Policy Brief: Corporate Social Responsibility (CSR) Financing

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CSR Linked Funds for Education: Pooling Corporate Contributions for Greater Impact in Punjab and Khyber Pakhtunkhwa

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1. Background and Context

Pakistan's economic recovery is stabilising but remains fragile. Provincial governments are attempting to sustain investment in human capital while maintaining fiscal discipline. Education remains a priority in both Khyber Pakhtunkhwa and Punjab, yet large gaps in access, infrastructure, and quality persist. The central challenge is therefore not only how much governments spend on education, but how additional financing can be mobilised in a sustainable way.

Corporate Social Responsibility (CSR) offers one potential source of non-debt financing. Pakistan's corporate sector already contributes significant resources to social investment. However, most corporate giving is fragmented across individual projects and short-term partnerships. These initiatives often lack coordination with provincial priorities and rarely operate at scale.

A structured CSR pooling mechanism can address this coordination gap by aggregating corporate contributions into a professionally governed platform aligned with provincial education strategies. When combined with transparent monitoring and clear funding priorities, such mechanisms can mobilise additional resources without creating fiscal liabilities for government.

This brief applies a four-layer diagnostic methodology to assess CSR linked financing instruments. The first layer analyses macro fiscal and expenditure trends in provincial education budgets in order to identify financing pressures and gaps. The second layer evaluates institutional readiness, including legal feasibility, delivery capacity, market appetite, and political risk. The third layer incorporates consultations with government departments, development partners, and private sector actors. The fourth layer translates these findings into practical financing mechanisms and implementation pathways that can operate within existing provincial systems. The analysis focuses on school education from pre primary to secondary level.

2. Moving from Ad Hoc Charity to Measurable Social Investment

A CSR linked fund is a structured, multi stakeholder pooling mechanism that aggregates corporate contributions and deploys them through a professionally governed framework aligned with provincial education priorities.

The case for such a mechanism is clear. The Overseas Investors Chamber of Commerce and Industry CSR Report 2022–23 records PKR 13 billion in total CSR spending by member companies, including PKR 2.3 billion allocated to education and skills development.[1] Many listed firms also report CSR engagement under Securities and Exchange Commission of Pakistan disclosure requirements. The key constraint is therefore not lack of corporate spending but fragmentation, high transaction costs, and weak alignment with public policy priorities.

CSR spending is often project based, negotiated bilaterally, and focused on visible outputs rather than system level impact. This makes long term outcomes difficult to measure and limits the scale of interventions. A pooled CSR mechanism addresses this problem by creating a shared platform with ring fenced accounts, defined funding windows, and transparent reporting. International and local experience supports this approach.

3. Punjab

Education Financing Context

Punjab has allocated a significantly higher budget to education in the current fiscal year, showing a substantial increase compared to the previous year's development allocation. Major investments include funding for missing facilities and unsafe school buildings, as well as partnerships through the Punjab Education Foundation. Despite these commitments, structural pressures remain. A large number of children are still out of school, and most of the education budget is absorbed by current expenditure, leaving limited room for new development initiatives directed towards learning quality.

At the same time, Punjab hosts the operational base of many of Pakistan's largest corporations and financial institutions. Corporate education initiatives exist but remain fragmented across standalone CSR projects. While partnerships such as the Pak Arab Refinery Company collaboration with the Punjab Education Foundation demonstrate that high quality corporate interventions are possible, they remain localised and limited in scale.[2] The challenge is therefore not to generate corporate contributions, but to organise them in a way that aligns with provincial education priorities and delivers measurable impact.

CSR-Linked Education Co-Financing Facility

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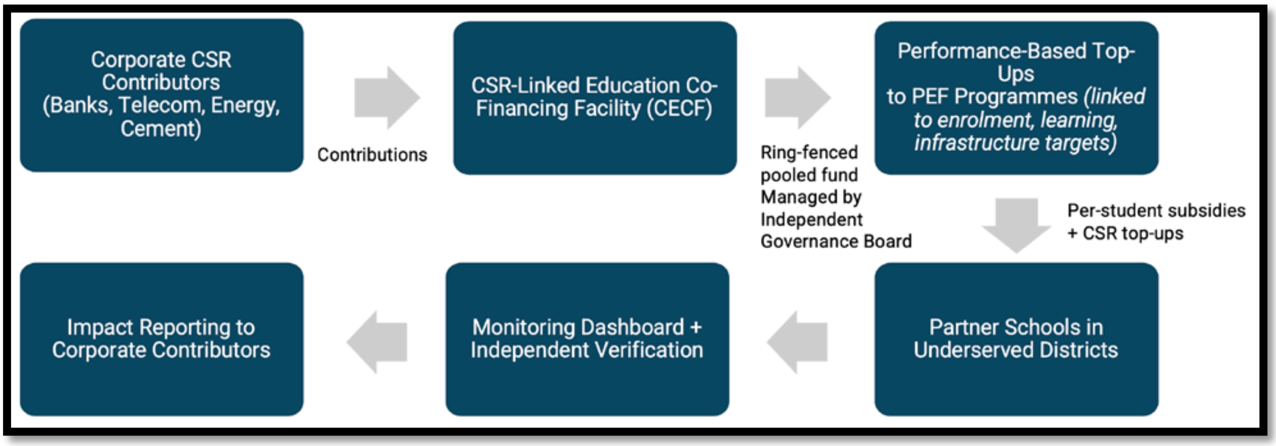
[1] 'OICC invests Rs 13 billion for uplift of in local communities', *Associated Press of Pakistan*, 2 July 2024, https://www.app.com.pk/national/oicc-invests-rs-13-billion-for-uplift-of-in-local-communities/ [accessed 18 March 2026].

[2] 'PEF, PARCO sign MoU to boost education in South Punjab', *UrduPoint*, 28 August 2025, https://www.urdupoint.com/en/world/pef-parco-sign-mou-to-boost-education-in-sou-2036895.html [accessed 18 March 2026].

A CSR Linked Education Co Financing Facility would pool corporate contributions and channel them through the Punjab Education Foundation, Punjab Education Endowment Fund or another organisation mandated by the provincial government. The facility would operate as a targeted top up to existing education financing programmes rather than creating entirely new delivery systems.

Funding would support priority areas including girls' secondary education, quality improvements in low cost private schools, teacher training, and infrastructure in underserved districts. Corporations would commit multi year funding to a protected account. These funds would then supplement existing per child subsidies or support targeted expansion programmes. Payments would be released only when agreed targets are met, including enrolment increases, attendance improvements, learning gains, or infrastructure completion.

A small innovation window could finance pilot interventions such as digital learning tools, new teacher training models, STEM laboratories, or climate resilient school infrastructure. Contributors would have visibility through a digital dashboard tracking district level impact, while independent monitors would verify performance before topping up payments are released.



Punjab shows medium high readiness for a pooled CSR mechanism. Legal feasibility is high under existing company statutes. Institutional capacity is moderate but supported by the operational infrastructure of the Punjab Education Foundation, which already manages large scale subsidy programmes and school monitoring systems. Market appetite is medium high due to significant corporate presence in the province.

During the first twelve months, the province could map corporate interest, establish the legal structure for the pooled fund, design the top up subsidy formula, pilot the model in three to five districts with a focus on southern Punjab, and launch a transparency portal.

Over years one to three, the facility could expand across the province, introduce digital student level tracking, incorporate additional blended finance instruments, and establish an annual CSR Education Forum to maintain engagement with corporate contributors. Over years three to five, the mechanism could be institutionalised through an endowment window, greater reliance on results based grant making, and possible fiscal incentives for pooled CSR contributions.

The risks associated with a CSR linked pooled fund in Punjab are manageable through clear governance and financial safeguards. An independent board and professional fund management can ensure that the facility is administered transparently and insulated from operational inefficiencies. Ring fenced accounting structures and formal board approvals can protect the fund from bureaucratic delays and ensure that contributions are used strictly for agreed purposes. Mandatory certification and due diligence of implementing partners will further reduce fiduciary risk and provide assurance to both government and corporate contributors that pooled CSR resources are deployed effectively.

4. Khyber Pakhtunkhwa

Education Financing Context

Khyber Pakhtunkhwa's provincial resources for the current fiscal year are substantial, with a significant portion allocated to development spending. The education sector receives a large share, reflecting continued commitment to expanding access and improving infrastructure. Major initiatives include an education emergency aimed at reducing out of school children and efforts to upgrade facilities across public schools.

Despite these increases, a large share of education spending remains tied to recurrent costs such as salaries and pensions. This limits fiscal flexibility for programmes addressing infrastructure gaps, girls' retention, and underserved districts. In this context, additional non debt financing sources are needed to complement public spending.

Khyber Pakhtunkhwa also possesses institutional platforms capable of mobilising corporate contributions. The Elementary and Secondary Education Foundation operates programmes such as Girls Community Schools, the Education Support Scheme, and the New School Initiative, which partner with private providers to enroll out of school children. The province has also piloted an Adopt a School programme, which allows donors to fund specific school improvements through a digital portal that identifies missing facilities.

CSR-Linked School Adoption and Catalyst Fund

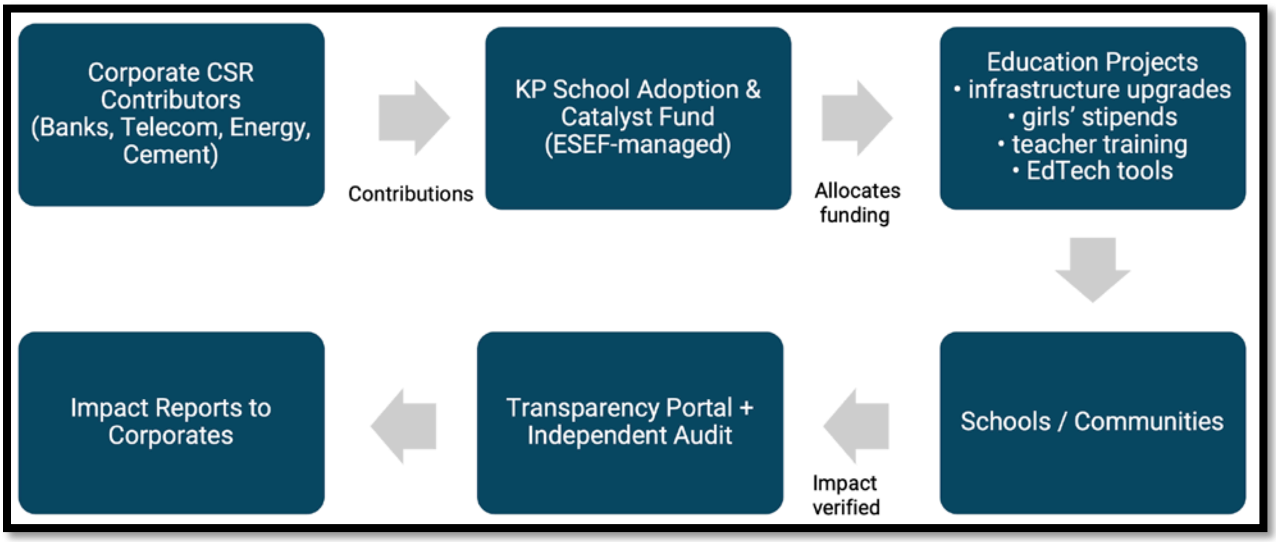
Building on these foundations, the existing Adopt a School framework can be expanded into a broader Khyber Pakhtunkhwa School Adoption and Catalyst Fund anchored at the Elementary and Secondary Education Foundation. The fund would aggregate CSR contributions from corporations and channel them through a professionally governed platform aligned with provincial education priorities.

Corporate contributions from multinationals, banks, and local industries including cement, tourism, mining and energy could be pooled into the fund. Because the provincial corporate base is relatively small, the mechanism would also seek to mobilise CSR resources from national companies in sectors such as banking, telecom and extractives.

Resources from the fund would address priority needs across the education system. These include upgrading missing facilities in public schools, supporting girls' retention incentives, financing teacher development programmes, and introducing technology integration in classrooms. By pooling contributions into a structured platform, the fund would shift CSR spending away from isolated projects toward coordinated investments aligned with provincial education strategies.

The model can also incorporate blended CSR financing, combining corporate contributions with catalytic support from development partners. This approach is particularly relevant for fragile and high poverty districts where corporate investment may otherwise be limited. Under this structure, funding could be directed toward girls' secondary education through per girl top up subsidies, expansion of school access in underserved districts through pooled district sponsorship, and quality improvements including teacher training, digital learning tools, STEM laboratories, solarisation and climate resilient infrastructure.

Disbursements would be tied to verified results such as enrolment, attendance, girls' retention, learning benchmarks, and completion of infrastructure upgrades. Spending would be tracked through education management systems and verified through independent monitoring.



Khyber Pakhtunkhwa shows high readiness for a CSR linked pooled fund anchored at the Elementary and Secondary Education Foundation. Legal feasibility is high under the Foundation's existing law, which explicitly mandates engagement with private sector partners. Institutional capacity is medium high, supported by the Foundation's programme infrastructure and its strategic planning for 2025–2030 focused on reducing out of school children.

Market appetite is also encouraging. Past participation by development partners and local organisations in the Adopt a School programme and ongoing collaboration with partners including JICA, UNICEF and PPAF indicate willingness to engage through coordinated financing platforms.[3] Because the blended CSR approach combines corporate and development partner financing and targets fragile districts, strong governance and oversight arrangements will be required.

During the first twelve months, the province could formalise the School Adoption and Catalyst Fund as a dedicated window within the Elementary and Secondary Education Foundation, establish governance structures with representation from government, private sector and civil society, and secure anchor contributors by reviving and digitising the Adopt a School platform.

Over years one to three, the fund could deploy resources across priority areas including infrastructure improvements, girls' retention incentives, teacher development and technology integration. Additional corporate contributors could be onboarded and impact reports published with photographic documentation of completed interventions. Over years three to five, the mechanism could transition toward more results based grant making, expand the blended CSR approach in underserved districts, and explore fiscal incentives to encourage corporate participation.

Institutional risks can be addressed through an independent governance board overseeing the fund. Fiduciary risks are mitigated by the Elementary and Secondary Education Foundation's established transparency systems and its legal mandate governing financial and procurement management. Additional safeguards may include ring fenced accounts, annual third party audits, and a public transparency portal.

The proposal represents a strategic evolution of the Adopt a School platform and the Foundation's broader mandate to engage the private sector in education development. By organising corporate contributions into a structured financing mechanism, the

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[3] '150 Schools in 8 Districts of Khyber Pakhtunkhwa Handed Over to Government After Completion Under UN Program' (2025) *PPI News Agency*, 8 September. Available at: https://ppinewsagency.com/150-schools-in-8-districts-of-khyber-pakhtunkhwa-handed-over-to-government-after-completion-under-un-program/ (Accessed: 18 March 2026).

province could mobilise additional resources for school education while avoiding new fiscal liabilities.

5. Conclusion

Both Khyber Pakhtunkhwa and Punjab face education financing gaps that public budgets alone cannot close. Corporate CSR spending already exists at meaningful scale but remains fragmented and poorly aligned with provincial priorities.

In Punjab, a CSR Linked Education Co-Financing Facility could pool corporate contributions and channel them through existing education systems to support girls' education, quality improvement, and infrastructure in underserved districts. In Khyber Pakhtunkhwa, the opportunity lies in expanding the Adopt a School framework into a structured School Adoption and Catalyst Fund complemented by blended CSR financing for fragile and merged districts.

The opportunity is therefore not to generate entirely new corporate resources, but to organise existing contributions more strategically and deploy them through transparent mechanisms that support provincial education priorities.

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