

Chief Guest Address by

Mr. Yaseen Anwar, Governor SBP
Ceremony for Distribution of Pakistan Corporate Philanthropy
Awards and
Launch of Corporate Philanthropy Report 2010
Karachi, 15 December 2011

***Dr. Shamsh Kassim-Lakha, Chairman PCP Board, Distinguished
Guests, Ladies & Gentlemen,***

I am delighted and honoured to be invited to this auspicious ceremony for the distribution of Pakistan Corporate Philanthropy Awards and launch of the Corporate Philanthropy Report 2010. I congratulate all the award winners and Pakistan Centre for Philanthropy for their laudable initiatives which will go a long way in promoting corporate philanthropy in Pakistan.

I would like to begin by expressing, in the strongest possible words, my belief that economic growth and our ambitions for the eradication of poverty depend upon the energy and drive of business & commerce, directly by creating jobs and indirectly by donating money and using their organizational abilities to address social causes.

To an economist, charity is driven by preferences; to human beings, the act of giving achieves a much greater purpose. In our classrooms, we are taught that taxes are the only means of redistributing wealth from the fortunate to the less fortunate. We are taught to assume that taxes need to be enforced with a stick – why would any individual, otherwise, willingly let go of his hard-earned money? But, ladies and gentlemen, this afternoon is evidence enough to the contrary.

People give – and give willingly. Corporations give – and do so willingly. Their motives may be subjective (some give back to the community as a symbol of gratitude, others give in pursuit of a better life for others) but the desire for redistributing wealth does not have to be forced upon a moral society. You, at the PCP, have provided an avenue for the fulfillment of this desire by providing benchmarks and standards for donors and charitable organizations, which has

already helped enhance and formalize donation channels. And it is heartening to see our corporate world come to the fore.

The great long-running debate on the role of businesses' in a society has been in between two ideological poles. On its one side, there are those who argue that, to borrow Milton Friedman's words, "*the business of business is business.*" This belief implies that the sole legitimate purpose of business is to maximize shareholders value while social issues are peripheral. On the other side, there are corporations which believe in, to borrow Rousseau for the corporate world, "*a social contract*", and build social issues into their strategy to articulate their social contributions.

The debate may be tilting in favor of those who believe in the social contract idea. Globally companies increasingly see corporate philanthropy as a way to provide benefit to the communities where they are located. In donating funds to social causes such as education, healthcare, culture, community and environment etc, they seek to enhance the welfare of societies beyond the goods and services they produce. In return companies have actively sought business benefits from their philanthropy programs as well. Specifically aiming to enhance their corporate reputation and brand which could help attract socially aware customers and ethical investors. In 2008, McKinsey & Company conducted a global survey of 721 corporations on the state of corporate philanthropy. More than 70 percent respondents reported that they were aiming to improve their corporate reputation and brand through philanthropy.

Pakistan is full of examples of highly successful and sustainable philanthropic initiatives. Especially, during the last century, philanthropists and family foundations were actively involved in setting up hospitals, educational institutions, relief centers, scholarship programs and technical training institutes. In 1947, Pakistan inherited reputed institutions like Ganga Ram Hospital, Gulab Devi Hospital, Janki Devi Hospital, Sindh Madressa tul Islam, Hamdard Trust etc. to name a few. More recently, individual philanthropists established large-scale public benefit institutions like the Lahore University of Management Sciences (LUMS), Edhi Trust, Shaukat Khanum Memorial Hospital, Layton Rehmatullah Benevolent Trust (LRBT) (on whose sister organization, Graham Layton Trust in the UK, I served as Trustee for 8 years), Fatmid Foundation and Qarshi Foundation, which continue to provide much needed basic social services to millions of people.

It is indeed heartening to know that in Pakistan the corporate sector is embracing philanthropy. Thanks to the efforts of the Pakistan Centre for Philanthropy (PCP) as a vehicle for promoting partnerships between civil society, the private sector and the public sector to enhance indigenous giving.

PCP estimates indicate that corporate contributions have multiplied by more than 14 times over the last seven years. The PCP research is not only good for information but also crucial for policy development & formulation and monitoring progress overtime because *what cannot be measured cannot be improved*.

PCP also assists grant givers by professionalizing grant making; and enhances the grant recipients' effectiveness by building their capacity in forming and maintaining relationships with grant makers through Certification. All these efforts improve visibility of corporate giving, bridge the trust gap between various stakeholders and create healthy competition.

According to the Human Development Report 2011 released by UNDP, Pakistan is among countries as the lowest in human development. The report places national multidimensional poverty, which is a composite of several social indicators including health, education and standard of living, at 49.4 percent of the population. Given this high level of social and economic deprivation, the corporate sector must rise to shoulder the burden of development with the government.

I would, therefore, urge the corporate sector to move the narrow focus of Corporate Philanthropy (CP) from a public relations tool to a vehicle for creating social value for long term impact. This move would require the following:

First, institutions must adopt a strategic approach to CP programs. Therefore, CP programs must be well structured in terms of striking a balance between business needs and the community's preferences with a high focus on leveraging and +harmonizing for scale. One way of achieving this could be through the involvement of employees and community in the development of the programs to create broad based ownership and sustainability.

Second, The 2008, McKinsey survey found that only 20 percent of senior executives believed that their corporate philanthropy is effective in achieving social goals. Therefore, institutions must adopt CP focus and communication strategy, such as through their annual reports and websites,

for both internal and external stakeholders to give CP initiatives greater visibility among its internal and external stakeholders.

Third, institutions must need to put in place verifiable criteria for measuring and monitoring achievements of CP initiatives. The criteria must measure the impact on both dimensions of business performance and society's well-being.

Fourth, develop a business case for CP initiatives: The business case may be developed on fundamentals such as strengthening corporate legitimacy and reputation, building competitive advantage, and creating win-win situations through synergistic value creation.

Lastly, CP must seek partnerships to create synergies with other philanthropists for scale and sustainability and long term impact on social indicators.

I must say that the increasing emphasis on corporate giving for social causes shows greater responsibility and readiness of the private sector to share the burden of social development. However, now is the time to further build the institutional mechanism for pooling philanthropic contributions from individuals and corporations to address the social issues on a greater scale. These efforts would feed into the overall competitive context of the corporate sector, enabling the companies to leverage the efforts and infrastructure for development of the nation.

Finally, I would like to conclude with the hope that this inspired afternoon has filled us all with a renewed vigor and desire to develop indigenous philanthropy. For SBP's part, we are willing to help, to the best of our ability, to serve PCP's splendid vision. For my part, I place my energies at PCP's disposal. After all, we all hope that a better future awaits us all.

Thank you!