

# Hewlett Foundation 2009 Annual Report



## *The Hewlett Foundation 2009 Annual Report*

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



**EDUCATION | ENVIRONMENT | GLOBAL DEVELOPMENT  
PERFORMING ARTS | PHILANTHROPY | POPULATION | SPECIAL PROJECTS**  
About Us | Board and Officers | Staff

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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.

# About the 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, 2009)**

Total Assets: \$6.87 billion  
Total dollar amount of grants and gifts awarded in 2009: \$235,100,000  
Total dollar amount of grants and gifts disbursed in 2009: \$345,190,721  
Total number of grants and gifts awarded in 2009: 596  
Average grant amount in 2009: \$397,225  
Median grant amount in 2009: \$150,000  
Number of employees: 104

This year, President Paul Brest's essay focuses on the newly announced integrated Global Development and Population Program. After more than a year of consultation and planning, the Global Development Program and the Population Program started taking steps to integrate their work into a unified program, recognizing that the work they conduct is mutually beneficial and reinforcing.

You can read the essay and read more about the program integration on the next pages.

# **Integrating The Foundation's Global Development and Population Programs\***

## **President's Statement - 2009 Annual Report**

In March 2010, after more than a year's intensive work by the Hewlett Foundation's staff and Board of Directors, the Foundation decided to combine its Global Development and Population programs into a single program. Building on the traditions and commitments of its antecedents, the new program seeks to improve the lives of the world's most vulnerable people, especially women and girls, through more accountable governance, improved reproductive health and rights, access to quality education, and better economic opportunities. This essay describes the background of the Board's decision.

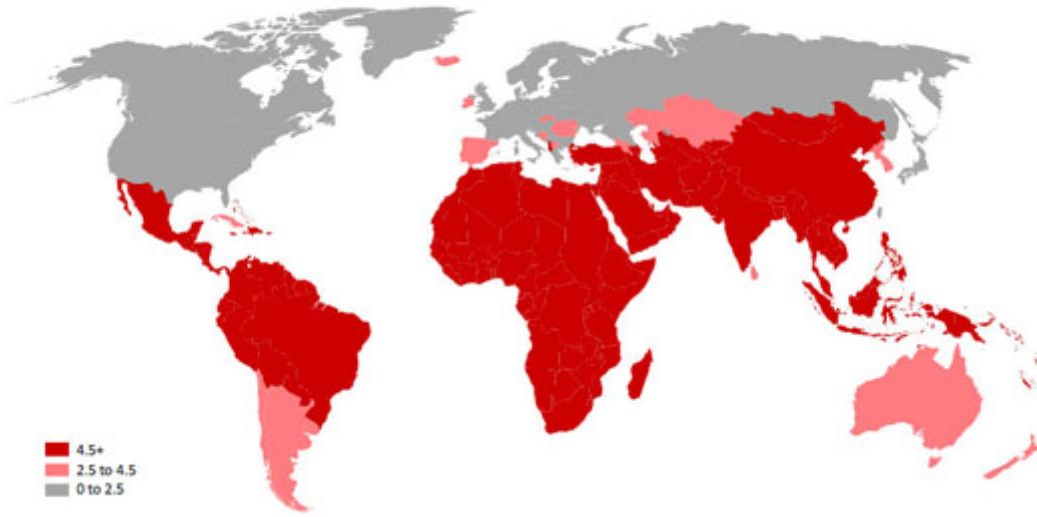
## **History of the Population Program**

Population was prominent among the issues that animated Bill and Flora Hewlett from the earliest days of the Foundation, with grants to Planned Parenthood Federation of America and Planned Parenthood Association of San Francisco dating back to 1967. At that time, the Foundation was concerned about the disastrous effects of unbridled population growth, and supported family planning as a specific method to combat this problem.

In 1977, under the presidency of Roger W. Heyns, the Foundation formally established four programs, all of which remain to this day: Arts and Humanities (now Performing Arts), Education, Environment, and Population. Anne Firth Murray, the first program officer for Population, played a major role in defining its focus: the provision of family planning both domestically and globally.

When the Hewlett Foundation was established, population growth was a problem of global dimensions. Economic development, the increased availability of family planning (aided in part by Hewlett and other foundations), and other forces effectively helped reduce population growth over the next half century. (Figures 1 to 4 illustrate these dramatic changes in global demography.) In the twenty-first century, fertility rates remain high mainly in sub-Saharan Africa and other pockets of extreme poverty.

**FIGURE 1 – TOTAL FERTILITY RATE 1970**



**FIGURE 2 – TOTAL FERTILITY RATE 1990**

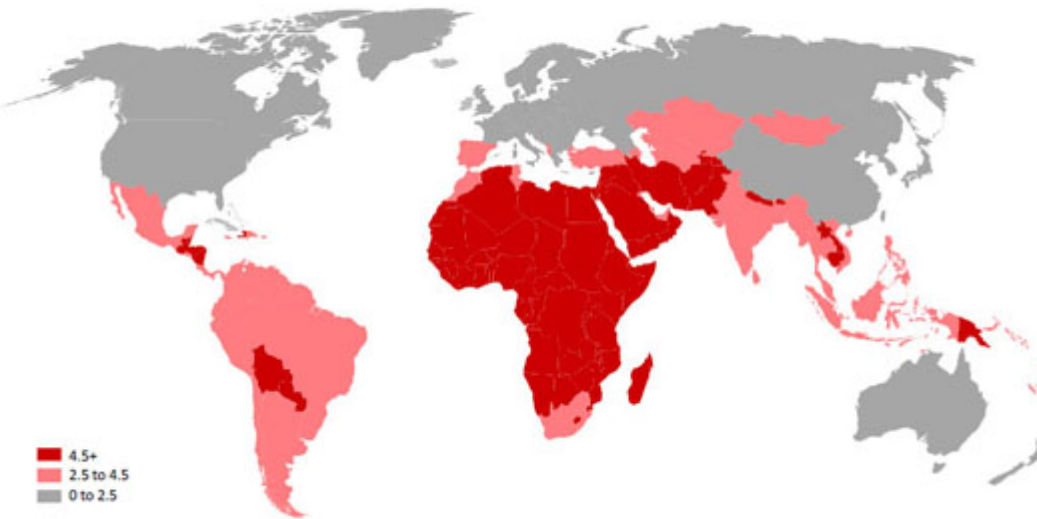


FIGURE 3 – TOTAL FERTILITY RATE 2010

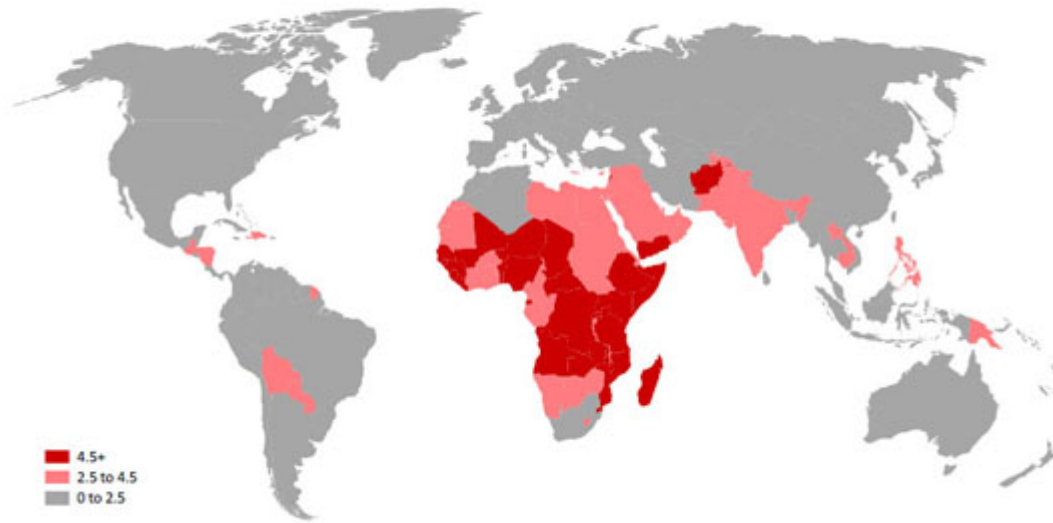
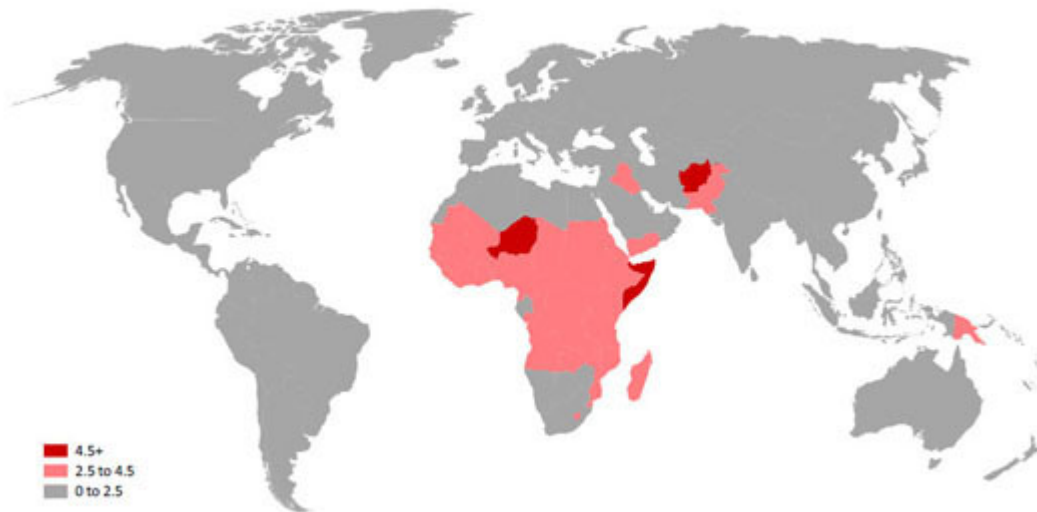


FIGURE 4 – PROJECTED TOTAL FERTILITY RATE 2030



This same period also saw a transformation in global consciousness about issues of reproductive health and rights, which crystallized in 1994 in the United Nations International Conference on Population and Development (ICPD) in Cairo, Egypt. The resulting *Programme of Action* links population, women's well-being, and development as essential means for combating poverty and stabilizing population growth.<sup>2</sup> The *Programme of Action* further recognized the intrinsic value

of reproductive rights and the need to protect them in all countries, regardless of their rates of population growth.

Under the successive leadership<sup>3</sup> of Faith Mitchell (1987 to 1992), Nancy Moss (1993 to 1995), Joseph Speidel (1995 to 2002), and Sara Seims (2003 to the present), the Population Program strengthened its commitment to family planning and reproductive health because of their benefits to individuals, societies, and the entire global community. The Program's work focused increasingly on sub-Saharan Africa, where fertility rates remained, and still remain, high.

Under Ms. Seims' direction, the Program undertook a major review of its overall strategies. This led to the adoption of the mutually reinforcing goals of "promoting and protecting reproductive health and rights and helping governments stabilize their populations in ways that maximize human well-being and sustain the environment." The Program also supported studies of the relationship between fertility rates and access to quality education, and launched a research initiative to understand the complex relationship between family planning and reproductive health on the one hand, and poverty and economic growth in sub-Saharan Africa on the other.

## **Emergence of the Global Development Program**

While Population has been among the Foundation's core programs since its origin, grantmaking in the broader arena of global development emerged only in the past decade.

In 2002, the Board of Directors approved a three-year exploratory initiative led by Smita Singh to identify international problems that the Foundation could meaningfully address. The initiative made grants in areas including foreign aid effectiveness and agricultural trade reform; journalism, media, and public education about global current affairs; research and policy analysis on development and security concerns; and in-country philanthropy. After initial explorations, the initiative concentrated mainly on challenges facing the developing world.

After three years of promising grantmaking, the Board authorized the development of a new Global Development Program, headed by Ms. Singh, with the mission of "improving the lives and livelihoods of people in developing countries, particularly those living on less than \$2 a day." After intense research and consultation, the Program developed a strategic plan that was approved by the Board in 2007. It included a set of initiatives designed to overcome significant barriers to equitable growth:

- Increasing the transparency and accountability of public spending in order to improve basic services.
- Expanding agricultural markets for small farmers.
- Improving educational outcomes for children in developing countries.

In addition, recognizing the importance of developing countries' having independent capacity for policy analysis, the Program supported indigenous policy research institutions and think tanks throughout the developing world.

Although a young program, Global Development quickly gained influence on issues such as reforming development assistance practices, making aid more transparent and accountable, and refocusing global attention on education in developing countries from mere access to quality and outcomes. The Program collaborated in creating the Revenue Watch Institute and the International Initiative for Impact Evaluation, and played a major role in exposing European Union agricultural subsidies and Mexican budget practices to public scrutiny.

## **Collaboration between the Programs**

Virtually since its beginning, the Foundation has been aware of the factors that connect population and reproductive health issues with the broader global development agenda. Early on, Population's Anne Firth Murray had noted that fertility was affected by a country's stage of economic development and by women's access to education and employment: "We had to provide family planning services for women so they had [the] choice to limit their families, and we also had to develop economically and educationally so people would see the value of having fewer children and . . . understand that if they could have healthy children, they didn't need to have ten in order to have three or four survive."

The emergence of the Global Development Program soon led to collaborations with the Population Program that built on these connections. For example, they undertook a joint initiative on Quality Education in Developing Countries, believing that improved learning outcomes in developing countries would have multiple benefits for economic development, health, individual well-being, and fertility. Given the direct links between education and better quality of life for all, and particularly between girls' education and lower fertility rates, the Foundation saw investment in this initiative as a way to further its overarching goals.

Learning from Global Development's work on transparency and accountability, Population launched an initiative for "More Money, Well Spent" on family planning. This effort supports efforts to allocate family planning and reproductive health resources more efficiently and effectively. The two programs seek to ensure that poor people receive high-quality basic services, including clean water, education, and reproductive health.

## **Integrating the Programs**

As we saw these convergences, Sara Seims, Smita Singh, and I began asking whether the Foundation's goals might be more effectively reached by moving beyond informal collaboration between the programs to formally combining them. We saw particular benefits from placing population issues within the broader global development frame. We also recognized that because both program directors were leaving the Foundation within the coming year and a half, this was an opportune time for the Board to address the idea of integration.

Because of its importance to the Foundation's mission, the Board devoted extraordinary attention to this matter, forming a special task force and discussing it at each of its meetings over the course of a year. In March 2009, the Board authorized the three of us to continue to explore the pros and cons of a unified program as well as its possible structure. In the fall and winter of 2009, joined by members of the Board, we met with distinguished experts in population and

other development fields in Washington, DC and New York City.<sup>4</sup> Members of the two programs' staffs also played an important role in charting the future of an integrated program.

These extensive discussions and consultations, which yielded the following broad conclusions:

- At the most fundamental level, the Population and Global Development programs share the goal of improving the well-being of the very poor-particularly women-in developing countries.
- Rapid rates of population growth are increasingly concentrated in sub-Saharan Africa, a region characterized by high unmet need for contraception together with large desired family size. To address both factors, the Foundation should continue to improve the quality and access of family planning and reproductive health services and advance development strategies to reduce desired family size. Indeed, most experts thought that the best way to ensure that women receive the family planning and reproductive health services in the developing world was to treat these services as essential components of poverty reduction and economic growth-that is, to pursue population strategies within a broader set of development objectives. In the words of a renowned population expert, "population stabilization is not an end in itself. It is an important lever to the greater, ultimate goal of global development: to reduce poverty, improve human well-being, and improve health."
- Many of our consultants emphasized the importance of continuing the Foundation's support for reproductive rights, which have proven to be vulnerable in all countries, whatever their development level or population growth rate.
- Women and girls are the most disadvantaged of the poor, and virtually every development strategy-certainly every one the Foundation currently pursues-disproportionately benefits women. However, the Foundation has never defined population or global development issues as "women's issues," but rather as ones for society as a whole, with benefits for economic growth, prosperity, and environmental sustainability. Almost to a person, the experts we consulted thought that it would be counterproductive to the Foundation's goals to make women's well-being the central mission of a unified program. They noted that after more than two decades of unsuccessful women's programs, multilateral and bilateral institutions are moving toward gender mainstreaming to ensure that gender issues are integral to development strategies. The experts also thought that creating a "women's program" would marginalize it among decisionmakers who hold the purse strings.

On a theoretical level, the experts confirmed our belief that the Foundation's investments in the two programs are inextricably linked parts of a virtuous circle: better-educated mothers have fewer children, who are healthier and better educated; improvements in family planning and reproductive health and rights also lead to healthier mothers and children; and these women and children become workers who contribute to society and promote economic growth. At the same time, gains in income and education reduce desired family size and, with an adequate supply of contraception, women have fewer children and invest in them more heavily, contributing to higher per capita wealth.



As a practical matter, the experts believed that a unified program had the potential for considerably greater impact than separate programs. But they cautioned that we should be aware of potential pitfalls as well. The Hewlett Foundation has a long-standing concern for population issues, a more recent but highly promising agenda in global development, and a well earned reputation for staying the course with valuable strategies. Thus, it was important that integration not signal a diminished commitment to the core components of either program.

In addition, the experts noted at least one potential tension between the two programs' strategies. While the Global Development Program supports allocations based on evidence of actual needs on the ground rather than donor earmarks, the Population Program supports organizations that advocate for increased international funding of family planning and reproductive health. It may well be that special consideration must be given to aspects of development, such as family planning and reproductive health, that are ideologically controversial. In any event, the experts did not regard this as a problem with integration, but rather as an indication of the value of unifying the Foundation's various development strategies.

## **The New Global Development and Population Program**

As of this writing, the search for a director of our new Global Development and Population Program is under way. Over time, the director will doubtless develop and propose to the President and the Board some new strategies for the integrated program. He or she will not start with a blank slate, however. As approved by the Board, the Global Development and Population Program will build on the core goals of the two existing programs:

- Improving the well-being of the world's poorest people, especially women.
- Creating the conditions for equitable and sustainable economic growth in the developing world.
- Enabling women to control the number and timing of their pregnancies and protecting women and girls against gender-based violence, sexually transmitted infections, and unsafe abortions.
- Establishing the conditions for transparent and accountable governance, particularly in the financing and delivery of public services.
- Investing in human capital by ensuring that all children have the opportunity to learn in school.

All of this work will continue to be supported by data collection, research, evaluation, and training, including support for the Think Tank Initiative, impact evaluation, and the training of population scientists in African universities.

The Foundation's grantmaking will continue to support work at the global, regional, national, and, where appropriate, subnational levels. Reflecting the Foundation's significant expertise and commitments, the Program will maintain the current focus on sub-Saharan Africa, South Asia, and Mexico. Although challenges in domestic reproductive health and rights policy differ from those in the developing world, our commitment to organizations working on these issues in the United States remains strong, and support for their efforts will remain a core element of the integrated program.

As conditions in the world change and new challenges and opportunities emerge, the Program's strategies will inevitably evolve and shift. However, the integrated program will continue to reflect the core operating principles of the Foundation's international grantmaking:

- Building capacity within developing countries and providing the long-term institutional support to make this possible.
- Focusing on lasting system change and facilitating policy reforms to make this possible.
- Building the evidence base for sound policymaking.
- Thinking rigorously about goals and strategies and holding ourselves accountable through appropriate evaluations.
- Taking risks for long-term gains and learning from failures.
- Increasing the value of the Foundation's investments through collaborations with governments, multilateral and bilateral donors, sister philanthropies, the private sector, and civil societies in the South and the North.
- Seeking long-lasting impact for the greatest number of people.

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**Notes:**

\* I am grateful for the assistance of Kylin Navarro in preparing this essay.

2 United Nations International Conference on Population and Development, *Programme of Action* (Cairo, September 1994), chap. III, A (<http://www.iisd.ca/Cairo/program/p03001.html>).

3 Program directors at the Hewlett Foundation are subject to term limits.

4 We were significantly aided by Ivan Barkhorn of the Redstone Strategy Group, who had helped develop strategic plans for both programs.

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*as of December 31, 2009*

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*as of December 31, 2009*

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Assistant to the President

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Program Officer

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**Linda Frey**  
Program Officer

**Kevin Bohrer**  
Program Officer

**Ward Heneveld**  
Program Officer

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Program Associate

**Denise Robichau**  
Program Associate

**Erika Ramos**  
Consulting Program Associate

**Ame Sagiv**  
Program Associate

**Leanne Sedowski**  
Research Associate

**Sherri Hansen**  
Research Assistant

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**Moy Eng**  
Senior Advisor

**Julie Fry**  
Program Officer

**Marc Vogl**  
Program Officer

**Ron Ragin**  
Associate Program Officer

**Kerry O'Connor**  
Program Associate

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Acting Program Director

**Jacob Harold**  
Program Officer

**Jennifer Ratay**  
Program Officer

**Lauren Libruk**  
Program Associate

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Program Director

**Peter Belden**  
Program Officer

**Helena Choi**  
Program Officer

**Tamara Fox**  
Program Officer

**Nicole Gray**  
Program Officer

**Paul Rosenberg**  
Associate Program Officer

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**Pauliane do Couto e Silva**  
Program Associate

**Nathalie Scholl**  
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**Elisabeth Green**  
Resource Librarian

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Grants Administration

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**Jerry Griffin**  
Network & Systems Administrator

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**Lily Chiu**  
IT Analyst

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Support

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Help Desk Team Lead

**Charles Ferreira**  
Desktop Systems Specialist

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**Rena Lee**  
Applications Developer

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**Kevin Pearce**  
Senior Accountant

**Anne Park**  
Senior Accountant

**Sophie He**  
Senior Accountant

**Massooda Maqdoor**  
Accountant

**Spergon Hunt**  
Associate Accountant

**Rachel Zhu**  
Investment Operations Associate



# The Education Program in 2009



*After graduation, three Southern California friends commandeered one family's dilapidated RV and drove across the country to interview professionals whose work interested them. What started as a lark to help the three graduates find a career now may hold one key to lowering California's devastating problem with high school dropouts. Photo courtesy of Roadtrip Nation.*

## **Goals:**

- Increase economic opportunity and civic engagement by education students to succeed in a changing world through [deeper learning](#)
- improve the conditions for [education reform in California](#)
- Equalize access to knowledge for teachers and students around the globe through [Open Educational Resources](#)
- [Raise educational achievement](#) in disadvantaged communities in the San Francisco Bay Area

In 2009, the Education Program made 117 grants to 86 organizations, totaling over \$39 million.

## **The Education Program in the News in 2009:**

[Featured Website: American Institutes for Research](#)

[The Liberation of Textbooks](#)

[Taking to the Road in Search of a Career](#)

[Sowing the Seeds of Arts Education](#)

[Closing the Education Gap in America's Poorest Neighborhoods](#)

*Appendix*

Education Program's 2009 Report to the Board

# The Environment Program in 2009



*The Buffalo Fork River, located outside of Moran, Wyoming, is one of the state's finest locations for fishing. Photo courtesy of Scott Bosse and Greater Yellowstone Coalition.*

## **Goals:**

- [Conserve](#) the Western United States and Canada for wildlife and people
- Slow [global climate change](#) by reducing greenhouse gas emissions
- [Increase](#) renewable energy and energy efficiency
- Address the environmental problems that [disproportionately affect disadvantaged communities](#) in the San Francisco Bay Area

In 2009, the Environment Program made 123 grants to 93 organizations, totaling over \$56 million.

## **The Environment Program in the News in 2009:**

[EcoFlight Plies the Skies over the American West](#)

[Q&A with Michael Scott](#)

[What's Next in the Battle Against Climate Change?](#)

[Featured Website: Environmental Working Group](#)

[A Victory for Land Conservation](#)

[Protecting Forests Goes Mainstream](#)

*Appendix*

Environment Program's 2009 Report to the Board

# The Global Development Program in 2009



*Prof. Ernest Aryeetey, executive director of the Institute for Statistical, Social and Economic Research (ISSER), participates in a panel discussion at the launch of the Think Tank Initiative in Dakar, Senegal, in May 2009. ISSER is one of the institutions selected for funding under the Initiative. Photo courtesy of the Gates Foundation.*

## **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 2009, the Global Development Program made 76 grants to 65 organizations totaling over \$50 million.

## **The Global Development Program in the News in 2009:**

[Featured Website: Pratham](#)

[Getting Down the Facts to Reduce Poverty in Kenya](#)

[Hewlett and Partners Pledge \\$30 Million to Strengthen African Think Tanks](#)

[Q&A with Kevin Bohrer](#)

[Featured Website: Connect U.S. Fund](#)

*Appendix*

Global Development Program's 2009 Report to the Board

# The Performing Arts Program in 2009



*C. K. Ladzekpo performs Kasum, an East Bay Center-commissioned work, during Cal Performances World Stage Series in 2005. Photo courtesy of Athena Azevedo and the East Bay Center for the Performing Arts.*

## **Goals:**

- To ensure that [exceptional works of art](#) are created, performed, and preserved
- To provide more [opportunities for participation](#) in arts experiences

In 2009, the Performing Arts Program made 127 grants to 117 organizations totaling over \$15 million.

## **The Performing Arts Program in the News in 2009:**

[Foundations - A Q&A with Ron Ragin](#)

[Featured Websites: National Summit on Arts Journalism Award Winners](#)

[Featured Website: Chitresh Das Dance Company](#)

[Sowing the Seeds of Arts Education](#)

[Foundations - A Q&A with Julie Fry](#)

## *Appendix*

Performing Arts Program's 2008 Report to the Board

# The Philanthropy Program in 2009



[Introduction to Philanthropedia You Tube Link](#)

## Goals:

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

In 2009, the Education Program made 75 grants to 74 organizations totaling over \$6.3 million.

## The Philanthropy Program in the News in 2009:

[Making Every Philanthropic Dollar Count](#)

[Q&A with Jen Ratay](#)

[Featured Website: IssueLab](#)

[Featured Website: GiveWell](#)

[Seeking a Bigger Bang for the Philanthropic Buck](#)

## *Appendix*

Philanthropy Program's 2009 Report to the Board



# The Population Program in 2009



*In Tanzania, a crowd of people line up outside of a rural clinic operated by Marie Stopes International. The clinic can barely cope with the local population's high demand for its services. People begin gathering here early in the morning before the doors open, but still, the clinic and its health care workers may not have the capacity to see all these patients by the day's end. Photo courtesy of Paul Rosenberg, Hewlett Foundation.*

## **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 2009, the Education Program made 70 grants to 58 organizations totaling over \$41.5 million.

## **The Population Program in the News in 2009:**

[Foundations - A Q&A with Peter Belden](#)

[Getting Down the Facts to Reduce Poverty in Kenya](#)

[Featured Website: The Population and Poverty Research Network](#)

[A Wide Range of Health Care Resumes with Reversal of Federal Policy](#)

[Foundations - A Q&A with Sara Seims](#)

*Appendix*

Population Program's 2009 Report to the Board

# Special Projects in 2009



[Force for Change You Tube Link](#)

Special Projects funding is flexible to respond to opportunities not necessarily aligned with the Foundation's core grantmaking areas. There are four general categories:

- Collaboration across programs
- General support for institutions
- Opportunistic grantmaking
- Initiatives

In 2009, the Foundation made 99 Special Projects grants to 88 organizations totaling over \$15.4 million.

## **Special Projects in the News in 2009:**

[Seeking a World Free of Nuclear Weapons: An Interview with Former Secretary of State George Shultz](#)

[Reinventing California Government for a New Century](#)

[Three Bay Area Foundations Join to Strengthen Grassroots Nonprofits Serving People of Color](#)

[Fresno Foundation's New Life Brings New Hope to a Region](#)

## **EDUCATION PROGRAM 2009 REPORT TO THE BOARD**

### **OVERVIEW**

2009 was a tumultuous year for education, marked at once by historic challenges and unprecedented opportunities. The year began with states scrambling to cut budgets in the middle of the worst recession since World War II. Schools were hit hard, particularly in California, where legislators eventually slashed K-12 funding by \$16 billion. By mid-February, however, the new administration in the White House had stepped in, more than doubling Department of Education spending by committing \$100 billion of federal stimulus funds to public schools and colleges over two years.

The Foundation responded swiftly and adapted to the changing circumstances. With Board encouragement and approval in March, the Education Program created a new cluster of grants to help states and districts use the stimulus funds strategically. We streamlined our usual grant process, and by June we had awarded nearly \$4 million to projects aimed at steering stimulus money into reform initiatives designed to make a lasting impact on student achievement. At the same time, we narrowed our focus to the issues we could best leverage in hard times: reforming California's unwieldy school finance structure, building robust student data systems, increasing college readiness, and encouraging the spread of Open Educational Resources.

### **2009: Capitalizing on Success**

Despite the turmoil, the Program can report many achievements in 2009:

- After seven years of substantial Hewlett Foundation funding, one of our most successful projects, Open Educational Resources (OER), is rapidly climbing toward institutionalization. It has gained recognition as a valued movement worldwide, in part because it is seen as a cost-effective tool for spreading knowledge. Federal and state governments began funding projects this year, and UNESCO acknowledged OER's value in its July higher education communiqué.
- In California, our data system work is nearing completion: soon the state will have sound information on which to base its education policy decisions. The California Longitudinal Pupil Achievement Data System, designed to link K-12 data with higher education and other government data, went online in August. A teacher data system is expected to roll out in 2011. Community colleges also have strengthened their data gathering and sharing networks.

The Program's goal to establish the groundwork for college readiness programs also has passed major milestones. Thanks to the work of the American Diploma Project, supported by the Foundation, leaders of California's K-12 and higher education systems have reached tentative agreement on a common definition of college readiness. Next they will turn their attention to a coordinated implementation plan. The Foundation was also an early funder of "bridge" programs to help underprepared community college students make a successful transition from remedial courses to college-level classes and on to degrees and careers. By 2011, the Digital Bridge



Academy and the Career Ladders Project—co-funded with the Gates, Irvine, and Stuart foundations—are expected to be operating in more than half of California’s community colleges.

Finance reform made noteworthy progress this year, too, when the legislature consolidated two-thirds of the state’s K-12 categorical funding programs. The momentum toward flexible funding makes 2010 a good year for one last big push for finance reform. The legislature also passed a bill that would have redesigned the state’s finance formula for allocating funding to schools in order to better serve the neediest students, but the governor vetoed it. We expect this measure to come up again next year.

We also took advantage of a unique historical moment in federal education policy, investing \$4 million to help states and districts use one-time funds under the American Recovery and Reinvestment Act. Our grants helping education professionals and the public understand how stimulus money is being spent were well-timed: stories and blogs about the stimulus are the most popular content on *Education Week’s* Web site while traffic has increased tenfold on The New America Foundation’s EdMoney Watch blog since the stimulus was approved. Nearly 1,000 California school district representatives attended two June meetings on the stimulus hosted by the California County Superintendents Education Services Association, and 300 more participated in a July webinar.

Early signs also indicate that our grants are helping promote better decisionmaking in school districts in the wake of stimulus funding. Those receiving direct technical assistance from grantee Education Resource Strategies are consistently reporting the use of innovative resource allocation strategies in their districts.

### **2010: A Year of Transition**

Against this backdrop, we began a comprehensive strategic planning process in June and expect to post the results of this thinking in 2010.

It is already evident that this is a particularly opportune time to capitalize on the successful culmination of existing investments and to consider new ways to evolve the Program’s strategy. Significant changes in the world of education since the 2002 strategic plan was completed bring fresh opportunities to improve student achievement at all levels.

As a consequence, we envision 2010 as a year of transition for the Program, as we begin to shift our strategy to new initiatives:

- Support for our highly successful OER infrastructure projects, such as Creative Commons and the OpenCourseWare Consortium, will continue, until the field becomes self-sufficient.
- In California, providing it is possible to identify high-impact leverage points, we propose to ramp up our investments in organizations working on revising the state’s governance and budget processes, in the hope that the tough year ahead will provide the impetus for fundamental reforms. Beginning in 2011, however, Hewlett Foundation funding will be reduced as a result of the expected completion of the data systems initiative, coupled with challenges in our other focus areas caused by the state’s fiscal crisis. We plan to pursue a

smaller but sustained investment in California, continuing the search for new solutions and opportunities that can be pursued when the state's fiscal and governance issues have been resolved.

Finally, we expect in 2010 to begin initial funding of ideas that emerge from the strategic planning currently under way. In keeping with the Foundation's heritage of long-term thinking, we are exploring a question with implications stretching to 2025 and beyond: how the education system must evolve so children who enter kindergarten today can acquire the knowledge and skills they will need to succeed economically and participate in civic life when they leave college in 2025. The world they encounter will be very different from the one we know now.

This budget memo outlines in detail what we plan to pursue in 2010 and beyond for each component of the current Education Program strategy.

### **COMPONENT: Improving California Education**

**ULTIMATE GOAL:** Significantly improve the educational outcomes of California students as measured by high school graduation rates; college readiness of high school graduates; remediation rates of low-skilled community college students; and transfer and completion rates of community college students.

**THEORY OF CHANGE:** Our theory of change relies on improving state education policy and creating mechanisms for continuous improvement at the local level. Specifically, we aim to support organizations working to improve state policy and local practice in the following ways:

1. Redesign education finance systems for schools and colleges
2. Improve education data quality and use
3. Increase college readiness

A fourth area of investment—general support for think tanks, advocates, media organizations, and other nonprofits—supports the infrastructure essential for developing good education policy.

### **Redesign Education Finance Systems**

**GOAL:** Redesign state education finance systems by making categorical funding programs more flexible, revising the K-12 and community college finance formulas to better support underserved students, and increasing overall K-12 funding.

#### ***Progress in 2009***

California's most severe fiscal crisis since the Great Depression dealt schools and community colleges a stunning blow in 2009.

By the time Governor Arnold Schwarzenegger and the legislature finally approved a budget in July, state elementary and secondary school funding had been slashed by \$16 billion. Perhaps \$8 billion will be replaced by federal stimulus funds over the next two years. Still, some 27,000 teachers—8 percent of the workforce—were laid off, and the minimum required school year was

cut by five days. Many districts increased class sizes—to as high as forty-four students in a handful of districts. Los Angeles Unified cancelled summer school for 225,000 students, and many other districts did the same. Vacaville eliminated school buses for everything but special education. When all the cuts are tallied, California, which was ranked 47<sup>th</sup> in the nation in school spending per pupil, is expected to drop to 49<sup>th</sup> place.

Meanwhile, the state's 110 community colleges lost more than \$680 million, the largest budget cut in the system's history. Altogether, the colleges lost 20 percent of their funding, even counting an \$80 million increase in student fees and \$37 million in one-time federal stimulus money. Funding was reduced by 50 percent for categorical programs, which are narrowly targeted to specific uses and come burdened with bureaucratic reporting and compliance requirements. The Legislature and Governor attempted to mitigate the categorical program reductions by adopting "flexibility" provisions which were designed to allow colleges to shift funding between these programmatic silos in order to retain a modicum of services to students. Colleges responded by laying off faculty, curtailing student services, and closing classes, effectively cutting enrollment.

Although the fiscal upheaval was traumatic and set back work on increasing funding for schools and colleges, the combination of the state fiscal crisis and the reform requirements contained in the federal stimulus funding opened a window to realize some fundamental reform goals for California education in the short term. Primary among those goals are overhauls of the state's education finance and data systems, which we consider keys to any long-term improvement in rates of high school graduation and college attendance.

Hewlett Foundation grantees' efforts to redesign state education finance systems received a tremendous boost in February, when the legislature approved the most substantial shift since the 1970s toward more flexible funding for categorical education programs. The move to waive restrictions on two-thirds of the state's sixty-three categorical programs for K-12 schools dramatically increased the ability of local districts to spend money on projects that more closely match their students' needs. Although legislators cut funding for these programs by about 15 percent, their decision to give districts more autonomy in spending what was left meant almost \$5 billion in K-12 funding is now unrestricted for each of five years.

The Long Beach Unified School District plans to spend about \$1.2 million of that money this year in a pilot project aimed at sixth graders who have been held back at least a year or are new to the district and performing poorly. About 250 students have been placed in small, self-contained literacy classes with the goal of bringing them back up to grade level in one school term. The reforms have been led by superintendant Chris Steinhauser, whose district won a Broad Prize for exemplary urban schools in 2003 and was a top candidate again in 2009.

At the community college level, the legislature granted more local flexibility in spending on all categorical programs, an important step toward the financial restructuring our grantees advocate. Moreover, legislators did not cut categories aimed at underserved students as much as they did other programs.

In another promising development, the legislature authorized a commission to redesign state elementary and secondary funding formulas. Unfortunately, the bill was vetoed by Governor Schwarzenegger, but just getting it to his desk was a major accomplishment. Targeting education funding more effectively to the most needy students, a goal of this proposed commission, is a central recommendation of the *Getting Down to Facts* report issued by Stanford University researchers in 2007 with support from Hewlett and the Gates, Irvine, and Stuart foundations.

Progress on finance reform was more limited at the community college level. Although the new categorical flexibility was a victory, the governor failed to get legislative support for his proposals to eliminate rules dictating faculty composition and the proportion of funding spent on direct instruction. Those policy changes have been recommended by Hewlett Foundation-funded grantees and policy makers as important steps toward granting colleges flexibility to respond to local needs.

Good news came in July, when President Obama and Education Secretary Arne Duncan introduced the American Graduation Initiative, a major proposal to spur community college innovations to boost student achievement, matriculation, and graduation rates. Subsequently, the House adopted a \$12 billion ten-year package, which includes \$2.5 billion for new construction and \$9 billion in competitive “challenge” grants to colleges designing innovative new programs or revamping existing ones. Also in the package was a \$500 million online education provision to create and disseminate open Web-based courses to help more students earn credentials. This legislation is unprecedented in the history of federal community college funding and could provide community colleges with much-needed federal reform support when state funding is declining.

### ***Plans for 2010***

In 2010, we are considering a push to fund organizations whose work includes new K-12 education finance reform in California. The effort also would include support for organizations that advocate changes in the funding formula and other reforms recommended by the *Getting Down to Facts* research. In the meantime, we are closely watching a developing litigation settlement that could prove a powerful mechanism to generate new funding and new formulas for targeting funding to needy students.

### **Improve Education Data Quality and Use**

**GOAL:** Improve data quality and use by building a robust K-12 data system and requiring community colleges to report outcomes for underprepared students.

### ***Progress in 2009***

One of the brightest success stories of 2009 was the launch of a new data system created to track California students from preschool through college. Designed in large part according to the McKinsey report commissioned by the governor and the Department of Education and funded by the Hewlett and Gates foundations, the California Longitudinal Pupil Achievement Data System went online in August. The system is intended to provide data about student performance over

time that never before has been available at the state level. Eventually it will link K-12 data with higher education and other government data on social services and the workforce for a better picture of how students fare as they move through the state's schools. A linked teacher data system is expected to roll out in 2011.

On the premise that good schools require solid data to make informed policy decisions, the Foundation has made improving data collection and analysis a cornerstone of its education strategy in the Golden State. Although this year's goal for a \$30 million to \$75 million state investment in data systems and local data collection fell prey to massive budget cuts, the federal government contributed \$15.5 million toward California's student and teacher data systems. In order to qualify as well for \$5 billion in competitive federal stimulus funds, the legislature passed and the governor signed a new law removing barriers to linking student and teacher data for the purposes of teacher evaluation. The California Teachers Association had previously opposed the linkage.

Community colleges also are making solid progress toward strengthening their data systems. This winter, the chancellor is scheduled to activate a data warehouse designed to standardize the tests that colleges use and make it easier to analyze entering students' performance on placement tests. The Gates Foundation is co-investing in the warehouse project, which is expected to provide important longitudinal data so colleges can track the performance of students in remedial courses for the first time.

### *Plans for 2010*

In 2010, we plan to wrap up our initiative on data quality and use. Foundation grantees are working with community college researchers and presidents to improve the use of data, with an emphasis on increasing the number of students who stay in college and earn a credential. Data management tools developed with Foundation funding allow colleges to track groups of underperforming students. Grantees also have developed new measures of student performance that all colleges will collect and report in 2010. Together with the data warehouse, these initiatives will dramatically improve colleges' ability to increase completion rates by identifying barriers to students' successful transition from remedial to college-level classes.

### **Increase College Readiness**

**GOAL:** Improve policies and incentives for college readiness by preventing high school dropouts, establishing shared college readiness standards, and implementing effective practices for basic-skills students in community colleges.

### ***Progress in 2009***

California's future is inextricably tied to its workforce, making the issue of college readiness more timely than ever in this year of desperate finances. While the governor and legislature battled over budget cuts, we saw notable progress toward the goal of establishing systems designed to increase the number of students prepared to do college-level work. The legislature approved a new law requiring an annual report on the "early warning indicators" of high school

dropouts, and the state Board of Education began work on redesigning its policies to encourage schools to offer Algebra I (a key gateway course for college preparation) to more students by ninth grade.

This year, the CalPASS data-sharing consortium, which promotes consistency between high school and higher education standards, expanded to every community college, 85 percent of universities, and 70 percent of K-12 and high school districts. In addition, the top executives of California's K-12 schools and three higher education systems reached a tentative agreement through the California Diploma Project to establish the state's Early Assessment Program (EAP) as the common definition of college readiness. The EAP test, which helps eleventh graders determine whether they are ready for college-level work, would provide the first consistent message about higher education's expectations. Today, when many high school students enter college, they find they must retake classes they had passed in high school, which leads to their taking longer to graduate or dropping out.

Hewlett also has joined the Gates, Irvine, and Stuart foundations in supporting the creation of two community college bridge programs aimed at moving underprepared students from remedial basic skills classes through college-level courses and on to degrees and careers. Together, the Digital Bridge Academy (DBA) and the Career Ladders Project are expected to help students in more than half of the state's community colleges by 2012.

The programs have proved remarkably successful. Researchers from Teachers College, Columbia University, found that participants in the Cabrillo College DBA in Aptos were 25 percent more likely than similar students to enroll full-time in succeeding semesters and 40 percent more likely to complete transfer-level English courses.

"It totally changed my life," says Andres Medina-Huezo, 25, who enrolled in Cabrillo's DBA in 2005 and plans to transfer to UC San Diego in 2010. Not only did his reading and writing improve in DBA courses, Medina-Huezo says, but he also gained self-confidence: "It helped me discover who I was and where I wanted to go."

### *Plans for 2010*

In 2010, we propose to make a concerted push for a new student success center with the goal of increasing college readiness by improving reading, writing, and math instruction. We also envision a renewed investment in the California Diploma Project for the next phase of its work to implement and expand student participation in the EAP as the common definition of college readiness.

## **Support Infrastructure for Effective Policymaking and Governance Reform**

**GOAL:** Reinforce the infrastructure essential for developing good education policy and support projects aimed at improving California governance systems.

### *Plans for 2010*

We recommend making investments in 2010 in organizations working to improve California's problems in the state's budget and political governance systems, if it is possible to identify high-leverage investments. These deeper problems are holding the state back from making faster, more substantial improvements in education. Grants in this area would be designed in coordination with California Forward, a strong grantee that is leading statewide reform efforts in this area.

### **COMPONENT: Open Educational Resources (OER)**

**ULTIMATE GOAL:** Equalize access to knowledge for teachers and students around the globe and improve the practices of teaching and learning.

**THEORY OF CHANGE:** At the heart of the OER movement is the simple and powerful idea that the world's knowledge is a public good and that technology in general, and the World Wide Web in particular, provide an extraordinary opportunity for everyone to share, use, and reuse knowledge.

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To shift education to a more open paradigm, the OER movement must establish a self-sustaining infrastructure capable of successive improvements in OER development and delivery. Building such an infrastructure requires investments from multiple funders in four key components: (1) core agencies that develop OER content and reinforce openness in education, (2) networks that proliferate OER, (3) guidelines that support OER quality and intellectual property rights, and (4) research that demonstrates the impact of OER on teaching and learning.

OER also can serve as a platform to support innovation in education by allowing teachers and learners to engage in the process of knowledge and content development. We seek to use demonstrations of OER's potential to catalyze educational innovation in order to improve the practices of teaching and learning.

### **Support Development of a Robust Infrastructure**

**GOAL:** Support the development of a robust infrastructure to sustain OER beyond Hewlett's involvement, as measured by increased rates of openly available, high-quality educational materials; access and usage of open educational resources; and participation in the OER movement.

### ***Progress in 2009***

Seven years after the Foundation launched the OER Initiative, the movement to share knowledge through technology has made impressive progress toward becoming a significant force in education worldwide. Although the global recession of 2009 brought unexpected fiscal challenges to some core grantees, it also created opportunities to expand the role of OER's cost-effective, Web-based technologies in teaching and learning. At the same time, new public, private, and philanthropic investments helped increase momentum toward a network that can stand on its own.

Hewlett Foundation-funded projects reported strong progress this year, even in the face of financial setbacks. More than 250 million Creative Commons licenses were adopted, nearly twice as many as in the previous year, and the OpenCourseWare Consortium expanded its offerings by 50 percent to 9,000 courses. Meanwhile, the Teacher Education in sub-Saharan Africa (TESSA) consortium increased its locally developed courses from three to twenty-three, picked up additional funding to develop courseware for countries not in the consortium and was awarded the Queen's anniversary prize in recognition of its excellent work.

The most encouraging steps toward a sustainable OER movement, however, may be the entry of federal and state governments into the field. In April, OER gained a strong voice in the Obama administration when Secretary of Education Arne Duncan tapped Martha Kanter, chancellor of Foothill-DeAnza Community College District, an OER grant recipient, to be undersecretary of education. Kanter was the principal investigator on the district's Open Textbook project and the leading force behind the nationwide Community College Consortium for OER. She was instrumental in designing the president's July proposal to invest \$50 million a year for ten years for the creation of open online courses at high schools and community colleges.

The Department of Education has also included OER among the projects eligible for a portion of the \$5 billion in "Race to the Top" stimulus funds, and the White House has adopted Creative Commons licenses for [whitehouse.gov](http://whitehouse.gov) and many other administration offices.

At the state level, Virginia launched the first statewide OER effort this year and worked with the Khosla Foundation to adopt an open physics textbook. Soon thereafter, Governor Schwarzenegger announced the California Open Textbook initiative with sixteen textbooks available to districts in the fall of 2009.

The Foundation's ultimate objective is to create an OER movement for which it underwrites less than 10 percent of project funding. We moved closer to that goal in 2009 when other prominent foundations accelerated their funding in the field. The Gates Foundation funded more than \$10 million in OER projects, the MacArthur Foundation co-funded \$2 million in OER-based initiatives, and Lumina Foundation has funded \$1 million. The Omidyar Network also recently committed \$2 million in unrestricted funds to support the Wikimedia Foundation, a new Hewlett Foundation grantee. In another promising development, the Rice University Connexions platform moved to a consortium-based model and began generating revenue.

### *Plans for 2010*

We propose to support continued growth of OER in 2010 through the development of our core agencies, networks, guidelines, and research. At the same time, we envision a push to diversify funding and revenues for the movement even further.

#### *Core agencies and networks*

A primary goal for 2010 is to ensure stable funding for core organizations and encourage the development of networks of states to take advantage of new federal initiatives in OER.



### *Guidelines*

As part of our mission to develop guidelines for the movement, we propose to focus on establishing additional standards for online courses in community colleges. Those standards should help provide a structure for spending federal funds. In conjunction with the University of Toronto, we also would like to launch the OER Accessibility strategy to open up OER to people with disabilities. Finally, we suggest taking advantage of the new Google Analytics project to collect comparable site usage data from all grantees.

### *Research*

We recommend launching at least six projects with the OLnet research network to evaluate the impact of OER on teaching and learning. We also plan to initiate at least two research projects focused on the role of software design in reaching the learners we are trying to help with information technology.

## **Demonstrate OER's Added Value to Teaching and Learning**

**GOAL:** Demonstrate the potential of OER to improve teaching and learning. Each demonstration cluster needs different qualitative and quantitative metrics to measure near and long-term success.

### *Progress in 2009*

Now that high-quality content is widely available on the Internet, it is more important than ever to demonstrate the benefits of OER and collect evidence of its impact on teaching and learning. The OER demonstration projects supported by the Foundation use locally developed content as often as possible and deliver content any time, anywhere there is demand for the material. In 2009, the Foundation continued to support Open Textbook projects as well as the Open Gaming cluster, which entered a heavy development phase. We also extended funding for the Teacher Training cluster, possibly a significant component in the Program's strategy currently under consideration. We will analyze data gathered from these demonstration projects to determine best practices that should be widely adopted.

### *Games-based environments for teaching complex materials*

2009 saw the successful launch of the Learning Games Network (LGN), which was spun out of the MIT Game Arcade. With a large grant from the Foundation, LGN began developing the Open Language Learning Initiative (OLLI) platform. This platform will support the existing "Forgotten Worlds" English-Chinese language-learning game. Work on a new game for Spanish language learning has begun, and plans call for the game to debut in 2010. LGN also successfully secured over \$1 million in funding from the U.S. State Department for the OLLI project.

2010 will likely see limited new activity in the Open Gaming portfolio as projects concentrate on the development work already funded.

### *Open textbooks/courses*

The Foothill-De Anza Community College District Open Textbook project was completed with great success in 2009. Students eagerly adopted the first free, open, online textbook,

“Collaborative Statistics,” saving over \$80,000 in just one semester. The open nature of the book also led to a number of innovative practices, including the blog of a student outside the project who reviewed the textbook while he was teaching himself statistics. It was one of the first cases of an actual learner providing direct feedback and evaluation of a textbook in real time.

In 2010, we hope to increase production of open textbooks and begin to evaluate their impact on online learning. This coincides with an anticipated wave of federal and state support for online texts, including a proposal by Illinois Senator Dick Durbin calling for \$25 million in federal funding and California’s plans for sixteen new, open, digital textbooks for high school science and math courses. We also suggest moving more aggressively into K-12, where there appears to be an opportunity to get significant traction, given the infusion of new government dollars into education.

### *Teacher training*

Teacher training is one of the critical issues confronting nations rich and poor in every corner of the world. While developing nations of South Asia and sub-Saharan Africa face the daunting task of preparing 14 million to 25 million new teachers by 2015, industrialized countries such as the United States seek effective ways to help experienced teachers continue their professional education and participate in curriculum development and assessment. OER demonstration projects backed by the Foundation play key roles in addressing both types of problems.

In sub-Saharan Africa, OER has proved a cost-effective and expandable vehicle for teacher training that can be customized to meet the needs of local institutions. By the end of 2009, more than 200,000 new teachers will have participated in OER training through the Teacher Education in sub-Saharan Africa project before beginning work. A number of established instructors using TESSA OER also are beginning to experiment with small changes in pedagogy, engaging students in hands-on learning instead of traditional lecture-based classes.

In 2010, partner institutions plan to track and evaluate the use of TESSA OER in their programs, paying close attention to changes in teaching practices and student learning. Among the enthusiastic converts is Jenestar Wanjiru Mygai, who teaches at the Kagoto Primary School on the outskirts of the town of Nakuru, Kenya. She tells of improving her students’ creative writing skills with a TESSA lesson calling for a story written from the perspective of a crocodile. “The learners felt very much at home using the TESSA materials,” she reports. “They actively participated, and that feeling of success was written all over their faces. I also realized that creative writing can be made easier, livelier, and fun.”

In the United States and around the globe, OER also serves as an important tool for creating networks of teachers for continued professional learning and collaboration on curriculum and assessment. Such networks contribute to higher student achievement, according to a recent study by the National Staff Development Council. It concluded that nations that invested heavily in teacher learning networks also posted the highest student scores on international assessments such as the Programme for International Student Assessment and Third International Mathematics and Science Study.

The OER Initiative supported several teacher learning networks in 2009, among them Teachers Without Borders and OER Commons. Scholastic's TeacherShare project, launched this year, is particularly exciting. Not only is it a private-public partnership that could influence the educational publishing industry, but it introduces OER to Scholastic's network of 2 million K-12 teachers. 2010 will be an important year to evaluate the success of these networks and, based on the proliferation of OER, recalibrate the projects as necessary.

*Plans for 2010*

In 2010 we recommend continuing to support Open Textbooks and Teacher Training clusters while shifting the other demonstration clusters to support our new strategic direction. One of the new areas that we are exploring for 2010 is peer-to-peer learning environments.

**COMPONENT: Opportunity**

**GOAL:** Continue to support areas of inquiry that can have substantial impact but arise on short notice.

**COMPONENT: Serving Bay Area Communities**

**GOAL:** Support local organizations to strengthen our overall goal consistent with our new strategy.

# ENVIRONMENT PROGRAM 2009 REPORT TO THE BOARD

## OVERVIEW

The Environment Program has three long-term goals:

- Conserving the ecological integrity of the North American West for wildlife and people
- Stabilizing global greenhouse gas emissions
- Ensuring that energy efficiency is increased and supply is clean in nations with high energy demand

In 2009, Hewlett Foundation grantees' biggest successes included protection of an additional 21 million acres of wilderness in the western United States and northern Canada, national adoption of fuel efficiency rules for cars (35.5 miles per gallon by 2016), and support of strong U.S. climate policies by the House of Representatives.

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### **COMPONENT: Western Conservation**

**ULTIMATE GOAL:** Conserve the ecological integrity of the West for wildlife and people.

**THEORY OF CHANGE:** Ecosystems throughout the North American West will thrive if (1) public lands are better managed to protect remaining large roadless areas and other ecologically important land; (2) river flows are increased to support the plants and animals dependent upon them; (3) energy development shifts from fossil fuels to increased energy efficiency and renewable energy development; and (4) public funding for private land conservation is available in priority conservation areas. Achieving each aim requires public policy improvements. The engagement of western constituencies such as ranchers, hunters, anglers, Latinos, faith-based groups, Native Americans, and environmental advocates is essential to achieving improved land, water, and energy policy in the region.

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### **Land**

In 2009, grantees made significant progress, especially on wild land protection in the United States and Canada. Two million acres of new wilderness were protected in five western states through an omnibus public lands law: a 5 percent increase in western wilderness protection. The designations were the first in over a decade and set the stage for new efforts in several states. In addition, the omnibus law created the National Landscape Conservation System, knitting together over 26 million acres of protected lands and candidate areas for protection. This marks the creation of the fifth public lands system, the first in three decades.

Protection of Canada's boreal forest continued to move forward. Nineteen million acres of new parks were established in the Northwest Territories and Quebec. To date, 130 million acres have been protected. In addition, Quebec and Ontario made major commitments to boreal forest

conservation, protecting 410 million acres, an area four times the size of California. Finally, 10 million acres received sustainable management certification from the Forest Stewardship Council, raising to 25 percent the amount of Canadian forestlands managed with strict sustainable harvest standards. These actions, taken together, put the International Boreal Conservation Campaign nearly halfway to its goal of protecting the Canadian boreal forest ecosystem, the largest intact forest remaining on earth.

Even with the economic downturn in 2009, \$1.1 billion in federal, state, and local funds were used for land conservation in the West. Perhaps the most significant conservation purchase took place in Montana, where The Nature Conservancy and the Trust for Public Land purchased 320,000 acres of Plum Creek timberlands west of Glacier National Park and the Bob Marshall Wilderness. These lands sustain the largest population of wolverine in the lower forty-eight states, link important grizzly bear habitats, and support a thriving local outfitting industry and sustainable timber businesses.

### **Water**

Grantees increased protection on over 2,300 river miles in 2009. This was due primarily to new protections in five western states of over 1,000 miles of rivers under the Wild and Scenic Rivers Act. By far, the greatest acreage was in Wyoming, where almost 400 miles at the headwaters of the Snake River and its tributaries in and around Grand Teton National Park were protected.

Trout Unlimited and Sustainable Northwest, among others, helped broker a historic agreement that, once implemented, would remove four dams on the Klamath River along the California-Oregon border. The Klamath River had been one of the premier salmon fisheries on the West Coast, and dam removal represents one of the best opportunities left to restore salmon habitat. The hard-won agreement is supported by Native Americans, ranchers, farmers, and conservationists.

Utah adopted a new law allowing water rights holders to lease water to the state to protect river flows supporting healthy fisheries. With the passage of the law in Utah, all western states now have water leasing provisions to protect fisheries.

### **Energy in the West**

The Foundation's western energy policy goals complement our national energy and climate priorities and also involve many activities unique to the region. Our western energy priorities are to (1) reduce use of fossil fuels by preventing development of new coal-fired power plants and slowing development of oil and gas resources, and (2) increase energy efficiency and solar, wind, and geothermal development. This work has important benefits for Energy and Climate goals and helps protect the important habitat and landscapes in the West.

This year, Hewlett grantees made progress toward reducing development of new coal-fired power plants and increasing energy efficiency and renewables. Approximately 16,000 megawatts (MW) of new renewable capacity have come online in the West in the past decade. This is

enough energy to power 5 million homes. Last year, nineteen proposed coal-fired power plants were cancelled or indefinitely delayed across the United States, including four projects in the West. No new plants were approved in the West in 2008 or 2009.

In 2009, Hewlett grantees made progress in their efforts to put appropriate limits on fossil fuel development. Their work helped improve protections and regulate development on 22.8 million acres. One of their most significant accomplishments was the protection of the 1.2 million-acre Wyoming Range, south of Jackson Hole, where new leasing threatened wildlife, ranchers, and the outfitting industry. The range was withdrawn from energy development as part of the Omnibus Public Lands Act of 2009.

Another 1 million acres was protected through action by the state of Wyoming to set aside all remaining important sage grouse habitat not yet leased for oil and gas. A healthy sage grouse population is a key wildlife indicator of the sage-steppe ecosystem, a priority ecosystem in our new western strategic plan. The state's action sets the stage for a broader decision by the Bureau of Land Management to extend similar protections on public land.

Colorado adopted a far-ranging set of oil and gas regulations for 7 million acres of state land, becoming the first state in the West to ensure its lands are managed to protect wildlife habitat from the impacts of oil and gas development.

A new energy coalition, the Western Energy Project, was created in 2009 to coordinate the efforts of conservation organizations working on fossil fuel issues.

### **Broad-based Support**

In 2009, California adopted a heavy-duty diesel truck and bus pollution reduction rule, the most aggressive of its kind in the United States. By 2014, truck diesel emissions will be 68 percent lower than 2010 projections. It is estimated that reduced emissions over the next fifteen years will save 9,400 lives and \$40 billion dollars in health costs. This success was supported by one of the broadest environmental coalitions in recent decades.

In the Central Valley, grantees successfully advocated for the inclusion of a scientist and a doctor on the regional air quality board. The measure was signed by the governor and may mean that the board will support science-based air quality regulations that benefit public health, like the Diesel Truck Rule.

Last year, the California Air Resources Board approved a global warming Scoping Plan for AB32, the state's global warming law. The plan affirmed that the benefits of lower pollution and the economic growth from California's cap-and-trade system need to reach the state's most vulnerable communities. By addressing these community concerns, the measure will help strengthen support for timely implementation of AB32. A measure to commit 30 percent of global warming revenues to benefit poor communities won approval in the state assembly and is under consideration by the senate.

In 2009, several grantees produced a report titled *The Climate Gap* that garnered significant media attention. The report proposed ways to help disadvantaged communities benefit from federal climate change policies and is credited with helping the Bipartisan Policy Center's Commission to Engage African Americans on Climate Change and the National Latino Commission on Climate Change to conduct vital outreach to new, significant constituencies. Grantees in California and Washington, D.C., are now working together more closely to demonstrate that there is broad support for aggressive action to prevent global warming.

### **COMPONENT: Energy and Climate**

**ULTIMATE GOAL:** Stabilize global greenhouse gas emissions, ensure energy efficiency is increased, and energy supply is clean in nations with high energy demand.

**THEORY OF CHANGE:** The threats of greenhouse gas and local pollutants pose related but, at times, conflicting challenges to policymakers. But both can be addressed effectively by (1) promoting highly efficient forms of energy production, delivery, and consumption; (2) ensuring energy production is clean and renewable and does not create adverse direct and indirect impacts; (3) ensuring transportation fuels are clean, vehicles are highly efficient, and transit systems are developed and well run. Support to reduce global and local pollution in developed and developing countries will ensure that greenhouse gas and conventional air pollution threats are tackled in concert.

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The Environment Program's Energy and Climate strategies are designed to reduce emissions of greenhouse gases and conventional pollutants worldwide. The Energy and Climate approach focuses on limiting global temperature rise to under 2°C and pursues that objective by supporting grantees working on national climate policy in the United States and a global climate treaty to dramatically reduce greenhouse gas emissions by 2030. Because national energy policy is broader than climate, the Program also pursues an agenda to increase renewable energy, significantly improve the nation's energy efficiency, and reduce the carbon content of transportation fuels. For conventional pollutants, the Program supports efforts to reduce emissions from the transportation sector in key countries, including the United States, Canada, China, Mexico, and Brazil.

### **Global Climate Policy**

Most of the work in the area of global climate policy is supported through the Foundation's grant to the ClimateWorks Foundation. In 2009, ClimateWorks began its first full year of operations and grantmaking. At the heart of the ClimateWorks model is a highly focused approach to achieve massive reductions in greenhouse gas emissions from five sectors (power, transportation, buildings, industry, and forests) and five countries/regions (United States, China, India, European Union, and large forested countries) that collectively emit 80 percent of the world's greenhouse gases.

On the international front, the year was spent preparing for the Conference of the Parties meeting in Copenhagen in December 2009. Negotiators failed to achieve a major global agreement, and instead adopted the nonbinding Copenhagen Accord that reinforces international concern about

climate change and requests that countries submit individual mitigation goals by January 31, 2010. President Obama announced the U.S. goal of achieving a 17% reduction of U.S. emissions by 2020 on January 29<sup>th</sup>.

In 2009, efforts to reduce ozone-depleting gases and the emissions of black carbon proved successful. The presidents of the United States and Mexico joined the Canadian prime minister in pledging to help accelerate the elimination of ozone gases. Similarly, the nations that make up the Arctic Council established a task force to identify ways to reduce the impact of black carbon on snowmelt in the Arctic. And England decided to prohibit construction of any new power plants that use convention coal technology.

On the domestic front, the House of Representatives approved a bill to reduce greenhouse gas emissions in the United States by 83 percent by 2050. While consideration of similar policy in the Senate remains unclear as of this writing, the importance of the House passage should not be underestimated. It represents the first time real action to combat greenhouse gas emissions throughout the entire economy has been adopted by a chamber of Congress.

One of President Obama's first steps after taking office was to reverse the Environmental Protection Agency's (EPA) decision to block California and other states' efforts to impose tighter rules for fuel efficiency on cars. As a result of the historic 2007 Supreme Court decision under *Massachusetts v. Environmental Protection Agency*, the EPA now has the legal obligation to control greenhouse gas emissions under the existing federal Clean Air Act (CAA), regardless of congressional action. In December 2009, EPA took an important step toward developing regulations to control greenhouse gases when it released a rule determining that emissions endangered human health and the environment. EPA may pursue a series of Clean Air Act greenhouse gas regulations in the coming year, moving beyond the transportation sector to include the electric, oil refining, and cement industries.

### **National Energy Policy**

While climate change is the greatest challenge we face in the environmental field, the broader energy policy agenda is key to the long-term health and vitality of the U.S. economy. This agenda involves issues of energy security, how and where to build and deliver renewable energy, how to improve the efficiency and reduce the carbon footprint of the transportation sector, and how to ensure that clean energy is affordable.

This year the EPA announced that it would reverse an earlier decision and allow California's greenhouse gas emissions regulations for vehicles to move forward. In addition, the agency is finalizing a draft rule on advanced biofuel standards and the life-cycle impacts of such standards. It is also completing the first-ever fuel efficiency regulations for heavy-duty vehicles. These regulations, once complete, will provide a model for the rest of the world for increasing the efficiency of trucks and buses.



## **Sustainable Transportation**

Three important victories for sustainable transportation occurred in 2009. In the United States, the federal administration decided to make the California fuel economy program a national program, increasing fuel economy standards by 40 percent and saving an additional 200 megatons of carbon by 2030. The fuel economy package will save 900 million metric tons of CO<sub>2</sub> by 2030 and is the single largest climate mitigation action the United States has ever taken.

Latin America enjoyed two significant victories in 2009. In Brazil, the federal government resolved a dispute over vehicle emissions standards by agreeing to leapfrog from the average developing country standard, known as Euro III, to the average developed country standard, known as Euro V, in 2012, making new cars in that country 83 percent cleaner than unregulated vehicles. Going to Euro V means Brazil will have the most advanced emission control regulations of any country in the developing world. In Mexico, the country's second largest city, Guadalajara, opened its first Bus Rapid Transit (BRT) line. With plans for an additional BRT line in 2010, Guadalajara will soon have an integrated public transit system. The mayor of Mexico City announced plans for constructing a third BRT line. As has been the case in China, interest in BRT is spreading throughout Mexico.

The biggest setback in sustainable transportation was the manner in which countries dealt with the global economic crisis. Most large developing countries allocated large amounts of stimulus money to foster highway construction and the purchase of new automobiles. In China, \$300 million was spent on city road and highway construction. In Brazil, incentive programs gave the country the highest percent increase in new car sales of any country in the world. The U.S. "Cash for Clunkers" program served primarily as a short-term stimulus for auto sales rather than a means to increase the fuel efficiency of the nation's vehicle fleet.

### **COMPONENT: Serving Bay Area Communities**

**ULTIMATE GOAL:** Improve outdoor recreational opportunities, urban parks, transit availability, and positive environmental impacts in disadvantaged communities.

**THEORY OF CHANGE:** Outdoor recreational opportunities, transit-friendly communities, and mitigation of environmental issues will improve in underserved communities through investments in organizations and community foundations engaging residents to address those needs.

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In 2009, over 1,800 underserved students from schools and youth organizations in disadvantaged communities had the opportunity to improve their life skills and enjoy outdoor recreation on camping trips and bike rides.

Three Hewlett-funded regional community foundations in the Bay Area—the Rose Foundation, the East Bay Community Foundation, and the Fresno Regional Foundation—continued to empower residents from San Francisco to Oakland to the San Joaquin Valley. Funds from these three foundations helped residents engage in improving their local environments, allowing them to address port-related air pollution and urban sprawl and development. Over 1,000 students and

residents participated in clean-up and environmental education activities. The Oakland Port approved a plan to reduce truck pollution. And in Merced, policies to prevent farmland from being subdivided in ways that encourage sprawl succeeded.

The recession reinforced the value of supporting organizations using community and backyard gardens to improve environmental stewardship and access to healthy food. Forty young people harvested and gathered over 2,500 pounds of produce from community and backyard gardens for delivery to low-income families in Oakland and San Francisco.

Finally, community development and urban planning efforts supported by the Great Communities Collaborative, an effort anchored by the San Francisco Foundation, exceeded expectations in 2009. Transit-oriented development plans were approved for five sites: San Leandro, Pittsburg, Antioch, Santa Rosa, and Concord. These efforts continue to reinforce that the Bay Area is leading the way for more sustainable communities in California and the nation.

## GLOBAL DEVELOPMENT PROGRAM 2009 REPORT TO THE BOARD

### OVERVIEW

The Global Development Program seeks to improve the lives and livelihoods of people in developing countries, particularly the poorest (those living on less than \$2 a day)—most of whom are women and children. Through our strategic planning process, we identified the three strategies that yield what we consider to be the greatest expected return in terms of improving the lives of the world's poorest people, increasing their incomes, and promoting equitable growth and that are well suited to Hewlett Foundation investments:

- Improve the delivery of basic services (e.g., education, health, and water) that are particularly important for the poor by increasing the **transparency and accountability** of public spending
- Improve economic conditions for poor communities by expanding **agricultural markets** for small farmers and agribusinesses because the vast majority of poor people are dependent upon agriculture
- Increase student learning by improving the **quality of education**, which is strongly correlated with better health, fertility, and economic outcomes for poor children and their families

Grantmaking in these three areas, and our commitment to improving the lives of the world's poorest, more generally, are supported by a fourth strategy of *building knowledge for development*. The **Think Tank Initiative** aims to strengthen policy research institutes in developing countries so that they are consistently producing high-quality research to inform good public policies, and other investments. This approach will help ensure that policy changes are driven by locally generated evidence and expertise.

Across all our strategies, we try to make grants with an eye to leveraging Hewlett investments and catalyzing others—donors, governments, and the private sector—to act in ways that extend the benefits to millions. The highlights of progress in 2009 illustrate this approach.

**Transparency and Accountability.** The International Budget Partnership's (IBP) 2008 Open Budget Index, released early in 2009, highlighted huge deficiencies in access to budget information in many countries, with a particularly poor showing in Africa. These results were widely discussed in the media and generated significant interest from donors and governments. A number of countries that scored poorly on the Index have already approached Hewlett grantee IBP for assistance in improving their scores before the next round.

**Agricultural Markets.** Building on its 2008 success in helping Mali develop a countrywide cell phone text messaging system to disseminate key crop prices, Hewlett grantee Michigan State University obtained additional support from bilateral investors to expand the number of agricultural products covered. Now, Niger, Senegal, and Guinea have asked the university to help them adopt their own systems by the end of 2009. This means that Hewlett's initial

investment will eventually help approximately 10 million farmers obtain higher prices for their crops.

**Quality Education.** Our largest grantee in India, Pratham, has helped 10 million children learn to read through its Read India program. This year, preliminary results from a Hewlett-supported evaluation of the program confirmed that children reached by Read India are much more likely to learn to read than those who have not participated. In addition, state governments in India have now invested \$7.6 million in Pratham materials, training, and personnel. More important than this money, seven states have adopted Pratham methodologies in *all their government schools*, putting the full resources of the state behind the effective approach that Pratham has pioneered to reach 22 million children.

In all aspects of the Program’s grantmaking, we believe that the engagement of governments and organizations within the countries in which we work are crucial to success. In our transparency and accountability work outside Mexico, as well as in the Think Tank Initiative, we rely heavily on partners that work with local organizations and provide both technical assistance and networking opportunities to support our goals. In Agricultural Markets, we are exploring the creation of a new regional platform, TransFarm Africa, which will build on the momentum gained by establishing regional infrastructure corridors in Africa. Although start-up costs can be significant for this kind of effort, we think the potential payoff could be huge. One challenge continues to be identifying Africa-based partners for certain aspects of this work. Finally, our QEDC component has focused its grantmaking on a few target countries and invested significant time and energy to cultivate relationships with local organizations there. This includes providing preparation grants to groups that need time and resources to develop better plans before going to scale, as well as coupling larger implementation grants with support to strengthen these organizations. We have made strides in some areas but continue to struggle to find partners who can work at scale, particularly in Mali and Senegal.

Finally, it is worth mentioning that our transparency and accountability grantees in Africa have benefited from our staff and grantees in Mexico, and we see great future potential for exchanges and study tours to help build African grantees’ capacity. Cross-regional learning is very important for QEDC and the Think Tank Initiative as well.

### **COMPONENT: Transparency and Accountability**

**ULTIMATE GOAL:** Improve the delivery of basic public services to the world’s poor.

**THEORY OF CHANGE:** Without appropriate information and oversight of how public funds are collected, allocated, and spent, problems of mismanagement and corruption will undermine delivery of basic public services. Grantmaking will address breaks in the “funding of services chain” by *maximizing revenues*—particularly from foreign aid and the extractive industries—and by *ensuring effective expenditures*—particularly by ensuring that citizens have the necessary information and oversight to hold governments accountable for how public funds are allocated and spent.

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## **Maximize Revenues to Fund Basic Services**

It is important for governments in poor countries to have enough revenue to fund the delivery of basic services. To this end, our grantmaking strategy is to improve the transparency of two key revenue sources for poor countries: foreign aid and natural resource revenue (e.g., from mining or oil). Both provide concentrated flows of funds to developing country governments. Yet citizens often have very little information about how much money is coming in and where it ends up. As a result, all too often funds go missing.

Our first goal for this component is to improve the transparency and accountability of revenue flows from international development assistance. Inefficiencies in the way international donors allocate and distribute their development assistance mean that fewer funds reach poor citizens in the form of quality public services. One key strategy for reducing donor inefficiencies is to make information about the flow of aid more accessible to citizens and watchdog groups (**aid transparency**). Another is to improve the way the United States, still the world's largest aid donor in terms of total dollars, invests in development, with the goal of ensuring that these investments are responsive to country-determined needs and priorities (**U.S. aid reform**).

Since Hewlett began supporting grantees working on U.S. aid reform in 2004, our expert advisors have counseled that the best hope for significant reform of U.S. development policy would come in the first year of a new presidential administration. In 2009, forces aligned for this agenda. First, some observers believe that President Obama is more committed to global development than any other U.S. president in recent history. Second, ongoing challenges in Iraq, Pakistan, and Afghanistan underscore the glaring deficiencies of U.S. systems for delivering development assistance. Finally, thanks in large part to the policy analysis and outreach of Hewlett grantees, there is unprecedented momentum for a serious overhaul of U.S. foreign assistance policy.

During the past year, our grantees, many of which are part of the Hewlett-supported **Modernizing Foreign Assistance Network**—contributed to some key progress indicators, including interest in both the House and Senate for significant reform of U.S. foreign assistance, the State Department's launch of the first-ever Quadrennial Diplomacy and Development Review, and the announcement of a Presidential Study Directive on U.S. development policy, to be jointly led by the National Security Council and the National Economic Council.

With these key markers in place in several branches of government, most of our grantees now believe there is sufficient traction to ensure at least some reforms to our aid system. Indeed, we have already seen encouraging signs: increased funding for U.S. Agency for International Development (USAID) personnel, with a commitment to double the number of USAID foreign service officers over three years, and an FY2010 budget request putting the United States on a path to double foreign aid by 2015.

The challenge for 2010 will be to help shape further reforms in a way that ensures that global development is a key goal—not just a tool—of U.S. foreign policy. Ideally, by the end of 2010 or early 2011, two key policy developments would occur: *the first-ever National Strategy for*

*Global Development—articulating a coherent set of goals, objectives, and strategies for U.S. development policy—and a new Foreign Assistance Act to effectively guide its implementation.*

Our second goal for this component is to improve the transparency and accountability of revenue flows from extractive sectors in resource-rich countries. Although Africa produced 12.5 percent of the world's oil in 2008, these resources have yet to translate into tangible benefits for Africa's poor. In fact, resource-rich countries in Africa have actually experienced lower growth rates than countries with scarce resources. The most promising international effort to reverse this trend is the Extractive Industries Transparency Initiative (EITI), which seeks to ensure that citizens in resource-rich countries benefit from their country's wealth.

Support for EITI illustrates our strategy in several areas of this component: promoting new global standards or "norms" as a way to make certain that governments respect principles of good governance they might otherwise ignore. Although we don't believe that international agreements are always the answer, governments worldwide often need a variety of incentives—both internal and external—to improve their performance regarding transparency and accountability. Once a standard like EITI gains traction as a "global norm," it can be used as an advocacy tool at various levels. Such norms, therefore, not only raise awareness; they also serve as benchmarks against which citizens can demand improvements and governments can target reforms.

Our core grantee for this area of work, the **Revenue Watch Institute**, makes grants and provides technical assistance to governments in order to increase their participation in EITI, promote an international "Natural Resource Charter," and help them meet their EITI compliance obligations. *In 2010, three additional countries are expected to commit to EITI implementation and two more countries are expected to achieve compliance.* In addition to this work, the Institute helps citizen groups and national legislators monitor the use of resource wealth as a public good.

Since EITI is increasingly recognized as the global standard of good governance for the extractive industries, we track participation in this initiative as a proxy for progress. There are two stages to EITI participation: first, when a country commits to implement EITI (thirty so far); second, when it completes a validation process to verify compliance, a much higher bar. We are pleased to report that in 2009, Azerbaijan became the first country to achieve EITI compliance. More than two-thirds of the countries implementing EITI are in sub-Saharan Africa, and we hope to see significant progress there over the next few years.

### **Ensure Effective Expenditures on Quality Public Services**

Our third goal for this component is to ensure greater transparency and accountability of public resources allocated for services, particularly for the poor. The first step is for a government to be transparent: to provide enough information so that its citizens can hold it accountable for how public funds are allocated and spent. Access to information, such as budget information, is a prerequisite to establishing systems and mechanisms that citizens can use for this purpose.

The 2008 Open Budget Index of the **International Budget Partnership (IBP)**, our core grantee in this area, includes measures of eight key national budget documents to be made available

throughout the budget process. The 2008 Index demonstrated that nearly half of the eighty-five countries surveyed provide “such minimal information that they are able to hide unpopular, wasteful, and corrupt spending.”<sup>1</sup> This second edition of the Index generated significantly more national and regional press coverage than the first in 2006, and international donors increasingly see it as a tool to pressure developing country governments to improve their practices. For example, the International Monetary Fund (IMF) has endorsed IBP’s demand that governments publish nontechnical versions of budget documents (also called “citizen’s budgets”) and is in the process of developing a note to provide guidance on what a citizen’s budget should contain. The IMF’s move is part of a gradual shift in the institution’s recognition of information disclosure as a right of citizens. We also know that the World Bank is using the Open Budget Index as part of its country consultations, and the U.S. government is using it to assess eligibility for certain aid programs.

Cross-country data sets like the Open Budget Index can also unleash constructive competition between countries. As a result, it is helping to stimulate significant improvements in budget transparency in countries as diverse as Croatia, Kenya, Yemen, and New Zealand. These developments at both the global and country level are starting to build momentum toward a global norm of budget transparency. A number of governments have contacted either IBP or its country partners for advice regarding reforms that would improve their scores in the next Index survey. *In 2010, IBP will work to respond to these requests, while simultaneously supporting the data collection efforts of its local research partners in the eighty-five countries that will be part of the 2010 survey.*

Our fourth goal for this component is to improve the reach and quality of basic services (e.g., health, education, and water) for the poor. Without objective ways to assess the quality of basic services, it is impossible to identify and correct problems that result in poor quality services at the local level. Although data collection in developing countries has advanced significantly in recent years (through household surveys, living standards measurement studies, and demographic and health surveys), no standardized data set measures the quality of service delivery as experienced by users.

To address this gap, we are working with partners at the **African Economic Research Consortium** and the **World Bank** to develop an index that could be used to benchmark the quality of service delivery in African countries.<sup>2</sup> Ideally, cross-country rankings will spur healthy competition both between and within countries (at the district level) and lead government officials and service providers to improve performance. In the initial phase, the project is focused on developing service quality indicators for education and health. In 2009, our grant supported a team of technical experts to draft a framework paper outlining the rationale and methodology for such an index. *In 2010, the project will pilot data collection in Tanzania and Senegal to ensure that the survey methodology works.* Assuming the pilot is successful, the next step will be to institutionalize this ambitious effort to ensure that the project can be expanded to more countries and sustained over time.

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<sup>1</sup> IBP Press Release: “80 Percent of Governments Don’t Account for Spending”; [http://openbudgetindex.org/files/PressRelease\\_Final\\_English.pdf](http://openbudgetindex.org/files/PressRelease_Final_English.pdf)

<sup>2</sup> The index will include indicators such as the percentage of primary school facilities with access to three basic infrastructure elements (electricity, water, and sanitation).

Establishing global benchmarks for service delivery exemplifies the sort of “field-building” effort that initially requires a significant investment of time and energy, but has the potential for enormous influence if it can be scaled up and institutionalized. If the initial pilot is successful and we are able to identify other funders to help take this project to scale, we would hope the Service Delivery Index could help elevate effective delivery of quality basic services to a global standard for good governance. If we truly want to reduce corruption and mismanagement in the provision of services, we need a second generation of “good governance” norms that promote public access to information and citizen oversight.

As we have written in the past, a key element of our transparency and accountability work is to demonstrate in Mexico and East Africa how these reform measures actually improve the lives of poor people. Since our efforts in East Africa are in the very early stages, we focus here on our Mexico work, which is emerging as an international model. We see a significant potential for cross-continental learning and information sharing between our Mexican and East African grantees.

### *Mexico*

2009 was a very challenging year for Mexico. The global financial crisis, the Mexican government’s war with violent drug cartels, and the H1N1 flu virus severely diminished the country’s three main revenue sources: oil income, migrant remittances, and tourism. Unemployment and extreme poverty are increasing after several years of decline, as are the costs of basic foods, products, and services. Political gridlock has stymied passage of necessary structural reforms, and there is increased resistance to implementation and compliance with transparency and accountability reforms on the part of government officials and bureaucrats. Yet despite these difficulties, our Program’s Mexico grantees achieved major successes in 2009 and continue to make remarkable progress toward our ultimate goals.

Grantees have made progress toward filling gaps in basic information about how public revenue and expenditures are reported in Mexico. They have documented extreme inconsistency in state budget accounting practices, which fosters opacity and makes expenditure tracking and comparative analysis at the state and local levels impossible. This new knowledge led to a significant reform: a law that requires standardization of state government accounting in Mexico by 2012. Once implemented, this stunning victory will affect every sector in Mexico. Grantees also made important strides toward making federal anti-poverty subsidies for poor farmers more transparent and accountable to citizens and toward strengthening the enabling environment for Mexico’s civil society organizations, critical for the long-term viability and sustainability of Hewlett investments there.

### **COMPONENT: Agricultural Markets**

**ULTIMATE GOAL:** Increase the income and economic opportunities available to smallholder farmers in sub-Saharan Africa, most of whom are women, ultimately enabling the region’s economies to build toward greater and more diversified economic growth.



**THEORY OF CHANGE:** A market-driven African agricultural system is the best hope for increasing the income and productivity of smallholder farmers in a sustainable way, which in turn will reduce poverty, stimulate economic growth, and enhance food security. By investing in models that connect smallholder farmers along Africa's infrastructure development corridors to commercial agriculture value chains, we are looking to demonstrate the commercial viability of such investments to the capital markets. In addition, our grantmaking will identify the policy barriers that prevent such investments from reaping greater economic rewards for smallholder farmers, the agricultural sector as a whole, and investors. Pilot investments are designed to demonstrate that equitable and profitable investments are possible in order to attract more investors to African agricultural development.

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Agriculture in sub-Saharan Africa is in a state of decline. Since the 1970s, agricultural production has contracted, and, as a result, food security for the 800 million people who live there has declined. Approximately 80 percent of the population depends on agriculture for their livelihood, but shrinking productivity and lack of access to markets have led to stagnant or falling farm income levels. Most farmers earn less than \$2 per day. Efforts to alleviate poverty, promote food security, and stimulate economic growth must, therefore, target the vast majority of the population: smallholder farmers, who are mostly women, in rural areas.

With the arrival of a new administration, many had had high hopes for positive changes in agriculture policy in 2009 after a disappointing 2008. Some have materialized; others have not. First, the bad news: as noted by many observers, the Obama administration's apparent willingness to address farm subsidies was pronounced "dead on arrival" in Congress. And despite repeated pledges by world leaders, an agreement in the Doha Round of multilateral trade negotiations at the World Trade Organization remains elusive. A previous Foundation success—the European Union's preliminary decision to eliminate food crops as a source of biofuels in response to Hewlett-supported research and analysis—was reversed at the eleventh hour by the European Parliament. Provisions related to calculating the indirect land use effects of biofuels—which will have significant negative implications for both food security and climate change—met a similar fate in the United States, although these processes are continuing to play out in the administration and Congress.

Although the outcome of the eight-year-old Doha talks remains uncertain, the Foundation's investments have clearly had a significant impact, perhaps greater than that of any other single nongovernmental actor. Whereas previous trade rounds were "negotiated in the dark," the Foundation's grantmaking has helped ensure that the Doha negotiations have been accompanied by an unprecedented degree of analysis aimed at quantifying their economic value and boosting their development impact. However, at this point, it is not clear that the "development dimension" of the deal can be strengthened much further. The timing of an eventual deal will be shaped by a multitude of contingent factors outside the Foundation's strategy or control.

Now, the good news: in 2009, we conducted a comprehensive review of the Agricultural Markets component and reexamined our strategies for removing market distortions and disincentives and connecting poor farmers to markets. Changing political and economic circumstances opened up new opportunities for making meaningful progress by shifting away from an exclusive focus on international policies like the U.S. Farm Bill and the Doha Round and more toward bottom-up opportunities within sub-Saharan Africa to boost the incomes of poor farmers.

Among the most significant shift is the new emphasis on global food security, exemplified by the Obama administration's new Food Security Initiative. This moves the policy debate closer to our direct objectives to deliver concrete benefits to smallholder farmers in Africa. In an early success, our consultants and grantees, working with Hewlett staff, drafted language that was adopted for a June G8 communiqué that stressed the development of greater capacity for market-oriented, sustainable food production; donor alignment; and infrastructure investment in Africa as central to achieving greater food security.

As part of this shift away from working on U.S. farm policy, we are participating in the deliberations of the Foundation Working Group on Food and Agriculture Policy—a group of large U.S. foundations, including Gates, Rockefeller, Packard, Ford, and McKnight—with an interest in farm and agriculture policy. We hope to ensure that what has been learned through the Foundation's investments in U.S. farm policy can be passed on to future funders of reform efforts. The group has adopted the administration's Food Security Initiative as one of the areas of focus. As we move away from this work, the Foundation can be confident that its grantees have already brought about lasting change, reshaping the debate on U.S. farm policy such that the negative consequences of our commodity subsidy system are now widely known.

In the future, any additional support for policy interventions will likely be related to work with smallholder farmers and commercial agriculture in Africa's infrastructure and development corridors. As we reported to the Board in July 2008, we have been focused on harnessing opportunities where transport infrastructure exists—along what are called development corridors in sub-Saharan Africa—because the cost of transporting goods to and from markets is one of the greatest impediments to improving economic conditions for the rural poor. Our research has shown that there is great potential for investments in models that link smallholder farmers along these infrastructure corridors more directly to commercial agriculture value chains and markets. Such investments have the potential to be an engine for economic growth along the corridors and give our constituency—those living on less than \$2 a day—opportunities to develop enhanced, sustainable livelihoods.

This type of approach is embodied in a new initiative called TransFarm Africa, developed by Hewlett-funded consultants, with two linked elements: (1) an Africa-based public-private fund that will invest in new commercial business models that help smallholder farmers access markets for food production in Africa, and (2) a complementary program that will work with government officials, civil society organizations, and business to identify and remove the barriers—local, regional, and international—that prevent farmers in Africa from connecting to markets and making a profit. Initial TransFarm Africa activities will likely take place along the Central Corridor in Tanzania and Rwanda and along the Beira and Nacala Corridors in Mozambique.

### **COMPONENT: Quality Education in Developing Countries (QEDC)**

**ULTIMATE GOAL:** Improve learning outcomes for the very poor in target regions.

**THEORY OF CHANGE:** Our strategy to achieve this goal has three parts: (1) increase **attention to and accountability for student learning** by improving public knowledge about learning outcomes; (2) support the

development of **effective instructional models** that improve student learning in many schools at low cost; (3) press governments and development agencies for **efficient use of sufficient resources** to improve educational quality.

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In July, the Hewlett Foundation Board recognized QEDC's early success by committing \$19.75 million for the next phase of the initiative. We are pleased to report that the Gates Foundation followed Hewlett's lead by granting \$13 million in early September. Our experiences in 2009 make us confident that these additional resources will help improve learning outcomes for millions of children in the developing world. Changing the course of education for tens of millions of children doesn't happen overnight. But this year we have seen exciting evidence that our three-pronged strategy, summarized on the preceding page, is beginning to influence the way governments in India and Africa deliver education to their citizens. We have learned that dramatic changes in student learning can happen quickly when a government and its citizens know that learning outcomes are abysmally low and are presented with simple, yet promising, approaches for improving them.

In India (where QEDC made its first grants), Read India, a program run by our largest grantee Pratham, has trained teachers in better methods of teaching reading and math, developed and distributed learning materials for children, and mobilized volunteers to teach children how to read and calculate. Pratham estimates that these interventions have resulted in around 10 million children learning to read in the five states where Read India has been most successful. The interim results from an independent QEDC-funded evaluation have shown that children reached by Read India are much more likely to learn to read than those who have not been reached.

Governments must take responsibility for improving their school systems to sustain these gains and provide a better education for the millions more children that organizations like Pratham cannot reach directly. One way to get governments to take this responsibility is to widely publicize what is happening in schools. The Annual Status of Education Report (ASER) does just that by surveying reading and math levels and producing a comparative report on how children across India are performing. Its 2007 and 2008 reports provide evidence that about 40 percent of the fifth-graders in India cannot read a second-grade text. This evidence of failure, coupled with Read India's success in helping children learn, has helped spur state governments to improve learning by adopting the successful approaches demonstrated by grantees like Pratham. Seven states have already fully partnered with Pratham and adopted its teaching method in all of their schools—reaching 22 million children.

While this success in India is indeed encouraging, Pratham is an exceptional organization in its capacity to develop innovative strategies to improve student learning widely. As discussed in this memo's introduction, the NGO sector in our priority countries in Africa has a much weaker capacity to demonstrate improved learning outcomes. Although capacity remains a challenge to pursuing our grantmaking strategy, we have tackled it head-on. One of our most successful strategies has been to promote learning between organizations in Africa and India.

For example, the launch of a citizen-led survey of reading and math abilities among schoolchildren in Kenya, Uganda, and Tanzania (through the organization known as Uwezo) was born out of a successful partnership with ASER in India. Uwezo began when QEDC supported a

team of East Africans to visit ASER in India. After its return, the group planned to conduct similar assessments in East Africa with significant technical support from ASER staff. By early 2010, Uwezo expects to assess reading and math skills in a third of the districts in Kenya, Tanzania, and Uganda.

Over the past year, QEDC partners have also engaged with governments and donors to ensure they allocate funds in ways that focus on improving student learning. Since our funds pale in comparison to the nearly \$25 billion that governments and donors spend annually on education in sub-Saharan Africa and South Asia, much of our strategy seeks to leverage the funds of others. As mentioned above, several state governments in India are already directly funding Pratham's work. In Africa, government officials are also expressing a keen interest in adopting better models to improve student learning.

The leading development agencies have also come to see QEDC as a helpful innovator in promoting solutions to improve educational quality. This past year we were asked to present the QEDC strategy to several leading donor agencies working in education.

The additional funding committed by the Hewlett and Gates foundations this year will allow QEDC to pursue and scale up our existing strategy, with the goal of achieving sustainable improvements in student learning outcomes in India and our six priority African countries. *For 2010, QEDC has two broad goals. The first is to develop a portfolio of grantees in each priority country that reaches the critical mass necessary to exert influence on education policy at the national level.* The following outcomes will indicate success on this goal:

- Grantees widely publicize student learning outcomes, which builds momentum for governments and donors to improve student learning
- Instructional models continue to improve teacher practice and student learning outcomes
- In at least four countries, grantees identify mechanisms by which education funding can be used more effectively
- Governments show interest in implementing effective instructional models and gathering data on learning outcomes

*QEDC's second broad goal is to advance the agenda on better international aid for education—ensuring that donor strategies focus more resources more effectively on improving learning.* We will develop a portfolio of advocacy grantees that more fully reflects QEDC's emphasis on *quality* education and pursue a communications strategy to support the work of these grantees. In addition, we will continue to support innovations in aid modalities, such as the Cash on Delivery concept developed by Hewlett-grantee, the Center for Global Development. We will use the findings from studies completed in 2009 to inform both sets of activities.

All these efforts will help ensure that our grantees' influence on the policies and activities of international agencies, donors, and country governments continues to grow. The hope is that this influence will begin to change systems and practices so that more children in the developing world learn basic skills critical for their success and the success of their countries.

## **COMPONENT: Knowledge Building for Development**

### **Think Tank Initiative**

**ULTIMATE GOAL:** Strengthen a select group of promising policy research institutes based in developing countries over ten years, so that by the end of the Initiative, these institutions are consistently providing objective, high-quality research that informs and influences policy.

**THEORY OF CHANGE:** Good policymaking requires locally generated data collection, research, and policy analysis, but governments and NGOs often do not have the right mix of skills and incentives to produce objective research themselves. Independent research institutes are sources of objective research and analysis that can inform the policymaking process; but in order for research institutes to play this role, they must be sustainable and effective organizations. Our strategy is to strengthen policy research organizations through a combination of financial and technical support, so they can address organizational development challenges and establish research agendas.

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The goal of the Think Tank Initiative is to strengthen policy research institutes in the developing world through a combination of long-term financial support and targeted technical assistance. In November 2007, the Foundation approved a \$40 million grant to the **International Development Research Centre (IDRC)** to implement the first five years of what is intended to be at least a ten-year Initiative. In late 2008, the Gates Foundation matched Hewlett's contribution, nearly doubling the size of the Initiative to \$90 million over the first five years.

In early 2009, after a highly competitive selection process, IDRC awarded the first set of grants to twenty-four institutions in East and West Africa and, by September, negotiated final grant agreements, including customized annual benchmarks to track progress. During this same period, the funders made a final decision on country coverage for the second phase of the Initiative, which will support policy research institutes in Latin America and South Asia.<sup>3</sup> IDRC hired a new program officer for each of these regions to work with the local think tanks. Creating opportunities for think tank grantees in one region to learn from those in others will be an important part of the approach in years to come. In late July, IDRC launched the call for proposals in Latin America and South Asia, and application review began in October. *Through the first half of 2010, IDRC will be conducting institutional assessments of applicants, culminating in a meeting of the International Advisory Group in May 2010 to select the next round of grantees.*

In 2010, Hewlett staff will continue to work with IDRC to reach out to the broader donor community. We will seek additional partners for the Initiative and continue to make the case that for countries to truly own their development efforts, they need strong, local think tanks providing context-specific policy research and analysis to build knowledge for development.

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<sup>3</sup> Countries selected include Bolivia, Ecuador, El Salvador, Guatemala, Honduras, Paraguay, Peru, Bangladesh, India, Nepal, Pakistan, and Sri Lanka.

## **PERFORMING ARTS PROGRAM 2009 REPORT TO THE BOARD**

### **OVERVIEW**

The Performing Arts Program supports artistic expression and encourages public participation in the arts, primarily by providing multi-year general operating support grants that assist arts organizations and create opportunities for artists. The work of our 200-plus grantee organizations—and the thousands of artists with whom they work—varies widely, but collectively they form a dynamic and mutually dependent arts ecosystem that requires strong infrastructure, robust public demand, and a vital supply of artists and artistic experiences.

This ecosystem is reflected in our Program’s logic model and approach to defining intermediate and component outcomes, as well as to setting targets and establishing priorities that determine which organizations, artists, and ideas are most important to fund. The vitality and diversity of our grantees’ accomplishments are reflected in the following snapshots from 2009.

At this year’s Cabrillo Contemporary Music Festival, a thousand audience members leapt to their feet following a dazzling opening night performance of Osvaldo Golijov’s symphony *Azul*, originally written for Yo-Yo Ma and debuted at Tanglewood. Golijov rewrote the piece for the 27-year-old sensation Alissa Weilerstein, and, at Maestra Marin Alsop’s invitation, “re-premiered” the extraordinary piece for cello, accordion, and seventy-piece orchestra at Cabrillo’s Santa Cruz festival.

The culmination of a two-week training program offered by Music National Service to twenty musicians of widely different ages and backgrounds was a free-flowing concert at the Red Poppy Art House, a tiny storefront performance space in San Francisco. As part of Music National Service, these MusicianCorps fellows are placed as national service volunteers in school sites in the Bay Area, Seattle, New Orleans, and Chicago.

Three thousand teenagers from all over the city packed San Francisco’s War Memorial Opera House and cheered madly as twenty of their peers competed in the Youth Speaks National Poetry Slam Finals.

### **The Recession’s Impact on Bay Area Arts Organizations**

These memorable arts experiences, and hundreds of others, occurred during a year of unprecedented economic stress for the Bay Area arts ecosystem. The national recession has forced individual grantees to reexamine how they use resources to be more effective. Through our own surveys of the field and through the sharing of data by fellow funders, we learned that half of all Bay Area arts organizations project cash flow problems this year, and 80 percent either have already downsized or will lay off artists and administrators. In part, this is because institutional funders are reducing their grantmaking budgets; the 21 largest arts foundations in

the Bay Area (including Hewlett) will give \$10 million less in the current fiscal year than the \$50 million they gave in 2008.

These data helped us understand the economy's massive effect on the arts ecosystem, but it was the stories of individual grantees that brought home to us how challenging it has become to create great art and sustain thriving arts organizations. For example, San Jose's largest arts nonprofit, American Musical Theatre of San Jose, went out of business in the middle of its seventy-fourth season. Some longtime grantees have teetered on the edge of collapse. The artistic consequences of a down economy are also evident in the programming decisions of companies. To keep costs down, many are producing plays that require smaller casts and incorporating choreography that requires fewer musicians and dancers.

### **Helping Organizations Stay Vibrant: Program Successes and Challenges**

The economic situation has created challenges for us as we have held to our core strategy—to provide general operating support to well-run organizations that create exceptional works of art and create more opportunities for participation in the arts. The perennial tensions underlying our grantmaking decisions were heightened by the need to reduce our grantmaking budget by 39 percent since 2008. Simply put, we understood that we could not provide enough funding to all the worthy organizations working in the Bay Area.

We surveyed our grantees directly, tracked national surveys about the economy's impact on the arts, spoke frequently with fellow Bay Area arts funders, and met individually with artists and administrators. These investigations increased our confidence that the organizations we recommended supporting were the ones most capable of creating and preserving excellent works of performing arts and increasing opportunities for arts participation. Though they work in a variety of artistic disciplines, the promising cluster of grantees that received renewed general operating support this year were distinguished by the presence of good governance structures and the ability to manage adversity. Even as they were cutting expenses dramatically, laying off staff, or conducting executive and artistic leadership transitions, a standout group of grantees continued to take bold artistic risks in creating new work and supporting emerging artists, while keeping their audiences, donors, and primary stakeholders well informed.

For instance, Berkeley Symphony Orchestra engaged artists and audiences in a thorough search process to successfully pass the baton from Maestro Kent Nagano, who led the orchestra for thirty-one years, to the 32-year-old Portuguese dynamo Joana Carneiro. Frameline, the nation's premier presenter and distributor of gay and lesbian films, reengaged a former development director to serve as executive director, brought an operating deficit under control, and presented a very successful summer festival to more than 30,000 patrons. Palo Alto's TheatreWorks is celebrating its fortieth anniversary in the 2009–10 season with a slate of fresh new works and is expanding its traditional audience base through partnerships with other arts organizations, including SEW Productions/Lorraine Hansberry Theatre, also a grantee. AXIS Dance Company took advantage of the sizable cash reserve it had prudently built to present a stellar season of work.

### **Helping Vulnerable Bay Area Arts Organizations**

We recognized that the recession and the resulting declines in giving by the region's major arts funders would hit poor communities very hard and could jeopardize construction projects already under way. In addition to making allocations from our Serving Bay Area Communities fund to support arts organizations working in underserved populations, we also requested a \$1 million allocation from the Special Projects budget to make grants to several vulnerable organizations. For example, a grant to the Z Space Studio allowed it to begin transforming an underutilized 50,000-square-foot space into a rehearsal and performance facility serving numerous small arts organizations in San Francisco's Mission District and generating revenue for Z Space.

The stress felt by the leaders and directors of arts organizations this year underscored the value of our Organizational Effectiveness (OE) grants. Because of the extreme need, we exhausted our initial allocation within six months. By year's end, we made fifteen OE grants (up from ten in 2008 and six in 2007). Though these grants are considerably smaller in dollar amount than the average general operating support grants we provide, this targeted capacity building support is crucial for arts organizations coping to survive in a hostile economic environment.

We recognized that spending more time communicating with our grantees would also be a constructive way to provide support during an especially anxious year. We conducted workshops for all grantseekers in advance of application deadlines and revised the description of our Program and our goals on the Hewlett Web site. We also talked frankly with executive and artistic directors about the rationale for reducing or terminating support for their organizations and notified them well in advance so that they could plan thoughtfully for the consequences of our decisions.

In addition to supporting artists and key arts organizations, we continue to make investments aimed at ensuring the long-term health of the sector. The Program's commitment to research and innovative thinking establishes the basis for our investments in gathering data on the cultural assets of the region and supporting arts educators and a rising generation of arts leaders.

Because of our early lead support in 2006 for the California Cultural Data Project, 38 participating foundations request Cultural Data Project profiles from their applicants, and more than 1,400 California arts organizations now submit information about their operations and audiences, which greatly enhances our ability to track and evaluate the health of the sector, and provides arts organizations with a powerful reporting tool.

As long as the Program provides general operating support to arts organizations, it will be imperative to invest in grantees' ability to recruit, train, and retain exceptional administrative and executive leaders. Following research conducted in 2008 on the state of talent development among Bay Area arts organizations, the Program released a report on next generation leadership and made grants to support increased networking, professional development opportunities, mentorship, and knowledge sharing for emerging arts leaders and grantee organizations.



### **Internal and External Leadership Changes and the Implications for 2010**

In November, John E. McGuirk, arts program director for the Irvine Foundation and a former Hewlett program officer, became our new program director, succeeding Moy Eng, whose eight-year term ended. We envision that 2010 will be a year of assessment and (re)discovery for the new director, while the Program staff will continue their efforts to support grantees in a challenging economic environment.

The change in leadership in Washington will affect our Program's future operations as well. While it is too early to anticipate Rocco Landesman's impact as the new chairman of the National Endowment for the Arts, there is already more federal funding for the arts than at any point since 1992. Not only did the President make good on a campaign pledge to increase funding for the NEA, but Congress added to his request. Funding in this year's NEA budget stands at \$172 million, up from \$144 million in 2008. Moreover, \$50 million in support for jobs in the arts sector was included in February's stimulus bill. Of that, more than \$1 million benefited Bay Area arts organizations, including forty-one Hewlett grantees.

As encouraging as this progress is on the federal level, the news for the arts closer to home is sobering. The calamitous condition of the California budget offers little hope that our state, already last in per capita state funding for the arts, will increase funding for the California Arts Council. In the United States, most public arts funding is provided by local governments, and the downturn in the economy has resulted in 20-40 percent reductions to dozens of our grantees who receive funds from San Francisco's city government, and even greater reductions to those who receive funds from the San Jose Office of Cultural Affairs. Oakland's cultural funding faced total elimination, but was preserved as a result of the testimony of hundreds of local artists and arts advocates at a marathon city council hearing.

We believe that as the largest arts foundation funder in the region, Hewlett has a special leadership role to play in helping to maintain the health of the Bay Area arts ecosystem and understanding the forces that will shape it in the years ahead. What the landscape analysis and on-the-ground reporting make clear is that the impact of this year's recession will be felt well into 2010. Whether or not the economy recovers soon, the arts sector will not rebound immediately. As we wait for the economic turmoil to settle, we will continue our ongoing support to exceptional arts organizations and maintain our investments in the field, which will pay dividends in the years ahead.

#### **A New Effort to Map the Bay Area's Cultural Assets**

This year, the Program retained **Fractured Atlas**, a national non-profit artist service organization, to develop the Bay Area Cultural Asset Map project, which will create a dynamic, interactive online database that aggregates information about where art is made, who is making and experiencing it, and how it's supported. This unprecedented tool will both deepen and broaden knowledge for arts and culture grantmakers and policymakers and will be a valuable resource for artists and nonprofit arts organizations (see the Infrastructure section for more on this project).

## **COMPONENT: Demand**

### *More opportunities for participation in arts experiences are available and accessed*

**ULTIMATE GOAL:** Robust public support for and participation in the arts.

**THEORY OF CHANGE:** By supporting high-quality, exceptional arts organizations that represent a range of aesthetics, disciplines, and communities; provide arts activities in nontraditional settings; use technology to make the arts accessible; and offer free or low-cost participation, we are increasing opportunities for Bay Area individuals to appreciate and participate in the arts. Through continued funding of state-level policy advocacy and programs that build local educators' capacity to deliver standards-based arts education, we can help enrich the quality of every child's education in California public schools.

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In 2009, the Performing Arts Program made multi-year general operating support grants to thirty-two organizations in the eleven Bay Area counties to help remove barriers to and encourage widespread and enthusiastic participation in the arts. Uneven audiences, leadership concerns, and financial problems have led to seven tie-off grants in this component in 2009.

One new entrant to the Hewlett portfolio in 2009 was Youth Movement Records (YMR), a youth-run recording company based in Oakland that focuses on building leadership, entrepreneurship, artistic development, and community involvement. In an area where fewer than half of the students finish high school, more than 90 percent of YMR seniors graduate. In the past year, YMR created the Musical Mentoring program, which paired five talented YMR students with two noted Grammy Award-winning musical directors, Larry Batiste and Claytoven Richardson. Together, they did intensive artist development, taught the youth about music and the business of music, and helped them produce original recordings.

The Program recognizes that the cost of tickets for live performing arts experiences can be prohibitive and supports organizations that provide free performances in public places, either as part of their core mission or as specific outreach programs to develop new audiences. In the past year, Hewlett grantees provided 1.3 million people in the Bay Area the opportunity to enjoy live arts performances at no cost. Families carrying picnic baskets are among the 100,000 people who head to the redwood forest for the Stern Grove Festival in San Francisco on summer afternoons every year to hear high-quality world, classical, jazz, and dance music. This past summer, hundreds of residents of the Berkeley and Orinda areas, many of whom had never heard live opera before, flocked to the free professional performances offered by Open Opera, a new Hewlett grantee created out of the belief that people of all ages and backgrounds should be able to enjoy free opera in public settings.

### **Increasing Access to the Arts in California Public Schools**

Recognizing that demand for the arts—including future artists, audience members, and cultural patrons—is often inspired in the classroom, the Hewlett Foundation has invested more than \$9 million since 2005 in exploratory grants to increase California public school students' access to arts education. These investments have supported research on the condition of arts education,

statewide advocacy efforts, model programs, and new initiatives. Undertaken as a collaborative initiative between the Foundation's Performing Arts and Education programs, these investments reflect the Foundation's belief that every one of the 6.5 million students in California's 10,000 public schools should have an education that includes the arts—music, theater, dance, and visual arts. Our research with SRI International has underlined the problem: California's schools fail to meet state requirements for arts education. Almost nine out of ten California schools (89 percent) fail to offer a standards-based course of study in all four arts disciplines. Among the barriers to arts in the classroom are a school week that is two hours shorter than the national average, and a lack of arts teachers: only 36 percent of classroom teachers reported that a credentialed music teacher provides instruction to their students. Add to the mix the state budget crisis that has resulted in the largest single budget cut (\$11 billion) ever made to public education in California, and the risk of the arts being eliminated from a comprehensive, quality public education is higher than ever.

During 2009, we continued our efforts toward ensuring that young people have access to arts education, albeit with a different approach than we had planned. While developing a ten-year statewide initiative with the Education Program, a greatly decreased grantmaking budget required us to postpone any long-term arts education plan. Instead, we hope to continue to invest in our current "anchor" statewide arts education grantees.

We are supporting the California State PTA's "Parents for the Arts" pilot initiative to engage more than a million parents and community members to effectively promote—in schools and beyond—the importance of arts education for every public school student. Hewlett-funded field research commissioned by the PTA indicates that parents understand that the arts help their children's self-esteem and learning and make them enthusiastic about school. Parents also believe that their children are not getting enough arts in school. These views support our belief that parents are prime candidates to become advocates for arts education, and that the PTA can create a movement of parents and community leaders demanding more art in California classrooms.

The series of six SRI International reports on the state of arts education in California, which started with "An Unfinished Canvas" in 2006, was completed with the release of two final reports in 2009: "District Capacity and the Use of New State Funds for Arts Education in California" and "Local Partnerships in Support of Arts Education in California." These reports were widely distributed to educators and arts practitioners across the state, as well as to legislators in Sacramento. During 2010, we will consider ways to use the data in a more widespread campaign about the importance of the arts as part of a quality education.

Three arts education forums held in 2009 with our grantees and education leaders helped to solidify both the need for maintaining momentum in arts education and the desire to work together as a field to ensure that California's students have standards-based, quality, sequential arts education as part of the core curriculum. Because of the extremely collaborative nature of the arts education field, the Foundation brought its grantees together twice with each other and with regional education and arts leaders, and also with grantee organizations of the Ford, Wallace, and Heinz foundations to continue the dialogue on the national stage. With cuts to state education budgets continuing to affect the provision of the arts in classrooms, arts education

**New Approaches to Audience Engagement: *The Center for Asian American Media's Digital Media Program***

In 2007, the **Center for Asian American Media** (CAAM) received an Excellence Award from the Wallace Foundation to support a new strategic initiative using advances in digital media to broaden and diversify its audience base for the San Francisco International Asian American Film Festival. CAAM used the resources from this investment to launch a new Digital Media Program, which works to increase CAAM's use of digital media and online tools to engage audiences and build an online community interested in and committed to Asian American film.

The Digital Media Program's first accomplishment was the launch of a new CAAM Web site, which provides information and resources to all of CAAM's audiences: festival attendees, filmmakers, and people looking to purchase films or just learn more about the organization and its programs. CAAM also integrated digital media into its 2008 and 2009 film festivals through "Festival Interactive." This new program enabled attendees to record their festival experiences at on-site interactive booths outfitted with computers and webcams. Recorded interviews and testimonials were then featured on CAAM's new Web site. Festival Interactive also included components such as "Woman on the Street," with Web correspondents in conversation with festival attendees and filmmakers.

advocates, funders, and practitioners will need to continue to make the case at all levels of government that the arts are central to a comprehensive education.

**COMPONENT: Supply**

*Exceptional works of art are created, performed, and preserved*

**ULTIMATE GOAL:** A community of diverse, high-quality artists living and working in the Bay Area.

**THEORY OF CHANGE:** By supporting high-quality, exceptional arts organizations that sustain and refresh traditional art forms and that develop new and innovative work in a diverse range of aesthetics and disciplines, we ensure that exceptional works of art are created, performed, and preserved. We also accomplish these goals by providing a range of support for individual artists through intermediary service organizations, regranters, and residency and commissioning programs.

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Historically, the majority of the Performing Arts Program's resources have been invested into Supply. The Program currently funds nearly 150 organizations (out of a total of more than 200 grantees) through our Supply component. As we have increased our investment in Demand to a comparable level, we've had to make some tough choices about which organizations to exit within Supply. We have provided concluding grants or terminated funding to ten organizations, including national service organizations and some regional symphonies.

In 2009, we made renewal grants to twenty-seven organizations, working across a range of art forms, regions, and Bay Area communities. We also supported a limited number of new organizations that are cultivating new audiences and training new art makers for the Bay Area arts ecosystem. The Queer Women of Color Media Arts Project, which provides free training in filmmaking to nearly forty women each year and produces the annual (and free) Queer Women of Color Film Festival, is one of our new grantees working at this important intersection of artist training and audience development.

Despite challenges posed by the economy, Hewlett-funded organizations that specialize in creating and presenting high-quality art continued to make notable accomplishments in 2009 and helped make the Bay Area a hothouse for the creation of new work. For many of our organizations, keeping the lineup fresh and building in mechanisms for programmatic risk-taking have proven a powerful combination for weathering the storm. Two regional theaters, Berkeley Repertory Theatre and Shotgun Players, sent new works to New York for on- and off-Broadway runs, and the Aurora Theatre Company saw packed houses and extended runs of every show in its season, which included many new plays. In a similar vein, presenters and producers of Western classical art forms also benefited from engaging new and existing audiences with new work. The San Francisco Opera's adaptation of Amy Tan's award-winning novel *The Bonesetter's Daughter* received rave reviews, and the San Francisco Ballet's New Works Festival brought renowned choreographers and sold-out audiences together to view the future of ballet.

### **Researching the Best Approach to Funding Intermediaries**

Over the last twenty years, the Performing Arts Program has made grants to nearly thirty intermediary organizations to support the work of individual artists, small-budget organizations, artistic initiatives among specific populations, and statewide field development. We currently support seventeen organizations for this purpose, with more than \$5 million in active grants. These intermediaries include arts councils, regional and national service organizations, and foundations. They use Hewlett funds to offer grants and technical assistance to numerous artists and organizations that the Foundation cannot support directly, in part due to the small size of our staff. For example, the Headlands Center for the Arts' Artist in Residence Program provides time, space, and support for more than thirty artists each year. Many alumni go on to receive prestigious awards, such as Walter Kitundu, the sound and installation resident artist, who received a 2008 MacArthur Fellow "Genius" award for his invention of original musical instruments.

The Program commissioned a study of the effectiveness of our multifaceted and multi-agency approach to working with intermediary organizations and the impact that these intermediaries have on the artists and arts groups that they support with Foundation dollars. This 2009 study provides recommendations currently under consideration on how to work strategically with intermediaries to achieve the Program's outcomes.

### **COMPONENT: Infrastructure**

#### ***Strong infrastructure supports arts creation, presentation, and participation***

**ULTIMATE GOAL:** Enough physical assets and intellectual resources exist to provide for arts creation, presentation, and participation.

**THEORY OF CHANGE:** By investing in the improvement of organizational and financial management of nonprofit arts organizations, the information available to arts and culture funders, and facilities available for artistic use, we will help strengthen the resources that enable arts experiences to happen.

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### **Providing Grantees with Technical Assistance**

Technical assistance and data gathering activities are central to achieving our goal of strengthening the financial, managerial, and governance health of nonprofit arts organizations. Since 2006, the Performing Arts Program has invested more than \$870,000 in thirty-one Organizational Effectiveness grants for our grantees, who used them to engage external consultants on a range of projects that we believe have placed the organizations on stronger footing. For instance, a strategic planning grant to Somos Mayfair—an organization that uses grassroots theater to improve the welfare of families in the Mayfair neighborhood of San Jose—helped it set programming and organizational development priorities and strengthened relationships among its staff, board, and community. An Organizational Effectiveness grant to help New Century Chamber Orchestra develop a strategic marketing plan in conjunction with its new music director's inaugural season contributed to large increases in the organization's income from single-ticket purchases.

The Program has also invested in giving organizations technical assistance with financial and organizational development issues that are particularly challenging in this recession. We supported Arts Council Silicon Valley in bringing the Pricing Institute—a workshop that offered participants a solid grounding in the economic principles of ticket pricing as well as a framework for considering future pricing decisions—to Bay Area performing arts organizations. Using matching funds from Special Projects, we gave \$150,000 in supplemental support for the Arts Loan Fund at Northern California Grantmakers, which provides quick-turnaround, low-cost loans to Bay Area arts organizations facing short-term cash flow challenges. In 2010, we will continue to provide strategic, timely Organizational Effectiveness grants and support for group technical assistance so that grantees can improve their organizational and financial systems in ways that will sustain them through this tough economy.

### **Launching New Initiatives: BACAM and Next-Generation Arts Leadership**

Ongoing support for the infrastructure of the arts ecosystem will be increasingly important as the sector adjusts and adapts to new economic circumstances. Our investments in new initiatives to launch BACAM (the Bay Area Cultural Asset Map – an interactive map showing the location of performing arts organizations, venues, and artists) and support emerging arts leaders will amount to \$1.3 million in 2009 and 2010.

In spring 2009, we gathered a group of leading thinkers to advise us on the BACAM strategic plan, developed in 2008. Phase I of the plan will involve building and piloting a few user-specific modules that will allow us to test some hypotheses about the kinds of data that could be usefully displayed in a dynamic mapping interface for audiences like artists, arts grantmakers, policymakers, and arts advocates. Our advisors also affirmed our goal to build revenue-generating mechanisms into an online tool to improve BACAM's sustainability over time. Phase I was launched in December 2009; upon completion in winter 2010, it will be evaluated by internal and external stakeholders, leading to a decision about further investment.

Our support for next-generation arts leadership took shape in 2009 grants to organizations that will increase networking, professional development opportunities, mentorship, and knowledge sharing for emerging arts leaders and the grantee organizations for which they work. Grants to San Francisco Bay Area Emerging Arts Professionals and 1stAct Silicon Valley will enable emerging arts leaders to network and promote new agendas in their organizations and communities. A grant to the Center for Cultural Innovation will fund stipends for young arts managers to participate in professional development opportunities—such as conferences, trainings, and seminars—at a time when arts organizations are slashing their budgets for such activities. In addition to these grantmaking activities, the Program has included questions in its application to help us better understand our grantees' support for emerging leaders and to develop a baseline for measuring this activity in the field.

### **Collecting Data and Putting It to Work**

The California Cultural Data Project (CACDP), a statewide database of the cultural sector's financial and organizational information, has been gaining traction since its launch in January 2008. More than 1,400 organizations are participating (41 percent in the eleven counties of the Bay Area), and 38 funders are accepting CACDP data as part of their grant application processes (and in some cases requiring it, as does the Performing Arts Program). It is time to aggregate and analyze this information in ways that can help funders, policymakers, the media, arts practitioners, and the public identify critical issues and trends affecting the nonprofit arts sector. A formal scan was completed in 2009 to prioritize issues in the field and identify research in development or in process across California. In addition to providing funds for CACDP, we are providing leadership to guide statewide research priorities, encourage other arts funders to financially support CACDP, and require applicant organizations to complete CACDP profiles. This important tool has already made it easier for the Program to identify baselines and targets for the health of the Bay Area arts ecosystem.

As a result of our CACDP investment, we are now able to track our grantees' financial data in a systematic and standardized way. We are also able to compare our grantees' performance to overall trends among Bay Area arts organizations. We determined three measures to be important in assessing an arts organization's financial health:

- *Is the organization debt free?*  
Although revenue is declining in many organizations, Hewlett grantees will be better able to attract funding and remain effective if they can weather the economic downturn without accruing or deepening operating deficits. Thus, we look carefully at this indicator of financial health and offer grantees technical assistance seminars and workshops on budget planning and instituting good financial control systems.
- *Is at least 60 percent of an organization's income earned revenue (as opposed to contributed)?*  
Although arts organizations have experienced recent declines in contributed income from individuals, foundations, and corporations, the sector has been buoyed by the fact that ticket sales—the principal source of earned revenue—have remained somewhat constant.

Thus, we expect to see earned revenue increase as a percentage of total revenue for most organizations in the Bay Area arts ecosystem.

- *Does the organization have at least three months of cash reserve?*

Based on best practices in the field, a financially healthy nonprofit should have three months of cash reserve. Hewlett grantees, on average, have two months of reserve, which is an area of concern; however, the typical Bay Area arts organization has only one month in the bank. We expect organizations to draw down on cash reserves in 2009—hence the decrease in reserves from 2 to 1.8 months—but to still maintain healthy cash reserves.



## **PHILANTHROPY PROGRAM 2009 REPORT TO THE BOARD**

### **OVERVIEW**

It is easy to give money away, but difficult to do it well. The Philanthropy Program works to ensure that donors—including the Hewlett Foundation—have the tools and resources they need to make good decisions.

Consider Jeff, a successful entrepreneur living in Kansas City. For years, he and his wife, Annie, were generous but admittedly unstrategic philanthropists.<sup>1</sup> They felt they did not have a clear sense of what they were accomplishing or even what they were supporting. Their dollars underperformed on the issues they cared about.

Then Jeff and Annie began a relationship with the Greater Kansas City Community Foundation (GKCCF) that transformed their philanthropy. Jeff and Annie used GKCCF's online platform, DonorEdge, to examine detailed information about nonprofits in the Kansas City area. Now, Jeff and Annie give only to organizations that are clear about their goals and strategies and that can demonstrate impact. GKCCF gives Jeff and Annie a regular "Charitable Investment Review" that reports and analyzes their total giving—and is specifically designed to help donors be more focused and clear. The first tool holds the nonprofits accountable; the second holds the donors accountable.

With the Hewlett Foundation's support, GKCCF has "franchised" this model to twelve community foundations from Orlando to San Diego. Now, more than \$100 million in annual giving is enriched and improved by these tools. Complex problems like closing the educational achievement gap will not be solved with haphazard resource allocation. Jeff and Annie's giving was haphazard and might have stayed that way without GKCCF's intervention. Now, the Marshalls' giving is intentional and infused with accountability. It is far more likely to achieve a lasting impact.

Smart infrastructure for smart giving is essential to achieve the goals of the Hewlett Foundation, not to mention improve the overall health of civil society. Projects like the one in Kansas City are only a start—total giving in the United States is \$300 *billion* each year—but they show it is possible to transform philanthropic giving by creating basic support systems for donors and grantees.

The Hewlett Foundation's Philanthropy Program works to increase the impact of philanthropic dollars at three levels: (1) the field of philanthropy as a whole; (2) the Foundation's grantees; and (3) the Foundation's own grantmaking. We are helping build an infrastructure to enable better giving choices, like those available to the Marshalls. We strengthen our own grantees through Organizational Effectiveness grants. And we contribute to planning and evaluation procedures that shape the design of grantmaking strategies and improvement on them over time.

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<sup>1</sup> Names have been changed to protect the privacy of these donors.

The Foundation made its first grants to strengthen the infrastructure of philanthropy in 2001. By infrastructure, we mean the service providers, databases, tools, and associations that serve all donors and define the structure for the entire philanthropic marketplace. In August 2009, we took time to look back at the Foundation's eight years of philanthropy-related grantmaking and saw evidence of lasting impact. Consider four of the Program's anchor grantees:

- **The Bridgespan Group** helped create a new industry of strategy consulting for nonprofits and foundations. Bridgespan's research on strategic planning and nonprofit management set a new standard for quality—and its relentless focus on impact redefined how nonprofits think about their work. Bridgespan has published seventy-five detailed case studies, reports, and white papers on topics ranging from scaling to evaluation that have been viewed or downloaded 387,000 times in the last year. One recent piece, "10 Funding Models for Nonprofits," was downloaded 20,000 times in one month. (The Foundation supports Bridgespan's knowledge development and dissemination activities, not its individual consulting.)
- The **Center for Effective Philanthropy** has created the first-ever open, systematic mechanism to hold foundations accountable. One hundred seventy-eight foundations—including Hewlett and most of the largest foundations—have gathered feedback from more than 40,000 grantees through the Grantee Perception Report. More than 90 percent of the Center's clients say the results have helped them improve their performance.
- The *Stanford Social Innovation Review* is now a dominant magazine in the social sector. A recent survey by Bridgespan of nonprofit and foundation managers found that *SSIR* was the single most influential publication in the field—ahead of both the *Harvard Business Review* and the *Chronicle of Philanthropy*. The critical questions of the day are addressed on its pages—and its articles are read by more than ten thousand practitioners and donors.
- **GuideStar** is the central database of the nonprofit sector. With information on 1.6 million organizations, it is by far the most comprehensive source of data about nonprofits. The Foundation's support has helped GuideStar to go beyond compiling financial data and build an increasingly rich database of information about nonprofit plans, programs, and results.

The Hewlett Foundation is one of the two largest supporters of each of these four organizations. Without our investments, each would have less of a presence in the field. Infrastructure organizations like these offer the potential to increase the impact of the entire field of philanthropy.

In 2009, an important new variable influenced the Philanthropy Program's work. The Obama administration launched the White House Office of Social Innovation. For the first time in decades, the federal government is actively engaged in strengthening philanthropy and the nonprofit sector. A signature initiative of this new office is the Social Innovation Fund, which was appropriated \$50 million to provide growth capital to nonprofits with proven impact. We are hopeful that this new fund will prove to be an effective force for philanthropy.

## **COMPONENT: Philanthropy Infrastructure**

**ULTIMATE GOAL:** Philanthropic giving achieves as much social and environmental impact as possible.

**THEORY OF CHANGE:** Donors are more likely to maximize the impact of their dollars if they use good information about nonprofit performance to inform their decisions (*Nonprofit Marketplace*) and have access to high-quality research and analysis (*Knowledge about Philanthropy*). We focus our efforts on wealthy individuals, although many of the tools and resources provided by our grantees are also used by foundation staff and smaller donors.

**Nonprofit Marketplace:** In order to give money to high-performing organizations, donors need to have easy access to impact-oriented data about the goals, strategies, and results of nonprofits. Accordingly, the Program funds efforts to increase the (1) **supply** of information about nonprofit performance and (2) **demand** for that information by donors. Finally, the Program funds efforts to build the (3) technical **architecture** to make it easy for donors to access this information.

**Knowledge about Philanthropy:** Philanthropy is a complex and evolving field. Donors need high-quality research and analysis to inform their practice. The Program funds (1) **academic institutes** and (2) **consulting firms** that do research on good philanthropic practice. In addition, the Program funds (3) **dissemination channels** like magazines and Web sites to ensure that the research reaches its intended audience.

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### **Progress in 2009**

#### ***Nonprofit Marketplace Initiative***

In 2009, the Philanthropy Program continued to devote much of its attention and resources to the Nonprofit Marketplace Initiative. The Initiative's goal is to have more donors use good information about nonprofit performance when making giving decisions. We spent much of the year focused on increasing the *supply* of good information about nonprofit performance in order to inform better giving decisions. As a result, we have built a portfolio of organizations that use a variety of approaches to provide donors with better information: beneficiary reviews (GreatNonprofits), expert surveys (Philanthropedia), detailed analysis (GiveWell), and self-reported information (GuideStar). Each of these perspectives offers unique insight into nonprofit performance.

This fall, the Program helped to set the stage for what may prove to be one of its most important successes: a single, standardized framework for self-reported information from nonprofits in the United States. We facilitated negotiations to establish one common framework among three key organizations: GuideStar (the largest database of nonprofit information), Independent Sector (the leading advocacy voice for nonprofits in Washington), and Better Business Bureau Wise Giving Alliance (the most respected certifier of nonprofit accountability). In other fields, such agreement would be a small victory. But the diversity of this sector and the difficulty of measuring impact make basic standardization very difficult. It took two years of conversations and a set of targeted grants to reach this agreement, which could have profound implications for the way that nonprofits communicate with donors, policymakers, journalists, and each other.

In 2009, we also made investments to increase donors' desire for this type of information—the *demand* side of the marketplace. Survey data shows that 58 percent of wealthy donors would give more if they were able to determine the impact of their gifts. And all of our grantees report anecdotal increases in donors' interest in better programmatic information. However, less than 0.1 percent of giving currently happens through an online marketplace with good information.

There are two primary ways to increase demand: retail and wholesale. Retail efforts try to convince donors one at a time that this information is important. A typical wholesale strategy would work with channels like banks to make the information easily accessible to groups of donors all at once. The Foundation made years of fruitful “retail” investments through its donor education strategy. The donor education field is maturing and moving toward self-sustainability. For this reason and because of our diminished program budget, the Philanthropy Program is phasing out its “retail” donor education work. In 2009, we invested significant time to ease our exit from the donor education field—which included concluding the Foundation's role as host of The Philanthropy Workshop West. In particular, we funded efforts toward a common evaluation platform among donor education programs. We also began investments in wholesale efforts to increase demand by increasing convenience. For example, in 2009, we funded the Root Cause Institute's work with financial advisors to make nonprofit performance information available to their clients.

It is worth noting that we failed to meet one goal in 2009: the number of community foundations that adopted the DonorEdge platform to share nonprofit performance information with donors in their communities. While we are pleased that twelve community foundations have adopted this platform, we had hoped to reach twenty by the end of 2009. The economic crisis greatly constrained community foundations' ability to adopt new tools. In 2010, we hope to make up for lost time in building this network of engaged community foundations.

### ***Knowledge about Philanthropy***

In addition to the Nonprofit Marketplace Initiative, the Philanthropy Program also works to strengthen the broader philanthropic infrastructure—with a focus on high-quality research about strategic philanthropy and effective nonprofit performance. Our portfolio has included key independent research providers (Bridgespan, Center for Effective Philanthropy, FSG Social Impact Advisors, and Grantmakers for Effective Organizations) and the most important dissemination channels (*Stanford Social Innovation Review*, IssueLab, and *Alliance Magazine*). We will continue to work with these organizations to ensure that their high-quality analysis is available where and when a practitioner needs it. Even with improved online platforms and better collaboration among these content providers, only a small percentage of donors and nonprofit executives regularly access the best content. Foundation-funded philanthropy research could have a greater impact if a stronger infrastructure placed findings where they could be easily used.

In 2009, our grantees made their research and analysis much more accessible to donors and nonprofit managers. Bridgespan transformed its Web site from a mere list of papers to the first comprehensive resource on nonprofit management—including research and analysis from other organizations. The launch earned coverage in the *New York Times*, and tens of thousands of

people have downloaded the site's resources. Another grantee, FSG Social Impact Advisors, launched comprehensive new resources to help donors evaluate their impact—including tools specifically designed for foundation trustees. FSG also released a major Hewlett-funded report, "Breakthroughs in Shared Measurement and Social Impact," on how groups of organizations can agree upon and use common evaluation standards and platforms—the kind of approach that gives logic and power to the ClimateWorks network.

## **Plans for 2010**

### ***Nonprofit Marketplace Initiative***

On the supply side in 2010, we will help information providers develop lasting business models and find a path to financial sustainability. We will measure our success according to the number of available quality nonprofit profiles and on progress toward establishing sustainable business models.

We will turn more attention to another part of the Nonprofit Marketplace Initiative's strategy: the "architecture," or infrastructure, that gets this data to donors. Right now, high-quality information exists in different formats on different Web sites—and a donor would have to invest a lot of time to learn about the best nonprofit organizations in a substantive or geographic area. It would be much easier for donors if all of this information were available in one place. Even better would be if it were aggregated and organized on a site where donors regularly operate—whether that would be a search engine (Google), a social networking site (Facebook), a retail banking interface (Wells Fargo), or a donor-advised fund (Fidelity). Accordingly, in 2010 we will work to establish common technical standards to enable sharing of information across different platforms. In addition, we are working with the financial services industry to offer this information to donors when they are interacting with their money. We can begin to measure our progress by counting the number of formal information sharing partnerships among these different organizations. For example, GuideStar shares its information with Fidelity, which makes that information directly available to its clients. There are currently eighty-eight of these partnerships. By the end of 2010, we hope to add half again as many. In all of our work, we ensure that the charitable benefit to the community of increased philanthropy exceeds the benefit to the for-profit partners that are part of our strategy, and that particular for-profit partners are not favored over others.

A critical challenge faced by the Program is the ongoing financial viability of its grantees. The Program has funded several organizations that are improving donor decisions and building a culture of accountability and performance in the nonprofit sector, but lack proven business models for the medium or long-term. The analyses of nonprofit performance provided by the Foundation's grantees (Philanthropedia, GiveWell, and GreatNonprofits) are public goods that anyone can use for free. But they are subject to free-riders, who do not pay for the information they use. The Foundation has faced a similar problem in its Open Educational Resources grantmaking.

The Hewlett Foundation can provide subsidies to these organizations for a time, but to ensure these services are available in the long run, we will need to find lasting business models for

them. One possibility is to have donors voluntarily pay organizations for the information they provide. Some organizations (e.g., DonorsChoose and Kiva.org) have had some success getting donors to give a portion of their donations to a platform that helped them. However, it is not clear that enough donors will be generous to the platform that allowed them to be generous to their chosen nonprofits in the first place.

Perhaps the most promising option is to build a system in which the financial services industry covers the costs of this infrastructure. Banks, financial advisors, and wealth managers have told us that their clients are demanding better information about nonprofit performance, which may soon be a source of competitive differentiation. We are working with other organizations—including grantees Root Cause Institute and GuideStar—to try to find a product that can be sold to financial institutions to provide a revenue stream to pay for this analysis in the long run.

### *Knowledge about Philanthropy*

In 2010, we will reexamine the Program's funding of academic research institutions that study philanthropy. In contrast to independent research providers and consulting firms, which can point to direct evidence that their research improves practice, the outcomes of academic institutions have a longer time horizon, and it is difficult to trace the direct impact of their work.

## **COMPONENT: Organizational Effectiveness Program**

**ULTIMATE GOAL:** Hewlett grantees supported by the Foundation's Organizational Effectiveness program increase their ability to become high-performing, impact-focused organizations.

**THEORY OF CHANGE:** Strong organizations<sup>2</sup> are more likely to achieve their missions. Targeted capacity-building grants can strengthen grantee management, leadership, strategies, and systems and thereby improve organizational health and effectiveness. Healthy grantee organizations minimize risk in the Foundation's grant portfolios and leverage the Foundation's other investments in our grantees and their work.

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The Foundation's Organizational Effectiveness (OE) program is based on the premise that strong organizations are more likely to achieve their goals. Since its inception six years ago, the OE program has funded nearly 250 capacity-building projects designed to strengthen grantee organizations. Typically, grantees use these supplemental funds to hire outside consultants who help them think through issues related to strategic planning, communications, fundraising, leadership transition, evaluation systems design, and board development, among others.

### **Progress in 2009**

#### *Helping grantees through the economic downturn*

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<sup>2</sup> A strong organization has both effective governance and systems for management, clear goals, and coherent, well-implemented strategies for achieving those goals. A strong organization is able to adapt to changing circumstances in the field in which it works, and its people are committed to continually reassessing how well they are moving toward their goals.

In the current difficult economic climate, in which our grantees face increasingly limited resources, many are taking a step back to reassess how they can achieve their short- and long-term goals. Demand was strong this year for capacity-building grants to help our grantees reevaluate strategy and put in place contingency plans with the goal of keeping their organizations relevant, stable, and even thriving during these challenging times. As in previous years, support for strategic planning work remains by far the most commonly requested Organizational Effectiveness project, which will represent well over a third of the fifty-five total OE grants we anticipate awarding by the end of 2009. In a change from previous years, however, grantees are increasingly expressing interest in exploring a range of collaborations with other organizations, from “light-touch” partnerships to sharing back-office functions to outright mergers.

Findings from the Center for Effective Philanthropy’s *Hewlett 2009 Grantee Perception Report* suggest that grantees that received supplemental OE grants in addition to their primary grants rate the Foundation more highly across a number of important measures than do Hewlett grantees that did not receive OE grants. OE grant recipients gave Hewlett significantly higher ratings on overall satisfaction, impact on grantees’ organizations, impact on grantees’ ability to continue funded work in the future, helpfulness of the selection process, and responsiveness of program staff, among other measures.

Representative OE grants awarded in 2009 include these:

- A \$30,000 grant for Population Program grantee National Partnership for Women and Families is helping the organization clarify and define the roles of the executive leadership team and provide direct coaching to senior staff.
- A \$15,400 grant to Performing Arts Program grantee Community Music Center allowed the organization to hire a consultant to help plan for the significant challenges it is facing related to the economic downturn and resultant decreases in funding. Beyond an updated five-year strategic plan, this grant will cover succession planning for the Center’s long-serving executive director.
- A \$69,000 grant is enabling Global Development Program grantee International Initiative for Impact Evaluation to benefit from board governance expertise, training, and facilitation services provided by Board Source, which are needed as the organization transitions from an interim founding board to a permanent governing board.

Additionally, the Communications Department, in collaboration with the Communications Leadership Institute, hosted a well-received, three-day workshop on strategic communications for staff members from fifteen Hewlett grantee organizations.

### **Plans for 2010**

In 2010, we anticipate collaborating with program staff across the Foundation to award more than fifty capacity-building grants, averaging \$40,000 per grant, to strengthen the organizational health of Hewlett grantees. We also plan to continue funding the Hewlett Communications Academy for grantees. Philanthropy Program staff anticipate continuing to spend time serving as

resources and coaches to others, both internally to help Hewlett program staff effectively diagnose and address their grantees' capacity-building needs, and also externally to provide technical assistance to the growing cadre of other funders launching or refining their own grantee capacity-building programs.

### ***Measuring and assessing progress more effectively***

In the past we have tried to gauge the success of an Organizational Effectiveness grant by asking the grant recipient questions such as, "Did the project meet its goals, and why?" However, this approach does not allow us to fully understand an OE grant's impact on a grantee organization over time.

In 2010, we will attempt to improve our assessment processes further by piloting new OE application and reporting requirements. The new grantmaking materials should help us gather more useful baseline data on a grantee's organizational health before the OE grant is made, and then to track an OE grant's effect on this status over time.

While seemingly simple at first glance, making progress on such assessment will be no small feat. Part of the reason is that grantee organizations are complex, dynamic systems with many variables influencing their organizational capacity and performance at any one time. The challenge will be isolating the effects of small capacity-building grants on the overall health and performance of grantee organizations.

We also have plans to assess two other OE-supported grantee training programs. First, the Communications Department is commissioning a study of the effectiveness of Hewlett's Communications Academy programs offered to staff from over 180 grantee organizations in the past five years. Additionally, we'll gauge the value of a new initiative piloted in October 2009 through which the OE program sponsored 80 senior-level executives from grantee organizations to attend the *Stanford Social Innovation Review's* Nonprofit Management Institute. Through this initiative, we sought to provide individuals who have significant leadership responsibilities and influence at the grantee organizational level with nonprofit management training and access to resources on topics that will help them to more effectively lead their organizations through the economic downturn.

## **COMPONENT: Hewlett Foundation Effectiveness**

**ULTIMATE GOAL:** The Foundation maximizes its impact in its fields of funding.

**THEORY OF CHANGE:** The Foundation is most effective when its programs develop clear goals and coherent grantmaking strategies and use measurable indicators to assess their progress.

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In addition to its broader efforts in the field, the Philanthropy Program works to strengthen the effectiveness of the Foundation's own work through what we call "outcome-focused grantmaking." This approach requires the creation of clear goals, coherent grantmaking



strategies, and ways to measure progress so that program staff members can adjust those goals and strategies along the way.

To support this work, Philanthropy Program staff work with the Foundation's programs and administrative departments to strengthen planning, evaluation, and grantmaking systems and processes. We also work with the President and Vice President to create and moderate staff meetings that allow staff to learn from each other and build their skills as strategic grantmakers.

## **Progress in 2009**

### ***Making outcome-focused grantmaking part of Foundation culture***

The Foundation continues to make progress in integrating outcome-focused strategies into day-to-day grantmaking. A key element of this work is the use of "expected return" calculations to estimate the impact of potential grantmaking goals and strategies. Expected return calculations factor in costs, benefits, and risks associated with particular grantmaking strategies. These baselines can help inform and test program staff's intuitions. Upon completion of this process, staff have constructed a well-researched roadmap that helps them choose the highest impact portfolio of grants and gives them the ability to measure progress toward their stated goals. In 2009, we continued to learn about the benefits and limits of this approach, particularly when large margins of error sometime underlie estimates. The survey of Hewlett Foundation staff in 2009 showed statistically significant improvement in staff's rating of the effectiveness of the Foundation's approach to developing program strategies (up from a 45<sup>th</sup> percentile ranking in 2006 relative to our peers to the 75<sup>th</sup> percentile in 2009).

The Hewlett Foundation has made outcome-focused grantmaking a priority, and we are sharing what we are learning. A recent Hewlett report, *Doing Good Today and Better Tomorrow: A Roadmap to High Impact Philanthropy Through Outcome-Focused Grantmaking*, provides an overview of recent innovations that have improved the process and the work that remains to overcome challenges and roadblocks. This report is available on the Hewlett Foundation Web site at <http://www.hewlett.org/what-we-re-learning/our-approach-to-philanthropy>.

### ***Strengthening the annual planning cycle***

To further integrate outcome-focused grantmaking across the Foundation, Philanthropy Program staff worked with the President and Vice President to refine the foundation-wide annual planning cycle. The goal was to create clearer links between the programs' annual goal setting and their multi-year strategic plans. Too often those plans simply gathered dust on shelves and weren't closely tied to the nuts and bolts of grantmaking. This new, more effective annual review process is enabling program staff to hold themselves increasingly accountable for the impact of their grantmaking. As part of this, staff in all programs now consistently use logic models, which make explicit the causal link between activities and results, and strategy charts, which measure goals and progress and are available on the Board extranet.

### ***Monitoring, evaluation, and ongoing learning***

The programs also have made significant progress in identifying measurable goals and indicators of progress. This is an essential step in outcome-focused grantmaking because it defines yardsticks that help staff determine whether their work is on track toward their defined outcomes. Clearly defined outcomes help staff pick the most appropriate grantees, better assess progress against program goals, and make midcourse corrections to grantmaking strategies.

Program staff meetings are another vehicle to strengthen the effectiveness of Hewlett's grantmaking through peer learning. Philanthropy Program staff facilitated more than a dozen cross-program discussions in 2009 aimed at learning and building grantmaking skills, sharing experience on program design, and providing feedback on strategies and grant recommendations.

In 2009, Philanthropy Program staff worked with the Center for Effective Philanthropy to gather our grantees' and staff members' views of the Foundation's performance through surveys for Grantee Perception and Staff Perception reports.

The results suggest that, relative to other large private funders, grantees perceive the Hewlett Foundation to be a leader in these areas:

- Impact on grantees' fields
- Understanding of grantees' fields
- Advancing knowledge in grantees' fields
- Effects on public policy
- Impact on grantee organizations
- Understanding of grantees' goals and strategies

Opportunities for improvement, which will be areas of focus for the Foundation in 2010, include:

- Communicating Hewlett's goals and strategies
- Helping grantees sustain their work into the future beyond the end of their Hewlett grants

### ***Refining grantees' application and reporting requirements***

Among the crucial aspects of outcome-focused grantmaking are the proposals and subsequent progress reports of grant recipients. Our program staff try ask prospective and current grantees only for the information that is needed for effective grantmaking; no more, no less. Still, both staff and grantee survey findings point to opportunities for a number of Hewlett's programs to ensure that the administrative requirements placed on a grantseeker or grantee are appropriate to the size, type, and strategic importance of the grant, and also reflect any existing relationship with that organization. Upcoming work in this area will explore ways to streamline administrative work for renewal grants and build more flexibility into proposal guidelines.

### **Plans for 2010**

In 2010, we'll continue to review the Foundation's processes and systems with an eye to strengthening outcome-focused grantmaking. We will explore whether we can improve the documents program staff use to justify grant recommendations and to assess grantees' success in ways that strengthen their strategic value. We'll also collaborate with the programs and administrative departments to explore themes from Hewlett's recent Grantee Perception and Staff Perception reports to share the good practices of individual programs across the Foundation as well as address the handful of areas where all programs show room for improvement. As an example of the latter, improving grantees' understanding of how their grants fit with Hewlett program strategies is a Foundation-wide priority for 2010. Toward this goal, programs across the

Foundation will more systematically make their goals, strategic plans, and evaluations available on the Web, when appropriate.

## **POPULATION PROGRAM 2009 REPORT TO THE BOARD**

### **OVERVIEW**

The Population Program has two goals: (1) to promote and protect reproductive health and rights; and (2) to help countries stabilize their populations in ways that maximize human well-being and sustain the environment. These goals are mutually reinforcing and interdependent.

Women cannot achieve the full benefit from reproductive health services if their reproductive rights are highly constrained. Some of the Population Program's grantees directly increase the quality and supply of family planning services. In sub-Saharan Africa, relatively few women are aware of the current array of safe and effective methods of contraception. As the supply of family planning services increases, social norms change and generate additional demand among more couples. Improvements in the quality of life through education, better health, and rising incomes also increase the demand for family planning. As couples choose to control the number and spacing of their children, rates of population growth decline thereby reducing both environmental strains and carbon emissions.

The change in the policy environment in the United States this year augurs well for both the international and domestic goals of the Population Program. Despite the economic crisis, U.S. funding for international family planning and reproductive health rose to \$545 million in 2009 from \$463 million in 2008 and is more than \$600 million in 2010. Under the Obama administration, the U.S. President's Emergency Plan for AIDS Relief has already signaled a much greater interest in prevention, for which family planning and reproductive health expenditures are essential. However, other restrictions on comprehensive services persist.

On the domestic side, similar positive developments have occurred. Congress removed funding for abstinence-only sex education from the budget and replaced it with support for programs of proven effectiveness. The 2010 federal budget proposed expanding Medicaid waivers to enable more low-income women to access family planning services and also increased other public funds for family planning and reproductive health. The administration announced a new effort to reduce abortion rates by preventing unwanted pregnancies, a strategy closely aligned to the Foundation's Special Initiative to Reduce the Need for Abortion in the United States.

The new policy environment has created new opportunities, but transforming opportunities into concrete progress will require sustained effort over the next several years.

### **International Highlights from 2009 and Implications for 2010**

This year, the Foundation's work with European governments to support policy research on population and poverty in sub-Saharan Africa has grown to include collaborations in West Africa, which has far higher fertility and rates of maternal mortality and morbidity than eastern and southern Africa. The Foundation is coordinating with a group of important European bilateral funders to support programs in this region to expand access to family planning and reproductive health services and improve reproductive rights. This work allows significant leveraging of the Foundation's resources in an underserved part of Africa.

For the last three years, we have been examining ways in which the Foundation's family planning and reproductive health advocacy support could be more effective. Historically, this advocacy work has been rooted in the developed world and focused largely on obtaining more money. This year, our grantmaking aims to strengthen sub-Saharan African leadership in the advocacy agenda and to make the case for ensuring that resources are not only increased, but also spent well. This revised advocacy approach has received strong support from both civil society organizations and high-level political leaders in sub-Saharan Africa. During 2010, the Foundation will closely monitor the implementation of this enhanced advocacy work.

The studies on the links between population growth, reproductive health, and poverty are well under way, and the first group will be completed next year. In 2009, work began on a comprehensive communications strategy to ensure that key stakeholders—ministers of finance, development economists, and policymakers in development cooperation agencies—will benefit from the studies' insights into how the reproductive status of women in sub-Saharan Africa affects their household income and how population factors impact economic growth. This body of work will help position family planning and reproductive health on the development agenda.

Our most important international policy priorities for 2010 are to continue to expand U.S. support for family planning services, reclaim U.S. leadership in the field, and encourage other donor nations to increase their commitments. As the United States reenters the international family planning arena, it has an important leadership role to play in encouraging other donor nations to continue to invest in family planning services in developing countries. Amid numerous competing international demands, the United States must devote time and energy to support and expand resources for international family planning programs.

### **Domestic Highlights from 2009 and Implications for 2010**

The battle over reproductive rights continues unabated in states across the nation, and abortion features in the national health care reform debate with its usual intensity. Even with a more supportive political environment in Washington and many states, reproductive health and rights advocates continue to work hard to protect women's access to reproductive services.

2009 brought progress in some areas. After almost a decade of pouring millions and millions of dollars into abstinence-only sex education programs for youth, Congress and the new administration began in 2009 to take steps to replace this approach with more comprehensive sex education programs of proven effectiveness as more and more states have rejected federal abstinence-only funds and related restrictions.

With the economic downturn, the nation's network of family planning clinics has seen increased demand from low-income families seeking access to effective methods of contraception. With support from the new administration and Congress, there are important initiatives under way to expand support for family planning services for low-income women through the Medicaid program and through increases in funding for the federal family planning program (Title X of the Public Health Services Act).

Given the polarization around the issue of abortion, prospects remain limited for dismantling many of the barriers to safe, legal abortion in the United States that were erected in the past

decade. Even though President Obama supports keeping abortion legal, advocates will continue to have to mount defenses against efforts to expand restrictions and combat efforts, particularly at the state level, to prevent access to abortion services, particularly for low-income women. At the same time, work to reduce unintended pregnancies and thereby reduce the need for abortion continues to draw support from the public and policy makers.

### **COMPONENT: International Access to Family Planning and Reproductive Health**

The Population Program supports a strategic mix of service delivery, research, advocacy, and training strategies, with an emphasis on sub-Saharan Africa. As articulated in our most recent strategic plan, these strategies, combined with the efforts of others in this sphere, are aimed at averting unintended pregnancies and births.

The global economic downturn has placed significant pressure on our grantees, yet they delivered last year nearly substantially more contraceptive couple years of protection and family planning client visits than in previous years. This was accomplished through a combination of site expansion, innovative delivery models such as “social franchising” and energetic marketing initiatives. As the full impact of the financial crisis manifests itself in 2010, we expect organizations will look to stabilize activities at current levels rather than continue to grow at past rates.

Another factor contributing to 2009’s growth was a broader variety of affordable contraceptives, which, experience shows, leads to greater overall uptake. One of these alternatives was a newly developed high-quality contraceptive implant that provides protection for four years at a 70 percent lower per-unit cost than the previously available version. In 2009, this product became available in Kenya, and a number of other countries are in the pipeline.

Another relatively inaccessible birth control method is the female condom, which provides protection against both unintended pregnancy and sexually transmitted infections. Several grantee organizations have developed an initiative to dramatically expand access to female condoms in developing countries through global advocacy, product research and development, and large-scale, on-the-ground projects. The initiative’s current priorities are to secure funding from donor countries for female condoms and to increase service delivery programs in key African countries. This year, it launched programs in Nigeria and Cameroon that should dramatically increase female condom use and provide experience to inform future programming.

Addressing the dual consequences of unprotected sex—pregnancy and HIV/AIDS transmission—requires a broader strategy than simply promoting greater use of female condoms. Large-scale AIDS programs provide excellent, but untapped, service delivery platforms for family planning counseling and method supply. Over the past several years, we have supported advocacy and resource mobilization efforts to influence HIV/AIDS funding streams to support family planning as well as specific projects that demonstrate how integration can work. It has been heartening to see grants approved by the Global Fund for AIDS, Tuberculosis and Malaria to Burundi, Ghana, Madagascar, and Zambia, which treat reproductive health as an integral component of comprehensive HIV prevention strategies.

In sub-Saharan Africa, abortions performed by untrained providers and in unsafe conditions account for as many as one-third of maternal deaths. Our program supports grantees that work to inform policy discussions and generate rigorous evidence that can contribute to reducing unsafe conditions that harm women's health. We will seek to maintain our funding commitments to our established partners that work on reproductive rights, access to safe abortion care, and policy advocacy, issues that the public donors are unlikely to comprehensively address.

In 2010, we expect to continue funding our core partners while maintaining the flexibility to respond to new opportunities. The program also expects to collaborate with government funders in Francophone West Africa, a traditionally neglected region with great reproductive health needs.

### **COMPONENT: Infrastructure**

**ULTIMATE GOAL:** Ensure adequate financial and human resources and evidence-based policies for good reproductive health and strong population sciences in developing countries, with a focus on sub-Saharan Africa.

**THEORY OF CHANGE:** High-quality reproductive health programs and policy-relevant demographic information require adequate funding, trained experts, relevant research findings, and appropriate, accessible data. Investing in training population scientists, building strong research institutions examining population and reproductive health (P/RH) issues, making demographic and related data accessible and useful to policymakers, and increasing P/RH funding through advocacy will drive these changes.

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To support the infrastructure of the population field, the Program invests in research, training, and advocacy activities and organizations to ensure both the effectiveness of activities today and the strength of key organizations into the future. During a time of budgetary contraction, we have worked to maintain important functions. These include planning for the dissemination of results from currently funded research studies of how population and reproductive health impact economic development; evaluating our grantmaking to train the next generation of population scientists in Africa; and realigning our advocacy work to be increasingly focused and goal oriented. A key achievement in 2009 was improving the metrics used to evaluate the impact of our grantmaking on grantees and the fields in which they work.

For the past four years, Hewlett has played a strategic role in catalyzing research on how population dynamics and reproductive health outcomes impact poverty and economic growth (the Pop/Pov Initiative). During the first phase of this initiative, we have funded research projects; forged partnerships with research councils in France, the United Kingdom, the Netherlands, and Norway to co-fund and disseminate research; and created a scholars' network to stimulate and amplify investments in this area of research. In addition, a fellowship program active in both North America and Africa is helping build a new generation of economists with a better understanding of the role population and reproductive health play in economic development. The fourth class of fellows continues the previous classes' tradition of academic excellence and desire to impact both research and policy. Earlier fellows have moved into impressive positions at the World Bank, Mathematica, and other research firms and academia.

2009 marked the beginning of the next phase of the Pop/Pov Initiative. We shifted from funding new research to engaging a wide group of stakeholders to craft communications plans for the research findings, which will roll out over the coming four years. This includes a new small grants program to fill remaining research gaps through the Center for Global Development, which serves as the secretariat for the Pop/Pov Initiative. In March 2010, we expect to recommend to the Board a fifth collaborative research funding arrangement with Ireland's research and development funding agencies. These activities will help to sustain the Pop/Pov Initiative over the coming four years as research findings are communicated to development economists, ministers of finance, and other political leaders who are able to direct development resources into the population and reproductive health fields in support of improving economic outcomes.

Population scientists play a crucial role in both generating and interpreting the population and health-related data that underpin effective, evidence-based development policy. However, decades of out-migration and the atrophy of African training centers have diminished the cadre of highly trained population scientists in research, training, and policy positions on the continent. Over the last four years, the Program has made investments in rebuilding elite graduate programs in Africa to reverse the tide and train the next generation of population scientists. These investments, coupled with supportive investments in training partnerships with American universities and professional networks, have yielded steady growth in the numbers of trained scientists.

The Foundation engaged a team of external experts to disentangle the complex challenges inherent in this grantmaking area and recommend concrete solutions, including better ways to measure progress and impact. The team reported that the universities continue to struggle with recruitment of highly specialized staff and retention of elite student talent. In addition, grantees continue to confront structural problems—the legacy of underfunded university and lower school systems, as well as the decline of the field of population science in Africa in general. Despite these challenges, the team found that Hewlett support had catalyzed considerable institutional progress for these programs. Grantees have effectively used Hewlett funds to build unique research platforms to diversify their revenue streams. They have managed to recruit key personnel, even though the talent pool is declining globally. The most talented candidates have been shepherded through master's and doctoral levels and will graduate in the next two years, so some of the fruits of our effort are imminent. This process has also revealed new and refined metrics for institutional progress, as well as the data and mechanisms necessary to track graduate outcomes and conduct a future impact assessment.

Utilizing research and working with trained population scientists to improve reproductive health outcomes depend upon having both good policies and sufficient funding to implement effective programs. In 2009, Hewlett changed how it invests in and measures advocacy to improve the amount and efficiency of funding for family planning and reproductive health issues. Hewlett and the Tides Foundation jointly launched a competitive call for proposals called “Money Well Spent” aimed at funding new entities, particularly African institutions, and projects to improve the amount and efficiency of funding for family planning and reproductive health. We received more than 150 responses to the call, and half a dozen projects were funded that promise



innovations in tracking resources, identifying potential sources of new funding, and engaging with regional and national budgeting processes in Africa. Complementary investments were made to improve the tracking of resources supporting family planning and reproductive health activities in Africa from both international sources and domestic budgets, which will ultimately improve our ability to gauge the impact of the advocacy activities supported in this portfolio.

Finally, budget cuts necessitated a reduction in investments that would increase the use of data to improve policymaking and inform programs aimed at better reproductive health outcomes. In 2009, the Foundation invested in a small number of promising activities to promote data access and use under the Demographic Data for Development (3D) exploration begun in 2007. These grants aim to stimulate the use of census and household survey data by supporting networks of journalists in six African countries and building infrastructure to archive and share census data. If budgetary constraints ease, we hope to continue this grantmaking in the future.

### **COMPONENT: Improving Family Planning and Reproductive Health in the United States**

In 2009, health care reform was a primary focus for many Population grantees in the United States because it presents a major opportunity to dramatically improve access to contraception and basic health coverage for millions of uninsured individuals. However, our grantees also had spent significant effort fighting off attempts to use health care reform legislation to force private insurance companies to stop covering abortion. An external review of our domestic grantmaking strategy was conducted this year in response to the dramatically different policy environment created by the 2008 election and other factors. Key recommendations include:

- Retain current architecture of diverse and complementary organizations, including an emphasis on general operating support to provide flexibility
- Assist the reproductive health rights field in establishing a greater vision by strategically linking current grantees and explicitly identifying innovative approaches to enduring problems
- Increase understanding of the Population Program's strategy and theory of change throughout the reproductive health rights field and among grantees

An interesting development is the growing focus in the family planning community on long-acting reversible contraceptives, such as IUDs, in part due to investments by the Hewlett Foundation and other donors to increase attention to these important, yet often overlooked, options. Greater use of IUDs and other long-acting reversible contraceptives could significantly reduce unplanned pregnancies and abortions.

### **COMPONENT: Special Initiative to Reduce the Need for Abortion**

One of the key early objectives of the Special Initiative to Reduce the Need for Abortion has been to build broad support for a common-ground approach to reducing abortion. The Initiative's lead grantee, the National Campaign to Prevent Teen and Unplanned Pregnancy, and other Hewlett grantees have made significant progress to elevate family planning and the prevention of

unplanned pregnancies to mainstream issues. The White House has established a diverse task force to work on reducing the need for abortion, dozens of self-described pro-life leaders are supporting legislation to reduce unplanned pregnancy, and the media have given considerable coverage to a common-ground approach.

### **COMPONENT: Serving Bay Area Communities**

An important goal of our local grantmaking is reducing teen pregnancy and birth rates. The most recent data available reveal very encouraging news. From 2006 to 2007, the teen birth rate in the San Francisco Bay Area and the Central Valley declined to 39 from 42 births per 1,000 teens. This is particularly noteworthy because the national teen birth rate increased during this period. This progress predates some of our grantmaking in the Central Valley, but provides reason for hope that a downward trend may be in the offing.

The combination of California state budget cuts, payment delays to providers, and the economic crisis has hit the local family planning clinics that we support particularly hard. Some state-funded teen pregnancy programs have been scaled back, and others have been eliminated, meaning a significant revenue loss for many clinics. The fiscal crisis is hitting our local grantees twice: not only are they losing revenue, but they also are seeing an increase in the number of people needing subsidized services. In December 2008 alone, 9,000 additional clients—21 percent more than in December 2007—came to clinics operated by Planned Parenthood Mar Monte, which serves forty counties from Reno south through the Central Valley. With Hewlett support, the Fresno Regional Foundation has completed two rounds of grantmaking for teen pregnancy prevention in the Central Valley. The number of organizations doing this work in the Central Valley is small, and these additional funds provide a significant boost.

Coupled with continued state funding, these funds should enable our grantees to continue to make progress in reducing the region's historically high teen birth rate.

## **SPECIAL PROJECTS 2009 REPORT TO THE BOARD**

### **OVERVIEW**

Most Hewlett Foundation grantmaking supports organizations that fit within the programs' strategies. In contrast, Special Projects is intended to allow the President to fund organizations that cut across programs and to respond to unexpected opportunities and problems. In order to commit more of the Foundation's resources to the Foundation's core strategies, Special Projects has shrunk from a high of 29 percent of the Foundation's overall program grantmaking budget to its current size of 7 percent of the overall budget, with almost half of that amount going toward the Community Leadership Project and Nuclear Security Initiative.

In broad terms the Special Projects Program has four components, discussed below:

- Collaboration across Programs
- General Support for Institutions
- Opportunistic Grantmaking
- Initiatives

#### **COMPONENT: Collaboration across Programs**

Special Projects' first component acts as a Foundation-wide opportunity banker, providing a way for the Foundation to respond to unexpected opportunities for impact in its primary areas of grantmaking.

In 2009, Special Projects assisted the other programs in responding to the global financial crisis and its impact on many Foundation grantees. It matched funds from Population and Performing Arts to aid current Foundation grantees whose work was in jeopardy. These grants helped to ensure that Planned Parenthood clinics in Central California were able to continue providing services despite drastic cuts in funding from other sources and to establish an Arts Loan Fund allowing arts organizations to take out short-term, low-interest bridge loans to sustain them through periods of low cash flow and return to stable financial balance.

Opportunities also arose for single grant collaborations. For example, Special Projects collaborated with Education to support research into how to facilitate long-term policy planning for infrastructure, education, and the environment in California. It collaborated with Global Development to fund programs to educate member of Congress and the public on major policy issues facing the nation, from reforming foreign assistance to promoting nuclear nonproliferation.

### **COMPONENT: General Support for Institutions**

For many years, the Foundation has incubated or supported institutions that do not fall within any one of its core programs. In general, these institutions play important roles in promoting scholarship and teaching, evidence-based domestic and foreign public policy.

In 2009, as it has for many years, Special Projects provided support for research institutes and for public radio and television. Both provide American citizens with the independent information they need to hold their government accountable.

### **COMPONENT: Opportunistic Grantmaking**

Opportunities sometimes arise that have no particular relationship to programs, but that are promising on their own merits. In the past, Special Projects has provided funding for everything from humanitarian assistance in Kenya during post-election turmoil to the application of behavioral economics to savings by low-income Americans.

In 2009, Special Projects provided support for a conference exploring possibilities for constitutional reform in California and collaborated with other foundations to support the University of California's comprehensive review of its options under severe budget cuts.

### **COMPONENT: Initiatives**

Over the years, Special Projects has incubated initiatives that either went on to become larger Foundation programs or that were stand-alone efforts aimed at taking advantage of a particular opportunity. For example, the Americans in the World Initiative, which began within Special Projects, ultimately became the Foundation's Global Development Program.

In 2009, initiatives made up 40 percent of Special Projects grantmaking. The remainder of this memo describes two current initiatives: the Community Leadership Project and the Nuclear Security Initiative.

#### **Community Leadership Project**

**ULTIMATE GOAL:** Small and midsize organizations serving low-income people and communities of color in the Bay Area, San Joaquin Valley, and Central Coast are better able to achieve their missions by 2012.

**THEORY OF CHANGE:** Strong organizations are more likely to achieve their missions. Targeted technical assistance combined with multi-year general operating support can strengthen organizations' governance, strategic thinking and planning, infrastructure, and management systems. Intermediary organizations that have strong networks in low-income communities and communities of color are best poised to deliver effective capacity-building and leadership development programs to grassroots organizations serving these communities.

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The Community Leadership Project (CLP) is a \$10 million collaboration between the Packard, Irvine, and Hewlett foundations whose goal is to build the capacity of small and midsize organizations serving low-income communities and communities of color in the San Francisco Bay Area, Central Coast, and San Joaquin Valley. As we strengthen our target organizations, we also aim to improve private foundations' understanding of the needs, challenges, and strengths of these organizations and to learn which capacity-building approaches are most effective and cost-efficient. By adopting a three-pronged strategy of regranting, technical assistance, and leadership development programs, the three foundations intend to fund an assortment of capacity-building opportunities that will address the core components of effective nonprofit management.

### **Progress in 2009**

In our first round of grantmaking announced in June, the three foundations collectively awarded \$5.75 million to nine intermediary organizations. This first cohort of intermediaries will provide multi-year general operating support and individualized organizational effectiveness assistance and coaching to approximately sixty organizations; group technical assistance for an additional 150 organizations; and leadership development programs for over 200 leaders (see chart below). Given the scarcity of philanthropic investment relative to the needs of communities and organizations in the Central Coast and San Joaquin Valley, we have given a preference to organizations that propose to work in these regions.

In December, the foundations jointly announced \$4.25 million awarded in a second and final round of grants for the Community Leadership Project. From a remarkably strong pool of applicants in this second round we selected [eighteen additional intermediary organizations](#) that will distribute grants, provide technical assistance, or offer leadership programs to grassroots organizations that serve the targeted communities in the three regions the project is serving. The organizations selected to administer Community Leadership Project grants demonstrated a deep knowledge of the grassroots organizations in the regions they serve. With this new round of grants there are a total of 27 intermediaries that will reach more than: 100 grassroots organizations with general operating support or grants to build capacity; 300 grassroots organizations with various forms of technical assistance; and 500 individual executives and emerging leaders with a variety of leadership training.

As the presidents of our three foundations have said, California's future depends on the success of its communities of color, and these grants are part of our foundations' continuing commitment to address their needs through a range of effective grantmaking.

COMMUNITY LEADERSHIP PROJECT		Region Served			No. of target orgs served
Intermediary	Combined grant amount	Bay Area	Central Coast	San Joaquin Valley	
<b>Regranting</b>					
<a href="#">Alliance for California Traditional Arts</a>	410,000		◆	◆	7
<a href="#">Asian American and Pacific Islanders in Philanthropy</a>	350,000	◆			7
<a href="#">California Rural Legal Assistance</a>	850,000		◆	◆	9
<a href="#">Community Foundation for Monterey County</a>	450,000		◆		9
<a href="#">Hispanics in Philanthropy</a>	400,000			◆	6
<a href="#">HomeBase</a>	350,000			◆	6
<a href="#">Horizons Foundation</a>	500,000	◆			7
<a href="#">Immigrant Legal Resource Center</a>	600,000			◆	7
<a href="#">Rose Foundation</a>	320,000	◆	◆	◆	9
<a href="#">San Francisco Foundation</a>	1,100,000	◆			10
<a href="#">Silicon Valley Community Foundation</a>	1,000,000	◆			13
<a href="#">Women's Foundation</a>	500,000		◆	◆	10
<a href="#">ZeroDivide</a>	300,000	◆	◆	◆	n/a
	<b>7,130,000</b>				<b>100</b>
<b>Group Technical Assistance</b>					
<a href="#">CompassPoint</a>	500,000	◆			150
<a href="#">Families in Schools</a>	150,000			◆	45
<a href="#">National Community Development Institute</a>	150,000	◆	◆		10
<a href="#">Nonprofit Finance Fund</a>	150,000		◆	◆	90
<a href="#">Silicon Valley Council of Nonprofits</a>	150,000	◆			24
	<b>1,100,000</b>				<b>319</b>

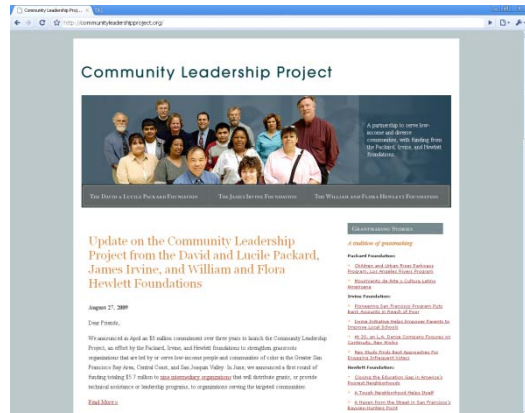
Leadership Development					
<a href="#">COFEM</a>	150,000			◆	72
<a href="#">Common Counsel (Windcall)</a>	85,000		◆	◆	15
<a href="#">Community Foundation for Monterey County</a>	250,000		◆		50
<a href="#">CSFF (Central Valley Health Policy Institute)</a>	150,000			◆	30
<a href="#">Healthy House</a>	200,000			◆	75
<a href="#">PHI (Center for Collaborative Planning)</a>	175,000			◆	50
<a href="#">Rockwood Leadership Institute</a>	300,000	◆	◆	◆	54
<a href="#">Southeast Asia Resource Action Center</a>	150,000			◆	24
<a href="#">Tides Center (LeaderSpring)</a>	200,000	◆			120
<a href="#">Tides Center (Women's Leadership Circles)</a>	110,000	◆			45
	<b>1,770,000</b>				<b>535</b>
<b>Total</b>	<b>10,000,000</b>				<b>954</b>

**Goals for 2010**

*Monitoring grants and assessing progress*

It is important that each ultimate grantee undertakes a capacity-building intervention that addresses its key areas for improvement and is appropriate for its stage of growth. The three foundations will identify an organizational assessment tool that intermediaries will use at the beginning of their grant periods to collect baseline data on ultimate grantees. In addition, we are currently agreeing on common reporting requirements for regranting intermediaries, technical assistance providers, and leadership development programs.

The impact of capacity-building projects—including leadership development and technical assistance—is difficult to evaluate because causal relationships are not clear and multiple inputs occur simultaneously. Like the measures of foundation impact used by the Center for Effective Philanthropy, the progress indicator for the CLP is currently based on a proxy measure for impact: the ultimate grantee’s perception of success.



### *Sharing lessons with other funders*

Increased philanthropic investment in organizations that serve California's low-income people and communities of color is one long-term goal of the project. Yet the three foundations recognize that the demand for general operating support and organizational and leadership development far exceeds the supply our grants will fund. Critical to the CLP's ongoing success and sustainability will be engagement with other funders. At the annual conference of Grantmakers for Effective Organizations in 2010, CLP will be featured as a case study in a panel session on philanthropic investment in underserved communities. As the project unfolds, we will seek more opportunities to share the lessons we have learned on collaborative grantmaking and capacity building in communities of color and to spur interest among other funders in investing in promising organizations that work in underserved communities. Through the project's Web site, [www.communityleadershipproject.org](http://www.communityleadershipproject.org), we will provide updates on our intermediaries' grantmaking and programming, recommend capacity-building resources, and highlight stories of grantee successes.

### **Nuclear Security Initiative**

**ULTIMATE GOAL:** A reduced probability of a state or terrorist nuclear attack.

**THEORY OF CHANGE:** Think tanks, academics, and advocacy groups convince the United States to (1) reform its nuclear weapons policies, reduce its arsenal, and agree to never again test nuclear weapons, and (2) lead a global effort to develop and enforce stricter rules to manage nuclear materials and technologies. Other states follow the United States' lead, developing, in the meantime, sufficient bases for collaboration so as to address near-term nuclear threats. States without weapons respond by (1) agreeing to new rules and restrictions, and (2) reinforcing existing ones. The new rules make it much harder to acquire weapons or sell materials on the black market. The world learns where all the nuclear weapons and materials are, locks them up, and significantly reduces the ease of and incentives for proliferation, minimizing the threat of a state or terrorist nuclear attack.

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### **Our Strategy**

Nuclear threats today remain unacceptably high. Pakistan, Iran, and North Korea have or are seeking nuclear weapons, and similarly unstable countries remain interested in acquiring nuclear capabilities. A terrorist could acquire a nuclear weapon from any of these countries. To the extent there are solutions to these near-term crises, it is mostly governments that must implement them, though a few Hewlett Foundation grantees have played major roles in facilitating progress. The main thing that those outside government can do is instigate systemic changes to prevent even worse problems from arising in the future. The world broadly knows what needs to be done: find and count all the nuclear weapons and materials, lock them up, and make them both more difficult and less tempting to acquire. The international community has been unable to agree to such a system in part because states without weapons refuse to agree to any new rules until the states with weapons begin to live up to their 1968 promise to work toward eventual nuclear disarmament.

Grantees of the Hewlett Foundation's Nuclear Security Initiative (NSI) have argued for the last two years that the United States must recommit to the vision of a world free of nuclear weapons



in order to convince other countries to agree to stronger rules. At first, these ideas were ridiculed. But in 2009, NSI surpassed its major targets as this strategy began to bear fruit and the ideas promoted by NSI grantees gained traction.

### **Progress in 2009**

Beginning with his inaugural address, President Obama proclaimed that reform of American nuclear weapons policies would be a pillar of his internationalist approach.

In April, President Obama gave a major speech in Prague that laid out his plans for the new treaty with Russia, U.S. ratification of the Comprehensive Test Ban Treaty, a global summit on securing nuclear materials from terrorist threat, U.N. resolutions to strengthen the Nuclear Non-Proliferation Treaty, and heavier sanctions for Iran and North Korea. Many portions of this speech relate directly to work by Foundation grantees. Since the Prague speech, the international discourse on nuclear weapons has shifted significantly. President Obama's proposals have become the topic of intensive study and international and domestic debate. Some may come to fruition in the next few years.

As domestic issues will demand the administration's attention in early 2010, much international work will be left to those outside government. New NSI grantee priorities in 2010 include efforts to refute the argument that weapons cuts in the United States will spur Japan, South Korea, Turkey, and other allies to build their own bombs. Other grantees intend to work with colleagues in Russia to develop a roadmap for negotiations to follow the current round. Still others plan to continue the work begun in 2008 and 2009 with China, slowly but surely making progress toward improved understanding of the conditions necessary for official-level negotiations.

Many NSI grantees have also been working to reform international policies regulating nuclear power plant technology in order to prevent the spread of civilian nuclear power from also spreading military bombs. These grantees have stated that they will continue to work closely with countries on the cusp of new civilian nuclear projects—such as Mongolia, Kazakhstan, and Jordan—to try to influence their nuclear policy structures. We are unlikely to know whether or not these efforts succeed for another couple of years, but so far, progress has been steadily positive as many countries interested in nuclear power begin to express a recognition of the challenges of beginning a safe, secure, and environmentally friendly program.

Of course, almost all of the work undertaken by NSI grantees is long-run in nature. In the shorter run, major nuclear crises continue to threaten world stability and security, particularly those in North Korea, Iran, and Pakistan. These ongoing threats underscore precisely why NSI grantees are pursuing the route they are. Without a global norm that nuclear weapons are passé, a global trend that reduces their number, and stricter and more transparent agreements about who has what and under which restrictions, more and more countries like North Korea, Iran, and Pakistan will arise. Countries whose stability is uncertain at best, and whose invitation to terrorist theft has been widely noted, will become the norm rather than the exception. NSI grantees have done outstanding work to set the stage for a different outcome than this one. We will see in 2010 how well they do.