Date: July 1, 2014
To: Hewlett Foundation Board of Directors
From: Ruth Levine
Subject: A Decade of Grantmaking in Global Development and Population

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I. Introduction

The ten-year picture of Global Development and Population Program grantmaking, including grant type, size, and duration, reflects two factors operating simultaneously in a complex portfolio: the amount of resources available and shifts in strategy. These factors played out during the period from 2004 to 2010, when the work was undertaken within the separate Population and Global Development programs, and after 2011, when the budget was unified under one program.

The amount awarded each year has been a function of the changing fortunes of the Foundation, as the endowment was affected by external factors. The peak of grantmaking occurred in 2007, slightly before the peak for the whole Foundation or other programs. At that time, the nascent Global Development Program put together two major initiatives, the Think Tank Initiative and the Quality Education in Developing Countries Initiative, each of which awarded large initial grants.

Strategic factors were also at play. As the Global Development strategy moved from a set of exploratory efforts in the mid-2000s to a more focused approach, it awarded relatively greater numbers of large grants. In addition, in the Population portfolio, efforts were made to increase the size of grants to trusted organizations in a mature field, rather than spread new resources among many grantees. On balance, more large, multiyear grants were awarded, and the total number of grants did not increase dramatically. In 2004, grants were about $500,000 on average, with half of those smaller than about $200,000; the average grant duration was 18 months. By 2013, after some ups and downs, the average grant size had increased to $760,000, with half below $400,000; the average term was about 24 months.

Strategic changes led to a partial shift away from general support, particularly in the Population portfolio, which traditionally had been heavily oriented toward support for large nonprofit organizations. As new resources became available, the proportion of all grant dollars awarded as general or program support dropped from close to four-fifths to about half. In the portion of the portfolio covering population and reproductive health, for example, before 2004 the Foundation primarily provided general support to large and well established organizations focused on service delivery, research, and advocacy. In more recent years, while general support for most of those organizations has been maintained, the Program has added project support aimed at specific outcomes, including research and advocacy to advance particular substantive aims and/or geographic focus. In addition, across the international work, strategic choices were made to directly support organizations outside of the United States, some of which can legally only be given for project support.

This memo begins in Part II with an overview of the strategic, practical, and regulatory factors that play into grant decisions. These decisions—hundreds each year—add up to the trends in grant numbers, type, size, and duration. The memo continues in Part III with an overview of the grantmaking within the Global Development and Population Program during three periods: (a) between 2004 and 2007, when resources were expanding rapidly; (b) between 2008 and 2011, in the aftermath of the financial crisis; and (c) 2012 to the present, after the Population and Global Development programs merged. Part IV then offers an illustrative close-up view of international reproductive health that illustrates the interplay between strategy and grant type, followed in Part V by a look ahead.

II. Factors Affecting Grant Decisions

Within a constrained budget, grantmaking necessitates four simultaneous decisions: Should we renew an existing grant or start a new one? Should this be a general support/program or project grant? How long should the term be? What amount, annual and total, should be provided? Strategic, practical, and regulatory factors all shape these decisions.

To sort out the question of grant type, program staff think principally about the degree of alignment between our current strategy and the grantee's work. Frequently when we are starting a new strategy, we introduce new ideas and approaches into a field; relatively few organizations are "aligned," so we are more likely to engage in project grants, and may mitigate risk by keeping those grants to 1-year or 2-year terms. We also may look to project grants, whose results are relatively easy to measure, as barometers of the emerging success of a new strategy.

Over time, as we gain experience and see a high degree of alignment within the community of grantee organizations, we tend to favor large, multiyear general support grants. After a period of stability, we may pivot from one strategy to a new (or significantly revised) one. At that point, we may shift general support grants to project grants, or pair a general support grant with a project grant for the same organization, encouraging work that aids our new focus.

 Practical considerations weigh heavily in decision making. Large grants can overwhelm small, young organizations, while larger established groups can absorb millions of dollars without management challenges. We have a lean staff, so we have to weigh the potential benefits of focused project grants and working with innovative, on-the-ground organizations against the reality that those grants tend to be more labor-intensive per dollar than general support grants. Finally, in any given budget year, we are acutely aware of budget "hydraulics": opting for longer, larger grants reduces opportunities for other grantmaking. When budgets are growing, we are in the happy position of being able to renew existing grants *and* test new strategies. When budgets are holding steady or shrinking, we have less ability to test new ideas, particularly with project grants.

Regulatory constraints also shape decision making. We can provide only project grants to organizations that do not have 501(c)(3) or equivalent status. This particularly affects our cross-border grantmaking, because many foreign NGOs are classified as expenditure

responsibility and can receive only project grants. While in the early days almost no grants were awarded to in-country organizations, now about 10 to 20 percent of grants in Global Development and Population each year are to expenditure responsibility grantees.

These separate decisions interact and are manifested in the patterns of type, term, and size. As shown in Figure 1, project grants cluster toward lower dollar values than general support grants. As shown in Figure 2, project grants tend also to be shorter than general support grants. On average, project grants in Global Development and Population have been awarded for about 24 months at a level of approximately $371,000. In contrast, general support/program grants have been awarded for about 29 months at a level of approximately $1.1 million.

Not surprisingly, our happiest grantees, as measured by grantee ratings, are those receiving general support. For many, we are the only funder in their field offering such a flexible instrument. As stated in the 2014 Grantee Perception Survey, grantees receiving general operating support rate higher than grantees receiving other types of support for more than half of the satisfaction measures. However, even grantees not receiving general support tend to rate their interactions with the Hewlett Foundation positively, compared to similar foundations. This may be because, compared to many other funders, we offer longer grants.

III.   Global Development and Population Grantmaking: A Short Survey

A. 2004–2007

The period from 2004 to 2007 was an expansive one for the Foundation. Growth in the grants budget provided opportunities for the creation of the new Global Development Program (GD), an important complement to the Population Program (PP) that grew out of earlier work within Special Projects. In addition, the increase in resources, and particularly the existence of the "extraordinary reserve," led to the start of several ambitious, time-bound special initiatives. In the external context, this period also saw rapid changes in the political and funding environment in the United States that affected many grantees and, by extension, the Foundation's grant choices.

1. *Population Program*

The Population Program budget grew from about $30 million in 2004 to about $47 million in the budget presented at the end of 2007, and consequently the Program provided larger and longer grants to trusted organizations. "Doubling down" on institutions seen as core to the field—such as Ipas, Marie Stopes International, and Planned Parenthood Federation of America—was motivated by a belief in the value of robust organizations working on controversial issues in the midst of an unfavorable policy environment. These decisions contributed to the patterns seen, in which the median grant size increased from $200,000 in 2004 to $300,000 in 2007, and the median grant term increased from about 18 months to 21 months.

In 2006, with additional funds made available, the PP proposed the special initiative, Reducing Abortion Need (RAN). The Foundation Board committed $22.5 million over three years to reduce unplanned pregnancy in the United States among young women, particularly single women in their twenties.

The RAN initiative nicely illustrates a combination of general support and project approaches. It included a large initial investment of $18 million over three years in general support for The National Campaign to Prevent Teen and Unplanned Pregnancy, as well as smaller, shorter grants to other organizations in support of the National Campaign's work. This included targeted research funding to the University of California, San Francisco.

2. *Global Development Program*

The Hewlett Foundation's growing commitment to international work, combined with significant new grantmaking resources, permitted the work of the Global Affairs Initiative to come into its own during this period. In October 2004, the Board created the Global Development Program, which subsumed earlier international initiatives within Special Projects and much of the Mexico-focused work of the U.S.-Latin American Relations program.

GD had two main goals, tied together by a "supporting strategy." The first goal was to increase the amounts and effectiveness of global and local development funds. This work included efforts to reform bilateral donor policies, increase government transparency and accountability, and bolster local philanthropy in developing countries. The second goal was to reduce barriers to trade in agriculture that disadvantage developing-country producers. Grantmaking toward this goal included support for policy research and efforts to reform multilateral trade rules through the World Trade Organization and shift domestic farm support payments in the United States (i.e., reform the Farm Bill). As a supporting strategy, GD also provided grant support to strengthen the "knowledge infrastructure" in developing countries and the United States. This included grants to U.S. media and journalistic institutions begun under the Americans in the World Initiative, research centers, and think tanks.

The new program's budget grew rapidly, from $31 million in 2006 to $38 million in 2007 and nearly $50 million proposed in late 2007 for the following year. The new resources, combined with a far-reaching policy agenda, a dynamic community of grantees, and the entrepreneurial spirit of a burgeoning area of work, led to a large number of new grants. Some of these were complex from a compliance perspective.

In general terms, GD split its resources between two types of grants: large, multiyear grants to U.S.-based organizations with research and policy agendas aligned with the program strategy; and smaller, shorter grants to overseas organizations (typically expenditure responsibility grantees) that were seen as doing particularly innovative, "front-line" work.

During this period, relationships were forged with organizations that remain general support grantees of the Foundation, such as the International Budget Partnership within the

Center on Budget and Policy Priorities, the Center for Global Development, the International Initiative for Impact Evaluation, Oxfam, and Bread for the World.

In 2006, around the same time that PP was designing the RAN initiative, GD created two large, time-bound initiatives of its own, which together came to constitute a large share of the Program's grantmaking (in dollar terms). These were the Think Tank Initiative (TTI) and Quality Education in Developing Countries (QEDC). Both efforts were eventually co-funded by the Gates Foundation.[1]

The first initiative sought to strengthen think tanks in developing countries, enhancing their role as contributors to sound domestic policy. In February 2006, the Board committed $100 million over ten years from the Extraordinary Reserve. The Think Tank Initiative dedicated the majority of the resources (expected at the time to be $80 million) to a regranting arrangement. The first grant of $40 million, made in 2007, contributed to a high peak for the Program that year.

The second large initiative, growing from a collaboration across the GD, Population, and Education programs, focused on improving learning outcomes in Africa. Shortly after the initiative was approved by the Board, the Gates Foundation approached the Hewlett Foundation to discuss a partnership. Interested in advancing education outcomes but without the in-house expertise to fund international education work, Gates proposed that they would provide resources to the Hewlett Foundation for regranting. Thus, in 2006 the Foundation joined the Gates Foundation to launch the Quality Education in Developing Countries initiative, which has supported work globally and in Kenya, Uganda, Tanzania, Mali, Senegal, and India. Over the course of the initiative, the Gates Foundation has provided approximately $53 million while the Hewlett Foundation has provided approximately $71 million.

Grantmaking under QEDC has had a special character, differing from much of the rest of GD's work. Specifically, QEDC had country-level strategies and sought to work with indigenous organizations. These grantees have included nongovernmental organizations implementing new instructional models in primary schools, organizations undertaking "citizen-led assessments" of children's reading and math abilities, and groups engaged in advocacy. While QEDC grants included some general support grants—for example, to the Indian education nonprofit Pratham, which has 501(c)(3) status—many QEDC grants are to organizations that, by virtue of their status in the eyes of the tax authorities, cannot receive general support grants. While these were project grants, they were relatively large, multiyear efforts, reflecting an ambitious timetable and significant resources. Grants were envisioned as having multiple phases, and renewals were the norm.

From 2004 through 2007, largely due to the dynamics within the GD portfolio, the proportion of dollars channeled through general support grants, as well as the proportion of all grants, fell from about 70 percent to about 50 percent.

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[1] The Think Tank Initiative also was co-funded by the International Development Research Centre, the government of the U.K., the government of the Netherlands, and, in the second phase, the government of Norway.

B. 2008–2011

The financial crisis of 2008, and the consequent decline in the Foundation's endowment, did not spare PP or GD. Setting aside the special initiatives, both programs experienced about a 20 percent decline in their grants budgets between 2008 and 2009, and another decrease of 18 percent between 2009 and 2010. By 2011, the budget for each of the programs had stabilized at about $30 million.

The program directors took specific steps to manage this unwelcome and unanticipated drop in the grants budget. First, the initiatives in both programs were protected, and they continued to operate essentially as they had been, with predictable budget levels. Some lines of work within the programs were tied off, however, preserving space to continue the work with the best track record and greatest potential.

1. Population Program

PP tied off grantees whose mission was deemed to be less central to the Program's strategy. For example, support was ended for grantees working outside of sub-Saharan Africa, and for a set of grants exploring the potential for integrating HIV and family planning services. The Program also tied off or reduced grants to high-performing grantees that had received very large grants from another foundation while reducing the number of new grants it would consider. Finally, while having for the most part resisted the urge to give grantees a "haircut" to save funds, important domestic reproductive health grants were renewed with shorter durations at the same annual amount.

2. Global Development Program

In GD, similar hard choices were made. The work on agriculture and trade, which had made little progress against strong political headwinds, was ended. Media grants were also tied off because program leadership recognized the challenges created by a changing landscape in journalism, the rise of the Internet, and ballooning costs. Finally, program staff used a back-of-the-envelope expected returns analysis to reshape the portfolio.

3. Combined Trends

Strategic choices made during this difficult time show up in the trend analysis for the (retrospectively) combined programs. When the downturn hit, program staff tried to preserve support to the most important grantees. This meant that the number of grants declined more precipitously than the average grant size.

Recognizing the importance of a long funding horizon, program staff tended to keep the grant term relatively unchanged at about 1.75 years, on average. By focusing resources on the organizations most strategically aligned, program staff actually increased the average grant size during 2009–11, when key organizations were experiencing greater fundraising challenges.

4. *Integration of the Population and Global Development Programs*

In 2010, separate and apart from the response to the financial crisis, the GD and PP directors proposed to the President and the Board that the programs be merged. Increasingly, the programs were working on related issues and felt that both lines of work would be enhanced with closer collaboration. After considerable consultation, including from key external partners to each program, the Board approved an eventual integration of the two programs, with the expectation that as the programs were brought together there would be no reduction in budget or staff. The first integrated budget was proposed in November 2011 for the 2012 fiscal year.

C. 2012–2014

Rather than starting from a blank page, the Global Development and Population Program (GD&P) has sought to build on the strongest parts of the earlier individual programs. It has worked to identify and take advantage of as many of the complementary areas of work as possible without forcing integration for its own sake. In moving toward full integration and a shared strategy, GD&P has considered the stage of implementation and contributions of the three active initiatives (QEDC, RAN, and TTI), recognizing that the program budget cannot expand to continue all of the work currently supported.

In March 2013, with the encouragement of new Foundation President Larry Kramer, the Program proposed a new strategic framework encompassing two lines of work—"choices" and "voices." Under "choices," the Program continues the focus on reproductive health and rights and, recognizing the importance of the economic axis in development, adds a new strategy to improve economic opportunities for women in the developing world. Under "voices," the Program continues much of the earlier efforts to increase transparency of information about public sector (donor and in-country government) resources and service quality; it is under this rubric that the Program will sustain some of the strongest work of QEDC and continue work in Mexico, albeit without a country presence or an "earmark" in the annual budget. The "voices" line of activity also brings together grants within both programs that sought to strengthen the underpinnings of sound policymaking through good demographic and other data, and research and evaluation capacity, including the support to think tanks. In short, the current program carries much of the DNA of the past, but with stronger cross-program connections and some important new strategic directions.

Since 2011, the combined effects of shifted grantmaking due to program integration and some refreshed strategies have reduced the emphasis on general support/program grants, although this is only temporary and we anticipate that general support will increase over the next several years. Corresponding to the refreshed strategies, there has been a reduction in "straight renewals" in the past several years (see Figure 3).

IV. A Look at International Reproductive Health Grantmaking

The relationship between strategy and grantmaking form is easiest to see by looking specifically at the part of the Program focused on international reproductive health in the years

after 2011. With the integration of the PP and GD, and a refreshed strategy, program staff altered some key relationships with general support/program grantees (see Figure 4).

There have been several changes with the implementation of the strategy. For example, a long-standing general support grant to the United Nations Population Fund was tied off. We have established direct project grants to in-country chapters of the International Planned Parenthood Federation rather than supporting them indirectly through a general support grant to the central IPPF office in London. While we maintain the general support grant, the more project-specific grants permit us greater access to information about what key affiliates are prioritizing. In addition, in an effort to encourage grantees to realize opportunities in Francophone West Africa, we have paired general support renewals with new project grants to partners such as Pathfinder and DKT International. We have developed the same "GOS plus project" arrangement with Marie Stopes International to permit MSI to expand services for unmarried young people, co-developing these approaches with the "design thinking" team from IDEO.org.

V. Looking Ahead

Over the next three years, we do not anticipate dramatic shifts in the balance of general support versus other types of grants or in the average length or size of our grants. The Program is large and diverse, and revisions of strategies are being introduced stepwise rather than as a "big bang." Overall, as opportunities arise, we will seek to lengthen the term for as many general support grants as we can while looking for new organizations sufficiently aligned with our aims to warrant general support.

Within subcomponents, we may see some movement in types of grants (and consequently in size and term) as new strategies are developed. For example, a new program officer will be assuming responsibility for the U.S. reproductive health and rights subcomponent, which brings a fresh look at that portfolio that could, in turn, lead to some shifting associated with tie-offs of some focused projects. In our work on evidence-informed policymaking, part of the "voices" line of international work, we will likely see an increase in projects (versus programs and general support) as we develop and start implementing our new approach and as the Think Tank Initiative moves into its second phase. Finally, for the next two to three years it is likely that most of the grantmaking around the new women's economic empowerment strategy will be oriented toward projects. After the initial grants, we hope to have key partners who can be offered general support grants.

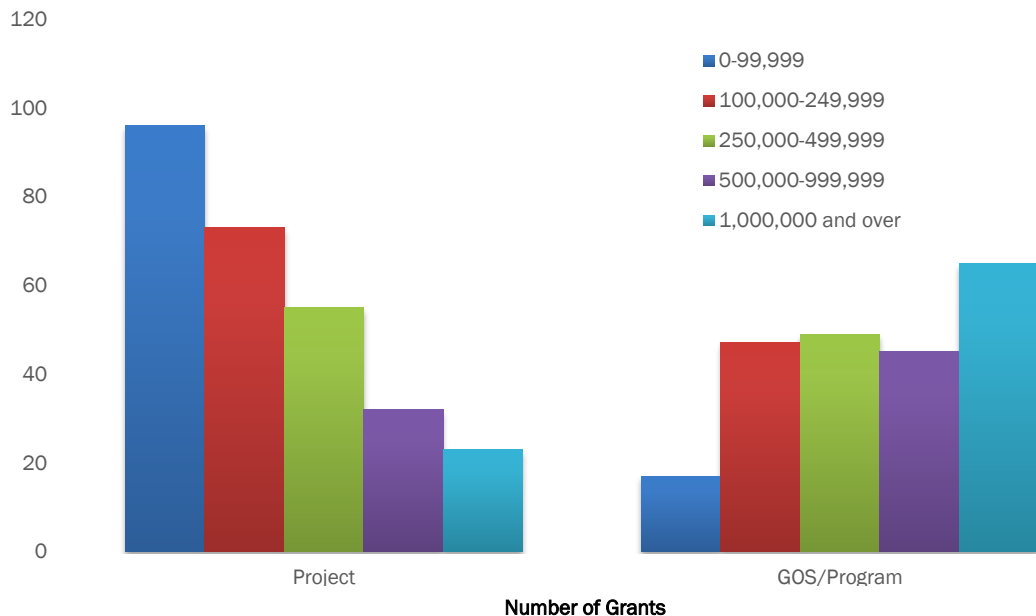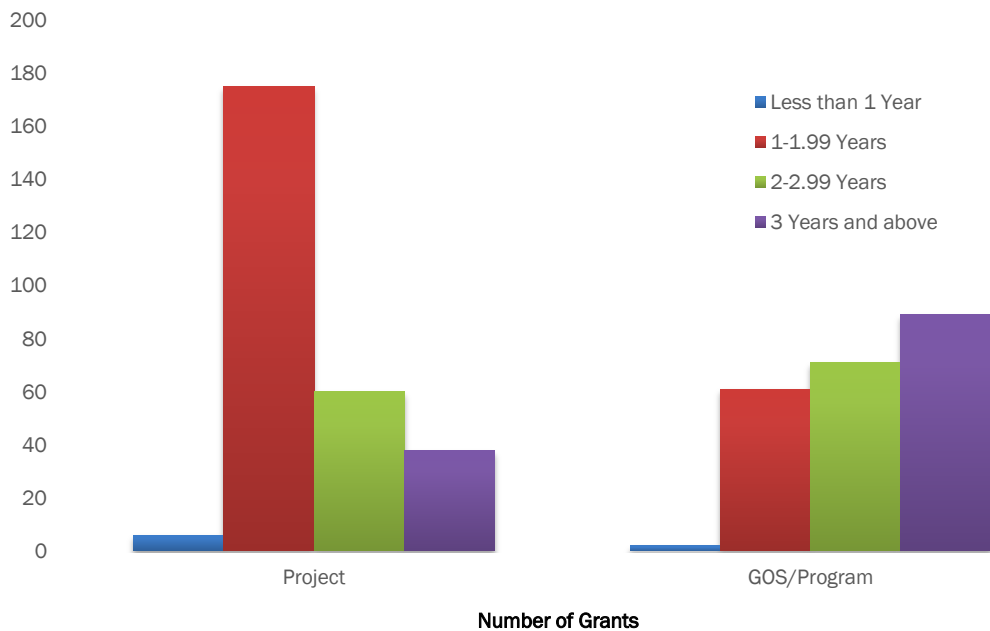**Figure 1. Grant Size for Project vs. GOS/Program, 2004-2013**

- 0-99,999
- 100,000-249,999
- 250,000-499,999
- 500,000-999,999
- 1,000,000 and over

Number of Grants

Figure 2. Grant Term for Project vs. GOS/Program, 2004-2013

- Less than 1 Year
- 1-1.99 Years
- 2-2.99 Years
- 3 Years and above

Number of Grants

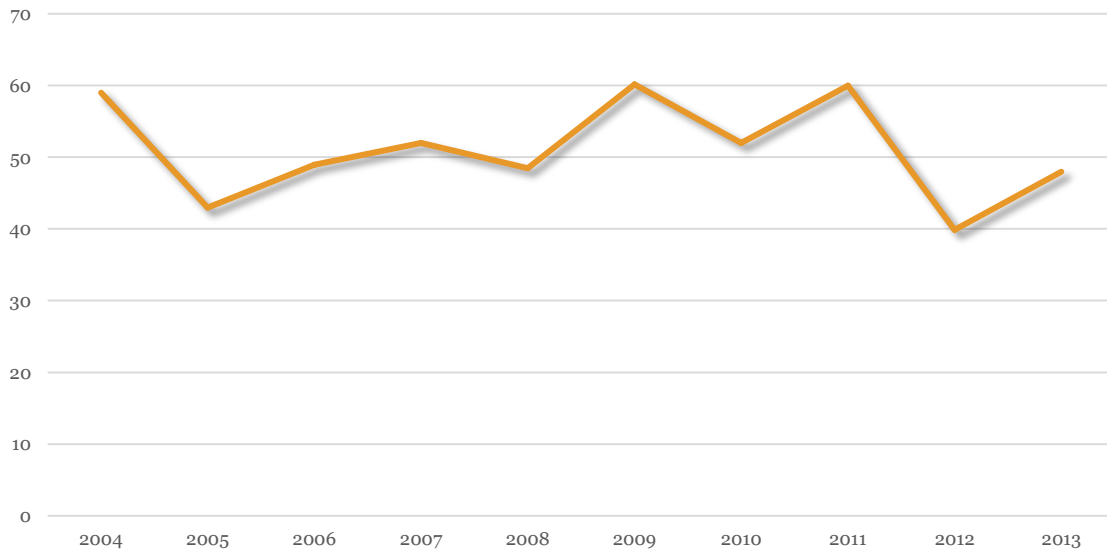## Figure 3. Renewals as Percent of Grants, Excluding Initiatives

Figure 4. International Reproductive Health GOS/Program Grants

GOS + Program (% of dollars) ——— GOS + Program (% of grants) – – –