sector, which would further explain the highest rate of beneficiaries in the sector

#### **Financial Performance of Family Foundations**

There were significant gaps in the data collected on financial aspects of Family Foundations, mainly due to their reluctance to share the related information. The question on annual expenditures was replied by only 52 percent Foundations. The information on the sections related to financial performance, therefore, should be treated with these caveats.

### **Family Foundations' Expenditures**

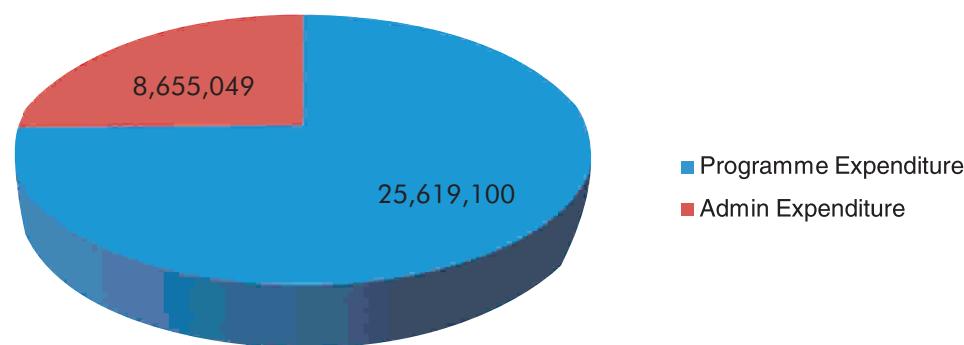
According to 52 percent Foundations providing the information, their total expenditure during the financial year July 2008 to June 2009 was Rs. 1,782.3 million. The average total expenditure of the Foundations, therefore, was Rs. 34.3 million during the financial year.

Out of the total expenditure, the expenditure on running the programmes was reported to be Rs. 1,332.2 million or, on an average,

Rs. 25.6 million. This means that, on an average, 75 percent of the expenditure by the Family Foundations was on account of running the programmes.

The rest of the total amount of Rs. 450.1 million, an average of Rs. 8.7 million, was due to administrative expenditure including salaries, building rent and other operating expenditures. The administrative expenditure made up 25 percent of the total expenditure by the Foundations.

**Figure 2: Average Expenditure of Family Foundations (July 2008–June 2009) (in Rupees)**



### **Cost per Beneficiary**

As reported, there were 52 per cent Foundations that provided their financial expenditure data for the financial year 2008-09. Projecting their expenditure for the entire sample, the Family Foundations spent Rs. 3,427.4 million and served nearly 2.8 million beneficiaries during 2008-09. The expenditure is inclusive of the programme and administrative expenditure. The cost per beneficiary per year incurred by the Foundations, therefore, was Rs. 1,228. The monthly cost incurred per head was around Rs. 102.

Apparently, the per capita investment by the Foundations in providing the services to the

poor and needy was not substantial. However, these figures need to be treated with caution as the financial information provided by the concerned Foundations is very likely to be on a conservative side.

### **Financing of Family Foundations**

Only 56 percent Family Foundations responded to the question regarding income sources. The Foundations' average income during the financial year July 2008 to June 2009 was Rs 44.9 million.

Table 14 provides detailed income and expenditure amounts and the balance left at the end of the financial year.

**Table 14: Income and Expenditure of Family Foundations in FY 2008-09**

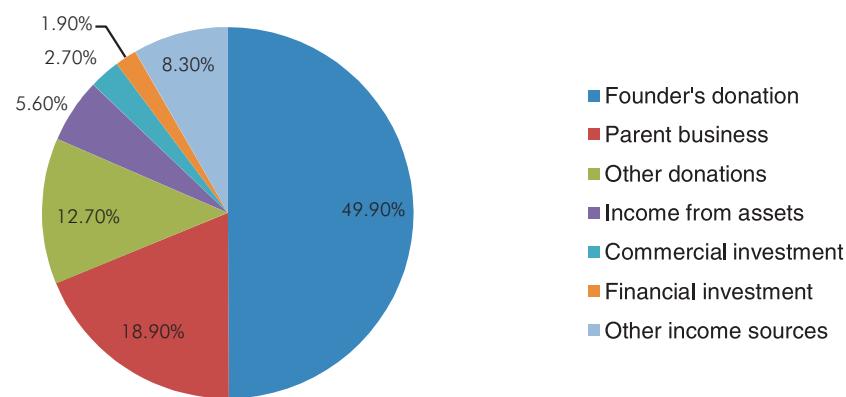
	Percentage of FF Reporting	Total Amount (Rupees)	Average Amount (Rupees)
Total Income	56	2,515,455,928	44,918,856
Total Expenditure	52	1,782,256,278	34,274,159
Programme expenditure		1,332,193,730	25,619,100
Administrative expenditure		450,062,548	8,655,059
Balance			10,644,697

On an average, an amount of Rs. 10.6 million, or nearly 24 percent of the income during the year, was left unspent by the Foundations and was available for their use in the next financial year for programme activities and/or investment. This also underlines the potential for further expansion in the Family Foundations' programmes. The left-over amount could have been spent by the Foundations to provide services to about 600,000 other beneficiaries during the year.

#### **Sources of Financing for Family Foundations**

Donation from the Founder made up about 50 percent of the Foundations' income, being the largest income source. The next important source was donation from the parent business, comprising 19 percent of the income. Income from assets made up less than 6 percent of the Foundations' income.

**Figure 3: Sources of Income for Family Foundations**



The Family Foundations were heavily dependent on their founder's donation or the contribution from their parent business, the source of the latter also being the founder; the two sources combined made up about 69 percent of the Foundations' annual income. Another 13 percent of the income came from other individual donations. Thus all donations and contributions from the parent business

accounted for about 82 percent of the Foundations' income. Share of the income from assets (primarily real estate) and financial and commercial investments were barely 10 percent.

The details of donations other than those received from the founder or parent business are provided in Table 15.

**Table 15: Sources of Donations Other Than Founder in FY 2008-09**

Source of Donation	Share in Total Donation (Percent)
Individuals in Punjab	36.9
Individuals elsewhere in Pakistan	18.0
Individuals abroad	16.9
National commercial companies	4.0
National non-commercial organizations	05.2
International commercial companies	0.1
International non-commercial organizations	02.2
Punjab government	14.6
Federal government	01.7
Total	100.00

#### **Sources of Donations Other Than Founder for Family Foundations**

Individual donations contributed about 72 percent of the total amount generated through various sources. Individuals in Punjab contributed the most, which was expected given that the Foundations were operational there. Significantly, individuals abroad also made contributions to the Foundations but the potential seems to be little explored.

After the individual contributors, Punjab government was the next highest contributor to the Foundations. Both commercial and non-commercial sources, national and international, made very small contributions. All these sources could potentially contribute more substantial amounts to the Foundations provided appropriate strategies are adopted by them for introducing their programmes and improving governance, as will be discussed later in the report.

#### **Income of Family Foundations from Investments**

The study also explored the nature of investments made by the Foundations to generate income. The financial investments were almost all directed towards stocks. The recent economic crisis and frequent fluctuations in stocks would apparently not support the wisdom of taking such a risky course. Another popular investment avenue was real estate, where prices have been stagnating due to the economic slowdown in recent years. Precise data on the investments was not shared by the Foundations. It seems, however, that the Foundations would need to take professional advice on developing their investment portfolio that would help them generate maximum possible income without exposing them to undue risks.

#### **Assets of Family Foundations**

The information on assets was provided by 51 percent Family Foundations. The average values of assets, comprising real estate, vehicles, office equipment and other assets are given in Table 16.

**Table 16: Share of Various Types of Assets Held by Family Foundations**

Type of Asset	Asset Value (Rs)	Share in Total Asset Value (Percent)
Real Estate	1,923,000,000	67.8
Vehicles	95,321,143	03.4
Office Equipment	293,817,190	10.4
Other	523,333,586	18.5
<b>Total</b>	<b>2,835,471,919</b>	<b>100.00</b>

This means that the Foundations were only able to accumulate Rs. 55.6 million worth of assets after being in operation for about 17 years. In fact further scrutiny of the assets held shows a much weaker asset position for most of the Foundations. The real estate, constituting 68 percent of the assets

value, was held by 76 percent Foundations reporting assets at an average value of Rs. 49.3 million; however, for about 74 percent Foundations the real estate asset value averaged less than Rs. 16 million, as shown in Table 17.

**Table 17: Ranges of Real Estate Value**

Real Estate Value Range (Rupees)	Range's Share (Percent)	Cumulative Average Value (Rupees)
Up to 10 Million	46.2	2,984,020
10+ to 50 Million	28.2	15,976,831
50+ to 100 Million	12.8	24,997,693
100+ to 200 Million	05.1	30,666,667
200+ to 400 Million	07.7	49,307,692
<b>Total</b>	<b>100.0</b>	

In fact, for a little less than half of the Foundations, the value of the real assets held by them was merely Rs. 3 million. For majority of the Foundations, therefore, the assets position can best be described as fragile.

#### **System for Collecting Donations**

The majority of the Family Foundations were not making systematic attempts for collection of donations. Only 22 percent Foundations held regular fund-raising events, 33 percent Foundations raised appeals for collection of donations through media, and 36 percent Foundations approached individual donors through correspondence.

The Founders and the senior management of Foundations, therefore, did not make concerted efforts for the collection of donations. The low motivation in this regard could be explained by the fact that the main Foundation income came from the founder's sources and the whole income was not fully utilized, leaving a surplus at the end of the financial year.

#### **Important Factors for Donors Cited by Family Foundations**

Trust of donors in the Foundation, followed by trust in the Founder's family and transparency in operations were cited by the Foundations as the most important factors influencing collection of donations, in that order. The relevant proportions are given in Table 18.

**Table 18: Factors Influencing Donors Reported by Family Foundations**

Important Considerations for Donors	Percent FF
Donors trust the Foundation	42
Donors trust the founder's family	32
Transparency in Foundation's operations	25
Programme is relevant to beneficiary needs	21

Multiple factors were cited by the Foundations. The factor of 'donors trusting the Foundation' has common implications with other factors, such as the trust in the founder's family and transparency of the Foundation's operations.

#### **Operational Methods Adopted By Family Foundations**

##### **Determination of Demand for Services by Family Foundations**

How did the Foundations determine the need for their services? Usually multiple means were used to determine the demand, as shown in Table 19.

**Table 19: Method Used for Determining Demand for Services**

Methods Applied	Percent FF
Foundation officials made assessment	48
Founder/management made decision	41
Demands received from community over time	24
Carried out systematic community surveys	19

The Foundations mostly relied on the assessment of their officials for this purpose or let the founder take the decision regarding the programmes to be implemented. In fact, the role of senior management, including the founder, was usually central in determining the nature of philanthropic programmes to be implemented by the Foundation. The demands received over time from the community also provided a basis for this decision for about a quarter of the Foundations. The incidence of carrying out systematic community surveys to determine the demand was very low.

#### **Methods Adopted by Family Foundations to Identify Beneficiaries**

In majority of the cases involving 72 percent Foundations, the needy persons approached the Foundation or its facilities themselves; in this case the Foundations usually applied certain standards to determine if the person approaching them actually qualified for their assistance. A quarter of the Foundations reported that intermediaries such as community elders and other organizations working in the

community referred the needy persons to them. Another 25 percent Foundations reported advertising their services using appropriate channels.

The usual mode, therefore, was that people became aware of the services provided by the Foundations through informal means and sought the services on their own initiative. For the Foundations the demand thus generated was sufficient for the scope of services offered by them. Consequently, most Foundations did not feel the need for regularly advertising their services.

#### **Use of Defined Eligibility Criteria for Beneficiaries**

Only 31 percent Foundations in Health sector, 26 percent in Education sector and 19 percent in Charitable & Welfare Services sector were using systematic and formal criteria for qualifying the beneficiaries. The rest of the Foundations mostly relied on individual assessments of the Foundation officials or referrals by reliable persons in the community to ascertain if the person seeking their services was really eligible.

**Table 20: Methods of Reporting to Donors Used by Family Foundations**

Methods of Reporting to Donors	Percent FF
Donors individually informed in writing	29
Annual audited accounts shared	19
Progress reports shared	17

### **Assessment of Programme Effectiveness by Family Foundations**

About 76 percent of the Foundations surveyed reported conducting assessment of the effectiveness of their programmes though largely using informal and unstructured methods, while 24 percent were not doing so.

Soliciting beneficiary feedback occasionally was a method adopted by 28 percent Foundations for assessing usefulness of their programmes. Another 24 percent Foundations relied on irregular, unsolicited feedback from the beneficiaries to gauge the usefulness of their programmes. Only 28 percent Foundations reported conducting systematic beneficiary surveys for this purpose.

### **Governance of Family Foundations**

#### **Family Foundations' Reporting to Donors**

Do the Family Foundations report to their donors regarding how their contributions are being utilized by them? A total of 46 percent of the Foundations replied to this question in affirmative. How this information was conveyed is explained in Table 20.

Multiple methods of reporting to donors were used by the Foundations. Clearly, reporting to donors and sharing relevant information with them by the Foundations was highly inadequate. Perhaps one of the main reasons was less reliance on the donor contributions except donations from the Foundation's founder and the allied parent business. Responsibility of being accountable to other donors was, therefore, not taken very seriously.

The overall findings relating to donations clearly show that the option of funds collection through donations was not being exercised systematically by the Family Foundations. For any future expansion of their activities, the Foundations would need to consider this option more seriously.

#### **Presence of Board of Directors in Family Foundations**

All the Family Foundations surveyed reported the existence of a Board of Directors, or a similar body with a different name, with the responsibility of oversight and steering roles. On an average, there were 4.3 members of the Board. The Board performed multiple functions that are commonly expected, as given in Table 21.

**Table 21: Responsibilities of Board of Directors of Family Foundations**

Board's Responsibilities	Percent FF
Monitor Foundation's performance	77
Frame policy	70
Approve annual budget	68
Approve annual work programme	64
Raise funds	54
Appoint Foundation's head	49
Appoint Board members	40

Although in large majority of cases the Board had the responsibility of monitoring the Foundation's performance, in a significant number of cases it was not approving the annual budgets and the work plans. Foundations would need to address this significant gap in good governance. The Board was also not responsible for appointing the Foundation's head and Board members in majority of the cases but this could have been due to different modalities specified for these appointments at the time of registration. Raising funds was also not included in the mandates of the Board in almost half of the cases. This is corroborated by the findings in the previous sections that the Foundations were generally not approaching the option of raising funds in any systematic manner. For expansion in programmes the Boards of the Foundations will need to address the fund-raising issue as a central concern.

As the data in the next Table shows, the Boards were generally dominated by the family members of the founder and the approvals of work programmes and budgets seems to be strongly influenced by this factor. Where the Board did not take these decisions, it was because the founder solely had assumed this responsibility.

#### **Relationship of Senior Staff with Founder**

The survey explored if the senior staff appointed in the Family Foundation has any relations with the founder. The question regarding the relationship of any Board member with the founder was answered by 66 percent of the Foundations, while a significant 34 percent preferred not to divulge this information. Further details are provided in Table 22.

**Table 22: Relationship of Senior Staff with Founder**

Relationship Status	Board Member Senior	Other Staff
Related to founder	53	41
Not related to founder	13	41
Question not answered	34	18

Appointing relatives of the founder as members of the Board of Directors is a relatively more prevalent practice than appointing them in senior staff positions, though a significant number of the Foundations reported doing so. It is important that 41 percent of the Foundations clearly declared that the senior staff members were not related to the Founder, as opposed to only 13 percent saying so for the Board members.

While the motive behind appointing relatives as Board members seems to be to have control over the Foundation's overall functioning and policy direction, it's important that the senior members of the staff are appointed on merit, on the basis of their professional competence and not on the basis of their relationship status with the founder. If the Foundations want to make qualitative improvements in their working

and performance one of the essential measures to introduce should be to ensure induction of professionally qualified staff.

#### **Volunteerism in Family Foundations**

All Family Foundations reported receiving the contribution of time volunteered from their Board members, senior staff members and volunteers. All together, each Foundation was receiving an average of 572 hours contribution per month, which amounts to 3.81 work years per annum per Foundation<sup>10</sup>. This is a conservative estimate as most Family Foundations were not able to provide the estimates at all or gave lower estimates as they did not keep the related records. Further details are provided in Table 23.

**10** The calculation of years is based on 6 work hours per day and 25 work days per month, as most Foundations observe six work days week.

**Table 23: Voluntary Time Contribution in Family Foundations**

Type of Staff	FF (Percent)	No. of Staff	Total Time Volunteered (Hours/Month)	Average Time Volunteered Per Person (Hours/Month)	Average Time Volunteered Per Foundation (Hours/Month)
Board Members	78	331	17,167	52	220
Senior Staff	47	381	11,198	29	238
Volunteers	49	644	5,595	09	114
Total		1,356	33,960	90	572

The Board members were volunteering the maximum time, at an average of 52 hours per month. As pointed out earlier, the Board comprised the founder and/or members of the founder's family, among others. Their commitment to the cause for which they established the Foundation is reflected here. In about half of the Foundations the senior staff volunteered time at an average of 29 hours per month. The least time volunteered was by the volunteers who worked occasionally with

the Foundations, though their number at an average of 13 volunteers per Foundation was not insignificant.

#### **Practice of Annual Financial Audits by Family Foundations**

As shown in Table 24, a large majority of the Foundations were having their external financial audit conducted regularly, the variations over the three years reporting period being small.

**Table 24: Annual Financial Audits of Family Foundations**

Financial Year	Percent FF Conducting Internal Audit	Percent FF Conducting External Audit
2008-09	44	80
2007-08	39	85
2006-07	34	82

On the other hand the practice of conducting internal audits remained restricted, though a gradual improvement over the reporting years was noticeable. The Foundations conducting internal audits had also their external audits conducted. The Table also shows that, significantly, 15-20 percent Foundations did not have their external audit done over the three years period. The audits being the main means of improving financial systems and governance, the Foundations would need to at least universalize the

practice of external audit, while improving the practice of conducting internal audit.

#### **Adoption of Standard Procedures by Family Foundations**

The survey also explored if the Family Foundations were using standard procedures and tools for better governance; the findings were that there was much room for improvement, as shown in Table 25.

**Table 25: Use of Standard Procedures by Family Foundations**

Name of Standard Procedure Being Used	Percent FF
Standard operating procedures	31
Beneficiary application forms	42
Award/selection criteria	31
Award/selection committees	14

## FAMILY FOUNDATIONS IN THE PUNJAB 2010

Less than one-third Foundations were using a criterion for award to, or selection of beneficiaries, and a very low proportion of the Foundations had award or selection committees. The award or selection decisions were generally left to the discretion of a senior official. Even application forms by beneficiaries were not introduced by the majority of the Foundations and less than one-third Foundations had adopted comprehensive Standard Operating Procedures (SOPs).

Adoption of standard procedures and tools are important if the potential of support to

Family Foundations from the Government and other development partners is to be explored. Adoption of standard procedures will also help the Foundation's management to monitor and assess its performance and make improvements where necessary.

### ***Inclusion of Beneficiaries in Decision Making by Family Foundations***

Half of the Foundations surveyed reported involving beneficiaries in decision making at some level. The areas of beneficiary involvement are given in Table 26.

**Table 26: Areas of Beneficiary Involvement by Family Foundations**

Beneficiary Involvement Areas	Percent FF
Programme development	21
Beneficiary needs assessment	20
Identification of target population	19
Assessing programme outcomes	19
Membership of Board of Directors	07
Deciding awards to beneficiaries	06

The beneficiaries were mostly involved in exercises relating to development and/or assessment of programmes, including identifying target populations and/or assessing beneficiary needs. Significantly, this too is being done by less than a quarter of the Foundations. Beneficiary involvement in Board deliberations and in deciding awards is negligible. Institutional involvement of stakeholders in making key decisions being central to good governance, the Foundations would need to explore the options more seriously.

### ***Forging of Partnerships by Family Foundations***

#### ***Collaboration of Family Foundations with Other Organizations***

Only 19 percent Family Foundations reported forging collaboration with some other organization or institution. About 14 percent of Foundations developed collaboration with non-governmental organizations, 9 percent with government departments and institutions and 4 percent with the corporate sector companies. The purposes for which the collaboration was forged are presented in Table 27.

**Table 27: Nature of Collaboration Forged with Other Organizations**

Contribution Made by Other Organizations	Percent FF
Made financial/in-kind contribution	15
Collaborated in programme implementation	09
Helped in need identification	04
Helped in conducting programme assessment	04
Helped in designing programmes	02
Other contributions	04

The main reason, cited by 15 percent Foundations, was to obtain financial support for their programmes. 9 percent had developed partnership for implementing the programme jointly. Overall, the Foundations were not able to develop effective partnerships with other organizations at a scale. This remains a largely untapped area, where benefits to the Foundations and the organizations they forge partnership with could be substantial.

### **Establishing Joint Platform of Family Foundations**

The Foundations were asked if they see an advantage in joining with other Family Foundations for making joint efforts towards achievement of their objectives. The large majority (64 percent) was not in favour of this proposition; only 36 percent Foundations viewed it favourably. The desired objectives of such an alliance are given in Table 28.

**Table 28: Desired Objectives of Establishing Joint Foundations Platform**

Desired Objectives	Percent FF
Joint fund raising	24
Joint programme implementation	26
Joint programme implementation involving government	11
Joint policy advocacy with government	07

It's noteworthy that the main advantages of forging an alliance of Family Foundations were seen as raising funds and implementing programmes jointly. Surprisingly, the Foundations saw little advantage of the alliance for the purpose of policy advocacy with the Government. Generally, the message was that the Foundations would prefer to work on their own and would not like much to do with the other entities including the government.

### **Family Foundations' Experience of Government Dealings**

The survey also explored the experience of Family Foundations in their recent dealings with the government, if any. A little over half of the Foundations (54 percent) reported having such dealings recently. They rated their experience on a five point scale, as shown in Table 29.

**Table 29: Family Foundations Experience of Government Dealings**

Purpose of Dealing	Percent FF Where Applicable	Excellent	Good	Normal	Bad	Very Bad
Tax exemption	51	14	28	09	00	00
Registration	50	11	28	10	01	00
Funds application	22	01	10	04	04	03
Joint programme	11	01	03	03	02	02

The main purpose for government dealings by the Foundations was seeking tax exemption and fulfilling registration formalities. For about 80 percent of the Foundations concerned the experience had been 'excellent' or 'good'. The experience so far, therefore, provides a good basis to build future partnership between the Family Foundations and the Government.

### **Estimate of Total Giving by Family Foundations**

The total giving by all the Family Foundations amounted to Rs. 3,656.2 million per annum, of which a little over 6 percent was on account of the time volunteered<sup>11</sup> by the Foundations' staff and volunteers, as shown in Table 30.

<sup>11</sup> The cost of time volunteered has been calculated at a conservative salary of Rs. 50,000 per month, on the basis of six hours per day and 25 work days per month. The salary is conservative given that most of the time volunteered was by the Board members and senior staff of the Foundations.

## FAMILY FOUNDATIONS IN THE PUNJAB 2010

**Table 30: Total Giving by Family Foundations**

Type of Giving	All Foundations	Average Per Foundation
Expenditure on Beneficiaries	3,427,415,900	34,274,159
Cost of Time Volunteered	228,800,000	2,288,000
Total Cost of Giving	3,656,215,900	36,562,159
Total No. of Beneficiaries	2,790,695	27,907
Total Hours Volunteered	686,400	6,864

As mentioned earlier, the time contributions are underestimated as most of the Foundations did not keep records on this account. For all the Foundations, the time volunteered amounts to 381 working years per annum, or 3.81 work years per annum per Foundation.

The number of beneficiaries given in the Table includes the beneficiaries of institutional programmes such as hospitals, clinics, schools, colleges, welfare centres, etc., cash and in-kind giving to finance

philanthropic programmes of other organizations, and direct cash and in-kind giving to individuals.

Even though these estimates are on a conservative side, they reflect a sizeable philanthropic contribution by the Family Foundations. Unfortunately, in the absence of data on the number of Family Foundations in the province, it is not possible to estimate the total annual giving by the Foundations in the province.

# 5 Discussion on Findings and Recommendations

It is important to understand the driving force behind the establishment of Family Foundations, which is the zeal of the founders to improve the lives of poor and vulnerable people. This is combined with the desire to link the family's name with the cause, which further strengthens their resolve to work for the cause as the social image of the founders becomes an important factor. The building of social image, in turn, depends on the success achieved in the mission. Importantly, the founders set their vision in very realistic terms, e.g. improving people's health, rather than in more generalized terms such as 'contributing towards poverty reduction', which helps them to work towards achieving the set goals. The Foundations are thus run by highly motivated individuals, which is an important factor to be kept in view when deciding on a collaborative arrangement with the Foundations.

The Foundations are experienced entities, with about 17 years of work experience behind them. This is long enough time for them to realize their potentials and limitations, and to understand the needs of the populations they have been serving. By this time, they have also built a relationship of trust and confidence with their clients. Many of them have worked in other parts of the country as well and have learned diverse lessons that have enriched their work. These are important assets on which further successes could be built.

The Foundations' work focus is developmental, and the great majority of them are working in health and education sectors that are historically the most neglected sectors in the country affecting the underprivileged people disproportionately. An important

proportion, however, also engages in the provision of charitable and welfare services to help the poor families overcome some of their immediate needs. Both types of approaches are important – the welfare assistance serves the function of safety nets thus enabling the poor families to utilize the longer term developmental services. An important element of the strategy of supporting the Foundations' work should be to promote both the developmental and welfare approaches while not losing sight of the need to keep the required balance between the two.

The dominant activities undertaken by the Foundations were operating facilities and making cash and in-kind grants to individuals. Again, this two-pronged approach is necessary to enable the poor families to benefit from the longer term developmental interventions, such as making full use of the educational opportunities by sending the children to school who also receive a stipend and/or books and educational materials. The strategy to support the Foundations, therefore, should take into consideration both types of activities and avoid disturbing the balance by heavily favouring the establishment of institutions alone.

There were 77 Foundations running 204 facilities including 97 hospitals and clinics and 76 schools, colleges and literacy centres, among others, serving 2.36 million beneficiaries that made up 85 percent of the total beneficiaries, numbering more than 2.79 million, of all the programmes run by the Foundations. Another 14 percent beneficiaries were recipients of cash and in-kind grants by the Foundations. These are sizeable operations with each Foundation serving on an average 27,900

beneficiaries per annum. In health sector where the majority of beneficiaries of the facilities belong, the average rate of patients' attendance was 88 per day, which is almost 40 per cent higher than the patients' attendance rate of 66 per day in 2007 at 838 Basic Healthy Units managed by the People's Primary Health Care Initiative (PPHI) in 12 districts of Punjab<sup>12</sup>. The services by the Foundations were, therefore, contributing quite significantly in filling the gaps left by the official health services systems.

A future strategy should be to augment these services by helping the Foundations in expanding their programmes. The average value of the total giving was Rs. 36.56 million per Foundation per annum. This included conservatively estimated time volunteered by the Foundations staff, valued at Rs 2.29 million, on an average. There is much potential to appreciably enlarge this already very significant contribution of the Foundations through appropriate support.

The overall gender ratio of beneficiaries was favourable to males, the female share in the total number of beneficiaries being 47 percent. As the largest number of beneficiaries was in health sector, mostly receiving treatment from health facilities, this imbalance is somewhat surprising given the widespread gaps in services especially for women of child bearing age. This factor would need further investigation to determine the adequacy of services relevant to women being delivered through these facilities. The support for programme expansion, therefore, should be accompanied by helping the Foundations to assess their programmes in terms of relevance and quality, on the basis of which strategies could be devised in addressing the identified gaps.

The Foundations' per capita expenditure on beneficiaries was low at Rs.102 per month. This could be due to conservative reporting by the Foundations regarding their financial data and/or due to relatively lower quality of services being offered by them. Further investigation into the issue will be required

to be able to put forward any proposals as the study was not designed to investigate the service quality.

If the issue was improvement in service quality the Foundations had extra resources to invest for this purpose. The financial data shared by the Foundations indicate that they were exercising almost ideal cost efficiency by restricting their administrative budget, including staff salaries, to 25 percent of the total expenditure while three-fourth of the expenditure was on providing services to the beneficiaries. Overall, the income of the Foundations exceeded their expenditures resulting in a saving of Rs. 10.6 million during the financial year. This means each Foundation could have served an additional 8,688 beneficiaries or could have used these resources to improve the service quality.

The Foundations were heavily dependent on the founders for their income either in the form of donation or contribution from the parent business, which together formed about 70 percent of the Foundation's annual income. In fact all donations together made up 82 percent of the income. The Foundation's heavy dependence on the founder represents her/his full ownership and commitment to its mission and work - this being the hallmark of Family Foundations - but also underlines the Foundation's fragility should the sources of donations shrink for some reason.

The Foundations' asset position was not enviable. Although 76 percent of the Foundations reporting on assets owned real estate, which was the main asset accounting for 68 percent of the total value of assets reported, its value was merely Rs. 3 million for nearly half of the Foundations. Considering that the Foundations have been in existence for an average of 17 years, this is a very low asset accumulation by any standard. Possible explanation for the situation is that the founders do not consider it important for the Foundations to develop a firm and sustainable financial base as they see their existence mainly linked to their own financing. This

<sup>12</sup> 12 The Punjab government has contracted out these BHUs to PPHI; the programme is implemented by the Punjab Rural Support Programme on behalf of PPHI. Similar arrangements have been made in other provinces. The calculations have been made from available data.

interpretation is also supported by the survey finding that the number of Foundations in higher age brackets declined progressively with 72 percent Foundations falling in the range of three to 20 years and only 14 percent being in the range of 31 to 48 years, as shown in Table 2. For longer term financial viability and sustainability the founders will need to work on developing a strategy for augmenting and diversifying the income sources of the Foundations and expanding their asset base.

Forging partnerships with other entities engaged in or interested in philanthropy is generally lacking with the Family Foundations and they have largely acted on their own. The potential for exploring partnerships is huge. Supporting philanthropic programmes of similar organizations is one form of the partnership, and there is evidence that this was indeed taking place though on a limited scale. Partnerships with potential donor organizations including those belonging to international development partners and government were extremely limited. Where the Family Foundations were not run by the founders from corporate sector, the relationship with the sector was also non-existent. For generating financing for improvement and expansion in the existing programmes building these partnerships will be crucial for the Foundations.

The Family Foundations were found to have weak systems for determining demand for their services, identification of persons as beneficiaries and conducting programme assessment. The other set of weaknesses were in the area of governance, marked by inadequate reporting to donors, less than universal practice of external annual financial audits and much lesser frequency of internal audits, highly inadequate standard operating procedures and almost non-inclusion of beneficiaries in some key programme decisions. Addressing these gaps will help the Foundations not only in improving their programme quality but also building donor confidence in their

operations. The strategy to support the Foundations, therefore, should include provision of technical assistance in these areas.

The survey findings highlight many areas of strength, and some areas of weakness, of the Family Foundations. These strengths cannot be capitalized upon and weaknesses addressed without creating an overall enabling environment consisting of a supportive policy and legal framework, fiscal incentives and institutional mechanism to facilitate implementation and improve quality. Family Foundations are part of the CSO sector, and Government's relations with the sector have vacillated from being hostile to indifferent. This is particularly relevant to the Punjab Government. The truth is that the sector with an immense promise, as shown by the survey findings, cannot realize its full potential without a solid partnership with the government. The Punjab Government would do well by announcing such a policy that would promote partnerships between the provincial Government and CSOs, reform the laws to facilitate registration<sup>13</sup> by clearly distinguishing between various types of activities of the CSOs (thereby clearly distinguishing the philanthropy based activities from the rest) and relate fiscal incentives including tax exemptions to the types of programmes implemented by CSOs. The organizations engaged in philanthropy, therefore, should be given tax exemptions on purchases and imports that would help them improve the quality of their programmes. Further, the income of these organizations from investments should not be taxed to help them build a sustainable financial basis for themselves. At the institutional level, the Government should simplify the procedures for obtaining registration and tax exemptions and establish special windows for guiding the CSOs in this regard. The Government should also help building interface between the CSOs and other development partners to get technical assistance for improving methods, procedures, governance and monitoring and evaluation systems.

<sup>13</sup> There exists abundant literature on the limitations of registration laws and tax regimes and incentives with regard to the non-profit sector. For a relatively recent study, see SPDC 2002b and SPDC 2002c.

Accountability within the CSO sector has been one of the main contentious issues between the Government and CSOs, with the latter resisting Government attempts in this regard. The Government needs to agree on a transparent mechanism for monitoring of CSOs that does not interfere with their independence of working, at the same time documenting the programmes implemented by them. The finding of the survey that more than 80 percent Foundations have their external financial audits conducted is a positive development towards improving accountability of CSOs. The CSOs also need to realize that following transparent and accountable systems will be to their own advantage, adoption of which will help to build donor confidence and attract more donor contributions and assistance.

### **Family Foundations in Punjab and International Experience**

The international experience of Family Foundations, as cited earlier in the study, was highlighted to draw some broad comparisons with the experience of the Foundations emerging from the present study. It is recognized that any detailed comparisons will be difficult to make given very large differences between the socio-economic, cultural and ethnic environments involved. Further, the scope and methodologies of the studies cited differ widely and detailed comparison of their findings with those of the present study will not be justified. However, given the dearth of literature on the important phenomenon of Family Foundations, discussion of some broad trends across regions will be instructive. It should be noted that the study coming closest to the present study in terms of methodology adopted is the Turkish study of private Foundations, both studies being based on field surveys of the Foundations. An essential difference between the two studies is that whereas the Turkish study investigated the working of the private Foundations in general, the present study focused exclusively on the Family Foundations.

For the purposes of comparison here, the 'Three Fs' model proposed earlier will be used as it provides the bases for comparison in terms of some essential characteristics of the Family Foundations.

### **Importance of Founders**

All the studies highlight the founding family as the strong driving force behind the Foundations except in Turkey where the dominant trend was that a large number of founders not related to each other got together to establish the Foundation. This happened in 85 percent of the Foundations studied in Turkey. The study in Turkey does not exclusively focus on the Family Foundations, which the present study in Punjab does. The Turkish study actually does not clearly identify the incidence of the Family Foundations' phenomenon, but demonstrates its relative insignificance. The present study, on the other hand, was not designed to measure the incidence of Family Foundations in Punjab. The other studies quoted do not address this issue as well. However, this is a very important issue to address not only in terms of the prevalence of the Family Foundations phenomenon but also in terms of their share in the total organizational philanthropy in a given country.

Except for Turkey where the Foundations were not established by a single family, the founding families of the Foundations in other studies cited were involved closely with the management of the Foundations. The present study points out that the Boards were dominated by the founding family, thus ensuring control over the working of the Foundation. The Taiwan study reports that the Boards of the Family Foundations were dominated by family relations of the founder. The founding family having a strong control of the Foundation's management is also reported by the South African study.

### **Importance of Financing**

Except for the Turkish study, all other studies including the present one highlight the founding family and its business concerns as the main sources of financing for the Family Foundations, the reliance on the other sources of income being much less. In the present study, almost 70 percent of the Foundation's income was due to the financial contributions from the founding family or its business concerns. In Turkey, the contributions not only came from the multiple founders, numbering 35 on an average, but were mainly raised through individual donations that accounted for 57 percent of the income of 80 percent of the Foundations. The study points out that the Turkish Foundations, therefore, were mainly raising funds from sources other than their founders for their philanthropic activities. The studies in developing countries, however, point out the importance of building a sound asset base for the longer term sustainability of the Foundations.

### **Importance of Functioning Nature**

Because of their sound financial base and huge financial portfolios the Family Foundations in the developed world were uniquely placed to influence social policy not only domestically but also in the realm of their country's assistance to the developing countries. Their philanthropic goals were strongly linked to social reform objectives. It's important that these Foundations were increasingly viewed as the main vehicle of social change in these countries. On the other hand, in all developing countries the Family Foundations and the other private Foundations were mainly seen as the source of filling some important gaps in meeting the basic needs of the poor and vulnerable groups, left due to faulty government policies.

While the Family Foundations in developed countries largely supported other organizations and charities to reach their target populations, the Foundations in the

developing countries preferred to provide the benefits to their target populations mostly through direct delivery of services. Clearly, the size of operations in the two cases is one of the main defining factors for this difference of approach.

In Punjab, the predominant mode of providing services to the target population was through the hospitals, clinics, schools, colleges and welfare centres run by the Foundations as well as through cash and in-kind grants to individuals. In Turkey, however, the dominant mode of giving was direct individual grants and very few of the Foundations got involved in providing services through facilities such as schools and hospitals. One of the reasons for this difference could be the nature of perceived needs of the target populations, and the other availability of adequate financial resources to establish and run facilities; the latter factor seems most likely to be operative in the Turkish case as their financial position was reported to be weak, though comparable data is not available to derive the conclusion.

The governance of Family Foundations including the use of programme assessment, monitoring and evaluation and standard operating procedures is reported to be weak in the developing countries; the study cited on Foundations in the developed world does not provide this information. Though the Family Foundations in Punjab also suffered from these limitations, their strong point was that their large majority conducted annual financial audits regularly. Comparable information is not available from other studies.

The overall picture of the Family Foundations in Punjab, therefore, looks quite promising when compared especially to the available, though limited, information on the Foundations elsewhere in the developing world. In fact they seem to be well positioned to assume the additional role of providing policy advice to the government in the foreseeable future, provided a partnership is developed between the two under the umbrella of supportive policies and programmes.

# 6 Profiles of Family Foundations

## CARE

The year 1988 witnessed rising rivers in the country, causing floods, devastating vast areas of irrigated land and most of all displacing hundreds and thousands of people from their homes. Though the floods affected many districts across Pakistan, Central Punjab was the worst hit. The Government appealed for funds and sought volunteers for relief work. Citizens came out in throngs to help; donated in cash and kind, volunteers set up relief camps and aid agencies worked round the clock to provide as much support as possible to the affected people.

Among those who were there to help, was a group of young and dynamic people, mainly comprising females who were so moved by the plight of the people, that it left a permanent imprint on their minds. To rehabilitate the displaced, this group set up a temporary rehabilitation camp in Sheikhpura, a small town near Lahore. Setting up the camp was an awakening call. The economic gap between the poor and rich that is mentioned in policy papers, seminars and Government documents was nothing compared to what these people had seen with their own eyes. They could see poverty, deprivation and social inequality in its worst form.

Within this group was an energetic and dynamic woman who then vowed that these ills needed long term solutions and makeshift arrangements were only consolatory measures. Her name is Seema Aziz, who leads CARE with both zeal and fervour, making it one of the largest educational projects in the country. Starting from a makeshift arrangement in Sheikhpura, which was later converted into a full time school, CARE today has 180

schools under its umbrella, catering mostly to the needs of children coming from low income families.

## Hamza Foundation

The lower economic class of Pakistan, with its low economic growth and even lower per capita income is sometimes helped by the business community involved in philanthropic activities. The help may not be enough to bring about any macro level change in the society at large, but plays a crucial role in provision of basic facilities to the deprived sections of society. Hamza Foundation is one such example where Sheikh Abid Hussain, compelled by his personal loss, converted Amin Hayat Memorial Trust that was founded in 1967, into a Foundation with a mission to provide basic health facilities to the poor of Lahore and Kasur as well as an academy for the deaf. The Foundation was registered and is functioning since 1978, under the Companies Act 1913, which was later converted into section 42 of the Companies' Ordinance 1984.

Born in 1936 in Amritsar, Sheikh Abid left school in class 4 and started learning how to manufacture suitcases in his father's factory. His parents came to Karachi well before partition as it was becoming an industrial hub in this region of India. Sheikh Abid started his business career by helping his brothers and father in Karachi Bullion Exchange Market and working in Cotton Exchange as a broker. Helped a great deal by the goodwill created by his father as a businessman, Sheikh Abid expanded his business manifold in the years that followed. He got married in 1955 to the daughter of his maternal uncle. God blessed him with four sons and three daughters. Tragically, three sons and one daughter were born with

hearing impairment. They could not hear, and therefore could not speak. According to the doctors, it was the result of continued practice of endogamy. In 1954 his father, late Sheikh Muhammad Amin, established a mosque in Karachi with a view to make it a center for Islamic teachings. In 1967 when he died, the family decided to form a trust in his memory and to continue the good work that he had started. They founded the Amin Hayat Trust with the objective of establishing mosques and free dispensaries in Karachi. In the late 1970s Sheikh Abid Hussain converted that trust into a Foundation (Hamza Foundation) and based it in Lahore and Kasur, the town his family came from. They picked the name Hamza because of the reverence in which Hazrat Ameer Hamza was held. As the original Trust was founded with a purpose of building mosques, establishing dispensaries and schools, Sheikh Abid kept the original mission intact and only expanded it in quality and quantity. Apart from these developmental activities, Hamza Foundation is instrumental in donating to other charity foundations, which include Shaukat Khanam Memorial Cancer Hospital, CARE and many others. Their biggest contribution is, however, the construction of an academy for the deaf, which is a purpose-built facility as per international standards. Sheikh Abid sent his own special children to St. Louise in America to get special education and the Hamza Foundation Academy is constructed on the same lines so that the Pakistani special children can also benefit from standard facilities.

#### **Aziz Jehan Begum Trust for the Blind**

Aziz Jehan Begum Trust for the Blind was founded by Salma Kishwar Jan in 1989 as a non-profit charitable public welfare trust in memory of her mother, Aziz Jehan Begum. Aziz Jehan Begum suffered serious vision impairment at the age of forty-six due to Retinitis Pigmentosa. Over the next thirty years, she coped with residual peripheral vision in both eyes. During these years, the additional complication of Glaucoma led to complete loss of vision of the right eye

with only minimal peripheral vision remaining in the left eye. Finally, she lost the vision of this eye too, and lived in darkness the last three years of her life. It was Aziz Jehan Begum's cherished desire that a charity be established in her name for the service and welfare of the blind and visually impaired segment of humanity.

The aims and objectives of the family Foundation are as following:

- Reach out to visually limited children and adults who cannot avail the existing facilities, especially those who are of school going age.
- Improve the quality of education of visually limited Pakistanis and bring it up to international standards.
- Provide vocational training and job placement support and thus avail employment opportunities for the visually impaired.
- Identify jobs which the blind can do with the aid of adaptive technology and thus widen the possibilities of their absorption into an expanded job market.
- Develop recreation and leisure activities which aim at positive personality development.
- Create community-based vocational and recreational programmes for the visually limited in their respective communities.

#### **Ittefaq Hospital Trust**

Ittefaq Hospital Trust was setup by the Mians, a renowned business and political family of the country. The Foundation of the Hospital was laid by late Mian Muhammad Sharif, who played the lead role in setting up the Ittefaq business empire, with the help of his brothers and later was the driving force behind setting up the Hospital and transforming it into one of the city's leading hospital.

The Mian family migrated to Lahore (1944) before partition from a small village, Jatti Umra, District Amritsar (now in India), to

work in a steel foundry. In search of work and facing economic hardships, all brothers worked in the foundry except for Mian Sharif who continued his studies with support from his elder brothers. Mian Sharif, however, would regularly visit his brothers in the foundry after college and assist them in work. One untoward incident inside the foundry changed the course of events as all the brothers quit their jobs. Though not the eldest among the brothers, Mian Sharif played the role of the big brother and visualized setting up their own foundry. They started work in a makeshift arrangement in the yard of a family friend with a loan of Rs. 500 given by their aunt. The only condition was that the brothers would send her for Hajj from the profits derived from money. Under the leadership of Mian Sharif the brothers toiled away and profits began to rise. The aunt went for Hajj.

As business expanded so did the volume of their giving to the poor and needy who lived around the vicinity of their house. Many were poor foundry workers, widows and children who needed assistance to complete their education. The word spread, and more and more beneficiaries approached the Mian household and seldom returned unattended. Soon this was formalized and the people started receiving their share at their doorsteps at the beginning of every month. Till today few know how many continue to benefit from this generosity.

Seeing the needs of the poor and the amount that was being distributed albeit sporadically at times, Mian Sharif envisaged institutionalizing their giving and laid out his plan of establishing a Trust Hospital for the poor. All the brothers endorsed the idea and a joint pool of resources was collected.

Mian Sharif had always been a towering personality and all decisions related to business, the hospital or even internal family matters needed his approval. When construction for the hospital began, initially for a 25 bed hospital, Mian Sharif thought it to be insufficient to cater to such a the populace of Lahore. As it reached the first floor he asked it to be demolished and

planned anew for a 200 bed hospital. Except for one none of his brothers opposed the decision.

### **M.H Sufi Foundation**

M. H. Sufi Foundation is a private, non-profit institution, which was established in 1994 as a charitable trust under the Trust Act 1882. It has recently been converted into a company limited by guarantee in terms of section 42 of The Companies Ordinance, 1984. Its sponsors are the heirs of late Muhammad Hussain Sufi – a former ICS officer, who belonged to village Kot Ishaq, District Hafizabad.

M.H. Sufi was not only considered as an officer of high integrity but was also known for his benevolence towards the people of his native village. It would not be wrong to say that in more ways than one he was the role model for the people of Kot Ishaq. After his death in 1987, his two sons decided to follow the traditions of their father. A Trust was started in his name and keeping in view the need of imparting quality education to the local population of Village Kot Ishaq, the Foundations of a school were laid in the village in 1995. Initially a primary school was established which during the last decade has progressed from primary to elementary to secondary and higher secondary levels. Today, in line with its basic objective of providing and promoting quality education in the target area, the organization is imparting quality education to the children belonging to this area with the help of a team of properly trained and motivated teachers.

# 7 Best Practices Followed by Family Foundations

The family Foundations profiled represent the most widespread expression of Punjab's dedication to the common good. The creation of these voluntary, mostly grassroots organizations to accomplish a public purpose is a distinguishing feature of our national life. Like other developed countries, Family Foundations in the Punjab are adhering to legal mandates to ensure that they are not abusing the privilege of their tax-exempt status. These practices ensure that structures of accountability and transparency are embedded in these organizations, enabling them to muster the support they need to pursue their various callings and the flexibility they need to adapt to the changing needs of their communities, their fields of endeavour, and the times.

## Governance Structure

They have independent Boards of Trustees having diverse backgrounds that bring a wealth of knowledge and resources to these organizations. The Board is responsible for providing overall leadership and strategic direction to these Foundations on a voluntary basis. The number of Board of trustees of each Foundation varies from 7 to 12 with adequate female representation on the Board.

## Accountability and Transparency

Like other non-profit organizations, these Family Foundations are fulfilling their ethical responsibility to their constituents and public by conducting their activities with accountability and transparency. They are also complying with all the legal financial requirements and adhering to sound accounting principles that produce reliable financial information ensuring fiscal responsibility.

## Organizational Planning

Organizational planning is an important part for any non-profit organization's future success as it sets the overall direction, activities and strategies to fulfil its mission. The six profiled foundations engage in sound planning that provides a clear vision for the future goals and objectives of the organization. Beneficiary and staff feedback is given due importance and their inputs are incorporated to successfully position the organization to achieve its goals.

## Evaluation and Impact Assessment

The profiled Foundations also carry out evaluations and impact assessment of the programme at regular intervals and incorporate the findings of these exercises to improve their programmes. These organizations regularly measure their performance against a clear set of goals and objectives. In some cases, evaluation is an ongoing process which includes input from a wide variety of constituents, service recipients and volunteers.

## Social Networking

These organizations are open to strategic alliances and, when appropriate, partner with other organizations to strengthen their capability to achieve desired results. Cooperation and coordination of this nature plays an important role in avoiding unnecessary duplication of services and helps to maximize the resources available to the communities they serve. The effectiveness of any voluntary organization depends upon successful relationships with other community institutions and Government. Regardless of form and nature of partnerships, these relationships can serve a variety of purposes, including resource sharing, policy influence and improved operational efficiency.

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# ANNEX A

Disbursement of Zakat Fund and Number of Beneficiaries in Punjab: 2005-08

(Million Rupees)

Head	2005-06		2006-07		2007-08	
	Disbursement	Number of Beneficiaries	Disbursement	Number of Beneficiaries	Disbursement	Number of Beneficiaries
Total	2585.062	1,236,303	2688.144	1,392,742	2595.092	1,282,131
Guzara (subsistence) Allowance	1222.131	434,799	1213.874	564,797	1173.610	637,834
Regular Education Stipends	297.429	332,153	340.006	319,969	305.530	216,782
Technical Education Stipends	522.015	40,495	592.711	42,166	615.435	43,679
Deeni Madaris (Religious Education Institutions)	159.809	51,164	158.120	100,375	159.244	56,099
Health Care	98.96	105,213	94.886	94,712	106.137	67,285
Leprosy Patients	0.570	92	0.570	103	0.570	206
Social Welfare/ Rehabilitation Grant	79.445	15,889	80.553	16,111	53.069	10,628
Marriage Grant	80.478	8,048	84.388	8,439	59.637	5,964
Eid Grant	124.225	248,450	123.036	246,070	121.860	243,654

Source: Zakat and Usher Department, Government of the Punjab, Lahore

## ANNEX B

Sample Distribution According to Districts Covered by Survey

Name of District	No. of Family Foundations Covered
Attock	02
Bhakkar	01
Bahawalpur	02
Faisalabad	14
Gujranwala	08
Jhang	03
Jhelum	01
Kot Addu	01
Lahore	50
Layyah	01
Multan	05
Rahim Yar Khan	01
Rajanpur	01
Rawalpindi	05
Sheikhupura	01
Sialkot	01
Toba Tek Singh	02
Vehari	01
Total	100

# ANNEX C

## List of Family Foundations

- 1 AIR CDRE RIZWANULLAH KHAN SHAHEED MEMORIAL TRUST
- 2 AISHA HEALTH & EDUCATION FOUNDATION
- 3 AKHTAR A. AWAN FOUNDATION
- 4 AL-EHSAN WELFARE SOCIETY (AEWS)
- 5 AL-FAISAL WELFARE SOCIETY
- 6 ALGHAZI TRUST GENERAL HOSPITAL
- 7 ALI TRUST
- 8 ALI ZAIB BLOOD TRANSFUSION SERVICES
- 9 ALIF LAILA BOOK BUS SOCIETY
- 10 AL-KHIDMAT CHILDREN HOSPITAL
- 11 AL-NOOR WELFARE SOCIETY
- 12 ANJUMAN KHUDDAM -E- RASOOL ALLAH
- 13 ANJUMAN KHUDDAM UL QURAN
- 14 ATTOCK SAHARA FOUNDATION
- 15 AWAZ FOUNDATION PAKISTAN, CENTRE FOR DEVELOPMENT SERVICES
- 16 AZIZ JEHAN BEGUM TRUST FOR THE BLIND
- 17 BABAR ALI FOUNDATION
- 18 BASHIR BEGUM MEMORIAL HOSPITAL
- 19 BESTWAY FOUNDATION
- 20 BHANDARA FOUNDATION
- 21 BUNYAD LITERACY COMMUNITY COUNCIL
- 22 BUSINESSMEN HOSPITAL TRUST
- 23 CANCER SOCIETY
- 24 CH. REHMAT ALI MEMORIAL TRUST
- 25 CHAND BAGH SCHOOL
- 26 CHINIOT EDUCATION SOCIETY
- 27 COMMUNITY SUPPORT CONCERN
- 28 COOPERATION FOR ADVANCEMENT REHABILITATION AND EDUCATION
- 29 CRESENT EDUCATION TRUST
- 30 DAR UR KAFALA
- 31 DEHI SAMAJI TARAQIATI COUNCIL
- 32 DR. ZEENAT HUSSAIN FOUNDATION
- 33 ELAHI WELFARE ORGANIZATION
- 34 FALAH-E-DARAIN TRUST
- 35 FAZAL REHMAN FOUNDATION
- 36 FEROZSONS TRUST (FATIMA MEMORIAL HOSPITAL)
- 37 FRIENDS WELFARE COUNCIL
- 38 GHAZI EDUCATION & WELFARE TRUST
- 39 HAJI ABDUL RAHID LAHORI WELFARE TRUST
- 40 HAJI MURAD EYE HOSPITAL
- 41 HAJRA BIBI TRUST
- 42 HAJVERI TRUST
- 43 HAMZA FOUNDATION
- 44 HASHOO FOUNDATION
- 45 HIJAZI EDUCATIONAL AND MEDICAL TRUST
- 46 HUSSAIN EDUCATION / HEALTH TRUST
- 47 IDARA-E-TALEEM-O- AGAHI

## FAMILY FOUNDATIONS IN THE PUNJAB 2010

- 48 IQBAL HAMID TRUST
- 49 ISLAMIA CITIZEN COMMUNITY BOARD
- 50 ITTEFAQ HOSPITAL TRUST
- 51 ITTEHAD CHEMICALS
- 52 JAMAI SHAN -I- ISLAM
- 53 KAUKAB MIR MEMORIAL WELFARE TRUST
- 54 KOHAT CEMENT EDUCATION TRUST
- 55 M. H. SUFI FOUNDATION
- 56 MATERNITY AND CHILD WELFARE ASSOCIATION OF PAKISTAN
- 57 MEDICAL WELFARE SOCIETY
- 58 MEHR DASTGIR TRUST
- 59 MIAN MUHAMMAD YAHYA TRUST
- 60 MILLAT FOUNDATION
- 61 MIRAJ BANO CHARITABLE TRUST HOSPITAL
- 62 MOFAD-E-AMMA CHINIOT SHEIKH ASSOCIATION
- 63 MOHAMMAD SADIQ HAJRA BIBI MEMORIAL WELFARE SOCIETY
- 64 MUGHAL EYE HOSPITAL TRUST
- 65 NAYAB WELFARE SOCIETY
- 66 OMAR AFTAB MEMORIAL TRUST
- 67 PAKISTAN MEMOPHILIA PT'S WELFARE SOCIETY
- 68 PAKISTAN SOCEITY FOR TREATMENT AND STUDY OF PAIN
- 69 PATIENTS WELFARE ASSOCIATION (PWA)
- 70 QARSHI FOUNDATION
- 71 QARSHI FOUNDATION
- 72 QURBAN & SURRAYA EDUCATIONAL TRUST
- 73 RISING SUN EDUCATION & WELFARE SOCEITY
- 74 ROSHNI HOMES TRUST
- 75 SAHARA FOR LIFE TRUST
- 76 SANJAN NAGAR PUBLIC EDUCATION TRUST
- 77 SARDAR TRUST EYE HOSPITAL
- 78 SHAFI MEDICAL COMPLEX
- 79 SHAKARGANJ FOUNDATION
- 80 SHALAMAR SERVICES HOSPITAL
- 81 SHEIKH MIAN MUHAMMAD FOUNDATION
- 82 SHER FOUNDATION
- 83 SIAL WELFARE TRUST
- 84 SIDDIQUE SADIQ MEMORIAL TRUST CARDIAC INSTITUTE
- 85 SOCIETY FOR ADVANCEMENT OF EDUCATION
- 86 SOCIETY FOR REHABILITATION, EDUCATION AND COMMUNITY HEALTH
- 87 SOS CHILDREN VILLAGES OF PAKISTAN
- 88 SUFFAH WELFARE TRUST
- 89 SUNDAS FOUNDATION
- 90 SUNNY TRUST INTERNATIONAL
- 91 SURAYYA AZAEEM (WAQAF) HOSPITAL
- 92 SYED MARATIB ALI RELIGIOUS AND CHARITABLE SOCEITY
- 93 TEHZIBUL AKHLAQ TRUST
- 94 THALASSAEMIA SOCIETY OF PAKISTAN
- 95 THE HELPCARE SOCIETY
- 96 THE PAKSITAN SOCIETY FOR REHABILITATION OF DISABLED
- 97 THE YAR MOHAMMAD KHAN FOUNDATION
- 98 TRUST FOR EDUCATION AND DEVELOP. OF DESERVING STUDENTS
- 99 TRUST FOR RURAL UPLIFT AND COMMUNITY EDUCATION
- 100 ZUBAIDA FATIMA MEMORIAL HOSPITAL

# About the Centre

It is the vision of a galaxy of eminent citizens of the country, now on the Board of the Centre, which helped establish this only infrastructure organisation dedicated to the cause of philanthropy promotion. Pakistan Centre for Philanthropy (PCP) emanated out of an original research on philanthropy and is the outcome of recommendations of the 'International Indigenous Philanthropy Conference of 2000'; attended by His Highness the Aga Khan and President of Pakistan, who supported the idea of fostering an enabling environment for civil society and the creation of PCP to promote a structured and strategic approach to enhancing philanthropy for social development.

PCP is an independent nonprofit support organisation with a mission to promote the volume and effectiveness of philanthropy for social development in Pakistan. The Centre is licensed under section 42 of the Companies ordinance 1984.

Instead of getting into the direct service delivery mode or making donations, PCP being a support and facilitative organization, seeks to facilitate altruistic efforts of others i.e national and international donors (individual, corporate & diaspora) by establishing effective linkages between the donors and nonprofit organisations (NPOs). This requires bridging the information and credibility gap that exists in the sector and is often a major impediment in the promotion of philanthropy. In line with the vision and mission and to achieve the objectives, PCP has designed innovative programmes (i) standard setting Nonprofit Organisation Certification (ii) Philanthropy Support Services: mobilizing corporate philanthropy for education under Public Private Partnerships (3Ps) and an online web based development market place Philanthropy Portal (2P) Give2Pakistan (iii) expanding philanthropy knowledge through evidence based Research and (iv) Communication and Advocacy to enhance societal understanding of philanthropy and development.

Pakistan Centre  
for Philanthropy  
1-A, St 14, F-8/3  
Islamabad



Tel: (9251) 2855903-4, 2287077, 2287037  
Fax: (9251) 2287073  
Email: mail@pcp.org.pk  
Website: www.pcp.org.pk