

# Hewlett Foundation 2013 Annual Report



## The William and Flora Hewlett Foundation *2013 Annual Report*

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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.

# Annual Letter

## Exploring Grant Trends

Every November, the Board of the Hewlett Foundation authorizes a budget for the upcoming year, and, as part of that process, reviews what progress we have (or have not) made in our grantmaking strategies during the preceding year. As this requires Board members to absorb a great deal of complex detail, last November we rolled out a new version of the Board Book, designed to make the material easier to follow. (June Wang wrote [a post about the Board Book redesign](#) for our blog.) The revised Book included, among other things, a new “overview” that presented data for the past five years on the number of grants, their average size and duration, and the percentage that were for general operating support (GOS). Here is what the Board saw:

GRANT TRENDS					
	2009	2010	2011	2012	2013
Total Amount Awarded (in Millions)	\$237	\$207	\$204	\$206	\$221
Number of Grants	603	530	591	611	568
Median Grant Size	\$150,000	\$132,500	\$125,000	\$150,000	\$155,990
Mean Grant Size	\$392,613	\$390,927	\$344,686	\$336,516	\$389,933
Average Grant Term (Years)	1.6	1.5	1.6	1.5	1.5
Percentage of Grant Volumes as GOS	23%	25%	27%	20%	24%
vs. Largest 100 Foundations	23%	21%	25%	N/A <sup>1</sup>	N/A

Notes: Does not include DCAs or grant awards made to ClimateWorks Foundation in 2011 (one grant totaling \$150,000) and 2012 (two grants totaling \$100,150,000). 2013 YTD = grant awards through the November Board Book. “Largest 100 Foundations” based on Foundation Center data.

These figures raised questions for a number of Board members, who found them surprising in certain respects. Several asked whether our grants had become smaller in amount and/or shorter in duration than they used to be. Others wondered if we were drifting away from the Hewlett Foundation’s longstanding preference for GOS. Still others remarked that it was hard to draw conclusions without seeing the data broken down by program. They asked for a more thorough analysis of our grant trends.

The Board’s reaction stimulated a robust conversation among the staff. Had our grantmaking changed in ways that ought to concern us? Have our grants become smaller or shorter or both? Have we moved away from the tradition of helping institutions through general operating support toward a more controlling emphasis on discrete projects? If so, have these changes affected our staffing or the way we work?

Answering questions like these, we soon discovered, is anything but straightforward. On the contrary, our efforts to do so simply raised more questions. For example, the data we used in November presented GOS in terms of the number of grants, which can be misleading because GOS

grants tend to be larger and therefore made to relatively fewer organizations. Would it be more accurate to measure GOS as a percentage of grant dollars? Should the data include Organizational Effectiveness grants, which have become numerous in recent years as part of a concerted effort to help grantees, but are—by definition—small and for a single year? How should we classify something like the extraordinary \$500 million ClimateWorks grant, which was GOS and paid out over five years, but booked entirely in the year it was made (thus overstating GOS for that year and understating it for the following four)? Similar complications presented themselves when we focused on other measures, like grant size or duration. Even veteran program staff were surprised by the number of potential variations and complications that emerged in our conversations.

We concluded that a more thorough analysis of our grant trends was called for. To that end, we enlarged our review to cover the past ten years, instead of five. Beginning in 2004 made good sense: by then the Foundation's endowment had recovered from the bursting tech bubble and incorporated the assets of Bill Hewlett's estate, and the first stabs were being made to formulate and implement Hewlett's distinctive brand of "outcome-focused grantmaking." In addition to making it a ten-year review, we asked the programs to make separate presentations to explain how and why their grantmaking evolved as it did, incorporating a narrative alongside the statistics. We gave each program thirty minutes with the Board at our July meeting, during which they walked through the past decade of grantmaking and described the kinds of things that had shaped their particular outcomes. The memos they prepared for this purpose are included in my annual letter for 2014.

My task, at the conclusion of these presentations—which we interspersed with other business over the two-day meeting—was to draw things together and make some sense of the overall picture that emerged, if one emerged. (It did.)

[My full letter](#) shares what we found. I hope you'll take the time to read the whole thing.

*-Larry Kramer  
Hewlett Foundation President*

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*as of December 31, 2013*

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General Counsel and Corporate Secretary

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*as of December 31, 2013*

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Program Fellow

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Program Associate

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Program Associate

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Program Associate

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Program Associate

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Mexico Consulting Program Associate

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Program Officer

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Program Officer

**Ron Ragin**  
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Program Associate

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Communications Project Manager

**Maritza Rae Santiago**  
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Tax Manager

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Senior Accountant

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Associate Accountant

**Massooda Maqdoor**  
Accountant

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Associate General Counsel

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Staff Counsel

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Grants Officer

**Hannah Kahn**  
Grants Officer

**Claire Smith**  
Grants Project Manager

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HR Associate

**Ibeth Olmos**  
Mexico Consulting Administrative Assistant

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Senior Network and Systems Engineer

**Chuck Ferreira**  
Desktop Systems Specialist

**Marc Greenfield**  
Help Desk Team Lead

**Brian Hendrickson**  
Network and Systems Manager

**Ken Houk**  
Senior Applications Developer / Architect



**Rena Lee**  
Senior Applications Developer

**Trinh Liu**  
Senior IT Analyst

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Manager, Application Development and  
Support, Information Technology  
Program Officer

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Director, Private Investments

**Brett Johnson**  
Director of Marketable Investments

**Peyton Hurtle**  
Assistant Director of Marketable Investments

**Jefferson Stone**  
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**Eleanor Hsu**  
Associate Director, Real Estate and Natural  
Resources Investments

**Linda Hoffman**  
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**Elina Inker**  
Senior Investment Analyst

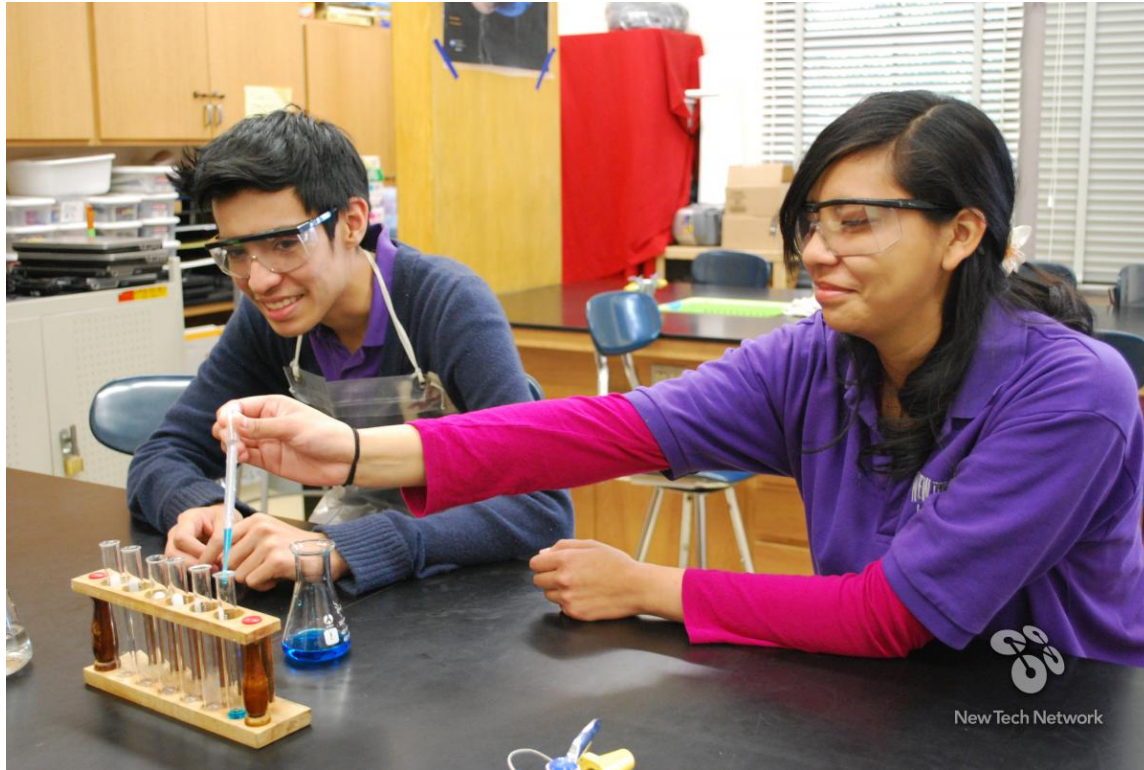
**Sharon Lee**  
Associate Manager, Investment Accounting

**Timothy Ng**  
Investments Operations Accountant

**Christine Coppellotti**  
Legal / Executive Assistant

**Allysia Emerson**  
Executive Assistant

# The Education Program in 2013



Los Angeles students work on a science project at the Student Empowerment Academy (SEA), a school with a collaborative working environment in which students are expected to meet content standards, develop technology skills and master school-wide learning outcomes. SEA, which works with Education Program grantee New Tech Network, strives to foster proactive students who take ownership of their education. *Photo: New Tech Network*

## Goals:

- Increase economic success and civic participation by educating students to succeed in a changing world
- Raise the achievement of all California students, particularly those from disadvantaged backgrounds, by aligning our work in the state with the national deeper learning agenda
- Equalize access to knowledge for teachers and students around the globe through OER
- Raise educational achievement in disadvantaged communities in the San Francisco Bay Area

In 2013, the Education Program made 93 grants to 68 organizations, totaling nearly \$33.5 million.

# The Environment Program in 2013



Maite Arce, Hispanic Access Foundation's president and CEO, her husband Ted and sons Noah and Luke receive a guided tour from one of the park rangers at Arches National Park in Utah during the Four Stops, One Destination tour conducted in July 2013. *Photo: Hispanic Access Foundation*

## Goals:

- Conserve the ecological integrity of the North American West for wildlife and people
- Ensure that the global average temperature increases less than 2°C and that energy is produced and used cleanly and efficiently, with limited impact on human health and the environment

In 2013, the Environment Program made 123 grants to 103 organizations, totaling over \$50.4 million.



# The Global Development and Population Program in 2013



Women in Oudiala, a village in Mandiana, Guinea, take part in a conversation about DPMA, a long-acting hormonal contraceptive. Photo: Save the Children Guinea

## 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 2013, the Global Development and Population Program made 133 grants to 103 organizations, totaling over \$103 million.

## The Global Development and Population Program in the News in 2013:

[Kristen Stelljes Joins Hewlett Foundation as Program Officer](#)- September 2013

# The Performing Arts Program in 2013



Oriki Theater master drummers Taj Hill, Tumani Onabiyi and Henry Burton perform at Community School of Music and Arts' Tateuchi Hall in Mountain View, California. The Performing Arts Program funds a wide variety of organizations in order to create opportunities for people and communities to participate in the arts. Photo: Chris Shum Photography

## **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 2013, the Performing Arts Program made 89 grants to 82 organizations, totaling over \$11.9 million.

## **The Performing Arts Program in the News in 2013:**

- [Six \\$50,000 Commissions for Choreographers Awarded by the Gerbode and Hewlett Foundations - January 2013](#)

# The Effective Philanthropy Group in 2013



The Effective Philanthropy Group was created to support the Hewlett Foundation's ongoing work to improve its philanthropic practice and help develop the field of philanthropy.

## **Goals:**

- Improve the overall field of philanthropy and effectiveness of the nonprofit sector
- Promote the creation and dissemination of knowledge that will inform, influence and improve funders' thinking and decision making
- Foster a nonprofit marketplace in which donors use meaningful, high-quality information on nonprofit performance to advance better philanthropic decisions

In 2013, the Effective Philanthropy Group made 37 grants to 30 organizations, totaling over \$4.5 million, with an additional \$3.1 million to 67 grantees to support their organizational effectiveness.

## **The Philanthropy Program in the News in 2013:**

[Fay Twersky Named Director of Hewlett Foundation's Effective Philanthropy Group- January 2013](#)

[A Q&A with Fay Twersky, Director of the Effective Philanthropy Group- January 2013](#)

[Listening To Those Who Matter Most, the Beneficiaries, Stanford Social Innovation Review- Spring 2013](#)

[Amy Arbreton Joins Hewlett Foundation As Evaluation Officer- April 2013](#)



# Special Projects in 2013



Each year the Hewlett Foundation reserves funding for special projects that do not align directly with our strategies, but present opportunities to advance our broader mission, such as long-term funding of selected national media outlets. Pictured here are PBS Newshour Co-Anchors and Managing Editors Judy Woodruff and Gwen Ifill. *Photo: Robert Severi*

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. This includes the Nuclear Security Initiative and the Community Leadership Project.

In 2013, Special Projects made 48 grants to 43 organizations, totaling over \$10.3 million.

In 2013, the Nuclear Security Initiative made 14 grants to 14 organizations, totaling nearly \$3.6 million.

## **Special Projects in the News in 2013:**

[Daniel Stid Joins Hewlett Foundation as Senior Fellow- May 2013](#)

[Kelly Born Joins Hewlett Foundation as Program Officer- December 2013](#)

# Serving Bay Area Communities in 2013



Local residents and children enjoy the new playground at the dedication of Balboa Park in the Excelsior neighborhood of San Francisco, California on August 18, 2012. *Photo: Joy Gutierrez-Pilare/The Trust for Public Land*

Serving Bay Area Communities funds are allocated directly to the Foundation's standing programs, which are responsible for making grants that align with their strategies and serve disadvantaged Bay Area communities.

In 2013, Serving Bay Area Communities made 32 grants to 30 organizations, totaling over \$6.4 million.



## 2013 REPORT TO THE BOARD\*

# EDUCATION PROGRAM

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## DISCUSSION

Since 2010, the Education Program has pursued a strategy aimed at ensuring that every student in the United States has the knowledge, skills, and dispositions necessary to succeed in college, careers, and civic life. The heart of this strategy, reflected in the initiative we call Deeper Learning, works hand in hand with our two other grantmaking components— California Education and Open Educational Resources—to transform teaching and learning both nationwide and in our home state.

### I. DEEPER LEARNING

**Goal:** Increase economic success and civic participation by educating students to succeed in a changing world.

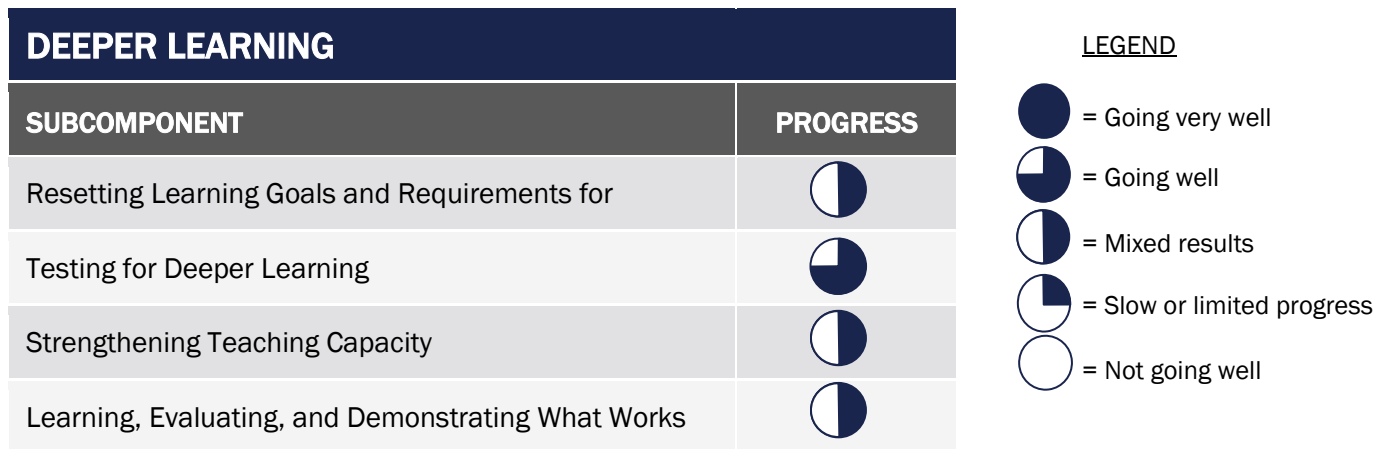
At the heart of deeper learning are the elements of education that students need in order to thrive in an economy defined by technological innovation and global competition. These include mastery of challenging academic content; critical thinking and problem solving; strong oral and written communication; collaboration and teamwork; an academic mindset; and learning how to learn. Because experience shows the important role of testing, the Program's near-term goal is for 8 million students—approximately 15 percent of public school enrollment—to be tested on measures of deeper learning by 2017. In the long run, our aim is to give all students the academic preparation they will need to be successful in twenty-first-century work and civic life. Starting to measurably shift the education system to achieve these higher expectations for students is a challenging proposition and would not be possible to do rapidly, at scale, if it were not for the Common Core State Standards, which have been adopted by forty-five states and the District of Columbia and incorporate many of these key skills.

We have divided our Deeper Learning strategy into four subcomponents (see Figure 1). A recent strategy review by The Bridgespan Group concluded that the Program has made strong progress on this strategy over the last three years and that we are on a path to exceed our 2017 testing goal by a wide margin. The review

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\* The Foundation's Annual Report describes both 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 activities and 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 at their discretion and project support grants for nonlobbying activities (e.g. public education and nonpartisan research).

warned, though, that only limited progress has been made in preparing teachers to teach deeper learning skills to large numbers of students. In order to ensure that our strategy is successful over the long term, we will be refining its subcomponents in the coming months.



(figure 1)

**A. Resetting Learning Goals and Requirements for Schools**

**Goal:** Ensure that federal education policy—and the education policies of 5-10 states—incorporate deeper learning into definitions of college- and career-readiness as well as into student testing and accountability systems and that education policies support better instruction and K-16 alignment.

Through their work building the evidence base to educate policymakers, our grantees are making inroads in federal policy discussions. At the state level, the Council of Chief State School Officers is working with a coalition of nine states, known as the Innovation Lab Network, to secure deeper learning policy changes. Our grantees also have coached states on how to incorporate deeper learning into applications for NCLB waivers. In total, eleven waivers with high alignment to deeper learning goals have been approved by the U.S. Department of Education. For example, Washington State’s approved request highlights the same long-term outcomes as the Program’s: “Anchoring this request . . . is the commitment to ensure all of our graduates (a) have mastered rigorous content knowledge and the ability to apply that knowledge through high-order thinking skills, (b) communicate effectively, (c) work collaboratively, and (d) engage in lifelong learning processes. Educators and other stakeholders across the state realize this vision of deeper learning for all of our students requires we think in new ways; act in new ways, by identifying strategies and creating new approaches to address the diverse learning needs of individual and groups of students.” The state’s application also noted, “The purpose of the [high school] diploma is to declare that a student is ready for success in postsecondary education, gainful employment, and citizenship, and is equipped with the skills to be a lifelong learner.”

At this rate, we are making progress toward achieving our goal of five to ten states aligning their education policies with deeper learning. Yet that progress is mixed, and challenges remain. It is still unclear how states will change their school accountability requirements to reflect deeper learning goals; states will need to

expand their assessment systems beyond high-stakes, end-of-year tests alone if they are to robustly measure a broad range of knowledge and skills; and some political opposition is growing to the Common Core—the standards-based reform movement to which our fortunes are tied. Moreover, the higher costs of the new standardized tests, combined with discouraging low initial scores in some states, threaten to undermine public confidence.

In the coming year, we will reduce the number of national associations and advocacy grantees in this policy cluster while doubling funding for communications and outreach. We intend to nurture national leaders to become champions for policy reforms. So far, the Education Program has identified champions in education reform and business circles and is recruiting a prominent spokesperson in higher education.

## **B. Testing for Deeper Learning**

**Goal:** Develop and validate assessments that effectively assess deeper learning, identify and support bellwether states to implement these assessments, and encourage the federal government to provide strong signals in support of high-quality assessments. In addition, three states also would commit to integrating performance assessments or culminating high school projects into their testing and accountability programs.

With a year and a half to go before their nationwide deployment, both Partnership for Assessment of Readiness for College and Careers and Smarter Balanced—the two multistate assessment consortia—are on track to produce exams aligned with deeper learning and the Common Core that could reach up to 74 percent of tested K-12 students. Test developers are busy creating, testing, and revising assessment questions and tasks. Both consortia also are working with their members to create technology plans for administering the new assessments, and each has made considerable headway toward definitions and proficiency levels that identify what it means to be ready for college. Hewlett Foundation support for both consortia has enabled them to improve their capacity in the areas of communication, test-item development, and engagement of higher education.

We have, however, seen only limited success in our efforts to encourage states to agree to require performance tests or end-of-high-school projects to assess a number of deeper learning skills not covered by the consortia tests (such as teamwork and oral communication); only New Hampshire has demonstrated strong systemic support for performance assessment. Much of our work toward this goal remains in the early research stage.

In our next step, we will move from supporting PARCC and Smarter Balanced directly to supporting implementation of their tests through on-the-ground work in a number of important states. In the meantime, we will be redesigning our performance assessment strategy to ensure that these assessments become embedded in state accountability systems.

## **C. Strengthening Teaching Capacity**

**Goal:** Design two or three platforms for teacher training or curriculum materials, each with a strategy for reaching at least 100,000 teachers by 2017.

In 2013, our grantmaking to strengthen teacher capacity had important successes. The biggest short-term impact came from our grantee Expeditionary Learning's English language arts curriculum and professional development programs, which incorporate deeper learning. New York adopted these materials for use across the state, including in New York City. Newark, New Jersey, and the state of Delaware also adopted Expeditionary Learning's curriculum and services. And our grantee Achieve is working with twenty-two states to develop and use a set of quality criteria that will help them determine whether teacher instructional materials that they develop and adopt are aligned with the Common Core.

While we are making strong progress toward our interim goals in this subcomponent, we have not succeeded in identifying any strong, cost-effective strategies for helping large numbers of K-12 teachers change their practices in order to successfully teach to the new Common Core standards to deliver deeper learning. Although we continue to explore technological solutions that could reach a substantial number of teachers, we have made limited progress to date.

#### **D. Learning, Evaluating, and Demonstrating What Works**

**Goal:** Develop a coherent research agenda in order to establish an evidence base for deeper learning and guide future investments in helping schools adopt effective teaching practices.

In the early years of the Deeper Learning initiative, this subcomponent concentrated primarily on establishing and nurturing a network of schools to serve as "proof points" for the value and feasibility of deeper learning, particularly in disadvantaged communities. While acknowledging that many campuses in the resulting 500-school Deeper Learning Network offer strong examples of how to deliver deeper learning through small schools, the Bridgespan report questioned the likelihood of translating those particular practices into the larger K-12 system. This is leading us to place higher priority on research in coming years, so we can highlight effective practices that will allow many more schools to deliver deeper learning.


In 2014, we will make major changes in this subcomponent to emphasize research and development, as well as the evidence base undergirding the policy and practice reforms needed to spread deeper learning nationwide. The research will intersect with the work of the other three subcomponents: to establish the evidence base for resetting learning goals; to prototype innovative assessment models for the testing of deeper learning; and to support promising proof points of "assessment literacy" (facility with using testing data to inform improvements in instructional practice) as a form of strengthening teaching capacity. This research agenda addresses the linkages between instructional practices and deeper learning, as well as the transfer of students' deeper learning skills to their long-term employment success and civic participation.

The focus is also on providing tools and techniques that will allow any school, not just those receiving Foundation support, to begin to become a deeper learning school. A grant to High Tech High will support a massive open online course (MOOC) to introduce thousands of educators to deeper learning, culminating in a "big-tent" practitioner conference (March 26-28, 2014) open to any educator. A grant to the Teaching Channel supported the creation of a series of videos

depicting deeper learning instructional practices; these will be available for free on their website.

## II. CALIFORNIA EDUCATION

**Goal:** Raise the achievement of all California students, particularly those from disadvantaged backgrounds, by aligning our work in the state with the national deeper learning agenda.

CALIFORNIA EDUCATION	
COMPONENT	PROGRESS*
California Education	

**\*Based on prior policy success; note that specific California Education goals and progress measures will be developed in 2013-14 for the new Deeper Learning-aligned work.**

For decades, Hewlett Foundation grantees have played an influential role in California education reform. Our grants have helped to create, grow, and strengthen a deep bench of talented policy analysts and advocates over the years. As the 2010 Education strategy shifted attention to national issues, however, we began to look for a new approach to grantmaking in California. A year later, through a grant to Rockefeller Philanthropy Advisors (RPA), the Foundation helped create the California Education Policy Fund (CEPF), an independent fund managed by RPA that coordinates statewide reform efforts. By 2012, seventeen nonprofit organizations with strong track records and well-developed plans to reform state policy were awarded grants totaling more than \$10.6 million. Among the biggest victories of CEPF grantees this year was passage of the new Local Control Funding Formula—a longtime policy priority of equity advocates and the Hewlett Foundation—which provides more equitable school funding and replaces a statewide school finance system that education researchers and advocates have criticized for years.

In the meantime, California has become an increasingly important player in the movement for higher standards and deeper learning—joining the Smarter Balanced testing consortium and the Innovation Lab Network, which the Program funds. Seen in the national context, California presents a tremendous opportunity and challenge to deeper learning reform: it is a bellwether state with a huge education system—6.3 million public schoolchildren—and an outsized role setting national trends in the design and adoption of curriculum materials.

In this third year of CEPF funding, we have therefore shifted our emphasis to more fully align our California work with the national deeper learning agenda. RPA solicited proposals for work that would promote deeper learning in school systems and/or foster alignment between the K-12 system and higher education. Much of that work will center on the adoption and use of the Common Core standards and the Smarter Balanced assessments. Potential grantees this year were asked to submit proposals for advancing policy goals in one or more of five key areas:

including deeper learning in the definition of college- and career-readiness; providing personalized deeper learning to all students by supporting educators; giving high priority to the implementation of Smarter Balanced tests; anchoring state accountability systems to deeper learning outcomes; and developing seamless pathways to college and career by strengthening coordination between K-12 and postsecondary systems.

Significant challenges exist, including districts' technological readiness for implementing the computer-adaptive Smarter Balanced assessment. On the positive side, the state is facing a greatly improved budget situation, and the state superintendent of public instruction is a strong supporter of deeper learning and the Common Core. The federal No Child Left Behind waiver approved by U.S. Department of Education officials for ten California districts made commitments to a college- and career-readiness agenda, subscribed to deeper learning goals, and placed equity for all students as a top priority. The districts are coordinating the work under the umbrella of the California Office to Reform Education, which the Program is supporting over the next two years from the Foundation's Serving Bay Area Communities program.

### III. OPEN EDUCATIONAL RESOURCES

**Goal:** Equalize access to knowledge for teachers and students around the globe through OER.

Open educational resources (OER) offer a promising solution to one of the most pressing problems facing education systems in the United States and around the world: how to deliver higher levels of student learning with fewer resources. OER employ technology and open licenses that encourage users to reuse, revise, remix, and redistribute content. Millions of students and teachers from Mumbai to San Francisco have begun to rely on openly licensed resources since the Hewlett Foundation began supporting OER in 2002.

Today, four out of ten U.S. elementary and secondary schoolteachers use OER to supplement their core materials—just one indication that the movement has expanded beyond a small set of early adopters toward acceptance as standard educational practice. The budget challenges faced by public schools, together with the national appetite and enthusiasm for technology-driven solutions, present a unique opportunity for OER to complete the transition from supplementary to primary classroom materials.

Our OER strategy has two subcomponents that aim (1) to move OER into the mainstream of educational practice by helping to build the supply of high-quality instructional materials, promoting supportive policies, setting practical standards, building the field, supporting influential research, and encouraging opportunistic innovation; and (2) to support grantees that are looking for ways to increase learning gains by capitalizing on OER's flexibility to personalize lessons and accelerate achievement.

OPEN EDUCATIONAL RESOURCES	
SUBCOMPONENT	PROGRESS
Mainstream Adoption	
Increased Learning Gains	

### A. Mainstream Adoption

OER made noteworthy strides toward mainstream adoption in 2013. New York City, the country’s largest K-12 district, allowed schools to replace proprietary curriculum materials with OER when it formally adopted Expeditionary Learning’s openly licensed curriculum for English language arts. In addition, a bill introduced in the U.S. Senate—the Enhancing Education Through Technology Act of 2013—included “an assurance that the State educational agency will consider making content widely available through open educational resources when making purchasing decisions with funds received under this subpart.” Our grantee OpenStax also reported that it had secured funding for six new open community college textbooks and already had forty-one derivatives of its first five textbooks.

Meanwhile, the massive open online courses, known as MOOCs, offered by some of the nation’s most prestigious universities captured public imagination and raised the profile of OER. Many MOOCs are open only in the sense that they allow anyone to enroll—but not to reuse, revise, remix, and redistribute the content. However, the first fully OER MOOC was recently announced on edX, a joint Harvard/MIT venture and one of the three largest MOOC platforms. We are in the midst of discussions with the other two big MOOC platforms to encourage open licenses.

Our focus in 2014 will be on continuing to support the evolution of OER from raw materials that educators must assemble themselves to market-ready products. Our goal is for two additional states to adopt openly licensed curriculum materials by the end of the year—bringing the national total to five states—and for five national governments around the world to adopt open licenses.

### B. Increased Learning Gains

Among the most promising aspects of OER is their potential to remove barriers to learning and increase the rate at which anyone can master new knowledge and skills. Instructional materials can be modified to match the cultural context and interests of students, who can work their way through courses at their own pace. Technology now makes it possible for people from around the world to study with some of the most prominent professors in their fields at little cost.

Unfortunately, though, there is only limited research to verify learning gains linked to OER. While that research has demonstrated significant increases in learning at greatly reduced cost in a few specific contexts, more data are needed to back

strong, general statements about how OER deliver these gains and how they can be continuously improved to offer even greater benefits.

We have attempted to remedy that situation by supporting studies of the field. By August 2014, we expect to see final results from eight research projects under way at the OER Research Hub run by The Open University in the United Kingdom. Conducted over two years, these projects have investigated the impact and effectiveness of OER in various settings, including K-12, colleges, and informal education. For example, researchers are investigating the hypothesis that “open education models lead to more equitable access to education, serving a broader base of learners than traditional education.” We will evaluate the results of these studies to determine next steps for our OER research component.

#### **IV. OPPORTUNITY**

The Program reserves some funding for grantmaking that responds to unexpected new opportunities that could make a significant contribution toward our goals.












## 2013 REPORT TO THE BOARD\*

# ENVIRONMENT PROGRAM

### DISCUSSION

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 that depend on them; (3) energy development shifts from fossil fuels to renewable sources; and (4) public funding for private land conservation is available in priority conservation areas. Achieving each aim requires new public policy. In addition, the engagement of western constituencies, such as ranchers, hunters, anglers, Latinos, faith groups, Native Americans, and environmental advocates, is essential to achieving improved conservation policy in this region.

### I. PROGRESS

WESTERN CONSERVATION		LEGEND	
SUBCOMPONENT	PROGRESS		= Going very well
Conserve Western Lands			= Going well
Increase Western Clean Energy			= Mixed results
Increase Western River Flows			= Slow or limited progress
Build Broad Support for Western Conservation			= Not going well

In 2013, grantees protected and improved 44 million acres of land and 1,055 miles of rivers. Their biggest success in 2012–13 was securing a decision from the U.S. Department of the Interior to stop the development of 1.33 million acres of land in Colorado, Utah, and Wyoming containing oil shale.

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## II. CHANGES IN THE EXTERNAL ENVIRONMENT

The 2012 U.S. elections did nothing to reduce gridlock in Congress. That being so, we expect no movement on western priorities that require legislative action, like designating new wilderness protection or making the Land and Water Conservation Fund permanent.

At the same time, President Obama's reelection creates significant opportunities for administrative land protection. We expect continued emphasis on energy policy focused on limiting fossil energy development and increasing wind and solar generation. New efforts by grantees to secure land and water protection, part of a comprehensive approach to energy development on public lands, are gaining momentum. In his June speech on climate change, the president emphasized new policies to reduce carbon emissions, opening the door for actions related to energy development on public land. This may provide an opportunity to reduce coal mining on public land and to increase approvals of new solar and wind projects.

Three changes in Canada will influence Boreal Forest work in 2014. First, the federal government is devolving land it controls to the Northwest Territories, perhaps creating an opportunity for significant new protections over the next several years. Second, mining reform goals in British Columbia are at risk due to a change in government that may emphasize new mining in the province's north. Finally, with the withdrawal of a major timber company from the Canadian Boreal Forest Agreement, that strategy must be reframed to ensure continued progress. The Agreement is premised on the participation of all timber companies within the 170 million-acre Agreement area.

## III. PRIORITIES FOR 2014

In the coming year, we will focus our investments in three areas:

1. Increasing land protection, particularly through planning of Bureau of Land Management land and the National Monuments efforts.
2. Reducing fossil energy impacts on public land. With greater investment in this work, we will fund efforts to encourage the new direction at the U.S. Department of the Interior to create energy development zones to better protect fragile habitat and river systems.
3. Implementing the Boreal Forest Conservation Initiative, which is designed to take advantage of opportunities in the provinces that could result in 150 million acres of new forest protection over the next five years.

In 2014, we expect grantees to secure improvements or full protection on 45.5 million acres and 2,843 river miles.

## DISCUSSION

In order to avoid the worst effects of climate change and related human suffering, the Foundation funds efforts aimed at reducing global carbon dioxide emissions to an annual total of 35 gigatons by 2030. The Program pursues this goal in collaboration with other funders by supporting grantees in developed countries with high energy demand, like the United States and the European Union; in developing countries with high and fast-growing energy demand, like China and India; and in countries with high deforestation rates, like Brazil and Indonesia.

Strategies focus on encouraging public policies to cut emissions by reducing coal and oil use; promoting energy efficiency and clean alternatives; reducing deforestation; and reducing high-potency greenhouse gases like methane, various refrigerants, and industrial gases. This broad global approach is necessary for our 35-gigaton emissions goal to have a reasonable likelihood of success.

Our energy and climate work emphasizes developing effective policies for each priority region globally and building a broad base of support within constituencies essential for policy change: business, national security, public health, and environmental groups. Grantees that provide technical policy development skills and effective advocacy relevant to policymakers increase the likelihood that public policies that will deliver the needed greenhouse gas emission reductions will be adopted and implemented.


### I. PROGRESS

CLIMATE CHANGE INITIATIVE	
SUBCOMPONENT	PROGRESS
Coal to Clean	
Oil	
Forests	
High-Potency Non-CO <sub>2</sub> GHG	

#### LEGEND

- = Going very well
- = Going well
- = Mixed results
- = Slow or limited progress
- = Not going well

CLEAN TRANSPORTATION INITIATIVE	
COMPONENT	PROGRESS
Clean Transportation Initiative	

CHINA SUSTAINABLE CITIES INITIATIVE	
COMPONENT	PROGRESS
China Sustainable Cities Initiative	

Currently, the pollution that causes global warming is being emitted at a rate of approximately 55 gigatons per year. Without change, these emissions are expected to rise to 66 gigatons per year by 2030. Although our grantees generally met their annual progress goals in 2012 and 2013, they must significantly accelerate the pace and magnitude of these reductions to keep global warming to manageable levels. Overall, grantees are making impressive progress, just not yet fast enough to solve the problem.

The emission reductions we expect in 2013—1 to 2 gigatons—can be attributed to three primary factors. First, grantees succeeded in retiring many U.S. coal plants: no new plants have been built in four years, and they are on track to reach the 2013 goal of having 179 plants announced for retirement since 2010. Second, grantees have succeeded in getting new energy efficiency programs and standards adopted in China, especially in industrial energy use and lighting. Lastly, a new automobile fuel efficiency standard and a fiscal incentive were approved in Mexico and Brazil, respectively.

## II. GLOBAL CHANGES AFFECTING GREENHOUSE GAS REDUCTION

The main factor affecting climate change progress is the sluggish global economy, which creates different effects worldwide. Until relatively recently, slow job growth has been the reason many U.S. policymakers gave for inaction on climate change. At the same time, both here at home and around the world, slower growth has meant smaller-than-anticipated increases in energy consumption.

Unfortunately, despite the sluggish economy, worldwide greenhouse gas emissions have continued to increase at a high rate. Growth in China’s coal power generation is the largest reason for this jump. While extremely harmful over the long term, coal-related air pollution has led the Chinese government to begin taking more aggressive action to reduce air pollution, which could lead to positive changes in reducing pollution from coal and lowering greenhouse gas emissions.

In the United States, CO<sub>2</sub> emissions have stabilized due to three factors. First, the lingering effects of the recession and low economic growth have meant less driving and electricity demand. Second, very low natural gas prices have led many coal-based utilities to switch to less carbon-intensive natural gas. Third, new clean air regulations forced the retirement of some of the dirtiest coal plants. While replacing coal with natural gas helpfully lowers carbon emissions in the short term, in the longer term, it may do very little to fundamentally change the trajectory of U.S. emissions. But the trend toward natural gas could play a very important role if the new utility infrastructure is optimized to work with intermittent renewable

energy and if methane leaks from the production and pipeline transport process can be reduced.

Finally, the loss of market share in the United States has forced coal producers to seek markets abroad. In 2013, their exports to Europe increased. The real payout for coal will be if exports to China and India take off. This has not happened yet, although we are concerned it may in the coming years.

This year, two trends emerged in oil development. On one side, the United States experienced a boom in oil and gas extracted from shale rock formations, changing the market landscape globally. Production of this shale oil (which requires horizontal drilling and hydraulic fracturing) reached 2 million barrels per day (mpd), and many analysts now believe that the United States could meet much of its domestic demand and become a net oil exporter by 2020. While there may be national security benefits from this shift, there are climate and natural resource costs from plentiful oil supplies in the United States. On the other side, production of tar sands oil in Alberta stagnated at around 1.9 mpd, due to lack of infrastructure and the delay in approving the Keystone XL pipeline, which would be the major link between Canadian tar sands oil and U.S. ports.

At the same time, the growth rate for oil (and coal) consumption in China may be leveling off for the first time. Slower growth in emerging economies and the ongoing recession in many developed countries have reduced demand for Chinese goods. This has generated a debate within China about the wisdom of relying on energy-intensive industries to lead continued growth based on exports. Resolution of this debate could mean that China's emissions could peak as early as 2020—ten years earlier than most analysts' predictions.

Current economic trends are likely to continue, perhaps slowing advances in renewables and energy efficiency, given the relatively low cost of fossil fuels, including natural gas. At the same time, these trends create opportunities to reduce coal generation and tight oil extraction and to strengthen proper oversight of natural gas drilling.

One hopeful development: the president appears to be engaging in climate change in a significant way. In June, he stated his intention to move forward with new Clean Air Act rules, increased fuel efficiency standards for trucks, and continued investment in renewables and efficiency. Turning this new engagement into climate change policy gains will take significant work; however, President Obama has opened a window of opportunity.

### **III. PRIORTIES FOR 2014**

In 2014, we will continue to make reducing the world's reliance on coal a top priority. For grantees to succeed in eliminating 5 gigawatts of global warming emissions from U.S. coal plants by 2020, strong EPA rules must be developed for existing plants and adopted for new ones. This would reduce greenhouse gas emissions from the power sector by 20 percent by 2020.

In Europe, grantees will support Germany's commitment to move off all fossil fuels and use 100 percent renewable energy, part of an effort called the Energiewende. No one has ever tried to make a large, modern electric grid run on intermittent renewables. To succeed, it must cost-effectively overcome the challenges of fractured markets and the technical difficulty of integrating increasing amounts of renewable energy. Using high-powered modeling, the Agora Project of the European Climate Foundation and the Mercator Foundation are methodically tackling these problems one by one with teams of experts, providing support to policymakers and utility-grid planning agencies.

In China, grantees will work with government to lay the groundwork for a coal cap and new air-quality regulations. If this cap successfully levels off China's coal consumption and causes it to start declining by 2020, it will peak at 4.6 billion tons per year. This will put the power sector on track to meet emission goals consistent with holding global warming to 2°C.

Grantees will focus on a range of policies to reduce oil consumption. They will work to ensure implementation of strong vehicle fuel efficiency standards for Chinese cars and will seek the adoption of the second phase of fuel economy for U.S. trucks and the first fuel economy standard in India. Together these vehicle standards have the potential to cut greenhouse gas emissions by 208 million metric tons by 2030.

## 2013 REPORT TO THE BOARD\*

# GLOBAL DEVELOPMENT AND POPULATION

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## DISCUSSION

The Global Development and Population Program helps people around the world reach their potential as individuals, citizens, workers, and parents. This ambitious aim is pursued in two basic ways, each of which permits us to multiply the impact of the Foundation's limited resources: first, by amplifying voices calling upon governments to deliver better results for citizens; second, by expanding economic and reproductive choices for women.

Because the Program has recently restructured its grantmaking strategies, we begin in Part I with a discussion of the Program's new components before turning in Part II to a report on our progress this past year and our plans for 2014.

### I. PROGRAM OVERVIEW

#### A. Amplifying Voice

We strive to strengthen the accountability of governments to their citizens, which will improve the quality and responsiveness of health, education, and other services.

##### 1. Transparency, Accountability, and Participation

We work at global and national levels to expand access to timely and understandable information about the sources of government revenue—particularly when this involves oil, mining, gas, and other industries that exploit natural resources—and we push for transparency in how government funds are budgeted and spent. More and more, we support organizations that employ

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creative means to engage citizens in problem solving and in demanding accountability from their governments, often using information on budgets, expenditures, and service delivery quality. We support organizations that strengthen international commitments to transparency and develop the tools to foster transparency and accountability, as well as those that experiment with citizen-based accountability interventions.

## **2. Evidence-Informed Policymaking**

We believe that national-level policymaking is better when there are local experts engaged in data collection and analysis, and local institutions have the credibility and visibility to influence policy with research and specialized analyses. We therefore support organizations that produce impact evaluations, as well as demographic and other data essential for social and economic research and policy. Through the large Think Tank Initiative, our support also strengthens think tanks in low- and middle-income countries, which serve as key independent civil society actors and crucial translators of research into policy.

## **B. Expanding Choice**

Social and economic development depends on providing women with the ability to control their fertility and exercise their reproductive rights, and to take advantage of economic opportunities for themselves or their families.

### **1. International Women's Reproductive Health**

We contribute to the expansion of options for reproductive health, particularly family planning and safe abortion, by (1) supporting the work of organizations that advocate for liberalizing laws and regulations, and that train providers to offer higher quality services; (2) encouraging organizations that specialize in service delivery to introduce innovations that permit them to reach more women with effective contraception; and (3) educating policymakers about the importance of reproductive health as a contributor to broad economic, social, and sustainable development.

### **2. International Women's Economic Empowerment**

Making the most of women's productivity is increasingly seen as crucial to accelerating economic growth and social well-being. However, evidence about the constraints, opportunities, and choices that women face is scarce and fragmented. This information gap impedes identifying and promoting better policies. Consequently, in its early stages our work on women's economic empowerment will focus on documenting and measuring the barriers that women seeking employment face. This new evidence can then serve as a springboard to identify and advocate for new policies that increase women's economic opportunities.

## **C. U.S. Reproductive Health**

In addition to our international work, the Global Development and Population Program supports efforts to reduce teen and unplanned pregnancy in the United



States through grants to leading organizations that have demonstrated success in protecting and promoting access to family planning and abortion services. We also support a small number of specialized projects that test innovations through a combination of focused research and advocacy. Through the Special Initiative to Reduce the Need for Abortion, we focus on opportunities for significant breakthroughs in pregnancy prevention and on expanding political support for family planning, particularly among unlikely allies such as conservative leaders, community colleges, religious groups, and the entertainment media.

## **II. PROGRESS IN 2013—AND PRIORITIES FOR 2014**

2013 has been an extremely productive year, with significant gains in all the areas in which we work. Highlights as well as challenges are noted in the sections that follow.

### **A. An Unexpected Opportunity: Post-2015 Development Goals**

One of the highlights of 2013 has been the contributions our grantees have made to the international process that is leading to a future set of international development goals, to be decided by member states of the United Nations in 2015. Although it was not certain in 2011 when we began grantmaking around the so-called “post-2015” agenda, we now see that debates about goal-setting have become a central venue through which many issues are playing out—from the balance of power between “donor” and “recipient” nations, to expectations about better governance and civic participation, to the role of data as a basis for policymaking, and more.

In 2013, we supported the work of the High-Level Panel on the Post-2015 Development Agenda through grants to the United Nations Foundation and the United Nations Development Programme. These grants enabled us to support key actors and to ensure that a large number of experts from Africa, Latin America, and South Asia—including many from think tanks we support—were able to participate in international debates.






These experts from the developing world have quickly established a place at the international table, while retaining their positions in their national policy dialogues. According to colleagues at the United Nations Foundation, who have been instrumental in connecting African and South Asian think tank scholars and education sector experts to the New York-centered post-2015 discussions, these individuals are particularly valued by their national delegations as credible information sources.



We are cautiously optimistic that the post-2015 goals have a good chance of reflecting key program priorities: attention to learning within the education sector, recognition of the importance of transparency and accountability, and inclusion of a reproductive health target. Based on the experience of the Millennium Development Goals, we expect the eventual goals to shape the policy and program priorities of many countries around the world, as well as international donors.

As momentum to agree on a global post-2015 development framework picks up in late 2013 and 2014, we will work on both the technical and the political levels. On the technical level, we encourage organizations we support to work with others to develop consensus positions on specific goals (in education, reproductive health, governance, and gender) as well as on the definition of indicators and measurement of progress. On the political level, we support Africa-centered work so that the least developed countries have a meaningful place at the negotiating table. The most prominent activity in this area will be support to the African Union’s Secretariat charged with developing an African Common Position. We also expect to work with many partners to better understand and take advantage of opportunities to improve data and the evidence base for development policy.

**B. Amplifying Voice**

**LEGEND**

-  = Going very well
-  = Going well
-  = Mixed results
-  = Slow or limited progress
-  = Not going well

AMPLIFYING VOICE	
SUBCOMPONENT	PROGRESS
Transparency, Accountability, and Participation	
Evidence-Informed Policy Making	

QUALITY EDUCATION IN DEVELOPING COUNTRIES	
COMPONENT	PROGRESS
Quality Education in Developing Countries Initiative	

THINK TANK INITIATIVE	
COMPONENT	PROGRESS
Think Tank Initiative	

**1. Transparency, Accountability, and Participation**

Several program priorities related to transparency and accountability have achieved new prominence in global institutions, such as the World Bank, and among governments around the world. For example, donors and governments are recognizing the value of greater transparency in matters of public finance, and we are seeing the potential for citizens, armed with information, to effectively press for better services and greater government accountability.

In 2013, both the United States and the European community adopted regulations requiring firms based in those jurisdictions to disclose payments made for the

exploitation of oil, gas, and mineral resources in other countries. This achievement, based in large measure on the work of organizations we support, represents a huge step toward codifying transparency standards for extractive industries, a growing source of revenue in many of the countries most vulnerable to corrupt practices. This year also saw significant progress by the Open Government Partnership, which includes more than fifty countries committed to being more open to their citizens. Now in its second year, the Partnership has put into place a formal organization and has started to sort out major questions: How should governments solicit civil society input when preparing their Open Government Partnership action plans for becoming more transparent? What constitutes a credible action plan for open government? What happens if countries fail to make progress toward achieving objectives? How can civil society have a major seat at the table, both in individual countries and at the level of the Partnership governance?

In 2013, the World Bank started to fully implement the Service Delivery Indicators project, which collects data about key quality indicators in public health facilities and government-run schools, and then releases the information so that civil society groups can analyze and monitor public sector performance. The first full survey, undertaken in Kenya, has garnered significant high-level attention.

Such successes are creating their own challenges, however. In particular, we face two emerging problems. First is a proliferation of transparency-related initiatives, each of merit in its own right, but in competition with one another for support. Just as we consolidate progress on open budgets, we are hearing calls for global norms to promote greater transparency in public contracting. As we make gains on extractives in the oil, gas, and mining sectors, new efforts emerge around forestry. Several heads of state have acknowledged the importance of greater transparency about tax havens and curbing illicit financial flows; this opens the door for a focused advocacy push. We cannot support all of the promising areas, but over the next year or so, we will explore if and how we might contribute to some of these new efforts.

The second challenge is how to make equivalent progress on the “accountability” part of our work. It is no secret that more information has rarely translated in a direct way into more effective citizen action. So far, the accountability that has been fostered by greater transparency has largely been seen as the responsibility of nongovernmental organizations acting on behalf of citizens, but individual citizens have rarely mobilized themselves or acted directly. For example, in Mexico a grantee used information newly in the public domain to publicize the fact that agricultural subsidies intended for the poor were in fact being captured by large agricultural concerns and wealthy farmers. The media latched onto the story, embarrassing the government—the previous administration—to respond. In contrast, we have few if any examples of citizens themselves being mobilized to take action—for example, to organize a protest when it is revealed that teachers are absent or that money for textbooks is not being transferred from national to local authorities.

## **2. Evidence-Informed Policymaking**

Under the restructured program, we have grouped together a set of grants focused on improving the quality of data and research for sound development policymaking, both at national and global levels. In 2014, we will make a concerted effort to ensure that we understand our role in strengthening both the supply of and demand for high-quality and influential evidence. We will also be “connecting the dots” among previously isolated parts of the portfolio, such as work on demographic training and impact evaluation.

## **3. Quality Education in Developing Countries Initiative**

In November 2011, the Board allocated \$30 million over three years to continue the Quality Education in Developing Countries Initiative. During 2013 we have seen three major developments in that work.

First, many organizations have worked together to raise the visibility of learning, rather than enrollment, as an education sector goal. At the moment, there is solid support for the inclusion of a “learning goal” in the post-2015 international goal framework.

Second, several of the QEDC-supported evaluations of alternative instructional models were completed, and we organized a major international workshop to extract the lessons. When complete, we expect the evaluations and workshop products to be important contributions to the education sector’s understanding of what works, and what does not work, to improve learning.

Third, recent rounds of the community-based learning assessments in India, Kenya, Tanzania, and Uganda have garnered high-level responses from governments. These approaches are now being taken up in Senegal and Mali, where a first round of assessments has begun to shed light on quality issues and to motivate debate and action. We have initiated a large evaluation of these experiences and will be able to report on those findings in 2014.

In 2014, we face a specific and time-sensitive question. To date, an explicit goal has been improving school quality and learning outcomes, and the work—some successful, some not—has been geared toward that goal. With the phase-down of that portfolio, we are taking a close look at the part of the QEDC initiative that intersects with transparency and accountability—particularly through an evaluation of community-based learning assessments like ASER and Uwezo. We are also looking at other work we support to foster greater accountability in the education sector, which to date has been separate from QEDC. This includes, for instance, the Service Delivery Indicators survey and many of the smaller, country-specific initiatives that were piloted by our core transparency and accountability grantees. The questions we have to answer are how best to focus on education (and particularly quality education) within our transparency and accountability work, what the success measures would be, and who the right partners would be. This is a task very much at the forefront of the team’s mind as we enter the last year of QEDC grantmaking.

#### 4. Think Tank Initiative

In 2013, the Think Tank Initiative underwent a major [external evaluation](#), while at the same time continuing full scale implementation of efforts to support nearly fifty think tanks in Latin America, South Asia, and Africa. On the whole, the evaluation findings were positive. The co-funder and implementing organization, the International Development Research Centre, was judged to have selected the think tanks well through a competitive process. In many of the beneficiary institutions, access to a combination of flexible funding and technical support for organizational development appears to be paying off in terms of better management, the ability to pursue an independent research agenda, and intensified policy engagement. The experience to date has been sufficiently positive for the Think Tank Initiative to obtain renewed support from all current funders, albeit at varying levels, and to attract new supporters for the next phase.

#### C. Expanding Choice

EXPANDING CHOICE	
SUBCOMPONENT	PROGRESS
International Reproductive Health	
Women's Economic Empowerment	

##### 1. International Reproductive Health

International family planning is benefiting from growing interest at the global and country levels. The main source of this has been the emergence of Melinda Gates as a high-profile champion—someone who is strongly committed and has an ability to obtain the right kind of attention at the highest levels. Since June 2012, when the Gates Foundation and the U.K. government co-hosted an international family planning conference, Mrs. Gates has been front and center in promoting greater attention to and funding for international family planning.

The 2012 conference brought together heads of state from the United Kingdom, Malawi, Rwanda, Tanzania, and Uganda, as well as a dozen United Nations agencies and bilateral donors. We were there, along with several other large U.S. foundations. All pledged commitment to expanding women's ability to choose the timing and number of their pregnancies, and all (or almost all) made financial pledges to increase by a total of \$2.6 billion the amount of funding for family planning. The developing country governments made funding commitments as well as statements about stepping up access through expansion of public sector services and reducing policy and regulatory barriers to access. The conference met the goal of getting commitments for the estimated resources required to meet the needs of an additional 120 million women.

What has happened in the past year has revealed some of the benefits of this high-level engagement but it has also given us a taste of “be careful what you wish for.”

On the positive side, we've seen countries putting together technically sound plans for expanding services. Both the Gates Foundation and the U.K. government doubled their funding for family planning. The World Bank and the United Nations Population Fund streamlined the process for procuring contraceptives. And two manufacturers have significantly lowered the price of implantable contraceptives for low-income countries.

Nevertheless, we are worried about a few developments. First, new funding commitments are being fulfilled more slowly and with less certainty than we and others hoped. Ministers of Health in Senegal and Niger, for example, have plans to expand family planning programs in their countries but have not received any significant additional funding yet. Instead, the major new funding has gone to U.S.-based multilateral or nongovernmental organizations involved in providing technical support, particularly around monitoring progress and holding governments accountable for pledges made at the 2012 conference. As we've noted for the Program's larger transparency efforts, that does not immediately translate into more women being served with better care.

Second, the fact that abortion is not included in the "FP2020 agenda" is worrisome. Some of our long-time partners are expressing concern that it has had a chilling effect on their funding for work to liberalize abortion laws and improve the quality of abortion care where it is legal.

We have been very visible and vocal about our continued support of safe abortion in light of the FP2020 limits. In addition, we are acting as a close partner with the Gates Foundation—particularly in the Francophone West African countries—doing coordinated and complementary grantmaking through the framework of the Ouagadougou Partnership.

In late 2013 and 2014 we will continue to implement our revised strategy for the international women's reproductive health portfolio. We will help large service delivery organizations introduce new and creative ways, such as human-centered design, to meet the needs of women who are not now reached by traditional family planning services. Given that we work with organizations that have a huge global footprint, we expect that focused work in one or two specific countries—for instance, in reaching adolescents in Zambia—can quickly be adapted for application elsewhere and potentially taken up by the field more broadly. We will also focus on in-country advocacy, moving away from donor-focused advocacy. This is new terrain for us, and we will need to expand the number of partners we work with and gain some experience.

## **2. Women's Economic Empowerment**

Developing a strategy for our work on women's economic empowerment is a top priority for early 2014. We have confidence in the small number of grants we have made so far, which include support for a large multi-funder research effort and several other research- and data-related efforts, including the Data2X partnership.

**D. U.S. Reproductive Health**

U.S. REPRODUCTIVE HEALTH	
SUBCOMPONENT	PROGRESS
U.S. Reproductive Health	
Special Initiative to Reduce the Need for Abortion	

Important progress has been made in access to family planning in the United States. Thanks to a supportive administration and the hard work of many grantees, rule-making around the partially implemented Affordable Care Act is now a primary policy target, given the Act’s intent that all contraceptive methods are covered with no patient copay. While aggressive monitoring of the Act’s implementation is needed, and health care providers may be unprepared to respond to increased demand, the United States has made important tangible progress toward making birth control free for nearly all of those with insurance or Medicaid.

In 2013, we learned the results of a very large research project in St. Louis supported by another foundation that demonstrated that when women are offered free contraceptives and provided with appropriate counseling, they are far more likely to select the most effective forms of contraception. This means that a significant decline in unintended pregnancies could follow widespread introduction of these new clinic practices during implementation of the Affordable Care Act.

In contrast, attacks on access to abortion have increased, particularly in southern states. In the first half of 2013 states have enacted forty-three restrictions. These attacks, such as the targeted regulation of abortion providers, are designed to force out of operation all health centers providing abortions. Several organizations we support have devoted major efforts to state-by-state threats, sometimes with success and sometimes not.

The implications for our U.S. reproductive health work are twofold: we and our partners have much work to do to scale up good clinic practices and access to the most effective contraceptives as the Affordable Care Act is rolled out. In addition, we must continue to support groups that protect access to abortion.

**Special Initiative to Reduce the Need for Abortion**

An external evaluation of the Foundation’s Special Initiative to Reduce the Need for Abortion was presented to the Board in July 2012. That evaluation found with relatively high confidence that the Foundation’s lead grantee for the special initiative, The National Campaign to Prevent Teen and Unplanned Pregnancy, is having significant impacts on public policy and individual behavior. Despite increasing polarization concerning abortion and recently even contraception, the organization’s strategy of bipartisan, research-based advocacy and outreach has enabled it to build relationships with powerful allies ranging from MTV to the

White House Office of Management and Budget and to deliver a number of victories and impressive results documented in targeted analysis and pilot tests.

The ultimate indicators that the Foundation seeks to move are also heading in the right direction. Teen birth rate has declined by more than 50 percent since its peak in 1991 and that decline has accelerated in recent years. The abortion rate continues to decline and the use of the most effective forms of contraception, IUDs and implants, has increased significantly over the past five years.



## 2013 REPORT TO THE BOARD\*

# PERFORMING ARTS



### DISCUSSION

The goal of the Program is to ensure continuity and innovation in the performing arts through the creation, performance and appreciation of exceptional works that enrich the lives of individuals and benefit communities throughout the Bay Area. We achieve this goal through three strategic components:






- I. Continuity and Engagement** – The Bay Area public engages in a variety of arts experiences.
- II. Arts Education** – California students have equitable access to multidisciplinary arts education opportunities.
- III. Infrastructure** – Organizations and artists have the resources to be effective.

Our progress for the past year is described in detail below for each component.

### I. CONTINUITY AND ENGAGEMENT

CONTINUITY AND ENGAGEMENT	
SUBCOMPONENT	PROGRESS
Traditional Works	
Innovative Works	

**LEGEND**

-  = Going very well
-  = Going well
-  = Mixed results
-  = Slow or limited progress
-  = Not going well

The Performing Arts Program began to implement its new strategic framework in July 2011. The framework requires us to understand some critical questions: who participates in the arts, and who benefits directly from Hewlett Foundation support of the performing arts? We want the composition of our grantees' audiences and

\* The Foundation's Annual Report describes both 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 activities and 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 at their discretion and project support grants for nonlobbying activities (e.g. public education and nonpartisan research).

participants to reflect the rapidly diversifying demographics of the Bay Area. This led us in 2012 to initiate a pilot study with twenty-one grantees working with national arts marketing expert Alan Brown from WolfBrown Consulting. We wanted to explore various standardized survey methods for our grantees to collect demographic information and feedback from their audiences. While the pilot program demonstrated that gathering a comprehensive picture of arts participation from all of our grantees is not feasible at this time, it highlighted the need and interest among grantees to build their capacity to collect and utilize this information.

We continued to diversify our grantee portfolio, adding five new organizations in 2012 that were identified through our regrantee intermediary partners. We opened an online Letter of Inquiry (LOI) process in 2013, articulating our priority for community-based organizations in underserved geographic areas, as well as communities that have been historically marginalized. We added eleven organizations to the Performing Arts portfolio through this process, representing a diversity of art forms, aesthetics, and communities. These include grantees in all of the Program’s strategic components, as well as Serving Bay Area Communities (described separately).

As a metric for the Continuity and Engagement component, we examined total participation (paid and free) in grantees’ performing arts activities. With our current grantees in this component, we projected no change in participation from 2010-2012, due primarily to the impact of the economic recession on ticket buying. We hope to see minimal audience attrition at western classical “observational” art forms, contrary to national trends of decreasing audiences, and to balance this with increased participation in community-based arts organizations in underserved areas and cultural communities – the focus of our LOI process. More recently, some of our grantees have reported a slight uptick in box office single-ticket sales, as well as greater numbers of free public performances and events. Another 13.5 million users from around the world experienced our grantees online this year—through website visits, music and video downloads, and other Internet-based tools.

	<b>Paid</b>	<b>Free</b>
<b>2010</b>	3.7	2.5
<b>2011</b>	3.6	2.6
<b>2012</b>	3.6	2.5

Total participation in grantees’ performing arts activities. Source: 2012 California Cultural Data Project.

## II. ARTS EDUCATION

<b>ARTS EDUCATION</b>	
<b>SUBCOMPONENT</b>	<b>PROGRESS</b>
Program Delivery	
Policy & Advocacy	
Pre-professional Training	

Our arts education portfolio supports program delivery grantees—providing services in school, after school, and out of school—and policy and advocacy grantees working at the federal, state, and local levels. Arts education funding in California has been dismal for many years. One exception was the Arts and Music Block Grants, dedicated arts education funding available from 2006 to 2009, a direct result of our general operating support grantees’ advocacy efforts. Although those funds are still in the state budget, they are no longer restricted for arts education delivery and have been largely diverted to other uses. California’s education budget benefited from the passage of Proposition 30 in November 2012, while the recently approved Local Control Funding Formula provides schools and districts with a significantly increased level of discretion, with input from local communities, in how they use their funds. This provides more flexibility to use funds for the arts as part of a quality education, as well as new opportunities for arts education advocacy efforts.

Simultaneously, a Blueprint for Creative Schools is in development with the participation of many education and arts practitioners in the state. It will soon be released by the superintendent of public instruction at the California Department of Education in collaboration with the California Arts Council. Our grantees are finding innovative ways to insert the arts into major movements in education reform, including Common Core State Standards, adopted in English Language Arts and Math in forty-five states, and the renewal of Title I, “No Child Left Behind” legislation.

**Arts Education Participation  
(In millions)**

2010	1.1
2011	1.1
2012	1.2

Total participation in grantees’ arts education activities. Source: 2012 California Cultural Data Project.

While our framework projected no change in participation rates and decreasing funds for arts education through 2013, there was a small increase as we added new grantees to the portfolio through our LOI process. We believe our network of grantees is well positioned to take advantage of policy and

funding opportunities at the federal, state, and local levels over the next several years.

### III. INFRASTRUCTURE

INFRASTRUCTURE	
SUBCOMPONENT	PROGRESS
Connection	
Field Information	
Human & Financial Capital	

As the economy stabilizes, the financial health of our grantees is expected to improve with increased ticket sales and donations. Our research on arts organizations’ capitalization in 2012 broadened our understanding of financial health indicators, and program officers now have increasingly nuanced conversations with grantees and applicants using standardized data and financial analysis that is available to these organizations through the California Cultural Data Project (CACDP).

As a measure of the overall financial health of our portfolio, we looked at the percentage of organizations with annual operating deficits. In 2012, 27 percent of our portfolio reported deficits, well below the national average of 41 percent. Several major organizations are intentionally posting large operating deficits as their endowments recover from the lingering effects of the 2008 downturn. These organizations and others are now engaged in campaigns to raise capital and endowment funds to increase permanent assets and liquidity. The campaigns will likely succeed (without additional Hewlett Foundation support) due to the deep philanthropic pockets of the loyal donors to these major institutions. However, we continue to closely monitor smaller and midsize organizations, which remain vulnerable to financial fluctuations and have less capacity for fundraising.

Finally, as an external indicator of success, there has been substantial “pick-up” of our grantmaking tools. Our work in the Bay Area has a ripple effect to California and beyond: more than 40 percent of arts organizations in the state now have profiles on CACDP, with forty-five participating funders utilizing the information in their grantmaking processes and research; our Bay Area Cultural Asset Map, created in partnership with Fractured Atlas, was adopted by the Hauser School at Harvard University for a new national project, the Initiative for Sustainable Arts in America. This dynamic database will be enhanced and replicated in six major metropolitan areas in the United States, including the San Francisco Bay Area.

2013 REPORT TO THE BOARD

# EFFECTIVE PHILANTHROPY GROUP



## DISCUSSION






The Philanthropy Program seeks to increase the effectiveness of the philanthropic sector in making social and environmental progress. This memo details progress on our two existing strategies: (1) to promote the creation and dissemination of knowledge that will inform, influence and improve funders’ thinking and decision making and (2) to foster a nonprofit marketplace in which donors use meaningful, high-quality information on nonprofit performance to advance better philanthropic decisions.

Looking ahead to 2014 and beyond, we expect to continue the knowledge strategy. However, we are winding down the nonprofit marketplace strategy and will conclude it in 2014. We have identified several new areas of focus and will shortly be bringing forward a new strategic framework for consideration to the Board that involves launching a new collaborative funding effort to strengthen the sector.

### I. KNOWLEDGE CREATION AND DISSEMINATION

LEGEND

KNOWLEDGE CREATION	
SUBCOMPONENTS	PROGRESS
Creation of High-Quality Research and Knowledge Products	
Knowledge Dissemination	

-  = Going very well
-  = Going well
-  = Mixed results
-  = Slow or limited progress
-  = Not going well

The heart of this strategy consists of funding research, analysis, and the development of tools for more effective philanthropy by academic centers, consulting firms, and practitioners. We also fund the dissemination of this work by the organizations that create it and by additional channels, including journals and social media. The goal of creating and disseminating knowledge is to inform, influence, and improve funders’ thinking and decision making, and thereby to help them be more effective.

Since 2000, we have invested nearly \$30 million in more than thirty organizations pursuant to this strategy. An external evaluation was just completed, and the results indicate that our knowledge work is on track: reports, articles, blogs, speeches, and other forms of information are being created and disseminated in ways that influence the field of philanthropy and the nonprofit sector. We expect to continue this strategy, albeit with refinements based on the final evaluation. Unlike the nonprofit marketplace strategy described below, this strategy has not had specific numeric targets to date for the amount of knowledge to be created, the extent of any dissemination, or the way it should influence practice. We will also consider refinements to the goal(s), activities, grantees and types of research and writing.

The results of the external evaluation also suggest that many grantees in our knowledge portfolio want to understand more about their impact on philanthropic practice. We know that knowledge is being consumed by target audiences, but we have less insight into how and to what extent it is affecting practice. As part of their feedback on this topic, many grantees asked if the Hewlett Foundation would play a larger role as a convener and coordinator of knowledge producers in philanthropy. We will be hosting a grantee gathering in early 2014 to share evaluation results and discuss implications and ideas to measure progress. We also hope this meeting will provide an opportunity for grantees to give us input on any adjustments we consider making to this strategy.

## II. NONPROFIT MARKETPLACE INITIATIVE

NONPROFIT MARKETPLACE INITIATIVE	
SUBCOMPONENTS	PROGRESS
Increase Openly Available <i>Supply</i> of Meaningful, High-Quality Information About Nonprofit Performance	
Improve Technological <i>Architecture</i> for Increased Information Sharing and Access by Individual Donors	
Increase <i>Demand</i> for Information by Individual Donors to Inform Their Giving Decisions and Thereby Direct Funding to Higher-Impact Nonprofits	

In the Nonprofit Marketplace Initiative strategy, we sought to increase the available supply of meaningful, high-quality information about nonprofit performance and to help develop technology that would improve its accessibility to individual donors. This would in turn, we hoped, stimulate donor demand to know which nonprofits are effective and thereby increase funding to higher-impact organizations. Not only would such a shift in funding increase overall impact, but it would also provide incentives to nonprofits to focus on improving their performance (and sharing the associated data to show it).

The long-term goal for this Initiative was that by 2015, 10 percent of individual philanthropic donations in the United States would be influenced by meaningful, high-quality performance information. As individual donors represent 70 percent

or more of all philanthropic dollars, this would produce a shift in the allocation of \$20 billion per year—an enormous change. Since 2006, we have invested \$12 million in nearly thirty organizations under this strategy. Unfortunately, we learned through the extensive Money for Good study that only 19 percent of individual donors are interested in conducting any research at all before making decisions, and most of that is confirming the basic legitimacy of nonprofit organizations. Only about 3 percent of donors make decisions about which organizations to support using information about relative performance. The vast majority give based on loyalty (e.g., to an alma mater), personal connections, and faith-based commitments. These conclusions were further confirmed by a 2012 independent evaluation of the Initiative: our grants have not made a dent in that pattern, and we are neither close to achieving our goals nor likely to get there.

We have also fallen short in our efforts to affect the *supply* of information available about nonprofit performance. Information intermediaries as yet provide only a limited amount of meaningful, high-quality information on nonprofits relative to the size of the entire sector. A key inhibitor to progress is that incentives for nonprofits to openly share data on outcomes or impact remain somewhere between very weak and nonexistent.

Hewlett's investments in technological *architecture* to enable information access and sharing *have* led to improvements in the accessibility of some information, although the information is fragmented on different platforms and limited relative to the size of the sector. The quality of information on these platforms about results is uneven at best.

These findings tell us that our original theory of change has not been borne out. While individual donors and information about nonprofit performance remain important components of the philanthropic landscape, we do not believe that continuing to pursue the link between them as posited in this Initiative would be fruitful. We have posted the executive summary of the external evaluation on our website and are currently sharing the evaluation findings with grantees while making responsible tie-off grants. The majority of these grants will be made in 2013, with a few in 2014 (those who would have been due for renewal consideration next year).

### III. ORGANIZATIONAL EFFECTIVENESS

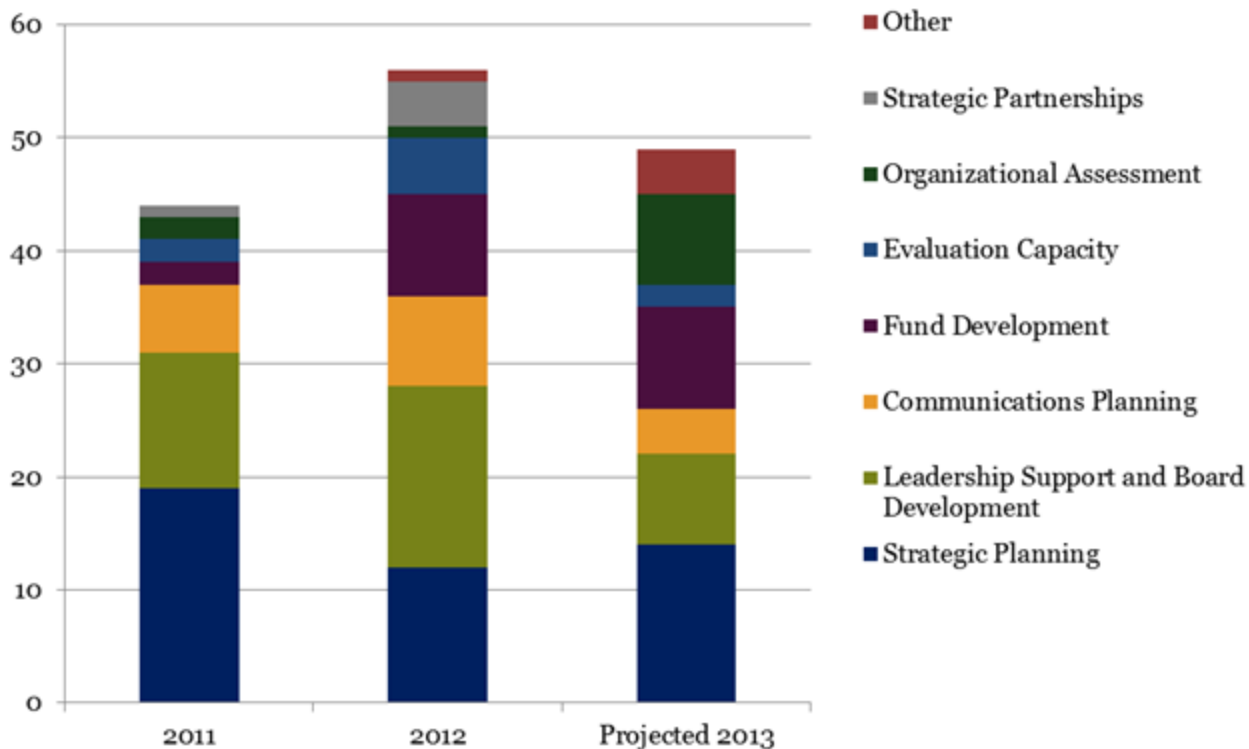
ORGANIZATIONAL EFFECTIVENESS	
SUBCOMPONENTS	PROGRESS
Grantee Organizational Capacity Strengthened	
Increased Staff Capacity to Assess and Build Grantee Capacity	
Increased Integration of Capacity Considerations in Internal Strategic Planning and Refresh Processes	

Even the highest performing grantees face organizational challenges—often as a result of healthy risk taking, normal institutional growth, or the need to adapt to a rapidly changing environment. Organizational Effectiveness grants are a flexible and cost-effective way to support activities that contribute to these organizations’ evolution and resilience.

Since the Board authorized the Organizational Effectiveness program in 2004, we have made more than 500 OE grants across the Foundation’s program areas, totaling more than \$20 million. While we have some sense of program success based on feedback from grantees and program staff, ratings from our Grantee Perception Reports, and broader field studies, we plan to commission a comprehensive evaluation of our Organizational Effectiveness program in 2014. The graph below provides a snapshot of the most recent trends in our grantees’ capacity-building work. Our goal, through a comprehensive evaluation, is to gain a deeper understanding of these potentially high leverage projects, shed light on how our approach does and does not work, and use that information to shape and refine our Organizational Effectiveness grantmaking going forward.



### Organizational Effectiveness Grant Trends by Project Type: 2011, 2012, projected 2013



## IV. INTERNAL FUNCTIONS

In addition to its grantmaking, the Effective Philanthropy Group is also responsible for the critical support functions that enhance the work of all our programs. We briefly describe our work this past year in each of these internal functions below.

### A. Strategy

This year, the Effective Philanthropy Group led a cross-Foundation committee to refresh the Board Book—collaborating with programs, Communications, Grants Management, and other departments on concept, design, and implementation. We also provided support to various program teams as they developed or refined their strategies. In 2014, we expect our new Strategy and Organizational Effectiveness officer to work on improving Foundation-wide systems for monitoring the progress of our strategies.

### B. Evaluation

In 2013, we hired the Foundation’s first evaluation officer, Amy Arbreton. Ms. Arbreton has provided evaluation advice to many program teams since her arrival

in April. We have piloted processes with the Global Development and Population Program for building purposeful evaluation plans into the strategy development process. In the coming year, evaluation design efforts will continue, and a number of new tools and resources—along with training on how to utilize them—will be offered to Foundation staff. We will also support the evaluation design for the new climate change initiative.

### **C. Organizational Learning**

In 2013, we developed the first strategic plan for this function, which focuses on supporting individual grantmaker learning, cross-program learning, and grant performance measurement. We revised the format of in-town weeks to be focused on learning and community-building, created a new orientation and training plan for incoming program staff, hosted a series of lunchtime talks on different approaches to grantmaking, and began to track how programs monitor and measure the success of grants. In 2014, we expect to refine the orientation and training process and explore how we might more effectively track grant progress.

## 2013 REPORT TO THE BOARD

# SERVING BAY AREA COMMUNITIES

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### DISCUSSION

The Serving Bay Area Communities (SBAC) fund was conceived in 2004. For the first two years, it focused on general grantmaking in the region, but dissatisfaction with the direction the fund was taking and concerns about staffing and expertise led to an internal review. The review concluded that the most effective way for the Foundation to maintain its long-term commitment to serving Bay Area communities was to call upon the expertise of Hewlett staff in our various programs. Beginning in 2007, funds were allocated directly to the Foundation's standing programs, which became responsible for making grants that aligned with their strategies and served disadvantaged Bay Area communities.

SBAC accounts for approximately 3 percent of the Foundation's total grantmaking budget, ranging from \$6 million to \$8 million annually. These funds are directed to disadvantaged populations; most frequently they support local organizations that deliver services directly to low-income people, communities of color, and families and children. In some instances, our local grantmaking is used to test ideas that have been developed in connection with the programs' broader strategies. These lessons inform the Foundation's grants elsewhere in the United States and around the world.

Below is a description of SBAC goals, progress, and priorities for each program.

#### I. EDUCATION PROGRAM

The Education Program uses SBAC funds to support a series of local experiments that test issues that are core to our strategic areas.

These grants enable us to create local laboratories to address questions raised by our national Deeper Learning and Open Educational Resources strategies. We tackle issues of scale—both by testing the opportunities and limits of locally generated models, as well as by providing incentives for national grantees to experiment with promising models in our region.

For example, in 2010 a collaborative \$1 million grant was made jointly by the Education and Performing Arts programs to Envision Schools to integrate arts and technology across the curriculum to instill and assess deeper learning competencies.

In 2012, a subsequent \$812,000 collaborative grant between the two programs was made to Envision for the Bay Area Performance Assessment Network to increase the implementation of assessment in a growing number of schools in the region.

And in 2011, we made a \$350,000 grant to Teach for America-Bay Area (TFA) to define and codify a deeper learning instructional approach designed to enhance teacher professional development and build teacher skill, all with a goal of achieving better student outcomes. In 2013, we renewed the TFA grant with the goal of expanding the research practices previously developed to the 415 Bay Area corps members, reaching 30,000 low-income students.

## **II. ENVIRONMENT PROGRAM**

The Environment Program uses SBAC funds to improve outdoor recreational opportunities, urban parks, and transit availability, and to reduce environmental impact in disadvantaged communities in the Bay Area.

Grantmaking for transit development and access is directly connected to our climate-change strategy, and is an integral part of the implementation of the state's climate-change law. For example, this year our grantee, the Bay Area Metropolitan Transportation Commission, adopted a regional plan that will lead to a 10 percent reduction in vehicle miles travelled and a 15 percent drop in per capita carbon dioxide emissions from cars and light trucks by 2035.

Grantmaking for urban park and playground development and outdoor experiences for Bay Area at-risk youth do not directly contribute to our climate change or western conservation goals. Instead, they benefit youth in the region who typically do not have good opportunities to play outside or explore the natural world, either because their neighborhood parks are neglected or were simply never built, or because their families and communities do not have the resources to expose them to experiences in nature, away from their everyday urban environment. In 2013, grantees opened parks in two underserved neighborhoods, Canal Community Garden in San Rafael and Balboa Park in San Francisco. In addition, 7,500 kids from underserved communities had outdoor biking and hiking experiences through our grantee, Bay Area Wilderness Training.

In 2014, our continued focus will be to ensure access to parks and the outdoors for underserved children and to support efforts to improve air quality and mobility in the region's poorest neighborhoods through better transit and improved city planning. We expect to continue to serve 7,500 children through community organizations in 2014. In addition, three urban parks and five transit-oriented neighborhoods will move closer to completion in the Bay Area.

## **III. GLOBAL DEVELOPMENT AND POPULATION PROGRAM**

The Global Development and Population Program uses SBAC funds to improve outcomes for youth in the Bay Area and Central Valley that complement our broader domestic and international strategies. We help youth build critical life skills and competencies, and create a larger constituency for effective U.S. global

development policies and practices through international travel opportunities for low-income students. Participants return home with clearer goals for what they want to get out of college, a better sense of their strengths and weaknesses as leaders, and greater confidence in their ability to start something from scratch. In addition, our grantees have made progress in advancing a new “norm” of spending time abroad. Global Citizen Year (GCY) has expanded its class of fellows steadily over time, from its inaugural class of eleven in 2009 to a class of 100 last year. Perhaps most significantly, GCY has pioneered partnerships with U.S. colleges and universities that enable youth to count their global citizen year as credit for their freshman year. This new model will help to expand GCY’s reach (including a significant reduction in the cost of participation in the program), provide new experiential learning models for universities, and help create a norm around traveling to developing countries.

In addition, we use SBAC funds to reduce teen and unplanned pregnancy, and ensure access to abortion in disadvantaged Bay Area communities. We provide multiyear general support to service-delivery organizations and have also supported two local regranteeing intermediaries—the Fresno Regional Foundation and the Latino Community Foundation—which run competitive grant cycles for smaller-budget organizations that would not be directly funded by the Program.

The data available shows great progress: the teen birth rate in the San Francisco Bay Area and Central Valley has declined steadily each year, from 42.3 births per thousand teen girls in 2006 to 29.6 births per thousand in 2011, meeting our five-year goal one year early. Although a number of factors influence the teen birth rate, it is noteworthy that Hewlett is the largest private funder of family planning services in the San Francisco Bay Area and Central Valley. In addition, a report by the Guttmacher Institute on the decline in California’s teen birth rate singled out investments by the Hewlett and California Wellness foundations as factors in the success.

At the grantee level we also see results. Our grantees are consistently reaching increasing numbers of people with their services. Our largest grantee, Planned Parenthood Mar Monte, provides more than 500,000 medical visits each year. The Third Street Youth Center has dramatically expanded the number of clients seen over the past few years, and Planned Parenthood Shasta Pacific has added several new health centers. In the Central Valley, Nuevo Comienzo launched new teen pregnancy prevention support groups in the rural Latino community of Cutler-Orosi.

#### **IV. PERFORMING ARTS PROGRAM**

The Performing Arts Program uses SBAC funds to support community-based organizations that use the arts to serve culturally specific communities and low-income people. These organizations reach segments of our communities that might not participate in Western classical arts experiences, but instead engage in traditional and innovative arts practices that emerge from their community

identities and/or address specific community challenges or opportunities. Even modest grants to what are often small budget organizations can have a significant impact and contribute to the cultural vibrancy of the communities they serve. In many cases, these organizations exist in communities with limited access to philanthropic resources, and multiyear general operating support from a major foundation gives them the flexibility to create meaningful artistic and educational experiences and build their organizational capacity.

In 2012, we added five new organizations to the portfolio, all identified through our relationships with regranteeing intermediaries. In 2013, we added another six organizations through an open Letter of Inquiry process, including grants recommended on this docket to Leap, Queer Cultural Center, and Women's Audio Mission. We will continue our open, competitive Letter of Inquiry process, and we hope to identify new organizations to add to our portfolio. We articulated our priority for organizations that reach underserved areas in our region, and community-based organizations that offer participatory practices and direct arts services to low-income people and culturally specific communities.

## **V. SPECIAL PROJECTS AND EFFECTIVE PHILANTHROPY GROUP**

Special Projects and the Effective Philanthropy Group use SBAC funds to support work that uses innovative philanthropic models, has the potential to scale regionally and nationally, and provides direct services to Bay Area communities. For example, our \$1 million grant in 2012 supported Bay Area organizations participating in the Edna McConnell Clark Foundation's True North Fund. This pooled fund includes forty-nine funders providing \$60 million in growth capital to youth-serving organizations such as Reading Partners, Gateway to College, Building Educated Leaders for Life, Center for Employment Opportunities, and Communities in Schools. In addition to benefiting Bay Area disadvantaged youth, this grant enables Hewlett to invest in an innovative pooled fund model for evidence-based programs in the Bay Area. The model itself is being evaluated and has the potential to generate learning for other philanthropic initiatives. Also, this initiative has had an impact on influencing public sources of funding. All of the participating organizations have the potential to expand regionally and nationally.

In 2013, we continued our support of organizations that use promising philanthropic models by providing a grant to SV2, a partnership for giving in which donors pool annual contributions of at least \$6,000 each and work together to decide which nonprofits will receive their pooled funds, professional advising, and consulting. Their grants support nonprofit capacity building, so they look to fund organizations that are small but proven and ready to expand their impact.



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# Letter from President Larry Kramer

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October 21, 2014



# I. Introduction

Cover Image: Hewlett Foundation President Larry Kramer looks at a list of "sheng" vocabulary (Swahili slang) during a visit to the offices of [Well Told Story](#), a Foundation grantee, in Nairobi, Kenya. (Photo Credit: Dana Schmidt/ Hewlett Foundation)

Every November, the Board of the Hewlett Foundation authorizes a budget for the upcoming year, and, as part of that process, reviews what progress we have (or have not) made in our grantmaking strategies during the preceding year. As this requires Board members to absorb a great deal of complex detail, last November we rolled out a new version of the Board Book, designed to make the material easier to follow. (June Wang wrote [a post about the Board Book redesign](#) for our blog.) The revised Book included, among other things, a new “overview” that presented data for the past five years on the number of grants, their average size and duration, and the percentage that were for general operating support (GOS). Here is what the Board saw:

<b>GRANT TRENDS</b>					
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Total Amount Awarded (in Millions)	\$237	\$207	\$204	\$206	\$221
Number of Grants	603	530	591	611	568
Median Grant Size	\$150,000	\$132,500	\$125,000	\$150,000	\$155,990
Mean Grant Size	\$392,613	\$390,927	\$344,686	\$336,516	\$389,933
Average Grant Term (Years)	1.6	1.5	1.6	1.5	1.5
Percentage of Grant Volumes as GOS	23%	25%	27%	20%	24%
vs. Largest 100 Foundations	23%	21%	25%	N/A <sup>1</sup>	N/A

Notes: Does not include DCAs or grant awards made to ClimateWorks Foundation in 2011 (one grant totaling \$150,000) and 2012 (two grants totaling \$100,150,000). 2013 YTD = grant awards through the November Board Book. "Largest 100 Foundations" based on Foundation Center data.

These figures raised questions for a number of Board members, who found them surprising in certain respects. Several asked whether our grants had become smaller in amount and/or shorter in duration than they used to be. Others wondered if we were drifting away from the Hewlett Foundation's longstanding preference for GOS. Still others remarked that it was hard to draw conclusions without seeing the data broken down by program. They asked for a more thorough analysis of our grant trends.

The Board's reaction stimulated a robust conversation among the staff. Had our grantmaking changed in ways that ought to concern us? Have our grants become smaller or shorter or both? Have we moved away from the tradition of helping institutions through general operating support toward a more controlling emphasis on discrete projects? If so, have these changes affected our staffing or the way we work?

Answering questions like these, we soon discovered, is anything but straightforward. On the contrary, our efforts to do so simply raised more questions. For example, the data we used in November presented GOS in terms of the number of grants, which can be misleading because GOS grants tend to be larger and therefore made to relatively fewer organizations. Would it be more

accurate to measure GOS as a percentage of grant dollars? Should the data include Organizational Effectiveness grants, which have become numerous in recent years as part of a concerted effort to help grantees, but are—by definition—small and for a single year? How should we classify something like the extraordinary \$500 million ClimateWorks grant, which was GOS and paid out over five years, but booked entirely in the year it was made (thus overstating GOS for that year and understating it for the following four)? Similar complications presented themselves when we focused on other measures, like grant size or duration. Even veteran program staff were surprised by the number of potential variations and complications that emerged in our conversations.

We concluded that a more thorough analysis of our grant trends was called for. To that end, we enlarged our review to cover the past ten years, instead of five. Beginning in 2004 made good sense: by then the Foundation’s endowment had recovered from the bursting tech bubble and incorporated the assets of Bill Hewlett’s estate, and the first stabs were being made to formulate and implement Hewlett’s distinctive brand of “outcome-focused grantmaking.” In addition to making it a ten-year review, we asked the programs to make separate presentations to explain how and why their grantmaking evolved as it did, incorporating a narrative alongside the statistics. We gave each program thirty minutes with the Board at our July meeting, during which they walked through the past decade of grantmaking and described the kinds of things that had shaped their particular outcomes. The memos they prepared for this purpose are below.

[Grantmaking Trends Memo: Education 2014](#)

[Grantmaking Trends Memo: Environment 2014](#)

[Grantmaking Trends Memo: Global Development and Population 2014](#)

## [Grantmaking Trends Memo: Effective Philanthropy 2014](#)

## [Grantmaking Trends Memo: Performing Arts 2014](#)

My task, at the conclusion of these presentations—which we interspersed with other business over the two-day meeting—was to draw things together and make some sense of the overall picture that emerged, if one emerged. (It did.)

I want in this letter to share what we found. Let's start with a snapshot of cumulative grant trend data for the Foundation as a whole, together with data for our five major programs. As we did with the Board, we include only our major programs: Education, Environment, Global Development & Population, Performing Arts, and Philanthropy. We left out “Special Projects”—a residual category of mostly one-time, one-off grants—and a handful of small, stand-alone initiatives on the ground that these are too small to analyze separately and idiosyncratic by nature, and including them needlessly clutters the data. (In case you are wondering, however, leaving them out has no effect on the overall analysis.)

Here are the charts (*click on the right and left edges of the charts to move forward and backwards through them*):

Certainly one can construct a story about the Hewlett Foundation's grantmaking practice and culture around these trendlines. It is, in fact, relatively easy to generate any number of plausible theories to explain the data. But such interpretations must be approached warily, for they are likely to be misleading and overstated. In some respects the program-level data track the cumulative data, but the results for each program also deviate significantly—both from the Foundation as a whole and from each other. We get very pretty graphs as a result, with colored lines that zigzag and crisscross. But the zigging and zagging suggests that other things are driving the data, a point corroborated by comparing the programs' individual memos and presentations. In the end, the cumulative results are nothing more (and nothing less) than the serendipitous outcome of combining five individual stories: stories that share some things in common but are each also affected and shaped by idiosyncratic factors.

Examining these individual stories carefully tells us much about grantmaking at the Hewlett Foundation as a whole. It reveals important shared themes: both a general way of approaching the grantmaking process and certain internal and external factors that operate in common across programs. But the stories equally bring to light additional influences that shape grantmaking differently in different programs and at different times. The overall picture is of a Foundation whose grantmaking practice is complex—something only to be expected given

the breadth and diversity of our work—but that still reflects and preserves important core values (what I’ll call “the Hewlett Way” below), and whose staff learn from experience and continually adapt to ensure we are effective.



## II. The Hewlett Way

| Image: Bill and Flora Hewlett, 1952. (Photo Credit: Flora Family Foundation)

There is a “Hewlett Way” of approaching philanthropy and grantmaking, close cousin of the celebrated “HP Way” that Jim Collins, in his introduction to Dave Packard’s book of that name, called Bill Hewlett’s and Packard’s “greatest idea.” Key principles defining the HP Way included concern for the well-being of communities and not just for maximizing profits; an insistence on superior performance and results; and a belief that the best results come when you get the right people, trust them, and give them freedom to find the best path to achieve objectives.

***"There is a 'Hewlett Way' of approaching  
philanthropy and grantmaking..."***



These same principles animate the grantmaking culture and practices of the Hewlett Foundation. One sees them in our commitment to choosing problems that matter, even when the odds of success are long; in our commitment to setting goals and holding ourselves accountable for making progress toward those goals; and in our commitment to finding the right organizations, trusting them, and giving them freedom to find the best path to achieve objectives.

## A. General Support: Enabling Rather than Controlling Grantees

This last commitment—to which one should append a proverbial “but not least”—is embodied in the Hewlett Foundation’s longstanding preference, whenever possible, to provide organizations with long term, general operating support. In a typical year, 65-70 percent of our programs’ grant dollars are given in the form of discretionary support, whether to a whole organization or to a program within an organization that pursues multiple missions. Moreover, that figure understates the reality for at least two reasons:

First, seven to ten percent of our grants each year go to grantees we can support only under the rubric of “expenditure responsibility” (typically because the grantee is a non-U.S. entity). The IRS requires that these be project grants, even though many could presumably be for general operating or program support.

Second, for reasons that require a bit of explanation, the apparently low GOS figures for our Education Program are misleading. Many organizations have multiple missions, often pursued through separate programs or centers within

the organization. By way of illustration, Stanford University comprises a number of separate schools, institutes, centers, and so forth. If we give an unrestricted grant to the Stanford Center for Opportunity Policy in Education (SCOPE), the grant is to Stanford University as a formal and legal matter, and the IRS requires us to report it as a project grant for tax purposes. For all practical and other purposes, however, it is discretionary support and so like GOS from the perspective of SCOPE. Internally, we label this “general program support” and treat it as GOS. Or, rather, that has been the practice in all our programs except Education, which approached this conservatively and classified most of its general program support as project support. That difference matters insofar as it conveys an inaccurate impression of the Education Program’s grantmaking. We cannot now go back and reclassify the entire last decade, but to get a sense of the difference we reviewed the Education Program’s 2013 grants. We found that, last year, 48 percent of the Education Program’s grants and 65 percent of its grant dollars were for general operating or program support, placing Education squarely in the same range as our other programs.



The Performing Arts Program prioritizes multi-year general operating support grants to organizations like CounterPulse (seen here are Faye Driscoll and Jesse Zaritt performing Driscoll's "You're Me") as part of its Continuity and Engagement strategy, which seeks to create opportunities for people and communities to participate in the arts. (Photo Credit: Stephen Schreiber)

We believe—and this conviction is deeply grounded in the Foundation's culture—that there are good reasons for finding strong institutions to which we can give long-term general support. To begin, it reflects an appropriate modesty on our

part. After all, however much research and analysis we do, we still are working far from the front lines. The organizations we support (not to mention the beneficiaries they support) often have experience and knowledge we lack. Even where program staff worked in the field before joining Hewlett, as is normally true, our grantees are living with the issues up close on a daily basis, meaning they are better situated than us to make judgments about tactics and to adjust swiftly to changes on the ground. More important, organizations generally do better—making them more likely to achieve the goals we mutually seek—when they have flexibility and freedom to find the best path forward. If micromanagement is bad management within an organization (and it is), how much worse is it when exercised from afar? Both we and our grantees are stronger the more we enable rather than control what they do.

It is critically important to bear in mind that GOS is a means and not an end. Our intention is to find the best way to enable grantees to accomplish goals we both share, which in some circumstances may legitimately point toward grants that are shorter or smaller or project based. Some of these are described in the memos from the individual programs: Project support may be called for to ensure proper alignment between our mission and that of a particular grantee, for example. Or sometimes a grantee prefers project support for budgetary, legal, or internal management reasons. Sometimes a particular grant is part of a larger grant cluster, as when we make small project grants in support of the work of an anchor grantee who is receiving long-term GOS. The range of the Foundation's work necessarily requires us to contend with a multitude of constantly changing circumstances and situations, making generalization impossible and, indeed, counterproductive.

But the touchstone—the objective for which GOS itself is but a proxy—is the extent to which our grantees feel empowered (as opposed to limited,

manipulated, or controlled) by our support. And it is here that the [Grantee Perception Report](#) is helpful, because we do well along all relevant dimensions. Particularly noteworthy are strong scores with respect to such questions as whether we treat grantees fairly, whether grantees feel pressure to alter or deviate from their priorities, and whether they find our process burdensome. In all these areas, we rank in the highest quartile or better among all foundations and at or near the top of our peer cohort.



The Wilderness Society is a leader in protecting millions of acres of wildlands in the American West in ways that are strongly aligned with our Western Conservation strategy; for over 15 years we have provided them with general operating support enabling them to be as agile and effective with their work as possible. (Photo Credit: Jared White)

## B. Getting Results: General Support and Strategic Philanthropy

These grantee perceptions matter because—like its elder HP relation—the Hewlett Way of doing philanthropy also emphasizes performance and results, which in the foundation world is what people mean when they talk about the need to be “strategic.” A lot of ink has been spilled debating the merits and demerits of “strategic philanthropy,” most of it generating (as they say) more heat than light. But the core idea is simple and compelling: The Foundation’s resources are limited and precious, and we have an obligation to our founders and to our society to use them effectively. At a minimum, this requires making grants for and with a purpose, so as not to dissipate our treasure in a scattershot or pointless manner. We must identify goals and be honest in assessing whether we are achieving them. Most large foundations share these views, of course, though everyone has their own lingo for them. At Hewlett, this is what we mean when we talk about “outcome focused grantmaking.”

There is a mistaken view that it’s difficult to utilize long term GOS while being strategic—mistaken because it oversimplifies a complex process and calculus. Rather than standing in tension, our twin commitments to providing general support whenever possible and to being strategic inform and augment each other. When integrated thoughtfully, they make us more effective.

We begin with the problem: with an issue or challenge that the president, Board, and staff believe the Foundation can and should address. This point matters.



Too many philanthropists today begin with some tool or device they want to employ—“impact investing,” “philanthrocapitalism,” “catalytic philanthropy,” pick your poison—and then look for a problem on which to use it. This turns the process on its head. We start by identifying problems we believe we should tackle, a question of values, and then ask whether we can make a difference and what tools we need to address those problems—looking for partners if our capacity to have impact while acting alone is limited or if some of the necessary tools are outside our experience or expertise.<sup>1</sup>

***"We begin with the problem: with an issue or challenge that the president, Board, and staff believe the Foundation can and should address."***

As noted above, an important part of the Hewlett Way is choosing problems that matter. History and past practice provide guidance, but within our areas of interest and expertise we take seriously the responsibility to take on difficult problems, especially when others cannot or will not do so. One sees this reflected in every area of the Foundation’s work—from setting out to mitigate climate change globally to protecting abortion rights, working to change the focus of K-12 education, tackling political polarization in Congress, and more. Every one of these is a risky proposition—undertaken with awareness that success is far from guaranteed, but with a resolute sense that someone needs to try.

Developing strategies to crack these sorts of problems requires articulating clear goals, developing a story or argument about how to achieve those goals,

determining what resources exist or are needed to succeed, articulating how we'll know whether we are making progress, and preparing to adjust based on what we learn as we proceed. This is the "hard-headed approach to soft-hearted goals" embodied in Hewlett's distinctive approach to strategic grantmaking.<sup>2</sup>

The tricky part comes in implementing a strategy, and it is here that the interplay between our efforts to achieve results and our preference for long term general support becomes important. As one sees from the individual program memos, the typical strategy has a more or less predictable lifecycle. The first few years are characterized by uncertainty and experimentation. No matter how well we've done our homework, no matter how precisely we've tried to articulate our theory of change, no matter how thoroughly we've scanned the field, it is only when we start making grants and seeing up close how different grantees perform that we can determine where to make deeper and longer investments. The early stages of a new strategy thus normally have a large proportion of grants that are project based and, for this reason, shorter and smaller.

That isn't always true, of course. Some strategies lend themselves to general support more easily than others, even in the early, experimental stages. This is true, in particular, where the strategic goal itself is to support some kind of institution (as opposed, for example, to producing a change in public policy). The core purpose of the Performing Arts Program's "Continuity and Engagement" strategy is to ensure ongoing support for arts organizations in the Bay Area; the Philanthropy Program's "Knowledge Creation and Dissemination" strategy likewise aims to support academic centers, journals, and nonprofit organizations that are in the business of generating research, analysis, and tools to improve philanthropy. Though grants may grow longer and particular recipients shift after the first few years, strategies like these can incorporate relatively high levels of general support from the outset.



But most of our strategies aim for a policy outcome of some sort, which requires finding organizations that are effective in moving policymakers or in helping to create the conditions to do so. As there seldom are single organizations that cover all the bases or are capable of realizing our ends entirely by themselves, we identify and support clusters of organizations—cultivating an institutional ecosystem—that can, cumulatively, achieve our strategic objective. As a result, we typically begin these strategies by testing alternative approaches and experimenting with different organizations and combinations of organizations: things best done with shorter term, project grants. For similar reasons, we expect to go through a courtship period with many new grantees, as we look to confirm alignment between our respective goals before committing to a deeper relationship in the form of long-term general support.

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As time passes and we learn more, we can begin to reduce the number of grantees and shift to grants that are less restricted, larger, and longer. Indeed, the failure to move toward or achieve this kind of shift may itself be a sign that a strategy is faltering, a kind of canary in the mineshaft. This was true, for example, of the Philanthropy Program's Nonprofit Marketplace Initiative, which we recently brought to an end. That said, even when a strategy is fully mature, we still would not expect our grant portfolio to consist only of such grantees. In part, that's because (as noted above) implementing strategy invariably requires support for and from many organizations doing different things, including some whose role is more targeted or limited in scope. But mostly it's because the process of experimentation and learning continues even in mature strategies, and we always remain open to new ideas and to giving a chance to organizations with new projects or approaches. Just as it's a bad sign if a mature strategy has few or no grantees with long term GOS, it's a bad sign if a strategy has only such grantees, which should alert us to the possibility that we've become complacent.



The Hewlett Foundation recently made project-based grants to Marie Stopes International- US and IDEO.org, a pioneer in human-centered design, to explore new ways of connecting teenagers to reproductive health services in Zambia. (Photo Credit: IDEO.org)

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# III. Complicating Factors

In actual practice, grantmaking is seldom as straightforward as this idealized account, and a variety of additional factors influence or confound what grants are made. Some factors affect all programs equally, such as the dynamics of our budgeting process and major economic events. Others affect different programs or different strategies in different ways and at different times. The former influences explain why some grantmaking shifts occur in tandem across programs; the latter explain why most do not. Inasmuch as factors like these are inevitable—an inherent part of the philanthropy landscape—we must expect this degree of messiness. What is, indeed, remarkable has been how and how well the Foundation’s program staff have adapted and adjusted to these sorts of pressures without losing sight of either our strategic goals or our preferred approach to working with grantees.

The discussion below touches on some of these factors. It is not meant to be exhaustive but simply to illustrate a few of the additional dynamics that further shape grantmaking decisions.

## A. Common Causes

The way in which the Foundation tracks program budgets has important effects

on the number, size, and duration of grants. In particular, a grant is fully charged against a program's budget in the year it is made, regardless of when or at what pace the grant will be paid out. Now, suppose that a program officer would like to give a particular grantee \$300,000 over a three-year period. Apart from administrative burdens—no small matter, but something we can put aside for purposes of this illustration—there is no material difference to the grantee between three consecutive one-year grants of \$100,000, and one three-year grant of \$300,000. Not so the program officer, because the three-year grant reduces his or her grantmaking capacity in the year the grant is made by three times as much. Of course, for the very same reason, a three-year grant will increase grantmaking capacity by \$100,000 in each of the subsequent two years.

This opens the door to a variety of potential tradeoffs: we can make grants smaller in order to make them longer, or we can make grants shorter in order to make them larger. Longer grants are generally larger grants, which means supporting fewer grantees. And so on.

The point is subtler than it might seem at first. Tradeoffs between the size and number of grants are unavoidable, at least so long as budgets are limited. But choosing to book our grants the way we do puts grant length into the mix as well, increasing the number of tradeoffs that must be considered and complicating the decision-making process.<sup>3</sup>

***"Tradeoffs between the size and number of grants are unavoidable, at least so long as budgets are limited."***

These effects and tradeoffs—referred to in wonkish circles as “budget hydraulics”—constitute an important, and inescapable, consideration in our grantmaking. Examples are found throughout the individual program memoranda, from the Environment Program’s decision to limit large GOS grants to one year so it can make more such grants, to the Education Program’s ongoing shift to fewer grants so it can make those grants longer and larger, to the triennial spike in the Performing Arts Program budget following its decision in 2009 to adhere to three-year grants.

Budget hydraulics are unavoidably entangled with our efforts to achieve philanthropic goals. As noted above, most successful strategies are built around some number of anchor grantees to whom we make long-term commitments and provide substantial general support. But our strategic ends can never be fully achieved by these grantees alone, and we invariably find it necessary to include other organizations for supplemental and supporting work, such as filling research gaps, helping test new propositions, and so on. Often, there are a great many such grantees, supported by grants that tend to be shorter, smaller, and project oriented.

Making the necessary tradeoffs among grants and grantees—deciding who should get what kind of support and for how long, given consequences for the funds available to other grantees—requires judgment that is shrewd and balanced and informed by deep knowledge of the field, the strategy, and the grantees. Complicating matters further, the grantmaking environment itself is constantly changing. Consider the nuanced choices (described in the program memoranda) that were necessary to ensure progress in our efforts to promote OER and Deeper Learning, to enhance the transparency of governments around the world, or to mitigate carbon emissions—all undertaken as political grounds were shifting and organizations were evolving, emerging, and disappearing.

General economic developments are another factor influencing every program's grantmaking. Ordinary economic growth or shrinkage is accounted for by our three-year smoothing formula for determining the overall grant budget and has little effect. But major economic dislocations, both up and down, are a different matter—particularly in combination with the budget hydraulics described above.

Growth is relatively easy to handle, even precipitous growth such as occurred in the years prior to 2008. Pretty much everything went up in those years. There were many more grants, and those grants were both somewhat longer and considerably larger—though in different proportions from program to program, depending on the program's strategies, the state of the field in which it was working, the availability of good organizations, and the like.

Downturns are harder, and the 2008 crash had devastating effects on every program. Implementing budget cuts of 40 percent over a two-year period was a profound shock to the system, highlighting and exacerbating the difficult choices required by our budget hydraulics. For the most part, program staff followed then-President Paul Brest's direction to reduce the number of grantees and cut whole strategies rather than give everyone a "haircut." But following this approach exclusively proved impossible. Forty percent is a big number, and all the fat and even some bone and muscle had been cut well before it was reached. At some point, further cutting in this mode threatened vital organs. As a consequence, each of the programs instead found itself constrained to reduce grants to organizations that were too important to be wholly cut off.

In most cases, these reductions were accomplished by keeping grant size steady while making grant terms shorter—the net effect being to create a cadre of grantees in each program that receive regular support but are now locked into an annual grant renewal cycle. I say locked in because program budgets have



been mostly flat since 2010, leaving little flexibility to extend grant terms without eliminating other grantees or forgoing necessary new work. This might be unimportant were it not for the fact that annual renewals needlessly increase the administrative burdens both on us and on our grantees. I describe a solution to begin undoing this in Part IV below.

## B. Episodic Influences

On top of factors like the economy and budget hydraulics, grantmaking is shaped by a wide range of other factors that operate in less predictable ways. These may touch some programs but not others or affect different programs at different times and in different ways. Some of these factors are positive and helpful; others create problems. Either way, they can be significant forces in determining what we do and how we do it. The brief discussion that follows is by no means comprehensive, but it does illustrate the sorts of forces and conditions we are inevitably constrained to take into account.

The state of a field in which we are working can make a huge difference in how we work. The grantees available in an old and established field are different from those found in a new or emerging one. Older fields are populated by large, well-established organizations, often with multiple missions and capacities. This can be an advantage when our strategies line up with what these organizations already do, as in the population field, but it can make things difficult if our strategy involves something novel.

Our work in education nicely illustrates the latter situation. The education field is populated by large organizations that have long relied on particular approaches and are slow to change. One way to get around this is to build or develop new organizations, which is essentially what we have done in our OER work. The OER subfield was launched at MIT a decade ago, with a large grant

from the Hewlett and Mellon Foundations. And while we have been able to accomplish some of what was subsequently needed to grow the subfield through institutions like MIT, much of the work called upon us to develop and nurture new organizations. This required carefully structured grants and took time. Yet we are now on the verge of a breakthrough, with OER poised to become part of the educational mainstream. Much work still remains to be done, but—due in no small part to this earlier field building—we can support the work with larger, longer, GOS grants to some of the very organizations we helped establish.

A different approach was called for in connection with our Deeper Learning strategy. In that context, the emergence of the Common Core State Standards and the array of established institutions already working on them suggested a need for different tactics. We have, to be sure, still done a fair amount of field building, but we needed also to work with and through recognized educational organizations. As explained in the Education Program's memorandum, at first this entailed extensive use of project support—both to see if established organizations would embrace deeper learning and because GOS would have meant little to these organizations given their size and varied missions. Having done this for several years, we are now finally in a position to begin making larger grants of general support to the best organizations that have adopted Deeper Learning as part of their mission.

***"The nature of the available grantees may affect grantmaking in a number of other ways."***

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other ways. In some fields, for example, we can make large grants of general operating support to regranting institutions, which are able to reach smaller grantees better than we can, given our lean staffing. The Performing Arts Program has done this especially well, though the Environment Program has likewise made effective use of regrantors like the ClimateWorks Foundation, the Energy Foundation, and the European Climate Foundation, to name but a few. Our Community Leadership Project has used regranting institutions productively to reach a large number of small nonprofits working in the Bay Area, Central Coast, and San Joaquin Valley.

The capacity of different fields to absorb and use grants is highly variable, and this, too, affects how we work—especially when it comes to developing the networks of interlocking grantees whose separate contributions, cumulatively, are needed to advance a shared goal or strategic end. Doing this well requires an artfully constructed mix of project and general support in grants of varied duration, a mix that must be scrutinized and adapted as the work proceeds.

External developments often influence grantmaking. Some developments open the door to new opportunities that may change the direction of our work. The surprising consensus of state education officials around the Common Core is a good example, as was the Obama Administration's appointment of OER champions to key positions in education. But external developments can just as easily erode or complicate a strategy. This may be happening in our Deeper Learning strategy at this very moment, as political opposition to the Common Core continues gathering momentum. The difficulties we experienced in our climate work and the need to rethink that strategy had many causes, but foremost among them was the unexpected reemergence of climate change denial as a major political obstacle after 2008.

Sometimes the relevant external event is the entrance or exit of another funder. Our work on abortion rights has been changed and facilitated by the illustrious “anonymous donor,” whose generous support for many of the same grantees has freed us to experiment with new and innovative approaches. In contrast, an influx of new funds into family planning has been a more mixed blessing: new resources dedicated to this underserved field are certainly welcome, but now we must worry about distortions their very size creates in the kinds of services that are offered.

Finally, internal developments at the Foundation sometimes matter. Term limits are generally beneficial, but the frequent turnover of grantmaking staff also has consequences. Outgoing program officers frequently end their tenure by making especially long or large GOS grants to anchor grantees. This is beneficial in giving new program staff running room to learn the ropes, but it can also create distortions. Conversely, because new program officers need time to become fully versed in our strategies and grantees, they may initially favor more short-term project grants.

## IV. Making a Good System Better

Gathering and interpreting the data and sharing notes with each other and with the larger staff showed us things about our grantmaking practice that we ourselves had not fully realized. Upon reflection, we think the practice is generally healthy and productive. Still, there is always room for improvement. Learning never stops, and we do not want to become complacent. We have, therefore, used the opportunity presented by this exercise to consider steps we can take to further improve the Foundation's grantmaking. We have four things in mind.

The first and simplest step is simply to continue what we started, by paying close attention to the Foundation's grantmaking trends. To that end, we will continue monitoring the number of grants we are making, along with their size and duration and whether they are for project or general support. As our analysis should make clear, there are no fixed benchmarks for any of these indicia: grants may become shorter or smaller or tend toward project support for good as well as bad reasons. But changes in our grant trends may indicate that something unintended is happening, and we can't evaluate the reasons for any changes that occur unless we observe them first. Early diagnosis is the best way to prevent a small problem from becoming a big one.

Second, as noted above, we presently develop grantmaking strategies according to a specified, ten-step OFG process. It's an approach that was painstakingly developed and tested over the course of several years, and it has served us well. But every process can be made better, and we now have substantial additional experience on which to rely. We have, therefore, undertaken to review our OFG process to determine how it might be modified and improved. The Effective Philanthropy Group will lead the foundation-wide effort to frame an "OFG 2.0" in the coming year. It will include, among other things, thinking through the

whole lifecycle of a strategy, not just its initial formulation. This is not something that should cause anyone, either within or outside the Foundation, any consternation. We do not anticipate major changes, but we do believe we can refine the process to make it better—more flexible and adaptive and so more responsive to the needs of grantees and beneficiaries.

Our third and fourth proposals concern the treatment of small and repeat grantees, whose plight came up repeatedly during our investigation. Each of the programs supports a sizeable number of organizations receiving grants that are renewed annually, often for relatively modest amounts. At present, our grant award, reporting, and renewal processes are formally one-size-fits-all. These work well when it comes to large and complex grants, but they can impose unnecessary administrative costs (on us and on our grantees) in the case of small and/or regularly renewed grants. The Grants Management team is, therefore, working with program staff to develop streamlined procedures for such grants. We have yet to determine exactly what these procedures will look like, or exactly which grants will be eligible. Such decisions must be made carefully, because we don't want to undermine the strong systems for due diligence and legal compliance that the Foundation has worked so hard to develop. But it doesn't take an especially sophisticated cost/benefit analysis to see that we can ease the administrative burdens and costs associated with a great many grants.

Finally, we explained in Part III-A how the 2008 economic downturn locked many grantees into an annual renewal cycle. We have developed, and the Board approved, a proposal to partially counteract the effects of the downturn with a one-time “duration fund” of \$21 million to be spent over a two-year period. With this, we can restore a large number of these grants—perhaps as many as 150-200—to a three-year cycle, thus saving substantial administrative costs and time

for everyone.

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Soon after I joined the Hewlett Foundation, a veteran philanthropist from another foundation said to me that Hewlett “punched above its weight”—and this, he added, even though it was already one of the largest foundations in the world. In part, he was referring to the work we do. But he was also referring to the role the Hewlett Foundation has played in modeling how grantmaking can be done.

***"There is a 'Hewlett Way' of approaching philanthropy and grantmaking..."***

There is a distinct Hewlett style of philanthropy that is both supportive of grantees and strategically effective—conclusions reflected in, among other things, the results of our grantmaking, our high rate of general support grants, and the positive perceptions of our grantees and peer foundations. The work we do is not simple: we are, after all, one of the largest foundations in the world, dealing with a great many controversial problems in as many complex fields. But our program staff has done an admirable job preserving the core precepts and values of the Hewlett Way, even while responding to and coping with a host of internal and external pressures.

If we do well—and, after this review, I believe that we do—it is partly because of our commitment to continuous learning. Our current practices are strong, but they can be better, and we are determined to continue improving them.



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