

Business and Philanthropy Partnerships for Human Capital Development in the Middle East



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**BUSINESS AND PHILANTHROPY PARTNERSHIPS FOR HUMAN CAPITAL DEVELOPMENT
IN THE MIDDLE EAST**

“Fundamentally, man is the key to all problems, not money. Funds are valuable only when used by trained, experienced and devoted men and women. Such people, on the other hand, can work miracles even with small resources and draw wealth out of a barren land.”

- Dag Hammarskjöld

“The development of human capital is a strategic resource and, therefore, a key priority for the development of social cohesion and competitiveness in the knowledge society.”

- ISTAT, 2007

“Ultimately, the continuous process of human capital accumulation, as well as the stock of human capital, as reflected in the growth of new technological and educational opportunities, sustains economic growth.”

- European Competitiveness Report, 2002

I. The Case for Action

Some of the most basic, accessible and crucial resources needed to achieve and sustain competitive advantage and social development in the 21st Century will be human assets. As the global economy evolves, the sophistication and skill level of consumers, workers and business partners is increasingly shaping the innovation and productivity that feed competitiveness, and ultimately, a nation’s standard of living. Many of the myriad factors that influence the rate of social development will continue to depend on the ability of the individual to fully participate in the educational and professional opportunities afforded her.

Human capital, which the OECD defines as "the knowledge, skills, competencies and attributes embodied in individuals that facilitate the creation of personal, social and economic well-being" encompasses the entire range of abilities and resources that contribute to a firm or nation’s success.¹ It is a dynamic and multi-faceted concept that is somewhat difficult to comprehensively measure due to the broad range definitions. This briefing material employs the OECD definition, as it most accurately conveys the breadth of resources needed to improve competitiveness and development. In short, we are concerned with a society’s stock of educated, trained & healthy citizens.

1) Achieving human development and social progress

We now know that investing in human capital is critical to supporting social and humanitarian advancement. The conditions that affect a population's ability to find and retain decent work, pursue quality education, and improve their basic standard of living drive development. These conditions form a human capital "ecosystem" that can decrease poverty, illiteracy and unemployment. Governments, foundations, NGOs, non-profit organizations and the private sector are all needed to successfully build this ecosystem that drives sustainable social and humanitarian development.

Just as many factors influence productivity and competitiveness, so do many factors impact social development. The World Bank has identified more than 800 indicators to measure the process of development, evaluating data on a nation's citizens, its environment, its economy, and its state and market institutions. The eight UN Millennium Development Goals include 18 targets and 48 indicators, and "commit the international community to an expanded vision of development." This "expanded vision" recognizes that development, like economic competitiveness, rests on the network of human capital that improves opportunities for as many citizens as possible.

Social and humanitarian progress is not, and cannot be, a one-dimensional process. Improving development means expanding and improving health, education and employment opportunities for all citizens. The World Bank writes in its 2009 World Development Indicators report, "Sustainable development is about improving the quality of people's lives and expanding their ability to shape their futures. These generally call for higher per capita incomes, but they also involve equitable education and job opportunities, better health and nutrition, and a more sustainable natural environment."

Research has established the solid link between building human capital and progress and economic growth.² In fact, much of the research in this area shows that investing in tools for the development of human capital offers as substantial a return as investing in more traditional physical capital (such as infrastructure development) or development of a nation's natural resources. This is not new information. More than 15 years ago, researchers at the United Nations Development Programme (UNDP) wrote, "The returns on investing in people are in general as high as, if not higher than the returns to other forms of investment."³ Subsequent research has only served to underscore these findings.

2) Building competitiveness and economic progress

Investing in people. Improving human resources. Winning the war for talent. Each of these concepts evokes the idea that the resources provided by people play a significant role in impacting a business's bottom line. And each appears in much of the literature concerning improving productivity and competitiveness. But these phrases often pertain strictly to a given enterprise's own employees. The concept of human capital, as used in this report, goes beyond that to capture far more than a given enterprise's (or a given nation's) employee base. It includes the entire range of potential employees, customers, strategic partners and competitors in the region.

This broader definition is appropriate because of the many factors that affect productivity and competitiveness. The World Economic Forum defines a country's competitiveness as its ability to "provide rising prosperity to its citizens...driven by the set of institutions, policies and factors that determine the country's level of productivity."⁴ The World Economic Forum underscores the broad range of inputs that determine competitiveness; its *Global Competitiveness Report* lists 12 different "pillars," or factors, that impact competitiveness, and the quality of human capital relates to them all. Michael Porter notes, "Almost everything matters for competitiveness. The schools matter, the roads matter, the financial markets matter, customer sophistication matters, among many other aspects of a nation's circumstances, many of which are deeply rooted in a nation's institutions, people, and culture."⁵

The link between building human capital and economic growth is also clear. Healthier, better educated citizens and a workforce that affords opportunities to all members of the population directly impact the level of production, quality of products and processes, and innovation that drive competitiveness. Businesses cannot afford to overlook all sources of talent, production or leadership – even if they come from lesser known origins. In 2002, the European Commission wrote, "Ultimately, the continuous process of human capital accumulation, as well as the stock of human capital, as reflected in the growth of new technological and educational opportunities, sustains economic growth."⁶ And a 2008 *McKinsey Quarterly* article noted, "Companies must address the needs of talent at all levels of the organization. Unsung segments—frontline staff, technical specialists, even the indirect workforce, such as people who work for suppliers, contractors, and joint-venture partners—are often as critical to overall success as A players."⁷

Though the needs of countries and markets vary, developing human capital offers a range of opportunities for increasing national or firm productivity and competitiveness. Application and execution may vary, but when supported by a focused, efficient, sustainable program, developing human capital offers significant benefits.

II. The Case for Partnerships

Public, private and philanthropic actors play distinct but interrelated roles in developing human capital. Just as a network of factors determines economic growth and social development, a network of collaboration by different elements of society is necessary to strengthen and support it.

1. The Role of Government

Government willingness to commit resources to human capital development typically rests on the belief that a better educated and trained populace positively impacts a nation's long term economic growth and stability. As Eric Hanushek and Ludger Wobman write in The World Bank report, *Education Quality and Economic Growth Report*, "For an economy, education can increase the human capital in the labor force, which increases labor productivity and thus leads to a higher equilibrium level of output. It can also increase the innovative capacity of the economy – knowledge of new technologies, products and processes promote growth."⁸ Governments are indeed necessary players in the creation and development of human capital. Besides providing public education, they set parameters through legislation, market regulation and law enforcement, they encourage (or discourage) education and market participation by various segments of society, and can offer considerable institutional and financial support. Government can also provide legitimacy to movements for social or legal change, and set the tone with respect to cultural attitudes toward innovation and education.

Developing human capital to improve competitiveness is emerging on many governmental agendas. The United States government founded the American Competitiveness Initiative in January 2006, and an effort by government and business leaders in Mexico, Canada, and the U.S to form the North American Competitiveness Council (NACC) resulted in an initial report in February 2007. The European Commission's 2002 *European Competitiveness Report* focused on human capital development and productivity growth. Ireland, Greece, Croatia, Bahrain, the Philippines, Saudi Arabia, Dubai and the Dominican Republic have all set up national competitiveness councils to facilitate human capital competitiveness initiatives.

The financial crisis that began in 2008 has only made government investment in its nation's human capital more urgent. In countries across the globe, growth is slowing, unemployment is rising, and numerous other challenges are emerging from the shifting economic landscape. To combat these factors, governments will be forced to rededicate themselves to equipping their citizens with the skills, education and qualities that will help them to better compete in an even fiercer global marketplace. Failing to do so could leave nations less stable, less competitive, and less prepared to support social and humanitarian progress when the global economy begins to recover.

But the public sector cannot successfully develop a nation's human capital alone. To maximize the opportunities and benefits of developing human capital, the private and

philanthropic sectors are necessary partners. Without their participation, a nation cannot hope to maximize the benefits of human capital development.

2. The Role of Business and Enterprise

Why should companies support human capital development initiatives that, on average, have longer term horizons than other strategic business investments? Many firms suffer from what one business leader termed “short term-ism,” or the diversion of attention from long term projects to focus on profitability in the very near term.⁹ Businesses are compensated for success in the short term; but in the long-term will find themselves ill served by such a mentality. Most successful human capital development initiatives are undertaken with an eye to the longer term. As a recent report in *McKinsey Quarterly* notes, such a tendency, “may turn into a vicious circle: a lack of talent blocks corporate growth, creating additional performance pressures that further divert the attention and thinking of executives toward the short term.”¹⁰

Some leading firms are starting to support human capital development because they recognize they will be among its main beneficiaries. As the WEF’s *Global Competitiveness Report* indicates, businesses benefit from access to a market that offers a better educated, healthier workforce, with more efficient market mechanisms, better infrastructure, strong institutions, technological readiness and higher levels of innovation.¹¹ Even in nations where the WEF’s pillars are most developed, business leaders are not resting on their laurels. Some of the staunchest supporters of developing human capital are members of the U.S., EU and UK business communities. And top firms in the key emerging markets of China and India are beginning to invest in building human capital as a strategic competitiveness issue.

In 2005, 15 of America’s leading business coalitions came together to form Tapping America’s Potential (TAP), a coalition committed to renewing attention to U.S. competitiveness needs and the factors affecting America’s capacity to innovate. They wrote, “Highly educated technical professionals constitute the key differentiator in global economic competition. They are the world’s innovators, and their presence attracts capital and infrastructure investments, feeding a virtuous cycle of investment and capacity building that drives more rapid innovation, accelerated productivity growth, and higher levels of sustained economic growth and high-wage employment.”¹² Innovative firms recognize the important role they play in facilitating human capital development, and are acting on it. “We know that a skilled and knowledgeable workforce is the primary driver of a competitive economy,” says one global ICT company.¹³

Businesses also serve as a bulwark against shifts in political priorities or actors across business cycles. Harvard Business School Professor Michael Porter emphasizes this key role for private firms: “Engaging the private sector in economic development is...important to provide the continuity necessary to sustain progress through changes of government, and to counteract the relatively short attention spans of political leaders.”¹⁴ Sometimes, the disparate aims and needs of governmental constituencies serve to undercut effective, long-term human capital development. In these instances, companies that are not at the mercy of electoral or political appointment cycles can offer the stability to sustain longer term initiatives.

Successfully developing human capital can offer three types of benefits for private enterprise: 1) improving competitiveness (individual companies & nationally), 2) improving employee recruitment, retention and motivation, and 3) contributing to the long-term economic and human development for a stable society. It is with an eye to these benefits that many prominent companies are working to develop human capital.

3. The Role of Foundations

Philanthropic organizations are increasingly visible and successful in their efforts to support human capital development. Because foundations operate in civil society, they can operate without the same political sensitivities attached to government action, or the need to satisfy shareholders or investors, as private sector actors must. As Mark Kramer, Marc Pfitzer and Karin Jestin note in *Uncommon Partners: The Power of Foundation and Corporate Collaboration*, “The independence of foundations from customers, investors and regulators means that they can take on unpopular issues and controversial positions that corporations could not without offending constituents or damaging their reputations.”¹⁵ Consequently, foundations can be most influential by supporting innovative and progressive initiatives to build local capacity, and by serving as apolitical conveners for stakeholders, working to set the tone on certain issues, and collecting and disseminating knowledge.

Foundations are responding to global development challenges in a variety of ways. In the Middle East, there has been a proliferation of philanthropic organizations dedicated to tackling some of the region’s challenging development questions. Partnerships between foundations and the private sector, between foundations and universities, or among foundations, offer significant opportunities to broaden the reach of innovative development initiatives.

In April 2009, Dubai Cares and the Bill & Melinda Gates Foundation agreed to support and collaborate on programs that advance each of their distinct, but complementary, missions. Dubai Cares works to improve education in developing countries, and the Gates Foundation works to advance global health and development. Supporting each others’ goals through strategic partnership can be mutually beneficial; the Gates Foundation cites primary schools provide an excellent opportunity to deliver health services to children, and children in better health are more able to attend and excel at school, as advocated by Dubai Cares.

The King Khalid Foundation in Saudi Arabia recently partnered with Columbia Business School to pilot an executive session on nonprofit leadership and management to build capacity at local Saudi nonprofit and philanthropic organizations to facilitate development. The Qatar Foundation is working to develop its country’s human capital by supporting education, science and research, and community programs that will contribute to building a knowledge-based economy. They are, and they have worked to establish branch campuses of a number of well known colleges and universities in the country, including Texas A&M University, the Weill Cornell Medical School and Georgetown University’s College of Foreign Service to help “convert the country's current, but temporary, mineral wealth into durable human capital.”

Foundations are exploring innovative and strategic partnerships that can help further their own missions. The ability of philanthropic organizations to operate largely in between the space of business and government provides them with a unique ability to serve as convener, leader or tone-setter on sometimes sensitive development issues.

III. An Agenda for Action

Successfully developing human capital can take many forms, and programs must be flexible to respond to the local needs. The human capital needs of India differ from those of Ireland or South Africa. Initiatives that garner accolades possess the same characteristics of clear focus, sustainable and scalable execution, and flexible design and implementation. The programs identified in this background briefing were chosen because of three characteristics: focus, sustainability and scalability

The examples of business-philanthropy partnerships for developing human capital provided here are therefore unique in many respects, but uniform in the features that drive their success. These profiles are not an exhaustive list. They are meant to spark conversation and inspire other firms and foundations to envision possible collaborations and contributions to the human capital needs of their business and civil environments.

The partnerships identified here all exemplify two modes for developing human capital: by investing in individuals, strengthening institutions, or a hybrid of both.

1) Investing in Individuals

Investing in individuals is one way for large firms to further long term goals of workforce and human capital development. Targeted skills development, either in an enterprise's own workforce, or to a particular community group, offer one of the most direct ways for a firm to invest in individuals. These programs, which can include providing capital or mentoring initiatives that facilitate entrepreneurship in local communities, providing vocational or technical training, or supporting linkages with SMEs, directly link organizational efforts to people trying to develop job skills, raise capital or increase access to networks.

2) Strengthening Institutions

A second way for firms and foundations to help develop human capital is by strengthening institutions. This is most frequently seen in organizational efforts to improve education or improve the ICT infrastructure of a region. These initiatives may manifest in training the trainers, donating technology equipment to schools, NGOs or NPOs, or advocating for public policy reforms to support developing human capital.

SOME EXAMPLES OF GOOD PRACTICE IN THE MIDDLE EAST

1) Cooperative Education Initiatives

Innovation is a prime driver of economic growth. For that reason, the educational pipelines that shape a nation's workforce are receiving increased scrutiny. Even in the most developed countries, governments are under pressure from the private sector to boost school attendance rates, graduation rates, and test scores to stay competitive. Improving human capital and its capacity for innovation by bolstering education has become a first priority for governments, businesses and foundations alike.

Innovation does not only refer to major scientific or technological breakthroughs. The innovation that fuels growth and development occurs every day. It is manifest in the creation or improvement of a variety of products, strategies and processes. The long term health of firms is determined in part by their ability to attract, hire and retain skilled workers. The ability of nations to maintain and increase competitive advantage and social development comes from innovative products and processes to improve productivity and the standard of living.

Thus, for many firms and governments, educating citizens isn't just an exercise in philanthropy. It is necessary to build the workforce that will build and sustain their competitive advantage and drive national development over the long-term. Devoting time and resources to improving education is not necessarily just a matter of short term return on investment, but a longer term question of survival and success. For this reason, investing in education, whether through strengthening the public system, offering training to employees or the general public, or helping local organizations develop the skills of learners at all ages is incredibly important. These initiatives are most successful when private and public sector players are working collaboratively to bring potential employee skill sets in line with market demands, and build the overall quality of education available to the public.

i. The World Economic Forum's Global Education Initiative

The Vision - To "to implement relevant, sustainable and scalable national education sector plans on a global level by engaging the private sector."

The Activities - The World Economic Forum's Global Education Initiative (GEI) evolved from the Jordan Education Initiative, which was launched in 2003 as a "High-quality education program that harnesses technology to boost development." The JEI aimed to improve Jordan's education system through curriculum reform, teacher training, adoption of ICT as a facilitator of learning, and the improvement of ICT infrastructure in schools. It was fully handed over to the Jordanian government in 2006. The Global Education Initiative has adapted the JEI in Egypt, the Palestinian Territories, the Indian state of Rajasthan, and is piloting programs in Rwanda to improve education by improving curricula, expanding resource availability and engaging the private sector. To date, the GEI has impacted over 1.8 million students and educators, mobilized over \$100

million in resource support and engages over 40 private sector partners, 14 governments, seven international organizations and 20 NGOs.

The GEI is building a knowledge base for scalable educational partnerships, and has recently expanded to recognize and disseminate research on the importance of entrepreneurship as a key driver of social development. This program has been scalable to diverse locations because of its flexibility, reliance on local partners, and clear vision of partnership.

ii. The Saudi Petroleum Services Polytechnic Institute (SPSP)

The Vision – To assist Saudis in developing skills that are sought after in the oil industry.

The Activities – Saudi Arabian Chevron supports the Saudi Petroleum Services Polytechnic Institute (SPSP) to teach Saudis the skills needed to participate in the oil industry as technicians. SPSP is run in conjunction with the Saudi Ministry of Petroleum and Mineral Resources and their Technical and Vocational Training Corporation and was founded in 2008.

Saudi Arabian Chevron supports SPSP and offers students employment, following completion of a certificate program. The certificate program includes three elements: learning English, teaching skills necessary to work in the petroleum industry (including basic math, science and IT skills; health, environment and safety; and basic petroleum industry knowledge).

2) Building Healthcare Capacity

Building healthcare capacity is one of the most vexing challenges of development. Bringing innovative, efficient, and cost-effective healthcare to a nation's citizens has stumped even some of the world's most developed nations. And yet, healthcare is one of the most important foundations upon which to build other forms of human capital. The cost, infrastructure and delivery problems of healthcare require collaborative action.

Partnerships are crucial to improve the standard of care available in many countries. A minimum standard of care is critical to the ability of a nation to improve its productivity and quality of living. The quality of care available directly impacts rate of absenteeism and employee turnover, employee, partner and customer skill sets, partners and customers, and levels of productivity. As the World Health Organization's Commission on Macroeconomics and Health reported in 2001, "We have found that extending the coverage of essential health services, including a relatively small number of specific interventions, to the world's poor could save millions of lives a year, reduce poverty, spur economic growth and promote global security."¹⁶

i. Johnson & Johnson Middle East Health Leadership Programme (MEHLP)

The Vision - Together with INSEAD (one of the world's largest business schools), Johnson & Johnson (J&J) has established the Middle East Health Leadership Programme to "provide healthcare policy makers with business and leadership skills required to deliver world class healthcare services to patients across the Arab region."

The Activities - Modeled on a similar J&J program in Europe, MEHLP works to arm health care providers and policymakers with the tools and techniques to respond successfully to the constantly changing landscape of healthcare. Now in its second year, MEHLP convenes healthcare policymakers from around the region to learn about international best practices and cutting-edge research, as well as share information and experiences.

Johnson & Johnson established the Johnson & Johnson Corporate Citizenship Trust Middle East in Dubai in 2008 to align its regional corporate responsibility work with its three corporate strategic goals of building healthcare capacity; improving and saving the lives of women and children; and preventing disease and reducing stigma and disability in underserved communities. Through MEHLP, J&J is working to build long-term capacity in the region for improving health care, its delivery and the ability to respond to innovation in the sector.

ii. Unilever/FDI (World Dental Federation) Live. Learn. Laugh.

The Vision - To improve oral health through education and raising awareness.

The Activities - Oral health is an oft-overlooked element of healthcare development across the globe. But poor oral health can lead to poor nutrition, disease or infection, and impact an individuals' ability to consume a nutritious diet. Live. Learn. Laugh. is the international partnership between Unilever and the FDI (World Dental Federation) to improve global oral health. In the Middle East and North Africa, the partnership is also collaborating with National Dental Associations to make preventative care more available. "Working for better public health is a complex task and requires interaction and collaboration with many different bodies."

Unilever has specifically targeted its Signal brand for launching a program in the Middle East to target oral hygiene in primary school students. Partnering with local dental societies, dental care workers aim to visit primary schools to provide oral hygiene instruction. Educational material will be distributed to the children, their parents, and teachers. Unilever is working to reach 1 million Middle Eastern schoolchildren by 2010 to educate them on the values of improved oral hygiene.

3) **Supporting Women’s Economic Empowerment**

Human capital development can only succeed to the extent that it includes as many potential assets as possible. The methods discussed here will have limited success if they are directed at only half the population. Excluding or limiting women’s participation in initiatives meant to improve competitive advantage and facilitate development is economically inefficient and self-defeating as both a public policy and business strategy. Increasing women’s economic empowerment is one of the best documented methods of improving a nation’s workforce, its competitive advantage, and its social and humanitarian development.

Research conclusively shows that societies that constrain women’s economic empowerment do so at their own peril. Studies from institutions as diverse as the World Bank, the International Finance Corporation, the United Nations, the Council on Foreign Relations, the World Economic Forum, Harvard Business School, Goldman Sachs and the International Labor Office have shown variations on the same meme: failure to invest in women’s human capital slows growth, decreases competitive advantage and stunts development. A World Bank study that examined investments in girls’ education indicated that by increasing the share of women with a secondary education by 1 percent, annual per capita income growth could be boosted by 0.3 percentage points.¹⁷ A recent Goldman Sachs study estimated that by removing barriers to female employment and education, some nations could experience a nearly 14% increase in per capita income over baseline projections by 2020.¹⁸ All of these studies underscore what Lawrence Summers noted when serving as Chief Economist of the World Bank in 1992, that return on investment in girls education and women’s economic enfranchisement may well offer the highest return on any social investment available.

Supporting women’s economic empowerment drives an inter-generational ‘virtuous cycle,’ in which better educated or self-employed women improve educational, health and environmental outcomes for their children. Such virtuous cycles lead to improved health and educational outcomes for the general population, which in turn can improve the workforce and productivity. Nobel laureate Amartya Sen argues that “the changing agency of women is one of the major mediators of economic and social change....Nothing, arguably, is as important today in the political economy of development as adequate recognition of political, economic and social participation and leadership of women.” Investing in women clearly provides substantial returns both economically and socially. They make up half the world’s population, and half its talent pool. Failure to fully utilize all potential talent is a strategic economic mistake and developmental failing.

As the World Bank explained in a 1999 study, “systematic patterns in gender differentials suggest that low investment in women is not an efficient economic choice. The econometric evidence suggests that societies have to pay a price for gender inequality in terms of slower growth.”¹⁹

i. Women in Technology Program (WIT)

The Vision - To “empower women and expand their participation in the workforce and civil society by providing partner organizations, and the women they serve, with cutting-edge curricula and training in business planning, professional development and information technology.”

The Activities - The WIT program was launched in 2005 to build IT and general business skills, and to provide networking opportunities for women across the Middle East. WIT is a partnership between Microsoft, the Middle East Partnership Initiative of the U.S. State Department, the Institute of International Education, and local partners within six countries.

This training program utilizes Microsoft's Unlimited Potential curriculum, deployed in local Community Technology Centres that have been established with local partners. This curriculum supplies women with tools and training on computer literacy, digital media fundamentals, and productivity applications like word processing, spreadsheets and presentation tools. Participants hail from all sectors of the economy. Women in Technology is currently operational in Bahrain, Iraq, Jordan, Lebanon, Morocco, Oman, Saudi Arabia, the United Arab Emirates and Yemen.

ii. The 10,000 Women Initiative

The Vision – To expand the “entrepreneurial talent and managerial pool of women in developing and emerging economies to reduce inequality and ensure greater, shared economic growth.”

The Activities - Through their 10,000 Women initiative, Goldman Sachs partners with NGOs, nonprofit organizations, and colleges and universities to provide quality business education to women across the globe. Launched in 2008, 10,000 Women has six components: 1) Partnerships with universities and development organizations to support 10,000 women receiving a business and management education, 2) Strengthening the quality and capacity of business schools in developing nations, 3) Assist in establishing mentoring and networking channels for women and to encourage career development opportunities, 4) Partner with leading research and women's development organizations, 5) Develop partnerships in the United States to provide more business and management education for disadvantaged women in the United States, and 6) Commit time and energy of Goldman Sachs employees to work on the 10,000 Women initiative.

Goldman Sachs research clearly shows that women's education is a key driver of economic growth and that it may well have “the highest social return of any investment.”²⁰ The 10,000 Women initiative is working to reduce inequality and improve opportunities for a broad swathe of women, not just those who have received an undergraduate or graduate degree. The program also supports certificate programs for women in developing countries who may come from disadvantaged backgrounds or who may not have had traditional schooling.

iii. ALJ Group Productive Family Program

The Vision - PFP uses microfinance to “break down entrenched barriers and stereotypes by addressing economic hardship” and empower women in the Arab world.

The Activities – PFP, with technical assistance of the Grameen Foundation, provides hundreds of microfinance loans to Saudi men and women (but mostly women) to assist low income families in starting family businesses. The main beneficiaries have been women who have used the funds to do sewing, traditional handicrafts or food preparation in their homes, and sold the goods door-to-door or in ALJCSP (see earlier entry) stores. PFP was met with skepticism in the earliest stages of implementation – early on, it was predicted that there might be problems recruiting female loan officers to distribute funds. Instead, 800 Saudi women applied for the six positions, and the numbers are continuing to grow.

4) Supporting Youth and Entrepreneurship Development

Half of the world’s population is under 25 years of age. The International Labor Organization (ILO) notes that although today’s youth are the “most educated generation ever,” they make up 40.2% of the world’s total unemployed, though they are only a quarter of it’s total working age population (ages 15 and up).²¹ The youth population is growing at a faster rate than youth employment opportunities, and over the next decade, more than 1 billion people will become eligible to enter the workforce.²² Gainful employment is important for the full inclusion of a person into society. Failure to find decent employment creates a sense of “vulnerability, uselessness and idleness” among young people that can lead to social or economic marginalization.²³ Thus, youth labor market integration will be one of the most crucial issues for many nations in the coming years.

Because of their relative lack of work and life experience, younger people may have particular difficulty accessing capital, finding strategic business partners, or even acquiring the basic know-how needed to successfully run a business. Entrepreneur education programs targeted specifically to youth can facilitate the development of the attitudes and skills needed to successfully start and run a business. Education in the principles of entrepreneurship and the fundamentals of operating a business are both critical factors to the creation of small to medium sized enterprises. SMEs make up over 90% of businesses worldwide and account for between 50 - 60% of employment, making them necessary contributors to both advanced and developing economies.²⁴ The small business sector also generates a large percentage of new job availability. The growth and success of small business benefits larger, established businesses as well, by expanding the supply of potential customers, well-trained and effective employees, and strategic partners and suppliers.

The proliferation and success of SME’s will be particularly important to the Middle East, as many nations there are facing an exploding youth population and want to diversify domestic industry beyond a single commodity. The UNDP’s Commission on the Private Sector and Development noted in a 2004 report, “Small and medium enterprises tend to be engines of job creation, and seedbeds for innovation and entrepreneurship.” Entrepreneurship education

(coupled with a legal and cultural environment that encourages the development of independent private enterprises) contributes both to the growth of SMEs within a country's borders and to the overall quality of the workforce available to government and pre-existing enterprises.

i. Shell Live Wire – Intilaaqah Qatar

The Vision – To support “youth enterprise and entrepreneurial skill development in Qatar.”

The Activities - Launched May 2006, Intilaaqah is a part of the Shell Live Wire program that facilitates entrepreneurship across the globe. Future employment opportunities are particularly crucial in countries like Qatar, which have sizable youth populations and significant employment needs in the coming years. The Intilaaqah initiative recognizes that entrepreneurship and small-medium enterprise growth will be critical to responding to these needs. Qatar's National Vision 2030 reflects this belief: "Training and support for entrepreneurs is a basic precondition for enabling the private sector to carry out its required role."

Intilaaqah Qatar, in partnership with Qatar Shell, The College of North Atlantic Qatar, HSBC Bank Middle East, Qatar Microsoft, Salam International and Social Development Center, provides basic business training, including finance, marketing, human resource development, and mentorship. The Intilaaqah network also provides counseling throughout the enterprise-building processes, before, during and after launch. Shell runs the LiveWire entrepreneurship program globally, but tailors content to be locally relevant, serving local market need. Intilaaqah is only three years old, but since its parent program's creation in the early 1980s, LiveWire has served more than 1 million young people with the inspiration and know-how to start their own businesses. Intilaaqah is also operational in Oman, Libya, Egypt and Dubai.

ii. Aramex Injaz Student Company Competition

The Vision - “To transform Arab youth into a reliable workforce.”

The Activities - Aramex, a transportation and delivery enterprise in North Africa and the Middle East, supports the Student Company Competition to target students from across the region who are between 15 and 20 years old to develop their leadership qualities and skills. The Competition is designed to facilitate talent development in the Middle East. Over the course of 10 weeks, culminating in a “regional challenge,” students create and run their own start-up company.

To participate, students take part in a series of classes on entrepreneurship and business, staffed by Aramex volunteers who offer practical training and insight for professional development. Students develop a variety of skills including: creating a business plan, leadership, teamwork, and basic finance. They subsequently compete against other teams to determine who conceptualized and implemented the most successful business.

Aramex partners with Injaz (the Middle Eastern affiliate of Junior Achievement) to partner with local schools and colleges to work with throughout the competition. The local competitions were piloted by Aramex in Oman, the UAE, Egypt and Palestine, with national winners competing (in addition to winners from Kuwait and Jordan) in regional final in Amman.

The first Student Company Competition garnered significant media attention, which as the ILO has stated, is important to creating social acceptance for taking risks in entrepreneurial activity.²⁵ The 2007 competition was so successful they expanded for 2008 to include four months of coursework and had participants from Jordan, Palestine, Lebanon, Kuwait, Oman, Saudi Arabia, Qatar, Bahrain, UAE and Egypt.

iii. Silatech

The Vision - To “to address the critical and growing need to create jobs and economic opportunities for young people by mobilizing interest, investment, knowledge, resources and action in the U.A.E.”

The Activities - Demographic realities in the Arab world will substantially increase employment needs in the coming years. Youth (those between 15 and 30) make up more than 30 percent of the region’s total population. Founded in 2007, Silatech works to equip these young people with marketable skills, matching them with job opportunities when possible, and providing tools that can facilitate entrepreneurial ventures. Silatech has partnered with the World Bank and Cisco Systems to supply local entrepreneurs with the technology, business acumen and financial products that facilitate enterprise creation.

Like the Aramex Student Company Competition, Silatech is also working to break down cultural preconceptions that may exist in the Middle East to decrease professional risk-taking. Their holistic approach to supporting youth employment and enterprise development is significant in a region where The Wolfensohn Center at the Brookings Institution estimates that youth unemployment is among the highest in the world at 25%.¹

iv. Emirates Bank al Tomooh Program

The Vision - To “support entrepreneurship throughout the United Arab Emirates by providing financial and business support for both start up and existing projects to support the nation’s SMEs.”

The Activities - Emirates NBD partnered with the Mohammed Bin Rashid Establishment for Young Business Leaders to provide a variety of funding opportunities and support for young entrepreneurs. Emirates Bank provides financing for start-up projects (up to 90%,) and financing of existing projects (up to AED 2,000,000). Both are provided for three years interest free. One of the bank’s main partners, the Mohammed Bin Rashid Establishment for Young

¹ The Wolfensohn Center at the Brookings Institution homepage, accessed April 23, 2009. <http://www.shababinclusion.org/>

Business Leaders, provides resources for skill development, including: business consultancy, low cost office space, technical and logistical support, as well as infrastructure support.

Like many other Middle Eastern countries, the U.A.E. is working to incorporate more of its own citizens into the local workforce and decrease dependence on foreign nationals. The initiative began to support this goal of “Emiratization.” Ahmed Humaid Al Tayer, the Chairman of Emirates NBD underscores this: “We recognize the importance of a diversified economy and this can only be achieved through increasing UAE National owned projects. We call upon ambitious UAE Nationals to venture into the business environment by establishing their own enterprises and playing their role in the economic prosperity of the country.”

Loans are not limited to one sector; EmiratesBank has supported loans in law, engineering, healthcare, and retail, among others. Through 2007, Al-Tomoooh has provided more than AED 32 million in loans, helping over 100 owners of new small businesses. It has steadily expanded across the country, and is now deployed in five Emirates (Dubai, Sharjah, Fujairah, Ajman and Ras Al Khaimah). It raised the ceiling for capital availability from AED 1 million to AED 2 million based on the successful return on earlier investments.

V. Conclusions

This briefing material is meant to serve as a preliminary exploration of the potential for business and philanthropic partnerships to build human capital. The changing economic landscape has made such work even more important in recent months, and it is our hope that this brief note serves to stimulate conversation and thought about possibilities for future collaboration.

Private and public actors offer differing, but complementary strengths and resources in the quest to build human capital. Some have convening power, others can frame a public conversation or support programs financially or other tangible resources. The challenges of development and economic growth are so large as to necessitate participation by each of society's main actors. Business and foundations in particular, which have the opportunity to leverage their respective resources together, can serve as efficient engines of change in both the economy and humanitarian sectors. Given these possibilities, the following themes should be considered for further development:

- 1. Strategic collaboration between business and philanthropy to develop human capital.**

Businesses and philanthropic foundations reside in unique spheres in society. They leverage different, but complementary influence and resources to support human capital development. Foundations operate in civil society, allowing them to operate without the same political sensitivities attached to government action, or the need to satisfy shareholders or investors, as private sector actors must. Foundations may serve as conveners, setting the tone for public debate, providing credibility to cultural movement, and collect and disseminate knowledge. Businesses offer vast intellectual resources, and the capacity and infrastructure to implement programs on a wide scale. Private firms can also teach by example; by supporting initiative that make good financial sense, but that also serve a social or humanitarian aspect (supporting diversity workforce initiatives, among others). Businesses benefit from access to a market that offers a better educated, healthier workforce, with more efficient market mechanisms, better infrastructure, strong institutions, technological readiness and higher levels of innovation

- 2. Collaborations may take the form of strengthening institutions or investing in individuals.**

It is important to approach building human capital from as many angles as possible. Targeted skills development, either in an enterprise's own workforce, or to a particular community group, offer one of the most direct ways for an organization to invest in individuals. Firms or foundations may offer capacity building seminars or support job skills development, among other methods of building human capital. Alternatively, organizational efforts to improve education or improve the ICT infrastructure of a region will also be crucial as groups work to facilitate economic growth and social development on a wider scale.

3. The need for analysis of collaborative efforts to create a library for knowledge compilation and dissemination.

Going forward, it will be important for firms or foundations to help empirically study the outcomes of collaborative human capital initiatives. They can support writing case studies or notes, having such research translated into local languages, and working to disseminate this knowledge through capacity building exercises, printing materials or providing them electronically. Philanthropies could work to build a library of information on these relationships.

Actors in both sectors are rising to the occasion and tackling the thorny economic and development challenges facing populations across the globe. It is our hope that the possibilities of collaborative effort will prompt further innovation and evolution to develop human capital. The Harvard Kennedy School Corporate Social Responsibility Initiative hopes to further these discussions through collaboration with the King Khalid Foundation to gather, translate and disseminate information that will serve to facilitate innovative development programs.

ENDNOTES

¹ Organization for Economic Cooperation and Development (OECD), 2001. "The Well-Being of Nations: The Role of Human and Social Capital." Paris: OECD.

² Among others, see: Intel, 2005, "ICT, Education Reform and Economic Growth: An Intel White Paper;" NGA Center for Best Practices, 2004, "Promoting STEM Education: A Communications Toolkit;" and Leora Klapper, Raphael Amit, Mauro F. Guillén and Juan Manuel Quesada, 2007, "Entrepreneurship and Firm Formation Across Countries." Philadelphia, Pennsylvania: The Wharton School, University of Pennsylvania.

³ Griffin, Keith and Terry McKinley, 1992. "Towards a Human Development Strategy." UNDP Occasional Paper 6. Accessed at: http://hdr.undp.org/docs/publications/ocational_papers/oc6b.htm

⁴ World Economic Forum, 2008. *Global Competitiveness Index 2008-09*. Geneva: WEF.

⁵ Porter, Michael, 2003. The World Economics Forum Global Competitiveness Index, "Building the Microeconomic Foundations of Prosperity: Findings from the Business Competitiveness Index," Chapter 1.2. Geneva: WEF.

⁶ See, e.g. the European Commission, 2002. *European Competitiveness Report*. Luxembourg. accessed at: http://ec.europa.eu/enterprise/enterprise_policy/competitiveness/doc/competitiveness_report_2002/cr_2002.pdf "Higher levels of human capital, which are invariably associated with R & D intensive activities, increase the rate of technological progress and the introduction of newer vintages of capital, thus raising the rate of economic growth."

⁷ Guthridge, Matthew, Asmus B. Komm, and Emily Lawson, 2008. "Making Talent a Strategic Priority." McKinsey Quarterly, 2008(1), http://www.mckinseyquarterly.com/organization/talent/making_talent_a_strategic_priority_2092 (accessed 2/2008).

⁸ Eric Hanushek and Ludger Wobman, *Education Quality and Economic Growth*. The World Bank, 2007, p. 3. Also, Michael Porter writes in *The Competitive Advantage of Nations*, "A nation's standard of living in the long term depends on its ability to attain a high and rising level of productivity in the industries in which its firms compete. This rests on the capacity of its firms to achieve improved quality or greater efficiency."

⁹ Guthridge, Matthew, Asmus B. Komm, and Emily Lawson, 2008. "Making Talent a Strategic Priority." McKinsey Quarterly, 2008(1).

¹⁰ Hanushek and Wobman, The World Bank.

¹¹ The World Economic Forum, 2008. *Global Competitiveness Report 2008-09*, p.2.

¹² Tapping America's Potential Progress Report, 2008. "Gaining Momentum, Losing Ground." Washington, D.C.: Business Roundtable. Accessed at: http://www.businessroundtable.org/sites/default/files/2008_TAP_Progress_Report.pdf

¹³ Cisco Systems, 2008. "Equipping Every Learner for the 21st Century: A White Paper." San Jose, California: Cisco. Accessed at <http://www.cisco.com/web/about/citizenship/socio-economic/docs/GlobalEdWP.pdf>

¹⁴ Porter, Michael E., Christian Ketels and Mercedes Delgado, 2007. *The World Economic Forum Global Competitiveness Report 2007 - 2008: The Microeconomic Foundations of Prosperity*. Geneva, Switzerland: WEF.

¹⁵ Kramer, Mark, Marc Pfitzer and Karin Jestin, 2006. "Uncommon Partners: The Power of Foundation and Corporate Collaboration." Corporate Social Responsibility Initiative Working Paper No. 21. Cambridge, Massachusetts: the Fellows of Harvard College.

¹⁶ World Health Organization (WHO), 2001. Report of the Commission on Macroeconomics and Health, "Macroeconomics and Health: Investing in Health for Economic Development." Geneva, Switzerland: WHO.

¹⁷ Ibid

¹⁸ Lawson, Sandra, 2008. "Women Hold Up Half the Sky: Global Economics Paper No. 164." New York: Goldman Sachs.

¹⁹ Dollar, David & Roberta Gatti, 1999. "Gender Inequality, Income and Growth: Are Good Times Good for Women?" Gender and Development Working Paper Series, No. 1. Washington, D.C.: The World Bank.

²⁰ Sandra Lawson, "Women Hold up Half the Sky." Goldman Sachs Global Economics Paper No. 164, March 2008.

²¹ “Youth” employment refers to those aged 15 - 24 years of age. International Labor Organization. “Global Employment Trends For Youth,” October 2008.

²² Rothkopf, David, 2004 “The Coming Battle of the Ages.” The Washington Post, February 3.

²³ International Labor Organization (ILO) “Global Employment Trends for Youth,” October 2006

²⁴ United Nations Industrial Development Organization (UNIDO,) 2002. “Corporate Social Responsibility: Implications for Small and Medium Sized Enterprises in Developing Countries.” Vienna: UNIDO.

²⁵ Schoof, Ulrich, 2006. “Stimulating Youth Entrepreneurship: Barriers and incentives to enterprise start-ups by young people” SEED Working Paper 76. Washington, D.C.: International Labor Organization

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