The Handbook for Social Enterprise in Pakistan
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To Zafar Ahmad Khan and Lubna Irum Khan
This would not have been possible without you.
Thank you for believing in me and for making
me the person that I am today. I love you.
    -Tehniyat

For all your love, tarbiyat and genes
Thank you Muhammad Ayub Khan and Aaliya Ayub.
    -Asad
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Foreword

“I have a dream that my four little children will one day live in a nation where they will not be judged by the color of their skin, but by the content of their character.” – Martin Luther King

Tragically in Pakistan, the ‘elite’ continue to be judged and exalted by the color of their green ‘skin’ - their (in many cases illegally acquired) money. Our politicians continue to rape and plunder the country while our corporate ‘role models’ are revered for paying huge kickbacks and defaulting on massive bank loans. Is there a glimmer of hope at the end of this long, dark tunnel? Fortunately for us, the fate of this nation rests squarely on the shoulders of the youth – a demographic dividend that now represents two-thirds of the country’s population. If given the opportunity, capacity and tools, the marginalized masses in Pakistan can and will extricate themselves from poverty. It is our job to provide them with an enabling ecosystem and get out of their way.

Our youth also believes in social justice and providing socioeconomic opportunity - their conviction will one day lead to the dismantling of the de facto socioeconomic apartheid that is prevalent throughout Pakistan. While I remain amazed at the general apathy of the elite and affluent in Pakistan, I am also emboldened by the egalitarian spirit I see raging amongst the youth of this country. Everywhere I hear reverberations of Muhammad Iqbal’s immortal words:
Market-based approaches that combine the best social intentions with the rigor and discipline of commercial enterprise are what is required to create sustainable, scalable, replicable solutions to problems associated with poverty. That is why I am heartened to see Literaty Pakistan take the bull by the horns and highlight the impact that social entrepreneurs are making in Pakistan. May they RISE ABOVE!

-Dr. Asher Hassan
Founder and CEO NAYA JEEVAN
Social enterprise has evolved as an industry around the world, birthing an ecosystem so extensive that it warrants a leading publication of its own called the *Stanford Social Innovation Review* and has drawn at least one Nobel Prize laureate, to date.

Multi-million dollar entities which focus on alleviating poverty such as the Bill & Melinda Gates Foundation, The Clinton Global Initiative, Ashoka and The Acumen Fund are increasingly utilizing social enterprise as the key vehicle which propels them towards their goals.

It is this statement wherein the necessity of this book can be felt, because even though the world has moved on to social enterprise as a spearhead of development, in Pakistan it remains an undefined buzzword. For instance, the Social Enterprise Development Center at one of the leading institutes in Pakistan devotes itself primarily to capacity-building in NGOs, believing that NGOs are social enterprises and that ‘there is no such thing as a for-profit social enterprise’. Ironies such as this one give rise to the need for the first two sections of this publication which differentiate between traditional methods of charity and social enterprise. Since direct comparisons with the developed world may not be immediately productive, we look to social enterprise as a phenomenon in South Asia.

Bangladesh is home to the pioneer of a revolutionary model of financial inclusion that has become the global phenomenon for which a Nobel Peace Prize was granted in 2006. Grameen Bank and Muhammad Yunus are, today, the flag-bearers of microfinance. Bangladesh is also home to the world’s largest de-
velopment NGO, BRAC, which is for the most part a self-sustaining entity that has developed hundreds of social enterprise models under its banner. India, on the other hand, has specialized publications that cater exclusively to social enterprise as a field. Besides having many private sector innovation funds such as Villgro, the Indian government has played a huge role in furthering the cause of social enterprise. It has undertaken extensive macro-level measures to ensure a prosperous ecosystem for social enterprise in the country. This begs the question: why is Pakistan so far behind in the field of social enterprise?

The developments mentioned with regard to India and Bangladesh are virtually absent in Pakistan. Among other reasons, it is due to lack of exposure to this concept and the lack of literature available in the country tailored to the Pakistani context, which is why this endeavor was undertaken. Another looming challenge is one of the mindset and perspective where talk of helping the poor and bringing about social justice immediately calls to mind the image of an ‘NGO aunty’ with enough time and money on her hands to do charity work. On the flip side, the idea of helping the poor as a profession means turning into an ascetic and giving up all worldly possessions. The concept of earning a comfortable living, and at the same time, bringing about systematic social uplift in the world is one that sounds like a contradiction in the minds of most Pakistanis. This is something we intend to change, an aim reflected in the conception of a section titled *Rays of Hope* in Literaty Pakistan’s quarterly magazine.

This book intends to uplift the discourse of development available in Pakistan with respect to this new discipline by furnishing readers with a theoretical understanding of social enterprise and reinforcing the concepts using practical examples and case studies.

And so, we present to you The Handbook for Social Enterprise in Pakistan.

—Asad and Tehniyat

**DISCLAIMER**

For the purpose of conceptual clarity, we use the term ‘Social Enterprise’ to refer to Social Enterprises that target poverty alleviation in particular. The sections pertaining to Social Enterprise theory are merely an effort at compilation, whereas the case studies are an original work of the authors.
The Way It Is
SECTION I
The traditional means of development and poverty alleviation are primarily Philanthropy, Corporate Social Responsibility (CSR), and NGOs.

This section will outline certain inefficiencies of the existing methods to help formulate an understanding for the necessity of a new paradigm of social uplift.
Philanthropy may be understood as a system where altruism becomes the driving force behind human welfare, evidenced through donations of money, property, or similar endowments. Individual philanthropy is often seen in the form of generous donations to hospitals, schools and charities that address the needs of the poor. Another dimension of philanthropy relates to funding social causes.

Traditionally, philanthropy has also been associated with doing something intrinsically good, noble and inspirational. However, as Simone Joyaux, (a leading name in the field of development) explains, there are certain disadvantages of relying on inefficient philanthropy to solve the problems arising from social injustices. Simply throwing money at a symptom will not, Joyaux explains, make the underlying problem go away. Unfortunately, this nuanced viewpoint is not shared by all philanthropists and the resulting lack of transparency means keeping track of how funds are being used effectively—if at all—is difficult at best.

Philanthropy in Pakistan, however, is still set in the early stages of traditional philanthropy. With a lack of trust in any government institutions and a very low rate of tax payment, the population frequently turns to philanthropy for a direct way to remedy the ailment of the underprivileged in society.
Philanthropy in Pakistan

US $1.5 billion
Volume of indigenous philanthropy by Pakistani individuals in 1998, larger than the resources allocated by the government as a percentage of the GDP for health and education.¹

Given that Pakistan is a poor country with meager resources, its per capita giving is phenomenal. For example, the US has a per capita income 59 times larger than Pakistan but the ratio of total giving to per capita income in the US is only twice as large as in Pakistan.²

$200 million
Estimated worth of the sector. However, Pakistanis and Pakistani-Americans give a total of $740 million annually (or $2.3 billion if volunteer time is included). The majority of giving goes to needy individuals. This is largely due to mistrust of NGOs.³

The facts here show us that traditional philanthropy is thriving in Pakistan. The presence of so much charitable giving begs the question: why is a huge part of our population still living in abject poverty? This answer likely resides in the underlying disadvantages and gaps of philanthropy as a system in bringing about resilient change. There is a behavioral tendency to cater to immediately visible expenses, instead of building on assets with a long-term view. So, for example, individuals are often more willing to pay for weddings for the children of their domestic staff, instead of giving them access to health insurance or clean drinking water. Consequently, philanthropy is often relegated to the role of a band-aid to the social ills prevailing in Pakistan—focusing on short-term alleviation over addressing the root cause of the issues at hand. This short-sightedness and unsustainable practice is systemic in traditional philanthropy in Pakistan, which then leads to the need for a better system in place.

Corporate Social Responsibility (CSR)

Corporate Social Responsibility brings corporate chieftains and social entrepreneurs together to discuss mutually beneficial partnerships towards Sustainable Development. This convergence harnesses each other’s strengths and learning to develop products and services that benefit all stakeholders. ¹

—The Social Edge

Corporate Social Responsibility is a company’s built-in regulation system for the promotion of ethical standards and public well-being. The concept began in the 1950’s and proliferated during the following decades.² Today, most multinationals and big corporations include a hefty CSR budget—it is in fact becoming a field in its own right with specialists emerging in the market to exclusively take care of maintaining a firm’s CSR portfolio.

The goal of CSR is to encourage a positive impact in society through corporate actions. Popular areas of focus for this impact include environmental relief, focus on consumers and employees, as well as uplifting community schemes. Predictably, most CSR efforts are aimed at having a strong, direct impact on the stakeholders of the company in question hence an oil company like Shell may include environmental protection efforts among its CSR efforts. This not only improves the company’s image but also improves the stakeholders’ level of trust in the company—environmentalists are likely to be appeased by these efforts and it encourages others like them to favor Shell oil over others. It is also argued that since corporations operate primarily on a profit motive, they are simply remedying some of the wrongs that their companies themselves commit. For instance, a cigarette company can spend millions of dollars on
cancer research, but that still does not change the fact that they are causing the problem in the first place.

The rise in CSR movements is closely linked with the rise of ethical consumerism. This concept states that as global resources are being depleted, there are more pressures on natural resources to meet consumers’ growing demands. CSR thus steps in to mitigate these pressures and afford some relief.3

In Pakistan, CSR is a widely growing field, one with many positive externalities, as shown below.

The Rise of CSR in Pakistan 4

<table>
<thead>
<tr>
<th>Year</th>
<th>CSR Spending (in PKR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>228 million</td>
</tr>
<tr>
<td>2010</td>
<td>3.3 billion</td>
</tr>
</tbody>
</table>

This represents a 14X increase in CSR spending despite the fact that fewer companies were involved in giving.

This change in giving in real terms when adjusted for CPI reflects a 6X increase in giving from the base year.

The top 25 giving companies contributed to 80% of total giving.

The statistics show that even as a relatively new field in Pakistan, CSR has the potential to make huge changes all around itself. When CSR spending is nearly twice the government’s budget for health and education, by now the country should have seen the tangible benefits of corporate social action. However, the lack of this presence is precisely why CSR cannot be relied upon to
bring about systematic change. The focus of CSR efforts always remains on the image of the corporations; hence most budgets are largely allocated towards marketing and promotion. There is often no community ownership over CSR projects, so that once the corporation has advertised its presence, the project simply dies out. There is no follow-up or maintenance to CSR interventions. This makes the injection of all these billions of rupees futile and unsustainable when we examine it through the context of bringing about lasting change.

1 Corporate Social Responsibility and Social Entrepreneurs. Kiran Menon. Social Edge: A Program of The Skoll Foundation
3 Doing Good and Doing Better Despite Negative Information? The Role of Corporate Social Responsibility in Consumer Resistance to Negative Information. Eisingerich, A.B.; Rubera, G.; Seifert, M.; Bhardwaj, G. Journal of Service Research
4 Corporate Philanthropy in Pakistan: Survey of Public Listed Companies
NGOs

Private organizations that pursue activities to relieve suffering, promote the interests of the poor, protect the environment, provide basic social services, or undertake community development.

—The World Bank defines (Operational Directive 14.70)

The term NGO can be applied to any organization which is independent from government and is working for social uplift. NGOs are typically value-based organizations which depend, in whole or in part, on charitable donations and voluntary service. Although the NGO sector has become increasingly professional over the last two decades, principles of altruism and voluntarism remain key defining characteristics.¹

The term NGO is very broad and encompasses many different types of organizations. The World Bank tends to interact with two main categories of NGOs: 1) operational NGOs—whose primary purpose is the design and implementation of development-related projects, and; 2) advocacy NGOs—whose primary purpose is to defend or promote a specific cause and which seek to influence the policies and practices of the Bank. A growing number of NGOs engage in both operational and advocacy activities, and some advocacy groups, while not directly involved in designing and implementing projects, focus on specific project-related concerns.
In light of the statistics presented above, why are NGOs still not a major force of change in Pakistan? Why have we not seen an increase in public welfare corresponding with the areas of intervention, most notably in education?

In the year 2000, there were some 25,000 NGOs operating in Pakistan and
According to a report published by the Canadian International Development Agency (CIDA), there were less than 100 effective NGOs in Pakistan where as a UNDP survey in 2000 showed that 60% of NGOs did not have any income and 45% of the organizations lacked in physical assets of any kind. A more recent study of the 56,000 registered nonprofit organizations in Pakistan shows that approximately 963 have the ‘donee status’ i.e. entitle donors to tax credits against their giving.

The first book of CIDA’s series, called *Managing NGOs in the Developing World*, highlighted the management problems that NGOs faced in Pakistan in particular, and the developing world at large. Some salient points from the introductory chapter are summarized as follows:

- NGOs lack ‘long-term sustainability and viability of operations’
- NGOs are highly dependent on donor financing
- Large-scale show projects still form the basis of official development intervention. This means that the local, grass-roots approach of NGOs still has not gained acceptance in promoting development in Pakistan.
- Many of the problems encountered by NGOs in Pakistan reflect underlying organizational and managerial shortcomings
- They structurally lack any formal financial risk management
- They need to invest in people and tackle issues such as lack of professionalism, demotivation of staff, inability to adapt to change
- Many NGOs display an inability to promote projects
- Inability to transition beyond a small neighborhood-level response team to a formal organizational structure

Even though there are NGOs that are doing commendable and honest work to alleviate poverty throughout the country, their impact in comparison to the billions of rupees given to them every year renders them inefficient. Furthermore, the lack of coordination between NGOs working in the same sector shows that NGOs in Pakistan cannot be agents of systematic change. This calls
for a new entity, one that rests on sustainability and scalability. This entity must eliminate the need for dependency on external finance, should combine the best features of the entrepreneurship (ability to compete, efficiency in utilizing resources and innovation) and employ them as a tool for achieving social impact.

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1 NGOs Harvard Kennedy School Policy Analysis exercise Spring 2010 - Harnessing local capacity
2 NGOs Harvard Kennedy School Policy Analysis exercise Spring 2010 - Harnessing local capacity
3 UNDP Report 2000
4 High net worth individuals report - Pakistan Center for Philanthropy
CSR and NGOs are models adapted from societies where poverty exists in a small fraction of the population, where 90% of the population pays for the bottom 10% to negate poverty.

These models are not geared to cater to a reverse scenario where 90% of the population requires assistance from the top 10% to alleviate suffering.

Hence the necessity for new indigenous, home-grown models for development.
Defining Social Enterprise

SECTION II
Having ascertained the need for a new model that overcomes the gaps left by existing approaches to poverty alleviation, we may now turn to an avenue of development that does away with most of the problems that were touched upon in the previous section.

This section will first introduce some concepts that are integral to the understanding of development, and then move on to define the concept of social enterprise in its entirety.
Dependency

Dependency is an important concept in social enterprise because it is the break from dependency that originally necessitated the notion of social enterprise in many ways. Dependency is a state of relying on an entity other than oneself for survival. It has connotations of being subordinate to the entity in power which leads to a feeling of ‘owing’ the more economically-powerful one anything it may ask for.

Dependency affects a nonprofit’s decision and policy-making capability. Similar to how a mortgage works, a dependent organization cannot instigate policy changes or scalability without the consent of the funding agency. This makes it difficult for any agent of social betterment to ignite social change as effectively as it aims to.

In the context of social enterprise, dependency takes on a different meaning. Before the rise of social enterprise, the prevailing mode of helping the underprivileged was through NGOs, not-for-profits and corporate social responsibility. These avenues of advocating social causes, while benign at heart, failed in the sense that they quickly forced the social cause to become dependent on external contingencies. Primarily, these models were dependent on a steady stream of aid and funding, making these traditional models unsustainable e.g. free NGO school, free Kidney and Dialysis Center.

While some level of dependency between non-profits and funders is seen as favorable (see: Venture Philanthropy, pg. 29), dependency in itself is a handicap because it is anemic to long-term, sustainable growth. Philanthropy and borrowing from other donor agencies, while an easy source of funding, can quickly dry up in times of financial crises. Ironically, this is the period where the most funding and assistance is needed for the marginalized poor.¹

The existence of an easy remedy to budget deficit breeds inefficiency; it prevents NGOs in particular from developing a model that makes them largely
self-sufficient because there is always another philanthropist or foundation or foreign donor agency that will fund their charitable operations.

It is due to the failings of dependency that social enterprise attracts many agents of social uplift. Today, international donor organizations are moving away from writing a constant stream of cheques to NGOs. Foundations such as the Bill & Melinda Gates Foundation are now more interested in providing seed capital to social enterprises around the world. Due to their independence from donor agencies and a reliance on sustainable and overwhelmingly self-sufficient business models, social enterprises are often more likely to be able to bring about sustained social change in society.²

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1 By Jessica Murray and Richard Rosenberg in Community-Managed Loan Funds: Which Ones Work? From The Consultative Group to Assist the Poor, May 2006
2 By Elizabeth Chell in Towards a Convergent Theory of the Entrepreneurial Process from The International Small Business Journal

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**Bottom of the Pyramid**

The term ‘bottom of the pyramid’ is a buzzword in the field of social entrepreneurship to describe the segment of society which has the lowest distribution of income. Often, the word ‘bottom’ is replaced by ‘base’ because it “connotes the idea of being the foundation that supports the middle and the top of the pyramid¹.”

The term is based on the understanding that the lowest income group is often the largest group while the ‘top of the (income) pyramid’ is the smallest. A Skoll Foundation study posits that out of the 7 billion people in the world today, 3.7 billion constitute the ‘bottom’ i.e. they earn less than $2 a day.

The bottom of the pyramid is at the very core of social enterprise. Someone who earns less than $2 a day cannot spend on anything other than the basic
amenities: food, water, and basic shelter. The people who live on the bottom of the pyramid do not have access to clean water, nutritious food, health facilities, education, and literacy. Therefore, the bottom of the pyramid provides ample opportunity for social enterprise to fill the gap in the market.

According to a Harvard business review publication:-

“While the individual incomes may be low, the aggregate buying power of the poor community is actually quite large ... Because these markets are in the earliest states of economic development, revenue growth can be extremely rapid.”

Essentially, this means that by altering the traditional high premium-based business model to a high-revenue based model, the bottom of the pyramid can be highly profitable. The business can capitalize on the high turnover of its products due to the large volume of sales by targeting the bottom of the pyramid.

RELEVANT CASE STUDY

See: D.light (pg. 69)

1 From Thoughts on the Bottom of the Pyramid (BOP) by Daval Chadha in Social Edge – a Program of the Skoll Foundation.
2 Serving the World’s Poor, Profitably. Prahalad and Hammond. HBR Papers

Patient Capital

The most penetrating definition of patient capital in the industry comes from Malcolm Tatum who asserts that patient capital is another name for long-term capital. With patient capital, the investor or backer is willing to make some type of investment in a business with no expectation of turning a quick profit. Instead, the investor is willing to defer any return for an extended pe-
This definition is seen as an all-encompassing description of the developing science of patient capital throughout the social enterprise world.

Unlike donations or charity, patient capital is a way of financing social enterprise which works much in the same way as conventional business capital. It can be thought of as very long-term capital; that is, the investor does not expect to make a quick profit. Instead, the ‘capital’ given to the enterprise is given a period of, for instance, ten years until any return is expected. The money invested is used to expand the operations of the business to the point where it can start operating at a profit and pay back the initial investment.

Unlike traditional philanthropy which seeks to relieve social dysfunction through temporary funds, patient capital urges social entrepreneurs to “bring their business acumen to bear on social issues.” By bringing in this aspect of a ‘real’ business, social entrepreneurs are given the best of both worlds; they have the grassroots knowledge of an NGO or charity, but the sustainability and longevity of a business corporation. Through this combination, “social entrepreneurs strive to perfect the correct models for delivering basic goods and services, such as housing, healthcare, energy and clean water, to the underserved market of the poor in the most effective and efficient ways.”

One of the big names associated with patient capital is that of Jacqueline Novogratz of the Acumen Fund. She explains that one of the components needed to make patient capital a viable option for large-scale implementation is the need for a measure of social return. As an investment generator for social enterprise, Acumen Fund employs an analysis called the Best Available Charitable Option (BACO). Many funding agencies outside of Acumen Fund have found this analysis tool applicable to their needs as well, making it a good model for social enterprise in general. It focuses on:—

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<th>Financial Sustainability</th>
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<tr>
<td>Social Impact</td>
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<tr>
<td>Scale</td>
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<tr>
<td>Cost</td>
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</tbody>
</table>
This framework was developed keeping in mind the difficulty of assessing absolute measures of social return.⁴

**RELEVANT CASE STUDY**

See: **PharmaGen** (pg. 63)

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3 Ibid.
4 From “Patient Capital and Social Return on Investment” by Jacqueline Novogratz in *The Social Edge*

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**Venture Philanthropy**

Venture philanthropy is an offshoot of venture capital—taking many of its salient points and tailoring them to suit the purposes of achieving philanthropic goals.

Venture philanthropy is characterized by:-

- The giving of human, financial and intellectual resources.
- Financial lending is usually medium to long term, i.e. venture philanthropists typically do not expect returns until a minimum of three years after making a grant or loan.
- The grants usually given are not for overhead or operating expenses, but used for capacity generation.
- High donor involvement; in some cases, donors might take a position on the Board of Directors for the nonprofits they support.
- A focus on calculable results to estimate returns on investment as well as to measure pre-determined benchmarks of progress.
The mission of the Acumen Fund is “to create a world beyond poverty by investing in social enterprises, emerging leaders, and breakthrough ideas”.

“We believe that pioneering entrepreneurs will ultimately find the solutions to poverty. The entrepreneurs Acumen Fund supports are focused on offering critical services—water, health, housing and energy—at affordable prices to people earning less than four dollars a day. We use philanthropic capital to make disciplined investments—loans or equity, not grants—that yield both financial and social returns.”

—The Acumen Fund

Over the years, the Acumen Fund has developed a knowledge base of what works and what does not in businesses that serve low-income people. Working from four countries, it then provides funding as well as on-the-ground technical support to selected social enterprises to help them remain functioning and profitable. It has closely been involved with several ventures in Pakistan, such as PharmaGen and The Kashf Foundation. It helped both these social enterprises in realizing their market potential and marketing strategies to maximize the benefit to the poor through a country manager who remained in the country for on-site support.
Social Enterprise

Social Entrepreneurship

When in doubt about how to define what something is, we must first eliminate what it is not. All activities that are aimed at rendering a positive social impact cannot be termed as social entrepreneurship and social service activities that lack the entrepreneurial part of the term cannot be included either—this is what makes social entrepreneurship unique.

To understand social entrepreneurship, we must understand who an entrepreneur is, so we can see what they have in common.

Entrepreneur

As per Austrian economist Joseph Schumpeter, an essential part of entrepreneurship is to be able to recognize an opportunity and reorganize resources to meet it so effectively that the existing models in the field are rendered obsolete. This creation of value, this new and more optimal equilibrium is the essence of a successful entrepreneur.1

Realizing something can be done better, where more value can be gained

Recognizes a market where there is potential for better products and services (sub-optimal equilibrium)

Grasping opportunity, and creating value

Has the creativity to think outside the box for a solution to the problem

Has the courage to organize resources to meet the needs he or she identifies

Following it through to success

Has the determination to bear the risks
An entrepreneur aims to primarily gain significant financial profit from the creative solution that he or she has provided to pay back the investors.


---

**Social Entrepreneur**

A social entrepreneur has all the qualities mentioned above except for one difference, he or she does not aim for creating substantial profit but instead aims to get value through *large-scale social transformation*.1 This occurs as a result of the creative solution (social innovation) that has been provided for an underprivileged class that cannot otherwise provide the goods and services for themselves. It must be noted that *profit or surplus is not missing from the equation of social entrepreneurship*, as it is necessary to ensure that a social enterprise is sustainable and does not end up being dependent (see: Dependency, pg. 25).

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**A Social Service Provider is Not a Social Entrepreneur**

**FOR EXAMPLE**

**Education provision at local school**

**WHY NOT?**

They do address a problem and necessity, but are not designed to operate on a large scale or give rise to large-scale replication of their model. There are millions of such organizations, some doing exceptionally commendable work, but their scope is limited by their funding which is not secure and sustainable. This may lead to disruptions in services.
While discovering social enterprise, three important foundations of social enterprise surface. Social Innovation Desk terms these as the three S's of social enterprise.

Social innovation
Sustainability
Scalability

It has been argued that businesses create jobs, hence raising living standards and therefore should be considered social enterprises. This is incorrect as pointed out by Clayton Christensen in his essay in the *Harvard Business Review*, where he states that social change is the “primary objective” rather than a “largely unintended ... byproduct” while distinguishing between social and commercial innovations, respectively.²

1 Roger L. Martin & Sally Osberg, Social Entrepreneurship: A case for definition SSIR Spring 2007
The Editor’s Note of the first issue of the *Stanford Social Innovation Review* defines social innovation as “the process of inventing, securing support for, and implementing novel solutions to social needs and problems”.¹ The centrality of innovation in the social enterprise paradigm is identifiable in the very name and manifesto of this publication by the Center for Social Innovation at the Stanford Business School. What makes social innovation so powerful is that it transcends all boundaries, and if tailored to local needs, threatens to eradicate the problem that it addresses.

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¹ From the Editor’s Note of the first issue of the *Stanford Social Innovation Review*. (2005).
What makes an innovation, a social innovation?

Although many innovations result in positive externalities to the society by creating employment, resulting in economic growth, or improving lifestyle and productivity, they cannot be classified as social innovation. Perhaps the best example of this is that pharmaceuticals save lives, yet neither are they termed as social enterprises nor their breakthroughs as social innovations. According to the Director of the Stanford Center for Social Innovation:-

“An innovation is truly social only if the balance is tilted toward social value—benefits to the public or to society as a whole—rather than private value, gains for entrepreneurs, investors, and ordinary (not disadvantaged) consumers. We want to differentiate social innovations from ordinary innovations because

SIDE NOTE  
Social innovation can be replaced with replication of an innovation from elsewhere in the world to your own geographical region. (See: Scalability, pg. 39)

Something to think about ...

The significance of creating a particular kind of value for society

An important lesson to learn is from the puzzlement that Robert Barrow, a Harvard University economist, expressed in an op-ed in the Wall Street Journal in June 2007. Barrow was baffled by the remarks made by Bill Gates during a ceremony at Harvard University, when Gates concentrated on the work of the Bill & Melinda Gates Foundation rather than on Microsoft Corp.’s contribution to society. Barrow wrote that, “by any reasonable calculation Microsoft has been a boon for society and the market value of its software greatly exceeds the likely value of Mr. Gates’ philanthropic efforts.”
the world is already amply equipped to produce and disseminate ordinary innovations. It is only when markets fail—in the case of public goods—that social innovation becomes important as a way to meet needs that would not otherwise be met and to create value that would not otherwise be created.”

Therefore social innovation has been defined as:-

A novel solution to a social problem that is more effective, efficient, sustainable or just better than existing solutions, and owing to which, the value created is directed primarily toward society as a whole rather than private individuals.

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1 Redefining Social Innovation, Spring 2003 SSIR, pg. 2
2 Redefining Social Innovation, Fall 2008 SSIR, 39
To sustain means to maintain, support or endure. However, in recent years ‘sustainability’ has become a buzzword in the world, and has taken on connotations that ensure human sustainability on the planet Earth. The most seminal definition of sustainability as we know it today comes from the Brundtland Commission of the United Nations which says, “sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” In simple vernacular, it means ‘enough for all, forever’.

Sustainability has a very specific context with regard to social enterprise. It directly ties into the concept of dependency (discussed on pg. 25), or rather the lack thereof. A social enterprise must have a model that is capable of not only sustaining the costs of the primary project but also be able to generate sufficient surplus to scale its impact. Sustainability inherently involves a break from dependency on aid, philanthropy, and traditional means of inefficient delivery of charitable services, and forces the entrepreneur to innovate a solution that is able to pay for itself and more.

Sustainability has come to hold two meanings for social enterprises. The first refers to the soundness of the organization’s financial footing; the second pertains to the durability of the social benefit.

The first dimension then relates to the model of revenue generation a social enterprise chooses; while most social enterprises break free of philanthropic contributions, the question of revenue generation remains an important one. For example, whom do you charge for the service? PharmaGen gets payment from the end user to whom the benefit accrues, while Naya Jeevan pursues cross subsidization—high-income employees contribute towards health insurance for low-income employees. Other questions that need to be asked are ‘how
much do you charge?’, ‘what is affordable?’, ‘what price will start to exclude your intended market?’.

The second definition of sustainability relates to business practices. As we examined in the sections on CSR, NGOs and Philanthropy, the social benefit quickly dries out due to negligence, lack of follow-up, and lack of community engagement in the social uplift project. Social enterprise seeks to make a long-term impact and therefore becomes a part of the people’s lives. For example, BLISS reformed the life choices available to young Afghan girls in Attock; now, they can work and get an education instead of choosing between the two. By making the recipients the enablers of the change, social enterprise maintains a long-term presence that can be scaled out over generations.


Scalability is a central concept in social enterprise. It simply means that the idea for persistent change (sustainable social innovation) can be replicated in other locations to widen the scope of impact. Simply put, the change from the social enterprise must be one that can reach a large scale. This is a very important component because social enterprises differentiate themselves from the millions of NGOs working in their respective localities by eventually aiming to make a widespread difference.

This can be illustrated simply with two examples. To understand the concept of scalability fully, we must not think about sustainability or social innovation for the given examples.

One example is that of a school in a rural area, a building that has two rooms, each room able to accommodate 30 students. The maximum capacity for the school working 8 am to 2 pm is 60 students per year. To scale without investing large sums of money, the school can cater to 120 students a year by having another shift from 2 pm to 8 pm.

An example of education that can scale is that of Khan Academy which has delivered 200 million lessons by 2012, in just six years.

Scalability is generally practiced in the following ways:-

1.

**Type**

Open source dissemination

**Description**

Making your idea available online so that people can replicate it in their communities
**Control of original innovator over spread of the idea**
Low or none

**Example**
Social Innovation Desk’s metal-worker project

2

**Type**
Affiliation and franchising

**Description**
Involves the social enterprise setting up a network and extending guidelines and support to the new partners

**Control of original innovator over spread of the idea**
Some control—the innovator can put certain requirements on the organizations that wish to use the same name and do the same work

**Example**
D.light Pakistan

3

**Type**
Branching

**Description**
Involves the original social enterprise opening small outlets, which report back to a strong central authority

**Control of original innovator over spread of the idea**
Complete control

**Example**
Kashf Foundation

A perfect example of revolutionizing the industry and scaling up is that of the idea of microfinance, which has found much success in the last few decades.
So What is Social Enterprise?

For me, it is a marriage of social impact and financial sustainability with emphasis on social impact.

—Asher Hasan, CEO Naya Jeevan

In my opinion, a social enterprise is a business venture that is created for either fixing a market failure or addressing a social problem in order to generate social value.

—Zehra Hyder Ali, CEO Ghonsla

The 3 S’s of Social Enterprise

- Sustainability
- Scalability
- Social Innovation
In theory, the concept of social enterprise gets rid of the problem with NGOs (dependency and lack of innovation), CSR (follow-up and lack of community engagement), and philanthropy (unsustainability).

We shall now illustrate how this theory translates to the practical field through case studies of the few existing social enterprises in Pakistan.
Case Studies
SECTION III
This section provides case studies for pre-existing social enterprises in Pakistan from the following sectors:-

Health  
Education  
Energy  
Housing  
Water  
Microfinance
Naya Jeevan

Executive Summary

Naya Jeevan (Urdu for ‘New Life’) is a hybrid social enterprise that is dedicated to uplifting the lives of low-income workers throughout Pakistan by providing them with affordable access to quality healthcare embedded in an ecosystem of financial inclusion and socio-economic opportunity. This case study aims to profile the corporate supply chain optimization initiative that Naya Jeevan launched in 2010, for which it was awarded the Asian Social Entrepreneur of the Year award by the Schwab Foundation in 2011. More recently, the social business model was showcased at the G-20 summit in Mexico City as a global finalist in the G-20 Changemakers financial inclusion challenge.

Naya Jeevan negotiates health insurance in bulk from underwriters, packages it with essential value-enriched services such as 24/7 mobile phone access to family doctors, annual medical exams, and a catastrophic health rescue fund, and then cascades its integrated health plan up and down corporate value chains, targeting low-income suppliers, workers, retailers, micro-retailers, and informal domestic staff, etc.

Naya Jeevan employs a cross-subsidy model in which low-income workers pay only a fraction of the health insurance (usually no more than PKR 15 per person per month) with a majority contribution (about PKR 150-200 per person per month) made by their formal or informal employer, or strategic sponsor.

The Context

Naya Jeevan is the brainchild of Dr. Asher Hasan. The enterprise was formally launched when Dr. Asher and his team won the 2008 NYU Social Entrepreneurship Business Plan Competition, and became the recipients of startup
capital worth $75,000. With a master’s degree in business administration, Dr. Asher Hasan was well-equipped to realize the potential for implementing Naya Jeevan in Pakistan.

With this economic backdrop, Naya Jeevan offers an innovative and affordable healthcare system in urban areas. This has made private healthcare affordable to the common laborer and capitalized on the philanthropic and community ties that are characteristic of Pakistan’s culture.

### Their Story

Dr. Asher Hasan, the founder and driving force behind Naya Jeevan, conceived of and designed the Naya Jeevan business model while working in the United States. Moving from medicine to surgery to biotechnology (while also obtaining an MBA in global business from NYU Stern School of Business), he

<table>
<thead>
<tr>
<th>Overview of the Health Sector in Pakistan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>87/1000</strong></td>
</tr>
<tr>
<td>Infant mortality rate,</td>
</tr>
<tr>
<td>with the adult mortality rate</td>
</tr>
<tr>
<td>being 225 per 1000.</td>
</tr>
<tr>
<td>(for the year 2009)</td>
</tr>
<tr>
<td><strong>3.1%</strong></td>
</tr>
<tr>
<td>Government expenditure on health as a percentage of total government expenditure.</td>
</tr>
<tr>
<td><strong>80%</strong></td>
</tr>
<tr>
<td>Outpatient services performed by the private sector.¹</td>
</tr>
<tr>
<td>All payments are made out-of-pocket.</td>
</tr>
<tr>
<td><strong>77%</strong></td>
</tr>
<tr>
<td>Households that consult the private sector.</td>
</tr>
<tr>
<td>Only 23% use public-sector health services.</td>
</tr>
<tr>
<td>(according to the PSLM of 2004)</td>
</tr>
</tbody>
</table>
brought a group of graduate students from the U.S. to conduct a landscape analysis on the status of healthcare in Pakistan and India. This team conducted a comprehensive assessment of private and public healthcare providers, financiers, and potential customers and beneficiaries. Initial findings in Pakistan indicated that approximately 750,000 individuals were enrolled in the private health insurance sector, mostly from the corporate sector and multinational companies. Surprisingly, there were at least 15 million low-income employees (including their families) working informally as domestic staff in the households of managers and executives who had no affordable access to formal health insurance or quality healthcare. Instead, their major medical expenses were either paid by benevolent employers or they were forced to take emergency loans (if available). This was a huge market failure—a large untapped market needed and wanted health insurance, but was not provided access to it owing to lack of corporate focus or individual affordability.

Naya Jeevan was thus created to correct a market failure, create social impact, and couple it with financial sustainability; by deducting a nominal amount of PKR 200 from high-income employees’ paychecks to provide health insurance for their domestic staff, whose monthly household income is less than PKR 20,000.

With the winnings from the NYU competition, Naya Jeevan got the kickstart it needed and started operations in Karachi. A dedicated core team started negotiating with underwriters, getting stakeholders involved, managing relations with corporations, clients and healthcare providers, as well as formulating a marketing strategy. From that point on, Naya Jeevan has made huge strides in the largest metropolitan city in Pakistan—targeting a population of about 10 million vulnerable poor and domestic workers in urban Karachi alone.²

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**The Model**

Affordable quality healthcare for the poor has always been viewed as an oxymoron. Naya Jeevan is changing this perception by altering the supply chain of healthcare. Insurance has always been expensive, simply because private
healthcare has always been expensive and focused on the elite. The traditional route for affordable healthcare was available only to high-income employees who either purchase insurance directly from the insurance company, or more commonly, receive it as a HR benefit from their corporate employer. Naya Jeevan set out to change the mindset that quality health care and health insurance is something that should only be available to the rich in Pakistan.

Naya Jeevan’s business innovation lies in purchasing subsidized health insurance plans from leading underwriters for low-income members who are affiliated with the corporate, SME, academic, NGO, and public sectors. ‘Low income’ is defined as those employees whose income is less than PKR 20,000 per month. The vision thus incorporates social responsibility by partnering with corporate institutions and encouraging them to serve as marketing and distribution channels for affiliated low-income employees. The Naya Jeevan model has been designed to be sustainable, scalable, and replicable—an optimal design for social enterprises.

Example

Company X is a retailer that sells shoes. It employs a staff of five full-time sales representatives, an accountant and an owner, as well as ten staff members for miscellaneous odd jobs such as cargo unloading, maintenance of the store, etc.

<table>
<thead>
<tr>
<th>Employee Category</th>
<th>Salary</th>
<th>Where Naya Jeevan comes in</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner</td>
<td>80,000</td>
<td>pays 200</td>
</tr>
<tr>
<td>Salesman</td>
<td>40,000</td>
<td>pays 200</td>
</tr>
<tr>
<td>Accountant</td>
<td>50,000</td>
<td>pays 200</td>
</tr>
<tr>
<td>Manual Workers</td>
<td>15,000</td>
<td>receives health insurance</td>
</tr>
</tbody>
</table>
The manual workers have a monthly salary of PKR 15,000 and are thus eligible for the Naya Jeevan health insurance plan, while the other full-time staff members are already enrolled in private insurance plans.

Naya Jeevan will intervene in this situation by offering their standard PKR 200 per person per month for insuring a manual worker. This contribution is made by the business on behalf of its low-income employees. For just PKR 200 per month, the manual laborer will get cashless hospitalization coverage at a nationwide network of good-quality private hospitals of up to PKR 150,000 per person per month. Family members can also be included. A donor-financed rescue fund caters to those conditions that regular health insurance does not even cover (such as outpatient psychiatric services, congenital anomalies, etc.), while outpatient labs, scans, inpatient emergencies, ambulance charges, as well as all consultation and medicine charges occurring within twenty days pre and post-hospitalization are also covered under the core health insurance plan. Because of wholesale discounting, for a premium of just PKR 200 per month, a low-income employee can get health coverage up to heart bypass surgery.

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In 2010, Naya Jeevan partnered with Kansai Paints, a Japanese paint company, headquartered in Lahore, in an innovative way to provide health insurance to its micro-retailers (individual painters) and improve their bottom line at the same time. Recognizing that it was ultimately the painter’s decision as to which paint to buy or sell, Naya Jeevan and Kansai Paints partnered to leverage this information. For every three cans of paint bought from Kansai Paints, Naya Jeevan would enroll the painter into its healthcare plan for a year. If the same painter bought more than three cans of Kansai Paints, he would be able to insure one family member as well. This approach to providing health insurance was a creative way to encourage sales: the decision to buy certain brands of paint falls entirely on the painter who, in the Pakistani context, works largely
in the informal market. By providing them the incentive of health insurance, Kansai Paints encouraged the painters to make repeat purchases of their brand. Kansai benefited from the repeat purchases while building brand loyalty, and creating significant goodwill amongst customers—effectively setting itself apart from any other paint company.

Innovations such as these illustrate the different ways in which the corporate sector can partner with social enterprises. In the example above, Kansai Paints achieves market preference over other paint companies by offering the painters a significant benefit that they could not access commercially, thus improving its bottom line while improving society. Naya Jeevan also fulfills its social mission by helping more people be able to take advantage of its low-cost health plan. Innovation by social enterprises, therefore, has positive externalities for all parties concerned.

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It bears reminding that, traditionally, only the families of upper-tier employees were able to benefit from private health insurance plans. However, with Naya Jeevan’s model of Creating Shared Value, a concept pioneered by HBS professor Michael Porter and now being implemented by companies such as Nestle, low-income employees and their families also benefit from a high-quality private hospital network and associated quality healthcare. Positive externalities that emerge from this collective social responsibility include improved decision-making, a higher employee retention rate, lower absenteeism due to illness, improved trust, and a friendly working environment. These are all advantages that a company stands to gain by enlisting their employees in the Naya Jeevan system.

Naya Jeevan’s services don’t just end at making healthcare affordable to underprivileged workers and their families. It recognizes the need to educate the recipients about the benefits they will receive by being part of the Naya Jeevan network. Rather than rejecting insurance claims, Naya Jeevan seeks to facilitate beneficiaries by getting as many claims approved by its insurance underwriters as possible. This claim-optimization and patient support service also includes advocating on the patient’s behalf with healthcare providers.
The difference between Naya Jeevan’s integrated health plan and private health insurance

Naya Jeevan offers the following services competing health insurance companies do not:-

• annual medical exams, health risk assessments
• preventive healthcare workshops (medical and dental services)
• 24/7 direct mobile phone access to family doctors for consultation
• access to a healthcare rescue fund for uninsurable conditions
• claim optimization
• access to a discounted outpatient (OPD) referral network
• access to financial literacy programs

Awards & Recognition

From its very inception, this California-based enterprise has had a largely global outlook with a local and replicable focus. Below is a list of international collaborations and distinctions awarded to Naya Jeevan by prestigious organizations abroad.³

NOVEMBER 2012: Naya Jeevan is selected as a global finalist at the G-20 Changemakers Financial Inclusion Challenge

NOVEMBER 2012: Naya Jeevan is awarded $100,000 in the abc* Foundation Continuity Forum

NOVEMBER 2012: Naya Jeevan is selected as a finalist in the Wall Street Journal Asian Innovation Awards

OCTOBER 2012: Naya Jeevan is recognized by Grand Challenges Canada as a Rising Star in Global Health
AUGUST 2012: Naya Jeevan founder Asher Hasan is invited to join the World Economic Forum Global Agenda Council on Social Innovation

AUGUST 2011: Naya Jeevan founder Asher Hasan is selected as a 2011 Asian Social Entrepreneur of the Year by the Schwab Foundation

DECEMBER 2010: Naya Jeevan founder Asher Hasan is selected as a 2010 US Ashoka fellow

OCTOBER 2010: Naya Jeevan receives an Innovation Grant from the ILO’s Microinsurance Innovation Facility

SEPTEMBER 2010: Naya Jeevan at the Clinton Global Initiative’s Sixth Annual Meeting in New York City

APRIL 2010: Naya Jeevan at the Skoll World Forum in Oxford, UK

APRIL 2009: The Draper Richards Foundation awards Asher Hasan and Naya Jeevan a 3-year $300,000 fellowship

APRIL 2008: Naya Jeevan wins $75,000 in NYU Stern’s Social Venture Business Plan Competition

Perhaps the most notable international achievement for Naya Jeevan has been the award for ‘Asian Social Entrepreneur for the Year 2011’ by the Schwab Foundation for Social Entrepreneurship. Winners of the Schwab Foundation award also get a unique opportunity to connect with business, media and political leaders from the world over through the World Economic Forum. Founded by Klaus Schwab, the Foundation has been looking for the world’s leading social entrepreneurs from over 100 countries—in particular, those entrepreneurs who look for new and practical solutions to social problems.4

The Impact

Currently 72 percent of the membership pool, many of them recently enrolled, is in the citizen sector (low-income staff and their families, and NGO-run
school kids). 10 percent of the pool is small and medium enterprise clients, 13 percent is multinational corporations (MNCs) and domestic corporations, and 5 percent is academic. Dr. Hasan expects that over time this will equilibrate to the following:-

- NGO: 20 percent,
- Corporate/MNC: 30 percent,
- SME: 30 percent,
- Academic: 20 percent.

At present, Naya Jeevan has an 80 percent renewal/client retention rate but this is still a relatively small sample size.

The Way Forward

In the next ten years, Naya Jeevan plans to expand globally and extend its range of services in Pakistan. They are currently looking to expand to new markets within Pakistan as well as abroad to Mexico, South Africa, India and Indonesia. To deepen their services, Naya Jeevan plans to incorporate outpatient medical, pharmacy, dental, and vision plans to augment the core health plan.5

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2 Urban Resource Centre – Karachi
3 Excerpts from Naya Jeevan: News and Announcements
4 World Economic Forum, News Release
5 Ashoka, Innovators for the Public
Housing
Executive Summary

Ghonsla (Urdu for ‘Nest’) provides high-quality insulation (hereafter called EcoPanels) made from waste products, to low-income households. In the summer of 2008 after a series of devastating earthquakes in Pakistan, Ghonsla has developed a high-quality insulation material which not only provides a cheap raw material for reconstruction, but also prevents deforestation, helps recycle industry waste, and promotes energy efficiency and thermal comfort.

The Context

Over 45% of the rural population and 86% of the urban population in Pakistan purchase their firewood/fuel. Poor families often spend over 20% of their monthly expenditure for the energy; thus a reduction of 50% of firewood needs translates into an increase of 10% of their disposable income.  

—Excerpt from Ghonsla’s entry for the MIT IDEAS Global Challenge

During reconstruction of residential buildings in Azad Kashmir after the earthquakes of 2008, the founders of Ghonsla looked into the problems the local people were facing. Besides the shortage of materials and the cost of reconstruction, the harsh winter weather posed an obstacle – people simply did
not have enough fuel wood to keep them warm besides not having a roof over their heads. In Pakistan, burning biomass fuels within enclosed spaces (such as houses) causes close to 71,000 deaths per year. This death toll includes a high proportion of women and children as they spend more time indoors than the men in the mountainous regions. Alternative energy sources are not available in the highlands of Pakistan; the only source of warmth is fuel wood from the nearby forests.

The use of firewood for heating indoor spaces is a health hazard and is detrimental to the environment. Cutting trees for firewood has changed the landscape of the rural areas, resulting in large-scale deforestation over the last few decades. The effects of deforestation and soil erosion have already caused visible damage in plains and rivers all across South Asia, often causing flooding in Pakistan, India, Bangladesh and Nepal.

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Their Story

The idea of Ghonsla was born during Zehra Hyder Ali’s (CEO of Ghonsla) time as a student at MIT. As an architecture student, she was conducting fieldwork in the earthquake-affected areas of Pakistan. She met people who were looking to rebuild their lives after tragedy had struck. Helping out wherever she could, Ms. Ali soon found that plain brick-and-cement houses did not translate into adequate shelter for these people. The women were worried about cooking indoors due to the unbearable heat in the summers, and keeping their families warm during the harsh winters. She also found that the people in these communities were closely linked to their environment—they realized that by cutting down more and more trees, they were threatening their source of livelihood, which came from nature. Ms. Ali and a team of her fellow students soon came up with a model to provide low-cost insulation material to rebuild these houses in an affordable, environmentally friendly way. This idea has taken the form of the social enterprise called Ghonsla.
The crux of the Ghonsla model lies in producing and selling insulation material to low-income households. From 2008 to 2010, the team was involved in developing and testing different insulation materials to see which one yielded optimal results. The end product was tested by UN-Habitat, where it competed with nineteen other insulation materials and yielded the best results. By 2011, Ghonsla had started production of the insulation material to cater to markets in northern Pakistan as well as rural Punjab.

The Innovation

The Innovation

<table>
<thead>
<tr>
<th>Jumbolon Board</th>
<th>Thermopole Sheet</th>
<th>Thermolope Gypsum Tile</th>
<th>Tiles</th>
<th>ECO PANEL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials</td>
<td>Extruded Polystrene</td>
<td>Extruded Polystrene</td>
<td>Gypsum</td>
<td>Bi-products from recycle industry</td>
</tr>
<tr>
<td>Use</td>
<td>Exterior Roof</td>
<td>Exterior Roof</td>
<td>Ceiling</td>
<td>Ceiling &amp; Walls</td>
</tr>
<tr>
<td>R-Value (Advertised)</td>
<td>5.5</td>
<td>5</td>
<td>2</td>
<td>0.23</td>
</tr>
<tr>
<td>Installation Materials</td>
<td>Between the Roof</td>
<td>Between the Roof</td>
<td>False Ceiling</td>
<td>False Ceiling</td>
</tr>
<tr>
<td>Thickness</td>
<td>2” Jumbolon</td>
<td>2” Thermopole</td>
<td>1” Thermolope 8” Below Slab</td>
<td>8mm Gypsum 8” Below Slab</td>
</tr>
<tr>
<td>Weight (lbs/sq.ft)</td>
<td>26</td>
<td>40</td>
<td>N.A</td>
<td>N.A</td>
</tr>
<tr>
<td>Temperature Difference</td>
<td>8-10°C</td>
<td>5°C</td>
<td>6.5°C</td>
<td>6°C</td>
</tr>
<tr>
<td>Cost</td>
<td>Rs. 80+/sq.ft</td>
<td></td>
<td></td>
<td>Rs. 40+/sq.ft</td>
</tr>
</tbody>
</table>

*UN Habitat study tested 19 different insulation products and techniques in a housing colony in Islamabad, keeping the construction type and layout uniform.*
Currently, this insulation is installed as a false ceiling in homes and provides temperature relief of eight to ten degrees centigrades in summer and winter. The material is created from urban and rural waste, most notably the waste created from corporations such as Packages based in Lahore. This aspect of production makes the entire model sustainable, as it is a process of upcycling, and does not cause any further damage to the environment (unlike previously-used corrugated galvanized iron).

The material, however, has to be bought by the final recipients to be installed within their homes. The cost of the false ceiling is offset by the saving in the energy bill which shows a reduction of between twenty to thirty percent per month.

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The Model

The business model for Ghonsla offers two different services end users can purchase: customers can either include installation services or buy only the EcoPanels. In Pakistan, the construction market is often informal and fragmented, thus making supporting supply chain links a necessity. Ghonsla strives to forge that link and make it easier for people to access their insulation products. To this end, it is setting up micro-enterprises to lead the distribution, sales and installation of the EcoPanels, which is vital for success in the rural areas of Pakistan. To educate the population about the benefits of using these services, Ghonsla has completed two pilot projects which cover over thirty households in areas covered by Ghonsla services. This information is expected to permeate the surrounding areas via word-of-mouth marketing. Distribution is being extended through partnerships with local distributors who are involved in reconstruction work and local entrepreneurs who install insulation in their localities.

Given that the main aim of Ghonsla is to promote energy efficiency and household comfort in an environmentally conscious manner, the market for the service keeps expanding to include more recipients. From households in the north of Pakistan that only had metal roofs, the market for Ghonsla prod-
ucts now includes middle-income households, office buildings, and schools. There is unlimited potential for deeper penetration into existing markets as well as new ones, due to the need for energy conservation and relief from extreme temperatures. With Ghonsla’s production largely dependent on utilizing by-products and turning them into low-cost insulation, it is also an excellent example of a waste management system in Pakistan.

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**Awards & Recognition**

Ghonsla derives most of its funds from business idea competitions around the world. Here, we will mention a few of the ‘big wins’ and how they are significant for social enterprise.

**2008: MIT Business Idea Competition—$5000 Muhammad Yunus Innovation Challenge Award**

At least six awards are made each year to teams that demonstrate innovative solutions to problems in local, national, and international communities. Each winning team has demonstrated to the judges that their project was innovative, sustainable, and feasible.

**2010: Unreasonable Fellow**

“At the institute, I found the support and inspiration to do that, and with my team back in Pakistan to streamline the production operations. The mentors, team and the fellows above all were instrumental in my personal growth as well as reinforcing Ghonsla’s vision. Nothing like being under one roof with such amazing people and also to have Boulder setting as a backdrop! My departure from the institute coincided with the floods in Pakistan. Though I was not on the ground at that moment, I realized the tremendous need to build back communities in a way that is cost-effective, resilient and green.”

—Zehra Hyder Ali, on the importance of awards and recognition which result not only in monetary grants, but also investment in the form of skills and mentorship.
The Impact

As of July 2012, Ghonsla has sold and installed over 40,000 sq. ft of EcoPanels in indoor areas as diverse as mosques, schools, homes, offices, and other commercial spaces. The geographical spread of their services extends from Chitral in the north-western frontier to the flood-affected areas of Sadiqabad in the plains of Punjab.

Within a few years since its inception, Ghonsla has enlisted a number of community and corporate partnerships through which it builds its supply chain, as well as a capable production and installation team.

The Way Forward

Ghonsla has the potential to expand all across Pakistan by actively seeking more markets as well as developing existing ones. Future plans include a sales target of 0.5 million sq. ft of EcoPanels by the end of this year. It also aims to train teams of fifteen people in five locations in Pakistan who will assist with the installation and promotion of their products. Long-term plans include the development of customer-financing models in order to reach markets desperately in need of this energy conservation source.

1 Massachusetts Institute of Technology, IDEAS Global Challenge
2 Massachusetts Institute of Technology, IDEAS Global Challenge
3 Massachusetts Institute of Technology, IDEAS Global Challenge
4 Think Change Pakistan, Mariam Gillani. Spotlight: Ghonsla
PharmaGen

Executive Summary

PharmaGen provides clean drinking mineral water to the urban poor of Lahore at an affordable price. In a country with a crippling rate of water-borne diseases and poverty, this social enterprise addresses a huge problem in Pakistan. While PharmaGen Healthcare has existed for about twenty years, their social mission began in 2007. The water retail service was started as a preventive healthcare mission—one that would help alleviate disease and consequently medical expenditure of the poor.

The Context

The inaccessibility of clean drinking water is a major problem in Pakistan. The chemical and micro-bacterial contamination of water, which is caused by erosion and mixture of sewage and water supply lines, results in approximately 40 percent of the total illnesses in Pakistan.

| 100,821 kg/day | 0.18 kg/day/worker | 76.3% |
| Organic water pollutant (BOD) emissions | Organic water pollutant (BOD) emissions | Percentage of land area facing severe water stress |
| 6.76 mls/litre | 8.43% | 0.16% |
| Amount of suspended solids in water | Water pollution by the chemical industry as a percentage of total BOD emissions | Water pollution by the clay and glass industry as a percentage of total BOD emissions |
As the statistics above show, natural water sources in Pakistan are infested with pollution from industrial activity. In addition, there is a severe water shortage in the country, which is made worse by the increase in urbanization. This is a class-specific problem and the needs of the affluent are catered for by private water companies providing clean water at a price whereas those of the poor go unnoticed. Clean drinking water has become a luxury. And bottled water is simply a cosmetic cure in a developing country like Pakistan, given that a vast majority of its people at the bottom of the pyramid cannot afford to pay 20 rupees for half a liter of drinking water (see: Bottom of the Pyramid, pg. 26).

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Their Story

PharmaGen Healthcare is the social action subsidiary of PharmaGen Limited. Five years ago, a group of individuals spearheaded by Pervaiz Sufi decided
to run a preventive healthcare program among the urban poor of Lahore. Mr. Sufi took a grassroots approach to providing clean drinking water to the urban poor in order to prevent water-borne diseases.

However, the approach was not philanthropic in nature in the traditional sense, nor did it rely on cross-subsidization from the profit-making wing of PharmaGen. Mr. Sufi realized that in order to make a long-term difference in the lives of these people, the service would have to be sustainable. This entailed covering the cost of the provision of high-quality clean water while also making it affordable—in short, they had to start a social enterprise.

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The Innovation

While clean drinking water is available to parts of the country through private water companies, the innovation by PharmaGen lies in making this water affordable to the urban poor. This involved bringing the cost of clean water down, while maintaining high standards of water purification. PharmaGen has accomplished this by creating its own supply chain—the extraction of water, to the purification and sale.

The water-purifying mechanism works on the basis of reverse osmosis. The water is dug out with a water trough from a depth of three hundred feet. This water, when extracted, is cleaned with reverse osmosis technology, then re-mineralized and tested for hygiene using WHO standards and measures.

The two processes that make clean water unaffordable for the poor are distribution and packaging. PharmaGen distributes water by setting up retail outlets close to the end consumer, that is, in areas where the consumer can easily come and buy the water themselves; thereby eliminating the need to distribute water across a large geographical region. PharmaGen also places its water-purifying plants within its shops so that there are no transportation costs involved in selling the product.

PharmaGen provides **clean drinking water** at a price of **PKR 1.5 per litre**.
Lastly, to counter the costs that accompany packaging, Pharmagen encourages its customers to bring their own plastic containers. These can be used plastic bottles, buckets, pails, large pans, or other water storage materials. These containers are cleaned by Pharmagen staff and are then filled with water, for which the customers are billed. Thus, by not packaging their own water, Pharmagen avoids a huge cost and is able to provide clean water at an affordable price.

**Innovation in Water Supply: Home Delivery**

“During our years of service, we realized that our customers have two main motivations in coming to us: one of the low price, and the other of convenience. Often, we have found that many people are discouraged from getting our product because our shops are located far away from their house, and carrying several litres of water at a distance is not easy!

For these customers, we are able to supply water through local distribution in qingqi—small rickshaws. We have our own company rickshaws which supply 20-litre bottles of water to our home delivery customers. We charge about Rs. 2 a litre to cover the extra delivery cost, but still, it’s considerably cheaper than other bottled water retailers.”

—Mr. Pervaiz Sufi, Managing Director PharmaGen

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**Awards & Recognition**

As part of The Acumen Fund’s Global Fellows Program for Water, PharmaGen has forged a monetary and advisory alliance. In 2010, an investment worth USD 1.5 million was made by Acumen Fund to PharmaGen Healthcare in order to scale up the number of shops from four to thirty. This investment will enable the company to significantly increase the capacity of its existing water purification systems from 13,000 liters per hour to 129,000 liters per hour.²

In an advisory capacity, Acumen Investee Benje Williams has visited Lahore to improve PharmaGen’s marketing strategy. Mr. Williams noted that going
into the field—talking and listening to customers, as well as researching competitors—helps enlighten discussion with PharmaGen Healthcare’s management team, strengthening the business’s market-based approach, as well as his own understanding on the ground.\(^3\)

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**The Impact**

As of the summer of 2012, PharmaGen has total sales of 80,000 to 100,000 liters of drinking water per day. It is important to note that the demand for drinking water is not fixed; demand fluctuates according to season and falls drastically during the months of winter.

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**The Way Forward**

PharmaGen plans to launch 32 open water plants and one bottled-water plant. Acumen Fund’s investment will also enable the company to significantly increase the capacity of its existing water purification systems from 13,000 liters per hour to 129,000 liters per hour.\(^4\)

The management is also looking to improve the product’s financial resources in order to make it scale globally. Mr. Pervaiz Sufi reports that currently, PharmaGen is looking to expand deeper into Lahore’s eight million urban poor, as well as into other cities in Pakistan. These areas will be good testing grounds for different management models.

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1. World Development Indicators Database
2. Acumen Fund
3. Think Change Pakistan
4. Acumen Fund
D.light

Executive Summary

D.light makes cost effective, high-quality and durable solar lanterns available to people in developing countries which have never had access to modern light. With a global footprint, D.light targets the bottom of the pyramid and by doing so aims to improve the lives of millions of people around the world. Its activities are focused mainly in India and Kenya, with production largely in the United States and United Kingdom. It started its services in Pakistan soon after the 2008 earthquake and since then has impacted thousands of lives.

The Context

There are 1.6 billion people in the world who lack access to electricity. These people rely on fuels such as kerosene and wood to supply them with light. Besides causing pollution and being an inherent fire hazard, these fuels are expensive and often take up to 65% of a household’s monthly income. D.light seeks to alleviate this problem by making low-cost solar lanterns available to impoverished areas.

Pakistan Statistics as of 2008

- US $2,500 GDP per year per person
- 1.52 tonnes CO₂ emissions per year per person
- 40 million People living on/below the poverty line
- 40% Population lacking access to grid electricity

69
D.light has developed a range of solar-powered lanterns which provide a clean, bright source of light, thus tackling the problem of environment degradation and off-grid rural electrification, helping low-income households save income by reducing their expenditure on energy consumption.

Their Story

D.light was started in 2007 by Sam Goldman and Ned Tozun in the United States, with a vision to design and sell solar-powered lanterns in developing countries. Since then, the company has expanded to include a large market with production and distribution concentrated in different parts of the globe. D.light has also responded to the needs of a large segment of the market by developing a wide variety of different solar-powered lanterns.

The company’s headquarters are located in Hong Kong and it has offices in India, China, Tanzania and the United States. Distribution however, spans across 32 different countries through local dealers and distributors.

The Innovation

The crux of the innovation lies in producing affordable solar-powered light sources and marketing them to underprivileged households at an affordable price. D.light has so far designed three different solar lanterns—all of them with the same basic technology but a different battery life and corresponding price. Each lantern consists of a charge controller and a rechargeable battery, which has a life of two years. The lantern has an average lifespan of ten years—much above the expected lifespan of most other lights. The LED light has an estimated life of approximately 50,000 hours.

In order to be a sustainable business, D.light has been developed to cater to a ‘progressive’ client base, one that will pay to install the lights instead of receiving them for free. The costs are relatively low, and purchasing a D.light
powered lantern is a one off expense as opposed to the repeated purchases required for kerosene and other fuel-powered lighting sources.

Most customers are expected to pay upfront to their local dealers. However, because D.light targets small rural communities, often the local dealer will offer credit to their clients based on their reputation. In Pakistan, the retail capacity of D.light lanterns has grown due to a partnership with the Dawood Hercules fertilizer group. The network offers these lanterns at its retail outlets all over Pakistan for the affordable price range of PKR 1,000 to PKR 4,000. Currently, the country representative for Pakistan is looking to partner with NGOs, micro-finance groups, rural development networks and women’s groups in order to better penetrate the market.5

Awards & Recognition 6

2011: Forbes’ List of the Top 30 Entrepreneurs

2011: Around the World in ‘100 Objects’

2011: A History of the World in 100 Objects

2010: The Kiran Lamp wins the Ashden Award for Sustainable Energy worth $61,000.

2009: D.light shortlisted as one of three Indian firms on the Global Cleantech list.

2008: Acumen Fund invests $1,000,000 in equity investment in D.light.

The Impact

Globally, D.light employs 73 people in its five offices in India, Tanzania, Hong Kong, China and the United States. It is involved with over 400 dealers, 100 distributors, and 420 rural entrepreneurs.
By May 2010, D.light had sold over 220,000 solar lanterns in 32 countries. On a basis of five people per household, its lanterns are benefiting around 1.1 million people.  

In Pakistan, D.light has sold over 6,500 solar lanterns within the two months of its operations. Several thousand more lanterns are expected to be distributed before the year is over.

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The Way Forward

Given that there are 1.6 billion people in the world with no access to electricity, the potential market for D.light products is huge. It plans to bring its price even lower with the aid of carbon finance. The recent approval by the UNFCC for solar lanterns in India is a promising step forward. This approval means that the per unit decrease in carbon emissions provided by D.light lanterns will be measured, and will be reimbursed in carbon credits. This will make the lanterns even more affordable to the bottom of the pyramid.

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1 Index Mundi, World GDP
2 Index Mundi, Pakistan
3 Index Mundi, Pakistan
4 AgriHunt: The Search for Agricultural Knowledge
5 Jazib Zahir, Interview, August 2012
6 D.light, News
7 Ashden Awards Case Study, D.light design, India and Global
Microfinance
Kashf

Executive Summary

Following the example of Dr. Yunus and the Grameen Bank in Bangladesh, Roshane Zafar started Kashf seventeen years ago. What started as a research program, investigating the credit and investment needs of women, turned into a major financial inclusion venture in Pakistan by 1999.

The Context

One of the primary indications of poverty is the lack of access to assets and finance. The poor, by definition, have little or no money. Most communities that live in squalor do not earn enough over the course of their lifetimes to be able to lift themselves out of poverty. This situation is made worse by commercial financial systems that cater to the upper and middle class.

Microfinance seeks to change this. By encouraging people to have an entrepreneurial outlook and granting them access to credit accordingly, microfinance enables them to free themselves of the poverty trap. This movement came about at a time of increased commercialization and philanthropic aid. Institutions ranging from the state to commercial banks and NGOs have since adopted microfinance as an effective means of financial inclusion. The Kashf Foundation in Lahore is Pakistan’s premier microfinance institution which spearheaded the spread of microfinance in Pakistan.
Their Story

The idea for Kashf took root when the founder and Managing Director Roshane Zafar met Mohammad Yunus (widely considered to be the father of microfinance) while she was working for the World Bank. Their conversation—about how microfinance had not only touched the lives of thousands of people in Bangladesh, but was also actively changing mindsets and nurturing trust between people—eventually formed the basis for the Kashf Foundation.

Ms. Zafar started this initiative as a research venture to see how underprivileged women would use credit if given access to it. The main objective was to make these women an integral part of the financial ecosystem and their households, enabling them to lift their families out of squalor. It was clear from the pilot study that these women understood the importance of startup loan capital for new businesses and used it effectively to start their own micro-enterprises.

What started out as a small team of women (Roshane’s team), working to improve the lives of other women, became a full-fledged venture by 1999. In 2000, the Pakistan Poverty Alleviation Fund was established and recognized Kashf as a member; it helped expand Kashf’s products and services. Since then, Kashf has disbursed PKR 1.9 billion worth of loans, and has had a repayment rate of 97%. Today, Kashf employs 1600 people across Pakistan.

The Model

When it first started out, Kashf followed the model of the Grameen Bank. This largely banked on social collateral among groups of 20-25 women to secure a guarantee for loan repayment. It is important to remember that social and kinship ties are of high importance in these communities. These ties often function as informal support systems for various needs such as those for education, health and finance. Thus, by grouping together women in a particular geographical setting, there was a significantly reduced default rate on the loans—if one person could not repay the loan, the others would either pay for her, or chastise her into paying back the loan. As one client would refer another, social
checks would help the bank assess the credibility of the loan recipient. In this way, the communities expanded and the bank continued to serve them.

However, in 2009, The Kashf Foundation moved away from the Grameen model. The social collateral model often and largely deals with medium to small enterprises, but Kashf began targeting ‘micro-entrepreneurs’—those people who have never had training or skills to set up an enterprise. This was a huge break from the previous paradigm as it involved a larger risk factor, and at the same time opened the door into a much larger market.

The Kashf Innovation: Socio-Political Change in the Economic Sphere -----------------------------------

This innovation was made taking into account the socio-economic differences between Pakistan and Bangladesh. While Bangladesh is politically more stable, the lowest rung of the social-economic society in Pakistan tends to get politicized very quickly. Instead of offering steady jobs and stable incomes, politicians can easily offer a large payoff to these populations for simply attending conferences and political rallies. This behavior came into stark notice in 2009, right after the dictatorship in Pakistan was broken down and political activism restarted at the grassroots level. Here, Kashf started to develop a business partnership with each individual client as opposed to relying solely on social capital (this was becoming largely unstable). With political activism resurfacing, it was no longer easy to retain a group of twenty women working on an enterprise. In this environment, it was more important to make the loan more personalized. This change came with its own problems of training, education about cash flow systems, and tweaking the model to work the best way that it could.

Sustainability -----------------------------------

The model for the Kashf Foundation has changed largely in terms of dealing with customers. As we have seen above, it started out by relying on social capital, and then moving on to a paradigm of individual business partnerships.
More recently, Kashf has further enhanced this model by also offering financial education to its customers in order to better equip them for the trials of enterprise. While they are offering a single financial product, The Kashf Karobar Qarza, they plan to introduce Shariah compliant products in the coming year.

With regard to funding, the Kashf Foundation is very close to realizing its potential as a social enterprise. Donors are allowed to adopt branches and CSR programs are encouraged to take part in the initiative. In total, 80% of the total funding comes from Kashf’s commercial operations and the remaining 20% comes from grants.

The use of technology via cellphone banking has helped in keeping costs low while simultaneously improving efficiency and sustainability.

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Awards & Recognition

*Acumen Fund*
Currently involved in consultancy with The Kashf Foundation.

*The Canadian International Development Agency (CIDA)*
Involved in aiding financial literacy in partnership with Kiva. The Financial Literacy and Business Development Services for Women Program is scheduled to last from 2011 to 2016.

*The Pakistan Poverty Alleviation Fund (PPAF)*
A private, not-for-profit, limited company, with an aim to reach poor communities through NGOs and community-based organizations. It also focuses on institutional and capacity building measures so as to enhance the outreach of the existing NGOs and social organizations, which would come under the purview of the PPAF as its partners on the basis of transparent criteria. In addition to the Government of Pakistan, World Bank is a major contributor to the PPAF project. Initially, PPAF has signed agreements with five Partner Organizations to disburse Rs. 5 billion over the next five years. These five POs are: Taraqee Trust...
(Quetta, Baluchistan), Agha Khan Rural Support Program (Gilgit, Northern Areas), National Rural Support Organization (Islamabad, Federal Area), Family Planning Association of Pakistan (Lahore, Punjab), and Kashf Foundation (Lahore, Punjab).

**Kiva**

The following information highlights the performance standards of Kashf as compared to other partners with Kiva. As can be seen from the tables below, most of the statistics point to better performance than average.\(^4\)

### REPAYMENT PERFORMANCE ON KIVA

<table>
<thead>
<tr>
<th></th>
<th>This Field Partner</th>
<th>All Kiva Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start Date On Kiva</td>
<td>Jul 9, 2012</td>
<td>Oct 12, 2005</td>
</tr>
<tr>
<td>Total Loans</td>
<td>$32,775</td>
<td>$342,574,600</td>
</tr>
<tr>
<td>Delinquency Rate</td>
<td>0.00%</td>
<td>2.80%</td>
</tr>
<tr>
<td>Default Rate</td>
<td>0.00%</td>
<td>1.05%</td>
</tr>
<tr>
<td>Currency Exchange Loss Rate</td>
<td>0.00%</td>
<td>0.01%</td>
</tr>
<tr>
<td>Refund Rate</td>
<td>0.00%</td>
<td>1.09%</td>
</tr>
</tbody>
</table>

### LOAN CHARACTERISTICS ON KIVA

<table>
<thead>
<tr>
<th></th>
<th>This Field Partner</th>
<th>All Kiva Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans To Women Entrepreneurs</td>
<td>100.00%</td>
<td>74.36%</td>
</tr>
<tr>
<td>Average Loan Size</td>
<td>$293</td>
<td>$399</td>
</tr>
<tr>
<td>Average Time To Fund A Loan</td>
<td>0.31 days</td>
<td>4.58 days</td>
</tr>
<tr>
<td>Average Loan Term</td>
<td>11.96 months</td>
<td>9.4 months</td>
</tr>
</tbody>
</table>

**2011 Social Performance Reporting Award from the Microfinance Information Exchange (MIX)**

An international organization committed to strengthening financial
inclusion and the microfinance sector by promoting transparency. Kashf Microfinance Bank Limited is the only microfinance bank in Pakistan to achieve this award. The award is designed to promote greater transparency in microfinance institutions with regard to social performance reporting.\(^5\)

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### The Impact \(^6\)

<table>
<thead>
<tr>
<th><strong>BORROWERS</strong></th>
<th><strong>DEPOSITORS</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number: 22,838</td>
<td>Number: 155,292</td>
</tr>
<tr>
<td>Amount: PKR 849,659,000</td>
<td>Amount: PKR 1,604,803,000</td>
</tr>
</tbody>
</table>

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### The Way Forward

Besides expanding the range of its products, the Kashf Foundation plans to increase its presence in Baluchistan and Khyber Pakhtunkhwa, and thus offer its services all across Pakistan. It aims to bring about structural change by encouraging educational, entrepreneurial and financial literacy.

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1. Pakistan Economic and Social Review, Shirazi and Khan
2. Canadian International Development Agency
3. Pakistan Economic and Social Review, Shirazi and Khan
4. Kiva - Partners
5. The Daily Times, April 16, 2012
6. The Kashf Foundation
Education
Bags for BLISS

Executive Summary

Business and Life Skills School (BLISS) is a social enterprise designed to educate adolescent girls in rural Pakistan. It addresses the dilemma that these girls face, i.e. a choice of going to school versus going to work and contributing to their household. By joining a BLISS school, young girls have to attend classes and are given free vocational training—the proceeds of their finished products are then handed over to them as income. Simply put, the girls are paid to go to school.

The Context

Bags for BLISS started its initiative among the Afghan immigrant population near the border of FATA. After the Soviet War of 1979 and more recently, the unstable conditions in Afghanistan, there has been a huge influx of refugees across the border. Statistics report an immigrant population ranging from one million to five million refugees all across Pakistan.\(^1\)

BLISS however has centered its focus around the carpet-weaving population settled in Attock. The community of around 38,000 carpet weavers is at a huge disadvantage since many of them have crossed the border with no documentation and therefore have not had access to formal employment in Pakistan. They have, however, been able to make use of their traditional skills in carpet weaving—a labor intensive production process which suddenly resulted in a glut of handmade carpets in the area. The resulting low price of the products, coupled with long hours and low wage rate, forced many families to enter into contracts of bonded labor. Despite accessibility to schools, the opportunity cost of an education was too high for most families. Thus, many children, especially
Their Story

The story of BLISS is best told from the eyes of Saba Gul, CEO and founder of the social enterprise. It was during her time as a student at the Massachusetts Institute of Technology that she came across the story of one Azaada Khan: a girl from Afghanistan who—in a Taliban-controlled regime—demanded her right to an education. This story, told by Arti Pandey (the director of Barakat, an NGO which focuses on education of children in South Asia) sowed the seeds of what would later become BLISS.

In 2008, Ms. Gul visited the Barakat schools in Attock and realized that while this schooling was greatly beneficial for the 30,000 Afghan refugees, a huge fraction of children still did not enlist in schools. The prevalent custom in these areas was to educate children up till middle or primary level, after which they were forced to work at the carpet looms and other vocations during their adolescence. This labor was essential to either pay off the debts of bonded labor, or to help contribute to the income of the family.

Barakat’s schools are entirely free of cost, but the contrast between female enrollment rates for primary school, when parents are happy to send children to school to get them off their hands, and middle school, when girls become productive at work and can generate income, is stark. The girls’ mothers often get emotional as they relate their financial bondage to the carpet industry.

“My hands are tied,” one of them says. “I need the money my daughters make. But my heart cries every time I see them working on the loom with their little fingers.”

“They’re still reluctant to send their girls to school once they’re over the age of 15,” says Sumera Sahar, Barakat’s country director in Pakistan. That is because many of the families want to send their children out to work. “So our
overcrowded classrooms are in the lower grades, and gradually when you move to the senior classes, the enrollment is very low.”

To counter this problem of low enrollment among adolescent girls, the idea of Bags for BLISS was born.

The Innovation

The innovation for BLISS is an astoundingly simple one. The idea is to provide monetary benefits for attending school. This means that the money offered to attend school should ideally be more than the money the girls would earn by working at the looms. This cash inducement makes it logically easier to convince parents to send their adolescent girls to school.

The girls have to attend classes for English, Urdu and Mathematics, and are in exchange given vocational training in traditional embroidery work. It is this embroidery work that is sold in markets by BLISS and provides an income for the students. Using cross-subsidization and skills-training, BLISS has a financially sustainable model which is scalable and replicable the world over.

Bags for BLISS: Impressions

When I visited the schools in September, the energy was palpable. The girls were eager to learn, eager to please, eager to make something of their lives. “Thank you for starting this class for us,” said thirteen-year old Fareeba to me, with a sparkle in her eye. “We love coming to school to study and embroider.”

—Saba Gul, CEO and founder of Bags for BLISS
BLISS pays each participating student 1000 Rupees (roughly $12) per month for attending 2 hours of evening school and one hour of vocational class. While weaving carpets, the Turkmen girl laborers work about 12 to 14 hours a day and make 3000-4000 Rupees per month. BLISS pays them a little more than the amount they would make by skipping school and working at the carpet looms.

—*Stay Human*, Bags for Bliss: Help Afghan Refugees in Pakistan

The Model

The value chain for Bags for BLISS is quite long, despite the theoretical simplicity of the innovation. First, designers in Lahore make sketches of the motifs to be embroidered by the students in Attock. When these are completed on fabric, they are sent to the bag-makers in Karachi who then make the final product. The bags are then sold across Pakistan (and have recently gone global with the Fashion for Compassion program) to earn the revenue that supports the child’s education.

Given the long supply chain, every detail of the bags is monitored closely by BLISS. The designs are specially made keeping in mind the cultural aspects of Pakistan. At the same time, the use of trendy belts, buckles and other accessories infuses the bags with a modern trendy look which immediately appeals to its target audience. Thus, the product is not simply something one would buy for charity, rather, it has value in itself.

The Difference

The girls get a basic education as well as learn more intricate patterns for
handicraft which is extremely useful for them. Usually in Pakistan, these handmade rugs fetch a poor price for those who make them, and then are shipped overseas to be sold at extremely high prices. BLISS however is helping fix the balance. The handicrafts that the girls make at BLISS are sold only for the profits to be funneled back into BLISS to pay the girls to attend school, thus finally breaking the cycle of poverty and illiteracy.

One of the most remarkable things about BLISS is the fact that they plan to transition the entire enterprise to the locals:-

“We believe that the best way to make a community self-sufficient is to give it control of its own destiny. One important metric of our success is what the community will default to once we stop ‘hand-holding’.
In an effort to facilitate a smooth transition, we have hired a Turkmen as the Project Manager for BLISS, to oversee the logistics of buying and storing raw material, and interfacing with the local retailers. We have also hired a local to supervise the printing of the embroidery motifs on fabric and its timely supply to the students.
We plan to gradually move the designing and marketing of the crafts to the girls, helping them experiment with embroidery motifs, create their own designs and find their own markets.”

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**Awards & Recognition**

2011: **BLISS is Finalist for The Unreasonable Fellow Award**
BLISS was selected to be one of 45 finalists for the Unreasonable Institute, a prestigious incubator and accelerator for high-impact entrepreneurs. In order to qualify as an Unreasonable Fellow, BLISS had to be one of the first 25 ventures to raise $8000 on an online marketplace that featured all the finalists. BLISS raised the $8K in only 26 days, finishing in second place. Unreasonable’s capital partners include 30 of the world’s top funds and foundations in the impact investment space, including Acumen Fund, Good Capital, and Echoing
Green—and each partner will send one lead investor to live with the Unreasonable Fellows in Boulder, affording them a chance to build relationships and trust vital to the investment process.\(^5\)

2009: **BLISS wins award at the MIT Legatum Ideas Competition**

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**The Impact** \(^6\)

BLISS is bringing 30 girls to school in Pakistan, giving them education and practical skills. The girls’ hourly income has increased by 60% through BLISS, compared to when working full-time in carpet looms. And attendance rates are now at 90%, higher than ever at these schools.

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**The Way Forward**

BLISS is planning to scale from the current 30 to 120 girls, and launch BLISS products in 6 cities—London, Paris, New York, Seattle, Boulder and Nairobi—through a network of female ambassadors. A financial literacy curriculum for the girls is also in the works, as is a brand new logo and website, to help spread the mission and products of BLISS globally. The more these handbags are produced and sold, the more students BLISS can educate and train.

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1 United Nations High Commissioner for Refugees  
2 Think Change Pakistan, Kalsoom, March 8, 2011  
3 Think Change Pakistan, Kalsoom, March 8, 2011  
4 Stay-Human, Bags for Bliss: Help Afghan Refugees in Pakistan  
5 Bags for BLISS  
6 Fashion for Compassion UK
Conclusion

One of the most striking things about these case studies, particularly Naya Jeevan, Ghonsla and Bags for BLISS, was that they were started off by young aspiring students. These individuals were still enrolled in universities looking for good thesis projects, but instead of relying on existing literature, these dynamic entrepreneurs chose to spend time with the marginalized communities that inspired them to innovate for change. When individuals with the aforementioned skill set interact with these communities, the seeds of social innovation often take root. This shows that the core of social entrepreneurship comes from making the beneficiaries the focal point of all innovation. It also highlights the need for greater student engagement with the concept of social enterprise.

Therefore a prerequisite for any successful social venture will always be extended interaction with the beneficiaries. Research, both primary and secondary, is vital to translate an idea into a successful business venture that can impact the lives of thousands (perhaps millions) of people.

The Social Innovation Desk, as part of Literaty Pakistan, has four main functions that are reflected in the scope of this book:-

- **Information**: increasing awareness about the concept of Social Enterprise.
- **Inspiration**: showcasing existing Social Entrepreneurs—inspiring change.
- **Implementation**: developing and implementing social impact projects.
- **Incubation**: helping young entrepreneurs develop their ideas for poverty alleviation into social enterprises and linking them to possible funding avenues.
The form on the next page will help any potential changemakers to refine their idea. Interested individuals should copy the form (not tear) and email it to info@socialinnovationdesk.com. Once an idea passes through the initial screening process, the Social Innovation Desk will help you in the following ways:-

- adding conceptual clarity,
- forging links with existing leaders and mentors in social enterprise,
- and facilitating access to seed capital

While these services may be offered by a handful of other similar ventures in Pakistan, the explicit agenda of the Social Innovation Desk is to further the cause of social enterprise, therefore our services will be provided free to the best of our abilities. The Social Innovation Desk seeks to allow entrepreneurs to retain the integrity and ownership of the social enterprise but recognition for our services is expected. This recognition, however, shall not take the form of monetary benefits or any share in profits or revenues as would be the case with most organizations. It simply entails that our logo be on your website, for us to be listed as a consulting partner and a certificate of recognition for services rendered on your company’s letterhead signed by the founder(s). We do have a rigorous screening process and submission of the same idea will not be accepted twice.

For further information, please visit our website

www.socialinnovationdesk.com

We have an online publication catering exclusively to social enterprise on our online portal if readers are interested in learning more.
Social Innovation Desk Changemaker’s Form

ABOUT YOU

1. FIRST NAME ________________________________________________________________

2. LAST NAME ________________________________________________________________

3. NATIONALITY ________________________________________________________________

4. NIC NUMBER _________________________ PASSPORT NUMBER _______________________

5. CITY OF RESIDENCE _________________________________________________________

6. CITY OF BIRTH _____________________________________________________________

7. HOME ADDRESS ____________________________________________________________

8. EMAIL ADDRESS ____________________________________________________________

9. CONTACT NUMBER _________________________________________________________
   A. LANDLINE (OFFICE) _________________________________________________________
   B. MOBILE NUMBER ________________________________________________________

10. AGE OF INNOVATOR ________________________________________________________

11. GENDER OF INNOVATOR ____________________________________________________

12. ACADEMIC INSTITUTION FROM WHICH LAST DEGREE WAS OBTAINED

____________________________________________________________________________

13. WHAT WAS YOUR LAST ACADEMIC DEGREE? (INCLUDE DATE)

____________________________________________________________________________

14. WHAT WAS YOUR LAST WORK EXPERIENCE? (INCLUDE DATE)

____________________________________________________________________________
15. PLEASE PROVIDE TWO REFERENCES WITH A TWO-LINE BIOGRAPHY (WHAT THEY DO AND HOW YOU KNOW THEM), EMAIL ADDRESSES AND PHONE NUMBERS FOR EACH.

_________________________________________________________________________________
_________________________________________________________________________________
_________________________________________________________________________________
_________________________________________________________________________________

ABOUT YOUR ORGANIZATION (IF APPLICABLE)

16. WHAT IS THE LEGAL NATURE OF THE ORGANIZATION YOU HAVE/WILL HAVE?

_________________________________________________________________________________

17. WHO ARE THE OTHER STAKEHOLDERS/PARTNERS?

_________________________________________________________________________________
_________________________________________________________________________________
_________________________________________________________________________________

18. WHAT IS YOUR/YOUR ORGANIZATION’S NTN NUMBER?

_________________________________________________________________________________

19. HOW LONG HAS YOUR ORGANIZATION BEEN OPERATING?

_________________________________________________________________________________

20. HAS IT RECEIVED HONORS OR AWARDS? IF SO, PLEASE SPECIFY.

_________________________________________________________________________________
_________________________________________________________________________________
_________________________________________________________________________________
_________________________________________________________________________________
ABOUT THE INNOVATION

21. NAME YOUR IDEA

_________________________________________________________________________________

YOUR STORY

22. FOUNDING STORY: WE WANT TO HEAR ABOUT YOUR “AHA!” MOMENT. SHARE THE STORY OF WHERE AND WHEN THE FOUNDER(S) SAW THIS SOLUTION’S POTENTIAL TO CHANGE THE WORLD.

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SOCIAL INNOVATION

23. GIVE A 50-WORD SUMMARY OF WHAT YOUR IDEA AIMS TO ACCOMPLISH.

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24. WHAT STAGE IS YOUR IDEA AT (CONCEPTION, PILOT, OR EXISTING OPERATION)?

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25. HOW LONG HAVE YOU BEEN IN OPERATION? (IF APPLICABLE)
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26. THE NEED: WHAT PROBLEM ARE YOU TRYING TO SOLVE?
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27. THE SOLUTION: WHAT IS YOUR SOLUTION? BE SPECIFIC!
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28. THE MODEL: WALK US THROUGH A SPECIFIC EXAMPLE OF HOW YOUR SOLUTION MAKES A DIFFERENCE; INCLUDE YOUR PRIMARY ACTIVITIES.
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29. THE MARKETPLACE: WHO ARE YOUR PEERS AND COMPETITORS? IDENTIFY OTHERS ALSO WORKING TO ADDRESS THE NEEDS YOU ARE AND WHAT DIFFERENTIATES YOU FROM THEM. WHAT CHALLENGES COULD THESE PLAYERS POSE TO YOUR SUCCESS OR GROWTH?
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SOCIAL IMPACT AND SCALABILITY

30. WHAT HAS BEEN THE IMPACT OF YOUR SOLUTION TO DATE? (IN TERMS OF BENEFICIARIES)

31. WHAT IS THE METRIC FOR MEASURING SUCCESS?

32. WHAT MAKES YOUR IDEA REVOLUTIONARY? HOW WILL IT SCALE?

33. WHAT IS YOUR PROJECTED IMPACT OVER THE NEXT 1-3 YEARS? (IN TERMS OF LIVES)

34. WHAT BARRIERS MIGHT HINDER THE SUCCESS OF YOUR PROJECT? HOW DO YOU PLAN TO OVERCOME THEM?

35. IDENTIFY THREE MAJOR TASKS YOU WILL HAVE TO COMPLETE TO REACH YOUR 12-MONTH MILESTONE.
SUSTAINABILITY

36. HOW IS YOUR PROJECT FINANCED?

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37. WHAT WILL YOUR ANNUAL BUDGET BE? (COST AND REVENUE BREAKDOWN)

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38. EXPLAIN HOW YOU WILL SUSTAIN FUNDING.

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39. WHAT TYPE OF TEAM (STAFF, VOLUNTEERS, ETC.) WILL ENSURE THAT YOU ACHIEVE THE GROWTH MILESTONES IDENTIFIED IN THE SOCIAL IMPACT SECTION?

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WHAT ARE YOU LOOKING FOR?

40. SOCIAL INNOVATION DESK IS A COLLABORATIVE SPACE. PLEASE SPECIFY ANY COMMUNITY RESOURCES YOU WOULD NEED TO GROW AND SUSTAIN YOUR INITIATIVE.

☐ INVESTMENT

☐ HUMAN RESOURCES/TALENT
☐ MARKETING/MEDIA
☐ RESEARCH/INFORMATION
☐ COLLABORATION/NETWORKING
☐ PRO-BONO HELP (LEGAL, FINANCIAL, ETC.)
☐ INNOVATION/IDEAS
☐ MENTORSHIP

41. SPECIFY ANY RESOURCES YOU MIGHT OFFER TO SUPPORT OTHER INITIATIVES. (TICK ALL THAT APPLY)

☐ INVESTMENT
☐ HUMAN RESOURCES/TALENT
☐ MARKETING/MEDIA
☐ RESEARCH/INFORMATION
☐ COLLABORATION/NETWORKING
☐ PRO-BONO HELP (LEGAL, FINANCIAL, ETC.)
☐ INNOVATION/IDEAS

42. PLEASE SPECIFY WHAT DEGREE OF CONFIDENTIALITY YOU WOULD LIKE. (TICK ONLY ONE)

☐ A. I WOULD LIKE MY IDEA TO BE SHARED AND OPEN SOURCE

☐ B. I WOULD LIKE MY MODEL TO BE FEATURED IN SOCIAL INNOVATION DESK’S PUBLICATIONS WITHOUT GIVING AWAY THE ‘BUSINESS SECRETS’

☐ C. I WOULD LIKE MY IDEA TO BE COMPLETELY SECRET FOR THE SAKE OF COMPETITIVE ADVANTAGE
Photocopy the form, fill it out, scan it, and send it to the following email address
info@socialinnovationdesk.com

For queries about incubation services or if you want more to read, please visit
www.socialinnovationdesk.com