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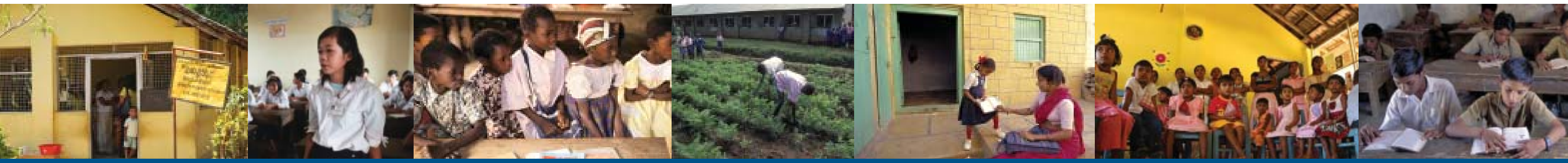

# A GLOBAL EDUCATION CHALLENGE
## HARNESSING CORPORATE PHILANTHROPY TO EDUCATE THE WORLD'S POOR

Justin W. van Fleet

Center for
Universal Education
at BROOKINGS

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# CONTENTS

Overview ... 1

Introduction ... 4

What Companies Are Doing to Support Global Education ... 9

Why Companies Support Global Education ... 26

How Companies Support Global Education ... 30

Opportunities for Greater Impact ... 42

Conclusion ... 50

Appendix A: Participants ... 52

Appendix B: Study Methods ... 54

References ... 59

Endnotes ... 62

## TEXT BOXES

Box 1: Study Respondents . . . . . 6

## LIST OF TABLES

Table 1: Industry sector definitions used in this study . . . . . 8
Table 2: Total value of U.S. corporate contributions to education (million dollars) . . . . . 10
Table 3: Mean contributions by industry and revenue level (millions of dollars) . . . . . 14
Table 4: *Fortune* 500 employee volunteerism in developing countries . . . . . 16
Table 5: Companies contributing to education by region . . . . . 16
Table 6: Countries with the highest percentage of companies contributing to education . . . 16
Table 7: Countries with most companies contributing to education by sector . . . . . 18
Table 8: Education poverty compared with percentage of corporations contributing to education . . . . . 19
Table 9: Numbers of companies focusing contributions on themes of education . . . . . 22
Table 10: Most frequent contribution areas by sector . . . . . 23
Table 11: Companies' contributions to education in times of disasters . . . . . 24
Table 12: Recipients of education contributions . . . . . 34
Table 13: The assets and liabilities of corporate philanthropy . . . . . 43
Table 14: A summary of companies' survey responses . . . . . 56
Table 15: *Fortune* 500 respondents by industry sector . . . . . 56
Table 16: Total U.S. corporate contribution to education in developing countries . . . . . 58

## LIST OF FIGURES

Figure 1: Breakdown of total *Fortune* 500 contribution by cash and in-kind, 2009–10 . . . . . 12
Figure 2: Breakdown of *Fortune* 500 companies' total cash contribution, 2009-10 . . . . . 12
Figure 3: Distribution of the total annual value of *Fortune* 500 education contributions . . . . 14
Figure 4: Percentage of U.S.-based companies making contributions to education . . . . . 19
Figure 5: Most resourced thematic focus areas of contributions . . . . . 21
Figure 6: Benefits of contributions to education . . . . . 29
Figure 7: Individuals involved in philanthropic decisionmaking . . . . . 31
Figure 8: Coordination of education contributions . . . . . 37
Figure 9: The typical lengths of philanthropic commitments . . . . . 40
Figure 10: *Fortune* 500 study sample vs. non-respondents . . . . . 56
Figure 11: Comparison of sample versus population by sector . . . . . 57

# A GLOBAL EDUCATION CHALLENGE

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Justin W. van Fleet

## OVERVIEW

Despite the undeniable benefits of education to society, the educational needs, particularly in the world's poorest countries, remain strikingly great. There are more than 67 million children not enrolled in primary school around the world, millions of children who are enrolled in school but not really learning, and too few young people are advancing to secondary school (van der Gaag and Adams 2010). Consider, for instance, the number of children unable to read a single word of connected text at the end of grade two: more than 90 percent in Mali, more than 50 percent in Uganda, and nearly 33 percent in Honduras (USAID n.d.).

With more young people of age 12 to 24 years today than ever before who are passing through the global education system and looking for opportunities for economic and civic participation, the education community is at a crossroads. Of the 1.5 billion young people in this age group, 1.3 billion live in developing countries (World Bank 2007). The global community set the goal of achieving universal primary education by 2015 and has failed to mobilize the resources necessary, as UNESCO estimates that $16.2 billion in external resources will be need to reach this goal.

Major actors in the global education community are emerging with new education strategies, including the World Bank, U.S. Agency for International Development and U.K. Department for International Development. These strategies attempt to identify game-changing policies to make strides in global education in anticipation of the Millennium Development Goals deadline of 2015 and beyond. One common thread among these targeted efforts is the special emphasis placed on public-private partnerships to mobilize resources for education.

This need for external resources and the emergence of new education strategies make corporate philanthropy timely to examine. For those involved in the global education sector, the comparative success of the global health sector in mobilizing corporate resources for external financing is considered a gold standard model. Additionally, corporate philanthropy has many unique features that make it appealing to global education. Unfortunately, there are no systematic data about how U.S.-based companies support global education.

This paper addresses the lack of data by asking one central question: Do U.S.-based companies leverage their key philanthropic assets to address global education challenges in a way that maximizes shared value for society and business? To answer this question, the following study surveyed more than 500 companies; conducted in-depth interviews with corporate philanthropy leaders; and analyzed the existing literature and reports on corporate social responsibility to assess the magnitude, focus and motivations of U.S. corporate philanthropy vis-à-vis education in developing countries.

The first part examines what companies are doing to support global education and estimates that U.S.-based companies give approximately half a billion dollars to education to developing countries annually, more than initially projected based on philanthropy estimates. While this is a large aggregate amount when compared to other major education donors, education receives only a fraction of corporate contributions when compared with the global health sector. The majority of contributions are in the form of cash and companies make larger cash contributions to global education than their foundations. While companies are placing additional emphasis on employee engagement, there is a missed opportunity to mobilize employee contributions of money and skills for education.

Most *Fortune* 500 companies give less than $1 million to education annually; the energy and technology sectors are the leaders in global education contributions. And while corporate philanthropy has a wide geographical reach with contributions spanning 114 countries, emerging economies receive the majority of attention. Geographical focus of education contributions varies based on industry sectors and is not directed to the most marginalized areas in the most need. Education philanthropy aligns with business needs but companies focus on many different thematic areas within education, not just those areas related to workforce readiness. Even companies without international contribution programs give following natural disasters, which leads to a potential to harness these resources for postdisaster education.

The second part of the paper explores why companies make philanthropic contributions to education in developing countries. Companies identify many reasons that are strategic to business needs, focusing primarily on community relations, social demand for responsible behavior and brand identification. But the rationale is a narrow view and does not encompass a full vision of how education-based philanthropy in developing countries can create shared value for business and society.

The third part explains how companies support global education. There are many actors within a company making decisions about contributions to education in developing countries and these actors do not always align with one global education philanthropy strategy. Companies rely on nonprofits to implement philanthropy in the education sector over government partners or larger-scale aid agencies. Additionally, most are short-term contributions and few are coordinated with external entities; these tendencies perpetuate donor fragmentation and are contradictory to some corporate visions of scaling-up education innovations in developing countries. Achieving sustainable education outcomes will require companies to embrace a culture of impact evaluation and to make longer-term, coordinated contributions.

The last part of the paper highlights the assets and liabilities of corporate philanthropy for global education. Corporate philanthropy is highly innovative and has several key benefits for the education community. At the same time, corporate philanthropy can improve upon several aspects to increase its effectiveness. The study identifies ten opportunities to achieve greater impact through corporate philanthropy to education in developing countries:

- Opportunity 1: Maximize the Effectiveness of Multiple Donors in the Same Country
- Opportunity 2: Broaden Areas of Strategic Investment
- Opportunity 3: Innovate in Education
- Opportunity 4: Invest in Education in Disaster Contexts for Longer-Term, Higher Impact
- Opportunity 5: Incorporate Local Feedback into Philanthropy Strategies
- Opportunity 6: Build Networks for Global Education
- Opportunity 7: Design Metrics and Invest in Impact Evaluation
- Opportunity 8: Improve NGO Engagement with Corporate Philanthropy
- Opportunity 9: Adopt Innovative Financing by Combining Brand, Business and Individual Donors
- Opportunity 10: Become Corporate Advocates for Education

U.S.-based corporations have enormous potential to better use their unique assets and minimize their liabilities in philanthropy directed to global education. If corporations integrate their global education philanthropy strategically into their business models, the impact on society and corporate benefits will both be significantly greater. The opportunities for companies to pursue innovation, utilize employee expertise, create notable champions for education and leverage higher levels of cash and in-kind resources point to the great potential for corporate philanthropy to become an effective actor in global educational development. And though some companies are working hard to achieve maximum shared value, others still have significant progress to make. To truly benefit from corporate philanthropy for education, companies must embrace the role of education at all corporate levels, including the role of workplace programs, employee engagement, community relations, business assets and senior management. Overall, the key underpinnings for leveraging corporate philanthropy to make the maximum impact on educating the world's poor are for companies to promote a culture of collaboration and common social purpose, and thus to realize how a better-educated society benefits both the global community and the business community.

## INTRODUCTION

Education is a human right and thus is largely uncontested as a necessity for creating a better world. Access to education and learning opportunities is strongly linked to economic growth, health, civic participation, peace and security. Studies suggest that for every year of additional schooling, a person's lifetime earnings can increase by between 5 and 15 percent (Psacharopoulos and Patrinos 2002). There is particularly strong evidence linking education and health outcomes. For instance, maternal literacy skills are highly correlated with improved child health outcomes (Lloyd 2010). A recent analysis demonstrated that universal secondary education for women in Sub-Saharan Africa could reduce the number of child deaths by 1.8 million (Watkins 2010). Moreover, primary schooling has been shown to increase the likelihood of democratic participation, which can make an impact on political stability, gender equity and more adherence to human rights (Evans and Rose 2007). Increasing educational attainment is likely to reduce the risk of conflict, especially in countries with low levels of primary and secondary school enrollment (Winthrop and Graff 2010). Overall, education is a win-win investment for individuals and society at large.

Despite the benefits of education for society, however, the educational needs also remain strikingly great, particularly in the world's poorest countries. There are 67 million children not enrolled in primary school throughout the world, millions of children are enrolled in school but not really learning, and in developing countries too few young people are advancing to secondary school (van der Gaag and Adams 2010). Consider, for instance, the number of children unable to read a single word of connected text at the end of grade two: more than 90 percent in Mali, more than 50 percent in Uganda, and nearly 33 percent in Honduras (USAID n.d.). Or consider Sub-Saharan Africa, where estimates indicate that only 17 percent of girls enroll in secondary school (Rihani 2006). Too many children drop out before completing primary school. In Sub-Saharan Africa, 28 million primary school students drop out each year, and in South Asia and West Asia, 13 percent of all children starting school drop out in the first grade (UNESCO 2010). In many countries, student outcomes have either stagnated or regressed during the past 10 years (Mourshed et al. 2010). Almost half of all children who are out of school today live in low-income countries affected by conflict, and these countries receive much less funding and are much less equipped to reach global education goals than other low-income countries (UNESCO 2011). And poor educational opportunities are particularly perverse for marginalized populations, including girls, children with disabilities, rural populations and the poorest people.

The education community is at a crossroads. The world has more young people of age 12 to 24 years than ever before who are passing through a global education system and looking for opportunities for economic and civic participation. Of the 1.5 billion young people in this age group, 1.3 billion live in developing countries (World Bank 2007). To address this crisis, the global community has come together on two occasions: in 1990, at the Jomtien World Conference on Education for All; and in 2000, at the Dakar World Education Forum. Following the World Education Forum, the global community embraced the Millennium Development Goals, which aim to enroll all children in primary school by 2015. Yet despite promises of increased and predictable resources for education, the global community has failed to mobilize the resources necessary to reach the goals it set for itself. UNESCO estimates that $16.2 billion in external resources will be needed to achieve universal basic education by 2015.[1]

To meet these challenges, the education community is gravitating toward several key policy solutions identified as game changers in anticipation of the Millennium Development Goals deadline of 2015 and beyond. New education strategies emerging from the World Bank, U.S. Agency for International Development and U.K. Department for International Development focus on preparing children in their early years to succeed in school, strengthening literacy and numeracy outcomes, supporting opportunities to transition to and complete secondary school or other postprimary arrangements, linking education to the labor market and enrolling children in school in conflict areas. These targeted efforts place special emphasis on marginalized populations and stress the importance of impact evaluations and public–private partnerships to mobilize and utilize resources more effectively in education.

This need for external resources and the emergence of new education strategies make corporate philanthropy timely to examine. For those involved in the global education sector, the comparative success of the global health sector in mobilizing corporate resources for external financing is considered a gold standard model. Likewise, the potential role of corporate support for education is so vast that all the education strategies mentioned above aspire to make an important role for public–private partnerships. Corporations play an increasing role in the global community in the new era of development, characterized by a variety of new donors, innovative financing methods, new implementation partners and hybrid public–private partnership models that depart from the traditional models of donor and recipient countries. Some studies even indicate that corporate philanthropic resources may be more resilient and quicker to rebound than traditional foreign assistance during times of economic crisis (van Fleet 2010; Roodman 2008).

Additionally, corporate philanthropy has many unique features that make it appealing to global education. Corporations have a global reach and deep connections to communities and governments in developing countries. As champions of innovation, corporations have employees with expertise in various sectors that can benefit education and often develop products that can enhance the quality of teaching and learning. They provide a direct link to employment opportunities in developing countries and benefit directly from workforces, employees and consumers with basic levels of education. Given the mutual alignment of education, business and economic growth, it is surprising that the education and corporate philanthropy communities frequently operate on separate, parallel tracks and speak different languages, even though they share similar social goals. On one side, the global education community holds a wealth of knowledge in experiences, research and expertise on the policies, structures and implementation strategies that can lead to learning achievements in developing countries. On the other side, the corporate sector has insights into what types of skills are needed in communities for economic integration, as well as possessing the needed in-house talent, expertise and resources to facilitate community development. But at the end of the day, there is a disconnect between these two sectors.

**Given the mutual alignment of education, business and economic growth, it is surprising that the education and corporate philanthropy communities frequently operate on separate, parallel tracks and speak different languages, even though they share similar social goals**

Unfortunately, there are no systematic data about how U.S.-based companies support global education that can bridge this gap. Despite a plethora of corporate philanthropy studies, none have looked at contributions to education in developing countries. And the data on U.S. corporate giving that are already being collected by several key sources—including Giving USA, the *Chronicle of Philanthropy*'s Annual Survey of Corporate Data, the Conference Board, the Committee Encouraging Corporate Philanthropy's Corporate Giving Standard and the Center for Global Prosperity's Index of Global Philanthropy and Remittances—are limited in various ways. Giving USA aggregates data from various survey sources; however, the information collected in these surveys is rather general and poses several problems when one tries to develop an aggregate depiction of giving to education globally. For instance, all five key sources use different survey questions, and their somewhat dissimilar definitions of giving to "education" and how it is tracked make it difficult—if not impossible—to develop any reliable understanding of giving to education outside the United States. For instance, Giving USA tracks giving to "international affairs, development and peace," which aggregates education with other humanitarian and development efforts. The Corporate Giving Standard makes a distinction between giving in the United States and giving to developing countries, but it does not disaggregate international giving by sector (e.g., education or environment). And the Center for Global Prosperity combines multiple sources to capture the best total value estimate of corporate contributions to developing countries, but its data are only disaggregated for health. Overall, the current data fail to provide adequate insight into the relationship between corporate philanthropy originating in the United States and education in developing countries.

This lack of data leads to a heretofore unanswerable but crucial question: Do U.S.-based companies leverage their key philanthropic assets to address global education challenges in a way that maximizes shared value for society and business? To answer this question, the study whose results are reported and analyzed in this paper surveyed more than 500 companies;[2] conducted in-depth interviews with corporate philanthropy leaders; and analyzed the existing literature and reports on corporate social responsibility to assess the magnitude, focus and motivations of U.S. corporate philanthropy vis-à-vis education in developing countries.[3] See box 1 for survey response rate. The study has focused on the contributions made by U.S.-based companies to countries identified as aid recipients by the Organization for Economic Cooperation and Development's Development Assistance Committee.[4] And while companies contribute more

**Box 1: Study Respondents**

- A review of annual reports, corporate social responsibility reports and Web sites for the *Fortune* 500 companies revealed 89 making contributions to education in developing countries. The response rate for this population is 46.1% (n=41).
- Additional questions in the survey were not specific to contributions to education; these questions were asked of all *Fortune* 500 companies. The response rate for the entire Fortune 500 population is 27.2% (n=136).
- Data was also collected from 9 non-*Fortune* 500 companies making contributions to education in developing countries. These companies were identified through a review of participants in affinity groups and conversations with key informants.
- The non-*Fortune* 500 companies are not aggregated with *Fortune* 500 contributions and used only as a comparison group; these companies are aggregated only in responses examining motivations and non-financial trends.

broadly to human capital development through investments in employee training and workforce development, this study specifically looked at philanthropic contributions.

This study concludes that although corporations invest in education at levels higher than initially anticipated, these contributions to education can potentially have a greater impact on society and more benefit for corporations if corporate assets are deployed more strategically. Additionally, the study identifies several liabilities of current corporate philanthropy practices that should be addressed in order to increase philanthropic effectiveness, and it provides a road map for finding opportunities to increase the shared value of educational philanthropy.

## What Does "Corporate Philanthropy" Really Mean?

Corporate philanthropy is different from both traditional forms of philanthropy and official development assistance for two primary reasons. Highlighting these nuances at the outset will provide greater insight into the findings outlined in this paper. First, corporate philanthropy operates at the intersection of business and society. The primary business goal of making a profit and the primary philanthropic goal of making a social impact are intertwined in a model that reflects the need to generate shared value, or benefit, for both business and society. The unique assets that businesses can leverage to fulfill philanthropic goals are often closely tied to the particular business's industrial sector. Therefore, the companies that are the focus of this study are divided into eight categories by industrial sector:[5] energy, materials, industrials, consumer, health care, financials, technology and utilities, as detailed in table 1. Standard & Poor's Global Standard Industry Classification was adapted for this study, utilizing the definitions given in table 1.

Second, this study recognizes that corporate philanthropy includes several different forms of contributions, such as:

- *Cash from the corporation:* This contribution is the donation of cash directly from the company.
- *Cash from the operating foundation or trust:* Operating foundations and trusts are independently incorporated foundations that are typically housed within a company and thus are treated like any other internal budget item. Corporate operating foundations and trusts are used primarily for tax purposes, allowing companies to write off financial profits as charitable contributions. These entities tend to share the same name as the company, have corporate senior executives as the majority members on the board, be housed within the company's headquarters and have a mission to carry out the company's philanthropic activities. It is important to distinguish these corporate operating foundations from traditional private foundations. Private foundations that are founded using the profits of corporate endeavors but operate independently of business interests (e.g., the Bill and Melinda Gates Foundation, the Hewlett Foundation) are not corporate operating foundations. However, the HP Corporate Foundation is an example of a corporate operating foundation.
- *In-kind donations:* "In-kind" refers to donations of tangible products or services given by a company to a charitable cause. Examples include computers, books and pro bono legal services.
- *Employee volunteerism:* Employee volunteerism is typically measured in hours, ranging from the executive level to the line employee level. Some companies give paid time off to employees so they can volunteer, and others encourage employees to use their skills to help individuals and nonprofit organizations in the surrounding community without receiving company pay.
- *Employee matching:* Employee matching is money contributed by the company or foundation match-

## Table 1: Industry sector definitions used in this study

| Sector | Definition |
|---|---|
| **Energy** | Engaging in the construction or provision of equipment and the exploration, production, marketing, refining and/or transportation of oil and gas products. |
| **Materials:** | Manufacturing of chemicals, construction materials, glass, paper, forest products and related packaging products, metals, minerals and mining. |
| **Industrials** | Manufacturing and distributing of capital goods, such as aerospace and defense, commercial services and supplies (e.g., printing, employment services), providing transportation services (e.g., airlines, couriers, marine, road & rail and transportation infrastructure). |
| **Consumer** | Including both discretionary and staple products and services, such as automotive, household durable goods, textiles, apparel and leisure equipment, food and drug retailing companies hotels, restaurants and other leisure facilities. |
| **Health care** | Manufacturing health care equipment, supplying or providing services related to health care, or producing pharmaceuticals and biotechnology products. |
| **Financials** | Involving activities such as banking, mortgage finance, consumer finance, specialized finance, investment banking and brokerage, asset management and custody, corporate lending, insurance, financial investment and real estate. |
| **Technology** | Including information technology and telecommunications, such as software and services, information technology consulting and services, technology hardware and equipment and telecommunications services. |
| **Utilities** | Operating electric, gas or water utilities, or independent producers and/or distributors of power. |

ing qualifying contributions to charities or educational institutions made by employees, typically with a limit for maximum amounts.

- *Employee-generated campaign:* These contributions are generated by employees through programs organized or endorsed by their company. The company creates a donation venue, but the resources come directly from employees and do not have a matching component from the company.

## WHAT COMPANIES ARE DOING TO SUPPORT GLOBAL EDUCATION

Most U.S.-based companies do not prioritize philanthropic contributions to education in developing countries. An analysis of the giving priorities of the *Fortune* 500 companies reveals that fewer than one-fifth direct philanthropic resources to education in developing countries. And though global education is not a priority overall, the subset of companies that direct financial and in-kind donations to education collectively contribute significant resources. However, their total donations account for only a small share of total corporate profits and meet only a small share of global education needs. This section offers projections of the total magnitude of corporate contributions to education in developing countries and highlights the giving trends of U.S.-based companies.[6]

### One-Half Billion Dollars: More Than Anticipated but a Small Share of Total Profits

The best previous estimates of corporate philanthropy to developing countries have suggested a total outflow of $7.7 billion in contributions, with 91 percent dedicated to the health sector, leaving approximately $700 million for other sectors such as education, economic development and governance (Center for Global Prosperity 2010). However, the present study estimates that the annual U.S. corporate contribution to education in developing countries is just under half a billion dollars—$497.9 million. This calls into question the estimates of total U.S. corporate philanthropy to non-health initiatives in developing countries; the total may be underestimated and greater than $700 million. A review of the annual reports of nonrespondent *Fortune* 500 companies identifies 89 companies making contributions to education; statistical approximations based on sector and revenue means in the survey sample were used to generate the estimate of the total contribution.[7] Table 2 gives the contributions tracked in the sample and the projected contributions for the nonrespondent *Fortune* 500 companies.

This estimate shows that, in the aggregate, U.S. corporations constitute a significant source of financial resources for education in developing countries. Though not as large as the corporate contribution to the health sector, the amount is larger than estimates have suggested and demonstrates a potentially significant financing role of U.S. corporations in education financing in the developing world. Given this new and surprising data, U.S. companies in aggregate would be the 7th largest donor to education in developing countries, after the World Bank International Development Association, France, Germany, United States, Netherlands and Japan (van der Gaag and Dharan 2010).

At the same time, this contribution level is relatively small when compared with overall corporate profit levels. The mean annual profit of the companies making contributions to education in the sample is $2.6 billion, and the 2010 U.S. *Fortune* 500 companies had an aggregate profit of more than $390.5 billion. Thus, their total contribution to education equates to about one-tenth of 1 percent of their total profit. But, corporate profits are not the sole determinant of how much a company invests philanthropically in education. Even those 2010 U.S. *Fortune* 500 companies that had a loss rather than a profit still found making philanthropic contributions to education a smart business strategy. In light of the vast needs in the education sector and the benefits that investing in education can offer a business, both these examples of profit levels point to the potential for U.S.-based companies to do much more for education.

Table 2: Total value of U.S. corporate contributions to education (million dollars)

| Source | Contribution |
|---|---|
| Fortune 500 companies represented in the sample | 224.2 |
| Estimate for Fortune 500 nonrespondents | 264.4 |
| Non–Fortune 500 companies represented in the sample | 9.3 |
| **Estimated total** | **497.9** |

## Lessons from the Global Health Community

Although the corporate sector's half-billion-dollar contribution to global education is larger than anticipated, the total pales in comparison with its annual health contribution, which is estimated at $7 billion. Five main factors have galvanized the global health community to garner this much larger share of U.S. corporate philanthropic resources. First, this community had strong political leadership in the early part of the decade as well as a clear policy goal which was part of larger international goals. The President's Emergency Plan for Aids Relief, which was launched in 2003, was able to gain political support from the highest levels, given its presidential sponsorship, and it also had a concrete goal: "2–7–10"—to support treatment for 2 million people living with HIV/AIDS; to prevent 7 million new HIV infections; and to support care for 10 million people infected with or affected by HIV/AIDS, including orphans and vulnerable children. This goal was to be accomplished in five years through targeted programs in 15 specific countries (PEPFAR 2005). Thus, this goal's measurable and time-bound quality made a compelling case for what the global health community set out to accomplish.

Second, the link between health and workforce productivity, particularly as affected by HIV/AIDS, was an immediate concern for companies. The danger of a global AIDS pandemic threatened companies' workforce productivity, the health of the communities where they operate, and their potential consumer bases.

Third, global mechanisms were established to channel corporate cash and in-kind donations. To mention just a few, these include the Global Fund to Fight AIDS, Tuberculosis and Malaria; the Partnership for Quality Medical Donations; and the Global Alliance for Vaccines and Immunizations. Kharas (2008) points out that the Global Fund allowed simple programs to be scaled up with tangible results, such as number of bed nets or antiretroviral medicines, as well as audits by private firms to ensure financial accountability.

Fourth, health care companies were able to create demand for their medical products through contributions to global health care initiatives. Companies donated seemingly large amounts of pharmaceutical products due to the high retail value and low direct cost value. Thereby, demand was generated in both the public and private sector.

Fifth and last, the global health sector had a significant foundation champion capable of leveraging corporate support for global health. The Bill and Melinda Gates Foundation (2011) has contributed more than $14 billion to global health since 1994. Identifying wealthy individuals in developed and developing countries who have not yet committed their fortunes could lead to a new global education champion. The global education community can learn from this example and parallel the strategies used to harness more corporate support for education.

## Against the Trend: Majority of Corporate Contributions Are Cash

Many studies have found that the majority of U.S. corporate contributions are in the form of noncash, in-kind product and service donations (Coady 2009). In the health sector, this is common due to the retail value of pharmaceuticals. But this study finds the opposite with regard to education in developing countries: The majority of corporate resources directed to education in developing countries is in the form of cash contributions. The study records $224.2 million in *Fortune* 500 resources for education in developing countries over the course of a 12-month period between 2009 and 2010; $156.8 million (70 percent) is in the form of cash donations, as shown in figure 1. The additional $67.4 million (30 percent) is in the form of in-kind products and professional services (excluding volunteerism).

Debunking this common assumption for the education community is important, because it points to the availability of financial resources—in addition to product resources—that could support education needs and challenges. Moreover, 80.5 percent of *Fortune* 500 companies make contributions solely consisting of cash, while none make contributions solely consisting of in-kind products and services. One-fifth of the companies make hybrid contributions of both cash and in-kind products. Contributions only of products are not common for education in developing countries. The study also records $9.3 million in non-*Fortune* 500 company contributions to education in developing countries. While a small share of the total, these companies gave a lower proportion of cash (17 percent) and a larger in-kind contribution (83 percent).

## Companies Give More Direct Cash Than Their Foundations

A common myth is that corporate foundations distribute the majority of corporate philanthropic resources for development. However, this study finds that the majority of the contributions to education come directly from the company. Figure 2 breaks down the total cash contribution into its specific sources.

According to this breakdown, corporations contribute approximately $100.6 million annually in direct cash to education in developing countries, equivalent to 64 percent of their total cash contribution and nearly twice as much as that of corporate foundations, which direct $54.1 million (35 percent). Contributions matching employee donations to education make up approximately 1.5 percent of the total contribution; $2,600 was in the form of corporate matching cash, and $2.0 million was in the form of foundation matching cash. Less than 1 percent of the total contribution came from employee campaign donations organized through the company, totaling $89,500. In the non-*Fortune* 500 companies, less than 20 percent of cash came from corporate foundations. The fact that most of the cash resources contributed to education come directly from company budgets rather than corporate foundations suggests that companies see education as more than a philanthropic activity—as also a strategic investment.

Figure 1: Breakdown of total *Fortune* 500 contribution by cash and in-kind, 2009–10

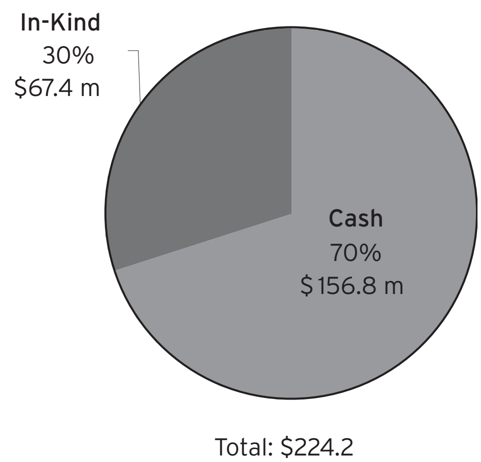
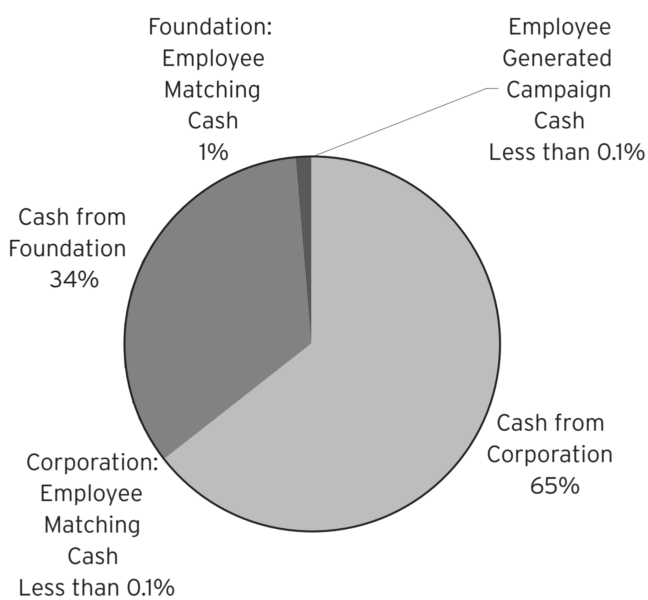



Figure 2: Breakdown of *Fortune* 500 companies' total cash contribution, 2009-10




## The Untapped Potential to Mobilize Employee Contributions

Most companies have an employee giving program that matches a portion of employees' contributions, up to a certain limit, to approved 501(c)(3) organizations. Of the companies making contributions to education in developing countries, 83.3 percent had employee matching programs, yet only three-fifths indicate they are able to match employee contributions made to nonprofit organizations operating in developing countries. Even with this possibility, the total amount of the employee matching directed to education is underrepresented because of a lack of data. Most of the contributions are made by the company or foundation as unrestricted contributions to nonprofits; there is no specific request that the resources be used for one type of program.

There is a enormous potential to mobilize resources for education through employee contributions. The Committee for Encouraging Corporate Philanthropy reported that in 2009, companies raised a median of $1.33 million through employee payroll deductions and a median of $0.78 million from other employee contributions for nonprofit partners (Rose 2010). If companies were to form direct partnerships with specific education projects implemented in developing countries, they could mobilize corporate matching resources for a specific cause. Exploring this strategy will not only generate additional resources for education but also has the potential to engage thousands of employees in supporting education and becoming education champions in their workplaces and communities.

## Lots of Small Change

Many companies make small contributions to education in developing countries but only a handful dedicate substantial financial resources. The total annual value of contributions from *Fortune* 500 companies to education from all sources ranged from less than $25,000 to $35.9 million. More than half the companies in the sample make contributions of less than a million dollars per year. Only ten companies made contributions in excess of $5 million. Figure 3 shows the distribution of the total value of contributions to education in developing countries.

The skewed distribution of contributions to education that has a lower-level dollar value suggests the likelihood that many contributions are relatively small given that most companies donate to multiple recipients. Though many small-scale projects may spur innovation and experimentation in development, this fragmentation of contributions often leads to "narrow focus on specific projects without concern for the larger issues of sustainability and scalability" (Fengler and Kharas 2010), which is addressed in more detail in the third section of this paper.

## Energy and Technology Companies Lead in Giving to Education

Contributions to education in the sample vary in size across company industry and revenue, with the energy and technology industries leading in total contributions. Table 3 gives the mean total value of contributions by industry, *Fortune* 500 status, and *Fortune* 500 tiers, ranking companies by their revenue level.

At $14 million, the energy sector's mean total contribution to education is the largest, which is most likely due to the long periods they spend in host countries in stages of exploration and production. These firms' long-term relationships with host governments often lead to investments in the social infrastructure of the countries in which they operate. In many cases, their operations in developing countries are contingent upon contributions to the social sector. The technology sector is the second-largest contributor to education, totaling $10.1 million in average annual contributions. The technology sector produces products that often have an educational purpose and links these products to its philanthropy strategy. Technology companies contributed on average a larger share in-kind than cash. The third-largest contributing sector is consumer products, with an average contribution of $4.5 million. Like the technology sector, the consumer industry often makes products that serve educational purposes. Another driving factor for the consumer

Figure 3: Distribution of the total annual value of *Fortune* 500 education contributions

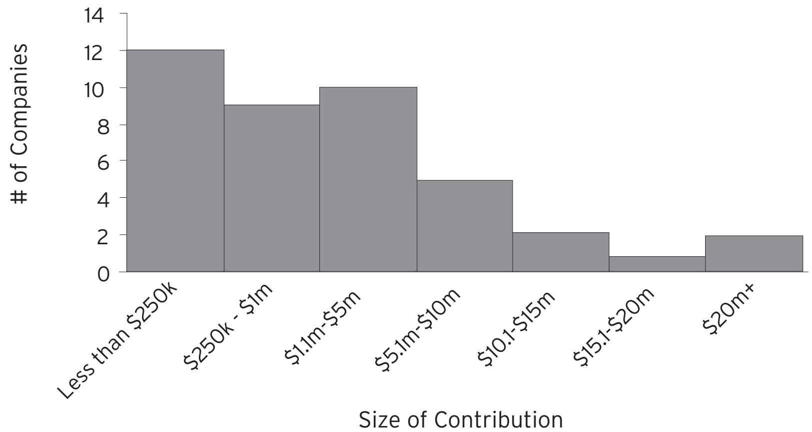



Table 3: Mean contributions by industry and revenue level (millions of dollars)

| Industry | Mean Contribution: Total Value | Cash | In-Kind | Fortune 500 Tier | Mean Contribution: Total Value | Cash | In-Kind |
|---|---|---|---|---|---|---|---|
| **Consumer** | | | | *Fortune 500 (n=41)* | $5.5 | $3.8 | $8.4 |
| Fortune 500 | 4.5 | 2.8 | 1.7 | *Non-Fortune 500 (n=8)* | $1.2 | $0.2 | $1.3 |
| **Energy** | | | | **Fortune 500 Rank** | | | |
| Fortune 500 | 14.0 | $14.0 | - | Rank 1-100 | $11.4 | $8.0 | $11.0 |
| **Financials** | | | | Rank 101-200 | $2.2 | $2.2 | 0.04 |
| Fortune 500 | 2.2 | 2.2 | - | Rank 201-300 | $1.1 | $1.0 | $0.5 |
| **Health Care** | | | | Rank 301-400 | $ 2.5 | $0.5 | $12.0 |
| Fortune 500 | 0.7 | 0.7 | - | Rank 401-500 | $0.4 | $0.4 | - |
| **Industrials** | | | | | | | |
| Fortune 500 | 1.2 | 1.2 | - | | | | |
| **Materials** | | | | | | | |
| Fortune 500 | 1.8 | 1.8 | - | | | | |
| **Technology** | | | | | | | |
| Fortune 500 | 10.1 | 5.5 | 9.1 | | | | |
| **Utilities** | | | | | | | |
| Fortune 500 | 1.0 | 0.5 | 0.5 | | | | |

sector is investment in supply chain communities; investing in the education of these communities is directly linked to the health and well-being of the communities supplying the products.

The trends in cash contributions follow the same patterns as total contributions, with energy, technology and consumer products leading. However, in-kind contributions are made from the consumer, technology and utilities sectors. These contributions tend to follow the link between the products that the companies produce and their utility for education. The *Fortune* 500 technology companies made the largest in-kind contribution, averaging of $9.1 million annually, compared with $1.7 million by consumer sector. These contributions consisted of technology equipment, books and other supplies. The in-kind contribution made by the utilities sector is relatively small and only made by one company; this observation is not the norm for the sector but is instead a unique occurrence.

The companies ranked among the *Fortune* 100 make larger contributions to education than the companies in the lower revenue tiers. However, this does not hold true outside the *Fortune* 100, indicating that companies with lower levels of revenue find investing in education to be of more value than some companies with higher levels of revenue.

## Leveraging Employee Expertise through Volunteerism

As discussed in the next section, the interview data suggest that employee volunteerism is an area of growing importance for U.S.-based companies. Though finding ways to enable employees to make meaningful contributions to education by using their skills and expertise is important for companies, the data quality and current nature of the opportunities for employee volunteerism in developing countries differ greatly among companies. And though most companies have some form of volunteer program, less than half had opportunities for volunteerism outside the United States. The available data about these opportunities, which are shown in table 4, demonstrate how little is tracked and measured by companies.

These data capture volunteerism outside the United States of U.S. employees volunteering abroad and employees living and working in communities in developing countries. For the 10 companies documenting education volunteerism in developing countries, the mean number of hours of volunteerism was 16,640. This amount is equivalent to 629 employees dedicating one 40-hour week of volunteer service to education in developing countries, a relatively significant donation of expertise and time to the global education community. In the non-*Fortune* 500 companies, 45% reported employee volunteerism programs in education in developing countries, highlighting the utility of employee skills regardless of company size. If companies begin to better document how their employees volunteer in developing countries, they will not only be able to demonstrate the impact they have on communities but also have the data needed to inform decisionmaking about how to maximize their employee assets and make an impact in educational contexts.

## Emerging Economies Receive the Most Attention

Companies in the sample make contributions to education in 114 different countries spanning all regions of the world. This vast geographical reach is an asset because it points to the potential for extensive knowledge sharing and exchanging of information related to education. At the same time, this reach is a liability, endemic of high levels of fragmentation among the contributions. Regionally, the Latin America and the Caribbean and Asia-Pacific regions had the largest number of companies contributing to education; the developing countries in Europe and Central Asia had the fewest. Table 5 depicts the number of distinct companies in the sample investing in each region.

Emerging economies receive the most attention from U.S.-based companies with respect to education philanthropy. At least half the companies made philan-

## Table 4: *Fortune* 500 employee volunteerism in developing countries

| Fortune 500 Companies | | Number of Hours | | |
|---|---|---|---|---|
| Type of Volunteerism | *n* | Minimum | Maximum | Mean |
| Education in Developing Countries | 10 | 50 | 130,000 | 25,141 |

## Table 5: Companies contributing to education by region

| Region | Number of Companies |
|---|---|
| Latin America and Caribbean | 39 |
| Asia-Pacific | 36 |
| Sub-Saharan Africa | 33 |
| Southeast Asia | 31 |
| Middle East and North Africa | 24 |
| Europe and Central Asia | 14 |

## Table 6: Countries with the highest percentage of companies contributing to education

| Country | Percentage of Respondents Making Contributions |
|---|---|
| India | 60 |
| China | 54 |
| Brazil | 50 |
| Mexico | 48 |
| South Africa | 36 |
| Kenya | 30 |
| Argentina | 28 |
| Egypt | 28 |
| Indonesia | 26 |
| Philippines | 26 |
| Haiti | 26 |
| Nigeria | 26 |
| Thailand | 24 |
| Peru | 24 |
| Vietnam | 22 |
| Chile | 22 |
| Colombia | 22 |
| Malaysia | 20 |
| Pakistan | 20 |
| Uganda | 20 |

thropic contributions to education in India, China and Brazil; in Mexico, slightly less than 50 percent of the companies made contributions. Table 6 lists the 20 countries with the highest percentage of companies making philanthropic investments in education.

Only four countries with at least one-fifth of corporations making contributions are in Sub-Saharan Africa, the region with the highest education need. The rationale behind these decisions is explored in subsequent sections of this paper.

## Sectors Target Strategic Geographical Regions

Breaking down geographical contributions by industry reveals the strategic interests of U.S.-based companies' contributions to education, as shown in table 7. The energy industry, the largest cash contributor by sector, does not make contributions to the countries that receive the largest overall proportion of companies making contributions (e.g., China, India and Brazil). Instead, all the energy companies in the sample contribute to education in Indonesia and Equatorial Guinea—both of which have oil reserves.

Kenya tops the list of countries with the most consumer sector companies making contributions to education (50 percent). This is a logical investment, because consumer goods production is one of the country's major industries (Library of Congress 2007). Mexico, India and South Africa had well more than two-thirds of the financial companies making contributions to education, indicating the perceived market potential for the use of financial services in these countries. In the industrial sector, 86 percent directed a portion of education contributions to Mexico. Given the growth of Mexico's industrial sector since trade liberalization, it is logical that many U.S.-based companies in the industrial sector see education as a valuable investment in Mexico. Only one utility company made contributions to education in developing countries, and this contribution was directed to Mexico.

More than 40 percent of the technology companies make contributions to education in the 10 countries listed in table 7. India was by far the most popular recipient of education contributions, with more than 86 percent of the technology sector companies making contributions to this country. The technology sector's presence in these regions as well as the regions' market potential makes them all logical areas of educational investment.

The rationale for the geographic focus of contributions is linked closely to the motivations and strategic goals of philanthropy that are discussed in more detail in the next section. The main drivers of geographic focus of contributions include communities where employees live and work, countries with current or emerging consumer bases, potential growth markets projected to be important source of production or sales in future years, communities in the company's supply chain and postdisaster regions. It is important to note that some countries or communities are selected to receive contributions based on social needs over corporate strategic interest. These companies justified their philanthropic contribution because of its relationship with the company's culture of "doing good" or employee engagement rather than on the basis of business sales or production strategy. Examples of this type of giving include the contributions made by some companies in Mali and Rwanda.

Table 7: Countries with most companies contributing to education by sector

| Consumer | Energy | Financial | Health Care | Industrials | Materials | Technology | Utilities |
|---|---|---|---|---|---|---|---|
| Kenya | Indonesia | Mexico | Thailand | Mexico | China | India | Mexico |
| China | Equatorial | India | India | China | Brazil | China | |
| India | Guinea | South Africa | | India | Mexico | Brazil | |
| South Africa | Egypt | China | | Brazil | India | Chile | |
| Cambodia | Libya | Philippines | | Thailand | Malaysia | Mexico | |
| Brazil | Angola | Brazil | | Argentina | Thailand | Argentina | |
| Haiti | China | Indonesia | | Philippines | Vietnam | Haiti | |
| Ethiopia | Malaysia | Malaysia | | Vietnam | Chile | Peru | |
| Nigeria | Papua New | Vietnam | | Costa Rica | Colombia | Egypt | |
| Rwanda | Guinea | Colombia | | Honduras | Jamaica | South Africa | |
| Tanzania | Thailand | Guatemala | | Peru | Suriname | | |
| Uganda | Azerbaijan | Haiti | | Venezuela | Egypt | | |
| | Kazakhstan | Peru | | Ghana | Guinea | | |
| | Brazil | DR Congo | | South Africa | | | |
| | St Lucia | Kenya | | | | | |
| | Algeria | Nigeria | | | | | |
| | Cameroon | Tanzania | | | | | |
| | Chad | | | | | | |
| | Nigeria | | | | | | |

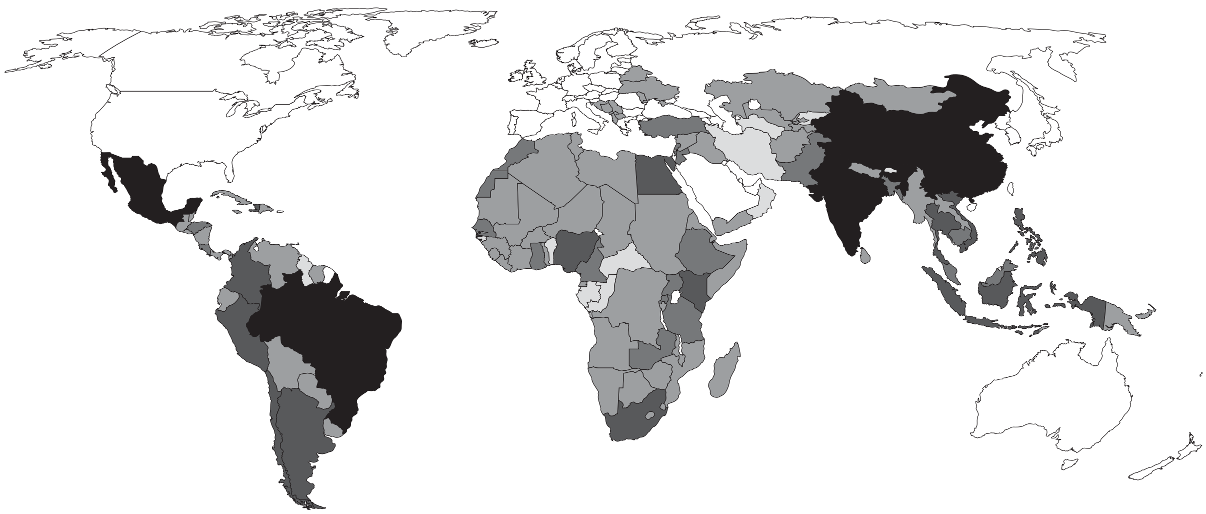
## Corporate Contributions Do Not Reach those in Greatest Need

Within countries, there are pockets of great need for education resources. At the same time, there are countries which on the whole, have levels of extreme education poverty, measured by the share of the population age 17 to 22 years with fewer than four years of education. And while arguably these countries are in greatest need of resources for education, corporate philanthropy does not reach them. While 75 percent of all of the developing countries identified by the Organization for Economic Cooperation and Development receive some form of contribution to education from at least one U.S.-based company, 25 percent of the countries received no contributions to education. The map below indicates the percentage of companies making educational contributions in each country.

Table 8 delineates the relationship between the geography of corporate contributions to education and the overall educational need. Not surprisingly, business strategy and educational need do not match in corporate philanthropy.

In countries with the highest levels of education poverty, less than one-fifth of U.S.-based companies make contributions to education, with the exception of Pakistan. This points to why corporate philanthropy

## Figure 4: Percentage of U.S.-based companies making contributions to education




## Table 8: Education poverty compared with percentage of corporations contributing to education

| Country | Education Poverty (%) | Percentage of U.S.-Based Companies Investing in Education | Country | Education Poverty (%) | Percentage of U.S.-Based Companies Investing in Education |
|---|---|---|---|---|---|
| Central African Republic | 89.2 | 0 | Guinea-Bissau | 49.7 | 0 |
| Niger | 76.9 | 4 | Côte d'Ivoire | 49.2 | 4 |
| Burkina Faso | 70.9 | 4 | Madagascar | 48.3 | 6 |
| Mali | 68.8 | 10 | Benin | 47.8 | 0 |
| Chad | 67.3 | 4 | Rwanda | 45.3 | 18 |
| Somalia | 63.5 | 2 | Gambia | 40.4 | 2 |
| Ethiopia | 61.1 | 14 | Morocco | 37.1 | 16 |
| Senegal | 57.4 | 14 | Burundi | 36.6 | 6 |
| Mozambique | 56.5 | 2 | Liberia | 35.7 | 10 |
| Guinea | 56.4 | 4 | Guatemala | 35.6 | 10 |
| Sierra Leone | 53.7 | 4 | Pakistan | 34.5 | 20 |

*Note: The countries with more than one-third of the population living in education poverty with available data are listed in the first column of this table. After each column giving country names, the second column gives the education poverty rate and the third column lists the percentage of U.S.-based companies making education contributions to the country. Some of the countries in greatest educational need, primarily those in conflict areas, such as Afghanistan and the Democratic Republic of Congo, are not listed here because no data on education poverty levels were available.*

cannot be relied upon as the sole solution for education challenges in developing countries, because it systematically does not reach areas of most need. Instead, through strategic coordination with other donors and governments, corporate philanthropy has the potential to benefit the global community.

## Not Just Workforce Training and Development

The common misconception is that companies only invest in workforce-readiness areas of education. Though they are the most *highly resourced* areas of corporate philanthropy, they are not the *most frequently resourced* areas of education that companies prioritize.

The most resourced philanthropic contribution areas are science, technology, engineering and math education (STEM), entrepreneurship and youth enterprise education, workforce and labor market training and women and girls. STEM is not explicit to secondary education, and it entails subject area educational programs that teach young people about science, technology, engineering and mathematics as a way to bridge education to workforce readiness for some industries. Entrepreneurship and youth enterprise are educational programs teaching business skills and preparing individuals to open small businesses or master basic business strategies. Workforce and labor market training are the educational programs most directly linked to the workforce, and thus they prepare individuals to enter employment or to improve skills in their current job. Figure 5 shows the most resourced thematic focus areas of contribution.

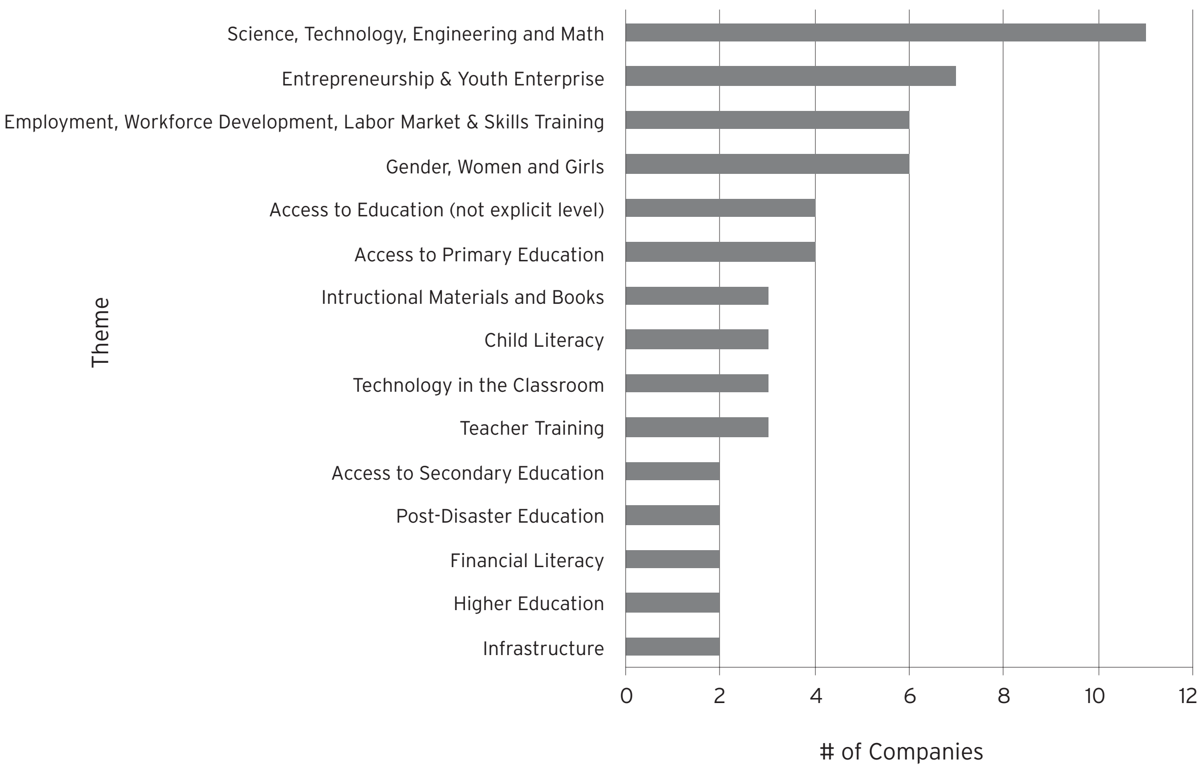
Although these four areas are the most resourced based on the number of companies dedicating a significant portion of resources to the topic, they are not the only heavily resourced areas of educational investment by companies. Many companies focus on primary education, through programs focused on access, teacher training, child literacy, infrastructure or gender. And though not reflected in figure 5, some individual companies do champion the issues of government capacity building, basic mathematics, school meals and nutrition, poverty and vulnerable children, human rights education and social justice, rural education, HIV/AIDS education, climate change education and early childhood education. These companies devote the bulk of their resources to supporting these issues, which illustrates how companies can see benefits from investing in a wide range of education topics.

Companies support more than 50 different themes through their education contributions. And companies on average invest in about 12 areas of education over the course of one year. This interest in so many areas of education leads to the notion that companies do see the value of philanthropic investments in education beyond job training. Table 9 shows the number of companies selecting each of the themes from the full typology; a company's selection of a topic indicates that it dedicates a portion of its education philanthropy to the particular theme. Although this shows promise because companies see value in investing in many areas, it is another indicator of the fragmentation of contributions.

## Companies Invest in Areas of Education Aligning with Business Needs

The philanthropic investment themes on which companies focus vary by industry sector, aligning with the natural needs and priorities of each sector. Table 10 breaks down the most frequent education contribution themes by industry sector. For each sector, the

## Figure 5: Most resourced thematic focus areas of contributions




most popular responses are listed; if there are several responses with high rates of companies making contributions, the italicized text denotes these most frequently cited contribution themes.

Women's and girls' education is the most common thematic contribution area for the consumer and industrial sectors; it is also a major area for the energy sector. The rationale for these sectors to focus on girls' and women more than other sectors is not immediately apparent but most likely reflects a combination of local issues in the communities where the companies operate, company brand and image, and workforce needs. Six of the eight sectors have a strong focus on primary education; this debunks the myth that companies are only interested in secondary education and workforce training. Education at the secondary and postsecondary levels in the forms of vocational, technical and higher education are important contribution areas for six of the eight sectors. Science, technology, engineering and math education is a popular area for the energy, health care, materials and technology sector. The ability to be familiar and knowledgeable in these subject areas is directly related to these sectors' workforce needs in the countries where they operate. Entrepreneurship education is a primary area for the financial and industrial sectors. The financial sector's focus on entrepreneurship is particularly relevant, because when more people gain the skills to start a small business, the greater the demand will be for financial services, including banking and loans.

Table 9: Numbers of companies focusing contributions on themes of education

| Theme | No. | Theme | No. |
|---|---|---|---|
| Primary education | 34 | HIV/AIDS | 9 |
| Secondary education | 29 | Adult literacy | 9 |
| Gender, women and girls | 28 | Compete/conference | 9 |
| Technical and vocational education | 25 | Postdisaster education | 8 |
| Higher education | 24 | Evaluation, assessment and testing | 8 |
| STEM | 22 | Student retention | 8 |
| Entrepreneurship | 21 | Immigrant and migrant education | 7 |
| Technology in the classroom | 19 | School feeding/nutrition | 7 |
| Adolescents/youth | 19 | Special needs | 7 |
| Training | 19 | Human rights and social justice | 7 |
| Employment and labor market training | 18 | Study abroad/exchange | 5 |
| Curriculum | 17 | Language instruction | 5 |
| Poverty / vulnerable children | 17 | Citizenship / democracy education | 4 |
| Rural | 16 | Teacher retention | 4 |
| Early childhood education | 15 | Refugee education | 3 |
| Technology infrastructure | 14 | School administrators | 3 |
| Urban | 14 | Monitoring and information systems | 3 |
| Adult education | 13 | Postconflict education | 2 |
| Financial literacy | 13 | Governance reform | 2 |
| Nonformal education | 12 | Policies and planning | 2 |
| Educational attainment/performance | 12 | Textbook development | 2 |
| Instructional materials (books) | 12 | Teacher salaries | 2 |
| School infrastructure | 12 | Recruitment | 2 |
| Climate/environment | 12 | Decentralization/centralization | 1 |
| Health | 11 | Grassroots and social movements | 1 |
| Child literacy | 11 | Privatization | 1 |
| Instructional Materials (not books) | 11 | | |

Table 10: Most frequent contribution areas by sector

| Industry | Most Frequent Contribution Themes | |
|---|---|---|
| Consumer | *Women and girls*<br>Primary education<br>Instructional materials (books) | |
| Energy | Primary education<br>Secondary education<br>Technical and vocational education | Women and girls<br>Poverty and vulnerable children<br>STEM |
| Financial | *Primary education*<br>*Secondary education*<br>Early childhood education | Technical and vocational education<br>Entrepreneurship<br>Financial literacy |
| Healthcare | Technical and vocational education<br>Instructional materials (not books)<br>STEM | |
| Industrials | *Primary education*<br>*Women and girls*<br>Secondary education<br>Technical and vocational education<br>Adolescents/youth | Poverty and vulnerable populations<br>Entrepreneurship<br>Climate and environment<br>Teacher training |
| Materials | Secondary education<br>STEM | |
| Technology | Primary education<br>Higher education<br>STEM | |
| Utilities | Early childhood education<br>Primary education | Rural education<br>Climate/environment |

## Even Companies without International Philanthropy Programs Give in Times of Disasters

An important finding is that in times of disasters, companies give to developing countries, even when they do not have formal programs for international grant making. When this occurs, donations are typically directed to general disaster relief and not education.

Of all 145 respondents to the survey[8], most did not make contributions to developing countries as part of a formal philanthropy strategy. For instance, as table 11 shows, after the 2010 earthquake in Haiti, 110 companies (77.5 percent) reported contributing to disaster relief. And following the 2005 tsunami in southeast Asia, 97 companies reported making a disaster relief contribution (68.8 percent).

### Table 11: Companies' contributions to education in times of disasters

| Disaster | Made Contribution | Contributions Addressing Education |
|---|---|---|
| Earthquake in Haiti (2010) (n = 142) | 110 (77.5%) | 16 (14.5%) |
| Hurricane Katrina (2005) (n = 140) | 116 (82.9%) | 21 (18.1%) |
| Southeast Asian Tsunami (2005) (n = 141) | 97 (68.8%) | 8 (8.2%) |

However, most of the contributions were directed toward general disaster relief and very few specifically addressed education in disaster and emergency situations. Yet nearly 20 percent of companies making contributions to the domestic disaster named in the survey, Hurricane Katrina, directed their contributions to education. Providing donor education to the companies about the importance of education in postdisaster contexts and also about unmet education needs could increase the magnitude of education resources in these marginalized areas.

## Emerging Issues

U.S.-based companies give more to education than was initially assumed and in aggregate make up a significant source of external education assistance. However, although projected at half a billion dollars annually, this amount is far less than the health sector. Global education should mirror the global health strategy and develop common goals and tangible venues for supporting education with the corporate sector. At the same time, examining what companies are doing to support global education suggests key areas for improvement. Though companies give approximately half a billion dollars annually, many make relatively small-scale contributions and divide them among many different themes and geographical areas. Moreover, the themes of their giving are also not aligned with the game-changing policies identified in the previous section for major actors in anticipation of 2015 and beyond, including the World Bank, U.S. Agency for International Development and U.K. Department for International Development.

These trends suggest that corporate contributions are highly fragmented and less effective than they would be if companies were to leverage large-scale change in the education sector. Yet despite these areas that need improvement, some assets do arise from this current corporate philanthropy, including its link to business and economic opportunities, the high concentration of cash donations, the role of in-kind contributions, the extensive geographical network and generosity in times of disasters. These assets are explored in the last section of this paper when discussing the opportunities for leveraging corporate philanthropy.

**Main Findings**

- U.S.-based companies give approximately half a billion dollars to education annually, more than initially projected based on philanthropy estimates.
- Education receives only a fraction of corporate contributions when compared with the global health sector; education should model global health strategies for harnessing corporate support.
- The majority of contributions are in the form of cash. Companies make larger cash contributions to global education than corporate operating foundations.
- Mobilizing employee contributions for education is an untapped financial potential.
- Most companies give less than $1 million to education annually.
- The energy and technology sectors are the leaders in global education contributions.
- There is a potential to take advantage of corporate interests to leverage employee volunteerism and direct these efforts toward education in developing countries.
- While corporate philanthropy has a wide geographical reach, emerging economies receive the majority of attention.
- Geographical focus of education contributions varies based on industry sectors.
- Corporate contributions to education are not directed to the most marginalized areas in the most need.
- Companies focus on many different areas of education through their contributions, not just areas related to workforce readiness. But the areas of education investment align with business needs.
- Even companies without international contribution programs give in times of natural disaster; there is a potential to harness these resources for post-disaster education.

## WHY COMPANIES SUPPORT GLOBAL EDUCATION

In addition to its unique assets, corporate philanthropy is unlike any form of philanthropy because it exists at the convergence of two interests: philanthropy and business. The philanthropic interests are driven by social benefit, and the business interests by economic benefit (Porter and Kramer 2003). The term used describe the potential for corporate activities to have a mutual benefit by creating business success and addressing societal challenges is "shared value" (Porter and Kramer 2011). If the education community can engage with corporate philanthropy by understanding and communicating the business motivations for investing in education, there is a significant potential to generate additional resources for education while creating shared value for business and society.

### Motivations for Contributing to Education

Most philanthropy from U.S.-based companies is more than a simple altruistic contribution; it embodies elements of a strategic vision for investing in developing countries. This vision reflects how corporate philanthropy can simultaneously advance societal and business goals. Few companies indicate that their contributions are made in an altruistic way untied to business goals. Most subscribing to this paradigm also agree that even the most seemingly altruistic contributions to education are tied to the business in name and brand identification. The philanthropic giving process in these instances also serves as a motivating activity to help employees feel part of a company that "does good" for the world.

The overarching rationale for making philanthropic contributions to education varies across companies and is often a hybrid of several corporate business strategies. A sizable number of companies indicate that they have either recently developed or are developing a new philanthropic strategy so that their contributions will align more effectively with their business model. As one respondent indicated, "I can't donate unless it's a strategic investment for us."

Most companies incorporated at least one, if not several, key concepts into their philanthropic vision. It is useful to look briefly at each of these concepts.

#### *The Concept of Global Market Opportunities*

Many U.S.-based companies have grown and expanded during the past years and decades, experiencing shifts in revenue and production sources overseas. This shift has led companies to make contributions in developing countries on a more frequent basis. Some companies indicate that philanthropy is a way to enter new markets, make contacts, build relationships and develop skilled workforces based on the future needs of the company. Some companies invest in education in emerging geographical areas where they anticipate the bulk of their future growth, building a talent pool from which to draw in future years. Additionally, the current geographical base of their revenue was not a determinant of where they make their contributions because they often need to anticipate new markets when making them.

#### *The Concept of Community Relationships*

Companies indicate that it is important to understand who are their key stakeholders in different geographical areas and how they can be engaged in meaningful ways with the company at the community level. Community stakeholders vary from company to company, sometimes including government, local officials, schools or the community-at-large. Companies with large, long-term presences in a community find it important to be identified as a good social partner. At the end of the day, one respondent noted, "while lots of countries and lots of communities may need our help and our support, . . . it made the most sense to invest in places where we were likely to be . . . a big part of the fabric for a long time." Some companies indicate that they want countries to feel better off for having the company in the community, thus making community relations a strong element of their business and philanthropy strategic plan.

### *The Concept of Employee Empowerment and Engagement*

Employees' interests in contributing to society and feeling good about their company's social mission is important. Several companies create programs or venues to actively engage employees in vetting and selecting the recipients of corporate contributions. Other companies operating in developing countries focus on how to harness employees' skills and talents to create substantive volunteer opportunities for positive engagement with their communities. One respondent notes that these volunteer experiences not only make employees proud to work for the company but also build skill sets that are useful for the business. Some companies indicate that when employees use their skills to engage in community volunteer programs, the company adds real value to the community.

### *The Concept of Workforce Development in Current Communities of Operation*

Companies also find it important to invest in developing the talents of their workforce members living in the communities where they currently operate. This investment includes technical, skill-based training, higher education programs and programs in basic or financial literacy. In countries where companies need to recruit skilled labor, they often make contributions to institutions of higher education and then later recruit employees from these institutions. Other companies focus on the educational needs of less-skilled workers in supply chain communities.

### *The Concept of Brand Recognition*

A company's philanthropy often reflects what it wants to be known for and stands for in society. Its philanthropy thus reflects a brand identification strategy, particularly with in-kind contributions. Sometimes a company targets underserved communities with branded product donations to have a measurable social impact while allowing its name to be recognized in the community among resourced consumers.

### *The Concept of Adding Value to Communities*

Many companies design philanthropy strategies based on where they can best add value in a community given the combination of products, services and employee expertise. In contributing to education, a company often looks for a niche that is not occupied by others and then uses its potential to add value by harnessing its core business strengths to promote good in communities. Sometimes this strategy is linked very closely to employee engagement strategies by leveraging dollar contributions with the skill contributions of employees.

### *The Concept of Product Innovation*

Some companies with products that are used in education—primarily in the consumer and technology industries—indicate that product innovation in education is another philanthropic strategy. By providing access to new technologies and other consumer products, these firms often empower individuals to become innovators who promote teaching and learning. These in-kind products facilitate innovation and creativity and in many ways relate back to the company's brand image. In some instances, companies can use the innovation that unfolds through contributions to improve product design for consumers and other philanthropic recipients. Companies placing a high value on innovation in education see their products as a key enabler of educational breakthroughs. This offers a promising opportunity for the education community to do more with corporate philanthropy, as well as an opportunity for corporations to invest in impact evaluation to determine which innovations are most effective to improve learning and scale.

### *The Concept of Greater Economic Opportunity for Consumers*

Some companies indicate that investing in education is a strategic decision because it leads to economic opportunity in communities. Increased economic opportunity leads to an increased ability to purchase goods and services. The theory is that by helping people climb the economic ladder, individuals will choose to trust the company's brand and use its products and services. In the words of one respondent, "People everywhere would rather provide for themselves and their family, and without education it will be hard for them to do so. So we really see it as a key to addressing a range of other issues—it was just a really, really higher-leverage investment."

### *The Concept of Creating Demand in Both the Public and Private Sectors*

Some companies indicate that philanthropic contributions can strategically address community needs in marginalized areas and thus serve the dual purposes of creating demand in both the public and private sectors for consumer or technology goods. Companies also indicate that by investing in education, it is possible to create members of the public sector who need, can use, and see value in the company's products. This new exposure can create product demand and increase sales in the longer term.

## Companies Are Missing the Real Benefits of Education

Most companies perceive that their contributions to education lead to better community relations, support positive brand identification and meet the social need for responsible behavior. Figure 6 illustrates the most frequently cited benefits that companies receive from their contributions to education.

Only one-third indicate that the company benefits from contributions to education because it reinforces international aid efforts, trains potential employees or creates better-educated consumers. About 25 percent indicate the contributions to education help to penetrate new markets or trained current employees, and less than 10 percent indicate that the company benefits from tax incentives or increased revenue.

This demonstrates quite simply that although companies see a value in education, most are missing the real reasons why investment in education makes good business sense. Though most companies did indicate that philanthropy was directly related to the core business mission during interviews, few linked it directly to the company's bottom line. And though many forms of philanthropy can support brand identification, improve community relations and meet a demand for socially responsible behavior, philanthropic contributions to education have many additional features and benefits that most companies do not see. Investing in education can create a better-educated workforce and healthier communities, allow entry into new markets and leverage international aid efforts, resulting

Figure 6: Benefits of contributions to education


in more systemic impact and an increasing return on investment. Investing in educated communities supports prospects for economic growth; and growth in turn creates additional income for families, allowing them to be consumers of goods and services. In these ways, education philanthropy can have a real impact on a firm's bottom line.

## Emerging Issues

U.S.-based companies have a variety of motivations for making contributions to education in developing countries. These motivations highlight the assets of corporate philanthropy for global education, including the ability to provide innovations as well as close links between business and social objectives—particularly with regard to consumer markets and access to skilled workforces. However, companies see contributions to education as more of a public relations and goodwill endeavor than an integrated business strategy. Contributions to education can have a greater benefit for companies if they understand how education in developing countries is related to their business models through education workforces, communities in which to locate businesses and potential consumer bases. \

Main Findings

- Companies identify many reasons to make contributions to education in developing countries that are strategic to business needs.
- Companies maintain a narrow view of the benefits of education for the company.

## HOW COMPANIES SUPPORT GLOBAL EDUCATION

Corporate philanthropy for education takes place in the larger context of global development and is symptomatic of the changing landscape of development assistance. During the past two decades, there has been significant growth in new actors, including megaphilanthropists, corporations, new bilateral donors, high-profile individuals and the global public (Brainard and LaFleur 2008). Tens of thousands of new foundations and nongovernmental organizations (NGOs) have joined traditional donors and developing country governments to promote development; and this proliferation of new donors and implementers has come without standard methods for reporting or harmonizing activities (Kharas 2008).

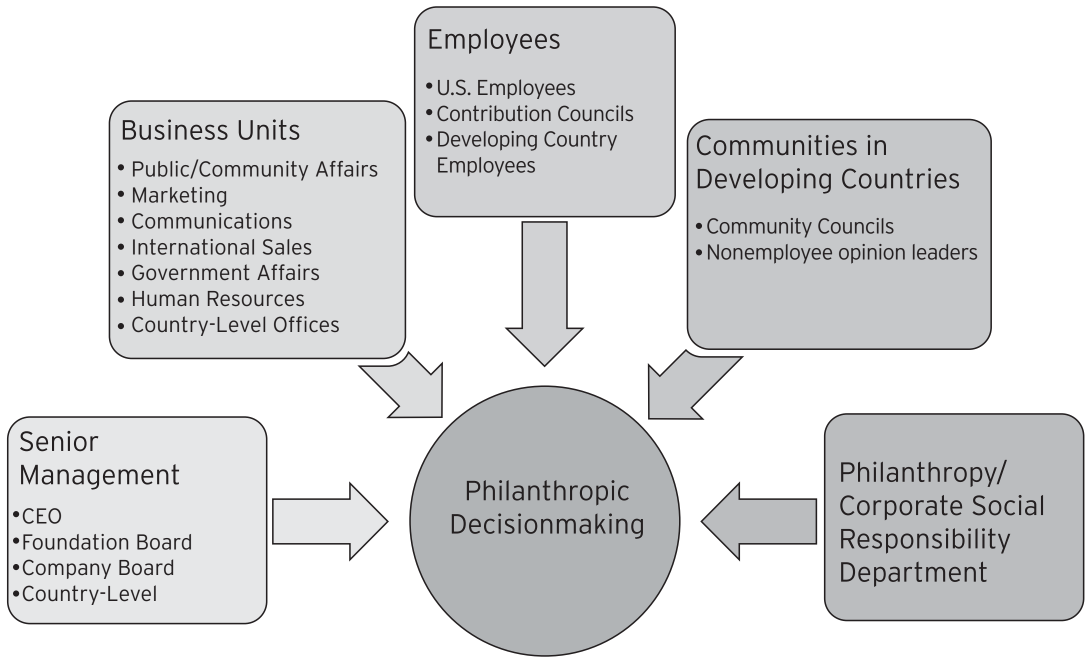
Although small development projects can seed innovation and experimentation, there is an extensive literature about the implications of the extensive fragmentation of aid in this new era development. Some of the consequences of this fragmentation include multiple requests for studies, an inability to identify and scale up best practices and distortions between country development priorities and where funding is directed by donors (Fengler and Kharas 2010). Take, for instance, Tanzania, where a large share of aid is channeled through more than 700 projects managed by 56 parallel implementation units, and half the technical assistance provided to the country is not coordinated with the government (OECD 2007). This donor fragmentation can also have an impact on nonprofits' effectiveness, causing them to dedicate significant time and resources to oversight and administration rather than project implementation. The uncertainty of financial resources for projects can also lead contributions to be less effective; on a large scale, this is referred to as aid volatility through official development assistance (Fengler and Kharas 2010), but it also affects smaller-scale grants with lower levels of certainty or unpredictable financing schedules. Understanding these issues that have surfaced in the larger discussion of aid effectiveness throughout the entire development sector provides a lens for analyzing the effectiveness of corporate support for global education.

### Many Actors, and Sometimes a Single Strategy

A wide variety of actors and decisionmakers influence corporate philanthropy. Though some companies have a single budget for philanthropy, it is more common for a company to have multiple sources of funding from several budgets across the company and foundation. Most striking is that several companies declined participation in the present study because they were unable to determine who in the company was responsible for making decisions and tracking contributions in developing countries. This underscores the lack of internal strategic coordination of education contributions and is one example of why companies are not maximizing the potential value of their contributions to education.

In very few instances does just one person or office make decisions about philanthropy vis-à-vis education. Understanding how these individuals in a company influence the philanthropy process highlights the different ways in which contributions to education can be strategically aligned with business interests and best meet a community's educational needs. Figure 7 portrays the individuals who most commonly influence education philanthropy, based on qualitative data from this study. It is useful to briefly examine each type of individual.

Figure 7: Individuals involved in philanthropic decisionmaking




***Senior Management***

The chief executive officer and other senior-level managers play a variety of roles. In most cases, these individuals sit on philanthropy boards representing various offices; they include the chief financial officer, vice presidents for geographical regions, country or regional directors, and senior-ranking leaders responsible for communications, public affairs, international sales, human resources and marketing.

In some companies, the CEO plays an important role in championing the contributions to education. Some individuals cite the CEO's buy-in as the most important component of successful philanthropy programs. One respondent, in speaking about the importance of the CEO's leadership for education philanthropy, stated, "I would say to any organizations looking to do any type of social investment work, there has to be a buy in at the top. Because otherwise at some point it just becomes a program." It is important for the education community to recognize the value of CEOs as champions and to begin to cultivate their interest in maximizing the social and business benefits of education. Several examples show that high-level commitments by CEOs can be the source of major philanthropic initiatives within companies.

### *Business Units*

Different business units have a direct influence on the philanthropic activities of each company. Business units have budgets dedicated to philanthropy through marketing, community affairs, human resources, country-level offices, communications and international sales. The government affairs team is positioned to be involved in driving philanthropic decisionmaking in developing countries in some companies, and thus able to relay government priorities to the philanthropy team to see where there may be synergies that can drive philanthropic investments. In one company, the philanthropy director explained that "the government affairs team understands what the government is expecting of us and where the needs are. Especially in education, where the ministries of education are very active, [we find out about] what the specific programs they are trying to drive [and] sometimes can we help with the nonprofit world to accelerate those goals." By gaining an understanding about the perspectives and aims of these business units, staff members responsible for philanthropy can improve the process of aligning shared values between companies and society.

### *Employees*

In many companies, employees based in the U.S. have the option to serve on contributions councils and vet potential recipient organizations. In other companies, philanthropy programs are designed to channel the energy and interest of U.S. employees in supporting the supply chain communities of the company. Employees have the ability to visit projects funded by a company's philanthropy; these are often set up as reward programs or volunteer opportunities. In some companies, employees based in developing countries also have an active voice in philanthropy, and they are thus allowed to sit on community contribution councils to help make funding decisions. And thus firms that engage employees in education can develop a strong constituency of influential donors and influencers of corporate philanthropy policy.

### *Philanthropy Directors and Staff*

In most cases, a company's philanthropy staff is a relatively small and sometimes understaffed unit within the overall corporate structure. The philanthropy staff may be part of a foundation, social responsibility, community affairs or marketing team. Even in large companies, the philanthropy staff may consists of one individual; given the variety of projects on which theses office work, it is unlikely to have educational experience and technical knowledge of education. More focused investments in central philanthropic offices can transform many semicoordinated projects and initiatives into companywide philanthropy strategies that better maximize employee engagement, grantmaking, and educational expertise to make a greater impact in society and on the business.

### *Communities in Developing Countries*

In some communities, nonemployee opinion leaders who have relationships with site managers are able to influence the direction of a company's philanthropy. In a few instances, companies establish community advisory panels or community councils made up of a cross-section of the community. As one interviewee stated, "One of the things that we were very careful about is that we cannot develop a program sitting here in [the United States], and then take it to the world and say, 'Here it is, implement it.' This type of work has to be done in the local setting, so . . . the [local partners] we work with in each country . . . come together to help us design, develop, . . . [and] enhance [our programs]." Integrating local community participating is an area where many companies can improve so as to ensure that their contributions are effective in addressing community needs and maximizing impact.

## Nonprofits Are the Largest Recipients of Corporate Philanthropy

The vast majority of contributions to education are directed to international nonprofits or local nonprofits based in developing countries, as shown in table 12. For the purposes of this study, international nonprofits are large NGOs, frequently headquartered in developing countries, with operations in multiple developing countries. Likewise, local nonprofits are NGOs based within developing countries.

The international nonprofits most frequently mentioned as recipients of education contributions included Save the Children, CARE, Room to Read, and Junior Achievement. Although some companies prefer to work with large nonprofits because of their scale, other companies find them problematic and prefer to work with smaller international nonprofits or local nonprofits. Concerns making it difficult to justify contributions to larger nonprofits included skepticism about administrative cost levels and the opaque nature of larger nonprofit budgets. Companies indicate that money tends to go to a large pool of funds and thus it is difficult to trace what actually happens to a contribution on the ground.

Almost half the companies make contributions directly to schools. Nearly one-fifth channel their contributions through international aid agencies, such as the U.S. Agency for International Development and the U.K. Department for International Development. Fewer than 15 percent of companies direct contributions to national governments and ministries of education, district governments, or local governments. Though UN agencies were not an explicit option in the study, a sizable number of companies point out that they direct education contributions to UNICEF. Their reasons include the accessibility of staff based in the United States as well programs to engage high-level corporate leaders in visitations to programs in developing countries. Other recipients of contributions not listed above included individuals (through direct scholarships), universities and self-founded NGOs structured as 501(c)(3)s to carry out the philanthropy of the company with the assistance of other donors. The 501(c)(3) model is relatively new and is documented in only three instances.

The way in which corporate philanthropy is delivered to developing countries is a challenge not only for corporate philanthropy but also for the development sector as a whole. Further splintering of development efforts by supporting a variety of nonprofits rather than governments or international aid initiatives perpetuates the systemic challenges associated with highly fragmented aid delivery and lessens the overall impact of contributions. Companies should look for opportunities to form partnerships on larger scales with governments that have strategic, systemwide visions that implementing NGOs and donors may not have.

## Choosing Nonprofits over Governments May Not Achieve Scale

Corporate philanthropy representatives cite several attractive features of nonprofits as partners. Overall, nonprofits at the international or local level are the main recipients of corporate contributions to education because of their perceived ability to innovate; scale projects; achieve a direct, localized impact based on companies' needs; add expertise and technical skill to education visions; and expand companies' on-the-

### Table 12: Recipients of education contributions

| Recipient | Percentage of Companies Contributing through Recipient Type |
|---|---|
| International nonprofits | 78 |
| Local nonprofits | 73 |
| Schools | 47 |
| International aid agencies | 18 |
| National government / Ministry of Education | 14 |
| District government | 10 |
| Local government | 6 |

ground presence. However, the reasons that companies cite for preferring to work with nonprofits may also apply to other potential partners in the global education community. In particular, partnering with governments is important if corporations are seeking long-term systemic change. Other key considerations include the following:

- *An ability to innovate with small investments:* With many companies using resources to seed innovation, they cite the flexibility and creativity of nonprofits to use even small contributions innovatively to achieve great impact. For some companies in the consumer and technology sectors, this means taking product donations to the next level of social use through inventions and innovations. By allowing nonprofits to take on educational challenges with the ability to innovate with cash and in-kind resources, companies are able to replicate innovations in other regions through their philanthropy programs or even incorporate the innovation into product design.

- *Scale management with international nonprofits:* Given the small staffs of many corporate philanthropy offices, forming partnerships with large nonprofits makes it easier to manage large operations and multiply the nonprofit's work in different communities through corporate support. However, if companies are interested in achieving a sustainable scale, partnering with development agencies or governments may be an option with more long-term impact on outcomes.

- *Achieving a big impact at the grassroots level:* Contrary to the companies seeking large nonprofits for scaling up, other companies with limited philanthropic resources find it more meaningful to support grassroots-focused nonprofits with smaller grants. These companies find that they can have the most impact when a nonprofit having difficulty raising money from larger donors due to its smallness and limited geographic coverage can rely on an understanding company for support.

- *Expertise:* Many companies seek partnerships with nonprofits to provide them with the technical expertise to accomplish their education vision. Some companies also work with technical nonprofits at the outset of a program at the design and evaluation framework stage before implementation. Companies should also consider how to use the expertise of local communities and nonprofit technical organizations as well as government agencies to develop and evaluate the effect of programs.

- *Expanding to regions with little on-the-ground presence:* Another perceived benefit of partnering with international nonprofits is the ability to expand a philanthropic presence to countries where the company did not yet have personal relationships. As a staff member of one company stated, building personal relationships on the ground through partnerships with nonprofits is helpful "to build stronger on-the-ground presence, so we'd have a much more direct connection to those countries." Directly coordinating with developing country governments and/or international aid agencies could also facilitate the development of partnerships.

## Communicating the Benefits of Education in Business-Speak

U.S.-based companies look for different characteristics in nonprofits when making education contributions. The characteristics companies cite that make nonprofits attractive partners can also apply to other potential partners, including government ministries and aid agencies. Acknowledging the selection criteria of companies can help the education community better communicate with potential corporate donors about education and provide realistic assessments of what is necessary for successful education programs. The characteristics of strong nonprofit partners include:

- *Concrete plan and deliverables:* The most appealing nonprofits are able to lay out concrete plans and deliverables. Companies making contributions to education note that it is important to know exactly how every dollar will be used to achieve the intended goals.

- *Reasonable administrative costs:* Several companies mention that overhead plays an important role in selecting education nonprofits. Companies are more likely to make contributions to organizations that have lower levels of overhead and thus are able to direct more resources to on-the-ground implementation.

- *Strong track record:* All companies mention the importance of organizational track records. Nonprofits with strong track records are able to share financial statements from previous years, register in the country of implementation, have an established board and demonstrate measurable impact. Another component of strong track records is employee perception of the nonprofit in each country; in countries where there is a strong employee presence, it is not uncommon to ask them for feedback about nonprofits and include word-of-mouth assessments as part of the evaluation. This is particularly important in countries and communities where local nonprofits have been the recipients of education contributions.

- *Cultural fit:* Several companies note that the nonprofit culture is an important selection criterion. Companies assess cultural fit based on whether the nonprofit staff conducts its day-to-day business in a way that is consistent with how the company wants to see its image replicated and whether the mission aligns with the company's business and social missions. Some companies want to build interpersonal relationships with the nonprofit staff, and therefore it is important for the nonprofit culture to be in sync with the company's culture. In the words of one respondent, "What we've learned over the years is that if we just read through . . . proposal[s] and send a check without having gotten to know the staff, we don't feel good about that kind of support."

- *U.S.-based staff:* Some companies prefer a direct connection to individuals in the U.S. without having to make site visits to assess progress.

- *Relative need and opportunities:* Many companies like to see a mix of direct impact and opportunities for risk in spaces others do not typically fund. Some of the questions companies ask about programs include who is it serving, how much are others already filling the space, what are the prospects for sustainability, and what is the degree of innovation. One respondent noted the company tried "to balance [its] portfolio between things that . . . will have fairly certain payoff versus things that may be start-up, seed or innovative that could push the envelope a little bit, then ultimately operate independently."

- *Good communications in communities:* Some companies consider the work of nonprofits to be an extension of their corporate presence in communities. Given that one of the purposes of philanthropy is to make a positive association between the community and the company, several companies feel that it is important for the nonprofit to have a very clear communications and outreach plan. As one respondent stated, "Obviously, for us an important part is to make the world aware of what [the company] is doing locally and globally . . . related to . . . additional investments in education or the local issues."

- *Contacts and connections for the company:* Some respondents indicate that savvy nonprofits seeking corporate contributions for education make an effort to demonstrate to their prospective partner companies the additional benefits of working in partnership in a country or region. For instance, some nonprofits make it a point to provide their partner business leaders with contacts and connections to different people of importance in the community.

- *Capacity to expand and scale good ideas:* Nonprofit partners who understand holistically what is necessary in a community for a project to be successful are seen as strong partners. Some companies making larger contributions look for nonprofits with the capacity to scale up successful projects throughout countries and regions; for these companies, the human capacity and technical knowledge and skills to implement this vision are important.

- *Understanding business culture:* Many education nonprofits do not understand business culture, and this makes them less appealing partners. So instead, nonprofits need to learn to understand business culture. This includes being able to demonstrate specific and tangible uses of resources, provide direct and timely feedback about corporate contributions and facilitate additional connections for the business at the local level. In the words of one respondent, nonprofit partnership involves "mutual understanding of objectives and interests and culture, and . . . [not] local culture but business culture in comparison to NGO culture. A good NGO partner and a good business partner will work together to come up with an annual plan, execute that plan, and that will include reporting on inputs and outputs, and focusing on communication."

Although companies have guidelines for working with partners to achieve education goals, the education community can also play a role in educating the corporate sector about the realities of achieving a successful development impact. Providing realistic assessments of what is needed in resources and longitudinal support to reach desired outcomes can mitigate expectations of corporate philanthropy and lead to longer-term positive effects.

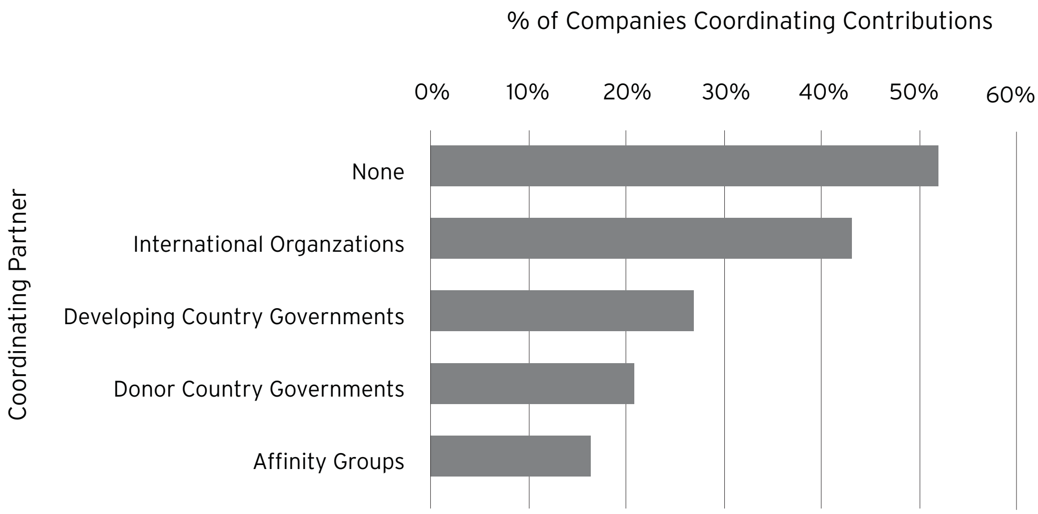
## More and Better Coordination of Corporate Philanthropy Is Needed

Corporate philanthropy lacks coordination; more than half the companies report not coordinating their education contributions with any other entity. And even when contributions are coordinated, it may be at a superficial level and more consistent with information sharing rather than strategic planning to maximize impact and effectiveness; see figure 8.

The largest coordinating body is international organizations; 43 percent of the companies surveyed coordinate educational contributions with international organizations. One-fifth of the companies coordinate contributions with donor governments, and 27 percent coordinate them with developing country governments. A total of 16 percent of the respondents indicate that they coordinate contributions with affinity groups.

Along with the low rate of coordination, the quality of coordination also lacks the strategy that would leverage the assets that different coordinating partners

Figure 8: Coordination of education contributions




can bring to bear on the effectiveness of investments in education. Coordination with donor countries consists of contacting donor agency leadership and staff members working in developing countries as informal sounding boards to gain a better understanding of the education landscape in a given country. Only infrequently do companies report participating in donor processes convened by aid agencies from developed countries; in the few instances in which this occurs, the process is led by the U.S. State Department and the purpose is to identify ways to support projects through multiple funding sources, including the corporate sector. More meaningful coordination with donor agencies will be a step toward improving the effectiveness of contributions at a more strategic level.

One reason that companies do not coordinate with education ministries is that they are unsure about whom to work with or they do not have confidence that the government will effectively use contributions. For those coordinating with developing country governments, the degree of coordination ranges from superficial engagements, whereby the ministers and local officials attend ribbon-cutting ceremonies and tour project sites, to more legitimate coordination, which in some cases entails working directly with ministries to increase internal capacity to manage an education system. Companies feel that even small degrees of coordination or interaction are helpful so that government officials can gain a positive impression of the company's work in the community. However, these light-touch levels of coordination are relatively meaningless in promoting large-scale sustainable educational change.

The few companies that are closely coordinating with governments find value in government buy-in and cite it as a necessary component for scaling up any educational programs to sustainable levels. As with working with nonprofits, companies work with ministries when they have interpersonal connections with individuals and have confidence that the individuals in the ministries can deliver on programs and report on how contributions are used. Finding individuals within ministries who will champion what a business can bring to the education system in addition to cash, particularly product or expertise, is the key to successful relationships.

More than 40 percent of respondents coordinate contributions with international organizations, primarily UN agencies. The most heavily cited reason is the UN's scale and reach within the countries where companies operate and contribute. Companies find it useful to have contacts in the U.S. with whom to speak about contributions while knowing that the organization has the capacity to deliver at an effective scale in the different countries of interest. To engage high-level corporate leadership, some UN agencies have invited corporate leaders from donor companies to visit projects; as one respondent stated, "When you can get company people personalized and engaged, they become your champion type of company."

The most common affinity groups for companies are the World Economic Forum and the Clinton Global Initiative. In addition, there are other general business philanthropy affinity groups, such as the Committee Encouraging Corporate Philanthropy. The degree of philanthropic coordination within the affinity groups varies in its rationale and perceived effectiveness. These networks are used less for strategically coordinating education contributions and more for information sharing, enabling companies to connect with other corporate donors.

## The Huge Potential for Cross-Corporate Philanthropy Partnerships

Most companies do not coordinate or form partnerships with other companies when making contributions to education. When coordination does take place, it is often through informal coincidences, such as providing common funding to an international NGO. Relationships with individuals at other corporate philanthropy conferences are seen as useful for building networks of philanthropists, but these informal networks have not developed into strategic partnerships or coordination efforts.

Because a company's basic goal is to maximize its profits and compete in the marketplace, many companies often find it difficult to partner with other companies. As one respondent noted, "People in corporate philanthropy don't play well together. . . . Part of that is because, at some level, we're all an arm of marketing for the company. And that's hard." This is exacerbated in for companies in similar sectors and in direct competition with one another.

Nonetheless, cross-company coordination is not unheard of in the philanthropy community. One respondent notes that "collaboration happens where people forget about the logos and they operate from a different place. During disaster response . . . is where you see amazing collaboration because everyone's focused on the same end result and mission." Some companies find that the notion of partnership is a useful way to learn about and improve what they do to support global education—and they are willing to work with other companies to do this. Given the interest in experimenting with this model, companies should identify complementary corporate partners, allowing one another to leverage their comparative advantages in cross-corporate partnerships. By working with other firms to identify complementary products, services and geographical areas and similar business needs, a company is taking the first step toward generating a shared value with higher returns and thus more sustainable effects for education than if it had acted alone.

## Most Contributions Are Short Term

Companies expect their contributions to global education to achieve long-term benefits, but this is impossible with short-term and one-time contributions. Among the firms surveyed for this study, more than 70 percent of their contributions are of less than three years in duration—with half of these lasting only one year. Grants of more than three years are made by only 17 percent of the companies, while 11 percent indicate that they have varying time commitments with renewal possibilities. Those companies that have been part of a community for an extended period and have made large investments are more likely to make longer-term contributions. One company cites contributions for up to 10 years of guaranteed support.

Corporate philanthropy is not tied to short-term political cycles, as is official development assistance from governments. Thus, if corporate philanthropy is instead based on the donors' long-term business interests in the recipient countries, it can reflect longer-term commitments, allowing for deep transformation in the education sector. Unfortunately, this is the exception and not the norm, making corporate contributions relatively volatile from year to year, as shown in figure 9.

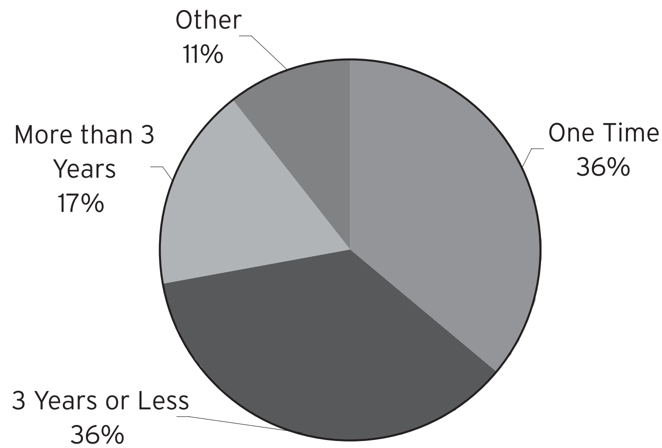
The rationale behind one-time grants with renewal mechanisms is to build trust with recipients to ensure that they provide evidence that the contribution is having the intended impact. Without this evidence, companies are less likely to make another donation. Organizations providing more information and updates regarding progress and use of contributions are cited as those more likely to receive additional resources. Educational outcomes are the product of long-term investments in children and youth; therefore, if companies seek a high return on their contributions in communities, these contributions need to consist of predictable, longer-term funding.

## Companies Need Better Metrics for Education Philanthropy

Evaluating the effects of international development aid is an issue of increasing importance in the development community. After decades of investments totaling billions of dollars, relatively little is still known about the impact of most social development programs. The pendulum is swinging toward placing more importance on learning what works by conducting what are known as impact evaluations, so that aid dollars can be spent more wisely (Center for Global Development 2006).

The U.S. government is now taking a strong stand on the importance of impact evaluations; the reform agenda for the State Department and Agency for International Development places a priority on investing in initiatives with demonstrated outcomes and on making a strong effort to enable the U.S. to become the world leader in aid monitoring and evaluation (USAID 2010). Impact evaluations are also at the core of the new World Bank education strategy (World Bank 2011). In this new context, corporate philanthropy for education seems to be woefully behind the development community in measuring the impact

Figure 9: The typical lengths of philanthropic commitments




of contributions. When making business decisions, companies invest where they think they will gain a high rate of return; however, the same does not hold true for philanthropic contributions. Though a handful of companies do strongly emphasize monitoring and evaluation, their metrics do not provide strong indicators of contributions' effectiveness but instead tend to focus on outputs, enrollment rates, employee satisfaction and community perceptions of the company. In only a very few instances do companies actually measure learning or other true outcomes.

Companies acknowledge this dilemma. Despite the many ways of looking at results and impact, companies note that the primary challenge is to move away from a "millions served" system to understanding what serving millions means for the company and the community where it operates. Companies are interested in developing mechanisms to measure ultimate objectives: How many young people can read? How many people successfully got a job? Some companies also mention that there are difficulties in attributing the outcomes for the students to the results of philanthropic contributions. Though some companies measure graduation rates, other point out that it is usually unclear how much of what the company does contributes to the graduation rate in a school versus other factors. Some companies also express interest in measuring teacher quality and learning but indicate that the development of metrics and manageable assessment tools is difficult.

However, there are promising models in the corporate philanthropy sector that can be replicated. One company approaches results and impact measurement by partnering with a research nonprofit in the U.S. to engage in education program design and evaluation frameworks. Though the company uses the model in different communities and countries with different implementing nonprofit partners, the research nonprofit remains a consistent partner across all the education-based philanthropy programs to perform independent monitoring and evaluation. Other companies use research teams from universities to design and conduct impact evaluations of their programs to learn which are most effective. Forming more partnerships of this nature will help companies see what contributions have an impact on the areas of society they care most about helping through education.

## Emerging Issues

Corporate philanthropy mirrors common practices in development assistance that are considered ineffective. The reliance on nonprofits to implement philanthropy in the education sector over government partners or larger-scale aid agencies perpetuates donor fragmentation and will not lead to the scaling-up potential that some companies aim to achieve. The resulting lack of coordination at any meaningful and strategic level coupled with the short-term nature of most contributions create highly fragmented and volatile philanthropy structures. These deficiencies stymie significant potential for partnerships to leverage corporate assets with those of other companies or actors in international development, including donor and host governments. If companies can instead begin to make strategic philanthropy decisions in concert with these partners and embrace a culture of impact evaluation, they will gain the opportunity to embrace innovation and to work toward a larger scale with a greater likelihood of achieving sustainable educational outcomes.

Main Findings

- There are many actors within a company making decisions about contributions to education in developing countries. These actors do not always align with one global education philanthropy strategy.
- Nonprofits are the largest recipient of corporate philanthropy for education; the use of nonprofit partners has less potential impact on systemic change than do supporting governments.
- Companies rarely coordinate philanthropy, leading to fragmentation of philanthropy efforts. If companies desire scale, they should consider strategic partnerships with donors, governments and complimentary corporations contributing to education.
- Most contributions are short-term. Companies should move toward longer-term grants to increase effectiveness and sustainability of contributions.
- Companies are a step behind the development community in placing an emphasis on impact evaluations. Embracing these evaluations can improve the effectiveness of philanthropic contributions and yield better results.

## OPPORTUNITIES FOR GREATER IMPACT

Corporate philanthropy is a unique form of financing for education in developing countries. Not unlike other donors to education, corporations have an ideology and set of motivations driving contributions. And though the rationale may differ from one company to the next, the agenda behind education contributions is clear: to maximize a shared value for the community and the company through investments in education. Like other forms of development assistance, corporate philanthropy has many assets and also several liabilities that hinder its ability to reach maximum effectiveness.

### Doing More to Leverage Its Assets and Minimize Its Liabilities

Table 13 highlights the assets and liabilities of corporate philanthropy for education arising from this study. Reconfiguring the way a company thinks about the role of education in developing countries vis-à-vis its larger business strategy can enable it to build upon corporate philanthropy's inherent assets and help to minimize its liabilities that could lead to ineffective practices and a lack of impact.

On the asset side, an investment of nearly than half a billion dollars annually indicates that companies do see the value for business of aid to education. Companies have truly global reach, with deep connections to communities and governments in developing countries. Companies also link directly to economic opportunities in regions around the globe, so education can tie individuals to tangible opportunities to use their knowledge and skills for economic engagement in society. Contrary to other sectors, corporate philanthropy for education is made up primarily of cash, and it also has an in-kind component of products with direct implications for improvements in educational quality. The desire to innovate and the ability to influence product design potentially give companies the opportunity to use in-kind products and cash investments to create game-changing ways to improve education in developing countries. Moreover, the expertise of these companies' employees can be utilized to bring additional talent to the education community through meaningful employee engagement.

Also surfacing in the study are the liabilities of corporate philanthropy that inhibit its potential to add sustained and maximum shared value for the company and the community. A variety of factors point to the heavy fragmentation of corporate philanthropy: small, short-term grants to nonprofits focusing on many different themes, spread across 114 countries and relatively uncoordinated with governments, donors or other companies. And though these contributions may have a meaningful impact on communities, the impact is far smaller than the potential. Additionally, the contributions do not gravitate toward those with the most educational needs. The lack of impact evaluation prevents philanthropy from investing in educational programs with the highest potential impact for society and the business. Moreover, there is an untapped potential in the education community, given that most companies do not integrate the knowledge of best practices and strategies that could be readily obtained from educational research into their decisionmaking processes because they lack in-house technical expertise and often do not engage in partnerships with research institutions or communities of practice.

Given the education needs throughout the world and corporate philanthropy's interest and trends, this study's findings point to 10 potential opportunities to leverage this philanthropy to achieve a greater impact

## Table 13: The assets and liabilities of corporate philanthropy

| Assets | Liabilities |
|---|---|
| • Education links to business goals | • Most contributions are small-scale |
| • Have global reach and networks | • Focus on many different themes |
| • Deep connections with governments and communities | • Companies spread small contributions across many geographical areas |
| • Direct link to economic opportunities | • Short-term contributions |
| • High proportion of cash contributions | • Not coordinated with other actors |
| • In-kind products | • Lack of impact evaluation and metrics |
| • Desire to innovate | • Do not utilize complimentary education expertise |
| • Flexible funding | • Does not reach more poor and most marginalized people |
| • Employee expertise | |
| • Ability to influence product design | |

on education in the communities where firms operate while also gaining more sustained benefits for business.

### *Opportunity 1: Maximize the Effectiveness of Multiple Donors in the Same Country*

When most companies invest in education in developing countries, they report doing this in an isolated manner; fewer than half coordinate philanthropic contributions to education with other entities. And fewer than one-fifth indicate that they coordinate contributions with national recipient country governments or international aid agencies working to support education.

Although it would be naive to expect broad-based collaboration among all donors in all countries, it is not farfetched to seek some degree of collaboration to leverage resources for greater impact from a donor perspective in some geographical areas. This collaboration can take place via multilateral government aid agencies, other private sources, such as companies and foundations, or direct coordination with governments.

In the public sector, an epitome for this type of collaboration is the Education for All Fast Track Initiative (FTI), which encompasses 19 donors that have contributed more than $2 billion to 43 low-income countries (Bellamy and Trapp 2011). These countries have publicly available education sector plans that have been developed by the recipient country and endorsed by the local donor group. Understanding how much FTI funding is dedicated to these plans and how corporate philanthropy can address not only business goals in these countries but also domestic education priorities supported by a larger fund is a way to strategically leverage and coordinate contributions. There is also an opportunity to use the national education plans and FTI proposals to understand where the corporate sector could engage to fill a specific funding gap. Some countries with education plans receiving FTI funds are relevant to the corporate philanthropy community based on overall contribution trends, including Haiti, Kenya and Vietnam. In the consumer industry sector, Rwanda and Cambodia receive funds from FTI and are also priority recipients of corporate contributions; and Papua New Guinea is a relevant FTI country for energy industry.

Understanding the focus of development agencies in education makes it possible to devise leverage points for funding and collaboration. The U.S. Agency for International Development (USAID), a contributor of more than $900 million annually to education, has a new education strategy (released in February 2011), and the United Kingdom's Department for International Development, a donor that gave an estimated $636 million in 2010, is in the process of developing a new strategy. Both donors place a strong emphasis on the role of public–private partnerships in education. For example, the USAID strategy for education has three clear goals:

1. Improve reading skills for 100 million children in primary grades by 2015.
2. Improve the ability of tertiary and workforce development programs to generate workforce skills relevant to a country's development goals.
3. Create equitable access to education in crisis and conflict environments for 15 million learners by 2015.

Undercutting these three goals are several strategic principles relevant to corporate philanthropy. First, USAID will focus its education funding on programs capable of achieving rapid results or being scaled up nationally. Increased emphasis will be placed on Sub-Saharan Africa, and USAID will consider the work of other donors in regions to maximize the complementary aspects of donors and minimize duplication. The strategy also focuses on gender, innovation, science and technology in education, and on phasing out investments of less than $2 million. Moreover, the strategy's main goals align with different corporate philanthropy interests, and the strategy states an explicit desire to leverage partnerships with the private sector. Specific opportunities for working with the private sector include the provision of learning materials, connecting workforce preparation programs to private sector needs, forming partnerships for tertiary and workforce development education, and supporting grand challenges to reach specific education goals, similar to the successful goal-oriented models for private sector engagement used in the health sector.

Also in the realm of multiple donors, companies have indicated that it would be helpful to learn about how other companies have invested in education in developing countries, but they have prefaced any notion of direct collaboration with the caveat that these other companies, particularly those in the same sector, also compete in the marketplace. In those countries with multiple corporations operating philanthropically in the education sector, companies should seek opportunities to leverage comparative advantages to maximize the shared value for business and global education.

Finally, those engaged in corporate philanthropy should look for opportunities to work directly with ministries of education to identify how a company's core interests and comparative advantages can align with national goals and interests. These partnerships can lead to long term, sustainable outcomes amounting to much more than the on-off alternative.

### *Opportunity 2: Broaden Areas of Strategic Investment*

Although thematic areas of investment vary by sector, popular contribution areas include primary education; secondary education; gender, women and girls; technical and vocational education; higher education; STEM; and entrepreneurship. These heavily resourced contribution themes are predominately career-specific, but other education investments can also be leveraged to have a positive impact on a company's business goals, for instance, the following possibilities:

- *New markets:* Some companies indicate that education philanthropy is deployed to invest in the creation of skilled labor forces for the future in emerging economies. Yet investment in early childhood education is not a heavily resourced thematic focus area, despite the argument of van der Gaag and Adams (2010): knowledge and skills acquired in the early years create the foundation upon which new knowledge and more complex skills can be built; skills beget skills. Additionally, areas where priorities have been on school enrollment and access have not been able to adequately address learning. Early Grade Reading Assessments and other rapid reading assessments indicate that many children are unable to read a simple text after two to three years of school. Investing in early childhood development and learning achievement in primary school can help build the skilled workforce a company envisions down the line in future markets.

- *Consumer base:* For companies seeking increased use of financial services or purchasing of products, investing in general education—not solely financial or entrepreneurship education—can promote growth in geographical areas of interest. For instance, focusing on the quality of general education can increase an individuals' ability to engage in economic and income-generating activities. Other studies show that investing in a single year of education for children in developing countries boosts wages by 10 percent; increases the chance of healthier, smaller families; and is associated with a reduced risk of conflict. As U.S. secretary of education Arne Duncan recently pointed out, "Americans must realize that expanding educational attainment everywhere is the best way to grow the [economic] pie for all" (Duncan 2010). Investment in educational attainment is in fact a smart philanthropic business investment.

- *Current workforce:* For companies interested in a skilled workforce in their current areas of operation, it may be relevant to focus on postprimary education pathways. Of all development assistance to education, less than 10 percent is estimated to support secondary education (UNESCO 2011). The vast majority is directed to primary and higher education. This has created difficult policy situations in developing countries, where budget shortfalls and international mandates have left countries without stable postprimary and secondary schooling infrastructures. Companies may wish to identify communities facing this situation and invest in bridging the postprimary gap, potentially leading to opportunities for workforce development.

### *Opportunity 3: Innovate in Education*

Investments of resources and research are needed to develop strategies to increase learning in the classroom. Given the clear learning crisis in global education, the need to innovate resonates with many companies that are making contributions to education, particularly in the technology sector. Several companies note the importance of innovation with their products to inform product design and expose the company's brand in a positive manner in geographical areas of interest. Given the relatively flexible nature of corporate philanthropy, the learning crisis and the desire for aid agencies to scale up innovative solutions to global education, the time is ripe for innovation partnerships. If companies can direct their philanthropic contributions of cash and in-kind products toward identifying game-changing solutions through piloted interventions and impact evaluations. then aid agencies and governments can scale up successful interventions. The use of technology and innovation is not limited to learning in the classroom but can also tackle barriers in school management, including designing or improving data systems or payment mechanism for rural teachers. These philanthropic investments could be low-cost, highly innovative, and have a high impact for companies and countries.

### *Opportunity 4: Invest in Education in Disaster Contexts for Longer-Term, Higher Impact*

The potential impact of investing in education in disaster contexts is significant. After a disaster, education is one tool in society that can bring safe spaces for children and a sense of normalcy in an otherwise chaotic environment. Supporting measures to ensure safe and secure environments for children to attend school, particularly girls, is an immediate but often overlooked need at times of crises. Additionally, disaster contexts can interrupt the provision of education for several years; by investing in education, firms can enable young people can to more quickly prepare to reintegrate and become productive members of society.

There are several benefits for corporate investment in education in disaster contexts. First, companies are still able to respond to an international crisis and have an impact on a community in need. Because education is an ongoing investment, the presence of the company's brand in the community will continue well after the immediate relief and recovery process. By choosing education, the public relations and employee goodwill associated with contributions to natural disasters are still reaped, but companies are seen as committed to a long-term reconstruction vision. Second, investing in education commits the company to the rejuvenation of the local economies affected and generates new business opportunities. And finally, education is clearly underresourced in postdisaster contexts. Education received only 2 percent of all humanitarian aid in 2009 and has the smallest share of requests funded (Watkins 2011). The Inter-American Development Bank is implementing a five-year education reform project in Haiti valued at $2 billion; but despite the Bank's $250 million grant, the need for financing continues. Following the Pakistan floods, the UN requested an investment of $83.4 million to rebuild the education system; to date, only $30.5 million has been received (UN OCHA Financial Tracking Service 2010).

### *Opportunity 5: Incorporate Local Feedback into Philanthropy Strategies*

Understanding the local education culture and priorities is useful for leveraging the philanthropic impact of aid to education. And though many companies indicate that effective contributions to education must be done at the local level, others do not engage with a deep local knowledge of the education systems. As one respondent stated, "The local people in the companies and the NGOs are the people who know what is really happening; ideally, if a corporation is smart, they will listen to the people on the ground." Companies have suggested that philanthropy take advantage of the eyes and ears of NGOs, employees, and management on the ground when identifying where and how to invest in education. Some companies have even suggested that aid agencies have a role to play as technical experts in education to identify and share what works at the country level with corporate philanthropists. Thus, some have suggested that USAID should work with local ministries to identify three to five successful education models that are operating in countries that they would like to see replicated. Organizing visitation trips with management from both the local and headquarters levels would allow the corporate sector to see firsthand how philanthropic investments could leverage and incorporate lessons from on-the-ground success stories into the philanthropic programs.

### *Opportunity 6: Build Networks for Global Education*

Although all companies make investments in education according to their business goals, nearly all companies still indicate a desire to learn more about what others are doing in education, how others address challenges, and how companies can promote closer networks of learning and dialogue alongside other corporate donors. Though collaborating in learning networks may be more difficult within the context of competing business goals, it is possible when companies can identify common social agendas across the board that fits with different business strategies. Opportunities to expand these networks to include global corporations, private foundations and local businesses could be explored based on geographic or thematic interests. Incorporating the public sector, NGOs and researchers in these discussions could also be an important mechanism for increasing the knowledge base and informing investments in education.

### *Opportunity 7: Design Metrics and Invest in Impact Evaluation*

Many companies indicate that their metrics and practices for measuring results are not necessarily optimal. Though some focus on product dissemination or public opinion about the company, others look at the number of young people benefiting from corporate investments. Many recount anecdotes about how investments in education changed the lives of individual beneficiaries; however, most companies have difficulty in assessing the impact of programs, learning or life outcomes as a result of their philanthropy. Some companies find metrics not to be useful at all, while others aspire to meaningful metrics that link to outcomes and business strategy. The global education sector has struggled in this area, particularly as it moves away from regarding enrollment and completion as success to focusing on learning. Productive discussions and collaborations among private sector philanthropists and the education research community could create useful measurements that can both inform a company's philanthropy while at the same time linking to the goals and outcomes of the global education community. Developing impact evaluation approaches can promote shared value across sectors by identifying the best practices resulting from successful innovation to scale up.

### *Opportunity 8: Improve NGO Engagement with Corporate Philanthropy*

Although international and local nonprofits have been the primary recipients of corporate contributions to education, many companies utilize the same nonprofits and have consistent concerns about the disconnect between the corporate motivations driving philanthropic contributions to education and the ability of nonprofits to deliver. As outlined above, nonprofits can make attractive education partners for U.S.-based companies in several ways; but if nonprofits aspire to receive corporate financing, they must develop track records according to these criteria. Thus, nonprofits should work toward honing models that have clear outcomes and can be presented to companies as a win–win social and business endeavor. Some companies indicate that nonprofits that merely go chasing after financial opportunities are not suitable partners for philanthropic companies. Results-oriented, transparent models are key in promoting nonprofits' appeal for corporate philanthropic investments. With nonprofits serving as the presence of corporations on the ground in many communities throughout the world, they must be able to have a strong community-oriented communication ability and a cultural fit with the company.

### *Opportunity 9: Adopt Innovative Financing by Combining Brand, Business and Individual Donors*

Americans are the most generous citizens when it comes to making charitable contributions; in 2009, Americans gave $227.41 billion to charity (Giving USA Foundation 2010). This generosity, combined with the leverage of American corporations, points to significant opportunities to champion education and increase financial resources. To date, no single company or coalition of companies is broadly known as a champion of education around the world. Yet there is real potential for such a campaign to improve community relations and generate innovative resources for education. Take, for instance, point-of-sale and service campaigns, such as "Change for Good." This campaign, which is supported by several airlines, collects spare change during flights and has raised $70 million since 1987 for UNICEF (2011). Cause marketing has also been a successful endeavor; the Yoplait Lids to Save Lives campaign has generated more than $25 million for breast cancer during 12 years (Yoplait 2011), and Product (RED) (2011) has brought together 12 companies and has generated more than $160 million for the Global Fund to Fight AIDS, Tuberculosis and Malaria since 2006.

Additionally, the power of companies to harness the energy of not only their consumers but also their employees has enormous potential for education. If companies were to develop employee matching program campaigns that championed education in developing countries, supported the philanthropic activities of the company overseas and promoted employee volunteerism, the combined elements could lead to an enormous benefit for children across the globe. Though the amount of money from employee matching campaigns is relatively small for education in developing countries, some companies have matched nearly $50 million in employee contributions to nonprofit causes in one year. If this represents a one-to-one match, it means nearly $100 million in philanthropy. This demonstrates the importance for companies of acknowledging the collective power of individual contributors to increase the resources for global education.

### *Opportunity 10: Become Corporate Advocates for Education*

Many companies see the benefits of global education for their business and have integrated it as a vital part of their philanthropy. Other companies have placed less emphasis on investing in education, and even more do not invest in education at all. For each *Fortune* 500 company making a contribution to global education in this study, more than two did not. Thus, many business leaders have the opportunity to become champions and advocates for education in the corporate philanthropy community. The support of senior-level management, including the CEO, has been cited as one of the most important components of a strong program of education philanthropy. This leadership allows the company to embrace philanthropy at all levels—through contributions, marketing, employee engagement, business strategy and the CEO's reputation. The CEOs and corporate leaders who are already championing education have the opportunity to become spokespeople to the business community, to encourage their colleagues at other companies to recognize the value of investing in education and to generate more philanthropic financial support for a cause that makes good business sense and improves society.

**Opportunities to Achieve Greater Impact through Corporate Philanthropy**

**Opportunity 1:** Maximize the Effectiveness of Multiple Donors in the Same Country

**Opportunity 2:** Broaden Areas of Strategic Investment

**Opportunity 3:** Innovate in Education

**Opportunity 4:** Invest in Education in Disaster Contexts for Longer-Term, Higher Impact

**Opportunity 5:** Incorporate Local Feedback into Philanthropy Strategies

**Opportunity 6:** Build Networks for Global Education

**Opportunity 7:** Design Metrics and Invest in Impact Evaluation

**Opportunity 8:** Improve NGO Engagement with Corporate Philanthropy

**Opportunity 9:** Adopt Innovative Financing by Combining Brand, Business and Individual Donors

**Opportunity 10:** Become Corporate Advocates for Education

## CONCLUSION

U.S.-based corporations have enormous potential to better use their unique assets and minimize their liabilities in philanthropy directed to global education. If corporations integrate their global education philanthropy strategically into their business models, both the impact on society and corporate benefits will be significantly greater. The opportunities for companies to pursue innovation, utilize employee expertise, create roles for champions and leverage high levels of cash and in-kind resources point to the great potential for corporate philanthropy to become an effective actor in global educational development. And though some companies are working hard to achieve maximum shared value, others still have significant progress to make.

Education in developing countries is at a crossroads; some call it a global learning crisis. There are more young people living in developing countries than ever before, and troubling indicators point to their low school enrollment and learning rates. The global business community has a role to play; the record number of young people in developing countries today can either be good for business or a missed business opportunity. Companies' future success depends on their ability to offer equitable learning opportunities for employees, their families, the communities where the companies operate, and consumers. Education affects corporate productivity, the health and welfare of the families of employees and the stability of the communities where companies operate today and may operate tomorrow, as well future consumers' levels of income.

Given current philanthropic practices, shared value among companies and society is far from maximized. These practices indicate that most companies do not have a full understanding of how they can benefit from education in developing countries. Most companies do not make contributions to education, and the majority of those that do think of their contributions as public relation opportunities. Though improved community relations are one benefit, companies are missing out on many other benefits. This study has identified a handful of conceptually deficient practices that do not add up to opportunities to create the scalable, long-term impact that is called for, given the importance of global education. These limited practices—which include short-term grants directed to primarily to nonprofits; a lack of systematic coordination among donors, governments and complementary corporate donors; and small dollar grants spanning 114 countries—do not lead to game-changing gains for education. However, as companies more and more recognize how their contributions to education can have a positive impact on business, they can instead use effective, game-changing practices—including larger multiyear contributions, coordinated with other donors and governments, that focus on interventions consistent with new innovations and impact evaluations that can lead toward a more effective use of philanthropic resources.

By leveraging the expertise and financial resources of the education sector and its noncorporate donors, corporate philanthropy can play a key role in making strategic investments that reinforce and build upon other investments in societies, increasing the "bang for the corporate dollar" in communities where companies operate. For this to take place, the education community needs to gain a better understanding of the business sector. Educators thus need to be able to articulate how and why investments in particular educational innovations can be closely related to a company's interests. And educators likewise should study the global health community, which has successfully cooperated with corporate philanthropists, to see how to build a business case for education. At the same time, corporate philanthropists can strive to become better messengers explaining the power of education and to find opportunities to coordinate contributions that have the most impact on education systems. As more and more companies see that it is in their interest to become champions of education, those that reap the most rewards from their philanthropic investments will have made education part of their company cultures in a way that simultaneously advances social responsibility and corporate interests.

U.S.-based companies are innovators—and thus the corporate sector in general should seek ways to create breakthroughs in the realm of education philanthropy, to actively share the resulting innovations across education sector learning networks, and to develop partnerships that maximize mutually beneficial collaboration and the scaling up of successful practices. To truly benefit from corporate philanthropy for education, companies must embrace the role of education at all corporate levels, including the role of workplace programs, employee engagement, community relations, business assets and senior management. Overall, the key underpinnings for leveraging corporate philanthropy to make the maximum impact on educating the world's poor are for companies to promote a culture of collaboration and common social purpose, and thus to realize how a better-educated society benefits both the global community and the business community.

## APPENDIX A: PARTICIPANTS

In addition to the companies participating in the study anonymously, the author would like to thank the individuals at the following companies for their participation in the survey and interviews.

3M
Aetna Foundation
Alcoa
Allstate Company
American Express Company
Amerigroup
Aveda Corporation
Avery Dennison
BD
BJ's Wholesale Club
Boston Scientific
Broadcom Foundation
C. H. Robinson Worldwide, Inc.
Campbell Soup Company
Capital One Financial
Charles Schwab Foundation
Cisco Systems
Citigroup
Coca-Cola Enterprises
Comcast Corporation
Con Edison
Corning Incorporated
CSX
Cummins Inc.
Dell
Discovery Communications
DLA Piper LLP (US)
DTE Energy
Eaton Corporation
Eileen Fisher, Inc.
Exelon Corporation
ExxonMobil
Fannie Mae
FedEx
Fifth Third Foundation
First Energy
Gap Inc.
General Electric
General Mills Foundation
Google
H&R Block
Harley-Davidson Motor Company
Hess Corporation
Hewlett-Packard Company
Houghton Mifflin Harcourt
Humana
Ingram Micro
Integrys Energy Group
Intel Corporation
Land O'Lakes, Inc.
Lenovo
Manpower
Marathon Oil
Masco Corporation
Massachusetts Mutual Life Insurance
MasterCard Worldwide
MDU Resources Foundation
MeadWestvaco Corporation
Medtronic
Merck & Co., Inc.
MetLife, Inc.
MGM Resorts International
Microsoft
Motorola Foundation
MTV Networks
New York Life Foundation
NII Holdings
Nike
Northrop Grumman
Northwestern Mutual
NRG Energy
Office Depot
Out of Print
Paccar Inc.
Pepco Holdings, Inc.
Peter Kiewit Sons'
Pitney Bowes
PricewaterhouseCoopers
Progress Energy
Prudential Financial, Inc.
Qwest Communications
Salesforce.com Foundation
Sara Lee
Scholastic Inc.
Smurfit-Stone Container
Southwest Airlines
Staples, Inc.
Starbucks Coffee Company
State Farm®
State Street Corporation
Sunoco
SunTrust Foundation
SUPERVALU, Inc.
Symantec
Texas Instruments
The Coca-Cola Company
The Dow Chemical Company
The Guardian Life Insurance Company of America

The Home Depot Foundation
The Lubrizol Corporation
The McGraw-Hill Companies
The Travelers Companies, Inc.
Union Pacific
United Services Automobile Association
United Stationers
Waste Management
WellPoint, Inc.
Western Union
Weyerhaeuser Company
Xcel Energy Foundation
Yahoo!

## APPENDIX B: STUDY METHODS

This study set out to answer questions about the magnitude, focus and motivations of U.S. corporate philanthropy directed to education in developing countries. To explore this topic, a mixed method study combined surveying techniques with qualitative interviews and a literature review of corporate social responsibility reports. A survey was distributed to all U.S.-based *Fortune* 500 companies. Using the large revenue-generating companies for philanthropy surveys has been cited as a useful unit of analysis because the corporations have a sizable workforce, generate large profits, and are global in scale (Coady 2007). Before sending out the survey, 89 *Fortune* 500 companies were identified as making contributions to education based on a review of corporate social responsibility and philanthropy reports and reviews of company Web sites. The survey was sent to all 500 companies, because there were additional questions not specific to education included in the survey.

In the study, "philanthropy" referred to any philanthropic, corporate social responsibility, citizenship, grantmaking, or community involvement activity or investment implemented by a U.S.-based company or an associated corporate foundation or trust. This unit of analysis in this study was U.S.-based companies or their operating foundations and trusts making contributions to developing countries. The operating foundations and trusts shared the same name as the company, tended to have corporate senior executives on the board, were typically housed within the company's headquarters and in most cases had a mission related to carrying out the philanthropic activities of the company. The study did not include private foundations founded by the profits of corporate endeavors but operating independently of business interests (e.g., the Bill and Melinda Gates Foundation). The study also did not include the expenditures of 501(c)(3) public charities created by some companies to implement their philanthropic visions alongside other donors—an emerging model for social investment for some companies (e.g., Avon Foundation, Toys R Us Fund). However, the contributions from the company to these nonprofits working on education in developing countries were included in the total contribution amounts.

### *Surveys and Response Rate*

The surveys, which were distributed via email and regular mail, contained questions about the magnitude, focus and motivations for contributions to education in developing countries. Respondents could respond online, via email, fax, telephone or regular mail. The use of multiple response modes is consistent with social science practices in survey methods and can be designed to have little or no effect on survey response quality (Meckel, Walters and Baugh 2005).

Of the *Fortune* 500 companies contacted, 83 responded with regrets and did not participate in the study. The most frequent reasons for not participating included a lack of staff time, the fact that survey participation was against company policy, or a statement that participation was not relevant for the company because their contributions were not directed to developing countries. Ten companies responded indicating that they had no philanthropy or corporate social responsibility program. It was not possible to contact 13 of the companies due to a lack of contact information. A total of 266 companies did not respond to requests for survey responses.

The response rate was 27.2 percent (n=136) for *Fortune* 500 companies and 46.1 percent (n=41) for

*Fortune* 500 companies identified as making contributions to education in developing countries based on a review of corporate social responsibility and philanthropy reports. Given different fiscal year periods, companies completed the survey with data about financial contributions during a 12-month period between 2009 and 2010.

Responses were also solicited from non-*Fortune* 500 companies identified as having made contributions to education in developing countries based affinity group participation and information from key informants. An additional nine companies not in the *Fortune* 500 provided data about contributions to education in developing countries. Eight of these companies provided financial information and all nine provided trend data on geography, themes and motivations. These companies were used as a comparison group for the financial data on philanthropy magnitude; the responses were aggregated with *Fortune* 500 companies for trend data to provide a fuller picture of the U.S. business community's perspective. For a summary of survey responses, see table 14.

### *The Respondents*

The Standard & Poor's Global Industry Classification Standard codes were used to divide the companies into broad industry categories, which included energy, materials, industrials, consumer, health care, financials, technology and utilities. For this study, the traditional consumer discretionary and consumer staples were collapsed into "consumer" and information technology and telecommunications services were collapsed into a single "technology" industry sector. All sectors were represented in the response pool; table 15 outlines the response rate by industry sector for the *Fortune* 500 companies. Five of the non-*Fortune* 500 companies were from the consumer sector; the remaining companies represented the financial, industrial and technology sectors.

The individuals responding to the survey were the managers, vice presidents, directors, assistants, officers and presidents of the respective departments of the corporations in charge of philanthropic contributions, such as community relations, public affairs, community investment, corporate social responsibility, corporate citizenship, corporate philanthropy, metrics and reporting and the corporate foundation.

### *Representativeness of Sample*

To assess the representativeness of the sample of *Fortune* 500 companies making contributions to education in developing countries, a population comparison was made based on two criterion: revenue and industry sector.

Figure 10 compares the study sample's revenue distribution based on *Fortune* 500 rank to the nonrespondents companies also making contributions to education. The overall distribution appears to be representative across the revenue continuum, allowing one to conclude that there was little response bias based on company size.

The sample was also compared with the population by industry sector to ensure that no industries were overrepresented or underrepresented in the sample.

The two charts in figure 11 demonstrate the breakdown of companies making education contributions by industry sector. The sample has an adequate representation of all the industries consistent with the population, despite a slight overrepresentation of

### Table 14: A summary of companies' survey responses

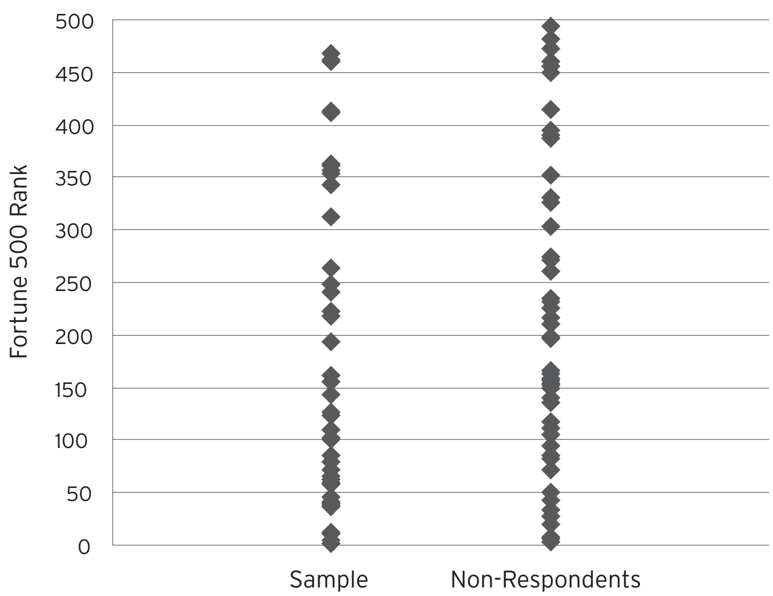
| Company | Response | Total |
|---|---|---|
| Fortune 500 | Participating in survey | 126 |
| | No philanthropy / corporate social responsibility program | 10 |
| | Regrets | 83 |
| | No contact information | 13 |
| | Mergers / no longer existing | 2 |
| | No response | 266 |
| | **Total** | **500** |
| Non-Fortune 500 | Participating in survey | 9 |

### Table 15: *Fortune* 500 respondents by industry sector

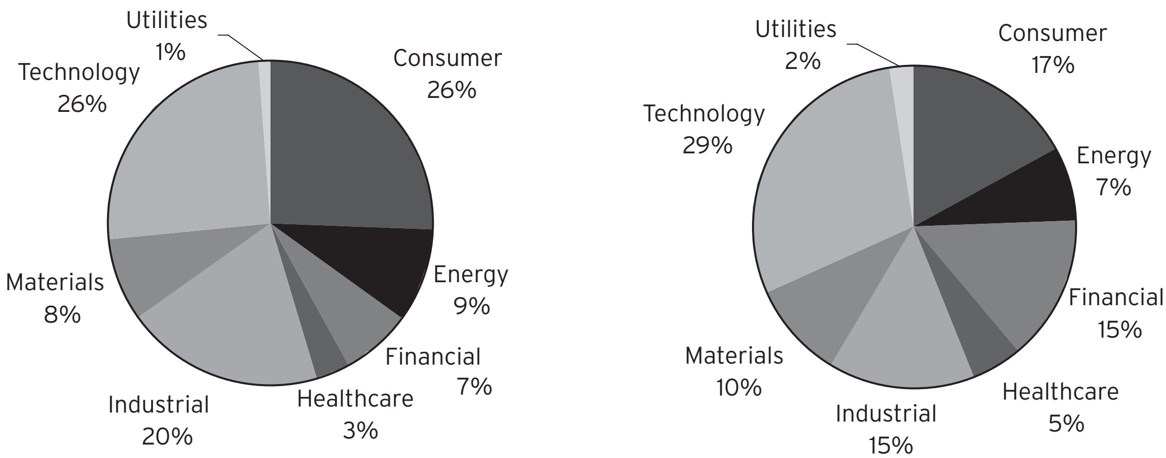
| Industry | Respondents |
|---|---|
| Consumer | 33 (7) |
| Energy | 6 (3) |
| Financials | 30 (6) |
| Health care | 8 (2) |
| Industrials | 29 (6) |
| Materials | 7 (4) |
| Technology | 16 (12) |
| Utilities | 16 (1) |

*Note: The number in parentheses indicates the number of companies in each industry sector making contributions to education in developing country contexts.*

### Figure 10: *Fortune* 500 study sample vs. non-respondents



#### Figure 11: Comparison of sample versus population by sector




*Note: The chart on the left illustrates the breakdown for the entire population of 89 Fortune 500 companies. The chart on the right illustrates the breakdown of the study sample of 41 Fortune 500 companies.*

financial companies and underrepresentation of consumer companies.

### *Calculating the Total U.S. Contribution to Education*

An estimated U.S. corporate contribution to education was calculated based on the survey data. The first estimate of the nonrespondent *Fortune* 500 population's contribution multiplied the mean *Fortune* 500 contribution in the sample, $5.5 million, by the number of nonrespondents making education contributions, 48. This revealed an additional corporate contribution of $264 million. A second estimate weighted contributions of each nonrespondent based on industry sector means in the sample. This calculation yielded $264.4 million of additional corporate contributions to education.

Combined, these calculations estimate the total U.S. corporate contribution to education in developing countries at just under half a billion dollars: $497.9 million, as shown in table 16.

### *Qualitative Interviews*

Following the analysis of the survey, semistructured interviews were conducted with representatives from 15 companies that responded to the survey and indicated that they made contributions to education in developing countries; informal interviews also were done with additional companies. The purpose of these interviews was to gain insight into the decisionmaking processes of those individuals responsible for managing corporate contributions to global education and the rationale driving decisions of thematic and geographic focus. These semistructured and informal interviews combined represented individuals from

Table 16: Total U.S. corporate contribution to education in developing countries (million dollars)

| Source | Contribution |
|---|---|
| Fortune 500 companies represented in the sample | 224.2 |
| Estimate for Fortune 500 nonrespondents | 264.4 |
| Non–Fortune 500 companies represented in the sample | 9.3 |
| **Estimated total** | **497.9** |

all eight industry sectors responding to the survey. The qualitative data sources included the interview transcripts, interview notes from informal interviews, email clarifications and summary memos. All these documents were analyzed utilizing the software program ATLAS TI.

### *Thematic Areas of Contribution*

Companies were able to select the thematic focus areas of their education contributions in developing countries. There were 55 available themes within 11 broader categories. A typography was constructed based on cross-referencing the list of topics discussed during the past three years' meetings of the Comparative and International Education Society, the World Economic Forum's education focus areas, and UNESCO's education themes as articulated on its Web site. The 11 education categories included access to traditional education, emergencies and population flows, gender, governance, health and education, non-traditional education, special populations, special topics, subject-area themes and teachers. Respondents could also list any thematic areas of education contributions not given in this typography.

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## ENDNOTES

1. This external resources need is estimated at $25 billion if including lower secondary schooling.
2. A list of those participants that could be named is given in appendix A.
3. A full review of the study methods can be found in appendix B.
4. The DAC List of ODA Recipients shows all countries and territories eligible to receive official development assistance. These consist of all low- and middle-income countries, except G-8 members, EU members, and countries with a firm date for entry into the EU.
5. The industry sectors are largely based on the Standard & Poor's GSIC Sector Definitions, www2.standardandpoors.com/spf/pdf/index/GICSDef.pdf.
6. The total estimated U.S. corporate contribution is projected based on a sample of 41 *Fortune* 500 companies contributing to education. All financial trends reported below in the text are based on a sample *Fortune* 500 companies. All *nonfinancial* education contribution trends in the study represent the responses of 50 companies making contributions to education.
7. A detailed description of the sample representativeness and calculation to determine the total magnitude of U.S. corporate contributions to education can be found in the methods section of appendix B.
8. Aggregate data is used from 145 U.S. companies responding to the survey. Of these companies, 136 were *Fortune* 500 companies.

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