

Policy Paper 05

January 2013

If private organizations really want to make a difference to education worldwide, they should dramatically increase their funding and align it with the Education for All goals.

Private sector should boost finance for education

There is the acute need for resources to help countries reach by 2015 the six Education for All (EFA) goals established in 2000. The prospects of international aid filling this gap are gloomy, however, so private organizations are increasingly being seen as a potential source of finance. Private foundations and corporations engage in education in many different ways and with very different motivations, ranging from altruistic philanthropy to self-interested investment. They channel hundreds of millions of dollars to education in developing countries annually, but a lack of transparency and accountability limits the evidence available about the magnitude and effectiveness of this support to education.

According to analysis carried out for the 2012 Education for All Global Monitoring Report, drawing on publicly available information from the largest private foundations and corporations based in rich countries, such organizations provide an estimated US\$683 million per year to support education in developing countries.¹ This is a drop in the ocean compared with national education budgets, and equivalent to just 5% of aid from donor countries that belong to the OECD's Development Assistance Committee. But private contributions have the potential to catalyse innovation, advance policy reform and address the education needs of marginalized populations.

Private organizations could do much more to realize this potential, not only by dramatically increasing their funding but also by aligning

their activities better with EFA objectives and building more effective partnerships with the EFA community – national governments, civil society groups and other donors.

Mapping contributions of private organizations to global education

The two broad types of private organizations that support activities related to EFA, foundations and corporations, are influenced by different objectives and operate in different ways (Box 1).

A lack of comparable information makes it difficult to measure their total contribution. On one estimate, private contributions to all sectors originating from OECD-DAC countries amounted to over US\$50 billion in 2008–2010,² compared with around US\$120 billion for official development assistance (ODA) from governments. While these figures look impressive, education benefits very little. US foundations, for example, give around 8% of their grants to education, compared with 53% to health. As much as 90% of corporate contributions are from pharmaceutical companies.

Contributions to education come in a variety of shapes and sizes. A review for the 2012 EFA Global Monitoring Report identified spending of around US\$683 million a year by key foundations and corporations based in DAC-member countries, on activities specifically related to education in developing countries.



Box 1: The many faces of private contributions to education

Discussions about contributions by private organizations to global education often mix very different types of involvement. The motivation for engagement of foundations and corporations can be placed on a continuum between philanthropy and corporate interest, with corporate social responsibility falling somewhere in between (Figure 1).

Foundations. The activities of philanthropic foundations are generally the most comparable to aid from DAC donors. Some of the foundations that contribute to education, such as the William and Flora Hewlett Foundation, are supported by personal wealth. Their activities are commonly not directly related to corporate goals. Others, such as the MasterCard Foundation, are established by a corporation but operate independent of corporate oversight and have their own programmes, separate from any business interests. They rarely run their own projects but instead channel their funds to other organizations, usually local or international NGOs. Some also engage in advocacy aimed at influencing policy.

Corporations. The involvement of corporations differs widely in terms of how closely it is tied to core business activities. It can be divided into three broad subcategories.

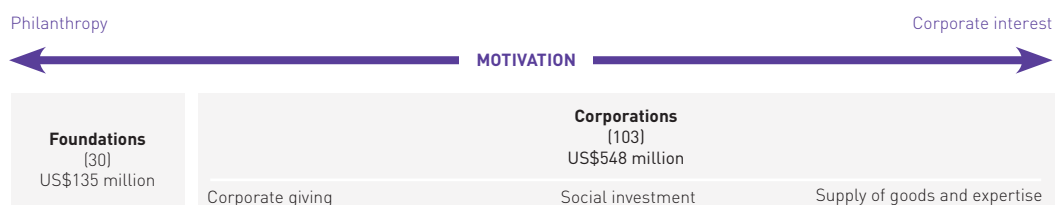
First, some corporations make contributions towards education in developing countries through grants to NGOs or international organizations, which is classified here as ‘corporate giving’. This is the

subcategory most closely aligned to philanthropic motives. About 78% of the surveyed US Fortune 500 corporations that made contributions to education channelled at least some of them through international NGOs. All of ING’s US\$13 million contribution to global education since 2005 has been spent on a partnership with UNICEF. Other corporations, such as Nike, channel their contributions through a foundation or trust housed within the company, with corporate executives serving on the governing board.

Second, companies with activities in developing countries undertake ‘social investments’ in sectors such as education as a form of corporate social responsibility. Some corporations, typically oil and mining companies, are contractually obliged by governments to invest in social sectors. For example, the Hess Corporation, which operates oilfields in Equatorial Guinea, has contributed US\$20 million over five years towards reform of the education system, including building model schools and providing teacher training.

Third, companies may supply products or expertise, sometimes through a partnership with a government. Companies in the field of information and communication technology (ICT) have been particularly active in providing training for teachers or students. For example, the Cisco Networking Academy is a global programme that trains students to create and maintain computer networks.

Figure 1: The motivation of private engagement in education ranges from philanthropy to corporate interest



Funding from foundations is low compared with official aid

Among thirty philanthropic foundations surveyed, nineteen provide publicly available financial information on their programmes in ways that allow their funding for education in developing countries to be identified. Their contributions total around US\$135 million a year. This is likely to be an underestimate because information on some key foundations, such as the Aga Khan Foundation, is either not available or not sufficiently detailed.

Among foundations with data, only five provide more than US\$5 million a year. These five account for 87% of the total amount from foundations (Table 1). Their contributions are comparable with aid to education from some of the smallest government donors, such as Luxembourg and New Zealand (Figure 2).

The largest corporate contributors are ICT and energy companies

Through publicly available information for the world's 100 top revenue generating companies and a survey of Fortune 500 companies in the United States, 103 were identified as contributing to education in developing countries. However, only fifty-six provided financial information on the size of their contributions, most of them confidentially.³ Contributions towards education in developing countries from these corporations amount to an estimated US\$548 million a year. This is four times the amount identified as coming from foundations. It is concentrated among just a

Table 1: Funding provided by foundations identified as supporting education in developing countries

Annual average funding	Foundations	Share
More than US\$5 million	Ford Foundation, William and Flora Hewlett Foundation, MasterCard Foundation, Open Society Foundations, Carnegie Corporation of New York	87%
Between US\$1 and US\$5 million	Michael and Susan Dell Foundation, Kellogg Foundation, MacArthur Foundation, Bernard van Leer Foundation	10%
Less than US\$1 million	Jacob and Hilda Blaustein Foundation, Global Fund for Children, Global Fund for Women, International Community Foundation, Unbound Philanthropy, d.o.b. foundation, International Development Exchange, Voxtra, Roger Federer Foundation	3%
Total		US\$135 million

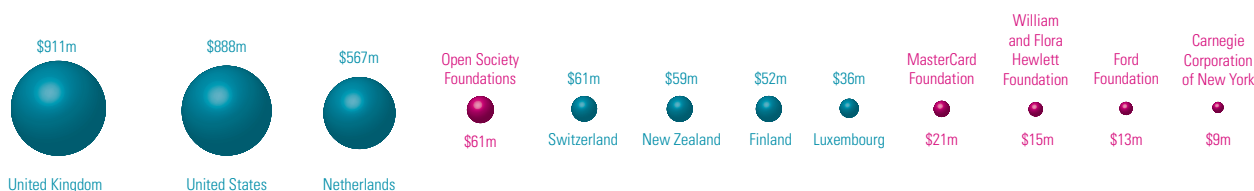
Source: van Fleet (2012).

few contributors: around 71% comes from five corporations that each report giving more than \$20 million a year.

Most corporations that contribute over US\$5 million a year to education are ICT or energy companies, and their activities fall into the 'social investment' or 'supply of goods and services' category. For example, Cisco Systems and Intel each report spending over US\$100 million a year on education in developing countries, much of which is in-kind contributions (Table 2).

Figure 2: Education funding from the largest foundations is dwarfed by donor aid

Contributions towards education from the five largest foundations and total aid to education from selected government donors, 2009-2010 or closest available year



Notes: Around two-thirds of the US\$15 million annual average from the William and Flora Hewlett Foundation originally came from the Bill & Melinda Gates Foundation. In most cases, the amount of support to education in developing countries had to be estimated using aggregate data from foundations.

Sources: Annex, Aid Table 2; Carnegie Corporation of New York (2011); Ford Foundation (2011); MasterCard Foundation (2010); William and Flora Hewlett Foundation (2010); van Fleet (2012).

Table 2: Corporations spending above US\$5 million a year on education (2010 or closest available year)

Corporation	Industry	Annual (US\$ million)	Corporate giving	Social investment	Supply of goods and expertise	Examples	Where?
Aviva	Insurance	7	X			Street to School (urban youth programme)	China, India
Banco Santander	Banking	124	X		X	University networks and scholarships (83%); other scholarships; youth programmes	Latin America
Cisco Systems	ICT	120	X		X	Cisco Networking Academies (93%); grants to organizations	World
Citigroup	Banking	5	X			Secondary education; youth training	Africa, Brazil, India
Coca-Cola	Food	24	X	X		Grants to organizations	World
ExxonMobil	Oil	24		X		Technology; vocational training for women	Oil-producing countries
Intel	ICT	100	X		X	Teacher training in ICT; ICT access in classrooms	World
Repsol YPF	Oil	8		X		Primary and secondary education; youth training	Oil-producing countries

Note: In most cases, the amount of support to education in developing countries had to be estimated using aggregate data from corporate social responsibility reports.
Sources: Aviva (2011); Banco Santander (2012); Citigroup (2011); ExxonMobil (2011); Intel (2011); van Fleet (2012).

Private contributions are seldom aligned with EFA goals

The contributions of most foundations and corporations are not strategically coordinated with the broader global EFA framework. In terms of recipients, middle income countries tend to attract these donors' interest more than low income countries.

In terms of the EFA goals, about 75% of the foundations and 70% of the corporations surveyed reported supporting primary education. Nearly half contribute to youth and adult skills, including a large programme of the MasterCard Foundation. The skills focus generally includes science, technology, financial

literacy and entrepreneurship. Corporations that pay attention to skills are likely to do so because a skilled workforce is of direct interest to their needs. Some, such as the Nike Foundation, pay attention to gender equity and girls' education. A few place a special focus on early childhood education, such as the Open Society Foundations and the Bernard van Leer Foundation. Others, notably the William and Flora Hewlett Foundation, pay particular attention to improving the quality of education (Box 2). Adult literacy, the goal that is probably most neglected in the EFA agenda, also appears to receive the least attention from private organizations. Only 18% of surveyed foundations indicate support in this area.

Box 2: Leveraging private resources to improve the quality of education

Through strategically focused grants, foundations can achieve a broader influence in education policy debates.

Since 2008, the William and Flora Hewlett Foundation, with support from the Bill & Melinda Gates Foundation, has developed the Quality Education in Developing Countries initiative, focused on Ghana, India, Kenya, Mali, Senegal, the United Republic of Tanzania and Uganda.

One of the initiative's areas of emphasis has been generating data on learning outcomes in developing countries. For example, in India it gives funding to

Pratham to assist the NGO in conducting its Annual Status of Education Report, the world's largest non-government household survey collecting data on learning outcomes of primary school children. In East Africa, the initiative supports Uwezo, which has adapted Pratham's survey to the region.

Reporting of the results of these assessments has been instrumental in promoting national debate on the quality of education in the countries concerned. While the initiative's investment is modest, it highlights the potentially innovative role of philanthropy in improving learning and catalysing policy dialogue.

It is difficult to translate this information into the amount of money available for each goal, since the reporting of foundations and corporations is not broken down in this way. However, in terms of the volume of funding, higher education appears to receive more attention than the EFA goals as a whole. Two of the foundations giving the most to education (Carnegie Corporation of New York and Ford Foundation) and the corporation giving the most (Banco Santander) directed over 80% of their grants to developing countries in 2010 towards scholarships and support for higher education institutions. While higher education certainly needs more funding, the fact that many poor children and young people do not even complete primary school means that such investment is not sufficiently targeted at the disadvantaged.

Foundations tend to focus their efforts on countries most in need, whereas corporations typically disburse to regions of strategic importance to them. The most frequent recipients of the ICT sector's education contributions are Argentina, Brazil, Chile, China, India and Mexico.

Private interests and public policy: too close for comfort?

Over the past decade aid donors have improved aid effectiveness by working to strengthen government systems. But this approach is not common among private organizations, particularly corporations, which contribute the largest amount of resources.

The work of some domestic foundations shows that they can support broader government efforts in education in ways that can have a large impact. In India, Azim Premji, chairman of Wipro, one of the largest ICT corporations in India, transferred US\$2 billion worth of shares from his company to found the Azim Premji Foundation, which aims to improve the quality of the public education system. Over the past ten years, the foundation reports, it has reached over 2.5 million children in 20,000 schools across thirteen states in India.

Some corporations may provide genuine value to education systems even if this directly benefits their business strategies. This is particularly true for ICT companies. One example concerns the Assessment & Teaching of 21st-Century Skills research project. As part of this initiative, Cisco, Intel and Microsoft contributed ideas on how to develop the assessment of ICT skills in the Programme for International Student Assessment (PISA). Intel recognizes that its corporate success depends on 'young people having access to a quality education and technology'. Yet even if such activities add value, they need to be subject to scrutiny. In Egypt, where the Intel Teach programme works with the Ministry of Education, teachers must take Intel Teach or an equivalent computer course to receive a promotion.

Such scrutiny is not easy, because private organizations do not face the same level of accountability as governments or aid donors. And there is a risk that they may exercise unwarranted influence over education policy. Pearson announced in July 2012 that it was launching the Pearson Affordable Learning Fund with US\$15 million to invest in private companies seeking to identify affordable ways to improve learning outcomes. The first investment of the fund is a stake in Omega Schools, a privately held chain of for-profit schools in Ghana. This follows Pearson's investment in 2010 in Bridge International Academies, a chain of low fee private schools in Kenya. Promoting private schooling is closely associated with Pearson's business interests. Since these schools commonly operate independently of governments, it is not clear, however, how such an approach will help achieve Pearson's commitment at the Global Partnership for Education replenishment meeting to strengthen and improve national education systems.

Towards more productive engagement

The greater involvement of private organizations is a welcome move towards increasing funding and raising the visibility

of education needs in poor countries. For their engagement to support EFA effectively, however, there is still a long way to go.

Transparency on funding and impact is vital

As a crucial first step, all private organizations should provide information on their commitments, including the amounts allocated and how they are spent. This would allow scrutiny to ensure that business interests do not override collective goals, while also giving information on the amount of resources available to fill the EFA financing gap.

At present, few report such information. Private organizations made a joint statement outlining their commitments at the Global Partnership for Education replenishment meeting in Copenhagen in 2011. But many private organizations were unwilling to reveal details of their commitments publicly. As a result, there is no way of knowing whether they keep their promises. It is also not possible to tell whether the pledge to spend on education in developing countries made by the private sector at the replenishment conference referred to previously planned investment or additional commitments. If private organizations want to make a genuine contribution to collective education goals, they should make public their current and future spending plans, in the same way expected of national governments and aid donors.

By the same token, to have a lasting impact on EFA, private organizations need to provide sufficient funding over several years to assure the sustainability of initiatives, because education is a long-term endeavour. Some philanthropic foundations, such as the MasterCard Foundation, the Firelight Foundation and the Roger Federer Foundation, make multi-year commitments to their grantees. However, most contributions, particularly from corporations, tend to be short term.

Private organizations often publicize the details of their interventions. According to their brochures, IKEA will support the education needs of 10 million children between 2009 and 2015, Intel trained 10 million teachers in more than seventy countries in the last twelve years, and the UBS Foundation aims to spend

five years improving the lives of 200 million children under the age of 5. But how these results are substantiated remains unclear. Impact evaluations seldom exist or are not easily accessible, especially in the case of corporations.

Private organizations should align their support with government priorities

The contributions from private organizations would be more effective if they were coordinated with governments and driven by countries' needs. The Global Business Coalition for Education is one promising way forward since it operates within the framework of EFA goals.

Another way private organizations could support government education efforts would be to channel some of their funding through a pooled mechanism. Global health funds, such as the Global Fund to Fight AIDS, Tuberculosis and Malaria, have been successful in this regard. But the main existing mechanism in the education sector, the Global Partnership for Education, has not yet played this role effectively. At present, the private sector has a say in the partnership's policy direction via a seat on its board, yet pledges made by foundations and corporations at the partnership's replenishment meeting will not be disbursed through the pooled funding mechanism.

There is no administrative or legal reason for private organizations not to channel resources through the Global Partnership for Education, so why does the partnership seem to be less attractive than global health funds? First, the partnership may not yet be sufficiently recognized as an effective mechanism for funding education, capable of disbursing resources quickly and linking results to funding. Second, activities may need to be identified that are both consistent with the partnership's priorities and sufficiently attractive to private organizations. Third, education needs private sector champions that will lead by example. The drive of the Bill & Melinda Gates Foundation has given visibility and credibility to the Global Fund to Fight AIDS, Tuberculosis and Malaria, encouraging the involvement of other private organizations.

Conclusion

Private organizations contribute to EFA in several ways, but the limited data available on the size of their contributions suggest that the education sector is not a prime destination of their resources. Their support is equivalent to 5% of what was spent by official donors on education in 2010 – and of that only a small share is spent on EFA priorities.

Calls for the increased involvement and funding of the private sector in education need to be accompanied by measures to ensure that partnerships are more balanced. Foundations and corporations keen to support EFA should be much more transparent about how much they are investing, where, and what the results are. And governments, donors and non-governmental and multilateral organizations that want to bring private organizations into EFA partnerships should specify more clearly how the private sector can contribute to collective efforts.

EFA Global Monitoring Report
c/o UNESCO
7, place de Fontenoy
75352 Paris 07 SP, France
Email: efareport@unesco.org
Tel: +33 (1) 45 68 10 36
Fax: +33 (1) 45 68 56 41
www.efareport.unesco.org

Developed by an independent team and published by UNESCO, the *Education for All Global Monitoring Report* is an authoritative reference that aims to inform, influence and sustain genuine commitment towards Education for All.

© UNESCO
2013/ED/EFA/MRT/PP/05.



Notes

1. This paper is adapted from the 2012 EFA Global Monitoring Report, *Youth and Skills: Putting Education to Work*. The evidence in the paper draws on “Private philanthropy and social investment in support of Education for All,” by J.W. van Fleet (2012), a background paper commissioned for the 2012 EFA Global Monitoring Report (which includes the full list of organizations reviewed), together with other research cited in the Report.
2. This estimate covers contributions from foundations, corporations, voluntary organizations, religious organizations and academic institutions.
3. For 14 of the 103 identified corporations it was possible to estimate annual funding for education in developing countries using publicly available data. A further 42 provided this information confidentially; it has been used to estimate the aggregate amount but the donors cannot be listed individually.