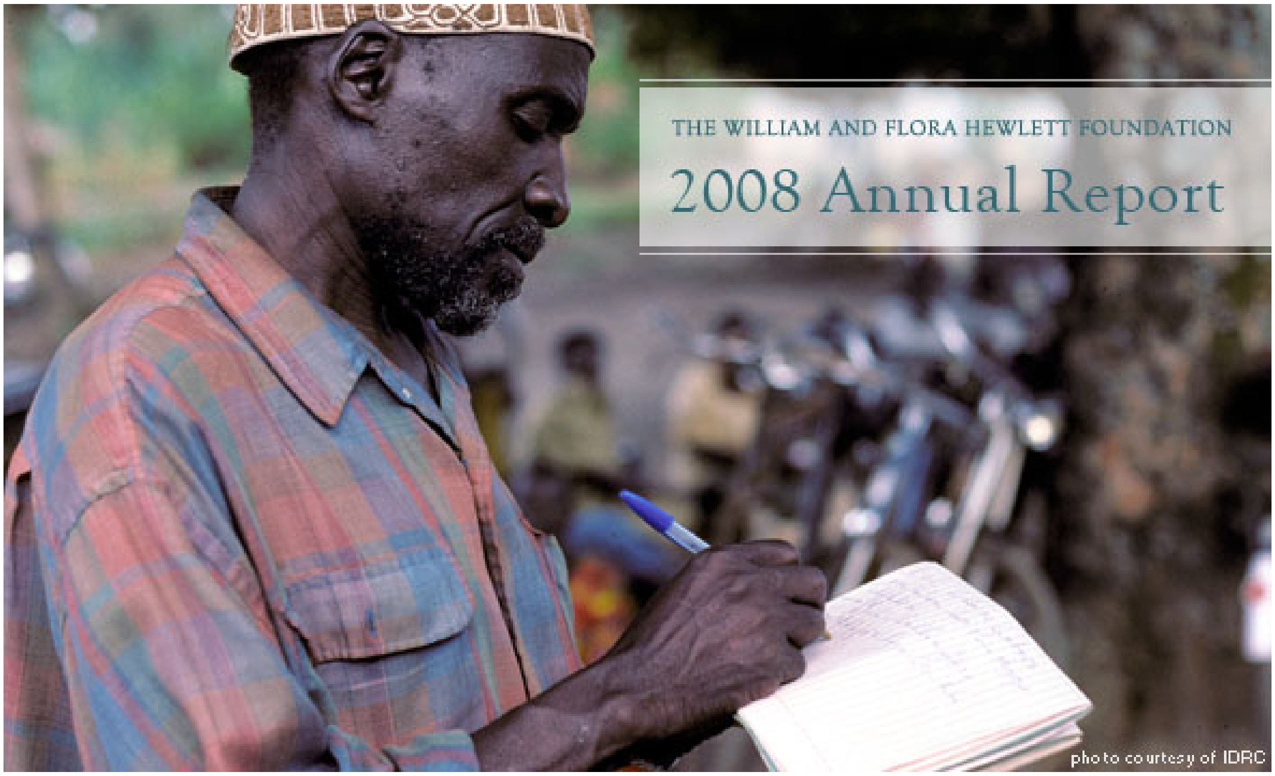

Making grants to solve social and environmental problems at home and around the world

President's Essay:

Forms of Philanthropic Support: The Centrality of Alignment

Education | Environment | Global Development | Performing Arts | Philanthropy | Population | Special Projects

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This PDF represents a printable version of an annual report that was originally published in digital-only format on an earlier version of the Hewlett Foundation's website. Minor changes have been made to improve formatting.

Forms of Philanthropic Support: The Centrality of Alignment*

Paul Brest

Nonprofit organizations are the core of civil society. Vibrant organizations require unrestricted capital and need excellent leaders with considerable autonomy to develop and implement their plans. But these organizations and their leaders also depend on funders, who have their own passions, goals, and ideas.

How are the interests of donors and nonprofits reconciled in the philanthropic world? Some funders use the power of their purses to resolve the tension in a lopsided way that satisfies their egos but ultimately disserves society. They make small, short-term grants focused on narrowly defined concerns. They require organizations to jump through hoops during the application process, and then micromanage grantees' activities. In fact, unrestricted, general operating support for organizations accounts for only about 19 percent of all foundation grant dollars.[1]

Concerned with the pervasive undercapitalization of nonprofit organizations, Independent Sector, Grantmakers for Effective Organizations, and the Nonprofit Finance Fund have strongly advocated that funders provide multi-year, renewable general support.[2] At the same time, a small but increasing number of venture philanthropists are providing successful nonprofits the funds necessary to expand.[3] Most venture philanthropists support organizations that provide services—education, after-school programs, visits by nurse practitioners. But general support is equally valuable for organizations engaged in research and advocacy, ranging from universities and think tanks to environmental organizations.

For all of the value of general support, however, there are often good reasons to fund specific projects. Proponents of unrestricted support tend to be so single-mindedly focused on its benefits that they forget that it is not an end in itself but rather one of a number of tools of philanthropy, useful for some purposes but not others.

This essay is premised on the belief—or at least the hope—that if funders better understood the rationales for different forms of philanthropic support, they would behave in a more nuanced way. It argues that the appropriate form of funding depends mainly on the *alignment* of a funder's goals and strategies with the grantee's mission and activities. Alignment is a function of the breadth of a funder's goals and is also affected by the substance of its goals and the time horizons in which it pursues them.

BREADTH OF PHILANTHROPIC GOALS

All philanthropy proceeds from a funder's particular passions and values. At the broadest level of goals—so broad that they might be called concerns or interests—there is no tension between funder and grantee, because it is only after the funder has determined its goals that anyone can know who the grantees might be. Funders interested in the environment, or disadvantaged youth, or the arts will have completely different sets of potential grantees from each other. One can criticize a funder's choice of concerns from a social or moral point of view, but these are criticisms *external* to philanthropy and beyond the realm of funder-grantee relations.

Different funders may address the same general goal more broadly or narrowly and with different time horizons. For example, a funder concerned with homelessness in the United States may focus on a particular community, or on a region, or on the nation as a whole. The funder may wish to provide direct services to address the plight of people living on the streets today or support long-term systemic change to alleviate the poverty that forces them into the streets.

A donor's choice to define his philanthropic goals broadly or narrowly is not fundamentally different from his choice among specific substantive goals. For example, the motivation that leads a donor to support research into a particular form of cancer is not essentially different from his choice to support research for cancer rather than heart disease, or to support education in Cambodia rather than gamelan ensembles in Indonesia.

Even so, one can imagine engaging a donor in a conversation that seeks to help him better understand, and perhaps broaden, his own philanthropic goals. People are sometimes myopic about their goals, focusing on a particular event that triggers interest without connecting it to broader issues. A donor who sees a captivating television show about the plight of the Greater Sage-Grouse may be motivated to protect this particular species rather than broadening his concern to encompass endangered species or the western environment more generally. But at the end of the day, if a donor's passion is directed toward saving the Greater Sage-Grouse, so be it. The same applies to a philanthropist interested in rehabilitating gang members only in Omaha rather than in Nebraska, the Midwest, or throughout the United States.

As we will see, the breadth of a funder's goals strongly determines the form of its support for a nonprofit organization.

ALIGNMENT BETWEEN FUNDERS AND GRANTEES

There are two essentially different forms of philanthropic funding. When a foundation provides general support—also known as unrestricted or core support—its funds back the grantee's entire mission. Alternatively, a foundation may support specific programs or projects carried out by the organization. Here is a simple example:

- A funder interested in promoting medical education and research in general might give *general operating support* to a free-standing research institute or medical school. (A grant to a medical school within a university would not constitute general support, because it would not provide unrestricted support for the institution as a whole—though most universities would be quite pleased to have an unrestricted grant to one of their major schools.)

- A funder interested in cancer research might provide *project support* to a cancer center within a medical school or a medical institute, or provide general support to an institution whose sole mission is cancer research.
- A funder interested in supporting research on a particular form of cancer might provide *project support* for the work of an identified researcher or her research group in one of these institutions.

General support is the most effective grantmaking tool when an organization's mission is essentially identical with, or contained within, the funder's goals in a field. Clearly, a funder interested in cancer research would greatly dilute its grant by providing general support to a university, which devotes only a tiny fraction of its work to this research. But the funder could achieve its goal through either a project grant or through general support to an institution exclusively devoted to such research.

Virtually as a matter of logic, a funder with broadly defined goals is more likely to find institutions whose missions and activities fit within those goals (and thus are appropriate for general support) than a funder whose goals are narrowly defined. To illustrate this point, let's contrast the Save All Mammals Foundation (Save All) with the Save Marine Mammals Foundation (Save Marine). The large circle in Figure 1 (on the following page) represents the scope of Save All's concerns; the smaller circles represent potential grantee organizations. Those that are fully within Save All's circle are eligible for general support; those that intersect the circle are eligible for project support; and the organization entirely outside the circle would receive no support.

General Support To be eligible for Save All's general support, a grantee's mission and (nearly) all its activities must be directed to saving mammals. In Figure 1, organizations dedicated to saving various marine mammals, American mammals, and wolves all fit fully within the funder's circle of interest and could receive general support.

Project Support Organizations whose activities intersect with Save All's interests are eligible for project support. The World Ecological Society works on myriad global environmental problems, including water and air pollution, endangered species, and rainforests. It has a small but excellent staff devoted to protecting whales, and Save All might provide project support for this initiative. Protect Marine Ecosystems is concerned with all marine ecosystems, including those necessary to sustain marine mammals. Depending on how much of the organization's work supports marine mammals' ecosystems, Save All might provide project support, or it might find the alignment close enough to provide general support.

No Support Assuming that sharks play no significant role in any mammal's ecosystem, Save the Sharks is entirely outside Save All's concerns, and not a candidate for a grant.

Figure 1

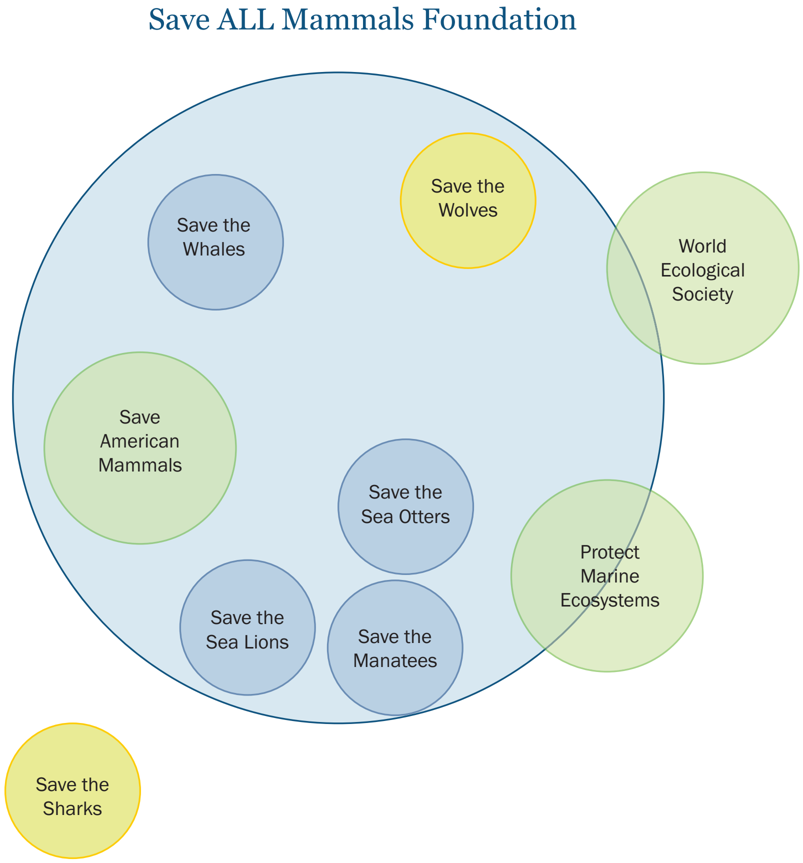
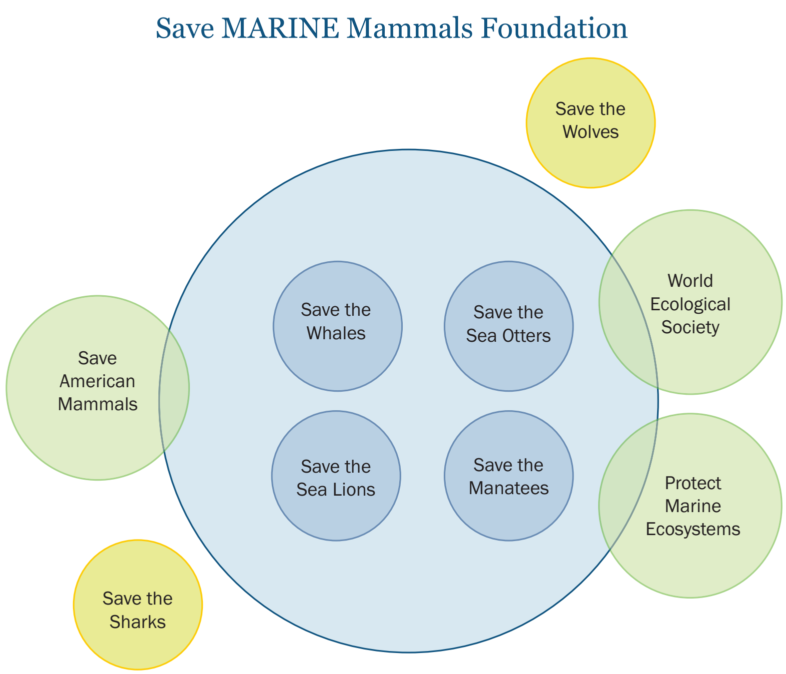


Figure 2



Now consider the more narrowly focused Save Marine Mammals Foundation (Figure 2). Save Marine's circle of interest is smaller, and therefore fewer organizations are likely to fit fully within it and be eligible for general support. For example, Save the Wolves is not eligible; Save American Mammals (which could get unrestricted support from Save All) might now receive only project support for that portion of its work protecting American marine mammals. The World Ecological Society and Protect Marine Ecosystems are still eligible for project support.

Two other considerations may enter into a funder's decision about the right form of support for a grantee. First, although an organization's activities may be fully aligned with a funder's interests, some aspects of the organization's work may be quite strong or cost-effective, while others are weak or relatively costly. In this case, a funder might decide to forego general support and provide project support in the areas of the organization's strength. For example, Save the Whales may effectively conduct research on whale populations, but not have strong advocacy strategies to protect them, while the World Ecological Society may have a very strong advocacy arm. The Save Marine Mammals Foundation might give the former organization project support for its research and the latter, project support for its advocacy.

Second, tax regulations concerning lobbying may affect a funder's form of support. In brief, general support allows a grantee far more leeway to lobby than is permissible under a project grant. If a grantee's advocacy work will be central to a foundation's goals, then general support may be preferable, even if some of the organization's other activities are not fully aligned.

The Hewlett Foundation has many grantees that fit entirely within our circles of interest. For example:

- The Global Development Program provides general operating support to the Center for Global Development, which conducts relevant research in all of the Program's priority policy areas: aid effectiveness, trade and agriculture policy, and quality education in developing countries.
- The Environment Program provides general support to the Greater Yellowstone Coalition, which protects the lands, waters, and wildlife of the 18 million–acre Greater Yellowstone Ecosystem. The organization's efforts and achievements directly relate to the Program's goals of conserving the West's ecological integrity.
- The Performing Arts Program provides general support to music, theater, and dance organizations throughout the Bay Area, ranging from the San Francisco Symphony to Monterey Jazz; from the Berkeley Repertory Theatre to the California Shakespeare Theater; from Chitresh Das Dance Company to LINES Contemporary Ballet.
- The Population Program provides general support to the African Population and Health Research Centre, which undertakes policy-relevant research on the impact of population dynamics on development and on the reproductive health needs of African women; and to the Guttmacher Institute, which carries out research and advocacy on a broad range of issues concerning domestic and sub-Saharan African reproductive health and rights.

- The Education Program provides general support to EdSource, an independent, nonpartisan organization that clarifies complex education issues and promotes greater understanding and thoughtful policy decisions about California's public school system. EdSource's work relates directly to the Program's goal of improving educational outcomes in California.

When the fit is not perfect but alignment is pretty close—when most of an organization's activities fit within our goals—we also tend to provide general support. For example:

- The Environment Program gives general support to the Bipartisan Policy Center, an umbrella organization that serves a vital policymaking role on a number of energy-environmental issues, such as federal renewable fuels standards and clean energy infrastructure, but that also works on health care and national security issues—issues not within the Program's mission.
- The Population Program gives general support to the National Women's Law Center, which addresses not only reproductive rights and health issues but also employment and child care.
- The Education Program provides general support to The Institute for College Access and Success, which conducts research and advocacy designed to improve federal financial aid policy and the delivery of financial aid in California. The Foundation's interest relates to federal education policy generally and to California community colleges specifically. The Institute's work in California also encompasses four-year universities, which are outside our focus area.

In many other cases, the alignment between the Foundation's goals and self-defined programs within a grantee organization leads to unrestricted support for those programs. For example:

- In its work on western conservation, the Environment Program supports Trout Unlimited's water program, which aims to restore and protect ecologically meaningful streamflows in all the coldwater rivers in headwater states.
- In its efforts to reduce teen pregnancy in the United States, the Population Program supports New Generation Health Center at the University of California, San Francisco, which provides teen-friendly reproductive clinical care for low-income youth.
- The Philanthropy Program supports DonorEdge, an online giving platform first developed by the Greater Kansas City Community Foundation, which informs funders of the activities and outcomes of nonprofit organizations. The Program also provides unrestricted support to the Center on Philanthropy and Civil Society at Stanford University.
- The Global Development Program supports the German Marshall Fund's Economic Policy Program, which promotes cooperation between the United States and Europe on economic development policy and global poverty alleviation. The Program also funds the International Budget Project, led by the Center on Budget and Policy Priorities, which

strengthens civil society groups that monitor the allocation of budgetary expenditures in developing countries.

- In its work to improve educational outcomes in California, the Education Program supports a number of university-based centers, such as the Institute for Democracy, Education, & Access at the University of California, Los Angeles (which focuses on education equity issues), and the Institute for Higher Education Leadership & Policy at California State University, Sacramento (which conducts research and analysis on community college policy).
- Through funds outside its programs, the Foundation supports the China Law Center at Yale University, which works to strengthen criminal and administrative procedures and the rule of law more generally in China.

Although such grants reflect the spirit of general support, they do not meet the IRS definition because they are not made to the organization as a whole, and therefore count as project support.

In yet other situations, we support organizations that play an important role in achieving the Foundation's goals, even though their overall alignment with those goals is quite poor. This is the paradigmatic case for making *project* grants. The Indian social entrepreneur Sheela Patel has disapprovingly characterized foundations making such grants as "treating organizations . . . as contractors in the delivery of their own visions."[4] As I will discuss below, however, this form of support is often mutually advantageous.

TIME HORIZONS OF SUPPORT

The type of philanthropic support a funder offers and the amount of leeway it gives grantees in other respects correlate significantly with its time horizon for addressing an issue. Shorter-term work, typically characterized as "initiatives" or "projects," usually calls for project support. Achieving longer-term goals generally involves building organizations, which tends to require general support. Perhaps counterintuitively, the long-term goal of building entire fields often requires project support: at least in the earlier stages, institutions dedicated to the new field's mission may not yet exist, and organizations with only a partial overlap of interests are often the best near-term substitute.

It is impossible to say that one of these approaches—supporting short-term initiatives, long-term institution building, or field building—is more socially valuable than another. That depends on one's particular goals and best strategies for achieving them.[5]

SHORT-TERM INITIATIVES

For example, the Hewlett Foundation has supported these valuable but relatively short-term initiatives:

- In 2002, we joined a group of other Bay Area foundations, the U.S. Fish and Wildlife Service, and California's Department of Fish and Game to purchase 16,500 acres of salt flats in San Francisco Bay and restore them to wetlands. All of the funding came through project grants.

- In an initiative called New Constituencies for the Environment, the Foundation has used a mix of forms of support to reduce air pollution in California's San Joaquin Valley. Where we could support and strengthen local organizations focused on this problem, we provided general support. These grants were sometimes supplemented by so-called "organizational effectiveness" or "capacity-building" support to improve a grantee's capacity in strategy, management, board development, or other areas. The initiative also required supporting specific projects, such as contracting for a university economist to conduct a study of the health costs of pollution. We also provided project support to the Latino Issues Forum's Sustainable Development Program. (Because the organization deals with a broad range of issues, general support wouldn't have made sense.)
- When the California Department of Education recently came under pressure to make its School Accountability Report Card more understandable and useful to parents, the Foundation gave project support to an organization with expertise in presenting complex data to lay audiences. The grantee (for-profit) organization, Grow Network, assisted the Department in redesigning the report and field testing it with parents.

LONG-TERM INSTITUTION BUILDING

A funder concerned with creating strong organizations for the long term will often find general support a useful tool. Much of the Hewlett Foundation's funding is designed to build and strengthen anchor research and policy advocacy organizations in a field. For example:

- The Philanthropy Program's general support for The Bridgespan Group has helped it grow from a fledgling organization into one of the top nonprofit consulting firms in the United States and a leading producer of research on nonprofits and foundations. Support for the Center for Effective Philanthropy has helped it provide systematic feedback to foundation boards and staff to improve their relations with grantees and overall impact.
- As part of its commitment to improving energy policy, the Environment Program has supported the Mario Molina Center for Strategic Studies of Energy and the Environment, which addresses key environmental problems in Mexico, and The International Council on Clean Transportation, which advocates for public health and the environment through greater efficiency and reduced pollution by automobiles and transportation systems.
- In its work to improve educational outcomes in California, the Education Program has provided general support to the Center for the Future of Teaching and Learning, a think tank dedicated to strengthening teacher development, policy, and practice in California.
- Through funds independent of the programs, the Foundation has provided matching grants to endow professorships at Stanford University's School of Humanities and Sciences and at the University of California, Berkeley.

Building organizations is the central mission of several emerging venture philanthropy funds, which focus mainly on providing education and other services to disadvantaged communities. Jeff Berndt of New Profit writes:

Many solutions to our country's most entrenched social problems already exist. But many of the social entrepreneurs who have created these innovative solutions lack access to the financial and human resources to grow their enterprises. . . . What's the result of this situation? The nonprofit sector today largely consists of "mom and pop shops"—the vast majority (91%) operates with an annual budget under $1 million. And the social problems we face persist...

Like venture capitalists, we look for leaders and innovations with the potential to create fundamental, widespread change. We then provide financial capital (multi-million dollar growth capital grants over four to six years), access to networks (other funding sources, experts in content areas, policymakers), and necessary strategic assistance (management consulting, portfolio managers) to help each entrepreneur grow their solution to new communities and to drive their own strategy for scale through policy, creating markets, or another widespread change strategy.[6]

Although venture philanthropists may begin by providing nascent organizations with project support, including organizational effectiveness or capacity-building grants, sustained support usually takes the form of general support, often in the form of growth capital.

FIELD BUILDING

At first blush, field building seems similar to building organizations—though even more ambitious. Especially in the early stages, however, field building typically requires project, rather than general, support.

The long-term objectives of field building include establishing strong anchor institutions—for example, the Population Council, the Population Reference Bureau, and the ClimateWorks Foundation and its network of regional foundations concerned with climate change. But nascent fields often lack such anchor organizations, and funders must therefore rely on project grants to existing institutions. Indeed, even a mature field like as end-of-life care may be supported by project grants to quite dispersed organizations such as medical and nursing schools and hospitals. Consider these examples from three field-building ventures at the Hewlett Foundation.

Arts Education. Since 2005, the Performing Arts and Education programs have conducted an arts education initiative. The initiative is intended to provide high-quality, sequential, standards-based arts education to California's K-12 students in order to instill a love of the arts, improve learning, and foster creativity. Over the past three years, the Foundation has invested over $7 million in research, advocacy, and support for model arts education programs with the aim of strengthening the infrastructure of arts education in the public school system. Because of the state of the field, all of the grants have supported particular projects.

In 2007, the Hewlett Foundation released SRI International's (project-supported) report, *An Unfinished Canvas*, which examined the state of arts education in California public schools.

Together with follow-up research that pointed to the small quantity and low quality of arts education, the SRI report spurred the Foundation to make grants for advocacy efforts and exemplary in-school arts education programs.

These grants included project support that enabled the California Alliance for Arts Education to develop a network of community advocates across the state, which contributed to an unprecedented annual allocation of state Arts Block Grants. Another project grant allowed the California County Superintendents Educational Services Association to win backing for arts education from influential education leaders and to learn how to provide districts with technical assistance in delivering quality arts education. In collaboration with these organizations, the Foundation was instrumental in supporting the creation of a statewide Arts Education Task Force, composed of education, arts, and policy leaders; its recommendations are in various stages of implementation. A grant to the California State PTA helped it develop a long-range plan to establish a network of "Parents for the Arts" among its million-plus members.

The Foundation has also supported an effort by Americans for the Arts to improve arts education in the United States. And a grant to the National Opinion Research Center supported a study of the role of teaching artists in the arts education infrastructure, in and out of school.[7]

Open Educational Resources. In 2001, together with the Andrew Mellon Foundation, we gave a series of project support grants to MIT's OpenCourseWare initiative, through which the university makes the teaching materials for all its courses available online without charge. The idea originated with MIT, but—as is typical in good field-building ventures—the project quickly engaged the university and funders in a deep collaboration. This spawned the Open Educational Resources (OER) initiative, aimed at equalizing access to knowledge worldwide through the development and use of openly licensed, digital resources for education.

MIT's initial project eventually led to the OpenCourseWare Consortium, a group of 200 institutions of higher education around the world. More broadly, the Foundation helped create an infrastructure for the new field, along with demonstration projects to illustrate OER's potential. In building the infrastructure, we funded Creative Commons—which provides an open source version of copyright—initially through project support and then through general support. In addition, we are helping several grantees become core organizations in this emerging field: Commonwealth of Learning (with several project support grants), the Institute for the Study of Knowledge Management (with project support), Internet Archive (with general support), Rice University's Connexions open publishing platform (initially with project support, then general support) and the Monterey Institute for Technology and Education (with both project and general support).

The Foundation is also funding several studies on the use of and demand for OER. For example, we provided project support to the Maine International Center for Digital Education to study teacher practices in using OER in middle schools. We are also giving significant project support to the Open University of the U.K. and Carnegie Mellon University to build a global OER research network.

Finally, we have supported many demonstration projects to illustrate OER's potential. We made a project grant to the University of Michigan to develop OER to support health education in Africa and to encourage African-driven collaboration. We also provide general support to the Fantasy Foundation of Culture and Arts, a worldwide network of 2,800 volunteers translating OER materials for Chinese users.

Quality Education in Developing Countries. For decades, support for elementary and secondary education in developing countries focused on expanding access to schools, without much attention to actual learning outcomes. Starting in 2001, the Hewlett Foundation began to explore how to improve the quality of education with the goal of teaching basic reading, math, and problem-solving skills. This work now takes places in a collaborative initiative with the Bill & Melinda Gates Foundation called Quality Education in Developing Countries (QEDC).

Because QEDC is taking a novel approach, few existing organizations are closely aligned with its goal of quality education. For this reason and because of IRS regulations that govern grantmaking to international organizations without 501(c)(3) status or its equivalent, most QEDC grantmaking has been directed to particular projects.

At the earliest stages of the initiative, we retained consultants to help our staff learn more about the field. The first large grant, to the American Academy of Arts and Sciences, supported research on the determinants of educational outcomes in developing countries; the work culminated in the book *Educating All Children: A Global Agenda*. A grant to the African Population and Health Research Centre (APHRC) allowed it to study the impact of eliminating primary school fees for children in Nairobi slums. Since then, APHRC has developed an outstanding Education Research Program. Our support for this effort is project, rather than general, support since it funds only one program within a multifaceted organization. Project grants to the Global Campaign for Education and the Academy for Educational Development's Basic Education Coalition were designed to raise the profile of universal quality education with the public, the media, and policymakers.

QEDC made a project grant to the Aga Khan Foundation USA to develop an instructional model for teaching reading and math to students in the early grades, and then a grant to implement this approach in 200 schools in Kenya and Uganda. We also gave Room to Read a project grant to experiment with a "reading kit" that would help instructors better teach reading to beginning students in Indian schools. (The organization had originally focused on building libraries, only to discover that children were not able to read the books.)

Through Pratham and Prajayatna in India, and l'Institut de l'éducation populaire in Mali, QEDC is helping organizations propagate small scale successes throughout entire education systems. To learn what succeeds and what doesn't, these and other QEDC projects undergo external evaluations by organizations such as APHRC, Abdul Latif Jameel Poverty Action Lab, and Berkeley's Center of Evaluation for Global Action—also supported by project grants.

QEDC has also made project grants to diffuse innovative ideas from one country to another. For example, we supported an East African team's visit to India so it could learn about the implementation of the Annual Status of Education Report (ASER)—a nationwide assessment of literacy and numeracy. Conducted by a nongovernmental organization, ASER has had a galvanizing effect in spurring the Indian government to improve quality education. Based on the African team's observations, QEDC supported the launch of Uwezo ("capabilities" in Swahili), which is conducting the first-ever assessments of student learning in Kenya, Uganda, and Tanzania. Although Uwezo began as a project of Hivos, a Dutch NGO with long experience in East Africa, it might eventually become an independent entity that could receive general support.

ASSESSING GENERAL SUPPORT GRANTS

Funders reluctant to provide general support cite the supposed difficulty of evaluating an organization's performance under an unrestricted grant. But this is a mistake. Although a funder that gives general support may not direct or restrict the grantee's activities, it is free to assess an organization's strategies, programs, and theories of change before making the grant; evaluate outcomes during the course of a grant; and decline to renew if the organization is not achieving social impact.

In effect, a general support funder evaluates a grantee's work from the same standpoint as its CEO or board chair. An unrestricted grant provides the funder with an opportunity to help an organization collect and analyze information about outcomes and use that information to improve its performance. For example, the Edna McConnell Clark Foundation builds strong evaluation into its general support grants to youth development organizations; the F. B. Heron Foundation, which focuses on asset building in low-income communities, evaluates its general support based on a grantee's planning documents and measures progress against the organization's own ambitions and plans.[8]

CONCLUSION

Grantees usually prefer to receive general support because it maximizes their flexibility to use funds as they deem necessary to serve their missions. As we have seen, the more closely a funder's goals and an organization's mission and activities are aligned, the more appropriate this form of funding is.

Where alignment is good and the funder has confidence in the quality of an organization's leadership and work, multiyear, renewable general support grants will serve the interests of everyone involved. There are also cases on the margin, where alignment is good but not great. Given the value of unrestricted funds, there is much to be said for a funder's having a presumption favoring general support.

Whether or not funders choose to approach their grantmaking with this presumption, it is important to understand that forms of philanthropic support are never ends in themselves but only tools—albeit important ones—for achieving social impact. Funders would do well to follow the clichéd adage: the right tool for the right job.

ENDNOTES

* I am grateful for comments on this essay by Ivan Barkhorn, Iris Brest, Eric Brown, Phil Buchanan, Moy Eng, Kathleen Enright, Lauren Finzer, Julie Fry, Nicole Gray, Jacob Harold, Ward Heneveld, Kristi Kimball, Mark Kramer, Vivian Lindermayer, Kari Mah, Erin Majernik, Lawrence Mendenhall, Megan Mermis, Sara Morello, Jon O'Brien, Jennifer Ratay, Dana Schmidt, Sean Stannard-Stockton, Tom Steinbach, Victor Vuchic, and Em Warren. The essay builds on Paul Brest and Hal Harvey, Money Well Spent: A Strategic Plan for Smart Philanthropy (New York: Bloomberg Press, 2008).

1 Foundation Center, Foundation Giving Trends, 2009 Edition (February 2009).

2 Independent Sector; Grantmakers for Effective Organizations, GEO 2007 General Operating Support: Action Guide; Non-profit Finance Fund.

3 Some notable examples include SeaChange Capital Partners, Growth Philanthropy Network, New Profit Inc., and the Draper Richards Foundation.

4 Quoted in Susan Berresford, "The Art of Grantmaking," Stanford Social Innovation Review (Spring 2009): 18.

5 Of course, even short-term projects require organizations that can help solve problems. These organizations often already exist, however, and do not necessarily require general support from a particular funder. In providing project support, a responsible funder has the obligation to "do no harm," which includes both paying adequate overhead and not pressing a grantee to do work that distorts its own mission.

6 Jeff Berndt, "On Investing in Nonprofits," Tactical Philanthropy (February 2009).

7 As of this writing, the national economic crisis and California's own budget problems make this an inauspicious time to press for increased funding of arts education. However, we hope that ongoing support for the arts education infrastructure will allow grantees to sustain their gains to date and resume active campaigns when the nation and state have solved their current fiscal problems.

8 Brest and Harvey, p. 81.

About the William and Flora Hewlett Foundation

The William and Flora Hewlett Foundation has been making grants since 1967 to solve social and environmental problems at home and around the world.

The Hewlett Foundation At A Glance
(as of December 31, 2008)

Total Assets: $6.29 billion
Total dollar amount of grants and gifts awarded in 2008: $784,522,000*
Total dollar amount of grants and gifts disbursed in 2008: $378,000,000 (estimate)
Total number of grants and gifts awarded in 2008: 667
Average grant amount in 2008: $460,461**
Median grant amount in 2008: $200,000
Number of employees: 108

** Including $481,505,182 awarded to ClimateWorks Foundation.*
*** Excluding the ClimateWorks award.*

Never stifle a generous impulse," was a favorite saying of entrepreneur William R. Hewlett, who established the Hewlett Foundation with his wife, Flora Lamson Hewlett, and their eldest son, Walter B. Hewlett. Indeed, it was the personal generosity of Mr. Hewlett, who passed away in 2001, that has made the Hewlett Foundation one of the nation's largest, with assets of more than $6 billion.

The Foundation's programs have ambitious goals that include: helping to reduce global poverty, limiting the risk of climate change, improving education for students in California and elsewhere, improving reproductive health and rights worldwide, supporting vibrant performing arts in our community, advancing the field of philanthropy, and supporting disadvantaged communities in the San Francisco Bay Area.

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Education Program

In December 2008, the Hewlett Foundation newsletter featured a story, Closing the Education Gap in America's Poorest Schools, on SRI's evaluation of KIPP charter schools. Photo by Andrew Davis.

In 2008, the Education Program pursued three goals:

- Improve education for California students
- Equalize educational opportunities in the United States and throughout the world through Open Educational Resources
- Raise educational achievement in disadvantaged communities in the San Francisco Bay Area.

In order to work toward achieving these goals, the Program made over $53.1 million in grants to 84 organizations.

Appendix
Education Program's 2008 Report to the Board
Open Educational Resources Initiative's 2008 Budget Memo

Environment Program

In April 2008, the Hewlett Foundation ran a newsletter story, Finding Common Ground in the Wilderness, about a broad coalition coming together to protect vast swaths of the American West. *Photo courtesy of Campaign for America's Wilderness and Barbara I. Bond.*

In 2008, the Environment Program pursued three goals:

- Protect the great ecosystems of the North American West
- Slow global climate change by reducing greenhouse gas emissions
- Address environmental problems that disproportionately affect disadvantaged communities in the San Francisco Bay Area

In order to work toward achieving these goals, the Program made over $89.1 million* in grants to 113 organizations.

The Program also made grants around the Foundation's Special Initiative on Climate Change.

** This number excludes $481 million to the ClimateWorks Foundation.*

Appendix
Environment Program's 2008 Report to the Board

Global Development Program

Part of the Global Development Program's work is focused on improving the quality of education in developing countries - shifting the focus from attendance to quality instruction. *Photo by Dana Schmidt/Hewlett Foundation.*

In 2008, the Global Development Program pursued four goals:

- Improve the efficiency of agricultural markets
- Promote transparent and accountable governance around the world, with an emphasis on Mexico
- Improve the quality of education in the developing world
- Increase the amount of high-quality policy analysis created in the developing world

In order to work toward achieving these goals, the Program made over $62 million in grants to 83 organizations.

The Global Development Program also partnered with the Gates Foundation to make grants to improve quality education in developing countries.

Appendix
Global Development Program's 2008 Report to the Board

Performing Arts Program

In November 2008, the Hewlett Foundation newsletter profiled the East Bay Center for the Performing Arts and its Director, Jordan Simmons. The Center has been providing artistic opportunities to youth who would not otherwise have these experiences. Photo courtesy of Max D'Ambrosio.

In 2008, the Performing Arts Program pursued three goals:

- To ensure that exceptional works of art are created, performed, and preserved
- To provide more opportunities for participation in arts experiences
- To guarantee that arts education is a part of all California students' learning experience

To achieve these goals, the Program made $20.9 million in grants to 118 organizations.

Appendix
Performing Arts Program's 2008 Report to the Board

Philanthropy Program

Andy Goodman presents at the SPIN Academy, a communications training workshop offered to Hewlett Foundation grantees. The Philanthropy Program and the Communications Department work together to host these training sessions.

In 2008, the Philanthropy Program pursued three goals:

Goals:

- Increase and improve information available to donors about nonprofit performance
- Educate donors about effective philanthropic practices
- Develop information about strategic philanthropy and share what we've learned

In order to achieve these goals, the Program made over $8.2 million in grants to 80 organizations.

Appendix
Philanthropy Program's 2008 Report to the Board

Population Program

The Population Program aims to enhance and protect reproductive rights and to promote economic well-being by allowing women to choose the size and timing of their families. Photo by Eric Brown/Hewlett Foundation.

In 2008, the Population Program pursued four goals:

- International Access to Family Planning and Reproductive Health
- Research, Training, and Advocacy to Create Sound Policy
- Family Planning and Reproductive Health in the United States
- Serving Bay Area Communities

In order to achieve these goals, the Program made over $55.9 million in grants to 82 organizations.

Appendix
Population Program's 2008 Report to the Board

Special Projects

In February 2008, the Hewlett Foundation newsletter featured a story on efforts to professionalize China's legal field and further the rule of law. Photo courtesy of the China Law Center.

The Foundation makes the majority of its grants through 6 main programs. However, from time to time exceptional opportunities arise, requiring flexibility on the part of the Foundation. Special Projects allows the Foundation to make grants that do not necessarily fit within the strategies of the individual programs. This money can also be used to match or supplement grants made by the programs.

In 2008, Special Projects made over $16.6 million in grants to 53 organizations.

2009 BUDGET MEMORANDUM
EDUCATION PROGRAM
November 17, 2008

OVERVIEW

In 2008, each of the Education Program's four components had considerable successes and multiple challenges. The Improving Educational Outcomes in California, Improving Achievement, and Opportunity components are discussed in this memo; the OER Initiative is described in a separate document.

Improving California's K-12 schools and community colleges requires major policy change in Sacramento to improve finance and governance. The particular challenge of our grantees' 2008 efforts: when the governor's proclaimed "Year of Education" was eclipsed by the state's $17 billion budget shortfall for 2008–9. The governor proposed 10 percent across-the-board cuts, including education, but the final budget deal preserved education funding at essentially the same level as last year. However, a remaining $7 billion structural deficit will be carried into the next fiscal year, and revenue estimates for 2010 project an even larger shortfall.

We are optimistic, however, about incremental progress in our work to improve education in the state. This year, the fledgling state data system produced the first valid estimates of California's high school dropout rate, and the education community strongly backed the McKinsey report on how this system might be used to support continuous improvement throughout the state. And, despite the budget challenges, there has been movement toward the goal of better aligning K-12 and postsecondary systems so that more students finish high school ready for college-level coursework. Education leaders, the governor, and business people have committed to join the American Diploma Project, aimed at aligning high school standards with measures of students' readiness for college-level work. This project, launched nationally by a Hewlett grant in 2002, is being adopted in thirty-three states.

Next year presents a critical window to build on these opportunities. State senate and assembly leaders have asked for assistance in developing a five-year plan to reach some ambitious goals for reducing the dropout rate. The new community college system chancellor collaborated with our grantees when he was a state senator, and we expect this relationship to deepen as he takes over the chancellorship. Though our progress has been measurable over the past few years, it is still far too slow to meet California's K-12 needs.

State policy work is very important, but without proven district- and school-level strategies to improve learning opportunities in classrooms, accomplishments in Sacramento will have little effect on school achievement. Yet advancing successful local strategies is complicated given that almost all traditional school-based interventions have had little or no impact. For example, smaller schools, minor changes in curriculum, after-school programs, and most professional development produce little improvement. A central reason for this is that schools have stable routines, customs, incentives, and powerful stakeholder groups that resist change. However, some types of interventions do generate substantial and sustainable gains in student achievement, and our Improving Achievement portfolio has focused on identifying, studying, and spreading the word about these particular interventions.

Theory and observation suggest that to significantly improve achievement, we need intensive efforts that substantially change traditional school routines and that directly affect students' instructional opportunities. In the past few years, we have focused on four such promising reform interventions: district-based intensive instructional reform, adaptive instruction (which supports teachers as they personalize instruction for students who need extra help), substantially extended learning time in the school day, and aggressive early language development for low-income children in grades K-3. Progress on each of these strategies was substantial during 2008. For example, district instructional work in East Palo Alto, supported by the Education Program and Serving Bay Area Communities funds, resulted in the district meeting state-set goals for improvement on the state index, a singular achievement for East Palo Alto.

As this work has progressed, we find that the underlying rationales and strategies of three of the reforms are being adopted by schools, districts, and states across the country and by other parts of the Education Program. The adaptive instruction and extended learning time interventions, for example, are proposed in various plans for California reform, and adaptive instruction serves as a cornerstone strategy for newly developed OER instructional software.

Much of the basic work in the Improving Achievement component of the Program has been completed, and other foundations and the federal government have begun to fund three of the four interventions. Therefore, we propose to reduce the budget for the Improving Achievement component. This will allow an overall reduction in the 2009 Program budget while providing greater resources for the California policy component at this critical time.

COMPONENT: Improving Educational Outcomes in California

In 2008, our California component pursued a rigorous strategy refinement to complete the integration of the K-12 and community college portfolios. We looked at the lessons learned from the last five years of grantmaking, California's policy landscape, the successes (or failures) of different grants, and assumptions about policy-change grantmaking.

The result is a single, coordinated strategy for our California education work**,** showing how we expect that complementary investments in K-12 and community colleges will lead to improvements in student outcomes. We also developed logic models for each intermediate goal within the strategy to further articulate the theory of change. While we continue to have a program officer with primary responsibility for K-12 and another for community colleges, they will closely coordinate their grantmaking efforts going forward.

One key finding of our strategy review is that this is the right moment to focus and intensify our grantmaking on a set of achievable intermediate goals that promise to have the most impact within the next three to five years. These intermediate goals, described in the 2009 section below, fall into three focus areas. The first two, education finance and data systems, build upon our past investments to seed reform efforts. The third focus area, college readiness, emerges from existing community college work on developmental education and K-12 work on dropout prevention. Each of the three areas affects both the K-12 system and the California community colleges (CCC). Another finding of our strategy review is the need to prioritize advocacy and communications work (excluding lobbying activities prohibited by IRS regulations) in order to translate research into new education policy and practice. Building the sense of urgency therefore will have greater emphasis in our investments going forward. Elevating this priority in our integrated strategy will demand eliminating some earlier goals.

Even with an increased budget for the California component, our integrated strategy will demand eliminating some earlier goals. In particular, efforts to improve college instruction and change teacher policy will be scaled back significantly; we will invest in these only when linked to reforms in the three focus areas. In addition, while our past investments in research helped clarify key problems and build consensus for solutions, intensifying support for advocacy efforts means reducing the role of research in the portfolio. The vast majority of the 2009 grant budget for California education will be project support to achieve specific goals within the three focus areas; however, we will also make less-targeted, core operating support grants to sustain essential organizations (such as media organizations and think tanks) that create an environment for effective education policymaking.

The long-term goal of the California education portfolio is *to significantly improve educational outcomes for students in California so that they can achieve their goals and contribute to their families, their communities, and California's economy*. This goal is ambitious in the face of discouraging data. According to the Public Policy Institute of California, if current trends are unabated, the state will have 3 million fewer college-educated workers than needed by the year 2025, and twice as many high school dropouts as the state will be able to employ. Too few students are finishing high school with the skills to compete for great jobs or to succeed in postsecondary education, and too few attending higher education are successfully earning credentials.

If successful, our California education strategy will help turn around these low levels of high school graduation and college attainment. In particular, we aim to achieve the following ultimate outcomes by 2019:

- Increase the four-year high school graduation rate from 68 percent to 90 percent.
- Increase high school students' college readiness, as measured by the Early Assessment Program test, from 17 percent to 50 percent in English, and from 13 percent to 50 percent in math.
- Increase the success rate of underprepared community college students in the developmental (remedial) sequence from 11 percent to 50 percent in math, and from 24 percent to 50 percent in English.
- Increase the community college completion rate (for degrees, certificates, and transfer to four-year universities) from 24 percent to 35 percent.

In the sections below, we report 2008 progress in the K-12 and community college areas separately; our plans for 2009 represent the new integrated portfolio.

Progress in 2008: Strengthening California K-12 Schools

Because of the state's $17 billion budget deficit this year, K-12 education reformers scaled back their ambitious agenda for Governor Schwarzenegger's promised "Year of Education," as did the governor. Instead, advocates focused on limiting the severe, proposed funding cuts for schools in the state budget and on advancing development of the state's education data infrastructure. Their hard work paid off, as the final budget deal maintained current funding for education and even included $24 million in new funding for education data systems—a major accomplishment in this bad budget year.

California's budget deficit also derailed efforts to achieve a significant redesign of the state's school finance system this year. But there were some glimmers of hope for the future. For example, the Governor's Committee on Education Excellence called for a substantial redesign of the state K-12 finance system, and the secretary of education held public forums to discuss these recommendations. A few finance reform bills were introduced, including ones to consolidate "categorical" funding streams that earmark dollars for specific programs and limit administrators' flexibility. But these measures saw little action. Consequently, using funding from the Hewlett Foundation and others, our grantees began planning a sustained campaign to achieve comprehensive K-12 finance reform by 2012.

There was solid progress this year in designing and building the state's K-12 data infrastructure despite the state's budget problems. We supported a successful McKinsey & Company project to develop a roadmap for creating a robust longitudinal student and teacher data system for California. Even before the release of McKinsey's final report this fall, one bill aligned with its recommendations has already been enacted to ensure that longitudinal data can track students' progress from preschool all the way through higher education.

Our new goal of improving college readiness gained momentum this year with developments in K-12 education policy. A newly enacted bill provides an incentive for reducing high school dropout rates by incorporating them into the state's formula for calculating schools' annual academic performance. Additionally, the State Board of Education decided this summer to require all eighth graders to demonstrate proficiency in Algebra I, a key gateway course for college, by 2011. This decision was controversial because many schools are unprepared to teach Algebra I to all eighth graders. Although it was not an original part of our strategy, the decision nevertheless could spur improvements in algebra instruction. Lastly, we are optimistic about the interest of incoming policy leaders, who have requested technical assistance from the Foundation to develop a five-year plan for reducing high school dropout rates. That plan will likely promote some of our goals in all three focus areas—finance, data, and college readiness.

Progress in 2008: Strengthening California Community Colleges

Community college advocates successfully fended off proposed budget cuts, but the state budget crisis stymied efforts to change finance policy. Nevertheless, 2008 saw significant improvements in the areas of college readiness and data systems with the enactment of two new programs developed or supported by our grantees.

Right now, California is in the bottom quintile in the percentage of high school students enrolling directly in college. That low rate contributes to the strong need for developmental education in college. The Early Commitment to College program aims to improve California's college-going and college readiness rates by engaging low-income sixth graders in learning about higher education. With this awareness, they can take the right courses and know about their financial aid options. Secondly, expanding California State University's Early Assessment Program (EAP) to community colleges is also a step toward improving students' college preparedness. EAP uses an eleventh-grade standards test to give students information on their proficiency in college-level math and English. The new program will help students use their senior year to prepare for college and avoid the need for remedial courses. The governor vetoed a plan for a new "report card" on the performance of the state's higher education systems, which would have helped the public and policymakers evaluate how well California is preparing students for college, enrolling them, and ensuring they complete credentials.

Stronger leadership—among advocates, policymakers, and community college practitioners—will be essential to ensure that colleges place a high priority on student success (without diminishing access). The incoming chancellor of the community college system—Senator Jack Scott (D-Altadena), author of the three bills mentioned above—is expected to play an instrumental role in this change. Sen. Scott's stated commitment to student success position him well to elevate the community colleges' profile in the legislature as well as to shepherd needed changes through the consensus-based college governance system. Leadership is also emerging from outside the realm of colleges and education advocates. In one example, California Forward (a Special Projects grantee focused on reforming the state's governance system and co-chaired by Leon Panetta) decided to make community college access and success the focus of its first case study on fiscal reform.

Also in 2008, our largest investment to date—Carnegie's eleven-college developmental education project—came to a close. The fruits of this investment rest largely within the state-funded Basic Skills Initiative (BSI), which includes support for colleges to implement effective practices. Under the BSI, each of the 110 community colleges has developed a plan to improve outcomes for underprepared students. It also includes a new professional development effort modeled partially after the Carnegie project.

Plans for 2009: K-12 and California Community Colleges

Redesign Education Finance Systems

The long-term strategy for finance reform links new funding ($6 to $12 billion) with changes to funding formulas that ensure that the money is better used. Although we don't expect significant new resources for schools or colleges to become available until the economy improves, there is much work to do now to ensure that the state is positioned to take action when economic winds shift. Even as grantees continue to guard against budget cuts threatened for future years, they will pursue the following short-term goals:

- Consolidate some of California's 100+ different funding programs. Eliminating these programs will give principals and superintendents more flexibility to achieve their goals and shift the emphasis from inputs to student outcomes—flexibility that may be especially valuable in lean budget times.
- Launch a longer-term (three- to four-year) advocacy campaign to redesign the state's school finance system and win substantial increases in K-12 funding. This campaign

> must keep the drumbeat going for finance reform during this bad budget climate and be prepared to press for significant changes once it improves.

The financing of community colleges—which are traditionally funded based on enrollment, not completion—must also change significantly. The intermediate goal is to improve funding mechanisms so that they prioritize completion but avoid the failures of earlier performance-based funding schemes. However, the field of community college grantmaking is young. Opinion leaders are just beginning to appreciate the colleges' role in educating large numbers of Californians, and college leaders are just becoming aware of new recommendations to change their finance system. Therefore, a key goal in the short term will continue to be shifting the priority of policymakers and college leaders from accessibility alone to accessibility *and* student success.

A primary strategy of grantees will be advocacy work that links the goal of improving outcomes for community college students to California's future prosperity. This work will build upon research recommendations—such as reducing categorical programs—that parallel those for K-12 finance reform. Given that the K-12 and community college systems are funded through the same mechanism (Proposition 98), movement toward K-12 finance reform should also elevate attention to community college finance.

Improve Data Quality and Use

California needs an education data system that can follow students from preschool through college, which will promote continuous improvement in the education system and transparency about student success. California is currently behind other states in this area. A comprehensive data system enables states such as Florida to analyze students' movement through the educational system, from preschool through graduate school. The ability to track measures such as course-taking patterns, graduation rates, and college-going rates contributes to sound state-level policy decisions, supports high-quality research, and helps practitioners improve teaching and learning.

Better reporting of data and outcomes concerning underprepared students is a top priority for community colleges in 2009. Clear metrics for monitoring student progress and tools to support longitudinal analyses are needed so that college leaders can turn data into information that helps them improve their programs and services. In 2009, we will work toward implementing tools that can answer questions about students' progress through remedial courses. In addition, now that 108 of the 110 community colleges and 65 percent of the state's high schools have joined the Cal-PASS data-sharing consortium, our goal is to deepen the use of data across colleges and K-12 schools to support our goal of better college readiness.

Increase College Readiness

We will increase our focus on students' academic readiness for college in 2009. Preparation in high school is highly related to college completion, and it is a natural area of overlap and synergy between our K-12 and community college work. Simply graduating more students is not enough;

students must graduate ready for success in college or a career. Too many students who earn high school diplomas remain unprepared for college-level work. Priorities in this area include:

- Support for improvements in placement test policies to improve signals sent to high school students and ensure a valid and streamlined system of placing students into remedial or freshman-level coursework.
- Continued support for redesigning instruction for underprepared students, such as through replications of the Digital Bridge Academy

At both the K-12 and community college levels, mathematics is the most problematic subject and is highly related to student success. Beginning in 2009, we will place new emphasis on mathematics course-taking and achievement. We will selectively support advocacy, research, and scalable local efforts designed to ensure that students can succeed in Algebra I and move on to higher-level mathematics. This work will draw on the research and strategies developed in the Improving Achievement component over the past five years.

COMPONENT: Improving Achievement

Most interventions in schools have weak, unsustainable effects on student achievement. The Improving Achievement component explores interventions that are designed to have robust, powerful outcomes, particularly for low-income students. Its work is to identify promising interventions through theory or research and then carry out research, design, development, evaluation, and dissemination to validate and implement them. Currently, we are working on four promising types of intervention: district-led instructional reform, adaptive instruction (formative assessment), extended learning time, and early language development (a new approach in 2008). Technology plays a key role in three of the four reforms.

Progress in 2008

Advance District-Led Instructional Reform

In 2008, the Program concluded a set of grants for instructional reform in East Palo Alto schools. This grant is augmented with funds from the Bay Area Communities program and will support three more years of reform led by the New Teacher Center (NTC). During this period, the NTC will gradually transfer reform leadership to the East Palo Alto district. We already see clear progress attributable to the reforms. For example, in 2008, the East Palo Alto district met the state's targets on the state achievement index.

This will be the last of the district-led reform efforts supported by the Foundation. Spurred by a loose coalition of foundations (Hewlett, Gates, and Carnegie), the general strategy of comprehensive instructional improvement has dominated large district reform efforts during the past seven years. Over time, evaluations of this work have pointed to a variety of promising strategies for district reform. Although large districts around the nation have successfully profited from many of these lessons, the complexity of district administrative problems and other issues have often made the reforms very difficult to implement effectively.

Promote Adaptive Instruction

One promising instructional approach used in many of the most recent district reforms stemmed from research carried out in the United Kingdom during the 1990s and by the Hewlett Foundation over the past six years. This approach, called adaptive instruction (or formative assessment), trains teachers to adapt their instruction to the needs of specific students. Almost all large districts are now saying they use, or intend to use, adaptive instruction as a strategy for improving instruction, but they need help to implement it well. In this docket, we propose a final grant in this area to the Center for Continuous Instructional Improvement (CCII). This will enable the Center to continue applied research and dissemination over the next two to three years to better refine our understanding of adaptive instruction and to support its effective implementation by states, districts, and networks of schools. Today CCII's work is primarily supported by Hewlett and the National Science Foundation. The Center will look for other funding as well.

Extend Learning Time

Early evaluations of the Massachusetts demonstration projects and the Foundation's study of the KIPP Academies both show significant gains in student achievement that are attributable to extended learning time. The idea here is straightforward: students from low-income families who start school behind their peers from middle-income families need extra classroom time to catch up. In 2008, we supported Massachusetts 2020, an NGO that carries out the evaluation of the Massachusetts demonstrations, conducts research, and supports schools and districts that want to implement an extended learning time intervention. A number of state legislatures and governors show strong interest in implementing this intervention and will need the help that Massachusetts 2020 can provide. In addition, at the federal level,legislation for national demonstration projects that extend learning time has been introduced in both the House and the Senate.

Improve Early Language Development

Substantial and growing evidence indicates that the "achievement gap" between children from low-income families and children from middle-income families is largely attributable to massive differences in language development between the two groups. These differences appear when children are as young as three or four years old. One measure of the difference is size of oral vocabulary: middle-income five-year-olds have a two- to threefold larger vocabulary than five-year-olds from low-income families. These differences in vocabulary size are directly attributable to differences in children's experiences and persist over the early school years. By the fourth grade, when children are expected to write paragraphs and stories and to grapple with understanding history, science, and word problems in mathematics, the school achievement gaps become very evident.

In 2008, we made four grants that focus on better defining this gap in language development and figuring out how to overcome it through changes in curricula, instruction, and experiences of low-income children in grades K-3. This problem has attracted attention, but not yet action, throughout the nation. Currently Hewlett is the only foundation making grants in this area.

Plans for 2009

We will not fund any new grants in 2009.

COMPONENT: Opportunity

The strategic goal of the Opportunity component is to support particularly promising education efforts that reside outside the Education Program's priorities.

Progress in 2008. Together with the Performing Arts Program, we supported the emerging Arts Education initiative in 2008. We also made grants to three organizations for strong, evidence-based work in federal education policy.

Plans for 2009. We expect to continue support for the Arts Education initiative.

COMPONENT: Serving Bay Area Communities

Progress in 2008. During 2008, Serving Bay Area Communities provided strong support for East Palo Alto school reform.

Plans for 2009. We plan to continue work in East Palo Alto and to work in other parts of the Bay Area on projects to support students learning algebra.

2009 BUDGET MEMORANDUM
OPEN EDUCATIONAL RESOURCES INITIATIVE
November 17, 2008

OVERVIEW

Hewlett continues to play the role of catalyst in the emerging field of Open Educational Resources (OER). Our strategy remains focused on using information technology to help equalize educational opportunities for individuals, faculty, and institutions in the United States and throughout the world. A program review presented to the Board in February 2007 indicated we had been tremendously successful in building the new field of OER and recommended focusing resources more strategically. The year 2008 marked a new phase for OER, as our theory of change evolved to contain the two near-term goals of supporting the development of a robust infrastructure to sustain OER beyond Hewlett's involvement and demonstrating the added value of OER to teaching and learning.

During this past year we continued to gather evidence that suggests that the power of openness—which included increasing access and transparency, co-creation and adaptation of content, and feedback loops to improve content and learning "anytime, anywhere"—has a transformative impact on institutions and education overall.

Progress in 2008 in infrastructure has been strong with the continued emergence of solid core organizations and regional and worldwide networks. Most encouraging, however, is the increased willingness by governments and other funders to support OER. The governments of Vietnam, Indonesia, and the Netherlands have embraced OER as a vehicle to address local educational needs. While each country selected different aspects of OER to use, in each case they built on an element of Hewlett-supported infrastructure. To raise the standard of quality and lower cost, Vietnam is developing open textbooks of the twenty courses in highest demand at their university level. The country has also translated Rice University's Connexions platform into Vietnamese and sent developers to Rice to expand their capacity to improve the platform. To address the need for continuous workforce skills improvement, the Netherlands is planning an OER Polytechnique, a direct extension of a small Hewlett-seeded grant in 2006 ($200,000 in Hewlett support matched by $500,000 from the Netherlands Ministry of Education) to open courses at the Open University Netherlands. In Indonesia, geography and cost limit student access to high-quality education. Its Ministry of Education is planning to leverage content across all 720 Indonesian universities and make each university part of the OpenCourseWare Consortium.

In addition to continuing to build a sustainable OER infrastructure, we began to support the development of three innovation clusters to demonstrate how openly available, high-quality content can transform teaching and learning worldwide. Significant progress was made in each cluster—open gaming, open textbooks, and open participatory science learning.

Keen interest in OER Health began to emerge early in 2008. We found significant support among experts to apply OER to the health area. OER Health may emerge as a priority innovation since it provides a valuable opportunity to demonstrate the potential of OER to address a clear global need. Lastly, we have been planning for and supporting a set of activities to apply to teacher training. In April, the Teacher Education in Sub-Saharan Africa (TESSA) project was launched across eighteen institutions in nine countries and in four languages, providing a shining OER example of the power of co-creation and localization. We are planning a teacher training demonstration cluster in 2009.

A primary focus in 2009 will be on increasing the number of open courses with embedded formative assessments. The November 2008 docket includes a joint request from OER and Improving Instruction to support the development of an open algebra course to provide eighth grade California students specifically, and other algebra students in general, with access to rigorous, flexible courses that matches their learning style and needs. Here, open-based technology provides a vehicle to increase quality content beyond the current and expected capacity of algebra teachers in California. Concurrently, with the Bill & Melinda Gates Foundation, we are planning to collaborate on developing and managing a math education project for community college students that addresses needed math skills from arithmetic through pre-algebra, algebra, and statistics. We will apply the content and the production process from the California Algebra Project to the Gates/Hewlett project.

We see great opportunities ahead. In 2009, we need to sharpen our focus while balancing the delicate needs of long-term development. We need to step back and systematically analyze where and how Hewlett can optimize its resources for the greatest impact at this stage of growth. Can the Foundation adequately support infrastructure development and demonstration clusters? How many demonstrations can our funding sustain at a high standard of excellence? We also need to analyze whether some sort of "OER Institute" should be developed to fill critical gaps and add capacity. We are planning to engage a consulting group to help us address these high-priority questions. The outcome of this engagement will be a refined theory of change, an examination of expected return on investment and an overall five-year strategic plan. The analysis is targeted for completion in mid-2009.

COMPONENT: Supporting the Development of a Robust Infrastructure to Sustain OER beyond Hewlett's Involvement

Progress in 2008

We continued to work toward building a robust infrastructure by developing strong core agencies, building effective networks of organizations worldwide, establishing supportive partnerships, simplifying and clarifying intellectual property issues, setting best practice guidelines that address use and accessibility, designing viable models for ongoing support and maintenance of OER projects and the overall movement, conducting research, and creating metrics.

Several strong core OER organizations and partnerships emerged and were strengthened in 2008. The flexible copyright organization Creative Commons will be financially stable for the next five years since raising $12.5 million from five funders. The OpenCourseWare Consortium is now a 501(c)(3), consists of 250 institutions, offers 4,000 courses, and has ratified an international governing board. The OER Africa office was established in Nairobi and is now housed within the South African Institute for Distance Education after an initial start with the African Virtual University. Emerging regional and worldwide networks include the Teachers Without Borders network connecting 119 countries and European Schoolnet working with twenty European Ministries of Education.

While Hewlett has been the lead and early funder of OER, the ultimate success of this initiative relies on strong partnerships. In 2008, the Gates Foundation committed to OER as an innovative strategy and is exploring cofunding OER course development. The Shuttleworth Foundation has committed $8 million to open textbooks and is extending Hewlett's investment in open language learning by piloting a mobile prototype in South Africa. UNESCO has made a public commitment to OER and supports an online community of 750 members from 105 member states.

A range of organizations are tackling the thorny intellectual property issues critical to the success of OER. Creative Commons is working closely with grantees to sort through legal issues. A group of universities committed to open courses and courseware have organized to grapple with "fair use" issues in the digital world. The World Intellectual Property Organization has integrated OER into its regional meetings, and public broadcasting has held a first-of-its-kind conference among stakeholders.

Ultimately the strength of OER rests in being able to address the "so what?" question. While the Web provides a powerful vehicle to disseminate information, the ultimate impact on teaching and learning is Hewlett's clear end goal. To begin to address this question, the Open Learning Network has moved from conceptual need to a grant request (included on the November 2008 docket) to support sharing methodologies and evidence of the effectiveness of OER on teaching and learning and to facilitate more transformative educational practices. Both the Open University UK and Carnegie Mellon University have taken the lead in this arena. Beyond the qualitative and quantitative studies of the Open Learning Network, quantitative Web-based consistent and comparable metrics have been designed and piloted with seven grantees; full implementation is slated for 2009.

Progress was modest in 2008 in setting guidelines and designing sustainable models for the field. Here, Hewlett can play a critical role from its unique view of the field. The issues of guidelines for quality, access for the disabled, and interoperability (the ability of content to "travel well" from one platform to another, including handheld devices) continue to surface. Early in the development of OER, Hewlett used name branding and elite universities to signal the quality of content. With content now developed through grassroots organizations and volunteers as well as established institutions, we need to deal with an open community and how quality is assured to the end user. In 2008, Connexions launched a quality "lens" feature to its open repository, an early pilot of a quality-assurance system.

With respect to access for the disabled, Hewlett now requires prospective grantees to explicitly address this issue in their grant proposals. OER staff have held exploratory discussions with world experts in the area of accessibility and have engaged them to work with Physics Nobelist Carl Weiman (University of Colorado grant request on the November 2008 docket) to make his media-rich simulations fully accessible. The knowledge gained from this collaboration will be shared with the OER community. With respect to content "traveling well," OER staff are already planning an analysis related to OER branding and machine readability in 2009.

The issue of sustainability remains complex and is clearly linked to Hewlett's exit strategy. There is a need for sustainable content, sustainable organizations, and a sustainable overall movement. Openness has varying features, and the value proposition and business models vary among players. What does it mean for the nonprofit OpenCourseWare Consortium to be sustainable? What does sustainability mean to for-profit Scholastic Inc.? Monterey Institute for Technology and Education, an organization we launched in 2004, is now at 60 percent operational breakeven and projected to be at 80 percent breakeven in 2009. Clear measures of success are needed for this critical infrastructure dimension.

Plans for 2009

Here we highlight our primary goals and expected outcomes for 2009.

Core Agencies, Networks, and Partnerships

A primary goal for 2009 is to ensure that two core OER organizations have stable funding: OER Africa and the OpenCourseWare Consortium. With MIT professor and OpenCourseWare champion Hal Abelson taking a sabbatical year at Google in 2009, the conditions are right to help Google identify a significant education effort. Lastly, by early 2009, the planning and exploration phase for a Learning Innovation Fund for Education to foster private/public engagement for technology and learning will be completed. Based on the outcome of this study, we will determine whether the time is right to convene players to share knowledge and technical expertise, thereby resolving the current pull on Hewlett staff to play that role. If we move forward, we seek to attract a minimum of $2.5 million from five entities to launch in 2009.

Intellectual Property

Our highest priority is to continue to raise awareness of flexible copyright allowed under Creative Commons licenses and to simplify the selection of licenses for the content developer and user. To that end, Creative Commons will analyze the benefits and costs of OER branding, including legal and interoperability issues.

Guidelines

When designing guidelines, it is best to impose neither rigid standards nor requirements. The strength of the Web and openness rest on innovation and creativity and the belief that preferred practices will be adopted by the masses. Hewlett sets out to provide best practices for the field to adopt. In 2009, advised by world experts in disability issues from the University of Toronto, toolkits for designing accessible OER sites will be created and disseminated throughout the OER community.

Sustainability

As noted earlier, the issues of sustainability are complex and need to be clearly defined in the Open Educational Resources context. In 2009, we expect Monterey Institute for Technology and Education to reach operational breakeven, the first OER organization to achieve this status. We are also planning to support two sustainability case studies to better understand how differing revenue models work in varying OER projects. During 2009, we expect our strategy consultants to delve deeper into the nuances of sustainable models for content, organizations, and the overall movement.

Research

Open Learning Network (OLnetwork) willbe launched under the leadership of the Open University UK and Carnegie Mellon University. The OLnetwork is guided by one clear mission: building a robust evidence base to support and enhance the design, evaluation, and use of OER. Under that mission are three concrete research-related questions: how do we improve the process of OER reuse/design, delivery, evaluation, and data analysis; how do we make the associated design processes and products more easily shareable and debatable; and how do we build an infrastructure to serve as a collective intelligence for the community? The design and launch of the Open Learning Network is well-timed to address a clear research gap in OER development. A goal for the network in 2009 will be to collect evidence from at least eight research projects and support at least twenty research fellowships.

Metrics

In early 2009, we will expand our metrics pilot so that all grantees can use common metrics. Hewlett sees this as a learning opportunity—both to help OER grantees better engage with their audiences through Web data analysis and for the field to understand the key trends, patterns, and opportunities in OER. In 2008, we tested tracking tools (à la Google Analytics) so we can better understand the kinds of questions we can and cannot answer, individually for each site and in aggregate across the field. Complete metrics will be available by July 2009.

COMPONENT: Demonstrating the Added Value of OER to Teaching and Learning

While high-quality content is now openly accessible, evidence is needed of its impact. OER demonstrations are demand-driven and, as often as possible, use locally developed materials. Demonstrations use the power of the Web to deliver content “any time, anywhere,” combined with the flexibility of open materials to be modified and reused. For 2008, we selected three demonstration areas that address specific educational challenges. Each is described below along with progress and goals for 2009.

Games-based Environments for Teaching Complex Materials

To address the worldwide demand for language development and test the ability of highly engaging open environments to increase learning, Hewlett is supporting the development of an openly extensible game. In 2008, Coastline Community College completed development of twelve episodes of the English learning game for middle school native Chinese speakers and planned the development of a Web-based system for Spanish speakers. OER staff, in conjunction with the Shuttleworth Foundation, initiated a pilot for mobile devices in South Africa. Planning is underway for an evaluation of progress made by middle school students in the western provinces of China, to be supported by the U.S. Department of Education.

In 2009, Coastline Community College will pilot twelve episodes of the English learning system for native Chinese speakers in twenty middle schools selected by the Chinese Ministry of Education, have 50,000 downloads through other distribution channels, and complete all twenty-four episodes. The U.S. Department of Education will begin a randomized evaluation study of the Chinese/English version; the Spanish version will be completed and engage at least 50,000 users by the end of the year.

Open Textbooks/Courses

In 2008, the Foothill-De Anza Community College District Open Textbook project was launched to support the production and use of high-quality, accessible, and culturally relevant open textbooks for community college students. In combination with the recently launched Community College Consortium for Open Educational Resources, the project provides an opportunity to dramatically lower the cost of attending college for millions of future students while using new technologies to improve teaching and learning. In summer 2008, the project released the first open textbook prototype for the subject of statistics with adoption by 100 faculty reaching over 5,000 students. In 2009, three or more open textbooks will be under development and new textbook innovations piloted, including multimedia and embedded formative assessments.

As both textbooks and courses are developed in digital formats, the line between the two begins to blur. When does an open textbook become a course and when is an open course a textbook? The initial response to Yale Open Courses and the launch of eight additional courses in October 2008 has been tremendous. In 2009, OER staff will add open courses to this demonstration cluster as we plan and pilot the algebra course for California students and launch the Gates/Hewlett developmental math course initiative for Community College students. In both cases the content will push the edge of course design to be flexible, open, and contain embedded assessments. The current economic downturn and budget tightening provides the opportunity for technology to emerge as both an efficient and effective solution.

Research and Development of Open Participatory Learning Environments

Hewlett supported a cluster of grants in 2008 that demonstrate the power of the Web to engage, motivate, and stimulate learning in ways unique to open online environments. The Gulf of Maine Research Institute links middle school classes with professional and citizen scientists in the rigorous collection and analysis of environmental data to monitor Maine’s freshwater and coastal ecosystems for invasive species; an evaluation of its impact on teaching and learning is underway. OER also partnered with Microsoft in the launch of its Worldwide Telescope (250,000 users per day), which amasses images from telescopes and satellites to provide a comprehensive interactive view of our universe. With Microsoft, staff worked to assess how classroom teachers could integrate this tool into their class studies.

Carnegie Mellon University has designed a series of courses that use intelligent tutoring systems, virtual laboratories, simulations, and frequent opportunities for assessment and feedback to put together dynamic, flexible, and responsive instruction that fosters learning. This spring, a randomized study of the online statistics course found that students significantly outperformed traditional face-to-face students in half the time. Additional studies are under way for 2009.

A grant to Open Learning Network will support a critically needed infrastructure research hub designed to support sharing evidence of the effectiveness of OER on teaching and learning. Given the emergence of this research hub, OER staff recommend the open participatory learning demonstration cluster be included in the Open Learning Network in 2009.

Demonstration Clusters in 2009 and Beyond

When conceptualizing the demonstration areas in Phase II of OER, we planned three clusters for 2008 with an additional area to be added in 2009 focused on teacher training. Projects we have been nurturing include Teacher Education in sub-Saharan Africa and the Teachers Without Borders/Scholastic Inc. partnership. In March 2009, Scholastic will launch Teacher Share, an open site to create and remix lesson plans targeting Scholastic's extensive K-12 teacher network.

OER in Health emerged as a potential demonstration cluster in 2008. To date, OER staff have tried to minimize our level of activity in this area until we analyze where and how Hewlett can best use its resources at this stage of OER development.

COMPONENT: Serving Bay Area Communities

In 2008, Hewlett's resources supported two regional OER efforts. Under a planning grant, Silicon Valley Education Fund is assessing the conditions for open source solutions as an option for educators in the Bay Area. While the early concept was strong, and the planning process is not yet complete, OER staff are finding the design phase to be uneven. We will continue to track the progress of this grant to determine whether to support the next phase.

Our second regional grant was a renewal grant to One Economy. Two years ago, One Economy developed and launched Zip Road (www.ziproad.org), an open, online bilingual destination for educational resources for parents of K-12 school-age children. Its primary target is low-income families in the San Francisco and San Jose areas. Zip Road supports students and parents, especially immigrants who find the current educational system hard to navigate, by making the process easy for parents who want to open the doors of educational opportunity, but lack the knowledge on how to get started. With this grant, Hewlett has brought the global mission of equalizing access to high-quality content and knowledge home to the Bay Area.

Plans for 2009: Continue to explore opportunities to bring OER to disadvantaged communities in the San Francisco Bay Area.

2009 BUDGET MEMORANDUM
ENVIRONMENT PROGRAM

OVERVIEW

The Environment Program is dedicated to protecting the great ecosystems of the North American West and dramatically lowering global emissions of greenhouse gases and traditional pollutants. In 2008, the Hewlett Foundation increased its support for work by grantees to win the battle against climate change with a strategy designed to ensure that global average temperatures do not increase by more than 2°C. Grantees will work in the top emitting nations to establish low-carbon energy policies and to reduce the rate of deforestation in the world's largest, most threatened tropical rainforests. The goal is to reduce annual carbon emissions by at least 30 billion tons by 2030.

In addition to efforts to address global climate change, in 2008 the Program continued to support grantees working to protect the North American West, engage new environmental constituencies, and reduce air pollution in China, Mexico, and Brazil through improved transit and urban design.

In 2009, the Program will focus on two areas: western conservation and energy and climate. The western conservation component is in the middle of a strategic planning process. The results of this assessment will drive a Board discussion about the western conservation work.

In energy and climate, we will continue our focus on growing and strengthening the global climate policy work described above while assessing and determining the future of the other parts of Hewlett energy and climate work.

COMPONENT: The West

The Environment Program seeks to protect the great ecosystems of the North American West. Our western strategies focus on protecting wilderness, increasing public funding for private land conservation, improving river flows, increasing energy efficiency and renewable energy investments, and pursuing responsible fossil fuel development and use.

Lands

Grantees were successful on several fronts in 2008, especially in protecting large-scale wilderness. Working with several Canadian provinces and First Nations, the International Boreal Conservation Campaign succeeded in conserving 75 million acres of wild forestland in the Boreal Forest—the world's second-largest intact forest ecosystem. The result—roadless protection for an area larger than the state of Arizona—exceeds by sevenfold the land protection goals established for the Boreal campaign this year. This was in addition to the Great Bear Rainforest commitments finalized in 2008, and now being implemented, to protect 21 million acres of wild temperate rainforest in British Columbia through a groundbreaking partnership among First Nations, timber interests, environmental groups, and government. The ecosystem-based management plans, which determine how the Great Bear Rainforest will be managed over time, are due to be completed in 2009.

Wilderness protection efforts in the United States continued to make steady progress, with our grantees creating a policy environment in which thirteen western wilderness protection proposals totaling 1.8 million acres are under consideration for Congressional action.
Grantees delivered strong performance in increasing public funding available for private land conservation in the West. Their work helped prompt $500 million in new public funds from local, state, and federal sources for open space protection. The largest single commitment—$250 million in federal funding—is critical to the protection of 320,000 acres of Plum Creek Timber Company timberland in northwest Montana near Glacier National Park. Additional private and state funds are needed to complete this purchase and are expected in 2009.

<u>Water</u>

In 2008, Colorado strengthened its water policies to compensate upstream water rights owners—often ranching families—for leaving water in rivers and streams. This provides big benefits to fish, plants, and animals dependent on riparian areas. Just as important as this compensation for increased river flows is the discontinuation of policies requiring water rights owners to use all their water or forfeit part of their rights in all future years. Grantees are working on similar policies throughout the West to increase river flows. In Oregon, farmers, commercial fishermen, Native American tribes, and environmental groups forged an agreement on water use in the Klamath River basin that sets the stage for negotiations with PacificCorps Inc. regarding the potential removal of four large dams the corporation operates on the river.

<u>Energy</u>

Efforts to address fossil fuel development and use achieved mixed results in 2008. On the positive side, new policies and public funding commitments promise to reduce truck pollution across the state, and in particular for southern California. Hewlett grantees celebrated a milestone on October 2, 2008 when the Clean Truck Plan went into effect at the Los Angeles and Long Beach ports—the state's single largest source of toxic diesel emissions. The dirtiest trucks—pre-1989 models—are now banned from taking goods to and from the ports. By 2012, all trucks must meet 2007 federal emission standards. If the plan is fully implemented, truck pollution will be cut by 80 percent in the next five years.

Achieving this will require additional financing and successful defenses against legal challenges. Although the California state legislature approved an additional $350 million to reduce pollution from all the state's ports, the measure was vetoed. Supported by the Hewlett Foundation and other funders, grantees will explore other financing options in 2009.

California also adopted a first-of-its-kind "Statewide Truck and Bus Rule" establishing the nation's strictest standards for diesel emissions – the single largest source of toxic pollution in the state. Hewlett grantees were key to the collaboration that mobilized support in the midst of a tough economy. This live-saving rule will lower emissions from the 1 million plus truck and bus fleet by 68% by 2014, compared to what emissions would have been without the regulation. An estimated $48-$69 billion in health care costs will be saved.

Grantees were instrumental in mobilizing support from businesses, doctors, unions, and Latino organizations to achieve these successes

Work to shut down existing coal-fired power plants and prevent approval of new ones was also successful. In Colorado, Xcel Energy secured approval from the state Public Utilities Commission to shut down two coal-fired power plants in Denver and Grand Junction. The utility plans to replace the lost electric-generation capacity with 1,450 megawatts of solar and wind facilities and to reduce demand by 120 megawatts through new energy efficiency measures. In Nevada, Senator Harry Reid took the unprecedented step of calling for the state to shift from new coal plant development toward renewable energy. The senator's action, in combination with work by several grantees, helped prompt Sierra Pacific Resources to put plans on hold for a new, 2,500-megawatt coal power plant in White Pine County, Nevada.

Unfortunately, in a number of western states, work aimed at preventing irresponsible oil and gas development was unsuccessful. Federal leasing of public land for fossil fuel development in Colorado, Utah, and Wyoming increased significantly, as did development of Alberta's tar sands.

As gas prices rose this spring and summer, proponents of oil shale development in the Intermountain West gained traction. Despite opposition from ranchers, hunters, anglers, and environmental groups, an existing moratorium on commercial oil shale development was eliminated as a result of language inserted into the economic recovery package passed in early October 2008.

Efforts to adopt energy efficiency and renewable energy policies in the West made real progress in 2008. Western governors launched a joint effort to identify appropriate zones for renewable energy development. The project is charged with mapping areas for solar, wind, and geothermal development that will minimize environmental harm to land, water, and habitat resources. It will also identify environmentally responsible routes for new transmission lines to carry renewable energy to the western power grid and ultimately to power markets in major metropolitan areas throughout the region.

With a new federal administration taking office in January 2009, the Program will adjust specific wilderness, western water, public funding, and energy strategies to align with the interests and policy priorities of the incoming administration. Regardless of changes at the federal level, state-based efforts will continue, with intermediate outcomes focused on water policy improvements in Idaho, Montana, Utah, and Wyoming. Land conservation advocates will work to prompt an additional $300 million to $400 million in public funding for private land conservation. Boreal Forest conservation work in northern Canada will build on 2008 successes to protect an additional 50 million acres of wilderness. Landmark agreements will be pursued for removal of four dams on the Klamath River in Oregon and the protection of 4 million acres of wilderness in Alaska's Tongass National Forest.

In addition, the Program will increase its focus on two specific western energy issues: (1) preventing development of high-carbon transportation fuels, such as oil shale and tar sands; and (2) encouraging renewable energy development in appropriate locations in the West.

COMPONENT: Energy and Climate

The Environment Program seeks to dramatically reduce the emissions of greenhouse gases and conventional pollutants worldwide. Our energy and climate strategy supports grantees focused on limiting global temperature rise to less than $2^{o}C$, adopting a climate policy in the United States, and reducing emissions from the transportation sector in fast-growing countries like China, Mexico, and Brazil.

Global Climate Policy

The Hewlett Foundation increased significantly its work on global climate policy, building on existing capacity in the United States, China, and Europe. In addition, plans are underway for work in India, Latin America, and on forestry issues. Hewlett Foundation staff will play a particularly influential role in determining the content, structure, and funding for the work in Latin America, given our experience in Mexico and Brazil over the last six years. Finally, important and promising work has begun to promote a post-Kyoto framework, based on the Bali Roadmap for the Copenhagen summit in December 2009.

National Energy Policy

A major indicator of progress over the past year was the requirement that vehicles must average 35 miles per gallon by 2020, up from approximately 25 miles per gallon for today's fleet. The new requirement is part of the Energy Independence and Security Act, signed by President Bush at the end of 2007. This 40 percent increase in fuel economy will drastically improve energy efficiency and reduce greenhouse gas emissions. The efficiency gains will create consumer savings in fuel costs of $71 billion per year in 2020, and $161 billion in 2030.[1] In addition, the new standards will reduce U.S. CO_2 emissions by 320 million metric tons in 2020, and 675 million metric tons in 2030, representing reductions in passenger vehicle emissions of 15 percent and 30 percent respectively, over business as usual. And these gains will be made without sacrificing vehicle performance or safety. This, the largest climate and energy victory for the United States in thirty years, was a decade in the making and the result of diligent, determined efforts by Hewlett Foundation grantees working with support from multiple funders.

Sustainable Transportation

Internationally, the Program continues to support grantees pushing ahead on the climate and energy policies that hold the most promise of lowering carbon and other more localized air pollutants while generating significant gains for the local economy. Transportation sits at the nexus of these two concerns. The strategy promotes high-quality public transportation, green buildings, and clean vehicles and fuels. Bus Rapid Transit (BRT) continues to enjoy increasing appeal in China and Latin America. These efforts cut CO_2 emissions by half and conventional pollutants, like NO_x, by even more. And up to 10 percent of car owners are switching from using their cars to using public transportation. Nearly twenty Chinese cities are either expanding existing, or building new, systems. Mexico City will build three more lines by 2009, and a new

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[1] Calculations using $90/barrel oil, $3/gallon gasoline. If oil and gasoline are more expensive, savings will be even greater.

BRT system in the country's second largest city, Guadalajara, is under construction. Interest in green buildings and fuel economy standards continues to gain traction with policymakers and civil society in each of our priority countries. We expect significant results in both areas in 2009.

It is notable that the focus of policy debates in the U.S., China, Mexico, and Brazil in 2008 was not on *whether*, but *how*, to deal with greenhouse gas emissions—an important shift. In China, Mexico, and Brazil, state-run oil companies continue to block the widespread production of clean fuels. However, grantees in each country expect much better results next year.

The energy and climate portfolio is poised for strong performance in 2009. Grantees are providing technical assistance to agencies on key decisions concerning clean fuels, tighter vehicle standards, climate action, and world-class public transportation. In the United States, grantees intend to track the implementation of the Energy Independence and Security Act and the progress of federal climate legislation to include a price on carbon. In California, we will support grantee efforts to strengthen climate and transportation policies. In China, we will continue supporting grantees focused on sustainable city design and helping the government create a low-carbon economy for the country. In Latin America, we will support grantee efforts to secure commitments to clean fuels and real progress on standards for vehicle emissions and fuel economy.

In December 2008 the California the state Air Resources Board (CARB) adopted the "Scoping Plan" setting the implementation goals for the state's landmark Global Warming Bill. This included critical clean air provisions developed by grantees with the support of the Hewlett Foundation and tother funders to ensure that low-income communities and communities of color that currently bear the brunt of air pollution's impacts will be protected from further harm, or even benefit from reduced pollution as greenhouse gas goals are pursued. In 2009 grantees efforts will focus on ensuring that CARB meets these commitments.

Finally, we anticipate that grantees' efforts will lead to the adoption of a successor treaty to the Kyoto Protocol through the work focused on the December 2009 Copenhagen summit.

2009 BUDGET MEMORANDUM
GLOBAL DEVELOPMENT PROGRAM

OVERVIEW

The Global Development Program seeks to improve the lives and livelihoods of people in developing countries, particularly those living on less than $2 a day. We have three interrelated strategies to advance this long-term goal: (1) improve the delivery of basic services (e.g., education, health, and water) by increasing the **transparency and accountability** of public spending; (2) improve economic conditions for poor communities by expanding **agricultural markets** for small farmers and agribusinesses; and (3) increase student learning by improving the **quality of education**.

In the Program's first full year of operation after presenting our strategic plan to the Board, we saw early gains in some critical areas, experienced a few setbacks, and began laying the groundwork for increasing investments in East and West Africa. We summarize a few key achievements and challenges below and provide more detailed explanations in each corresponding section of this memo.

Transparency and Accountability

This was a good year for our efforts to increase the transparency and accountability of international development assistance. Debates finally heated up in Washington over the need to modernize and reform the U.S. foreign aid system; at the global level, our grantees helped win an important victory with the launch of the International Aid Transparency Initiative. Unfortunately, looking ahead, the global financial crisis will make it much harder for international donors to maintain their aid commitments to reduce global poverty. On the other hand, tight budgets provide an excellent opportunity to talk about the importance of getting the biggest impact for every aid dollar spent, which bolsters our reform efforts to make aid more effective.

Mexico

2008 was a challenging year for transparency and accountability grantmaking in Mexico. Our efforts focused on implementation of Mexico's 2007 access to information reforms and expanding our work to track public resources, particularly at the subnational level. Grantees working on justice reform contributed to a significant victory with the passage of a landmark constitutional reform of the justice system. Finally, thanks to a collaboration between a grantee in our Agricultural Markets component and two Transparency and Accountability grantees in Mexico, Mexican agricultural subsidies are publicly available for the first time.[1] Users can search official information about who benefits from farm subsidies, how much they receive, where they receive them, and for which crops—all crucial information for budget and anti-poverty program discussions.

Agricultural Markets

[1] The information is accessible in an online, searchable database: www.subsidiosalcampo.org.mx.

In 2008, we saw several disappointing outcomes on global agricultural policies that impact poor farmers. The U.S. Farm Bill did not bring the hoped-for reforms in agricultural subsidies, and the Doha Round WTO negotiations appear to be stalled indefinitely. Nonetheless, there was a silver lining: analysis by Hewlett grantees informed an important food aid reform in the Farm Bill and contributed to a significant shift in E.U. policy on biofuels (eliminating food crops as a source of biofuels). In addition, the worldwide food crisis has highlighted the urgent need to invest more in improving agriculture and agricultural markets in poor countries.

Quality Education in Developing Countries

In 2008, we made significant progress in identifying core grantees in our target countries. Our focus on supporting nationally based, rather than international, organizations has proven to be time consuming; in this sector, many of our potential partners need considerable assistance to improve their capacity to work with governments and to operate at scale. This is an ongoing challenge for our in-country work. On the bright side, early signs indicate that the projects we support are pushing both donors and developing country governments to take a closer look at ways to improve student learning in the classroom. In fact, other donors and organizations are already approaching us to replicate aspects of our strategy. For example, the work we have supported at the Center for Global Development to improve the accountability of education aid—the "cash on delivery" financing model—is garnering support from donors and developing country governments.

COMPONENT: Transparency and Accountability

The goal of our Transparency and Accountability (T/A) work is to improve the delivery of basic services—such as health, education, and water—particularly to poor people. Unfortunately, insufficient resources, "leakages" of funds, and other inefficiencies seriously undermine the availability and quality of public services. Our work seeks to overcome these challenges by ensuring that citizens have the necessary information and oversight to hold governments accountable for how public funds are allocated and spent.

Maximize Revenues to Fund Basic Services

The first step is to ensure that resource-strapped governments have enough revenue to fund the delivery of basic services. As explained in our 2007 strategic plan, we are focusing our efforts on improving the transparency of two key revenue sources for poor countries: natural resource revenue (e.g., from mining or oil) and foreign aid. Both are concentrated flows of funds into the coffers of developing country governments, yet leakages occur for a variety of reasons. For example, because payments from extractive industries are not reported openly, it is difficult for citizens to monitor these public resources and to ensure that they reach the budget.

Meanwhile, inefficiencies in the way international donors allocate and distribute their aid means that fewer funds reach poor citizens in the form of quality public services and that the funds that do reach them are used ineffectively. One key strategy for reducing donor inefficiencies is to make information about the flow of aid more accessible, so that citizens and watchdog groups can monitor its use in their countries. We provide updates below on our progress on three fronts: natural resource revenue, aid transparency, and U.S. aid reform.

Natural Resource Revenue

In 2008, we continued to support Revenue Watch Institute (RWI)'s work to improve transparency and oversight of extractive industries in resource-rich developing countries throughout the world. Through direct training, technical assistance, and grants to partner organizations in these countries, RWI is building the capacity of civil society organizations, parliaments, and national and local governments to ensure that revenues from the extractive industries are benefiting the country and its citizens. RWI also advances revenue transparency internationally through the Extractive Industries Transparency Initiative (EITI), an emerging global disclosure standard for the oil, gas, and mining sector where participating countries report all revenues received and companies report all payments made in a public, multi-stakeholder process. In 2008, RWI helped eight new countries take steps towards becoming EITI candidates, while the twenty-four countries already on board began the official review process to ensure they are complying with EITI standards. Throughout 2009, RWI will work to secure EITI commitments from emerging market investors (e.g., China) as well as high-income producers (e.g., United States and Canada), and will assist signatories in complying with EITI standards, including support for citizen monitoring of these resources.

Aid Transparency

To improve information about resource flows to developing countries, last year we initiated a joint effort with the Gates Foundation to increase the transparency of donor aid funding. In 2008, our key implementing partner for this effort, U.K.–based Development Initiatives, started an "aidinfo" program to raise awareness about the need for greater aid transparency. Its work was also instrumental in launching a landmark International Aid Transparency Initiative at a high-level donor meeting in September. Nine bilateral aid agencies, four multilateral aid agencies (including the World Bank), and the Hewlett Foundation committed to agree on an improved set of standards for sharing "more detailed and more up-to-date information about aid." In the coming year, our grantees will work closely with the Initiative signatories to flesh out these standards, which will be negotiated over the course of 2009.

U.S. Aid Reform

It is not enough to improve information about where foreign aid is going. We also need to consider how every dollar of development assistance can be allocated and spent to achieve the greatest impact. The United States is the largest aid donor by volume, but unfortunately it is viewed by many development experts as one of the least effective.[2] Evidence indicates that a reformed foreign aid structure could more effectively *build local capacity* for the improved

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[2] For example, the United States is criticized for allocating aid based on geostrategic priorities, not economic need; for "tying" a large percentage of aid dollars to the purchase of U.S. goods and services, which often undermines the development of local capacity to provide such goods and services; for cumbersome reporting requirements; and for a failure to coordinate efforts with other international donors.

delivery of basic services—our overarching goal for the Transparency and Accountability portfolio.

Over the past three years, Hewlett investments have helped build the case for aid reform and bring together a coalition of committed advocacy partners in the Modernizing Foreign Assistance Network. This group includes three of the leading think tanks working on development and foreign policy issues in Washington, along with some of the largest relief and development organizations (including InterAction, Oxfam America, and Save the Children). In June, this Network released a set of consensus policy recommendations for aid reform, and over the course of the past year, we have seen a number of promising policy developments, including Congressional hearings addressing issues related to modernizing U.S. foreign assistance; renewed commitment to foreign aid reform by policymakers (including the chairman of the House Foreign Affairs Committee); the introduction of a House resolution calling for the modernization of U.S. foreign assistance;Secretary of Defense Robert Gates repeated his call for a strengthened U.S. civilian capacity and increased resources for non-military tools of global engagement; and both political parties specifically addressed aid issues.

Ensure Effective Expenditures on Quality Public Services

Once revenues come into a national budget, these funds must be fairly allocated and well spent in order for poor people to receive quality health care, education, and other public services. Again, corruption and mismanagement can divert funds before they ever reach citizens. This is why we support efforts to improve budget accountability. Even if funds do make it to service providers, service delivery often suffers from gross inefficiencies due to factors like non-competitive bidding for contracts, poorly trained workers, and staff absenteeism. Without objective ways to assess the quality of services (such as direct citizen feedback or impact evaluations), it is very difficult to identify and correct these problems at the local level.

In 2008, we focused on developing a strategy to improve the transparency and accountability of service delivery in East Africa. Along with several partner organizations, we conducted country assessments in Tanzania, Uganda, and Kenya. These studies informed the creation of a new regional initiative to widen access to information about public services and to improve citizen oversight of their delivery. This initiative, called *Twaweza*[3], will be led by a Tanzanian and headquartered in Tanzania, with satellite offices in Uganda and Kenya. Twaweza will be funded by a consortium of international donors who have agreed that it is necessary to pool our resources to expand efforts like this more widely. Our 2009 goals are to support Twaweza's launch, help with additional fundraising as needed, and determine whether there are complementary activities that the Hewlett Foundation should support in the region.

In 2009, we will begin conducting transparency and accountability assessments in several countries in West Africa. The major challenge will be to determine whether we can identify a West African regional partner (similar to Twaweza), or whether we will need to engage lead implementing partners in several countries.

[3] *Twaweza* is a Swahili word meaning "We can do it!"

Another way to improve the quality of service delivery is to have better evaluations of social programs that can measure the impact they are actually having on the lives of the poor. Working closely with the Center for Global Development, the Gates Foundation and the U.K.'s Department for International Development and others, we have helped establish a new international organization, the International Initiative for Impact Evaluation (3IE), to commission and disseminate evaluations of development projects around the world. Although the process was labor intensive, we cannot overstate the importance of having an independent, objective source of information about which development programs are the most effective in different contexts. 3IE will be a critical partner in realizing one of the Foundation's goals: fostering better evidence for public decisionmaking.

In 2009, 3IE will begin commissioning impact evaluations, aiming to identify six long-term projects and ten shorter studies to begin in the coming year. To date, nineteen research institutes from fourteen countries have joined 3IE as associate members; we expect membership to grow. Meanwhile, support has already been secured from eight major donors, as well as development ministries in Uganda (Finance) and Mexico (Education, Health).

Mexico

This year, Global Development grantees in Mexico made notable progress toward our T/A goals. Our grantees' successes are all the more impressive for having occurred at a time when working on T/A issues in Mexico has become more difficult and even dangerous. Since major Access to Information (ATI) reform passed in 2007, pushback from government authorities on advancing ATI rights and implementing ATI laws has increased, especially at the state level.
In addition to the public disclosure of Mexican agricultural subsidies mentioned at the beginning of this memo, other 2008 highlights include:

Tracking public budgets. The Mexican Institute for Competitiveness (IMCO) is building two Web-based calculators. One will show how variation in oil prices affects state revenues; the other will predict state disbursements to municipalities, giving mayors the information they need to hold states accountable for undisbursed funds. In Guerrero, one of Mexico's poorest states, Hewlett grantees helped uncover the misuse of $4 million in public health care funds. Grantees are now working with local citizen groups to monitor and improve the quality of health services.

Strengthening the regulatory framework for philanthropy and civil society. With the assistance of Hewlett grantees, civic organizations focusing on T/A, gender, youth, migrants, refugees, and public interest law became eligible for tax-deductible status. This improves their chances of gaining equivalency determination status from the IRS and facilitating charitable donations from U.S. sources. Also, Hewlett grantees, working in collaboration with Mexican tax authorities, have developed a Web site to provide information on Mexican public charities, which aims to promote more transparency and confidence in the sector.

Plans for 2009. We will continue to support efforts to address access to information rights implementation and public budget accountability, particularly at the state level.

COMPONENT: Agricultural Markets

The goal of our Agricultural Markets work is to improve economic conditions for Africa's poor, rural communities by expanding markets for smallholder farmers and agribusinesses. This includes (1) reducing trade barriers for agricultural products from African countries; (2) increasing poor farmers' access to competitively priced fertilizer and relevant market information; and (3) giving farmers greater access to infrastructure, such as ports, railroads, sanitation, and electricity.

Agricultural Market Incentives

This year, the challenges were significant. For example, the U.S. Farm Bill was finalized without reforming the subsidies and tariff barriers that disadvantage developing country farmers.

Nevertheless, our grants yielded returns on a few crucial fronts. Research and analysis supported by Hewlett convinced the European Union to reform its sustainability criteria for biofuels—essentially eliminating food crops as a source of biofuels and reducing the overall mandate for biofuels. This research also created doubts in the U.S. environmental and climate change communities about the efficacy of corn-based biofuels in reducing greenhouse gases. In a significant victory, thanks to key analysis supported by Hewlett, African countries refused to sign disadvantageous Economic Partnership Agreements with the European Union. In the United States, a pilot program reforming food aid made it into the final Farm Bill, and, with the food crisis, these reforms are being adopted by the State Department and the World Food Programme in their emergency food aid programs.

In 2007, with support from the Foundation and other funders, grantees started advocating for duty- and quota-free access for developing country products into the United States. Although legislation to accomplish this outcome did not advance in 2008, grantees anticipate that plans for a complete overhaul of U.S. preferential trade programs may be realized through legislation in 2009—creating one preference program out of ten competing programs, and harmonizing and simplifying rules. Such changes could bring substantial gains for developing country agricultural producers.

Consistent with our strategic plan, in 2009 we will reexamine our strategies in international agricultural market incentives and trade while we shift our efforts to improving agricultural market conditions within Africa.

Market Infrastructure, Information and Inputs

As we advance our work in Africa in 2009, we plan to concentrate most of our efforts on developing the African Development Corridors Platform (ADCP) project. In the past few months, we have decided to focus on two corridors—the Central Corridor in Tanzania and Rwanda, and the Zambezi Valley Corridor in Mozambique—which have great economic and development potential, as well as strong political support. We also have decided to center the

ADCP project more tightly on creating economic opportunities for small agribusinesses located near the large anchor infrastructure investments.

To date, most market information systems in Africa that provide farmers with price and product information have not developed sustainable business models. Not enough systematic data are available on small farmers' demand for market information systems or the types of information that different market segments require. In 2008, Hewlett grantees assessed the needs of West African farmers and agricultural traders in Mali, Senegal, Niger, and Guinea. Michigan State University tested new Short Message Systems technology in Mali to replace the current radio/phone/mail system; this technology was then adopted there. In 2009, the Foundation's grantees will be evaluating a number of models for market information systems across Africa and in other developing countries for best practices and sustainability.

In 2008, the high cost of oil led to high prices for fertilizer, making it imperative to integrate African markets for this key agricultural input and so help lower its cost.[4] In Eastern and Southern Africa, the first regional fertilizer trade association was created, and three additional regional economic communities signed agreements to open markets for agricultural inputs like fertilizers with our key grantee for agricultural inputs, the International Fertilizer Development Center. The Center is also working with the government of Mozambique to attract investors to build a warehouse at the port of Beira, enabling fertilizer buyers to pool their deliveries and lower their costs. In 2009, the Center will continue work with Mozambique to identify policy reforms needed to make the new fertilizer facility viable, and it will encourage the new regional fertilizer trade association to lower barriers to fertilizer trade in Eastern and Southern Africa.

COMPONENT: Quality Education in Developing Countries

Remarkably, many students in India and sub-Saharan Africa attend school but never learn how to read. The goal of the Quality Education in Developing Countries Initiative (QEDC) is to improve student learning in the developing world. We are pursuing three types of activities to maximize impact within a select set of countries. First, by ensuring that citizens and governments know that children are learning very little, we help create demand for change. Second, by evaluating and supporting instructional models that can work in public schools, we offer evidence of potential solutions for improving students' reading and math skills. Finally, we will support work designed to ensure that governments allocate and effectively use sufficient funds for education. By the end of 2008, we will have completed country assessments, determined grantmaking priorities, and identified partner organizations in India, Mali, Kenya, Uganda, and Tanzania.

Progress in 2008

Although data are collected about whether children attend school in sub-Saharan Africa, almost no information exists on whether they learn anything. Parents, governments, and educators therefore show little awareness of the extent to which schools are failing to teach students even basic reading and math. In January 2008, our grantee Pratham released its third Annual Status of

[4] Although the falling price of oil should ease fertilizer prices, physical shortages of other fertilizer components will keep prices high.

Education Report (ASER) about student learning levels in India. The report (which shows, for example, that nearly one-third of first graders in India do not recognize the letters of the alphabet) has attracted attention from individual citizens and the Indian government, spurring the government to increase efforts to improve quality.

This year, we supported an East African team to go to India and see ASER in action, with an eye toward replicating its success. The team returned home excited about the galvanizing effect the approach could have in East Africa and, with our support, is planning the first independent civil society assessments of student learning in Kenya, Tanzania, and Uganda. We have also coordinated with other donors, including the World Bank, on baseline assessments of reading and math in the early grades of African primary schools that we—and governments—can use to assess progress over time. These efforts have helped us increase attention to, and accountability for, learning outcomes in our priority grantmaking countries and among influential donors.

In addition to raising awareness about low levels of student learning by the end of 2008, we will support six institutions with models for teaching children in India, East Africa, and West Africa. These models have already directly reached over 8 million children. If teachers can master these low-cost, contextually relevant teaching methods and materials, these models could be implemented in thousands of government schools. That is, if the independent evaluations we support show a positive impact on student learning, we are hopeful that governments will mainstream these models to serve millions more students. We are already seeing evidence of improvements in student learning in the models we supported in India. As such, some state governments are beginning to expand these models to more schools.

Although the interventions we support are intentionally low cost, they can be implemented by governments only if sufficient resources are made available and used effectively. Unfortunately, international aid to education remained flat this year. We have therefore commissioned a study to determine the obstacles that prevent developed countries from meeting their education commitments, with substantive input and interest from the U.K. government's Department for International Development The promising news this year is that donors are increasingly discussing the quality of education that children receive, and some are beginning to allocate money accordingly. For example, early conversations have generated some interest among donors and developing countries to pilot a "cash on delivery" financing model developed by the Center for Global Development, a Hewlett grantee. Such a pilot would assess whether paying a country only for actual progress against a learning goal will increase the effectiveness of aid in improving learning outcomes.

Plans for 2009

By the end of next year, we expect to have a strong network of grantees in selected African countries and will likely focus on a few states in India. We will further refine our country strategies and expand our portfolio of grantees in Mali, Uganda, and Kenya, and possibly in Tanzania, Senegal, or Ghana.

With Pratham's leadership, we expect that civil society awareness of, and attention to, learning outcomes in India will continue in 2009. In Kenya, Tanzania, and Uganda, the first citizen-led assessment of student learning will have started, and planning for a similar activity will be underway in West African countries. We will also have baseline data on student learning in Kenya, Uganda, Mali, and Senegal. These assessments should stir global debate and begin to prompt government action to improve education outcomes.

As the debate about learning heats up, we will also be armed with emerging evidence on what to do about the problem. In 2009, we expect that an impact evaluation of Pratham's work will show improved reading and math skills among children reached by its "Read India" project. Building on this success, we anticipate that state governments will continue to adopt Pratham's techniques as their own. Likewise in Africa, our instructional models and impact evaluations will be demonstrating which instructional practices improve student learning.

We expect that it will continue to be a challenge to find organizations working in our areas of interest and ready to operate widely enough to garner the attention of government and other development agencies. Therefore, we will continue to provide planning grants and other assistance to help develop strong in-country institutions that will be able to support education over the long run in our priority countries. Furthermore, in order to strengthen the impact of these projects and determine the elements of successful models that can be scaled in other countries, we will bring together leaders of these organizations with materials developers, teacher trainers, and evaluation staff to share what is working.

Given the current economic turmoil, it is unlikely that donor funding for education will increase in 2009. This does, however, create space for more discussion around the effectiveness of funds that are available. With the study which will identify obstacles blocking donor assistance to basic education, and the evaluation of our current advocacy grantees, we plan to refine our advocacy strategy for ensuring that aid money is better spent—that is, improving actual learning, not just buying more inputs. We expect donors, NGOs, and governments to continue to show greater receptivity to improved use of resources to advance student learning. We will monitor indicators to see whether education financing is, indeed, striking a better balance between expanding enrollments in school and ensuring that learning happens.

Knowledge Building for Development

Think Tank Initiative

The goal of the Think Tank Initiative is to strengthen policy research organizations based in developing countries through a combination of long-term funding and targeted capacity-building support. In late 2007, the Foundation approved a grant to the International Development Research Centre (IDRC) to implement this initiative. This year we made the leap from planning to implementation.

In early 2008, Hewlett staff worked closely with IDRC to hire a program leader for the Initiative and supervise a team based in Ottawa and the IDRC regional offices. By August, IDRC had a seven-person team in place, including two program officers at each of the regional offices in Nairobi, Kenya, and Dakar, Senegal. These four program officers include nationals from Uganda, the Gambia, Mali, and Cameroon, and all have significant experience working with think tanks on the continent.

In April, the International Advisory Group for the Initiative met for the first time and gave input on an application design and a selection process for the first phase of the program. In June, IDRC launched the first call for proposals, inviting policy research institutes in eleven East and West African countries to apply for four-year institutional support grants. IDRC received nearly 300 applications, far surpassing our expectations and confirming strong demand for this type of support.

Over the last few months of 2008, IDRC staff vetted the applicant pool and assessed a short list of applicants, through peer review of research products, institutional visits, and "reference checks" with external stakeholders. Final funding recommendations will be made in early 2009; IDRC staff will then negotiate the terms of each grant agreement, including establishing annual benchmarks for monitoring purposes. Early next summer, IDRC plans to launch the Initiative in two additional regions: South Asia and Latin America. In anticipation of this expansion, IDRC will hire and place Initiative program officers in its regional offices in South Asia (New Delhi) and Latin America (Montevideo).

Knowledge Building in Mexico

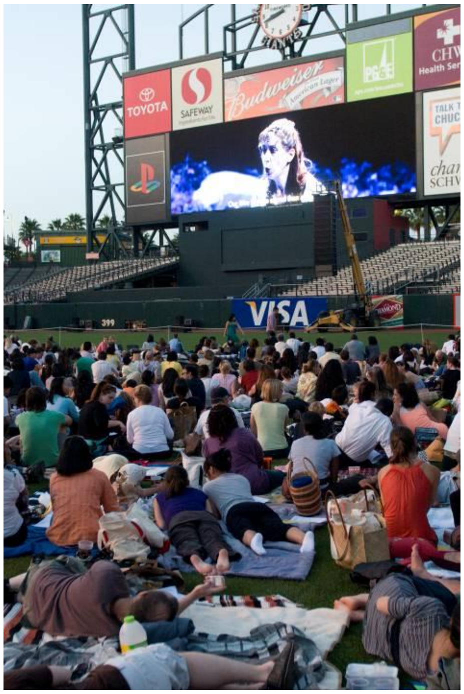
Hewlett's long-term investments in Mexico's knowledge infrastructure paid dividends in 2008 with the passage of a constitutional overhaul of the country's justice system. For the first time in Mexican history, defendants will enjoy presumption of innocence and have the right to an oral trial before a judge. Hewlett-supported think tanks and academic institutions (such as CIDE and CIDAC) created independent, comparative, nonideological evidence that contributed to this reform. The results of investing in policy-relevant knowledge and data exemplify how important it is to support local institutions that can identify and propose solutions to the most serious barriers to economic and social development nationwide.

In 2008, the Bill & Melinda Gates Foundation decided to join the Initiative at a funding level comparable to Hewlett's commitment—in effect, doubling the size of the Initiative.

2009 BUDGET MEMORANDUM
PERFORMING ARTS PROGRAM

OVERVIEW

The Performing Arts Program is the largest funder—public or private—of the arts in the Bay Area, known for its longtime, continuous support in the field and for its long-term investment in organizations that make, teach, and present art. We began with two grants in 1967, and now support 230 organizations that provide thousands of arts experiences to tens, if not hundreds, of thousands in the region. Our grantees work in a variety of artistic and cultural traditions, operate on budgets ranging from $100,000 to $65 million, and are involved in every phase of the artistic process.



Given our more than forty-year commitment to funding quality arts experiences, we have a singular stake in the well-being of arts organizations, not only as a result of multiyear general operating grants but also by providing support for strategic planning, staff development, and other institutional development matters.

<u>2008 Highlights</u>

In 2008, we focused our efforts on sustaining a diversified portfolio of organizations that provide quality experiences for cultural participation, and increase support for arts education in collaboration with the Education Program. In addition to our program budget, this year we allocated money from the Serving Bay Area Communities fund to six organizations in support of these efforts to serve low income communities and at-risk youth. Since the first two components are discussed in some detail later in this document, we would like to go over the performing arts program review, its results, and its potential implications for the program.

In late 2007, we began a program review, prompted by a number of factors: the previous review was based on the 2000 environment, there was a need for a more rigorous program framework, a new program team was in place, and directorship of the current head of the Performing Arts program will conclude in November 2009. The aim was to garner an understanding of the current environment in which arts organizations work and how audiences experience art, as well as to develop a program framework with clear outcomes. Completed in 2008, the review has given us a clearer understanding of the arts ecosystem, a more rigorous program framework, and greater clarity of purpose.

Plans for 2009

To support artists creating work and to sustain and build organizational infrastructure, the Program will make grants to organizations that provide training opportunities and residency programs for performing artists, and to intermediaries that provide financial, management, governance, and organizational support services. Additional efforts to support diverse cultural expression will be made to support small budget arts organizations through regranters.

While we achieved many of our aims in the 2008 program review, questions emerged that require us to undertake important research in 2009. In addition to our continued support of, and participation in, the California Cultural Data Project (which collects and aggregates financial and organizational information about thousands of California arts organizations), we would like to commission more research on critical arts education issues and surveys on cultural participation in the Bay Area. Perhaps our most ambitious and exciting research project is the creation of a regional cultural asset map: an electronic tool that will provide information on who makes art, who experiences art, where art happens, and who is funding art. This would help us to conduct more strategic grantmaking and move us closer to our intended outcomes. We also plan to share this research with our funding colleagues, policymakers, and arts practitioners.

Arts education will remain a priority in 2009, with continued support for improving policy and implementation to increase arts education for California's K-12 schoolchildren. During 2009, we will continue to collaborate with the Education Program to develop an arts education plan.

Hewlett support comprises a substantial amount of most of our grantees' operating budgets, so reliance on our funding will be even more crucial to them this year. For those in the business of creating, teaching, and producing performing arts, the year ahead appears daunting, with deleveraging of the U.S. financial sector, rising unemployment and foreclosure rates, and competition from free 24/7 web-based cultural options. Quite simply, there will be less money for the nonprofit arts and many arts groups will grapple with substantial budget reductions.

COMPONENT: Exceptional Works of Art Are Created, Performed, and Preserved

An essential objective for the Program is to ensure a robust supply of high-quality art is created, performed, and preserved in the Bay Area. To achieve that, the Program has pursued a strategy of making general operating support to arts organizations in each of the region's eleven counties.

In addition to the general operating grants approved in 2008, support for regranting organizations has enabled the Performing Arts Program to support small arts organizations and individual artists in the Bay Area. These intermediaries in theater, chamber music, dance, and emerging technology fields increase the breadth of cultural expression and reflect the increasing diversity in the region. This diversity is growing significantly along two demographic tracks: age and race/ethnicity. There are more people under twenty and more over sixty in the Bay Area than there were in 2000, and by 2020 the regional population of those aged sixty to eighty will have doubled.[1] Racial and ethnic diversity in the region is evidenced by the 5 to 20 percent growth rates in Latino and Asian populations in ten of the eleven counties we serve; U.S. census statistics indicate that nearly 50 percent of the population in the two most populous counties (Santa Clara and Alameda) speak a language other than English at home.

COMPONENT: Increased Participation in Arts Experiences

To achieve the objective of providing opportunities for increased participation in arts experiences in the Bay Area, the Program pursued a strategy similar to that of the first component, and focused on providing general operating support to arts organizations in each of the region's eleven counties.

An important accomplishment in 2008 was the statewide launch of the California Cultural Data Project, an online database that, in three years, will potentially hold the organizational and financial information of 5,000 California nonprofit arts organizations, of which 40 percent are estimated to be in the San Francisco Bay Area. As a founding project funder, Hewlett has been deeply involved in the launch and implementation in the first year and during 2009 will, as part of the Working Group of initial funders, develop a research agenda to analyze and disseminate the collected data to funders, policymakers, arts practitioners, and cultural media.

A particular focus this year has been on developing a comprehensive statewide arts education initiative in partnership with the Education Program and continued support of three main strategies: research, advocacy, and model arts education programs. Follow-ups to the landmark 2007 study completed by SRI International, *An Unfinished Canvas*, include three additional reports on specific policy levers, covering such topics as professional development for teachers, funding, instructional time, and large-scale arts assessments in schools. During late 2008 and early 2009, with the addition of two more SRI reports, we plan to undertake a major promotional campaign of the research targeted to policymakers and education and arts leaders. We anticipate that several new arts education grants made in 2008—the California State PTA and Americans for the Arts, for example— may lead to large-scale advocacy efforts that we would consider supporting in 2009.

A major goal for 2009 is to create a comprehensive statewide ten-year arts education initiative with the Education Program that aims to galvanize the education and arts sectors around a shared vision of increased arts education for California's 6.2 million public schoolchildren.

[1] Source: Association of Bay Area Governments (http://www.abag.ca.gov/)

2008 BUDGET MEMORANDUM
PHILANTHROPY PROGRAM

OVERVIEW

Philanthropy is growing—total giving in 2007 was $306 billion in the United States alone—but donors remain largely unable to determine the impact of their giving. And high-performing nonprofits are even more frustrated by a system that does not reward excellence or facilitate the growth of the strongest organizations.

We believe that there is an opportunity to improve this system by providing donors with tools and resources to make fact-based, impact-oriented philanthropic decisions. Recent turmoil in the financial markets is likely to slow giving and distract potential private-sector partners. But unstoppable demographic trends and a strong culture of giving will bring trillions of dollars into the philanthropic marketplace over the next few years. It is, therefore, all the more important that we help build a system in which donors use good information and good practices to make good decisions.

The Philanthropy Program's biggest success in 2008 was the partnership between DonorEdge and GuideStar, which we funded and helped facilitate. DonorEdge provides information about the performance of local nonprofit organizations to donors with funds at community foundations—a multibillion-dollar market. The network of community foundations that use the DonorEdge platform have close relationships with donors and nonprofits in their respective communities. GuideStar, a database of 1.4 million nonprofits, provides technological expertise, a national perspective, and built-in scalability. This partnership integrates their strengths and offers the potential for a national database of nonprofit information rooted in local relationships. This initiative is emblematic of the kind of organizational-level cooperation we believe is necessary to reach a critical mass of performance data, engaged donors, and smart decisions.

We engaged McKinsey & Company in summer 2007 to analyze the current nonprofit marketplace and propose a vision for making it stronger and more effective. Crafting this vision was an immense intellectual and practical challenge. McKinsey provided superior research and analysis, and we will be systematically sharing the paper with the nonprofit community, donors, banks, and financial advisors, among others.

COMPONENT: Practice of Philanthropy

To support effective grantmaking, the Philanthropy Program funds organizations that educate donors about good practices, provide data about nonprofit performance, and build knowledge about strategic philanthropy.

Progress in 2008

As noted above, a priority for the Philanthropy Program in 2008 was to advance the provision of good information about nonprofit performance. We invested much time in a partnership with McKinsey crafting an alternative vision for the nonprofit marketplace and better articulating that vision with our close allies.

In July, the Foundation hosted a gathering of psychologists and behavioral economists to discuss an emerging body of research examining the elements that drive giving behavior. Most of the work in this area has focused on how individual nonprofits can raise more money (regardless of impact) but we hope to use this research to help guide donors to decisions based on nonprofit effectiveness.

In the area of donor education, The Philanthropy Workshop West (TPWW) continues to provide high caliber classroom training for wealthy donors.

Plans for 2009

A 2009 priority will be to use the McKinsey white paper to attract new allies to strengthen the nonprofit information marketplace. We hypothesize that the creation of a stronger system will require participation in the following ways:

- Banks and financial advisors should proactively provide performance data to their clients.
- Search engines should automatically collate information about nonprofits and present it as part of search results.
- Intermediary organizations working to improve the marketplace should systematically share their data with each other.
- Foundations should, where feasible, systematically share what they know about nonprofits, individual interventions, and social issues.
- Nonprofits should provide much deeper information about their goals, strategies, and evaluation systems.

We have already begun outreach to these constituencies and will devote even more time doing so in 2009.

In late December 2008, the Foundation hosted executives from most of the country’s major donor education and donor engagement organizations. The leaders of this cottage industry are eager to increase their scale and impact; we hope that these discussions will lead to a shared vision, common evaluation systems, and mechanisms for donor educators to learn from each other. Currently, donors are largely unwilling to pay the full costs of education programs.

The Philanthropy Program encourages research about strategic philanthropy and tries to facilitate the dissemination of knowledge that already exists. Unfortunately, many nonprofit practitioners have no consistent way to learn from new research and innovation. Current research by and about nonprofits is not aggregated in any central location and so can be difficult to locate and use. A major 2008 investment in IssueLab by Open Educational Resources and Philanthropy has provided a platform to gather and disseminate this knowledge. In 2009, we will work with key grantees and partners like Bridgespan, FSG Social Impact Advisors, and the Hauser Center for Nonprofits at Harvard to integrate their existing knowledge base with public platforms like IssueLab. We further hope to facilitate conversations to establish a basic "metadata standard" that will allow researchers to describe their work in ways that all parties involved can understand.

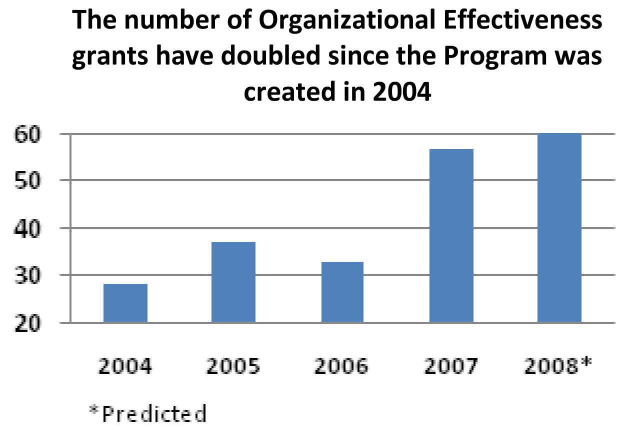
COMPONENT: Organizational Effectiveness

The Foundation's Organizational Effectiveness (OE) Program is based on the premise that healthy, well managed organizations are more likely to achieve their goals. Since it began five years ago, the OE program has funded nearly 200 capacity-building projects that have enabled the Foundation's grantees to strengthen their management, strategies, and organization-wide systems. The funds make it possible for grantees to hire outside experts to assist in strategic planning, communications and fundraising strategy, evaluation systems design, leadership transition, and board development.

Progress in 2008

Demand for OE funds remains strong as program grows. Strategic planning projects dominate.

As the chart to the right shows, the number of OE grants made to Hewlett grantees each year has doubled since the program began five years ago. As in the past, program staff identified more compelling grantee capacity-building projects than the available OE resources could support. Strategic planning projects continue to represent the largest percentage of all funded OE projects, followed by evaluation systems design and fundraising projects.



Representative grants awarded in 2008 are being used for these projects:

- A $30,000 grant to the International Policy Council on Agriculture, Food and Trade is enabling the organization's leadership to reassess its organizational and management structures.

- A $32,000 grant to the Transportation and Land Use Coalition is helping this Environment Program grantee develop a five-year strategic plan to guide its budgetary and personnel growth.
- A $32,000 grant to the Reproductive Health Technologies Project is enabling this Population Program grantee to develop a leadership succession plan.

An Organizational Effectiveness Grant in Action

As executive director of San Francisco's Intersection for the Arts, Deborah Cullinan had shepherded the organization through countless successful arts productions, but found herself stymied when it came to planning the organization's future. With the resources of her midsized San Francisco-based arts organization going to the next production, Cullinan never seemed to have the time or resources to plan for the long term.

That's where a Hewlett Organizational Effectiveness grant came in. A $60,000 OE grant enabled Cullinan to hire consulting experts, including Marcy Cady, a notable nonprofit arts organization consultant who led Intersection's staff though a five-month strategic planning effort, and the Nonprofit Finance Fund, which helped Cullinan's team analyze the financial ramifications of purchasing and renovating the organization's building. As a result, Cullinan was able to respond effectively to the time-sensitive building purchase opportunity while also plotting a course for the organization's future. When asked what impact this grant had on her and her organization, Cullinan responded, "After years of struggling alone through these questions, I now have smart friends who are helping me think through these issues."

Plans for 2009

We plan to focus on better understanding and measuring what specific impact OE grants are having on our grantees' ability to achieve their goals. Our hypothesis is that increasing the organizational health of grantees provides a number of positive elements:

- It increases the Foundation's return on investment in grantees; it can minimize organizational risk and allow us to make longer-term investments in grantees.
- It can help nonprofits clarify and measure outcomes, thereby allowing grantees and Hewlett program staff to track grantees' progress toward our shared goals.
- It strengthens grantees' self-sufficiency, which is necessary for their survival.

How might we test these hypotheses? What appropriate metrics should we use to track progress given the diversity of capacity-building projects funded through the program? The planned evaluation should help shed some light on these and other unresolved questions.

Are we supporting the most effective capacity-building models?

OE grants currently comprise relatively small capacity-building grants ($15–60K) that enable grantees to bring in outside consultants to undertake well-defined projects. The typical consultant who serves our grantees is a solo practitioner who works independently or is a small consulting shop. We plan to explore whether this model is too narrow. We might create more impact by funding more comprehensive projects—integrated strategic planning, communications and fund development activities for grantees, for instance.

Strategic communications training: Popular with grantees, but what's the long-term impact?

Led by our Communications team, the OE program supported two 2008 Hewlett Communication Academy workshops organized by Communications Leadership Institute (CLI). Seventy-five grantee staff members participated. The three-day workshops—one of which was structured for executives and the other for Communications staff teams—were designed to improve our grantees' ability to use communications techniques to increase their organization's impact. Pre- and post-training surveys suggest that participants found the training and tools highly useful and relevant to their work—particularly the sessions devoted to strategic communications planning and goal setting.

While these workshops prove remarkably popular with our grantees, questions remain as to how grantees are applying their new knowledge and skills over the long term when they return to their organizations. To find some answers, the staff plan to work with the new CLI leadership team to explore ways of gathering longitudinal data to better measure the lasting impact on participants and their organizations.

COMPONENT: Hewlett Foundation Effectiveness

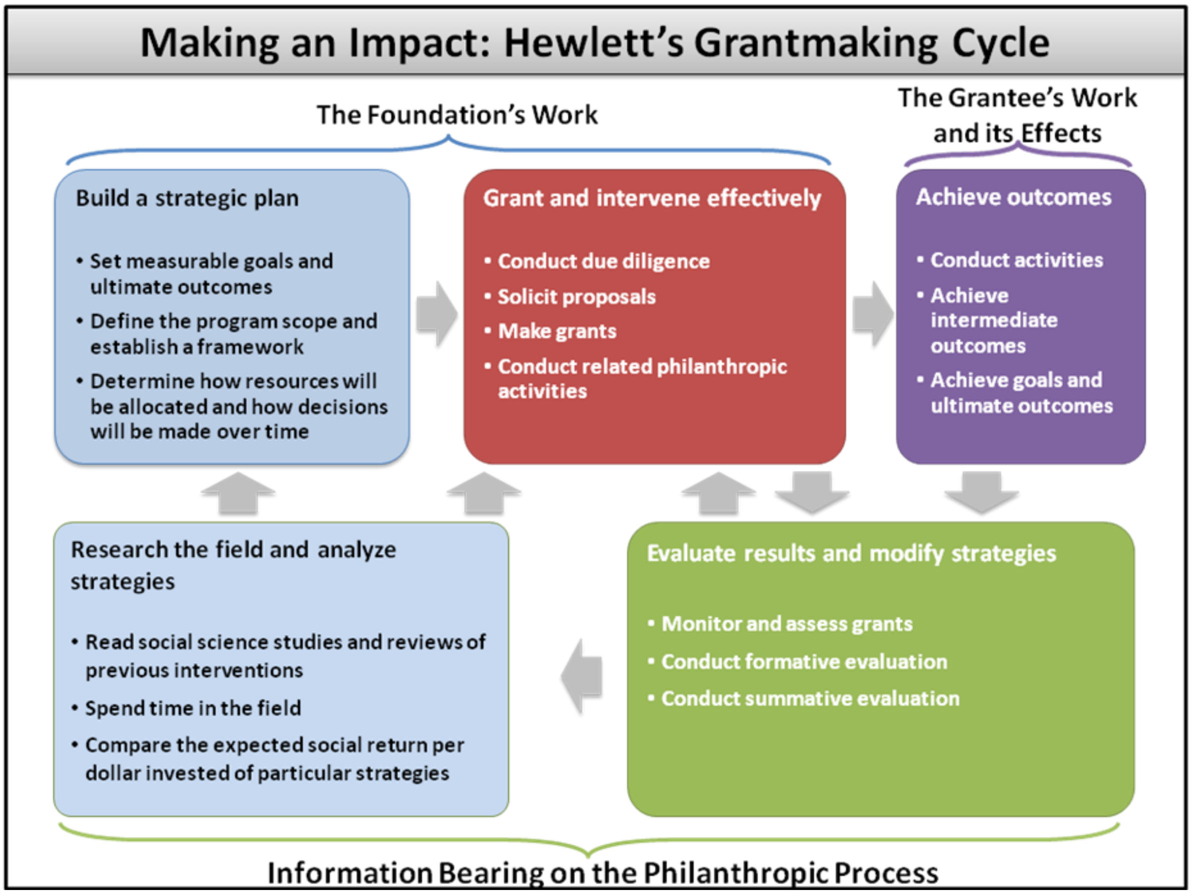
In addition to grantmaking to strengthen the practice of philanthropy and build the organizational capacity of the Foundation's grantees, the Philanthropy Program supports initiatives to help improve the overall effectiveness of the Foundation's grantmaking and other philanthropic activities. Our strategy is to learn about good grantmaking and spread those practices across the Foundation. Philanthropy Program staff work with programs and administrative departments on initiatives that strengthen planning, evaluation, and strategic grantmaking systems. We also work with the President and Vice President to facilitate regular staff meetings that promote cross-program learning and collaboration and build the staff's skills in the art of strategic grantmaking.

Strengthening Staff's Grantmaking Skills Through Peer Learning

During meetings aimed at strengthening staff's grantmaking skills and cross-program learning, discussion topics in 2008 included the following:

- Improving the Foundation's feedback systems through effective use of grantee reports.
- Hewlett case studies in assessing programs' progress toward target outcomes.
- Using logic models as a communications tool.
- Evaluating advocacy work.

Figure 1: Grantmaking cycle.



<u>Progress in 2008</u>

The Program retained FSG Social Impact Advisors to provide senior management with an independent assessment of the state of evaluation activities at the Foundation. FSG concluded that, although the Foundation's diverse program strategies were thoughtfully designed, we are, like the majority of our peers, underinvested in evaluation systems. FSG's findings pointed to a number of areas where we could strengthen feedback systems.

To respond to these findings and address other grantmaking procedures, the Program put together a working group made up of Foundation staff whose aim was improving the information we need to achieve program goals without increasing the burdens on staff and grantees. One guiding principle is that staff should request and analyze only grantee information that informs planning, grantmaking, and evaluation. As a result, we are now in the process of developing and piloting streamlined and more targeted grantee proposal and reporting requirements. The project is described more fully below in Plans for 2009.

The working group developed a theoretical framework for the Foundation's grantmaking life cycle. The full grantmaking process involves steps that flow from initial goal setting to grant selection to incorporating lessons learned, and then back to the beginning to further improve subsequent planning and grantmaking. This lays the groundwork for refinement of program-specific and Foundation-wide planning and evaluation systems and tools. **Figure 1** represents a simplified version of the grantmaking cycle.

Also this year, staff in programs across the foundation raised the bar on specifying and communicating measurable outcomes of their work (as opposed to focusing solely on near-term activities and outputs). This important progress represents an essential step toward defining the yardsticks for measuring the success of the Foundation's work. Defining outcomes lays the groundwork for staff to select grantees more effectively, better assess progress against program goals, and make midcourse corrections to grantmaking strategies. It will also enable us to hold ourselves increasingly accountable for the impact of our grantmaking work.

Plans for 2009

Formalizing Outcome-Driven Grantmaking at the Foundation

Outcome-driven grantmaking generates the best possible decisions in allocating program resources, thereby ensuring that the Foundation's philanthropic dollars make the largest possible impact. It encourages clarity about goals and a rigorous approach to assessing impact.

> ***Hewlett grantees spend a substantially greater number of hours [than the average foundation] on processes associated with developing a grant proposal.***
>
> – 2006 Grantee Perception Report

The Foundation's institution-wide exploration of this approach was jump-started by the Global Development Program's strategic planning efforts last year. In 2008, the Population Program, in collaboration with Redstone Strategy Group, formally documented its use of outcome-driven grantmaking, illuminating the benefits of the process and identifying lessons and practical challenges to be overcome. The Environment Program's West component will help us learn more in 2009.

Based on what we are learning, we hope to develop a set of tools and procedures to put outcome-driven grantmaking into operation across the Foundation. This will require, among other things, more formative evaluations of outcomes and impact to help staff determine whether their work is on track to achieve intermediate outcomes at the expected cost.

Project Streamline

Building on work that began last year, we will help the other programs implement streamlined proposal and reporting requirements to ease the paperwork burden on grantees and staff alike. According to the 2006 Grantee Perception Report, although grantees rated Hewlett's selection process as helpful in strengthening their organizations, the largest proportion of grantee suggestions for Foundation improvement concerned the grantee selection process. Grantees described Hewlett's application as "fairly complicated" and not always fully applicable to their organizations. Upcoming work in this area will explore ways to build more flexibility into Hewlett's proposal guidelines, further streamline administrative work for renewal grants, decrease the overall complexity of Hewlett's various proposal formats, and share lessons learned from our experience with peer foundations. Success will be measured by improvements in Grantee Perception Report trend data, including how much time grantees spend on Hewlett grant administrative activities per grant dollar received.

2008 ANNUAL REPORT
POPULATION PROGRAM

OVERVIEW

The Population Program has two mutually reinforcing goals: to promote and protect reproductive health and rights and to help governments stabilize their populations in ways that maximize human well-being and sustain the environment. By protecting reproductive rights, we enable women to obtain family-planning and reproductive health (FPRH) services that improve their health, education, and overall well-being, which, in turn, enhances their life options. Their communities benefit, as well—from smaller families, reduced rates of population growth, and fewer strains on the environment. As Rwandan Minister of Health Jean Damascène Ntawukuliryayo told one of our grantees, “Family planning is a tool of development.” Our program strategies all serve these goals, whether in the United States, where demographic change poses challenges to delivering services, or in sub-Saharan Africa, where one-third of women have an unmet need for contraception, the population is expected to double between 2000 and 2030, and 75 percent of people live on less than $2 a day.

The Population Program’s work this year has benefited greatly from two assessments: a rigorous external review of our strategy and comprehensive internally driven revisions to our goal statement and theory of change. Both processes left us better positioned to improve our effectiveness and measure the outcomes of our grantmaking.

<u>International Highlights from 2008 and Implications for 2009</u>

The year began with Hewlett Foundation president Paul Brest signing the first U.S. Foundation Memorandum of Understanding with the French Agency for Development Cooperation and the French Research Council (equivalent to the U.S. National Science Foundation). This was France’s first funding to study the impact of population and reproductive health on economic growth and poverty. Similar agreements with the Dutch and British governments followed, and another is expected with Norway. The collaborations not only bring more money to this important research, but also the moral commitment of these countries to ensure notice of the results.

Next year brings the fifteenth anniversary of the groundbreaking United Nations International Conference on Population and Development. With the continuing leadership of its director, Thoraya Obaid, now assured, we are working with the United Nations Population Fund to guarantee that the anniversary attracts high-profile attention—not just to the integration of family-planning and reproductive health services into HIV/AIDS prevention and treatment programs—but also to the chronic problems of contraceptive shortages, urban slum growth, and rapid population growth.

Indeed, all these issues remain key challenges for sub-Saharan Africa, as does the continued high rate of new HIV/AIDS infections, which have peaked elsewhere. Rapid population growth continues there as well; high fertility rates more than counteract the high mortality from HIV/AIDS. Although overall fertility continues to decline in the developing world, there are seventeen countries (fifteen in sub-Saharan Africa) in which fertility declines have stalled. Fortunately, African women are increasingly demanding accurate information and high-quality reproductive health services, as well as protection from sexual violence. As Africa urbanizes and as its children gain improved access to education, the demand for family-planning and reproductive health services will increase. Sub-Saharan African leaders increasingly recognize the influence of population growth on their efforts to reduce poverty and improve the quality of life. The Foundation's programs are helping develop a healthy environment for policy and service delivery to respond to growing African interest in good family planning and reproductive health care.

In summary, our greatest challenges this year and in the future stem from infrastructure and human resource constraints in sub-Saharan Africa. These constraints, coupled with the overwhelming family-planning and reproductive health needs of the population, underscore the importance of setting realistic goals and understanding the length of time it will take to achieve them. The Program's greatest success this year was building on the increasing commitment of African leaders to address population and reproductive health issues through our grants to expand South-South collaboration in programs and policies.

Domestic Highlights from 2008 and Implications for 2009

Several favorable developments occurred this year on the domestic front, in part because of effective advocacy of some Population grantees supported by the Foundation and other funders:

- The Title X program, which supports family planning and reproductive health clinics for low-income Americans, received the third-largest funding increase in the last twenty-five years.
- Nearly half the states now refuse funds for abstinence-only-until-marriage programs.
- The President's Emergency Plan for AIDS Relief (PEPFAR) increased funding by $48 billion over five years and included language more favorable to family planning programs.

In the year ahead, advocates will face a range of opportunities and challenges:

- **Administration transition**. Numerous positions in the executive branch will be filled by new appointees. Many Hewlett Foundation grantees prepared transition briefing materials and policy options for the new administration.
- **Judicial nominations.** Vacancies may arise on the Supreme Court. Advocates will likely be involved in the debate concerning such nominations, as well as those to lower federal courts.
- **Congressional action in key areas.** A number of opportunities will arise next year:
    - Authorization for the abstinence-only-until-marriage program will expire in June, creating an opportunity to restructure the program or replace it with a comprehensive approach that includes a mandate to provide medically accurate information on contraception. Numerous grantees supported by the Hewlett Foundation and other funders will likely inform the discussion.
    - Health care reform initiatives may be at the top of the presidential and legislative agendas, including expanding Medicaid coverage of family-planning services and mandating that private health insurers cover contraceptive services.

- The Institute of Medicine is scheduled to release a report examining whether Title X is meeting its intended goals. Grantees working with support from multiple funders are likely to advocate for strengthening the program.

Improving the Impact of Our Grants

As befits a mature program in the full implementation phase of its strategy, we place great emphasis on improving the sustainability and reach of our grantmaking. A key measure of our effectiveness is whether we are making a discernible and positive difference in the world. This question has occupied much of our time this year and will continue to do so during 2009.

Our 2008 program benefited from two assessments in 2007: an external review of our strategy and a documentation of the Program that included a revised goal statement and theory of change. Because of these two analyses, we can now assess the effectiveness of our work with more rigor, as well as the relative contributions of each grant to our program goals. By clearly articulating our two mutually reinforcing goals we are better able to work with our grantees to evaluate and measure how their work contributes to those goals. We supported the development of indices to track progress in reproductive health and rights, which will be used by many of our service delivery grantees. We are now working with select policy, research, and advocacy grantees to help them improve their indicators.

COMPONENT: International Access to Family Planning and Reproductive Health

Most developing countries struggle with high fertility rates, ill-defined reproductive rights, and substantial unmet demand for contraceptive services, none more so than those in sub-Saharan Africa. There are multiple barriers to addressing these issues, including poor quality of public health services, shortages of appropriate contraceptives, and social and cultural norms regarding family planning. Also lacking are the resources and political commitment necessary to bring programs to scale and ensure sustainability. The Population Program therefore supports a strategic mix of service delivery, research, advocacy, and training strategies.

Rwanda, Africa’s most densely populated country, provides a case study of the opportunities and challenges that shape the Population Program’s strategic investments. The 1994 genocide left the country in mourning and its health system in shambles. Although 13 percent of married women had used modern contraceptive methods in 1992, only 4 percent did so by 2000. Eighty-four percent of the population lives on less than $2 a day. Faced with the knowledge that rapid growth would hamper efforts to reduce poverty, President Paul Kagame made changing cultural norms about family planning a national priority.

A report funded by the Foundation, *Family Planning in Rwanda: How a Taboo Topic Became Priority Number One*, showed how the Rwandan government has overcome social, cultural, and religious barriers and revitalized its national family-planning program. Preliminary data from a national survey this year showed a dramatic rise in the use of contraception among married women—from 10 percent in 2005 to 27 percent in 2008. In addition, infant, child, and maternal mortality rates dropped dramatically, demonstrating the connection between access to family planning and overall health.

One of the clear lessons from Rwanda is the importance of providing a wide range of contraceptive choices: the greater the number of choices, the greater the overall uptake. The Program focuses on expanding access to methods that tend to be missing from the mix, such as emergency contraception and female condoms.

Emergency contraception (EC), often called the "morning after pill" in the United States, is a hormonal contraceptive method like implants and injectables. Unlike other hormonal methods that are taken before sex, emergency contraception is taken soon after sex. Over several years, the Program has supported its incorporation into family-planning programs in African countries. Even so, its usage has remained relatively low, in part, it has been hypothesized, because there has never been an intensive marketing and media-intensive public education campaign. Hence, last year we supported a large-scale campaign called "Tulia" ("Don't panic" in Swahili), which promoted the use of emergency contraception in Kenya. In 2009 we should have results to assess changes in knowledge and behaviors related to the campaign.

We continue to support programs that promote female condoms, the only available woman-initiated method that provides protection against unwanted pregnancy and sexually transmitted infections, an important option in countries with a high incidence of HIV. A 2008 grant supports a global campaign for universal access to female condoms. So far, substantial co-funding from the Dutch, Danish, Norwegian, and Swedish governments has been secured in order to scale up service delivery programs in several African countries. Additionally, the Hewlett and Packard foundations have provided support to another grantee to develop a business plan for scaling up manufacture of an improved product.

However, connecting pregnancy prevention and HIV/AIDS is broader than promoting female condom use. Large-scale AIDS programs provide excellent service delivery platforms for family planning, though they have only recently begun to grapple with this dimension of their clients' needs. Efforts to make family planning and reproductive health a priority in the major HIV/AIDS funding streams are beginning to pay off. A grant supported several African countries to develop integrated family-planning/HIV project proposals to the multilateral Global Fund to Fight AIDS, Tuberculosis and Malaria. The Rwanda and Malawi proposals were awarded a substantial infusion of funds for reproductive health activities. Similarly, in partnership with the Tides Foundation, we solicited proposals for existing HIV/AIDS prevention, care, and treatment projects to incorporate family planning components. Six projects funded in Rwanda, Kenya, Tanzania, Uganda, Zambia, and Mozambique will document the elements and outcomes of such programs to inform broader practices and policies.

COMPONENT: Research, Training, and Advocacy

Strong reproductive health and population programs are based on robust research on effectiveness, trained experts who understand policies and programs, and funding to support program implementation. Grants under this guideline promote all of the above.

For the past three years, the Hewlett Foundation has stimulated research on the impact of population dynamics and reproductive health outcomes on economic growth and poverty, the goal of which is to encourage investments in reproductive health and population programs and policies. Bridging the divide between economists and demographers has taken great effort, but in 2008 we have seen increased interest by both funders and leading economists.

Research councils in Europe are increasingly interested in collaborating with the Foundation in funding research competitions in this area. Together with the research councils of the United Kingdom and the Netherlands, the Foundation jointly sponsored six major research projects this year. Collaborations with the French and Norwegian research councils and development agencies in 2008 and proposed for 2009 are additional evidence of the growing involvement of European funders. Each of these collaborations serves a dual purpose: increasing funding for research and putting population and reproductive health on the agendas of national research and development agencies. The design of these partnerships and the $7 million of research funding they have added to Hewlett's investments have quickly become one of the Population team's most notable successes. In 2009, the population and poverty work will move from funding research to planning a communication strategy for the research findings, in collaboration with our communications department and our European colleagues.

Research organizations inform population and reproductive health programs and policies, test the impact of interventions, and ensure that the field is ready to respond to new challenges and circumstances. Hewlett's support to five of the strongest population/reproductive health research organizations helps maintain this infrastructure, which produces specific knowledge of reproductive health outcomes and population dynamics. In 2008, the Program worked with partners to tackle the difficult task of measuring the impact of their research. Each organization is improving its own evaluation system, and all will work together to help the Foundation create an evaluation framework as a whole, as well as for each grant. The process will be completed in 2009.

The Program's major training investments are in six universities in sub-Saharan Africa, where our goal is to train African population scientists who can produce analysis that informs policymakers, budget setters, and program directors in sub-Saharan Africa and donor countries. The Hewlett Foundation is the only significant private donor making substantial investments in graduate-level training in this discipline. Our grantees have shown consistent yearly growth in demand by African applicants and have maintained their selectivity in accepting students.

Advocacy organizations help monitor the activities of donor and developing country governments, the U.N., and other players. This portfolio has been renamed "More Money, Better Spent" (MMBS) to stress a renewed focus on funding issues. The restructuring has been an opportunity to engage new organizations, audiences, and other funders who have helped the Program explore the place of population and reproductive health issues in funding streams focused on economic development, global climate change, and security issues. Reports on the carbon emissions averted through family-planning interventions and on how the U.S. intelligence and security communities think about demographic and women's health issues are in the works. Through MMBS, we are also developing an advocacy strategy on population and poverty research. Additionally, this portfolio includes grantees in Europe working with bilateral and European Commission development funding programs and organizations in the United States, as elaborated below.

With colleagues from several other foundations, Hewlett is helping to restructure support for U.S. organizations that focus on international family-planning funding. Many of these foundations are interested in increasing support from the U.S. government for population and reproductive health in sub-Saharan Africa, so Hewlett has decided to focus on ensuring that population and reproductive health budgets are better spent.

As priorities for development funding have begun to migrate from Northern capitals to the South, advocacy efforts must also shift, which presents one of the greatest challenges in this cluster. Capacity constraints in developing country advocacy organizations severely limit their effectiveness in making FPRH a priority for Southern policymakers' funding decisions. To this end, we are working with grantees to continue to map out an advocacy strategy in one pilot country in Africa.

COMPONENT: Family Planning and Reproductive Health in the United States

According to government reports released this year, a long trend of falling teen pregnancy and birth rates in the United States could be ending. Though small, it is the first increase since rates began dropping more than a decade ago. The new teen data reignited debate about the effectiveness of abstinence-only-until-marriage sex education programs, which receive about $175 million a year in federal funding, despite research showing that they do not reduce teen sex.

In late 2007, research and concerted advocacy led nine states to reject this federal funding; thirteen states have since followed suit. States that accept the federal abstinence-only-until-marriage funds are prohibited by law from providing information about the health benefits of condoms and birth control in protecting against teen pregnancy. Efforts continue to urge other states to reject the funding and ultimately to redirect funding towards effective comprehensive sex education programs that have been demonstrated to work.

Title X, the federal family-planning program, received the third-largest appropriation in its history this year. Over the next several years, the Program will continue to support grantees whose priorities include advocacy designed to shape a well-funded and even more effective Title X program.

Polls of voters show that, along with the economy, the accessibility and affordability of health care was a top concern. Any health care reform proposals will have to address persistent disparities in access and reproductive health outcomes based on socioeconomic status and race/ethnicity. For example, the increase in teen birth rates was greatest among African American teens. And, compared with white women, Latino and black women have disproportionately high unintended pregnancy and abortion rates.

Our strategy review in 2007 endorsed engaging minority communities to address these disparities, broadening the base of support for reproductive health, and improving services and information—an approach that is particularly relevant given the Census Bureau's recent estimate that minority populations will become the majority by 2042. This year, we made grants to support several reproductive health organizations oriented toward women of color. We will be tracking not only the output and increased capacity of these organizations, but also their progress as they pursue their policy-related priorities.

The trend to more consumer-centered health care encourages us to support an examination of the transitioning of some birth control methods, such as birth control pills, to over-the-counter status. The analysis will build on past support to bring emergency contraception over the counter.

Underlying all efforts by the Program and our grantees to protect and promote the reproductive health and rights of Americans is the need for sound data and evidence to inform policy and programming. Data and analyses produced our grantees have been important in holding off restrictions on reproductive health and choice.

Serving Bay Area Communities

Since more than half of unplanned pregnancies and abortions occur among young women in their twenties, our local grantmaking in disadvantaged communities in the San Francisco Bay Area and the Central Valley has been expanded to include not only teen pregnancy prevention, but also prevention of unplanned pregnancy among young adults.

During 2008, one of our grantees in the Central Valley completed its first request for proposals for teen pregnancy prevention. Through this regrant, we are able to efficiently support smaller organizations that reach some of the areas of greatest need.

Special Initiative to Reduce the Need for Abortion

The Foundation's special initiative to reduce the need for abortion continues to expand; the idea of creating common ground on reducing the need for abortion has gained considerable prominence.

Through polls conducted during these first two years, we learned that the majority of voters did not know that most unplanned pregnancies and abortions occur among young women in their twenties, not teenagers. Thus, a key activity is raising awareness of this important fact. Additional priorities include expanding digital media outreach, taking advantage of the opportunities presented by a new administration, and encouraging media partners in TV and print to communicate the message that "It's not just the teens!" (i.e., that young women in their twenties have more unplanned pregnancies than teens).