Hewlett Foundation 2011 Annual Report

2011 ANNUAL REPORT
The William and Flora Hewlett Foundation

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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.

President's Essay:

State of the Hewlett Foundation 2012*

State of the Hewlett Foundation 2012

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Introduction

For the past twelve years, I have had the extraordinary privilege of being president of The William and Flora Hewlett Foundation. As I prepare to turn its leadership over to Larry Kramer, this seems an appropriate time to reflect on the state of the Foundation and on the challenges that lie ahead.

Let me begin by summarizing how we define our mission and position our work among the 90,000 foundations and millions of individual philanthropists in the United States. To capture our approach in a single phrase, the Hewlett Foundation is *outcome-oriented.*

Philanthropy is outcome-oriented when donors and their grantees articulate clear objectives for what they hope to accomplish, design realistic strategies to achieve those objectives, assess their progress, and modify their strategies as needed. Within this general rubric, our approach to philanthropy is characterized by several principles and practices:

- A passion, shared by the Board and staff, for making the world a better place.
- A tradition of pursing highly ambitious goals, focusing on some of the most serious problems facing society.
- A preference for addressing issues "upstream," where experimentation and changes in policies and systems have potentially large effects.
- A commitment to base our work on the best available knowledge, whether in the natural or social sciences, with an understanding that many important decisions must be made in conditions of uncertainty.
- A willingness to take considered risks in grantmaking—making big bets that can have big payoffs.
- A collaborative problem-solving approach with both our grantees and our funding partners.
- A process of continuous learning to improve our work.
- A belief in the value of our grantees' autonomy, reflected in our relations with them and in our willingness to offer an organization general operating support when its mission and activities are well aligned with the Foundation's goals.

Our approach requires that the Foundation be a highly engaged philanthropist. Engagement involves continuous consultation and dialogue with grantees, other practitioners, and experts in a field. It also requires the judgment to know when to step back and allow grantees independence in designing and implementing strategies.

With this overview, I'll turn to the Foundation's culture and internal organization and the roles played by the Board, president, staff, and programs; and then, our relationships with grantees and other funders. After summarizing the elements of outcome-oriented philanthropy, I'll conclude with thoughts about the challenges that face our sector and some personal observations.

Our Culture and Structure

ETHOS

> The Foundation strives to follow the commitment to philanthropy and style of operation established by the Founders.
> —*Guiding Principle #1*[1]

As its endowment has grown to $7 billion and its annual grants budget to $350 million, the Foundation has moved from the Hewletts' kitchen table to an environmentally sustainable LEED Gold building that provides a comfortable work environment for staff and a welcoming place for visitors. Our grantmaking has become more ambitious, and our staff has increased as necessary to meet the Foundation's needs.[2] But even as the Foundation approaches its fiftieth anniversary, the ethos established by its founders continues to inform our daily work life.

We are heir to the nonbureaucratic, open style that characterized the halcyon days of the Hewlett-Packard Company. We have an inclusive, informal, and consultative way of working, underpinned by a high level of trust. We strive to maintain a culture of continuous improvement that encourages questions and debate about principles and practices. One example of this is our staff meetings at which peers from different programs review one another's budget presentations for the Board. Another is the good-spirited annual "Failed Strategy" contest, premised on the belief that risky philanthropy is bound to have failures and that we should acknowledge and learn from them. While this contest was initially met with some skepticism, the programs now show PowerPoint presentations, videos, and skits in the hope of winning. The motivation comes not from the prize—a dinner for the winning program staff—but rather from the satisfaction of sharing lessons to improve future grantmaking across the programs.

A key aspect of the Foundation's ethos—perhaps reinforced by eight-year term limits for program directors and officers—is the understanding that we are not spending "our" money, but stewarding a charitable trust. The founders rightly believed that a top-heavy, bureaucratic organization would reduce the Foundation's effectiveness. For this reason, the Board keeps a close eye on staff growth and on administrative costs more generally. In my earlier years here, we sometimes talked as if having low administrative costs were an end in itself. Over the years, we have come to understand that administrative costs can be too low as well as too high and that our staff (a major source of costs) can multiply the value of grant dollars many times

over. Our ideal is no longer to minimize administrative costs, but to optimize them in service of the Foundation's mission.[3]

Nothing better exemplifies this point than the professionalization of our administrative departments. With the growth of the Foundation's assets came the need for an investment group capable of wisely managing its endowment; we now have a team that is the envy of peer institutions. And the growth of our staff led to the need for a human resources department, which, beyond its predictable responsibilities, plays an important role in stewarding the Foundation's culture. The move from rented offices to our own building called for establishing a small facilities group, which makes the building continue to look new even after ten years' occupancy.

Though the Foundation has always had an information technology department, it has grown to meet systems and communications needs that couldn't have been envisioned a dozen years ago. While IT is responsible for building and maintaining an internal grants tracking system, the volume and complexity of grants now call for a separate grants management department. To meet the increased demands for legal compliance, we established a general counsel's office, which also helps the programs navigate complex legal problems in their grantmaking. And the complexity of the Foundation's financial transactions has led to appointing our first chief financial officer, who oversees a highly professional accounting staff.

We initially resisted having a communications department, assuming that it would largely serve a public relations function inconsistent with the Foundation's modest style of operation. As it has evolved, however, this small department has helped our programs and grantees advance their strategies, and the Foundation's grantmaking couldn't be as effective without its guidance.

For different reasons, we deferred creating an evaluation group. We noticed that at many peer foundations, evaluation units tended to perform an auditing function, which detracted from their ability to collaborate with the programs for foundation-wide learning and improvement. We recently put together a group to assist the programs in planning, evaluation, capacity building, knowledge management, and other efforts to improve our and our grantees' effectiveness—with the clear understanding that the programs themselves have the primary responsibility for this work.

BOARD, PRESIDENT, AND STAFF

> The administration of the Foundation is based on a cooperative working relationship between the Board, the President, and the staff. The President is the leader of the Foundation.
>
> —*Guiding Principle #8*

The Board of Directors is charged with stewardship of the Foundation's resources—with ensuring that the endowment is well managed and that the income it generates is used to achieve the Foundation's philanthropic goals. The Board defines these goals in broad terms, approves specific objectives, endorses strategies, and assesses progress. The Board is also responsible for allocating budgets to the programs' diverse goals—a difficult and value-laden task, because the goals are essentially incommensurable. Over the years, Board meetings have evolved from discussions of individual grants to a consent docket, allowing the directors time to focus on these fundamental matters.

The Foundation has an excellent, diverse, and collegial Board of Directors, a majority of whom (by the founders' design) are not members of the Hewlett family. But although we are not a family foundation,[4] Bill and Flora Hewlett's children have played a unique role in carrying forward the values that underlie our work. We are beginning to transition to the next generation, whose knowledge of the founders is inevitably not as intimate. However, they and the generations that follow will feel a special responsibility for stewarding the institution that bears the Hewlett family name.

The Board hires the president, who, in accordance with Guiding Principle #8, is treated as the leader of the Foundation. The president of an organization like ours has considerable room to define the job. My primary roles have been to hire first-rate program directors and administrative managers, give them leeway to achieve the Foundation's mission, support them individually and collectively, and encourage their collaboration and intellectual exchange. Together with the program directors, I have helped define and communicate goals and strategies. We have devoted considerable energy to developing Foundation-wide standards and practices for strategic planning, monitoring and evaluation, and other aspects of outcome-oriented philanthropy.

The Foundation's staff members are the experts in their domains. I am a generalist who asks tough questions, keeps things more or less on course, brokers collaboration across departments, and builds consensus through nudging and persistence. The ideas for many of the projects that I'm proudest of—from our huge commitment to mitigating global warming, to the initiative to build independent think tanks in developing countries, to

our pioneering work in open educational resources—came from others. Having assessed and then endorsed these ideas, my role was to help shape and shepherd them.

I have also played an external role, building relationships with other institutions, writing, speaking at conferences, and being an evangelist for outcome-oriented philanthropy.

Because grantmaking lies at the core of the Hewlett Foundation's work, our endowment is the fundamental asset on which our work depends. But the Foundation has two other major assets as well: our reputation and the staff members who make good use of the endowment and maintain and strengthen our reputation.5

I believe that no foundation in the world has a staff stronger than the Hewlett Foundation's. This assertion is not just a personal prejudice. It is based on comments from colleagues in the field and on the high demand for both our program and administrative staff to lead professional organizations and conferences.

The staff's deep commitment to the Foundation's mission is reciprocated by the Foundation's commitment to them. Because our employees spend a large proportion of their waking hours doing the Foundation's business, we try to provide fulfilling work in an enjoyable environment —which also contributes to our mission.

Our open-door atmosphere, staff lunches, seminars, social events, softball team—the Fundercats—and other community-building activities, as well as the Foundation's lovely offices, support these common ends. (Though the softball team team provides great camaraderie for a diverse group of staff members, it does not fully reflect the Foundation's outcome orientation, winning the occasional game mainly by default when another team fails to show up. However, the succession of presidents from someone who watches the dandelions grow in right field to a competent hitter and fielder offers hope for the future.)

GRANTMAKING PROGRAMS

> The Hewlett Foundation's purpose is to promote the well-being of humanity.
> —*Guiding Principles: Foundation Purpose*

> The Foundation wishes to remain flexible, maintaining the ability to respond to unforeseen circumstances, the evolving needs of society, and emerging opportunities in a timely fashion.
> —*Guiding Principle #6*

Perhaps because the founders understood that society's needs and philanthropy's ability to meet them might change over time, they described the Foundation's mission as "promoting the well-being of humanity" and left it to the Board to determine the goals.

On the broadest level, the Foundation's goals are embodied in its programs. Today, we have five programs: Education, Environment, Global Development and Population, Performing Arts, and Philanthropy. In addition, the president oversees a Special Projects budget, which, reflecting Guiding Principle #6, permits a flexible response to unforeseen circumstances and emerging opportunities.

Although many of the programs have existed for decades, their particular missions have evolved. And some programs have come and gone over time. In recent years, we established new programs in Global Development (recently merged with one of our oldest programs, Population) and in Philanthropy to support the infrastructure of this ever-growing field.[6] The Conflict Resolution Program arose out of the Environment Program's interest in building consensus among diverse stakeholders and ended when we determined that the Foundation had made its best contributions to establishing the field. We closed a program on U.S.–Latin American Relations because it lacked a compelling strategy, but continue to have a presence in Mexico and Brazil through work both in clean transportation and transparency and accountability. For similar reasons, we ended a program in Family and Community Development, but have maintained the Foundation's commitment to the Bay Area (now defined to include the San Joaquin Valley) through regional grantmaking by each program and support of the Community Leadership Project.

Notwithstanding their discrete strategies, the Foundation's culture fosters collaboration across the programs. For example, the Performing Arts and Education programs jointly created an initiative in arts education. Our initiative on Quality Education in Developing Countries began as a joint venture of the Education, Global Development, and Population programs. The integration of the latter two came out of a deep and long collaboration by their directors. And the now-integrated program is collaborating with the Environment Program to support research on the intersections of population, poverty, and climate change.

Our Collaboration with Grantees and Other Funders

> The Foundation recognizes its position as a partner in problem solving.
>
> —*Guiding Principle #5*

The Hewlett Foundation is a grantmaking, rather than an operating, institution. We are a funder, dependent on the work of grantee organizations, which are both our partners and agents for achieving our shared goals.

Although we are demanding of our grantees about the clarity of their strategies and capacity to implement them, we are keenly aware of the power dynamics in our relationships. We are as open about our strategies and processes as possible. In turn, we encourage our grantees to share information about their challenges as well as their successes, with the understanding that it will be used to improve our collaborative efforts.

On the whole, our Grantee Perception Reports—surveys administered by the Center for Effective Philanthropy—support our intuitions that we have constructive relationships with our grantees. In summarizing its most recent findings, the Center observed that "comments about Foundation staff are exceptional." If grantees' comfort with approaching program staff when problems arise is a fair proxy for the level of collaboration and candor in our relationships, we can be proud that grantees place us in the top quintile of large private funders in this regard. One respondent commented: "Hewlett program staff are approachable and make themselves available to grantees for questions. They are deeply passionate about their program areas. . . . We greatly value the open relationship that we have [with] Hewlett, and we see them as true partners in our work." Another: "Hewlett and

WE'RE NOT QUITE THERE YET

As pleased as we are with the tenor of the Grantee Perception Report, we wonder whether our application and reporting requirements may sometimes be too burdensome. On the one hand, some grantees are pleased that we "insist on evidence-based work, smart programming, and evaluation and more." With respect to our requirement of a logic model—a systematic description of the activities designed to lead to an intended outcome—one grantee found that "it is an effective tool beyond the writing of the grant. We have now operationalized the logic model, and it has helped our organization align all programs to our short-, medium-, and long-term goals." But this view was hardly unanimous. Another grantee found our requirements burdensome, and "hope[d] the information generated is worth the effort."

And that's the main point for us. We have a saying within the Foundation (not quite at the level of a guiding principle): "Don't kill what you can't eat" (meaning that we shouldn't ask for more information than is useful for our grantmaking and for compliance with IRS and other regulations). We have made considerable headway calibrating our requirements to this maxim, and, for the most part, the information we ask of our grantees is important for our effectiveness as grantmakers. But the mixed comments from the Grantee Perception Report have led to renewed discussions of how we can better align our demands with our needs.

its staff appear to really care about the organizations they fund. They make themselves available upon request for questions, concerns, and advice. They are proactive when they wish to meet with us. . . . Just an outstanding group of people, we only have praise and gratitude for the relationship they have built with us over the . . . years." And another: "Hewlett has been the best Foundation we've ever worked with: staff are efficient, effective, clear communicators, responsive, thoughtful, and really care about the work."

We collaborate not only with grantees but with other foundations, governments, and business enterprises in the private sector. Collaboration aggregates not only money but expertise and access to decision makers. For example, the skills and knowledge of other funders have contributed greatly to our joint work on California governance reform, open educational resources, environmental problems, international reproductive health, and providing bridge capital to cash-strapped arts organizations.

The premise of collaboration is that the funders have common interests in a project. But that is not sufficient. They must also be willing to delegate some decision-making authority and be flexible in agreeing on procedures that may differ somewhat from their own. Most important, the foundations' CEOs and staff members must subordinate their egos—whether in the form of the "not-invented-here" syndrome or the need to claim credit—to achieve common goals.

Our Approach to Philanthropy

> The Hewlett Foundation is a strategic philanthropic investor. . . . It focuses on the most serious problems facing society where risk capital, responsibly invested, may make a difference over time and on sustaining and improving institutions making positive contributions to society.
>
> — *Guiding Principles: Foundation Role; Principle #2*

The Guiding Principles' description of the Foundation's role as a philanthropic investor of risk capital and their reference to addressing serious problems and sustaining institutions capture the essential tenets of our approach to philanthropy, and they underlie some other practices as well.

SUSTAINING INSTITUTIONS

Examples of institutional support pervade our programs, all of which have nurtured long-standing relationships with grantee organizations, without which we could not hope to achieve the Foundation's goals.

The word "institutions" may bring to mind venerable places, such as museums and universities, with marble or ivy-covered walls. And, indeed, reflecting the belief that strong research universities and cultural institutions are essential to the future of our society, we have made large, essentially unrestricted grants to UC Berkeley and Stanford, and to San Francisco's symphony and opera. But much of the Foundation's institutional support is directed to a diverse array of nonprofit organizations, including community, advocacy, and edgy arts groups—fragile start-ups as well as established organizations. For example, our Think Tank Initiative focuses on building independent research institutions in developing countries, which are essential to economic and democratic development.

PROBLEM SOLVING

A problem-solving approach comes into play when the Foundation specifically addresses "the most serious problems facing society." Of course, many of the organizations to which we provide institutional support address such issues. But in our problem-solving mode, we put the problem, rather than the institution, at the center.

Problem solving is essential when a field lacks strong organizations whose missions and activities are closely aligned with a funder's goals—which may happen if those goals are novel or not mainstream, or if the field is new or

not well developed. But even in a fairly mature field, organizations are often disconnected and competitive with one another at the expense of transparency and collaboration, lacking the capacity or will to work together to solve multifaceted problems. In short, sometimes the whole is less than the sum of its parts.

In these situations, we play a consensus-building and coordinating role, drawing on the resources of various organizations and linking them with each other and with experts, policymakers, and practitioners. Program officers, who may possess a perspective that no single grantee organization does, often go beyond the role of funders to become partners in strategic planning and implementation—while, we hope, avoiding the trap of acting as shadow executives or board members.

The initiative to conserve the Great Bear Rainforest in Canada is an excellent example of problem-solving grantmaking. We joined with the Moore, Packard, TOSA, and Wilburforce foundations and the Rockefeller Brothers Fund to protect about 21 million acres of largely undeveloped coastal land in British Columbia. The foundations' staffs brought together conservation grantees, the provincial and Canadian governments, First Nations tribes, and the timber industry—interests that had been fighting one another for years. The funders saw an opportunity to facilitate negotiations among these parties to protect the forest, promote the economic development of coastal First Nations, and put the timber industry on a path toward sustainability. In the process, we created the [Rainforest Solutions Project](#) to broker an environmental deal among nonprofits and supported similar partnerships among the First Nations people and private business interests.

For another example, in our work to promote the transparency and accountability of public institutions in developing countries, the Global Development and Population Program has actively participated in collaborations that advance this nascent field. We are cofounders of the [Transparency and Accountability Initiative](#), which promotes citizen oversight of public spending and service delivery in developing countries. In frequent Transparency and Accountability breakfasts hosted by the Program's Mexico City office, program officers and grantees exchange information, develop ideas for joint work, and build collective capacity through peer learning and networking.

* * *

While they have different centers of gravity, the two basic modes of sustaining institutions and solving problems often intersect. The Foundation's problem-solving approach tends to focus on problems that the world faces right now, while our work to support institutions often aims at

building long-term capacity to solve problems not yet foreseen. Our efforts in both modes depend on the existence of strong fields—whether in domains of knowledge, culture, or on-the-ground practice.[7] Thus, some of the Foundation's major work has been directed to fields rather than to individual organizations.

BUILDING AND SUSTAINING FIELDS

Virtually since its inception, the Hewlett Foundation has been among the handful of stalwart supporters of the perennially controversial field of family planning and reproductive rights, both in the United States and internationally. We have a strong tradition of building new fields as well. In the 1990s, we played a key role in establishing the field of conflict resolution. Our 2001 grant in collaboration with the Mellon Foundation enabled MIT to put its course materials online and led to our pivotal role in developing the field of open educational resources. One promising outcome is the increasing number of high-quality open textbooks published under Creative Commons licenses and made available to students free or at a far lower cost than conventional textbooks.

For another example, by moving the focus on education in developing countries from inputs (such as classroom seats) to outcomes (such as student achievement), the Foundation aims to radically transform a calcified field. Our support for community-level assessments of learning, national and international advocacy, demonstration programs, and rigorous evaluation has helped redirect more aid toward students' learning. And as a final example, we have funded research to understand both the financial capitalization problems facing performing arts organizations and their challenges in retaining young arts leaders.

Several comments from the most recent Grantee Perception Report reflect our efforts to build and sustain fields. One respondent observed: "Hewlett is a leader in bringing the benefits of population science to the Global South, especially in Africa. Through support of training, networking, and research, it leads in this field like no other foundation or agency." And another wrote that "Hewlett has made a major contribution in advancing the 'modernizing foreign assistance' agenda. Without the Foundation, this agenda would not have moved forward."

WORKING UPSTREAM AND TAKING RISKS

Much of philanthropy's good work involves directly subsidizing the delivery of goods and services, ranging from food, shelter, and health to musical performances. The Hewlett Foundation does this to an extent—for example, supporting family planning clinics and performing arts programs in the Bay

Area. For the most part, however, our grantmaking tends to be more "upstream," supporting systems and policy change and the development of knowledge.

Furthest upstream, we have supported data collection and research to understand the complex relations among population, poverty, and economic development, and the relations between population and climate change. Other examples include the Cultural Data Project, which provides longitudinal data on the arts sector; the Think Tank Initiative; grants to major institutions of higher education; and the previously mentioned efforts at building fields.

Examples of work a bit more downstream include our initiative to integrate deeper learning skills—such as problem solving, critical thinking, and collaboration—into the mainstream of K-12 education in the United States and to support budget transparency in developing countries so that funds for health, education, and other services are spent for their intended purposes.

Earlier, I quoted the Guiding Principles' assertion that "risk capital, responsibly invested, may make a difference over time." Many of our upstream strategies are risky: the likelihood of success is low, but the benefits of success are extraordinarily high. Our grants aimed at reducing climate change are paradigmatic. We began by joining other foundations in support of the Energy Foundation and then, together with the Packard and McKnight foundations, created the ClimateWorks Foundation. (Our $600 million grant to ClimateWorks represents the single largest commitment in the Foundation's history.) The likelihood that we, even together with many others, can avoid large-scale climate change seems increasingly slim, but the expected return is high: the low probability of success is more than counterbalanced by the catastrophic consequences of unchecked global warming. For another example, we joined four other foundations to create California Forward, a bipartisan organization dedicated to reforming the state's fiscal and governance practices. Although success is anything but assured, California Forward is making some progress in getting the state back on track.

We do not embrace risk for its own sake, but rather because there are few tried-and-true strategies for solving society's major problems. This is an area in which philanthropy's relative autonomy—compared with governments and corporations—allows us to experiment with audacious strategies. We do what we can to mitigate risk—through the rigorous design of strategies and a readiness to adapt them to changing circumstances—while

LEGAL AND REPUTATIONAL RISKS

Strategic risk taking should not be confused with taking risks in two other areas: complying with the law and upholding the Foundation's reputation. The law constrains foundations far more tightly than operating nonprofit organizations in their ability to engage in advocacy. While we give our grantees maximum flexibility in this regard, we remain well within the scope of appropriate activity for a private foundation in matters of grantmaking, governance, and advocacy. On the matter of reputation, the Foundation pursues some controversial goals, such as its commitment to protecting the right to safe abortions as an essential part of women's reproductive health and rights. If this puts us in bad repute with some constituencies, that's a cost we willingly bear. But we take care not to squander the Foundation's reputational capital by shoddy or problematic practices.

recognizing that some of the Foundation's most ambitious initiatives may fail. The acknowledgement of risk leads to our assessing our grantmaking strategies in terms of expected return, taking into account their costs, benefits, and likelihood of success.

In addition to being more risky, upstream philanthropy tends to require longer timelines than do service-delivery programs, and the results are often less tangible. Along with a tolerance for risks, this calls for perseverance and patience. But grantmaking of this sort may be philanthropy's highest calling.

Our Implementation of Outcome-Oriented Philanthropy

> The Foundation strives to maximize the effectiveness of its support.
> —*Guiding Principle #3*

To apply the concepts of outcome-oriented philanthropy to our day-to-day activities, we have developed an operational framework with seven basic elements:

- Setting goals
- Strategic planning
- Metrics, monitoring, and evaluation
- Phasing and exit planning
- Assessing resources
- Modes of funding
- Capacity building

There is continuous recursion among these elements, especially as we get feedback during the implementation of a high-level program strategy.

SETTING GOALS

It all starts with goals. Setting the Foundation's goals is an evolutionary and iterative process—evolutionary with respect to the Foundation's origins and traditions, and iterative among the Board of Directors, the president, and the program staff.

While quite a lot of our grantmaking can be traced to the founders' interests, the world has changed a great deal since they established the Foundation in 1967, and so have our specific objectives. For example, William and Flora Hewlett were concerned with protecting the environment, but global warming only became well understood as a serious problem more recently. The Board determined that this trend was so great a threat to the environment and, indeed, to human well-being, that mitigating catastrophic climate change is now a major objective of our grantmaking. As another example, the Education Program's work in open educational resources depends on technologies that have only matured in the past decade.

STRATEGIC PLANNING

The names of the programs, and even components within a program, express the Foundation's goals at a very high level, but do not provide sufficient guidance for effective grantmaking. For example, the Environment Program's component aimed at protecting ecosystems in the American West does not identify which ecosystems to protect, the components (e.g., land or water) that need to be protected, or the criteria for success. The more specific goals are developed collaboratively by program directors and their staff, the president, and the Board in consultation with organizations, practitioners, and experts in the field. With goals thus defined, we develop a strategy.

The core of a strategic plan is the *logic model*—a description of the activities necessary to achieve a specific goal and the intermediate outcomes along the route to it. For example, in our western conservation work, a logic model describes the steps that we and our grantees must take, say, to protect water flows in particular ecosystems.[8] A *theory of change* describes the empirical underpinnings of the logic model and explains why we believe it would work—for example, how ensuring water flows will combine with other conservation measures to protect the ecosystem. When people talk about evidence-based philanthropy, they mean a strategy or logic model based on a sound theory of change.

It is quite easy to describe an evidence-based logic model for a well-established and well-evaluated service-delivery program, such as workforce training. But what about strategies for policy and systems change, which require the Foundation and its grantees to constantly adapt to unexpected events? Such work includes our efforts to mitigate climate change and to reduce the proliferation of fissile materials.

Designing logic models for complex and mutable problems recalls the military aphorism that no strategy survives the first encounter with the enemy. Yet it would be as foolhardy to pursue an ambitious goal without a strategy as it would be for a general to go into battle without one, even if the strategy must be quickly modified or abandoned in favor of another. The mental discipline that goes into thinking through a logic model prepares you to adapt to a shifting field.

In any event, there are almost always multiple pathways to a particular goal. Different pathways may vary in their impacts and likelihoods of success; different pathways may be more or less costly in terms of the funds and human resources required. In deciding on a strategy, we take the expected return approach,[9] mentioned above, to identify promising pathways and eliminate those that seem less likely to achieve the goal.

This process led to the Education Program's choice of deeper learning skills as a way to improve U.S. students' life opportunities and civic participation. It also led to decisions to pursue or reject particular strategies to bring deeper learning into the mainstream of U.S. public education. For example, based on estimates of expected return, the Program has put considerable resources into developing standards and assessments for deeper learning, but not into the large-scale production of curricula and teacher materials—in the belief that other organizations (both private and public) will develop these once states have adopted the standards.

While we are aware that expected return estimates are subject to large margins of error, this sort of analysis keeps us intellectually honest by pressing staff members to be explicit about their assumptions and provoking discussions about why they agree or disagree with the estimates. This is one of many areas in which we believe that a combination of intuition and analysis tends to lead to better results than either one alone.

METRICS, MONITORING, AND EVALUATION

Having decided on a strategy, we work with our grantee organizations to develop ambitious but realistic targets. These are linked to the logic model: for example, if protecting a fragile ecosystem requires the conservation of land and water, the metrics reflect the quantity of those resources necessary to achieve the goal.

Together with the strategic plan, the metrics provide the basis for *monitoring and evaluation plans*. In addition to identifying the indicators that we and our grantees will use to evaluate progress, the monitoring plan describes how and when we will collect and analyze the data. The evaluation plan describes how, after pursuing a strategy for several years, we will assess whether it is working and, if not, why not. The primary purpose of monitoring and evaluation is to provide the feedback necessary for the Foundation and its grantees to correct and improve strategies as we continue to work toward shared goals. The maxim "Don't kill what you can't eat," mentioned earlier, applies here as well. If monitoring and evaluation information isn't going to improve our work or that of the field more broadly, then we shouldn't ask for it.

Current efforts in our Performing Arts Program provide an example of a considered approach to monitoring and evaluation. Monitoring progress under the Program's strategic plan requires analyzing demographic data about the communities served by our grantees. But not all grantees collect this data, and it is difficult to gain reliable information. Therefore, we are working with a research firm and a cohort of grantees to test the effectiveness of various audience surveying methods in a diversity of communities.

While we use an analytic and often quantitative framework for our grantmaking, we take care not to ignore outcomes and indicators that are difficult to quantify. We are well aware of the saying, attributed to Einstein, that "not everything that counts can be counted, and not everything that can be counted counts." In fact, though, Einstein's greatest contributions to knowledge ultimately depended on counting the seemingly uncountable. It's amazing how much counting can help philanthropy count in its real-world impact.

This matter-of-fact summary of the elements of strategic planning fails to capture our bumpy learning process about it. For example, in our first planning efforts, we spent considerable time trying to wring more precision out of expected return estimates than turned out to be realistically possible. But it was better to have hit a wall and then have had to back up than never to have known where the wall was. We have calibrated our approach over time.

It also took us quite a while to appreciate the importance of integrating monitoring and evaluation plans into the strategic planning process from the start, rather than waiting until after a strategy's implementation. Because metrics, targets, and a monitoring plan give the Foundation and its grantees a concrete understanding of mutual expectations, evaluative thinking affects the very design of a strategy. Moreover, it is extraordinarily difficult to retrofit evaluation to an ongoing strategy; for one thing, we lose the opportunity to gather essential data, some of which may never be retrieved.

PHASING AND EXIT PLANNING

It is important from the outset of an initiative to establish criteria for deciding when it can be expected to accomplish its goals and to predict likely shifts in its strategy over time. For example, the Education Program estimated that its work in deeper learning would have an eight-year lifespan with the goal that 8 million U.S. students (about 15 percent of the nation's

> ### DESIGNING METRICS FOR UPSTREAM STRATEGIES
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> It is much easier to measure the outcomes of the delivery of services, such as shelter for the homeless, than the outcomes of policy advocacy or support for institutions that promote culture and knowledge. This fact has sometimes created the misconception that outcome-oriented philanthropy cannot encompass these more upstream strategies. But this certainly does not reflect the Hewlett Foundation's views or many of the initiatives described above, ranging from mitigating climate change to supporting academic and cultural institutions.
>
> Such upstream strategies may take so long to produce results that it may be decades before their ultimate outcomes can be known. But one can almost always discern intermediate indications that the strategy is heading in a promising direction (or not), and the importance of the goal may make the risk well worth taking. Philanthropy's greatest potential may lie in making big bets on transformative strategies, and it would be tragic if philanthropists were to forsake them for more readily tangible short-term achievements.

public school population) will be evaluated on higher-order skills by that time. The Program also has planned to shift emphasis toward different logic model components over the strategy's life. The strategy initially focused on ensuring that the $350 million in federal stimulus funding for assessment design was well spent, and then shifted to ensuring that states embed these assessments in their accountability and testing systems.

Responsible exit planning must be done in consultation with grantee organizations and other funders in the same field, with the goal of creating shared expectations and giving grantees the time, and often the assistance, to find other sources of funding. Though we have become more thoughtful and consistent about this over time, we have not succeeded in eliminating some grantees' understandable disappointment when they no longer fit into a modified strategy.

ASSESSING RESOURCES

As we make plans, we simultaneously assess whether we, together with other potential funders, have the resources necessary to carry them out.10 This involves estimating the cumulative financial and other resources needed to achieve our goals, determining what the Foundation is able to commit, and working to marshal any additional resources required. In addition to designing adequate budgets for grants, evaluation, and consultants, this is the time to estimate the demand on the precious resource of program staff members' time.

These assessments require understanding the nature of the grants and other activities that a particular strategy will need. And this in turn depends on gauging the strength of the organizations and the maturity of the fields in which a strategy operates. A theoretically excellent strategy is pointless in the absence of organizations capable of implementing it. Thus we ask whether there are one or more "anchor grantees" that can play a major role in carrying out a strategy, or whether the program officers must put together a patchwork of small grants or, indeed, create a new organization—as a group of funders did with the ClimateWorks Foundation. Beyond specific organizations, it is important to gauge the strength of the field in which they operate. It is far easier for a strategy to succeed in a field in which practitioners, experts, researchers, and funders share a common core of knowledge and are closely networked.

MODES OF FUNDING

There are essentially two different forms of grants. When the Foundation provides unrestricted, general operating support to a grantee, our funds back the organization's entire mission. Alternatively, the Foundation may support specific programs or projects.[11]

All things being equal, we have a presumption in favor of long-term, renewable, and unrestricted support because of the autonomy it accords an organization to determine its own strategies, activities, and deployment of its resources. In the recent Grantee Perception Report, one grantee commented that the Hewlett Foundation is "one of only a handful of foundations that provide multiyear general operating support. This type of grant allows us to respond in a dynamic manner, and the secured funding over a three-year period leverages new grants and gives donors and our board confidence."

The form of grant support is not an end in itself, however, but must be appropriate to the particular context. The major determinant is the *alignment* of a grantee's activities with our own goals and strategies. When the alignment is close and we have confidence in the quality of an organization's leadership and work, multiyear, renewable general support grants serve both of our interests. For example, we provide general operating support to the Greater Yellowstone Coalition, a highly effective and well-led organization, all of whose activities support our goal of protecting fragile ecosystems in the American West. Such grants do not reduce the organization's accountability. As a grantee noted in our most recent Grantee Perception Report, "Hewlett has long led the foundations we work with in requiring grantees to be extremely strategic and specific in proposing work and showing what the expected results of that work will be. I believe their admirable policy of long-term funding for groups doing good work in their focus areas gives them great influence, and this, in turn, has caused all the grantees to become far more strategic over the years."

For all of the value of general operating support, however, there are often good reasons to fund specific programs or projects, both from our perspective and that of our grantees. For example, when we need a particular piece of research to be done, we make a project grant to support the work of a university faculty member; under a general support grant to the university, none of our funds would find their way to the research project. For another example, although we do not provide general operating support to Trout Unlimited because its overall mission differs considerably from our

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REGRANTING

Although the Foundation makes the large majority of grants directly to nonprofit organizations, we rely on intermediaries to make grants in some important areas. Both the Energy Foundation and ClimateWorks are regranters for our work on global warming; Rockefeller Philanthropy Advisors serves this function for our work in California educational policy; and the California Leadership Project regrants to minority-led community organizations. Although regranting can pose some thorny problems of accountability and evaluation, it allows us to benefit from others' special expertise and on-the-ground knowledge, especially given the Foundation's small staff.

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western conservation goals, we provide project funding for its water program, which is closely aligned with those goals.

General operating support grants, by their very nature, can be used for any of an organization's expenses, including overhead to pay for the core expenses of running the organization. To ensure that these essentials—such as utilities, rent, and back-office operations—are covered by our project grants, we add a reasonable allowance for indirect costs.[12]

The Foundation has not moved beyond conventional grantmaking to impact investing, which draws on a portion of its endowment to invest capital in or make loans to organizations, with the goal of achieving social impact as well as the possibility of financial returns. (The IRS regulations regarding program-related investments allow a foundation to include certain investments of this sort in their required payout.) I leave it to my successor and the Board to consider whether this approach might sometimes serve the Foundation's overall objectives.

CAPACITY BUILDING

A major lesson learned from reviewing failed grants is the critical role of a grantee's organizational health in the success or failure of a program strategy. Hence, the ongoing monitoring of grantees' capacities remains important as we begin making grants to implement a strategy. We have developed a set of criteria to assess organizational health and approaches for strengthening capacity in areas including strategic planning, leadership, financial stability and sustainability, communications, and internal operations. Support for organizations takes four main forms: program officers' direct assistance, for example, by helping the organization's leaders think through strategic or fund-raising issues; incorporation of capacity-building funds into a larger grant; "organizational effectiveness" grants that specifically support retaining consultants as needed; and structured training programs provided by experts on topics such as strategic communications.

The most recent Grantee Perception Report indicates that grantees appreciate all four forms of our assistance. For example: "Our program officer also has worked with us to establish priorities, improve our evaluation methods, and embark on new activities that we would not have taken on otherwise. We are a much more effective organization for having worked with the Hewlett Foundation." And: "Hewlett has made our organization more effective—clearer about medium-term goals, more rigorous in self-evaluation, crisper in our messaging, more sophisticated in data management, and plugged into a wider array of coalition partners."

We also work to strengthen fieldwide capacity through research, peer learning, and cultivating leadership. This is exemplified by the Philanthropy

Program's grantmaking to philanthropic "infrastructure organizations," such as The Bridgespan Group, the Foundation Center, and the Stanford Center on Philanthropy and Civil Society. For another example, the Education Program funds the Evidence Hub for Open Education, enabling organizations promoting open educational resources to learn about effective practice in their field. The International Initiative for Impact Evaluation—cofunded with the Bill & Melinda Gates Foundation, the UK Department for International Development, and other private and public donors—funds evaluations, develops standards, and provides technical support.

SKILLS NEEDED FOR OUR WORK

The philanthropic activities mentioned above call for considerable knowledge and expertise on the part of our staff. They must possess both substantive expertise in their domain and skills in grantmaking, including the ability to assess organizations' capacities, needs, and potential for growth and sustainability. They must know how to provide capacity-building support, directly or through consultants, and understand how to scale or replicate successful pilot programs. Especially in their problem-solving mode, program officers often are called upon to play a role akin to that of architect and general contractor.

It is a rare person who comes to the Foundation with all of these skills. In recruiting staff members, we tend to focus on domain knowledge and the capacity to develop the other skills. Although some can be learned only through reflective practice and mentoring, we are developing in-house training to help program officers improve their "grantcraft." In some instances, it is less important for a program officer to possess a particular skill than to recognize a problem and know whom to consult—whether a member of the legal staff about an intellectual property issue, or an accounting staff member to clarify an organization's murky financial statements.

Our ultimate aim is for program officers to exercise considerable autonomy in their decision making. Their professional development not only has intrinsic value but also enhances the Foundation's internal operations and relationships with grantees and other funders.

How Are We Doing?

Every November, the Foundation's program directors prepare memos describing their progress over the past year. These are summarized in our annual reports posted on the Foundation's website. Rather than detail them here, let me make a few general comments about how we think about assessment.

The critical question is not just whether the hoped-for outcome occurred, but whether our grantmaking and related activities actually helped make a difference—whether they had impact. Our interest in answering this question is not primarily about whether we can pat ourselves on the back— though that always feels good—but about what we can learn from successes and failures to improve our work going forward.

Our outcomes are occasionally clear and visible. Examples include the protection of the Great Bear Rainforest and another foundation collaborative to restore 19,000 acres of the salt ponds in San Francisco Bay—the multicolored patchwork quilt you see when landing at SFO—to their native wetlands. The open educational resources movement is on a roll, beyond anything we could have contemplated in 2001. UC Berkeley matched the Foundation's grants for 100 endowed professorships; although the entire UC system is in perilous condition, this should help the university recruit and retain high-quality faculty.

On the flip side, two large long-term commitments—the Neighborhood Improvement Initiative, intended to improve the quality of life in three poor Bay Area communities; and the Bay Area School Reform Collaborative, intended to improve public education in the region—failed to meet expectations,[13] largely because of the absence of clear goals and strategies.

Progress toward our most ambitious goals often is mixed. For example, after achieving a few small though valuable wins, an initiative to improve the governance and financing of California's public K-12 education system foundered. Though the Foundation is continuing to sustain organizations working toward this goal, we have reduced funding for the initiative pending the resolution of major statewide fiscal issues, on which success in the education arena depends. In the climate area, our grantees had two frustrating failures in 2009: the absence of any congressional action limiting CO_2 emissions and the breakdown of international climate negotiations in Copenhagen. But our grantees also have had some great successes in many states and in other countries, starting to bend the curve of global carbon emissions.

The climate initiative illustrates two difficulties in assessing outcomes in upstream grantmaking. First, we are unlikely to know the ultimate results—in this case, averting catastrophic climate change—for decades, and must rely on intermediate indicators of progress. At this early stage of the Think Tank Initiative, whose ultimate success will be measured by the availability and actual use of sound policy analysis in developing countries, we must rely largely on indicators of organizational capacity. The further upstream our grantmaking is, the more important it is to have a solid logic model and monitoring plan and to be open to revising the strategy based on feedback.

Second, although not a paradox, it is an irony of much risky grantmaking—especially policy advocacy—that while one can make thoughtful bets *ex ante*, one may never fully know what impact they had *ex post*. Typically there are so many exogenous factors that, as Steven Teles and Mark Schmitt write, "If it is hard to know whether advocacy played any part in a policy outcome, it is harder still to know whether any particular organization or strategy made the difference."[14] Kierkegaard wrote that "life can only be understood backwards; but it must be lived forward." Alas, much risky philanthropy cannot be assessed fully even in retrospect—though we do what we can in order to improve our strategies and gain knowledge for the field.

Challenges Facing Philanthropy in the Coming Years

REGULATION, ACCOUNTABILITY, AND LEGITIMACY

Despite the great recession of 2008, from which the economy is still fitfully recovering, my years as president of the Hewlett Foundation were in many ways good ones for philanthropy. At the same time as the Foundation was developing practices to increase the impact of our grantmaking, the field as a whole was also moving, albeit slowly, in this direction.[15] There were no serious congressional threats to philanthropy, and the several minor threats from state legislatures were effectively avoided. Without trying to predict what the coming years will hold, let me outline some plausible concerns.

There is every reason to believe that as government safety nets continue to fray, philanthropy will be called on to increase its support for the poorest and most vulnerable Americans. Some advocates argue that every foundation should devote substantial resources to filling the gap left by government cutbacks, and that they should do so by providing direct services to poor individuals and communities. And one California-based organization has argued that California foundations should concentrate their resources on the state's residents rather than on those of the United States as a whole or the inhabitants of the world's most destitute countries.

Without doubt, the growing gap between the rich and poor and the decrease in social mobility pose huge moral and social problems for the United States—problems that foundations can and should play a role in solving. But these are only several among the host of big problems that philanthropy addresses. Direct charity is not necessarily a better approach than long-term strategies to change policies, systems, and indeed mindsets. And notwithstanding the cliché that charity begins at home, it is morally problematic that philanthropic resources should respect state or national boundaries. (Though not the point, it's worth noting that while the Hewlett Foundation has its roots in a California company, that company's success has depended on global markets.)

A quite different concern is that regulations will be revised to further restrict advocacy by nonprofit organizations—a move that would be particularly unfortunate in the wake of *Citizens United v. Federal Election Commission*, which gives corporations virtually unchecked powers to intervene in elections. I have not seen any current signs of this, but it is not hard to imagine a Congress, irritated by policy advocacy aimed at mitigating global

warming or promoting contraception and the right to a safe abortion, imposing such restrictions.

Underlying these potential challenges is the question of the legitimacy of philanthropic efforts to achieve social change. While this is a perennial question, the size and power of the Bill & Melinda Gates Foundation has brought it to the fore, and the rise of new large foundations is likely to keep the issue salient. Given the tremendous tax benefits bestowed on foundations, one cannot answer the question simply by saying, "It's their money."

One important source of institutional legitimacy is accountability to stakeholders. Transparency about goals, grants, outcomes, and the evidence on which foundations' work is premised, coupled with openness to feedback, provide a degree of informal accountability. (The Hewlett Foundation took the lead in putting our Grantee Perception Report online, and we are charter participants in the International Aid Transparency Initiative (IATI), which makes information about aid to developing countries publicly accessible.) But subject only to a narrow set of regulatory restrictions, foundations are not legally accountable for their goals or the means they use to achieve them.

Persuasive answers to the question of legitimacy will require moving beyond the rhetoric of philanthropic freedom and anecdotes touting philanthropy's successes to deeper theoretical and empirical analysis. It may turn out that no institutions in our society are completely legitimate when viewed in isolation, but rather that legitimacy arises out of their roles in the social and political ecosystem. Far from being a bad thing, foundations' very lack of accountability enables them to experiment, take risks, and take the long view.

THREATS TO THE FABRIC OF AMERICAN DEMOCRACY

The preceding discussion focused on threats to philanthropy. But let me mention two related threats to the very fabric of American democracy: the increasing influence of money in politics and the high degree of political polarization in Washington and a number of state capitols as well.[16] These are not threats to philanthropy as such, but problems that some foundations—especially those willing to engage in risky, upstream strategies—may have a better chance of addressing than most other institutions in our society.

During my tenure as president of the Hewlett Foundation, we developed a "common values" initiative—an overarching framework for a number of grants—designed to find common ground in addressing some of the major issues facing the country. For example, we made grants to the Brookings

Institution and The Heritage Foundation to collaborate in a "fiscal wake-up tour" to alert Americans to the impending long-term fiscal crisis; to evangelical and mainstream family planning organizations to reduce unplanned pregnancies among young adults in order to reduce the need for abortion; and to bipartisan California Forward to bring about fiscal reforms in this state.

Without derogating from whatever successes the common values initiative may have had, our experience calls into question one of its underlying premises: that facts matter—that, regardless of people's ideological beliefs, they can find common ground in sound empirical evidence. In retrospect, I should have known better, especially since I have taught and written about the various forms of confirmation bias that lead people to seek and value evidence that confirms their prior beliefs and ignore or denigrate evidence that would disconfirm them.[17] Foundations that continue to deal with political polarization, not to mention the role of money in U.S. politics, will need to develop strategies based on a more realistic understanding of human nature and political behavior.

PHILANTHROPY'S INFRASTRUCTURE

How well equipped is philanthropy to address these and the myriad other problems facing the nation and the world beyond?[18]

The sector's infrastructure has seen amazing developments during the past dozen years. The quality and quantity of journals, articles, and books; academic research centers; consulting and evaluation firms; donor education programs; and groups assessing the impact of nonprofit organizations are notably better today. I am proud of the Hewlett Foundation Philanthropy Program's contributions to this work—especially, but not only, the Nonprofit Marketplaces Initiative—which conduces to more effective giving, to a stronger nonprofit sector, and hopefully to a better world.

But although a handful of other funders—including Liquidnet and the Gates, Mott, Omidyar, and Packard foundations—have been partners in this work, most foundations remain indifferent to strengthening the sector in which they operate. And for all of the progress made, many of the membership associations and community foundations, on which small foundations and high-net-worth donors rely for philanthropic guidance, remain weak.

Yet the trend seems to be in a positive direction, with some new foundations and high-net-worth individuals not only being outcome-oriented in their own work but taking a long view of the importance of the role of the sector's infrastructure. Indeed, there are signs of this in Asia and Europe as well as in the United States. In my view, the glass is more than half full.

A Personal Note

I came to the Hewlett Foundation knowing little about philanthropy and had the opportunity to learn on the job while guiding an already strong institution to a higher level. In one sense, it was like rebuilding a ship while sailing it. But given the Foundation's strong traditions, its substantial endowment, and the quality of its staff, we were never in danger of sinking. And it was a team effort from the start, beginning with Susan Bell, Nancy Strausser, and Laurie Hoagland, and ending with an incredibly strong group of program directors, administrative managers, and the many exceptional staff members who report to them.

When, after twelve years of being the dean of Stanford Law School, I told the president of Stanford that I was ready to step down, he responded wryly that this was an appropriate time because "the faculty deserve a break." The same can be said for the Foundation's staff and grantees after my serving as president for twelve years. We have accomplished a lot together. But it's a good time to let someone else have the same opportunity that I had in 2000 to lead a great organization. The Board of Directors made a brilliant choice in Larry Kramer, who brings to the Foundation deep passion and an inquiring mind, underpinned by great intelligence, analytic capacity, and a collaborative spirit.

Having moved from the field of constitutional law to philanthropy, there's no turning back—and who would want to when the former field is in parlous shape and the latter provides such reason for hope? I will be returning to Stanford this fall and plan to expand my range of teaching and writing to take advantage of what I've learned about philanthropy and the nonprofit sector during these years.

Being a university professor was a great privilege. Being president of a major U.S. foundation is not just a privilege, but almost unreal. When I was a dean, a day didn't go by without students, faculty, and alumni telling me about the many things I was doing wrong. Within weeks of coming to the Foundation, I achieved perfection—or would have thought so but for my wife, Iris, reminding me otherwise, and but for a framed Yiddish proverb sent to me by a seasoned colleague at another foundation: "With money in your pocket, you are wise and you are handsome and you sing well, too." As I prepare to return to Stanford—though happily not as a dean—we'll see whether I continue to sing quite so well.

Paul Brest
August 2012

Appendix A:

GUIDING PRINCIPLES OF
THE WILLIAM AND FLORA HEWLETT FOUNDATION

Purpose: To promote the well-being of humanity.

Role: Strategic philanthropic investor.

Guiding Principles:

1. The Foundation strives to follow the commitment to philanthropy and style of operation established by the Founders.

    Beliefs/Practices:
    * Low-key approach
    * Respectful leadership
    * Small staff of exceptional quality, low overhead, simple procedures
    * Long-term partnerships with and general support of institutions
    * Responsibility to support the greater Bay Area and California community

2. The Foundation focuses on the most serious problems facing society where risk capital, responsibly invested, may make a difference over time and on sustaining and improving institutions making positive contributions to society.

    Beliefs/Practices:
    * Grantmaking has clearly defined focus areas
    * Grantmaking is pragmatic and nonideological
    * Grants support a wide variety of organizations

3. The Foundation strives to maximize the effectiveness of its support.

    Beliefs/Practices:
    * Collaboration with others
    * Support of independent nonpartisan policy research, analysis, and policy advocacy within allowable limits
    * Long-term support
    * General operating support
    * Outcome-oriented grantmaking
    * Self-evaluation of effectiveness

4. The Foundation seeks to encourage giving from other sources and has a stake in encouraging and developing philanthropy generally.

    Beliefs/Practices:
    - Leveraging support through matching grants where helpful to grantees
    - Collaborating with other foundations
    - Supporting efforts to foster and improve philanthropy

5. The Foundation recognizes its position as a partner in problem solving.

    Beliefs/Practices:
    - Helping people help themselves; empowering communities
    - Listening to grantees and other stakeholders

6. The Foundation wishes to remain flexible, maintaining the ability to respond to unforeseen circumstances, the evolving needs of society, and emerging opportunities in a timely fashion.

7. The Foundation strives to maintain the highest ethical standards.

    Beliefs/Practices:
    - Adhering to the Foundation's Code of Ethics and related policies

8. The administration of the Foundation is based on a cooperative working relationship between the Board, the President, and the staff. The President is the leader of the Foundation.

November 2010

Endnotes

* This essay has benefited from comments in meetings with almost every member of the Foundation's staff, and particularly from suggestions from Karen Lindblom and Kelly Born.

[1] See Appendix A for the Hewlett Foundation's Guiding Principles, developed by its Board of Directors in 1999 in anticipation of its presidential search, in which I was selected. We reviewed and revised these principles in 2010, in anticipation of the search that led to Larry Kramer's selection as the next president.

[2] In 2000, we did not have human resources, facilities, legal, or communications departments, and grants administration was essentially a spin-off of information technology. These departments have come into being through necessity, and it is difficult to imagine the Foundation's being effective or in compliance with various state and federal regulations without them. They are essential for implementing Guiding Principle #7: "The Foundation strives to maintain the highest ethical standards."

[3] Thomas J. Tierney and Joel L. Fleishman make the same point in *Give Smart: Philanthropy That Gets Results* (New York: PublicAffairs, 2011).

[4] The Flora Family Foundation was established in 1998 by the Hewlett family, and includes William and Flora Hewlett's children and grandchildren together with their spouses. It provides a forum for grantmaking as well as discussion and instruction in matters related to the philanthropic interests of the family. The Flora Family Foundation has no programs, and its grants reflect the family's diversity of interests.

[5] This point is reiterated in the president's essay in our 2010 Annual Report, "Beyond the Grant Dollars."

[6] The Philanthropy Program is responsive to Guiding Principle #4: "The Foundation seeks to encourage giving from other sources and has a stake in encouraging and developing philanthropy generally."

[7] A strong field is characterized by a knowledge base, standards of practice, important actors, supportive funders, a supportive policy environment, and networking and collaboration.

[8] For a description of logic models in several different contexts, see Paul Brest, "Risky Business: How The William and Flora Hewlett Foundation approaches high-risk philanthropic ventures," *Stanford Social Innovation Review* (Summer 2012).

[9] To decide whether a grant is justified by the social impact, the Foundation's governing concept is expected return (ER) or social return on investment (SROI), captured by this equation: Expected Return = (Benefit x Likelihood of Success) / Cost.

[10] See "Beyond the Grant Dollars," which addresses some of the issues in this section in greater detail.

[11] See the president's essay in our 2008 Annual Report, "Forms of Philanthropic Support: The Centrality of Alignment."

[12] I am constantly surprised by some funders' reluctance to cover indirect costs—a practice which seems dependent (one might even say parasitic) on other funders' willingness to offer general operating support. The fault is not entirely with the reluctant funders, however. Grantee organizations have vastly different accounting frameworks, some of which use the criteria for federal contracts, and others of which understate or hide their indirect costs in order to show funders how frugal they are. During my tenure at the Foundation, we made several efforts to work with organizations and other funders to develop common standards for reporting and paying for indirect costs. None of these projects has maintained momentum, however.

[13] See Joan Talbert, Aurora Wood, and Wendy Lin, "Evaluation of BASRC Phase II. Evidence-based System Reform: Outcomes, Challenges, Promising Practices" (December 2007).

[14] "The Elusive Craft of Evaluating Advocacy," *Stanford Social Innovation Review* (Summer 2011).

[15] Paul Brest, "A Decade of Outcome-Oriented Philanthropy," *Stanford Social Innovation Review* (Spring 2012).

[16] This phenomenon is lucidly described by two distinguished political scientists, Norman J. Ornstein and Thomas E. Mann, in *It's Even Worse Than It Looks: How the American Constitutional System Collided With the New Politics of Extremism* (New York: Basic Books, 2012).

[17] See Paul Brest and Linda Hamilton Krieger, *Problem Solving, Decision Making, and Professional Judgment: A Guide for Lawyers and Policymakers* (New York: Oxford University Press, USA, 2010), 277 ff.

[18] See Brest, "Decade of Outcome-Oriented Philanthropy."

2011 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, 2011)

Total assets: $7.29 billion
Total dollar amount of grants awarded in 2011: $202,844,000
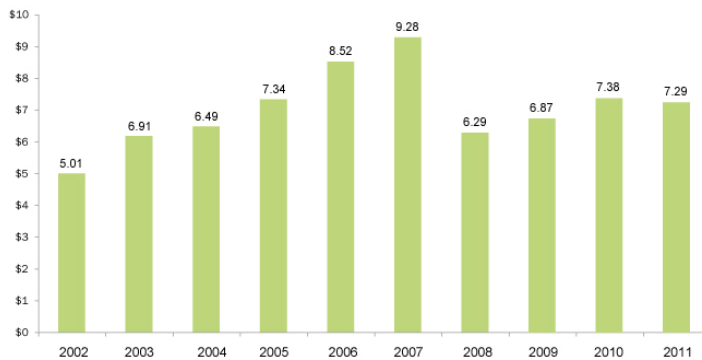Total dollar amount of grants disbursed in 2011: $353,400,000
Total number of grants awarded in 2011: 591
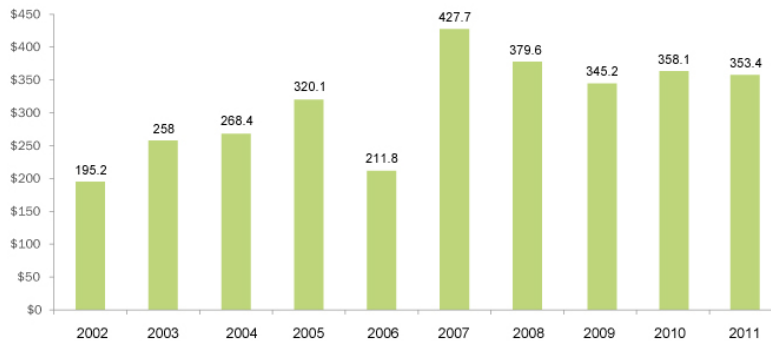Average grant amount in 2011: $344,939
Median grant amount in 2011: $125,000
Number of employees: 104

Total Assets 2002-2011
U.S. Dollars (in Billions)

Grants and Gifts Disbursed 2002-2011
U.S. Dollars (in Millions)

2011 Board of Directors and Officers

as of December 31, 2011

Board

Walter B. Hewlett
Chair
Palo Alto, California

Harvey V. Fineberg, MD
Vice Chair
Washington, DC

Paul Brest
President
Stanford, California

Byron Auguste
Washington, DC

Eleanor H. Gimon
Greenwich, Connecticut

Marianne Gimon
New York, New York

Patricia A. House
San Mateo, California

Mary H. Jaffe
Portland, Oregon

Koh Boon Hwee
Singapore

Richard C. Levin
New Haven, Connecticut

Stephen C. Neal
Los Altos Hills, California

Jean Gleason Stromberg
Washington, DC

Officers

Paul Brest
President

Susan Bell
Vice President

Laurance R. Hoagland, Jr.
Vice President and Chief Investment Officer

Susan Ketcham
Chief Financial Officer and Treasurer

Elizabeth Peters
General Counsel and Corporate Secretary

2011 Foundation Staff

as of December 31, 2011

Office of the President

Paul Brest
President

Fay Twersky
Senior Fellow

Karen Lindblom
Fellow, Special Projects

C. R. Hibbs
Special Advisor

Linda Clayton
Program Associate

Office of the Vice President

Susan Bell
Vice President

Joan Garretson
Senior Executive Assistant

Education

Barbara Chow
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Christopher Shearer
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Denis Udall
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Victor Vuchic
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Kathy Nicholson
Associate Program Officer

Jennie Liu
Program Associate

Gabriele Ondine
Program Associate

Sally Tracy
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Environment

Tom Steinbach
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Margaret Duxbury
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Program Officer

Margarita Parra
Program Officer

Erin Rogers
Program Officer

Michael Scott
Program Officer

Alejandro Villegas
Consulting Program Officer

Magolis Briones
Consulting Associate Program Officer

Cristina Kinney
Program Associate

Camilla Simon
Program Associate

Elyane Stefanick
Program Associate

Global Development and Population

Ruth Levine
Program Director

Guadalupe Mendoza Trejo
Acting Managing Director, Mexico

Peter Belden
Program Officer

Kevin Bohrer
Program Officer

Helena Choi
Program Officer

Margot Fahnestock
Program Officer

Linda Frey
Program Officer

Libby Haight
Program Officer

Lynn Murphy
Program Officer

Chloe O'Gara
Program Officer

Dana Schmidt
Program Officer

Paul Rosenberg
Associate Program Officer

Kimberly Brehm

Program Associate

Teresa Dunbar
Program Associate

Lillian Giraldo
Program Associate

Denise Robichau
Program Associate

Ame Sagiv
Program Associate

Nathalie Scholl
Program Associate

Erika Ramos
Consulting Program Associate

Performing Arts

John McGuirk
Program Director

Julie Fry
Program Officer

Emiko Ono
Program Officer

Ron Ragin
Program Officer

Karen Lindblom
Fellow

Kerry O'Connor
Program Associate

Philanthropy Program

Paul Brest
Acting Program Director

Jacob Harold

Program Officer

Jennifer Ratay
Program Officer

Sara Van Lear
Program Associate

Communications

Eric Brown
Director of Communications

Jack Fischer
Communications Officer

Megan Mermis
Communications Specialist

Elizabeth Green
Librarian

Elizabeth Kislik
Communications Associate

Facilities

Nancy Strausser
Facilities Director

Andres Anaya
Facilities Supervisor

Gonzalo Villa
Facilities Assistant

Shaka Dickson
Facilities Coordinator

Gregory Helfrich
Facilities Technician

Ibeth Olmos
Consulting Administrative Associate and
Receptionist, Mexico

Finance

Laurance R. Hoagland, Jr.
Vice President and Chief Investment Officer

Ruth Gilroy
Executive Assistant

Susan Ketcham
Chief Financial Officer & Treasurer

Ana Marshall
Deputy Chief Investment Officer and
Director of Public Investments

Verna Kuo
Director of Real Estate & Natural Resources

Christy Richardson
Director of Private Investments

Jefferson Stone
Associate Director of Private Investments

Brett Johnson
Associate Director of Public Investments

Eleanor Hsu
Associate Director of Real Estate and
Natural Resources

Linda Hoffman
Senior Investment Analyst

Lucy Ellis
Controller

Elina Kessel
Senior Investment Analyst

Sharon Lee
Associate Manager

Kevin Pearce
Accounting Manager

Rana Shawwa
Senior Accountant

Jing-Jing Zheng
Senior Accountant

Sophie He
Senior Accountant

Massooda Maqdoor
Accountant

Spergon Hunt
Associate Accountant

Christine Coppellotti
Investment Operations Accountant

Allysia Emerson
Administrative Assistant

General Counsel

Elizabeth Peters
General Counsel and Corporate Secretary

Thomas Schroeder
Associate General Counsel

Ruth Maurice
Staff Counsel

Christine Todi
Executive Assistant

Grants Management

Sara Davis
Director of Grants Management

Carolyn Provost
Associate Director of Grants Management

Connie Bassett
Grants Administrator

Claire Smith
Grants Assistant

Human Resources

Jean McCall
Director of Human Resources

Patricia Araneta-Gonzalez
Associate Director of Human Resources

Maribel Santiago
Benefits and Payroll Administrator

Chloe Walling
Human Resources Associate

Information Technology

Patrick Collins
Chief Information Officer and Director of
Knowledge Management

Brian Hendrickson
Network and Systems Manager

Boris Decout
Senior Network & Systems Engineer

Trinh Liu
Senior IT Analyst

Lily Chiu
Senior IT Analyst

Marc Greenfield
Help Desk Team Lead

Charles Ferreira
Desktop Systems Specialist

Kathy Nicholson
Manager, Application Development and
Support

Rena Lee

Senior Applications Developer

Ken Houk
Senior Applications Developer/Architect

June Wang
Project Manager, Knowledge Management

The Education Program in 2011

Students at City Arts and Technology High School in San Francisco, California, present graduation portfolios in order to graduate. Photo courtesy of City Arts and Technology.

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 2011, the Education Program made 116 grants to 79 organizations, totaling over $33.3 million.

The Education Program in the News in 2011:

- Featured Website: Expeditionary Learning – *March 2011*
- "Foundations": A Q&A with Christopher Shearer, Education Program Officer – *March 2011*
- Can Deeper Learning Improve American Competitiveness? – *March 2011*
- Hewlett Foundation Launches New Initiative to Reform Education Policy in California – *April 2011*

Appendix
Education Program's 2011 Report to the Board

The Environment Program in 2011

The American Lung Association, a Hewlett Foundation grantee, brings a different perspective to the quest for clean air: the health of children. The Association recently launched its "Red Carriage" ad campaign to drive the point home. Photo courtesy of the American Lung Association.

Goals:

- Conserving the ecological integrity of the North American West for wildlife and people.
- Ensuring the global average temperature increases less than 2 degrees Celsius.
- Ensuring that energy efficiency is increased and that the energy supply is clean in nations with high energy demand.

In 2011, the Environment Program made 139 grants to 107 organizations, totaling over $49.7 million.

The Environment Program in the News in 2011:

- Featured on the Web: Hewlett Foundation's Five-Year Plan for Conserving Western Lands – *January 2011*
- "Foundations": A Q&A with Michael Scott, Environment Program Officer – *February 2011*
- A Place Where the Public Doesn't Mind Spending – *May 2011*
- Erin Rogers Joins Hewlett Foundation as Officer in the Environment Program – *February 2011*
- Breathing Easy – *December 2011*

Appendix
Environment Program's 2011 Report to the Board

The Global Development and Population Program in 2011

Uwezo conducts its second annual learning assessment in Uganda in April 2011. Over 108,000 children were assessed to gather data about how well schools are doing. Photo courtesy of Uwezo.

Goals:

- Promote transparent and accountable governance around the world, including through a Mexico country program
- Foster greater use of high-quality research and analysis to create sound policy in developing countries, including through investments in training and policy research capacity
- Improve the quality of basic education and children's learning in the developing world
- Ensure access to quality family planning and reproductive health, both internationally and domestically
- Reduce teen and unplanned pregnancy in disadvantaged communities in the San Francisco Bay Area and California's Central Valley

In 2011, the Global Development and Population Program made 126 grants to 95 organizations, totaling over $87 million.

The Global Development Program in the News in 2011:

- [Ruth Levine to Join Hewlett Foundation as Director of Global Development and Population Program](#) – *March 2011*
- [Libby Haight to Join Hewlett Foundation as Global Development and Population Program Officer](#) – *April 2011*
- [Libby Haight to Join Hewlett Foundation as Global Development and Population Program Officer (en Espanol)](#) – *April 2011*
- ["Foundations": A Q&A with Ruth Levine, Global Development and Population Program Director](#) – *July 2011*
- ["Foundations": A Q&A with Chloe O'Gara, Global Development and Population Program Officer](#) – *September 2011*
- [Selling Learning](#) – *September 2011*

Appendix
Global Development Program's 2011 Report to the Board

The Performing Arts Program in 2011

Cal Shakes' 2012 production of The Tempest, directed by Jonathan Moscone. Photo courtesy of Kevin Berne and Cal Shakes.

Goals:

- Build robust public support for, and appreciation of, the arts.
- Support a diverse community of high-quality artists living and working in the Bay Area.
- Support infrastructure for arts creation, presentation, and participation.
- Support Bay Area organizations that work at the intersection of arts, community engagement, and disadvantaged populations.

In 2011, the Performing Arts Program made 124 grants to 113 organizations, totaling over $14.1 million.

The Performing Arts Program in the News in 2011:

- [Six $75,000 Commissions for Composer Collaborations Awarded by the Gerbode and Hewlett Foundations](#) – *January 2011*
- [Hewlett and Gerbode Foundations Invite Applications for the 2011 Choreographer Commissioning Awards](#) – *May 2011*
- [Emiko Ono to Join Hewlett Foundation as Officer in the Performing Arts Program](#) – *September 2011*

Appendix
Performing Arts Program's 2011 Report to the Board

The Philanthropy Program in 2011

In 2011, Charting Impact launched, asking nonprofits to answer 5 simple questions. The answers to these questions help illuminate how an organization defines and measures success.

Goals:

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

In 2011, the Philanthropy Program made 31 grants to 28 organizations, totaling over $3.6 million, with an additional $1.9M to 44 grantees to support their organizational effectiveness.

The Philanthropy Program in the News in 2011:

- Does Communications Training Make A Difference? – *March 2011*
- Charting Impact – *June 2011*
- "Foundations": A Q&A with Jacob Harold, Philanthropy Program Officer – *June 2011*
- Hearing from Grant Recipients – *November 2011*

Appendix
Philanthropy Program's 2011 Report to the Board

Special Projects in 2011

[CAFWD.org: What's Your Vision for California? Together We'll Move California Forward YouTube Link](#)

Special Projects is intended to allow the President flexibility to fund organizations that cut across programs, to respond to unexpected opportunities, and to support high-impact organizations that the Foundation has incubated or supported for many years.

In 2011, Special Projects made 54 grants to 46 organizations, totaling over $13.6 million.

Special Projects in the News in 2011:

- [Featured Website: California Watch](#) – *January 2011*
- [Moving California Forward](#) – *January 2011*
- ["Foundations" - A Q&A with Mark Baldassare](#) – *January 2011*

Appendix
Special Projects' 2011 Report to the Board

2011 REPORT TO THE BOARD[*]

EDUCATION PROGRAM

UPDATES AND HIGHLIGHTS

The Education Program moved forward with our new national strategy in 2011, developing fresh opportunities and reinforcing earlier initiatives to promote deeper learning in U.S. schools and colleges. At the heart of this strategy is a campaign to refocus public education on the mix of core academic knowledge and vital twenty-first-century skills—critical thinking, communication, collaboration, and learning to learn—that all students need to succeed in college, the workplace, and civic life.

As we look toward 2012, we see several major trends that will affect our grantmaking and our grantees. First, as evidenced by the recent headline-making discussions led by President Obama to provide waivers to No Child Left Behind, action in the policy arena is shifting toward the states. This pendulum swing has been coming for some time, as seen in the state-led work toward developing common academic standards, designing common tests, and endorsing new school accountability principles.

The nation faces growing fiscal pressures as well. The federal stimulus is almost completely spent, with little prospect for additional large-scale federal funding relief. Moreover, public promises made by both the Obama administration and Congress suggest further budget retrenchment is inevitable. States are grappling with significant budget shortfalls, and we expect major cuts in education funding over the next several years. These developments pose serious challenges to our reform efforts. We are responding with new initiatives, such as sponsoring research to reduce the costs of high-quality performance assessments and supporting more cost-effective technology solutions for upgrading teacher skills.

Meanwhile, the political landscape is continuing to shift dramatically, a trend sure to be highlighted in the upcoming elections. In times of political uncertainty, our grantees must be able to react nimbly to changes on Capitol Hill and in state

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houses. Having made significant investments to support our grantees' work in federal and state policy advocacy in 2011, we intend to add a chorus of new voices and constituencies to fund advocacy work in 2012. Our plan is to build a durable centrist coalition for deeper learning, as well as practitioner-based support for OER, that can withstand the changes ahead.
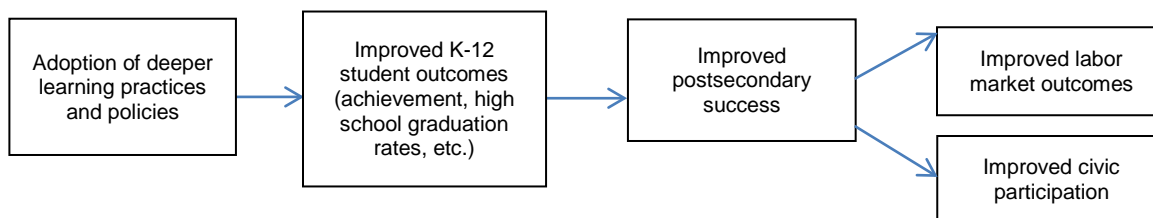
Deeper Learning

ULTIMATE GOAL: Increase economic opportunity and civic engagement by educating students to succeed in a changing world. To that end, every student should know and understand core academic content, think critically and solve complex problems, work collaboratively, communicate effectively, and learn how to learn. Our goal is for 15 percent of u.s. students to be assessed on deeper learning metrics and to support classroom tools that can have a large-scale impact by 2017.

THEORY OF CHANGE: Advancing deeper learning nationwide requires coordinated work by our grantees on four fronts that complement and reinforce one another:

- Promoting supportive policy at the state and federal levels.
- Spreading promising instructional practices to schools and classrooms across the nation.
- Highlighting schools and districts that are proof points for the benefits of deeper learning.
- Engaging the postsecondary sector in establishing K-12 standards and assessments for college readiness.

Research into what students need to succeed in college—and what employers need from workers in a changing world—underscores the importance of acquiring both advanced skills and mastery of academic content in K-12 education. Moreover, economists agree that workers will need some kind of postsecondary credential to get a job paying a family-supporting wage. That means all students must be prepared for college-level study, which in turn requires deeper learning knowledge and skills. These connections are illustrated by our theory of change:

Our 2017 objective is to ensure that at least 15 percent of U.S. students are assessed on measures of deeper learning rather than on the narrow content covered by the achievement tests commonly used today. To reach that target, we fund work in the areas of supportive policy, system-wide practice, proof points, and postsecondary education. Given the influence of testing on teaching and learning, and the fact that current tests assess little of what research shows students need to be competent learners, we believe that this percentage—which represents 8 million students— could serve as a tipping point to influence federal policy toward scaling up deeper learning when the Elementary and Secondary Education Act is reauthorized in 2017/18.

2011: DEVELOPING OPPORTUNITIES

The Program's most important grants in 2011 supported the Common Core State Standards Initiative and related assessment consortia—both highly visible enterprises that engage nearly every state. The Common Core standards, which have been adopted by forty-four states and the District of Columbia, lay out a set of fewer, higher, and clearer education benchmarks in math and English/language arts. The two testing consortia—Partnership for Assessment of Readiness for College and Careers (PARCC) (with twenty-four state members and D.C.) and SMARTER Balanced Assessment Consortium (with twenty-nine state members)—are charged with redesigning K-12 student assessments in alignment with the Common Core standards. Together, these initiatives present an extraordinary opportunity to support the policy and practice changes we seek.

2012: DEEPENING IMPACT

Undergirding all our activities in 2012 and 2013 will be a series of studies to further clarify and strengthen the evidence behind each link in the chain of our Deeper Learning logic model. This research will update labor force projections related to the demand for deeper learning skills, delineate the role these skills play in college success, and identify the school features and instructional practices that help students gain these skills.

Seven core grantmaking assumptions undergird our strategic approach:

1. Testing and school accountability requirements drive what gets taught in K-12, so a new generation of assessments that measure deeper learning will have a powerful impact on changing classroom practice.

2. Federal policies that encourage state education leaders to pursue deeper learning will help us reach the most students.

3. One of the most effective ways to influence federal policy is to create a critical mass of states that prove the value and feasibility of deeper learning.

4. Model schools that successfully implement deeper learning can serve as exemplars for the field, as well as laboratories for innovative tools and practices.

5. Technology can play a key role in scaling best practices and reducing costs.

6. The Common Core State Standards provide a strong platform for deeper learning, as shown by independent research and analysis.

7. Colleges are needed to validate deeper learning as a requirement for the K-12 system, primarily by using assessments aligned with Common Core standards to evaluate the readiness of high school graduates to enroll in credit-bearing courses.

SUPPORTIVE POLICY

In 2011, we supported the Alliance for Excellent Education, headed by former West Virginia governor Bob Wise, as the leading champion for policy reform at the national/federal level. Its goal is to eliminate barriers to, and promote incentives for, deeper learning. The Alliance hosted several well-attended webinars and events to educate national policymakers about deeper learning and published reports analyzing specific policy changes that support new systems of assessment and accountability. However, since legislative progress in Congress appears uncertain, the Alliance is also turning its focus to examining the No Child Left Behind waiver strategy recently promoted by the Obama administration. Broad waivers from the law's tight restrictions should offer states a way to creatively advance adoption of college- and career-readiness standards, more sophisticated testing, and accountability measures that promote deeper learning.

We are responding to the shift away from federal prominence in education reform by launching new state-level work designed to complement—and ultimately inform—federal policy. The Program has supported efforts this year to develop a broad consensus regarding the policy and regulatory changes needed to embed deeper learning in local school systems. We plan to use these findings to guide our work with the Council of Chief State School Officers, which will act as the champion for state and local policy reforms, identifying and supporting five to ten states where leaders are committed to deeper learning.

Measuring Progress – Supportive Policy

Progress should be seen over time toward both (1) an increase in the number of states meaningfully implementing deeper learning reforms, and (2) a demonstrable improvement within individual states on the breadth and depth of reform.

2009	2011	2012/13	2014	2017
No states have aligned policies to support deeper learning. (Baseline)	44 states adopted Common Core State Standards.	5-10 states align 3-5 policy areas to support deeper learning.	5-10 states align 5-7 policy areas to support deeper learning.	5-10 states align 10 policy areas to support deeper learning.

Data sources: Grantee reports and state policy tracking reports.

Definitions: State "alignment" measures include college- and career-readiness definitions, adoption of Common Core standards, adoption of DL assessments, and revised accountability systems.

SYSTEM-WIDE PRACTICE

Our goal is to help millions of U.S students receive deeper learning instruction and assessment in these skills. Investments are divided equally between summative assessments (end-of-course exams) and tool development to support learning and instruction. The focus is on cost reduction and innovative research and design.

In 2011, we concentrated on three areas of investment for summative assessments. One, we provided funds to both the federal Department of Education and the state assessment consortia to support the successful development of the new common assessments and to explore more advanced performance-based assessments of deeper learning. Two, in an effort to reduce costs, we commissioned a feasibility study for a competition that would reward innovative approaches to scoring assessments of deeper learning skills. Three, we made an initial investment in the use of digital simulations as effective tools to measure skills that are especially difficult to assess, such as learning to learn.

Our support for learning and instruction includes teacher evaluation and professional development, deeper learning curricula, and innovative digital learning environments. In 2011, we funded a scan of curricula and professional development programs that advance deeper learning. Based on this scan, we have provided support to the top-scoring Beryl Buck Institute for Education to increase its online presence and impact, and we are planning additional investments in such model programs. We also invested in the development of a new technology platform to support instruction aligned with Common Core standards.

Looking ahead to 2012, we will shift the focus of assessment development to states that are already starting to take the lead in replacing traditional multiple-choice tests with more advanced performance-based exams. We also may begin to fund early steps toward developing science assessments. Science is an area well suited for deeper learning and one where the Foundation can play a leadership role. We hope to continue making grants to support new digital tools to measure complex skills with increased reliability and validity so they eventually can be incorporated into traditional summative assessments. In addition, we will continue investing in innovative technology to expand professional development and increase support for statewide implementations of assessments and accountability systems tied to deeper learning.

Measuring Progress: System-wide Practice

2009	2010	2012	2014	2017
Minimal number of students taught using DL.	Baselines established for deeper learning curricula and professional development.	Deeper learning curricula and professional development programs impact 50K students.	Deeper learning curricula and professional development programs impact 2M students.	4M students are assessed using deeper learning methods.

Data source: Grantee reports.

PROOF POINTS

The Program has established a network of more than 400 model schools operating in thirty-seven states. These schools have an average poverty level of more than 50 percent and are living proof that deeper learning outcomes are achievable for all students, including those from disadvantaged backgrounds. Policymakers have begun visiting these sites, and we are tapping the school leaders' expertise to inform our investments in policy reform. Deeper learning schools also have proven to be a good source of new tools to help educators teach both content and skills, and we invested in a handful of these innovations in 2011.

We supported a national network of more than forty-five school districts focused on bringing deeper learning to all their schools. Most are in the early stages of their efforts, so it will take time to develop multiple exemplars at the district level; however, the network is growing and the effort is promising In the meantime, we have launched research to clarify how deeper learning affects student achievement. The National Research Council will produce a report in 2012 on the connections between deeper learning, school success, and college and career outcomes, and the American Institutes for Research will continue a three-year study of our network of model schools. We expect these studies will produce valuable information to guide our future grantmaking, particularly in regard to the linkage between instructional practice and deeper learning outcomes.

In the coming year, we propose to support the efforts of our model schools network to fully integrate the Common Core standards and demonstrate how those standards can be a strong foundation for deeper learning. We will ask the leaders of these schools to select sites that are the very best examples of deeper learning and prepare them well for site visits from policymakers.

To raise the profile of deeper learning, we intend to provide communications support to leaders of the model schools with the strongest student outcomes linked to deeper learning and college success. The goal is to help them become more prominent in national media and influential in policy discussions. Additionally, one of our network school systems, High Tech High, will launch the first annual conference to help build a nationwide grassroots movement to support teachers and school leaders who want to provide deeper learning to their students.

Measuring Progress: Proof Points

2009	2011	2012/13	2014/15	2017
No consensus among policymakers at federal and state levels about importance of deeper learning.	PISA results highlight importance of deeper learning skills for competitiveness.	Rigorous research reports draw attention and discussion to deeper learning in federal policy arena and in 10 states.	At least 4 Proof Point leaders become influential national media figures, well known to policymakers at federal level and in 10 states.	Effectiveness and importance of deeper learning is well known to policymakers at federal level and in 10 states.

Data sources: Media analyses and policymaker surveys.

POSTSECONDARY

In 2011, the Program supported the development, evaluation, and replication of deeper learning approaches for the approximately 70 percent of high school graduates who arrive at college underprepared for postsecondary work. With the Lumina Foundation, we also supported efforts to develop common higher education standards for student outcomes, including deeper learning, in high-enrollment degree programs. The Program will monitor the progress of these two initiatives next year, making few new investments. We will reassess investment opportunities in late 2012.

Our primary focus will shift next year to higher education's critical role in lending credibility to the new multistate consortia assessments. The Program and the Lumina Foundation will launch an effort with the Gates Foundation and the Carnegie Corporation to help ten states bring the K-12 and postsecondary sectors together to share ownership of Common Core college-readiness standards. We also will help these states use the consortia's new assessments to guide decisions about whether students are ready for college-level work. Using the tests as the key method for making college placement decisions will both validate the assessments and illuminate for K-12 parents, students, teachers, and administrators what it means for a student to be prepared for success in college. This will strengthen K-12 decisions about how to align teaching and learning to deeper learning as reflected in the Common Core State Standards.

Measuring Progress: Postsecondary

2009	2011	2012/13	2014/15	2017
Efforts to align high school exit standards with college entrance standards are weak and inconsistent. (Baseline)	Higher education systems in 46 states agree in principle to use new K-12 assessments for placing incoming students.	Hewlett, Gates, Lumina, and Carnegie launch initiative to increase higher education system's use of state assessments.	At least 12 out of 18 state higher education systems use assessments as a component for placing freshman.	At least 12 out of 18 state higher education systems exclusively use state assessments for placing freshman.

Data source: Third-party evaluation.

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 through OER. 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.

THEORY OF CHANGE: Mainstream adoption of OER sustainably increases educational capacity, and OER increase deeper learning gains by delivering personalized educational experiences and reduced costs

BUILD A SUSTAINABLE INFRASTRUCTURE

Our goal is to build an infrastructure for OER in which producers can provide high-quality resources for the core academic subjects in K-12 and higher education without relying solely on philanthropic support. An indicator of success in this area would be for policymakers to remove restrictions on OER funding and implementation as well as to provide incentives to support OER. At the same time, the field must adopt and implement standards that guide OER development and increase discoverability, interoperability, and accessibility of educational materials.

In 2011, the Education Program saw strong progress toward the OER movement's objective of moving into the mainstream of education. Strategic investments, stellar work by our grantees and other OER leaders, and the maturation of the OER field accounted for this success, as seen in the following key milestones:

- Google, Microsoft Bing, and Yahoo launched the Schema.org project to establish industry standards that will improve search and discovery of digital resources. As part of this initiative, the Gates and Hewlett foundations cofunded Creative Commons to lead the effort of defining new metadata standards for the education industry.

- Consortia of community colleges applying for $2 billion in federal grants to develop courses to retrain workers displaced by shifts in global trade are now required by government guidelines to ensure that all materials produced will be OER.

In 2012, our support of the Community College Access Project will begin to bear fruit, with five high-quality open textbooks published in core subject areas. Grantees also will introduce the first products from the OER Accessibility project, which will dramatically improve access to OER for people with disabilities. Meanwhile, the Program—along with two of our grantees, the Commonwealth of Learning and Creative Commons—will continue working with USAID, UNESCO, and OECD to deepen the commitment of governments to open licensing of educational materials and to stimulate more funding globally for open online resources. In the United States, we will shift the focus of our support for

advocacy efforts from the federal to the state level as states begin to redesign their curricula and textbook adoption processes to support implementation of the new Common Core standards.

TRANSFORM TEACHING AND LEARNING

We believe OER have the potential to improve teaching and learning by personalizing educational experiences and reducing costs. Our mission is to support influential research that spurs demand for, and guides production of, OER. We also encourage opportunistic innovation that helps build a pipeline of OER materials to continuously transform teaching and learning.

To gather evidence more systematically on OER's impact in teaching and learning settings, in 2011 we supported OLnet—a joint OER research network between the Open University of the UK and Carnegie Mellon University—to launch its Evidence Hub for Open Education. This network tracks OER projects, evidence from the field, and unresolved research questions. Work continues to enable greater sharing of knowledge about OER usage and policy developments worldwide.

Measuring Progress: Open Educational Resources

Increased Learning Gains: Demonstrate the potential of OER to increase learning gains through influential research and opportunistic innovation.

2008	2010/11	2012	2015	2017
International OER research network launched.	Hub launched to compress and accelerate innovation cycle in education technology.	OER Evidence Hub used by OER advocacy groups.	Research demonstrates student outcomes with OER on par with, or exceeding, outcomes with proprietary materials; 5 new OER innovations launched per year.	Funded research quoted or referenced in changes to education policy.

Data source: Grantee reports.

California Education

ULTIMATE GOAL: Support infrastructure for effective policymaking. Raise the achievement of all students and close equity gaps in California as measured by high school graduation rates; college readiness of high school graduates; and remediation, transfer, and completion rates of community college students.

THEORY OF CHANGE: This theory of change relies on revisions of state policy and mechanisms that encourage continuous improvement at the local level. To address the most significant barriers to this goal, the Program invests in grantees working to improve conditions for education policymaking in California.

Even as the Program gave greater attention in 2011 to our nascent national strategy, we upheld the Foundation's long-standing commitment to key research and advocacy organizations working for California school reform. In July, the new California Education Policy Fund, created with Board approval last year and managed by Rockefeller Philanthropy Advisors (RPA), announced $3.7 million in three-year, general operating support grants to nine nonprofit organizations. Grantees were selected by RPA from a field of eighty-nine applicants in a competitive process that involved a high-level independent advisory committee of experts in California education policy issues. The group of grantees spans K-14 education and balances work in research, advocacy, community organizing, information sharing, and policy analysis. One of the Fund's grantees, West Hills, went on to win one of the highly coveted Department of Labor open community college grants, an early sign of success in RPA's first cohort of grantees.

RPA plans to hold three grantee meetings in 2012 to provide technical assistance, including information about grant monitoring, capacity building, and collaboration. The latter is important for cultivating peer-to-peer support within the group to develop shared messages and actively sustain one another's work.

We plan to support the Fund to make awards to approximately twenty-five to thirty grantees over the next three years. This will ensure a rich mix of nonprofits carrying out plans to reform state policy in ways that will boost academic achievement and college success among California's most vulnerable students. The investment is to help grantees tackle a range of policy-related issues, including (but not limited to) standards and accountability; improvement in state data systems measuring growth in student achievement; and college readiness, especially among low-income students.

Opportunity

GOAL: Support areas of inquiry that can have substantial impact but arise on short notice.

In addition to its main areas of funding, the Program reserves some grant funds for opportunities that arise on short notice that have the potential for substantial impact.

Serving Bay Area Communities

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

Through its core strategies, the Program funds organizations that help improve education in the San Francisco Bay Area.

THE WILLIAM AND FLORA HEWLETT FOUNDATION

2011 REPORT TO THE BOARD[*]
ENVIRONMENT PROGRAM

UPDATES AND HIGHLIGHTS

The Environment Program has three long-term goals:

1. Conserving the ecological integrity of the North American West for wildlife and people.

2. Ensuring the global average temperature increases less than two degrees Celsius.

3. Ensuring energy is produced and used cleanly and efficiently, with limited impacts on human health and the environment.

In 2011, our grantees' biggest successes included retiring about 31,000 megawatts of the existing fleet of coal-fired power generation facilities in the United States, or almost 10 percent of the total fleet. This reduced net CO_2 emissions by about 75 million tons a year. Our grantees achieved protection of an additional 34 million acres of wildland in the western United States and northern Canada. In August, President Obama announced the next round of fuel efficiency and greenhouse gas emissions standards for cars and light-duty trucks. The new standards, at 54.5 miles per gallon by 2025, are almost twice the current fuel economy requirements.

This year, the Environment Program set out to communicate our goals and strategies more clearly to grantees and potential grantees in order to help them better target their funding inquiries and proposals. One product of these increased communication efforts was a description of our funding approach that complements the detailed goals and strategies laid out in our logic model.

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We have found these points most helpful to grantseekers in clarifying the Environment Program's funding approach:

- We are outcome focused and wherever possible use quantitative metrics to track progress toward our outcomes.

- We fund policy development and advocacy work almost exclusively because we think policy change provides the highest impact on our priority outcomes.

- We pursue our strategies with a focus on engaging the constituencies most needed to successfully achieve our identified outcomes. An important aspect of this approach includes building a broad base of support from constituencies not traditionally involved in environmental protection.

- Our Western Conservation work is focused on the region west of the Rocky Mountains in the United States and Canada, including Alaska, but not Hawaii.

- Our Energy and Climate work is global.

- Our Clean Transportation work is principally focused in China, Mexico, Brazil, and the United States.

- We fund the vast majority of our Energy and Climate work though regranting organizations like the ClimateWorks Foundation and the Energy Foundation. We do this in part because we find this approach helps ensure clarity of goals and strategies and in part because we have a small staff and do not have the capacity to make a large number of smaller grants.

- When there is a high degree of alignment between our outcomes and those of a grantee, we will provide it with general operating support rather than project-specific support.

- We provide integrated organizational development support as needed.

- We provide grants to improve outdoor recreational opportunities, urban parks, transit availability, and environmental impacts in disadvantaged communities in the San Francisco Bay Area.

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 groups, Native Americans, and environmental advocates, is essential to achieving improved land, water, and energy policy in the region.

CONSERVE WESTERN LANDS

Grantees exceeded western land conservation goals in 2011, securing 33.7 million acres against a goal of 19 million acres. Three actions accounted for the bulk of the progress. First, Canadian boreal forest grantees succeeded in creating several new national parks and protected areas. Most notably, The Pew Charitable Trusts' Canadian Boreal Initiative teamed up with the Taku First Nation in northwest British Columbia to set aside 2.4 million acres of important wildlife and fish habitat. Second, grantees working to protect the Tongass National Forest in southeast Alaska, our nation's only temperate rain forest, won a court victory that ensures 9.5 million roadless acres will be protected from road building and timber harvest. Finally, grantees succeeded in closing 13 million acres of wildland to off-road vehicle travel.

In the coming year, we expect 30 million acres of public land in the United States and Canada to be protected. About 12 million acres of additional parks and preserves are projected for the boreal forest. The remaining improvements to U.S. public land management plans will put 18 million acres off-limits to off-road vehicle use.

INCREASE WESTERN RIVER FLOWS

Grantees continue to make excellent progress improving western river flows and dam operations for the benefit of native fish and wildlife. In 2011, grantees exceeded their target of improving flows and operations on 775 river miles by seventy-four miles. Seven hundred miles of progress came through water leases secured by grantee Trout Unlimited. One such lease in Washington State now allows salmon and steelhead spawning on a former tributary of the Yakima River. Grantee American Rivers, working through its Hydropower Reform Coalition, negotiated agreements and new licenses with dam operators on more than seventy-five miles of rivers to improve river flows. A notable success came on the Santa Clara River system in Southern California, where a negotiated dam relicensing

agreement will improve flows on fifty-two miles of the river and its tributaries for a variety of threatened and endangered species, including steelhead.

We estimate 853 river miles will be improved in 2012, up slightly from 2011. Water leasing agreements that improve river flows will account for 750 miles of the total. Dam removals and operations improvements will account for the remainder.

INCREASE WESTERN CLEAN ENERGY

Through a decade of sustained leadership by the Hewlett Foundation and others, advocates in the West have achieved remarkable success in reshaping how the region produces and consumes energy. Our grantees have blocked the construction of dozens of new coal plants, and they are gaining momentum in shutting down existing plants. Ninety percent of the households in the region now live where renewable power is mandated. Utilities are spending record levels on efficiency programs, not just in California and Washington, but in Utah, Arizona, New Mexico, and Colorado.

California dominates the power markets and leads on many clean energy fronts. This is not just because of its size, although its gross domestic product makes it the world's eighth-largest economy. It is also because our grantees have made California a global leader in clean energy. Advocates succeeded in securing a greenhouse gas performance standard in 2007, closing the state down to new coal production. It now has the nation's most aggressive renewable energy target, and its utilities drive much of the region's wind and solar development. California voters bucked national trends last November and overwhelmingly rejected efforts to roll back the state's historic climate law. California could soon lead the world in converting sunlight into megawatts, with large-scale power projects and dispersed rooftop solar.

Looking ahead, we recognize that to achieve our clean energy and climate goals, we will need to shift our investments beyond the West. This is in part because grantee successes here may be reaching a point of diminishing returns. Also, almost 90 percent of coal generation—and the resulting CO_2 emissions—are located in the eastern half of the United States. A megawatt of power in the Midwest creates twice as much CO_2 emission as a megawatt in California. To move beyond coal, we must move eastward.

Recognizing this strategic shift, the Foundation will consolidate its Energy and Climate budget next year and no longer segment our power-related work in the West from the rest of the country. We will look at western work through the same lens as other regions, based on where we think there is the most potential for carbon reduction. As we make this transition, we will work with our core western grantees to ensure that we do not lose momentum related to the hard-won gains they've achieved. In line with this shift, our report on 2012 priorities in the electric power sector is provided in the Energy and Climate section of this memo.

Grantee efforts to promote a regional policy for solar energy development on western public lands will continue. Those efforts yielded significant progress in 2011. First, several solar energy projects in the California desert were approved; once online, they will have 3,500 megawatts of generating capacity. The Natural Resources Defense Council, The Wilderness Society, and several other grantees worked to secure an agreement with the solar industry on how solar energy development should occur on public lands and what measures are needed to protect sensitive wildlife habitat. In 2012, we will continue to fund efforts to secure approval for 3,500 additional megawatts of environmentally sensitive solar energy projects in California, Arizona, and Nevada, as well as plans to enshrine the principles contained in the conservationist/industry solar agreement in new federal policies.

In 2011, fewer acres were protected from fossil energy development than expected: 2.3 million acres instead of a projected 4 million acres. One notable success resulted from grantee Trout Unlimited's work in Utah. The U.S. Forest Service had proposed leasing more than 500,000 acres of important wildlife habitat for oil and gas development, including the most popular trout fishing waters in the state. Through the work of Trout Unlimited's local chapter, the Forest Service changed its mind and put the entire 500,000 acres off-limits.

Grantees also secured two important policy victories. Early in 2011, after two years of work, The Wilderness Society, the Theodore Roosevelt Conservation Partnership, and the Natural Resources Defense Council succeeded in convincing the U.S. Department of the Interior to issue a directive reforming the way the agency proposes land for fossil energy leasing and development, factoring into its decisions the value of wildlife habitat and sensitive recreational lands. The results are already paying dividends. According to a report from The Wilderness Society, in the six months since this reform was adopted, 200,000 acres of ecologically significant land that would have been leased under previous directives have been set aside.

The Colorado Environmental Coalition and Western Resource Advocates, both Foundation grantees, won an oil shale victory in court, successfully challenging a 2008 decision that would have opened up millions of acres in western Colorado and eastern Utah to oil shale development. Now the U.S. Department of the Interior must reconsider the decision based on carbon emissions and impacts on the states' scarce water resources. At recent public hearings on federal regulations convened by the U.S. Department of the Interior, other grantees, including the New Venture Fund's Western Energy Project and the Western Conservation Foundation, helped the many people in attendance who opposed oil shale expansion get their voices heard.

In 2012, we anticipate another 2 million acres will be protected from fossil energy leasing as a result of leasing reforms.

BUILD BROAD SUPPORT FOR WESTERN CONSERVATION

Over the last six years, the Environment Program's Building Broad Support portfolio has bolstered efforts to decrease air pollution in California by supporting constituencies not typically engaged in environmental policymaking, such as health, community, faith, and Latino organizations. The assets brought to the policy decision-making table by these constituencies were essential in a number of important air quality and climate victories, including the development of policy that has reduced harmful diesel truck pollution at the largest port in the United States by 80 percent and the successful defense of the world's most comprehensive program to reduce global-warming emissions from attempts to dismantle it.

Capitalizing on lessons learned from this work in California, the Foundation began to expand its Building Broad Support portfolio into the western United States in 2011. We will continue this expansion in 2012 and begin to integrate this work with the Foundation's existing strategies to achieve positive climate, energy, transportation, and land and water conservation outcomes throughout the United States and transportation outcomes in Mexico. Although the Building Broad Support work was originally conceptualized as a stand-alone initiative, it will now complement existing strategies, and staff and grantees will work together to implement aligned strategies and achieve common goals.

We will develop a new set of metrics to evaluate the value this work adds. Measuring the achievement of a desired outcome, such as the ability to reach and educate a decision maker, is more difficult than measuring a quantifiable goal, such as tons of pollution reduced or river miles protected.

As a first step in developing evaluation metrics for expanding Building Broad Support work into the western United States, in 2011 the Foundation provided funding for a bipartisan poll to establish a baseline of public support for environmental issues in five Rocky Mountain states. The results, which were made widely available to the public at large, showed strong support for conservation assessment and clean energy issues across lines of political party, race, and other demographic segments, and have been useful to a myriad of groups throughout the West. In 2012, the poll will cover six Rocky Mountain states, and grantees will intensify efforts to widely distribute the results to the public at large.

Over the next year, we will determine whether a broader base of support for clean energy and opposition to fossil development on sensitive lands would make a significant difference in achieving related Western Conservation goals and, if so, begin to develop and implement funding strategies accordingly.

Energy and Climate

ULTIMATE GOAL: Ensure that global average temperature increases less than two degrees Celsius and that energy is produced and used cleanly and efficiently, with limited impacts on human health and the environment.

THEORY OF CHANGE: The worst effects of climate change on people and the environment will be avoided if temperature rise is kept below two degrees Celsius. To do this, atmospheric concentrations of greenhouse gases must be stabilized at or below 450 parts per million. This can be achieved, along with significant increases in energy efficiency and clean energy supply, if nations with high existing, or projected future, energy demand adopt and implement policies requiring that (1) new energy demand is met through efficiency, and at least 25 percent of existing demand is met with clean sources; (2) high-carbon fossil fuel development like coal, tar sands, and oil shale are curtailed; (3) the vast majority of vehicle greenhouse gas and conventional pollution is cut through increased efficiency, clean fuels, and improved urban design; and (4) the full cost of greenhouse gas pollution is borne by the emitter. The Program pursues these goals by supporting grantees focused on energy and climate policy in key developed countries with high energy demand, like the United States and the European Union, and in developing countries with high- and fast-growing energy demand, like China, India, Mexico, and Brazil.

ADVANCE CLEAN ENERGY AND CLIMATE POLICY

This year our funding shifted away from work on federal climate policies and is now aimed at lowering CO2 and other pollution associated with producing and consuming electricity.

This is because coal, the world's primary source of electricity, is also the largest and fastest-growing contributor to CO2 emissions, representing 45 percent of total global emissions. Coal is also the source of many other public health and environmental risks, and we will not achieve our climate and clean energy goals without reducing our dependence on coal.

Consumption of coal worldwide has grown faster than that of any other fossil fuel, up 50 percent in the past decade. The growth was led by China, where coal use grew 180 percent in the past decade and now accounts for half of global consumption. Coal dependence is slowly shrinking in the United States, which ranks a distant second at 16 percent of total global coal consumption. India comes in third at 10 percent of global consumption, but its rapid growth could put it ahead of the United States by the end of this decade.

Reducing coal use in India and China—or at least slowing the rush to coal—is the key to addressing global warming. But it is not enough to say no to coal; we must put equal effort into building clean energy alternatives. Some of our funding (both directly and through the ClimateWorks Network) focuses on supporting renewable energy development, particularly emerging technologies such as offshore wind and solar energy generation. Some also goes to encouraging energy efficiency programs.

The United States is where we see the most immediate opportunity to move beyond coal. Over the past five years, our grantees succeeded in stopping all but a handful of proposed new coal projects from breaking ground. Last year, we shifted our funding to the national Beyond Coal campaign, led by the Sierra Club (with funding from our grantee the Sierra Club Foundation) and the Energy Foundation, to retire much of the existing coal fleet. The goal is to shut at least 30 percent of the nation's coal-generation capacity by 2020.

This opportunity exists now because of a convergence of market and regulatory forces. The U.S. Environmental Protection Agency is under court mandates to develop several new regulations that will impose new environmental costs on coal. Most states now have renewable energy mandates that drive new investments in wind, solar, and geothermal energy. Efficiency spending to reduce demand reached record levels this year. Finally, a surge in the production of affordably priced domestic natural gas may provide a lower-carbon fossil option.

Depending on assumptions, estimates are that natural gas is about half as CO_2 intensive as coal. But it is far from perfect. We are funding work, led by the Environmental Defense Fund and the Sierra Club, to minimize the environmental consequences of hydraulic fracking for shale gas. Gas could displace renewables as well, and we will also start funding several new grantees to promote market rules that put renewables on a more equal footing with gas and coal.

The good news is that the effort to close coal-fired power plants in the United States is gaining momentum and coal use is declining. In just the last year, utilities announced almost 30,000 megawatts of coal power plant retirements. Coal has shrunk from 51 percent of total electricity use to 45 percent since 2007. These efforts gained a major philanthropic partner this summer, when New York City mayor Michael Bloomberg, through Bloomberg Philanthropies, announced a four-year $50 million gift to support the Sierra Club's Beyond Coal campaign.

With domestic coal demand falling, the mining industry is seeking new global markets. Wyoming's Powder River Basin is home to one of the world's largest coal reserves, and the industry is eager to send this coal to Asia's fast-growing markets. In 2012, we will recommend support for efforts to keep coal in the ground and not on ships headed from West Coast ports to Asia.

If these trends do not slow dramatically, emissions from coal will eclipse gains we achieve in scaling up clean energy alternatives.

BUILD BROAD SUPPORT FOR ENERGY AND CLIMATE POLICY

Over the coming year, we will develop and begin to implement strategies to build broad support for coal plant retirements and clean energy development in three or four midwestern and eastern states, building on the work of our national public health, religious, national security, and union grantees, as well as our deep

experience with diverse community- and state-based groups and coalitions in California.

As the Environment Program turns much of its Energy and Climate attention to retiring coal plants and expanding reliance on clean energy in the midwestern and eastern United States, it will also be important to ensure that cornerstone climate and energy policies in western states continue to be implemented on schedule and deliver health and economic benefits that can be documented and publicized to spur further progress.

In California, we will recommend funding for Building Broad Support grants focused on advocacy directed at the country's largest publicly owned electric utility and one of the most polluting utilities in California: the Los Angeles Department of Water and Power. An array of health, labor, Latino, Asian, and community-based groups will add new voices and perspectives to ongoing efforts to convince the utility to stop producing 40 percent of its power from coal and to replace it with a healthy, job-stimulating mix of energy efficiency and renewable energy. Achieving this transformation will not only set a powerful precedent for other city-owned utilities, but will help ensure that California meets its ambitious requirements for increasing renewable energy and reducing global-warming emissions.

INCREASE CLEAN TRANSPORTATION

Our Clean Transportation portfolio focuses on reducing greenhouse gases and local air pollutants from vehicles. Our strategy is centered on achieving the adoption and implementation of vehicle efficiency standards (i.e., fuel economy), clean vehicle standards (i.e., low emissions of particulates and toxics), and clean fuel standards that reduce the carbon intensity of fuels and the sulfur content in gasoline and diesel, enabling advanced clean technologies to function. We also work on reducing emissions by decreasing vehicle miles travelled, avoiding the need for trips, and shifting individual motorized trips to mass transit. We accomplish this by supporting efficient public transportation systems and urban planning. Our grants support organizations in the United States and in three key developing countries: China, Brazil, and Mexico.

This July we had a tremendous success in the United States with a historic announcement by the Obama administration to cut passenger vehicle fuel consumption and greenhouse gas emissions. The proposal will set a greenhouse gas standard of 54.5 miles per gallon for light-duty vehicles. The U.S. Environmental Protection Agency and the National Highway Traffic Safety Administration will finalize the regulations in 2012, with full implementation of the standard by 2025. This will cut oil consumption by as much as 1.5 million barrels a day. A few weeks later, President Obama announced the first-ever fuel efficiency standards for heavy-duty vehicles. By 2018, these standards will improve the fuel economy of large commercial trucks and buses by 20 percent.

The Energy Foundation, Union of Concerned Scientists, Natural Resources Defense Council, International Council on Clean Transportation, and ClimateWorks Foundation, all Foundation grantees, were instrumental in accomplishing these victories. It has been a long road since we started supporting vehicle efficiency standards in the United States in 2002, and this patient investment has paid off. The next step for our Program is to make sure the final rules are strong and the implementation is effective. Furthermore, with strong standards in place, a new frontier of work opens. In the coming years, we will focus on harnessing support for electric vehicles as a strategy to further reduce air pollution.

Our work to reduce air pollution in cities continues to make progress, although we face significant challenges. The country best positioned is Brazil, where, early next year, we expect the implementation of high-stringency vehicle emission standards (equivalent to Euro V), which require diesel with sulfur content of no more than 50 ppm. To achieve the emission reductions from this standard, our grantees in Brazil will continue to provide technical support to environmental and transportation agencies, as well as to the Agência Nacional do Petróleo (the Brazilian agency regulating the oil industry).

In Mexico and China, the roadblock to advancing high-stringency vehicle emission standards has been the lack of availability of clean, low-sulfur fuels. This year, in Mexico, we began implementing a strategy to build broad support to engage new constituencies, primarily from the public health and private sectors, to help reach the energy and treasury ministries with key messages. This work will continue in 2012.

BUILD BROAD SUPPORT FOR CLEAN TRANSPORTATION IN THE UNITED STATES

In California, landmark legislation to limit global-warming pollution was passed in 2006. In 2012, the state will begin developing a package of transportation regulations to implement this law. The Foundation will support a cluster of community, faith, health, and Latino organizations to supplement efforts by environmental groups to advocate for the adoption of strong global-warming regulations for ports, freight, and ships in such implementing regulations. These new regulations would reduce smog and toxic pollutants and establish national policy precedents.

We will also determine whether a broader base of support for clean transportation policies in other areas would make a significant difference in achieving reductions in global-warming emissions and other pollutants and, if so, begin to develop and implement funding strategies accordingly.

Serving Bay Area Communities

ULTIMATE GOAL: Improve outdoor recreational opportunities, urban parks, transit availability, and reduce environmental impacts in disadvantaged communities in the San Francisco Bay Area.

THEORY OF CHANGE: Outdoor recreational opportunities, transit availability, and air and water quality will improve in the Bay Area's underserved communities through investments in organizations and community foundations engaging residents to address those needs.

In 2011, the Hewlett Foundation continued its support to organizations working to reshape how land use in the Bay Area impacts open space, the availability of public transportation, and air pollution, particularly in underserved communities. State laws now require planning agencies and cities to meet greenhouse gas targets as they plan for the future by developing Sustainable Community Strategies. Low-income and minority communities have the most to gain, or lose. To make sure that community voices are heard, support for members of the Great Communities Collaborative expanded late last year to include Urban Habitat, the Non-Profit Housing Association of Northern California, and the Asian Pacific Environment Network. With continued support from the San Francisco Foundation and TransForm, we anticipate that Great Communities Collaborative grantees will work with key Bay Area cities to support policies that are more equitable from economic and environmental perspectives.

Ensuring access to parks and the outdoors and supporting efforts to improve air quality continue to be grantee priorities. Grants to Trips for Kids, the Trust for Public Land, and the Rose Foundation continue to help ensure that underserved communities have more opportunities to enjoy and influence the quality of their neighborhoods. It is expected that the number of children served and community organizations supported will remain level at 2,600 students. Two urban parks will move closer to completion in the Bay Area.

2011 REPORT TO THE BOARD*

GLOBAL DEVELOPMENT AND POPULATION PROGRAM

UPDATES AND HIGHLIGHTS

A Better World for the Poorest

The Hewlett Foundation's Global Development and Population Program focuses primarily on improving the well-being of vulnerable populations in the developing world—the 40 percent of the global population that lives in extreme poverty. Through these investments and those to ensure reproductive rights in the United States, the Foundation makes possible a more sustainable, stable, healthy, and prosperous future. With relatively modest resources compared to the immense needs, the Program currently places priority on high-impact policy changes that can be achieved through the generation and communication of evidence, and the strategic application of pressure and support from advocacy groups. We also support expansion of access to key reproductive health services. Our work at the country level in India, several sub-Saharan African countries, and the United States and our in-country presence in Mexico complement support to organizations that influence and implement global policies.

The Program's areas of emphasis include the promotion of transparent and accountable governance—particularly as it pertains to the improvement of social service delivery—and the policies that ensure provision of high-quality education and family planning and reproductive health services. When and where appropriate, our grantmaking reflects an understanding of the relationship between population growth and other demographic change on key development outcomes. While focusing the majority of grantmaking on low-income countries, the Program also supports institutions in the United States that protect access to quality family

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planning and abortion, seeking in particular to reduce pregnancies among teenagers as well as unplanned pregnancies overall.

The Program was created in 2011 by integrating the earlier Global Development Program and the Population Program. The year 2012 will be a time of transition and evolution in many respects; by 2013, we anticipate that our portfolio will reflect a sharpening of focus, support for some of the frontier areas within our existing investments, and early activities in at least one new domain. During 2012, we plan to explore potential synergies across program components, thereby fulfilling the expectation that there is much to be gained by establishing links between our work on population and broader development issues. The decrease in resources available for grantmaking after the conclusion of cofunding from the Bill & Melinda Gates Foundation for quality education work will require us to consolidate gains in this area, focusing on the countries and approaches that are most promising.

The Program's International Population and Reproductive Health and Family Planning portfolio will maintain its current goals at the individual and societal levels, but we will take a close look at our strategy to ensure that grantmaking remains consistent with opportunities for the greatest impact. This is an opportune moment for such reflection, given both the change in leadership in major family planning–focused institutions and the completion of the current phase of Foundation-funded research on the relationship between fertility and economic outcomes.

Finally, we anticipate developing new strategies that will require modest grantmaking in at least one new programmatic area that may permit us to contribute to policies that go beyond the social sectors and into the economic sphere. At a minimum, 2012 will lead to some exploratory conceptual work, and potentially—with the Board's support—some initial grantmaking if opportunities and resources permit.

Transparency and Accountability

ULTIMATE GOAL: Implementation of better policies and programs for service delivery.

THEORY OF CHANGE: Without appropriate information and oversight of how public funds are collected, allocated, and spent, problems of mismanagement and corruption will undermine the delivery of basic public services. Grantmaking will seek to increase public oversight of two key revenue flows into developing countries—from foreign aid and the extractive industries—as well as public oversight of spending and service delivery.

The Transparency and Accountability component rests on a belief that access to relevant information helps empower individual citizens and civil society groups to effectively demand more and better social services from their governments and the donors that often have a powerful influence in low-income countries. Potentially transformative information includes data on revenues, expenditures, and effectiveness of spending—or, "from where?" "for what?" and "what works?" With our grantees, many of whom are defining the field of international development, we have tackled all three of these questions, and we are seeing results.

FROM WHERE?

The source of government revenues shapes the likelihood that they will be used to improve the lives and livelihoods of those most in need. For instance, through a partnership with organizations that support implementation of the Extractive Industries Transparency Initiative, our work focuses in part on ensuring public disclosure about the revenues that energy, mining, and other industries pay to governments for resource rights. A pioneer in the promulgation of global norms, the Initiative made exhilarating progress in 2011: five additional countries committed to conforming to this standard of global transparency, and several other countries expanded their compliance.

It is not only the revenues from extractive industries that can be problematic; so can the resources that come with the best of intentions, but all too often with the least transparency. In very low-income African countries, funds from public and private donors constitute a significant share of the support for key services such as health and education. For example, more than half the funding for anti-retroviral therapy for AIDS patients in Africa comes from bilateral donors, such as the United States and the United Kingdom, and from multilateral donors (particularly The Global Fund to Fight AIDS, Tuberculosis and Malaria). Overall, in a country such as Tanzania, donors provide approximately 30 percent of total public funding for health.

The International Aid Transparency Initiative, inspired by its predecessor in the field of extractive industries, is establishing a set of conventions for the reporting of

financial data by official donor agencies. The Initiative's objective is to ensure the publication of up-to-date, comprehensive, and detailed data on donor budgets and spending that will allow better coordination among donors, more effective policy responses by recipient governments, and more informed advocacy in both donor and recipient countries. This objective is already being met: the British government, the World Bank, the Hewlett Foundation itself, and sixteen other organizations are publishing Initiative-compliant data. Tools and applications for the data are being piloted so that citizens in recipient countries can correlate donor aid resources with development spending by their own governments. And watchdog groups are analyzing expenditures to determine if aid funding is being used effectively.

In related work, the Modernizing Foreign Assistance Network and several Washington-based think tanks and advocacy organizations prepared a progressive and far-reaching reform agenda that was well received by the U.S. government. While the most ambitious goals of the Network proved to be unachievable, much of the reform agenda was integrated into the administration's efforts. Several of the principal architects of that agenda within the Network have become influential members of government and multilateral international organizations. The Network's ideas were echoed in the Presidential Policy Directive on Global Development and the Quadrennial Diplomacy and Development Review, both issued in 2010, and in the reform commitments made by the USAID administrator in 2011.

FOR WHAT?

The question of how both donor and national government funds are used—the "for what?" question—is the source of a good portion of the Foundation's Transparency and Accountability work. In 2011, momentum has been building for a truly global movement of organizations calling for more transparency and accountability in how public funds are allocated and spent. The International Budget Partnership, which the Hewlett Foundation supported from its early days, has been the primary architect of two promising new initiatives with significant potential to advance tangible progress on budget transparency.

Earlier this year, the International Budget Partnership convened the first meeting of the Global Initiative on Fiscal Transparency, the goal of which is to "advance and institutionalize significant and continuous improvements in fiscal transparency, engagement, and accountability in countries around the world." The stewards for the Initiative include the International Budget Partnership and senior government officials from Brazil, the Philippines, the United Kingdom, and the United States, as well as senior representatives of the International Monetary Fund and the World Bank. In November, the International Budget Partnership held a global assembly in Tanzania of citizen watchdog groups from around the world to develop a more coordinated campaign to improve public access to budget information and engagement in the budget process.

Mexico is an environment in which the "for what?" question is particularly important, and can sometimes be elegantly coupled with "for whom?" The Mexican government has established a plethora of subsidy programs to redistribute resources and give its poorest citizens opportunities to level the economic playing field. For example, partially through the work of Hewlett Foundation grantees using freedom of information laws, the mistargeting of agricultural and other subsidies has become the subject of considerable public scrutiny. It is simply no longer the case that federal or state governments can operate with impunity; they are being held accountable by the public for good stewardship of common resources.

Measuring Progress: Budget Accountability

Percentage of Mexico's subsidy allocations for agriculture, health, and social development made transparent.
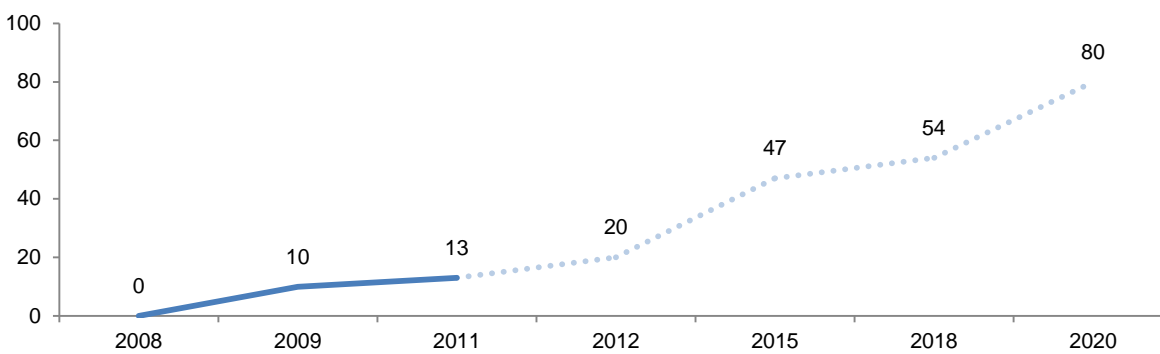
Data sources: Ag. Subsidies database (www.subsidiosalcampo.org.mx); Mexico's Annual Federal Budget (2011).

WHAT WORKS?

Knowing where the money is from, and where it goes—important as that information is—invites the fundamental question of what effect the spending is having in the real world. Are the dollars that go to microfinance yielding sustained increases in household income? Are smallholder farmers changing their planting practices for the better when they are introduced to new technologies by agricultural extension agents who provide training in modern farming methods? Are AIDS patients more likely to stay on treatment when they receive text messages reminding them to get their drugs?

Measuring effectiveness, let alone cost effectiveness, is fraught with challenges, but the application of innovative methods for measurement and evaluation has been an area of growing interest among donors, citizen groups, and national governments. Hewlett Foundation grantees, including MIT's Abdul Latif Jameel Poverty Action Lab and the International Initiative for Impact Evaluation, have been at the forefront of much of this work, and results from impact evaluations that use experimental techniques and other rigorous methods that permit "with" vs.

"without" comparisons are starting to inform practice. Two recent books, Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty (by Abhijit V. Banerjee and Esther Duflo) and More than Good Intentions: How a New Economics Is Helping to Solve Global Poverty (by Dean Karlan and Jacob Appel), have highlighted the policy implications of the accumulating body of high-quality evidence about which types of interventions work best to improve social and economic outcomes for individuals. Moreover, the evaluation policies in several countries and development agencies, including the U.K.'s Department for International Development and USAID, call for greater investments in and use of impact evaluation.

The enthusiasm for measuring effectiveness was evident at the "Mind the Gap: From Evidence to Policy Impact" conference, organized in May by the International Initiative for Impact Evaluation. Presented with evaluation findings of development programs from around the world, researchers, students, program implementers, policymakers, and donors engaged in lively debates about how to build bridges across the gap—how to move from generating evidence to advocating for policy change. Addressing this challenge in 2011, the University of Cape Town teamed up with the Poverty Action Lab to launch a long-term training and outreach program that helps to educate policymakers to become more "evaluation literate" so they can better understand the value of using evidence in forming policy.

A different and potentially powerful means of tackling the "what works?" question is through the systematic measurement of service delivery quality. This year, we have worked closely with colleagues at the World Bank to test and refine an instrument to measure the quality of services at schools and clinics in urban and rural areas so that valid comparisons can be made across countries and over time. This has the potential to be a tool to measure the effectiveness of policy changes and to identify countries or regions that are particularly good at reaching high levels of quality in service delivery. Developed by some of the leading practitioners in the field of transparency and accountability and piloted in Tanzania and Senegal, the Service Delivery Indicators project will expand in 2012 (see below).

Shifting the Debate to Service Delivery *Quality* in Tanzania

Over the course of the last year, the Service Delivery Indicators survey and Uwezo (a household survey of student learning) have focused the attention of senior government officials on the poor quality of services at health clinics and primary schools in Tanzania. Last spring, the World Bank's Director for Human Development in Africa shared the results of the Service Delivery Indicators survey with the Tanzanian president and his ministers at an off-site cabinet retreat. The minister of education was so dismayed to learn of the high levels of teacher absenteeism—nearly one in four teachers is absent from school on any given day in Tanzania—that he is now making all of his classroom visits unannounced to verify teacher attendance. The minister has since reported back to our World Bank colleague that his own visits confirm the high absenteeism documented by the survey findings, which is precisely the shift in mentality that this kind of data collection seeks to influence. Suddenly, government officials are questioning why their significant investments in inputs—e.g., classrooms, textbooks, and teacher training—do not necessarily translate into the outcomes that matter for citizens.

Sound Development Policy and The Think Tank Initiative

The Foundation has made a large and steady investment in good public policymaking across sectors through the Think Tank Initiative, a ten-year, $100 million program of grantmaking, most of which is administered in partnership with the International Development Research Centre in Canada, and with cofunding from the U.K.'s Department for International Development, the Dutch government, and the Bill & Melinda Gates Foundation. Supporting fifty-one competitively selected institutions in twenty-three countries, the Initiative contributes to the presence of high-quality policy research and advocacy and to independent and informed voices in developing countries. Starting this fall and continuing for the next two years, we are working with our partners to commission an external evaluation of the Initiative, setting the stage for the second phase of the program, starting in 2014.

Quality Education in Developing Countries

ULTIMATE GOAL: Improve reading, math, and critical thinking skills among the very poor.

THEORY OF CHANGE: Our strategy to achieve this goal has three parts: (1) strengthen awareness of and attention to student learning by supporting civil society assessments of children's learning; (2) demonstrate how to improve learning by supporting trials of scalable, cost-effective approaches to improve teaching-learning processes; and (3) educate governments and development agencies about the need for adequate resources and the effective use of such resources to improve learning.

The Quality Education in Developing Countries initiative, cofunded with the Bill & Melinda Gates Foundation, is one of the Hewlett Foundation's influential achievements in global development. The initiative has tackled the problem of extremely poor learning outcomes among schoolchildren in low-income countries: the "learning crisis."

The need for this initiative is vast: the average student in a developing country lags very far behind global learning standards. The global community has supported an unprecedented increase in school enrollments over the past fifteen years, but the quality of education has declined sharply and student learning outcomes have followed suit. For example, in Uganda and Mali only one in fifty second graders can read. Even in the best-performing states in India, less than half of ten- and eleven-year-olds are proficient at four simple tasks: reading a simple passage, doing division, telling time, and handling money. This lack of basic competencies—documented by Foundation grantees—locks children into poverty.

To challenge the status quo, the initiative has taken a three-pronged approach to large-scale social change: (1) awareness of the problem through the application of community-based learning assessments that reveal the extent of the learning crisis to parents, to local officials, to the media, and to high-level policymakers; (2) testing and refinement of solutions through the rigorous evaluation of alternative instructional models at the school level; and (3) reorienting governments, donors, and educators to learning—not school enrollments—as the criterion for productive education investment.

The Foundation was among the first in the international community to make learning-focused investments, and our grantees, like Uwezo in East Africa (supported through Hivos) and the Annual Status of Education Report in India (supported through Pratham), were among the first to document the learning crisis.

Evidence of the initiative's influence in 2011 included announcements of new education strategies focused on improving and measuring learning by three of the largest donors to basic education: USAID, the Global Partnership for Education,

and the World Bank. This is a marked departure from past donor strategies, which were largely focused on building schools, training teachers, and providing textbooks, and relied on enrollment as the key indicator of success. In addition, learning achievement has become a part of government discussion and debate in the countries where the Foundation has made direct investments. As just one example, India's Planning Commission recently released a draft of India's twelfth Five Year Plan in which the major conclusion for elementary education is that the country's 2009 Right to Education Act must be monitored in terms of learning outcomes. The Plan specifically cites data on learning achievement from Pratham's Annual Status of Education Report to draw this conclusion.

In addition to sparking debate on learning achievement, our grantees are providing teachers with methods, materials, and support for teaching reading and math, and showing that it is possible for government systems to support better student achievement. In Mali, for example, the Institute for Popular Education has given teachers step-by-step instructions and lesson plans for teaching reading in a language that the students understand. The Institute has also ensured that every child has reading materials for each lesson and access to storybooks in his or her home language. The midline of a randomized evaluation we have supported through the Research Triangle Institute shows that children in the Institute's classrooms improved by 60 percent on reading tests; their peers in control schools did not improve at all. In Mali and elsewhere, other donors and governments themselves are taking up the very models our grantees have developed.

Having committed all of the grant funds contributed by the Gates Foundation, we face a reduced budget in the coming years, but our goal will remain the same: to improve learning achievement in early literacy and math among the very poor. Demonstrated progress toward this goal will be the main criterion for continued investment. To do this, we are weighing a number of considerations as we analyze our portfolio. Which investments will maximize the returns on investments made to date? What are promising new or innovative areas that could accelerate or deepen efforts to reach our goal? What are the returns on each area of our strategy, and, based on those returns, which will we maintain, refine, de-emphasize, or drop? What is the most productive balance, depth, and breadth of global and in-country work? And which partnerships will leverage significant results for modest investments?

With anticipated future funding at approximately $10 million per year, the most important achievements should be reflected on two fronts. At the global level, we expect to see that investments by donors (e.g., the World Bank, USAID, the U.K.'s Department for International Development, and the Global Partnership for Education) focus on children's learning, measure learning outcomes, and use learning as a key metric for investments in education. We will work toward and support an emerging global consensus that education is part of a post–Millennium Development Goals framework and that learning outcomes are the key indicator for education. We will also support advocacy activities that seek to hold the line on

further budget cuts in a period of donor austerity and will monitor data that report spending on education among leading donors and target governments.

At the country level, we expect improvements in the ways that governments track and improve student learning. This includes regularly implementing or endorsing a sample-based learning assessment, making the results transparent, and using the results to improve school programs and shape education policy. We will also support efforts to educate governments and/or their partner development agencies about proven instructional approaches.

Measuring Progress

Performance of Students Served by QEDC Instructional Model Grants: Number of QEDC priority countries (India, Kenya, Tanzania, Uganda, Mali, and Senegal) in which reading levels of students served by QEDC instructional models improve significantly compared to reading levels of students not served.
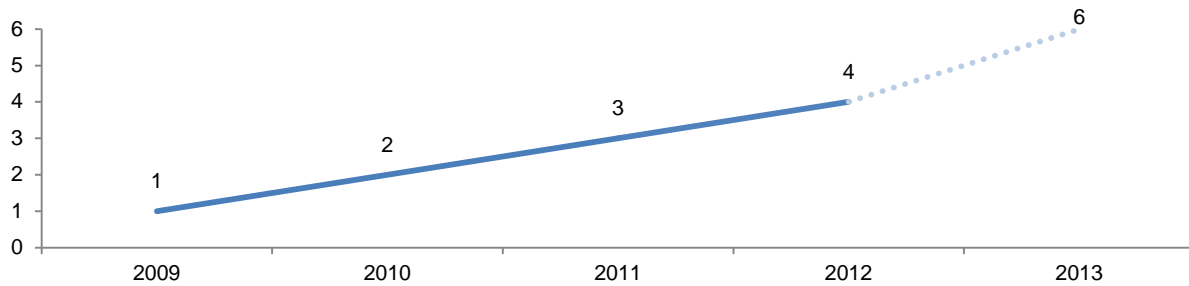
Data source: Reports from impact evaluation grantees. No data available prior to 2009, when the first preliminary impact evaluation results were reported.

Government and Donor Adoption of Proven Instructional Models: Number of QEDC priority countries in which the government or other donors are funding or cofunding instructional models proven to improve student learning.
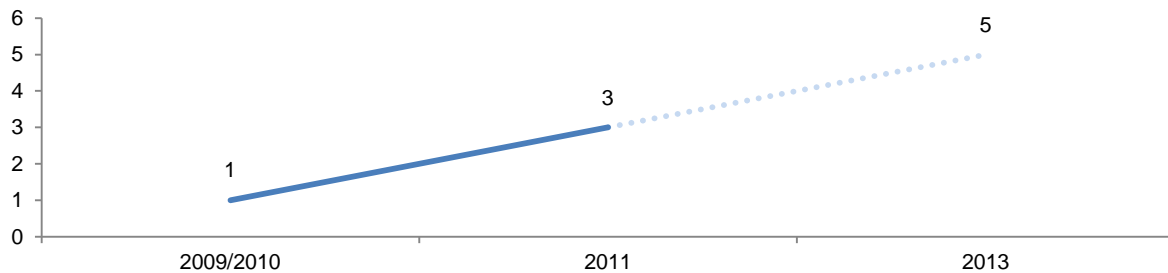
Data source: Annual reports from instructional model grantees.

International Population and Reproductive Health and Family Planning

A priority of the Global Development and Population Program is access to quality family planning and reproductive health services which yields both individual and societal benefits. The Foundation has a long-standing commitment to enabling women to control the number and timing of their pregnancies and protecting women and girls against unsafe abortions. Along with supporting the intrinsic value of women's control of their own childbearing, the Program supports good family planning and reproductive health services. Each of these plays an essential role in improving women's health outcomes, promoting a pathway out of poverty, reducing rapid population growth, and enabling sustainable and equitable economic growth.

QUALITY SERVICE DELIVERY TO RESPOND TO UNMET NEED

ULTIMATE GOAL: Reduce unintended pregnancy by meeting unmet need for family planning services and ensure reproductive rights in developing countries, focusing on sub-Saharan Africa.

THEORY OF CHANGE: Reducing the number of unintended pregnancies requires providing access to information and services through an affordable and effective service delivery system, one that offers a wide range of family planning methods, including contraception and safe abortion. An enabling policy and legal environment must exist to ensure access, adequate funding, and supportive social norms.

Working primarily with large nongovernmental service delivery organizations that have a global reach, we support the provision of family planning and reproductive health services, including safe abortion, through both the public and private sectors. For example, Marie Stopes International delivers quality reproductive health care services to 7 million couples in forty countries, including sixteen countries in sub-Saharan Africa. The organization primarily provides services through clinics and mobile outreach teams that complement the public sector; in some countries, Marie Stopes also contracts with ministries of health to provide services for the public health system. The International Planned Parenthood Federation, which has member associations in more than 130 countries in every region in the world, provides almost 50 million reproductive health services globally each year.

An emerging area of intensive focus for the Program is the problem of high fertility rates in Francophone West Africa. In countries such as Senegal, Mali, and Burkina Faso, women have an average of six children; 31 percent of women of childbearing age do not wish to have more children and yet do not use a reliable contraceptive method. Despite the clear need, the very low-income countries have traditionally

received little attention and still less funding from international donors to expand access to services. Moreover, as a function of the legal and administrative traditions in these countries, and as a function of political structures that are unfriendly to the rights of women, family planning service providers face major policy barriers. Although laws prohibiting contraceptive use were removed in the 1980s and 1990s, for example, several countries in Francophone West Africa have policies that restrict unmarried women from accessing family planning services.

Through the efforts of the Hewlett Foundation and several partners, there are glimmers of progress in the region. Several countries in Francophone West Africa, such as Burkina Faso, Togo, and Guinea, are considering allowing lower-level health workers to administer short-term methods of birth control such as injectable contraceptives (a popular method among women in those countries), which are normally available only through a nurse in a health center setting. The Foundation is a founding partner of the Ouagadougou Cooperation, a collaborative that is trying to accelerate progress in improving access to quality family planning services in eight Francophone West African countries. In 2012, the Cooperation hopes to attract new donors to a region that has largely lagged behind other regions in Africa and to increase family planning use and reduce maternal mortality worldwide. Even in the current global economic environment, new partners for the region are still possible.

Measuring Progress: Increased Use of Contraceptives

Annual number of Couple Years of Protection (CYPs), in millions, delivered in sub-Saharan Africa.
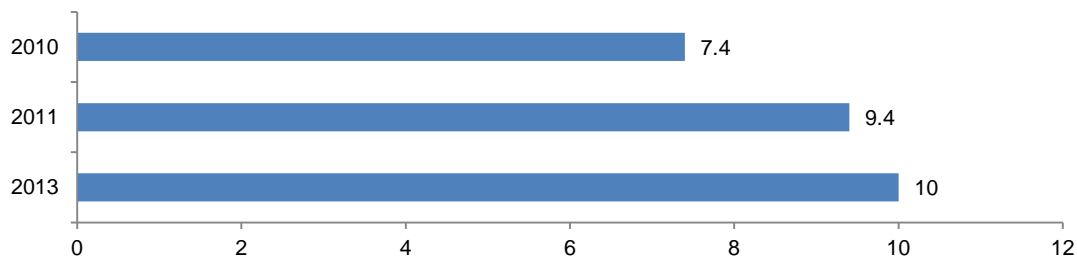
Data source: Reports from individual grantees (Marie Stopes International, International Planned Parenthood Federation, and DKT International), 2010 data.

EXPERTISE TO INFORM POLICY WITH KNOWLEDGE ABOUT POPULATION GROWTH

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 demographic information require adequate funding, trained experts, research, and useful, accessible data. This is best achieved through investments in the training of population scientists, strong research institutions, increased access by policymakers to useful demographic information and research, and advocacy for increased and better uses for FPRH funding.

In the current portfolio, the Hewlett Foundation invests in generating knowledge about the economic and social drivers, as well as the consequences, of rapid population growth; we also support capacity building in demographic analysis. These activities are essential inputs to building and maintaining the field and for yielding sounder policymaking over the medium and long term.

The Foundation's investments to support sounder policymaking include grants to academic institutions that train population scientists. These experts play an instrumental role in the generation and interpretation of population and health data. Over several decades, the loss of talented African population scientists to developed countries like the United States and a poor funding environment left Africa's population institutes in decay, and the continent itself with a dwindling cohort of highly trained population scientists in research and policy positions.

The Foundation has taken two mutually reinforcing approaches to building Africa's demographic training institutes. Investments in African universities fund academic models to catalyze research and training. These investments increase the number of scientific staff and provide small grants to motivate original research. Revenues from international research awards underwrite the education of more students and the hiring of additional research staff. This strategy has shown promising results. For example, our investments in the Regional Institute for Population Studies in Ghana have resulted in increases in research awards from less than $100,000 on average in 2005 to more than $1 million annually, and from carrying fewer than twenty-five graduate candidates to more than fifty.

The Foundation has also developed a second approach to capacity building in which our investments have created networks of the most promising scientists in the region to improve the quality of African research. These networks provide a platform for peer-to-peer training on advanced demographic methods and shared access to previously unattainable data. This approach has been particularly effective in Francophone Africa, where population institutes have historically been more isolated and under-resourced. Investments through the International Union for the Scientific Study of Population have supported training for more than sixty scientists in Francophone Africa on cutting-edge demographic tools. In 2012, the

organization will support the publication of nine pieces of original research in a special edition of the Journal of African Population Science.

The population and poverty research program (PopPov), a major line of grantmaking over the past several years, has started to generate results. With forty-five major studies and more than twenty smaller studies under way, our grantee organizations have drawn new scholars into the field and supported new research by established academic figures like Esther Duflo, David Bloom, and Duncan Thomas.

The researchers have convened at five annual international conferences and in 2011 and 2012 will start reporting their findings. We have engaged population policy experts to review the findings and help shape policy-relevant messages for eventual communication. Aware of the need to decide whether (and how) to continue this line of work into a second phase, we also are developing a multipart evaluation of research quality and impact.

A special research effort, whose findings have been shared with the Board in the past, is the work on calculating the reduction in carbon emissions that would result if all sexually active women who do not want to get pregnant used contraception. Research supported by the Foundation and conducted by the National Center for Atmospheric Research and the Futures Group found that answering this unmet need for family planning in the developing world and the United States would slow population growth and as a result would reduce carbon emissions by between 8 and 15 percent—the equivalent of stopping all deforestation. The Global Development and Population and Environment programs are jointly supporting a feasibility study to estimate the likelihood of success of a possible campaign to get these compelling research results into the hands of policymakers in the United States and Europe. The findings from that study will shape 2012 and 2013 grantmaking in this area.

Measuring Progress: Training the Next Generation of Population Scientists

Number of graduates from Foundation-supported master's and doctoral programs in Africa.
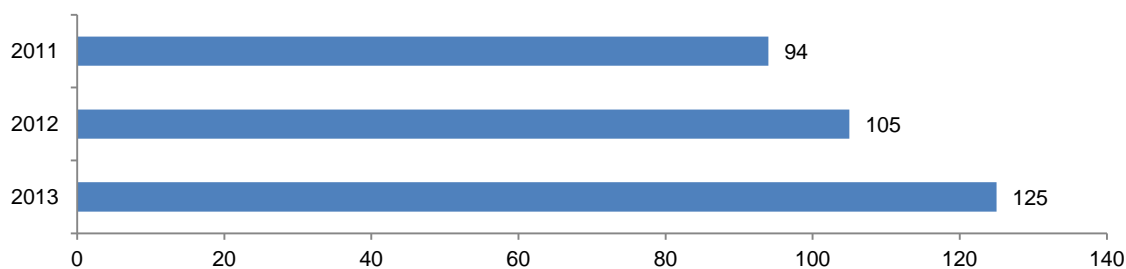
Data source: Annual reports from University of Ghana, University of Cape Town, University of Yaoundé II, and University of the Witwatersrand.

U.S. Family Planning and Reproductive Health

ULTIMATE GOAL: Good family planning and reproductive health policies and access to services for all Americans.

THEORY OF CHANGE: By engaging in advocacy for supportive policies and increased funding, and by expanding the use of services by increasing access to information and services and promoting behavior change, our grantees will advance the goal of good family planning and reproductive health policies and access to services for all Americans. These policies and services will improve public health; reduce unplanned pregnancy rates; and provide a range of benefits for individuals, families, and society.

The Program's portfolio of investments in family planning and reproductive health includes grantmaking in the United States and in the Bay Area, through our Serving Bay Area Communities fund.

At the federal level, educating policymakers about the need for access to contraception was the key area of focus for most of the Foundation's national grantees. In early 2011, simultaneous efforts to defend Planned Parenthood and Title X (the government's domestic family planning program) from serious attack and a rare opportunity to ensure free contraception for women with private insurance came together in a major national push for affordable birth control. There was also considerable activity at the state level, with the defeat of a record number of bills that would have placed burdensome restrictions on abortion. Seeing the promise of health care reform realized during implementation will likely be the top priority for the Foundation's largest grantees working on family planning in the United States in 2012.

Two other priorities are also notable for the coming year. First, in 2012, we will receive results from a major study supported by the Foundation that examined the effect of clinic staff training on clients' acceptance of intrauterine devices (IUDs). We are optimistic that the study will provide strong evidence that the training intervention significantly increases IUD use, and thus our focus will shift to the study's dissemination and replication. Second, several Foundation grantees will intensify their efforts to highlight the barriers that stand in the way of U.S. military women seeking contraception and abortion.

Special Initiative to Reduce the Need for Abortion

ULTIMATE GOAL: Reduce the U.S. abortion rate by reducing unplanned pregnancy.

THEORY OF CHANGE: Launching a national initiative to reduce the need for abortions will attract new and broader political and popular support for effective policies to reduce unplanned pregnancy and abortion, an effort that complements our broader domestic strategy.

In 2012, the lead grantee for this special initiative, The National Campaign to Prevent Teen and Unplanned Pregnancy, will launch a large-scale media campaign aimed at improving the use of contraception among single young adults in their twenties. The media campaign will be implemented by the Ad Council, which selected The National Campaign to receive free advertising designs.

Also in 2012, the Foundation will evaluate The National Campaign. In anticipation of the final few years of the Foundation's ten-year Special Initiative to Reduce the Need for Abortion, the evaluation will focus on questions such as: what new constituencies and leaders have been brought on board as a result of the common-ground approach of reducing the need for abortion? What progress has been made on policies that will reduce the need for abortion? And what potential for further progress lies ahead in the area of personal responsibility, including efforts aimed at directly changing the behavior of those at greatest risk of unplanned pregnancy?

Serving Bay Area Communities

GOAL: Improve outcomes for youth in the San Francisco Bay Area and Central Valley.

The Program's local grants focus on reducing teen and unplanned pregnancy in disadvantaged communities, helping youth build critical life skills and competencies, and creating a larger constituency for effective U.S. global development policies and practices.

The local strategy for preventing teen and unplanned pregnancy has three elements: (1) expand or improve teen and unplanned pregnancy prevention services; (2) focus on teen pregnancy hot spots and areas of greatest need; and (3) provide grants that enable grantees to become more financially sustainable.

In 2011, the data available for our ultimate outcome show continued great progress. The teen birth rate in the San Francisco Bay Area and Central Valley declined each year steadily from 42 births per thousand teen girls in 2006 to 34 births per thousand in 2009, the most recent data available. Although a number of factors influence the teen birth rate, it is noteworthy that in the San Francisco Bay Area and Central Valley the Hewlett Foundation is likely the largest private funder of family planning services.

The local strategy for building life skills and creating a larger constituency for effective global development is informed by the fact that in an increasingly globalized society, the opportunity to travel abroad can have a significant impact for individuals and important spillover effects for society. Our objectives in funding organizations that provide low-income Bay Area youth with this type of opportunity are twofold. First, we seek to help youth build critical life skills and competencies. Youth who have had the opportunity to spend time in a foreign country—especially in a program that is structured to maximize what youth learn from their experience—emerge with a much stronger set of deeper learning skills necessary to succeed in an increasingly globalized world. Second, we hope to create a larger constituency for effective U.S. global development policies and practices. Youth who travel to developing countries also emerge with a broader global perspective and greater interest in development issues. The opportunity to directly explore development challenges at a formative age is precisely the type of experience that can help develop American constituents who can be mobilized to support better development policies.

The Foundation is supporting both long-term programs, which give students time to become proficient in a new language and develop a deep and nuanced understanding of the communities in which they live, as well as shorter programs, which are potentially more scalable in the long run and are a lower opportunity cost for participants. We look forward to being able to track the success of these two

different types of models toward meeting the Foundation's objectives on many fronts, from providing high-quality education to low-income youth in the Bay Area to promoting better policies for the world's poor.

2011 REPORT TO THE BOARD[*]
PERFORMING ARTS PROGRAM

UPDATES AND HIGHLIGHTS

This has been a transitional year for the Performing Arts Program, as we developed a new strategic framework and presented it to the Board of Directors in July for implementation beginning in 2012. We are now finalizing progress indicators and targets for this framework's three components by launching two research studies examining (1) the financial health and capitalization needs of our grantees and (2) our grantees' capacity to collect standardized demographic information, potentially using a tool such as the California Cultural Data Project or other methodology. The results of this research will enable us to set baselines and better clarify long-term targets.

The new strategic framework continues our portfolio approach to the grantmaking budget, using the following ratios to allocate funds among grantees across each component:

- Continuity and Engagement: 65 percent
- Arts Education: 25 percent
- Infrastructure: 10 percent

With most of our grantees receiving multiyear general operating support, we look each year at the expiring grants and determine budget needs based on maintaining these portfolio ratios. Our current portfolio is in balance with these ratios based on historic giving patterns.

Our Arts Education work continues to advance as we learn from growing momentum in the field, nationally and in California. Earlier this year, The President's Committee on the Arts and the Humanities released its Reinvesting in Arts Education: Winning America's Future Through Creative Schools report, which outlines recommendations to advance arts education. Leaders in the field are considering ways to implement and extend these recommendations, which

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[*] The Foundation's Annual Report describes both the programmatic work of the Hewlett Foundation, as well as summaries of the current events and the work of our grantees for context. In particular, although some of the goals listed in the Annual Report may reflect the passage of legislation, the Hewlett Foundation does not lobby or earmark its funds for prohibited lobbying activities, as defined in the federal tax laws. The Foundation's funding for policy work is limited to permissible forms of support only, such as general operating support grants that grantees can allocate in their discretion and project support grants for non-lobbying activities (e.g., public education and nonpartisan research and analysis).

informed a September 2011 meeting of our arts education policy grantees. This cohort explored ways to work together in light of challenging national and state budgets and education reforms.

The Common Core State Standards in English language arts and mathematics—newly adopted by forty-eight states as a consistent, clear definition of what K-12 students are expected to learn—have sparked efforts in California to ensure that implementing new standards includes integrating the arts into the design of curriculum, assessment, and teacher professional development. For the first time, the National Endowment for the Arts recently included a group of California arts and education leaders at its annual Education Leaders Institute, a program to increase the commitment of school leaders, state legislators, and policymakers to plan and implement strategies that can enhance the quality and quantity of arts education in schools. At the national Arts Education Partnership Forum in San Francisco in September, the Institute's California team launched a series of events throughout the state to build public will, impact public policy, and design innovative approaches to fund and sustain programs that support deeper learning in, and through, the arts. Our Arts Education grantees are deeply involved in these efforts at the national, state, and local levels.

And finally, a new report commissioned by the James Irvine Foundation, Arts, Culture and Californians: Charting Arts Participation and Organizations in a Vast, Diverse State, was released in September 2011. This report sheds lights on cultural engagement in the Bay Area when compared to the rest of the state and nation, and offers encouragement:

> *California has high participation rates in arts and culture, compared to the rest of the United States. Fifty-two percent of Californians over the age of eighteen attended at least one arts event annually compared to 46 percent in other states. The San Francisco Bay Area boasts the state's highest overall participation rate at 66 percent—significantly greater than the national average. It also has the highest concentration of arts organizations per capita. Arts and culture participation declined nationally from 2002 to 2008, but participation among California adults dropped only six percentage points compared to eight points for other American adults.*

Continuity and Engagement

ULTIMATE GOAL: The Bay Area public engages in a variety of arts experiences.

THEORY OF CHANGE: Exceptional works of art are created, performed, and preserved by supporting high-quality arts organizations that sustain and refresh traditional art forms, and develop new and innovative works. More opportunities for engagement in arts experiences are created by organizations representing a diversity of performing arts disciplines, aesthetics, and communities. We also accomplish this goal by providing multiyear general operating support to a broad constellation of performing arts organizations in the Bay Area. In addition, we support individual artists and very small–budget organizations through intermediary organizations, regranting and commissioning programs, and artist residency programs.

This component encompasses the many grantees that the Program supports primarily because they create opportunities for individuals and communities to participate in the arts. By providing direct general operating support to these grantees, the Program aims to strengthen engagement across diverse communities in ways that establish continuity and nourish innovation in the arts.

Currently, the grantee portfolio within this component spans a wide range of artistic disciplines, aesthetics, and traditions. The Program divides this space into two categories: traditional works expressing the Bay Area's diversity, and innovative new works. Organizations working in the Western classical canon remain the cornerstone of the portfolio, complemented by community-based organizations working in other cultural traditions and organizations exploring new artistic ground with innovative works. This categorization is necessarily imperfect, since many organizations bridge the divisions between different styles and traditions. However, it allows us to identify the primary roles played by our grantees. We can then use this classification to track and refine our tools and strategies for encouraging continuity and engagement.

Measuring Progress

As an indicator of engagement, we compare the aggregate number of tickets sold by our grantee organizations (paid participants) from year to year. Paid participation was at its highest in 2008 with 4.1 million people. However, as the economic recession hit, tickets sales dropped 12 percent in 2009. Last year, paid participation improved modestly, but has not yet returned to pre-recession levels. Our goal for 2011 and 2012 is to maintain the number of paid participants at 2010 levels despite reduced resources.

Total Number of Paid Participants (in millions), 2007–12
(Total Bay Area Population = 7.7M)
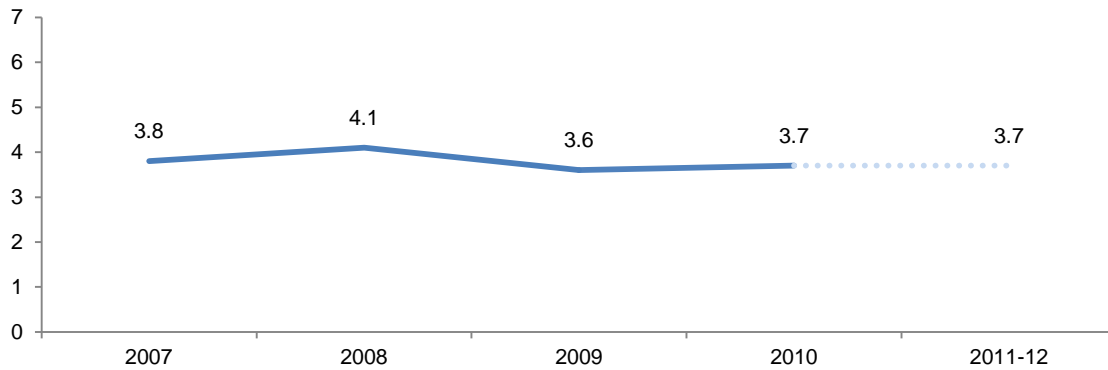
Data source: California Cultural Data Project (2011 data not yet available).

In addition, we track the total number of people served at no cost by our grantee organizations (free participants) from year to year. Here we see this participation increasing over time, from 2.5 million people in 2007 to 3.3 million people last year. Our goal for 2011 and 2012 is to maintain the number of free participants at 2010 levels despite reduced resources.

Total Number of Free Participants (in millions), 2007–12
(Total Bay Area Population = 7.7M)
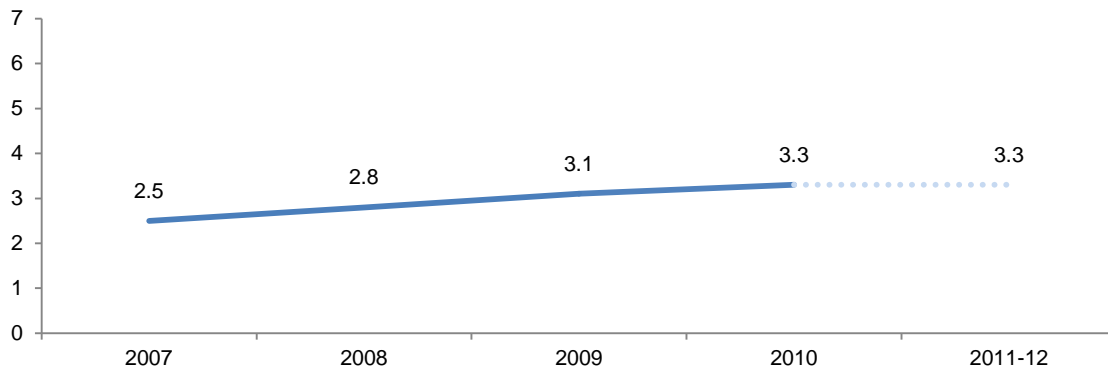
Data source: California Cultural Data Project (2011 data not yet available).

Arts Education

ULTIMATE GOAL: California students have equitable access to multidisciplinary arts education opportunities.

THEORY OF CHANGE: Arts education develops students' lifelong interest in the arts, creating audience members for the future. In addition, with diverse demographics represented in California's public schools, arts education serves the Program's interest in encouraging arts participation across different communities.

Although the Program has provided significant support for arts education over many years, 2012 will mark the first time that this work is featured prominently in our strategic framework. This component creates opportunities for California K-12 public school students to engage with the arts in many ways, from early engagement programs to professional-level training.

Research has shown that children's engagement in arts education strengthens their subsequent demand for arts experiences. It also creates experiences that can precipitate their careers in the arts or creative fields, strengthening the creative and administrative core of the community. Although it may take many years for these effects to be observable in regional attendance levels, the Program is confident that its investments in arts education will eventually yield results.

The other main benefit of these investments is that, particularly through the public education system, arts education can reach a broadly representative segment of young Californians at the critical time when they are developing a relationship to the arts. The Program aims to bring arts' benefits to people of all races, ethnicities, incomes, and education levels, and investing in childhood arts education is one of the most effective ways to accomplish this.

Our Arts Education activities fall into three categories: policy and advocacy work; delivery of outstanding arts education through in-school, after-school, and out-of-school programs; and preprofessional training for exceptional young performing artists.

Measuring Progress

As an indicator of arts education, we track the number of schoolchildren served by our grantees from year to year. Not surprisingly, this number has been decreasing significantly during the recession as schools, districts, and arts organizations dedicate less funding specifically for arts education programs. Our goal for 2011 and 2012 is to maintain the number of schoolchildren served by our grantees at 2010 levels despite reduced resources.

Total Number of schoolchildren (in millions), 2007–12
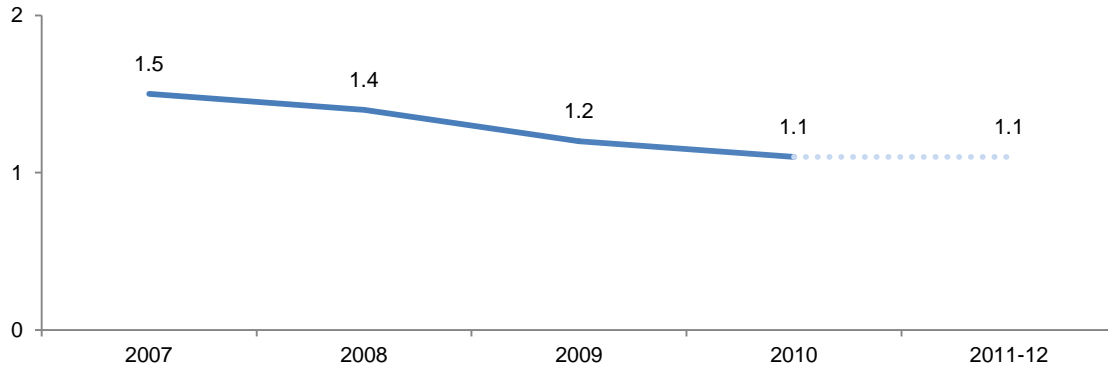
Data source: California Cultural Data Project (2011 data not yet available).

Infrastructure

ULTIMATE GOAL: Organizations and artists have the resources to be effective.

THEORY OF CHANGE: To have a healthy, vigorous performing arts environment, artists and arts organizations must have the resources they need to grow and thrive. Often, however, arts organizations find themselves undercapitalized relative to their needs and ambitions, and coordination problems make it difficult to build and maintain shared community resources, particularly during this economic crisis. The Program plays a limited, but nonetheless important, role by investing in critical infrastructure and organizing efforts to encourage cooperative solutions to the field's needs.

The Infrastructure component has three strategies: encouraging connections within the arts community; providing tools for collecting, organizing, and accessing organizational and field information; and ensuring proper human and financial capitalization for arts organizations.

Our Connections strategy covers all Program activities to encourage increased cooperation and information sharing across the field. Grantees in this activity cluster are intermediaries that enable arts organizations to cooperate to solve shared problems and address collective needs. These grantees also help engender a sense of community, encouraging artists and arts administrators to broaden their understanding of the issues facing their field as a whole. Some of this work includes conferences and workshops, such as those on marketing and pricing strategies, that spread knowledge and best practices throughout the arts community.

The Program fosters connections mainly through support for arts service organizations and discipline-specific groups.

Our Field Information strategy includes continuing investments in activities that close gaps in tools, standards, and services for collecting, organizing, and accessing field data. This work aims to address the need for reliable, up-to-date information about the state of performing arts in the Bay Area. Artists, arts administrators, funders, and policymakers are able to make better, more-informed decisions when they have access to information that describes the overall state of the Bay Area's arts environment as well as the conditions of particular organizations. Key data on finances, participation, and performance activity are collected using flexible information standards, so that new kinds of data can be tracked in the future. This strategy currently consists of two major initiatives, the Bay Area Cultural Asset Map and the California Cultural Data Project, financed in collaboration with other major California arts funders and The Pew Charitable Trusts.

Our Human and Financial Capitalization strategy aims to address organizational capacity issues across the field. Poor capitalization not only affects the administration of an arts organization; it can also have major artistic ramifications. Managers and boards of inadequately capitalized organizations tend to take a

defensive, risk-averse posture. This leads to stunted artistic ambition and lack of organizational creativity.

The Program recognizes two major forms of capitalization that are frequently underinvested in arts organizations. The first is human and organizational capacity. Operating under highly restrictive budgets, many organizations place such an emphasis on their artistic missions that they face challenges attracting, developing, retaining, and advancing administrative personnel. To address the professional development of the next generation of arts leaders, we collaboratively fund an initiative with the James Irvine Foundation to support early-career arts administrators through fellowship programs, conferences, and mixers.

The second major form of capitalization that is critical to an artistic venture's success is financial capital. The Program's strategy in this area is to support grantees' overall financial health, ensuring that they have the right balance of cash reserves, debt, working capital, endowments, facilities, and other assets to meet their goals. In late 2011, we launched a research project to determine the financial health and capitalization needs of the Bay Area performing arts sector using financial data from the California Cultural Data Project.

Measuring Progress

As an indicator of the financial health of the portfolio, we examine the percentage of our grantees operating with annual deficits. As the economic recession hit, grantees posting deficits increased from 26 percent in 2007 to nearly 40 percent in 2009. Financial health has improved in 2010 with 31 percent posting operating deficits. As a comparison, the National Endowment for the Arts reports that 41 percent of arts organizations had deficits in 2010, so our portfolio is outperforming the national average. New research on capitalization and financial health, launched this fall, will determine baselines for 2011 and 2012, although we hope to see modest improvements in financial health.

Percentage of Grantees with Annual Operating Deficits
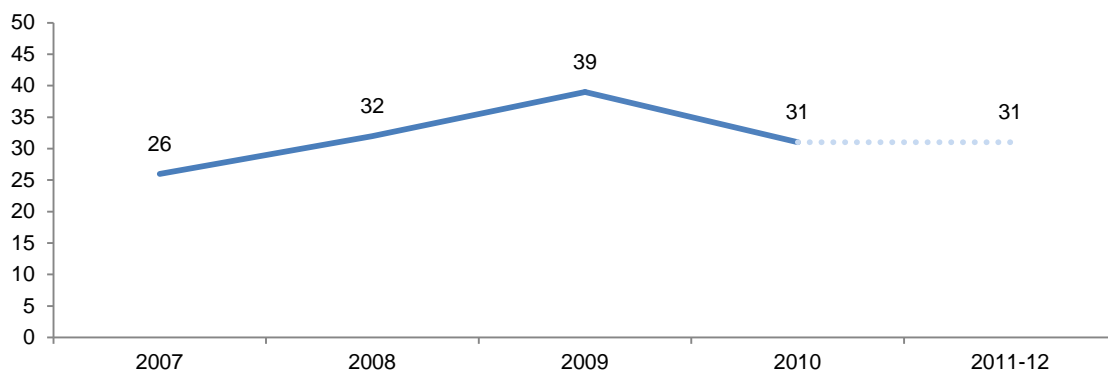
Data source: California Cultural Data Project (2011 data not yet available**).**

Serving Bay Area Communities

GOAL: Support community-based arts organizations, particularly those serving communities of color and low-income people, to strengthen our overall goals consistent with Continuity and Engagement.

The Program supports organizations aligned with its core strategies throughout the Bay Area that serve communities of color and low-income people.

2011 REPORT TO THE BOARD[*]

PHILANTHROPY PROGRAM

UPDATES AND HIGHLIGHTS

Civil society has become a critical component of modern democracy. The nonprofit organizations that form the backbone of civil society rely on private giving to create public good. The Hewlett Foundation's Philanthropy Program seeks to help charitable giving create as much public good as possible. Specifically, the Program focuses on three lines of work: (1) helping build a philanthropic marketplace that guides capital to the highest-performing and highest-potential nonprofits, (2) ensuring the availability of high-quality research on philanthropic practice, and (3) supporting the organizational effectiveness of the Hewlett Foundation's grantees.

Progress on those initiatives is discussed below. But first, we review the global context of philanthropy and how that may bear on the Program's work in the years ahead. Institutional philanthropy is more developed in the United States than in any other country, but philanthropy is by no means solely an American phenomenon. Private generosity for public good takes many forms around the world, and the rise of new economic powers will lead to a rise in new philanthropic powers.

- China now has the second-highest number of billionaires in the world. Philanthropy in China has reached $30 billion per year, but it is still building a system to grow the size and effectiveness of that giving.

- In Europe, historically disparate philanthropic efforts are being brought together by infrastructure organizations like the European Foundation Centre, the Erasmus Centre for Strategic Philanthropy, and New Philanthropy Capital. Some promising recent innovations—perhaps most

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notably social impact bonds—have emerged in Europe. The European Union is working to integrate national laws relating to philanthropy, which could eventually create a philanthropic marketplace larger than that in the United States, with more than $110 billion per year in foundation giving.

- Giving is increasing in India, Brazil, Africa, and across Southeast Asia, with a concomitant rise in intermediary institutions dedicated to supporting effective philanthropy.

With its modest budget, the Philanthropy Program intends to remain focused on philanthropy in the United States. We hope, however, that there are long-term opportunities to build on U.S. philanthropic efforts to inform and improve global philanthropy. Conversely, U.S. philanthropic leaders have an opportunity to learn from innovations in other countries.

The Philanthropy Program has already begun to cooperate with other programs at the Foundation on some international efforts. In 2010, the Global Development Program funded the Foundation Center (a longtime Philanthropy Program grantee) to align its grant tracking systems with the International Aid Transparency Initiative. In 2011, the Global Development and Population Program worked with Philanthropy to establish an identification system for nonprofits around the world—a key step toward the fluid exchange of information across borders.

As the Foundation continues to tackle complex global challenges, it will be increasingly important for us to develop a robust set of philanthropic partners at home and around the world. With that in mind, in 2012 the Philanthropy Program will look beyond the borders of the United States as we explore how to best support smart, effective private giving for public good.

PRACTICE OF PHILANTHROPY

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: Donors are more likely to make impact-oriented philanthropic decisions if they have easy access to high-quality data about the goals, strategies, and results of nonprofits. The Program funds efforts to (1) increase the supply of information about nonprofit performance, (2) increase demand for that information, and (3) build the technical architecture to make it easier for donors to access the information.

Knowledge about Philanthropy: Philanthropy is a complex and evolving field. Donors need high-quality research and analysis to inform their giving. The Program (1) funds academic institutes, (2) supports nonprofit consulting firms that do research on good philanthropic practice, and (3) funds dissemination channels like journals and websites to ensure that research reaches its intended audience, generally without charge.

Progress in 2011

There are now more than 100 websites dedicated to philanthropic giving. Collectively, they facilitate billions of dollars in giving by millions of donors to hundreds of thousands of organizations. But while many field leaders recognize the potential of information technology to strengthen philanthropy, this infrastructure remains operationally fractured and confusing to donors.

The Philanthropy Program has worked to bring some coherence to this system. In 2011, we helped support two major acquisitions by our anchor grantee GuideStar. It acquired Philanthropedia and SocialActions, which are, respectively, the most important aggregator of expert opinion about nonprofit performance and a platform linking sixty-seven different socially oriented sites. More broadly, the Philanthropy Program has helped support the "Money for Good" initiative—a collaboration of about two dozen of the most important giving sites—to establish shared goals, communications protocols, and business models. This effort has been in close partnership with GlobalGiving, the Bill & Melinda Gates Foundation, and the philanthropy arm of the financial services technology firm Liquidnet.

We have also seen a significant increase in the number of detailed profiles of nonprofit organizations. By our count, there are now approximately 22,000 high-quality profiles of nonprofit performance across ten leading platforms, a tenfold increase over the last five years. Beyond this increase in the supply of information about nonprofit performance, we are also making progress in understanding how to increase demand for the information. Ultimately, our

Q: What do we mean by "22,000 high-quality profiles of nonprofit performance"?

A: We mean the total number of nonprofit profiles generated, reviewed, or analyzed by Hewlett Foundation grantees. Here are our current estimates for ten grantee platforms:
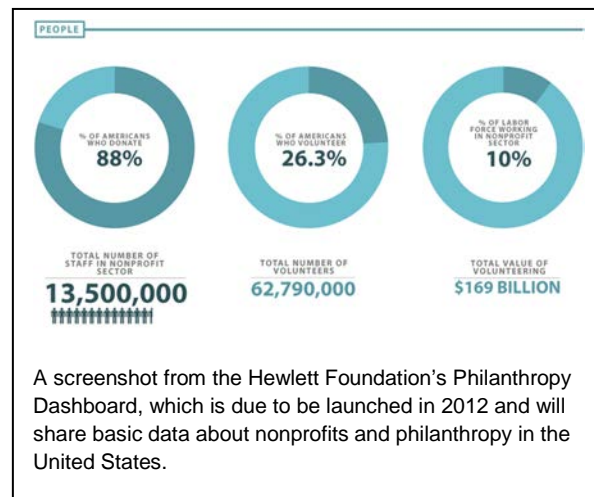
- GuideStar: 8,315
- GiveWell: 440
- GreatNonprofits: 2,033
- Philanthropedia: 227
- DonorEdge: 3,726
- Root Cause: 64
- Charity Navigator: 5,500
- GlobalGiving: 891
- Charting Impact: 55
- BBB Wise Giving Alliance: 1,324

NOTE: These organizations use a variety of analytical approaches so some profiles are significantly more meaningful than others.

success hinges on the behavior of individual donors and foundation leaders. But donor behavior is poorly understood. In 2011, we cofunded a second round of market research on this topic, with the goal of developing a more user-centered approach to online giving.

This year, our grantees launched the first major sectorwide effort to standardize how nonprofits tell the story of their goals, strategies, capabilities, metrics, and results. Charting Impact is a coalition of three leading organizations: GuideStar, Independent Sector, and the Better Business Bureau's Wise Giving Alliance. Some have argued that Charting Impact could form the core of an eventual common application in philanthropy.

While the Philanthropy Program's staff spends much of its time on efforts to build a stronger nonprofit marketplace, we also make grants (primarily for general operating support) to create and disseminate high-quality research about philanthropic practice. Our grantees in this area include nonprofit consulting firms (The Bridgespan Group, FSG, and the Center for Effective Philanthropy), academic institutes focused on philanthropy (the Stanford Center on Philanthropy and Civil Society and the Duke Center for Strategic Philanthropy and Civil Society), and organizations dedicated to disseminating research about philanthropic practice (the Foundation Center and the Stanford Social Innovation Review).

A screenshot from the Hewlett Foundation's Philanthropy Dashboard, which is due to be launched in 2012 and will share basic data about nonprofits and philanthropy in the United States.

This year, the Philanthropy Program also engaged in its own effort to share information, preparing to launch in 2012 a Philanthropy Dashboard on the Hewlett Foundation website with visualizations of data about nonprofits and philanthropy in the United States. If the Dashboard proves useful to the field, we may hand over its operation to a grantee in the year ahead.

Plans for 2012

In the first quarter of 2012, we expect to see the completion of a formal external evaluation of the Nonprofit Marketplace Initiative. We released a request for proposals in August 2011 and will choose a consultant in October. We expect the evaluation will be useful to the philanthropic field as a whole, as well as to the Foundation's staff and Board.

We expect to see significant progress within three major efforts of the Nonprofit Marketplace Initiative in 2012:

- The "Markets for Good" collaborative will launch a unique identifier system to better enable sharing of data across dozens of giving websites.

- The "Money for Good" research project will complete a comprehensive set of user tests, providing the first research about online giving grounded in real-time donor behavior.

- Charting Impact will, with luck, begin to establish itself as a fieldwide standard.

Despite progress among our nonprofit grantees, we recognize that high-quality giving at scale is much more likely if we engage the private sector, particularly companies in financial services, social networking, and online search. We are having ongoing conversations with Google, Salesforce.com, Schwab Charitable, the Fidelity Charitable Gift Fund, the Vanguard Charitable Endowment Program, Hewlett-Packard, and others. To achieve our goals, we will need stronger partnerships that enable smarter giving while also taking into account the business interests of companies; in 2012, we will continue to work with the private sector to do its part to enable smart giving.

In 2012, the Philanthropy Program may also make small grants to support a high-potential innovation in nonprofit financing: social impact bonds. This new instrument is designed to align the incentives of private investors, government, and nonprofit service providers. For example, in the United Kingdom, an experiment is under way in which private capital is funding nonprofits' work on prisoner recidivism, and the U.K. government has pledged a variable return to those investors according to the outcomes achieved by the nonprofits. The results orientation of this innovation has sparked considerable excitement among public and private social innovators in the United States. The governments of Massachusetts, Virginia, and New York City are launching social impact bond pilots in 2012, and the U.S. government has pledged $100 million in federal social impact bond projects in the next fiscal year. The Philanthropy Program's investments will be in organizations that facilitate these new arrangements: transactional intermediaries, training programs for government staff, and research about what does—and doesn't—work.

Measuring Progress: Supply of Nonprofit Performance Information

Number of freely available, impact-oriented profiles of U.S. nonprofits.
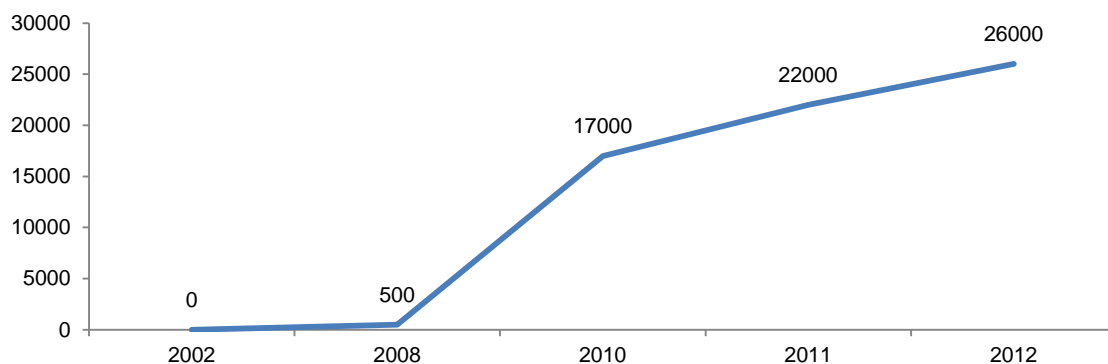
Data sources: Websites and grant reports of GuideStar, Philanthropedia, GiveWell, GreatNonprofits, DonorEdge, BBB Wise Giving Alliance, Charity Navigator, and Root Cause. (Only certain profiles on these sites qualify as "impact oriented.")

ORGANIZATIONAL EFFECTIVENESS

ULTIMATE GOAL: Hewlett Foundation grantees funded by the Foundation's Organizational Effectiveness program increase their performance and impact.

THEORY OF CHANGE: The Hewlett Foundation's program strategies depend on strong grantee organizations. Without resilient, high-performing grantees, we are less likely to achieve the social and environmental change the Foundation seeks. Capacity-building grants can strengthen grantees' strategies, leadership, financial health, and other core organizational capabilities and thereby improve their effectiveness and ability to achieve our shared goals.

The Foundation's program strategies hinge on well led and well managed grantee organizations to deliver sustained results over time. The Organizational Effectiveness (OE) program is based on the premise that healthy grantee organizations are more likely to achieve our shared goals. Since its inception seven years ago, OE has funded over 350 capacity-building projects. Grantees typically use these supplemental funds to bring in experts who help them think through issues related to strategic planning, leadership, financial sustainability, communications, internal operations (including performance management systems), and other unique challenges (such as mergers).

Representative OE grants include the following:

- A $43,000 strategic planning grant to the Global Development and Population Program grantee Pratham USA for its ASER (Annual Status of Education Report) Centre came at an important inflection point for the Centre. Pratham is spinning off ASER as a separate institution. The ASER Centre, which has tested upwards of 700,000 children in India on basic reading and math skills every year since 2005, is a cornerstone of the Foundation's Quality Education in Developing Countries work in India and in Africa, where it is now being used as well.

- A $35,000 board development grant to Education Program grantee Creative Commons has enabled this rapidly growing intellectual property organization in the Open Education Resources portfolio to strengthen its governance capacity. This grant played a role in supporting Creative Commons through a board restructuring that ultimately led to a new CEO and board chair.

Progress in 2011

Assessing and helping to build grantees' organizational capacities are important and often challenging and time-intensive tasks for the Foundation's program staff.[1] Organizational challenges are common and ongoing for a large portion of our

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[1] *Beyond the Grant Dollars* (2011) offers further detail on how Hewlett Foundation program staff spend their time.

grantees, including the most high-performing. Organizational challenges emerge not necessarily because a grantee is weak or poorly run but often as a result of its healthy growth, risk taking, and adaption to a rapidly changing environment.

Expanding Our Toolkit

Hewlett Foundation grantees span the full spectrum in terms of type, size, stage in organizational life-cycle, and capacity needs. In 2011, in response to grantees' needs, the Foundation began expanding its toolkit beyond flexible general operating grants and OE grants to include the following:

- The Foundation piloted the Outcomes Fund, which enables key grantees that play a major role in the fields in which we work to engage consultants for rigorous strategic planning. The fund is designed to help grantees clarify goals, identify specific targets and metrics of success, and create an implementable monitoring and evaluation plan.

- As a result of a 2010 evaluation of past Performing Arts OE grants, the Performing Arts Program and the OE team began supporting larger, multiyear, and intentionally flexible OE grants. Under this pilot, organizational assessments provide baselines on grantees' internal health and inform their capacity-building plans and priorities. Additionally, built-in "swing capacity" funding helps grantees respond to unanticipated, emerging organizational development opportunities as they arise and ensures that enough resources are available for effective implementation of the capacity-building work.

Lessons We're Learning

The Foundation's annual OE grants review suggests some key lessons for OE grantmaking going forward:

- OE project success depends on organizational "readiness." A grantee's readiness for capacity-building work is demonstrated by the involvement of its executive director and board, its leadership team's openness to change, and the grantee's willingness to pay a portion of project expenses and staff time out of its operating budget. For our staff, the goal is to accurately assess grantee readiness before making an OE grant.

- To increase the likelihood that fund-raising and communications projects will create organizational transformation and impact, an OE grantee must first be clear about its goals and strategies. Support for fund-raising and communications outreach often has little lasting value in the absence of clear goals, strategies, and progress metrics.

2012 OE Goals

1. Enhance the skills of Foundation program staff in supporting grantees' capacity needs.

2. Deepen the focus on grantee capacity during the Foundation's strategic planning and ongoing grantmaking.

3. Collaborate with Foundation program staff to award fifty to sixty OE grants that increase the likelihood that grantees will achieve our shared goals.

- The greatest challenge that OE grant recipients face is implementing the plans devised with those funds after the consultants are gone. As such, our staff should identify the resources for implementation before recommending an OE grant.

Also this year, the Hewlett Foundation benefitted from lessons learned from an evaluation of our investments in the annual Hewlett Communications Academy and related grantee communications training programs. The Academy trains teams of grantee staff from each program to build their strategic communications abilities. The evaluation indicated that, although the communications training programs themselves were of high quality, our program staff need to devote more attention to pre-training conversations and post-training follow-up with participants to ensure that training lessons are incorporated into the grantee's long-term work.

Plans for 2012

We plan to introduce two new lines of work in the year ahead. First, we plan to bolster our own program officers' skills in assessing and developing grantees' organizational capacity. The Foundation's program officers—typically program domain experts—begin their eight-year terms with varying degrees of knowledge and direct experience in nonprofit management and organizational capacity building. Through a portfolio of learning opportunities, such as coaching, peer learning, and traditional classroom training, we anticipate building staff members' skills so they can better diagnose and effectively support the organizational development of our grantee partners.

Second, we plan to work with staff across programs to assist them in integrating grantees' organizational capacity assessments and plans into their programs' annual and multiyear strategic planning processes. Given constraints on funds and staff time, we seek to focus the Foundation's capacity-building efforts on organizations most critical to achieving programs' goals. To support this, we intend to offer assessment and planning tools that help staff identify grantee capacity-building opportunities, prioritize among projects, and select the most suitable type of capacity-building support to provide.

In addition to these two new lines of work, we recommend continued support for the Outcomes Fund, OE grants, and the Hewlett Communications Academy.

Measuring Progress: Grantees' Assessments of OE Grants' Impact

Average rating by grant recipients of the degree to which a past OE grant strengthened their organization's performance (out of a maximum of 7).

2009 (Actual): 6.3   2011/12 (Goal): 6.5

| 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
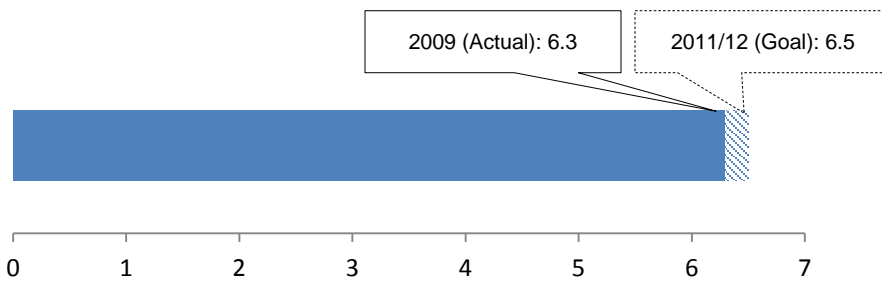
Data source: Center for Effective Philanthropy, Hewlett 2009 Grantee Perception Report. Results from the Hewlett 2011 Grantee Perception Report will be available in early 2012.

2011 REPORT TO THE BOARD*
SPECIAL PROJECTS

UPDATES AND HIGHLIGHTS

Most Hewlett Foundation programs support projects and organizations that fit within their specific strategies. In contrast, Special Projects is intended to allow the President flexibility to fund organizations that cut across programs, to respond to unexpected opportunities and problems, and to support high-impact institutions that the Foundation has incubated or supported for many years. In broad terms, Special Projects has four components:

- Initiatives (Nuclear Security Initiative and Community Leadership Project)
- Collaboration with Programs for Special Opportunities
- General Support for Programs/Institutions
- Opportunistic Grantmaking

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Initiatives

Over the years, Special Projects has incubated numerous initiatives that either went on to become larger Foundation programs or were stand-alone efforts aimed at taking advantage of a unique opportunity. We currently support two such initiatives: the Nuclear Security Initiative and the Community Leadership Project.

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 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. Finally, more robust regulation of civilian nuclear facilities increases the safety and security of nuclear energy plants.

This year brought hard-earned victories in the effort to reduce the number of nuclear weapons in the world as well as sobering reminders of the danger nuclear weapons and nuclear power pose without adequate safeguards and controls.

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. Even in the absence of terrorism, the disaster at the Fukushima Daiichi Nuclear Power Plant in Japan illustrated the dangers associated with under-regulated nuclear power. The Fukushima disaster also made clear the need for safe ways to dispose of spent nuclear fuel.

In 2011, grantees contributed to major policy accomplishments that will reduce the number of deployed nuclear warheads in the United States and Russia and pushed NATO to reconsider the role of nuclear weapons in the alliance. They also began to engage key countries that are emerging powers in the discussion of how to reduce the number and salience of nuclear weapons as well as how to ensure that any acquisition of civilian nuclear power takes place as safely as possible. These countries will become increasingly important in the coming years but currently lack a robust expert community to provide information to their governments about the implications of the acquisition of nuclear weapons and civilian power. By educating decision makers in emerging powers about the importance of sophisticated infrastructure, independent regulators, and developing a culture of safety in plant operations, our grantees hope to ensure that new nuclear plants in emerging powers are safe and secure.

Progress in 2011

One of the most important successes of 2011 was the public release of the Nuclear Power Plant Exporters' Principles of Conduct, a set of voluntary guidelines that codifies best practices for the export of nuclear power plants, thereby strengthening norms and rules that will reduce the risks of proliferation, accident, and security breaches in a globally expanding civilian nuclear industry. For the past three years, the Carnegie Endowment for International Peace, one of our core grantees, has convened companies currently in the nuclear power plant export market to develop the language for the principles. Through its tireless efforts, patience, and skillful negotiating, Carnegie successfully encouraged nearly every major nuclear reactor exporter to sign the principles.

On the policy front, the United States and Russia signed and enacted the New Strategic Arms Reduction Treaty (New START), which will bring the total number of deployed nuclear weapons in each country to 1,550 in the next seven years. In the United States, our grantees helped lead the effort to inform policymakers about the implications of the treaty. With support from multiple funders, general operating support grantees like the Ploughshares Fund and the National Security Network worked in close coordination with the U.S. government to publicize the positions of several top retired military officials who are supportive of the treaty.

Our grantees are in the process of finding innovative and strategic ways to continue to move U.S. nuclear security policy forward in 2012. One example is the Arms Control Association, which has convened an impressive group of organizations to provide recommendations to the National Security Council for activities that the U.S. government can undertake to improve nuclear security during the next year without congressional action.

Priorities in 2012

In 2012, grantees will focus on (1) enlarging the capacity of key emerging nuclear-power nations to engage in the global debate about nuclear weapons and nuclear power, (2) building upon progress in reforming U.S. nuclear weapons policies with regulatory activities, and (3) ensuring that the progress made by President Obama's nuclear security summit continues with a constructive conference on a nuclear weapons-free zone in the Middle East. In addition, several of our U.S.-based grantees are beginning to educate policymakers about the impact of a worldwide ban on nuclear testing. By embracing the idea of a test ban, the United States would generate significant goodwill in nations skeptical about its long-term commitment to disarmament and would catalyze action on the part of nations thus far unwilling to start securing their own fissile materials.

Grantees including the Hoover Institution and the American Academy of Arts and Sciences will continue international work to engage partner countries in strengthening the rules for nuclear technology use.

COMMUNITY LEADERSHIP PROJECT

ULTIMATE GOAL: Small and midsize organizations serving low-income people and communities of color in the San Francisco 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. Multiyear general operating support, combined with targeted technical assistance and leadership development, 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.

The Community Leadership Project is a $10 million collaboration between the Packard, Irvine, and Hewlett foundations to build the capacity of small and midsize organizations serving low-income people and communities of color in targeted regions of California. Guided by a three-pronged strategy of regranting, technical assistance, and leadership development, the three foundations funded twenty-seven intermediaries in 2009 to advance an assortment of capacity-building approaches that address the core components of effective nonprofit management.

Progress in 2011

Our project consultant, Learning Partnerships, recently submitted a progress report to the three foundations based on written reports, telephone interviews, and site visits with all intermediaries as they passed the midpoint of the initiative. Highlights of the progress report include:

- Regranting Intermediaries have committed all funds, with 104 community organizations receiving general operating support and technical assistance grants. This more than meets our three-year goal of reaching 100 organizations with budgets of $25,000 to $2 million that serve low-income communities and communities of color.
- Leadership Development Intermediaries have reached 283 individual leaders, passing the midpoint toward the goal of reaching 550 people. Trainings have addressed leadership renewal, development of analytical skills, and issues of race, class, and culture. Because leadership programs recruit multiple time-lagged cohorts of participants, additional recruiting will take place over the next eighteen months to meet the goal.
- Technical Assistance has been provided by five intermediaries to 330 organizations and individuals, nearly reaching our three-year goal. Trainings include financial technical assistance, board development, fund-raising, and technology.

Capacity-building Strategy	Amount	Targets 2009–11	Progress 2011	Status
Regranting by 12 intermediaries	$6,830,000	100	104	100%
Leadership development by 10 intermediaries	$1,770,000	550	283	51%
Technical assistance by 5 intermediaries	$1,400,000	350	330	94%
Totals	**$10,000,000**	**1,000**	**717**	**72%**

Priorities for 2012

Monitor grants and assess impact through a formal evaluation. The three foundations identified a team of consultants from Social Policy Research Associates and the Leadership Learning Community to develop and implement an evaluation plan. Working closely with the foundations and intermediaries, the evaluation team refined the Community Leadership Project's logic model to include metrics to report relevant data and prioritize effective approaches to capacity building. Community grantees provided critical feedback recently that the evaluation was overly challenging, particularly due to the small size of their organizations: the few staff they had were not sufficient to tackle the additional work. As a result, the evaluation will now consist of fewer interventions, and participants will be offered stipends and expense reimbursement.

Collaboration with Programs for Special Opportunities

Special Projects collaborates with other programs to support opportunities for impact in their primary areas of work. This funding is not designed to supplement other programs' budgets. Rather, it is extended at unique moments when Special Projects funds can enhance the commitment that another program is making to one of its grantees or can support an organization whose focus is beyond the scope of a program's strategy but still within its goals.

As an example of the latter category, Special Projects and the Education Program collaborated on a grant to the Partnership for Public Service for its Department of Education Leadership Initiative. The Initiative's goal is to build a more innovative, collaborative, and result-oriented department by strengthening management and leadership skills and leadership networks. While its work is not strongly aligned with the Education Program's strategy, the Partnership for Public Service's goal to bolster the education field by creating strong, experienced government leaders is something that could very well have an impact on the success of the Program's strategies.

Together with the Foundation's IT Department, Special Projects continued in 2011 to provide programs with matching funds to improve videoconferencing facilities available to grantees. We anticipate that a dozen grants will be awarded before the end of the year. This is the fourth year the matching incentive has been offered; we also plan to commission an external evaluation to determine the validity of our theory that these grants reduce the travel costs and carbon footprint of both the grantees and Foundation staff.

General Support for Programs/Institutions

The Foundation has supported some valuable institutions that do not fall within any program's grantmaking strategy. In general, these institutions play significant roles in promoting scholarship, evidence-based public policy, international relations, and foreign policy. For example, this year we renewed funding to the Security Council Report, an organization established with our support in 2005 to provide timely, accurate, and objective information and analysis on the activities of the United Nations Security Council. A recent survey indicated that the organization's materials are valued by policymakers and practitioners as well as members of the Security Council.

In addition, we continued our support to two key media institutions that provide high-quality, independent information: National Public Radio (NPR) and the PBS NewsHour. NPR creates and distributes award-winning news, information, and music programming to a network of 900 independent stations, reaching 27.1 million listeners every week. Known by various names over the past thirty-five years (The MacNeil/Lehrer Report, The MacNeil/Lehrer NewsHour, and The NewsHour with Jim Lehrer), the PBS NewsHour continues to provide straightforward, informative news reporting and analysis on a variety of distribution platforms.

Opportunistic Grantmaking

Special Projects has the unique flexibility to fund arising opportunities that have no particular relationship to programs but are promising on their own merits. This year, we matched a grant made by the Flora Family Foundation to the J/P Haitian Relief Organization. Founded immediately after the January 2010 earthquake in Haiti, the organization manages two camps that together house over 50,000 displaced people and oversees programs in camp management, medical services, rubble removal, education, and emergency response operations.

In addition to supporting videoconferencing grants, we allocated a modest amount for technology-related grants that may strengthen the Foundation's work as a whole. These grants aim to increase the impact of nonprofit organizations by improving their use of technology and to support innovative technology projects that align with our programs' strategies. The allocation recognizes the growing importance of technology to virtually every aspect of the Foundation's work, and we intend to continue it next year.