Hewlett Foundation 2012 Annual Report

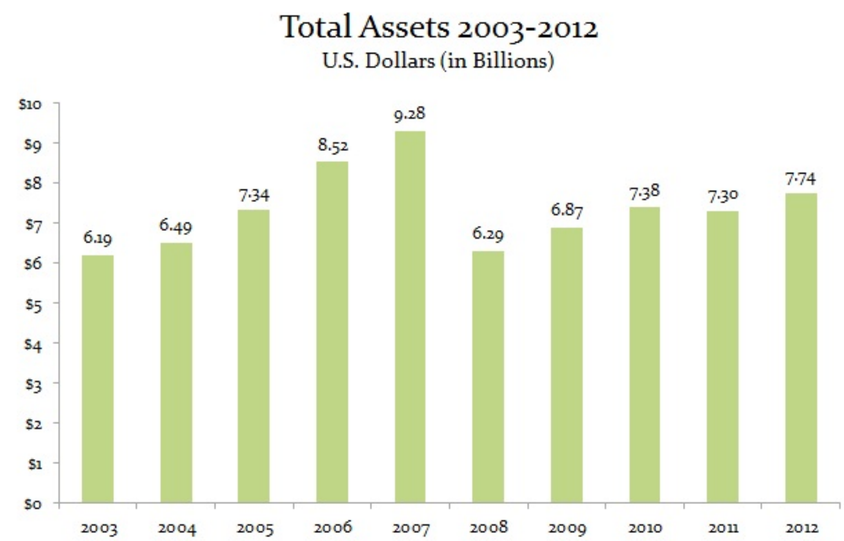
This PDF represents a printable version of an annual report that was originally published in digital-only format on an earlier version of the Hewlett Foundation's website. Minor changes have been made to improve formatting.

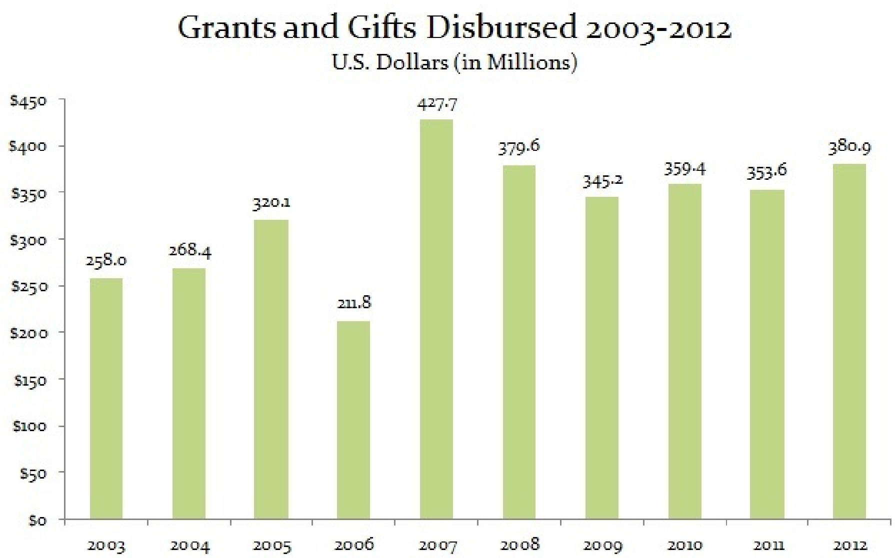
About the Foundation

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

The Hewlett Foundation At A Glance (as of December 31, 2012)

Total assets: $7.74 billion
Total dollar amount of grants awarded in 2012: $304,089,000
Total dollar amount of grants disbursed in 2012: $380,900,000
Total number of grants awarded in 2012: 609
Average grant amount in 2012: $336,532
Median grant amount in 2012: $150,000
Number of employees:104





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as of December 31, 2012

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as of December 31, 2012

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Consulting Program Officer

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Program Associate

Elyane Stefanick
Program Associate

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Program Officer

Margot Fahnestock
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Libby Haight
Program Officer

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Program Officer

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Program Officer

Kimberly Brehm
Program Associate

Teresa Dunbar
Program Associate

Lillian Giraldo
Program Associate

Christina Osborn
Program Associate

Denise Robichau
Program Associate

Nathalie Scholl
Program Associate

Erika Ramos
Consulting Program Associate

Performing Arts Program

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Program Director

Julie Fry
Program Officer

Emiko Ono
Program Officer

Ron Ragin
Program Officer

Kerry O'Connor
Program Associate

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Director

Jack Fischer
Communications Officer

Stephanie Carnow
Communications Specialist

Elisabeth Green
Librarian

Maritza Rae Santiago
Communications Associate

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Facilities Director

Andres Anaya
Facilities Supervisor

Gonzalo Villa
Facilities Assistant

Shaka Dickson
Facilities Coordinator

Gregory Helfrich
Facilities Technician

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Director, Real Estate & Natural Resources

Christy Richardson
Director of Private Investments

Jefferson Stone
Associate Director of Private Investments

Brett Johnson
Director of Marketable Investments

Eleanor Hsu
Associate Director of Real Estate and Natural Resources

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Senior Investment Analyst

Lucy Ellis
Controller

Elina Inker
Senior Investment Analyst

Sharon Lee
Associate Manager

Kevin Pearce
Accounting Manager

Rana Shawwa
Senior Accountant & Tax Specialist

Jing-Jing Zheng
Senior Accountant

Sophie He
Senior Accountant

Timonty Ng
Investment Operations Accountant

Massooda Maqdoor
Accountant

Spergon Hunt
Associate Accountant

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General Counsel and Corporate Secretary

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Sarah Miller
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Claire Smith
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Chloe Walling
Human Resources Associate

Ibeth Olmos
Consulting Administrative Associate, Mexico

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Network and Systems Manager

Boris Decout
Senior Network and Systems Engineer

Trinh Liu
Senior IT Analyst

Lily Chiu
Senior IT Analyst

Marc Greenfield
Help Desk Team Lead

Charles Ferreira
Desktop Systems Specialist

Kathy Nicholson
Manager, Application Development and Support

Ken Houk
Senior Applications Developer/Architect

Rena Lee
Senior Applications Developer

The Education Program in 2012

Rather than memorizing facts from their textbooks, these high school students at the Center for Advanced Research and Technology, part of ConnectEd's California network, learn about anatomy by working together on a hands-on project. This kind of collaboration is a hallmark of deeper learning – where students master academic content by advancing their critical thinking skills, learning to communicate effectively and solving complex problems collaboratively. Photo: Jan Sturmann/ConnectEd

Goals:

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

In 2012, the Education Program made 120 grants to 82 organizations, totaling over $35 million.

The Education Program in the News in 2012:

- Marc Chun Joins Hewlett Foundation as Education Program Officer - *January 2012*
- "Foundations": A Q&A with Kristi Kimball, Former Education Program Officer - *April 2012*
- National Research Council Report Highlights Importance of "Deeper Learning" - Summary - *July 2012*
- Statement by Barbara Chow in Response to the National Research Council's Report - *July 2012*

Effective Philanthropy Group

The Effective Philanthropy Group helps improve the Foundation's own grantmaking practice and invests in key institutions such as the Center for Effective Philanthropy, which provides data to funders in order to strengthen the field overall. Panel discussion participants onstage at the organization's 2011 National Conference in Boston discuss the conference theme, "From data to impact." Photo: The Center for Effective Philanthropy

Goals:

- Increase and improve information available to donors about nonprofit performance in order to increase giving to high impact nonprofits*
- Create and disseminate knowledge about effective philanthropy in order to improve philanthropic practices
- Bolster our grantees' health and ability to be high-performing organizations so that they are more likely to achieve their and the Foundation's shared goals

**We will be sunsetting this strategy in 2013 and using the lesson to inform future work*.

In 2012, the Effective Philanthropy Group made 50 grants to 37 organizations, totaling over $4 million, with an additional $1.9 million to 49 grantees to support their organizational effectiveness.

The Philanthropy Program in the News in 2012:

- Lindsay Austin Louie Joins Hewlett Foundation As Effective Philanthropy Group Program Officer *–December 2012*

The Environment Program in 2012

Since 1965, the Reid Gardner coal- fired power plant has dumped its combustion waste next to the Moapa Band of Paiutes Reservation in Nevada, becoming the state's largest polluter in the process. Tribal members believe that the toxic coal ash contributes to increased rates of asthma, cancer, heart disease, and mortality.

For many years, the Sierra Club, a Hewlett Foundation grantee, collaborated with the Moapa Band of Paiutes and other groups to retire the plant. In 2013, the coalition's hard work and persistence paid off, when Nevada's governor and state legislature approved a plan to close the plant by 2017 and the Moapa Band of Paiutes plans to replace the coal-fired plant with the largest tribal solar plant in the nation.

This has had a ripple effect: As a result of the advocacy efforts of the Sierra Club, the Los Angeles Business Council Institute, the Los Angeles Alliance for a New Economy, and other Hewlett Foundation grantees in California, the City of Los Angeles has committed to end its reliance on coal and has agreed to purchase 250 megawatts of solar power from the Moapa solar facility when construction is complete.

Due in part to the hard work of Hewlett Foundation grantees, 61 coal plants announced retirement in 2013, no new plants were built, and carbon emissions in the U.S. are at their lowest level in two decades.
Photo: Gary Thompson, Sierra Club

Goals:

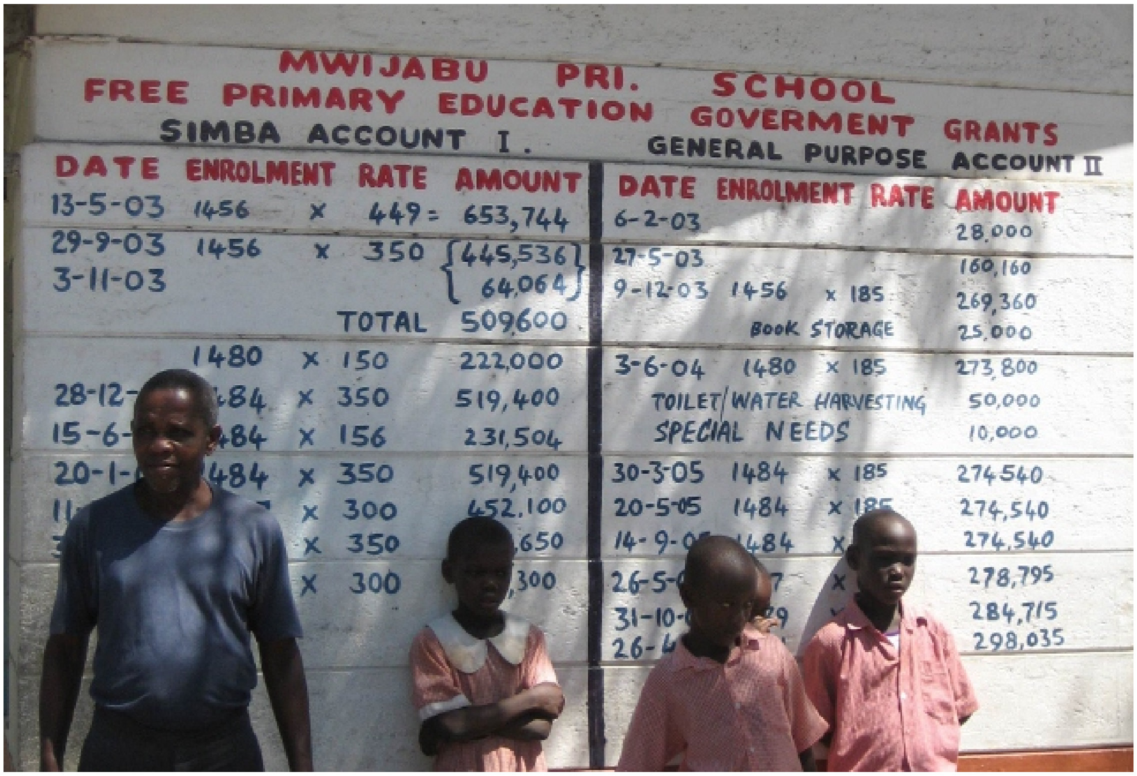
- Conserving the ecological integrity of the North American West for wildlife and people.
- Ensuring the global average temperature increases less than 2 degrees Celsius.
- Ensuring that energy efficiency is increased and that the energy supply is clean in nations with high energy demand.

In 2012, the Environment Program made 126 grants to 95 organizations, totaling over $51.1 million.

The Environment Program in the News in 2012:

- "Foundations": A Q&A with Erin Rogers, Environment Program Officer – *January 2012*
- Matt Baker Joins Hewlett Foundation as Environment Program Officer – *March 2012*

The Global Development and Population Program in 2012



Local budget figures are painted on the side of a schoolhouse in Kenya to help ensure that funds allocated for this school actually reach the children pictured here. The Hewlett Foundation's Transparency and Accountability grantmaking provides citizens with information about where public revenues come from and how they are being spent, in order to reduce corruption and support the foundations of good governance. Photo: Dana Schmidt, Hewlett Foundation

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 2012, the Global Development and Population Program made 130 grants to 105 organizations, totaling over $83.8 million.

The Global Development and Population Program in the News in 2012:

- Harvesting a Brighter Future: Migrant Workers' Children Learn to Avoid Teen Pregnancy - *September 2012*
- Alfonsina Peñaloza Joins Hewlett Foundation in Mexico City as Global Development and Population Program Officer - *November 2012*
- A Q&A with Lynn Murphy, Program Officer, Global Development and Population, 2006–2012 - *December 2012*

The Performing Arts Program in 2012

Cultural Odyssey's The Medea Project: Theater for Incarcerated Women. Photo courtesy of Pat Mazzera.

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 2012, the Performing Arts Program made 74 grants to 73 organizations, totaling over $13.9 million.

The Performing Arts Program in the News in 2012:

- Six $50,000 Commissions for Choreographers Awarded by the Gerbode and Hewlett Foundations - *January 2012*
- A Q&A with John E. McGuirk, Program Director, Performing Arts - *October 2012*

Special Projects in 2012

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 our long-term funding of selected national media outlets. Here, National Public Radio's Steve Inskeep speaks during the organization's flagship *Morning Edition* program. Photo : Stephen Voss/ NPR

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

In 2012, Special Projects made 59 grants to 51 organizations, totaling over $14.7 million.

THE WILLIAM AND FLORA
HEWLETT
FOUNDATION

2012 REPORT TO THE BOARD*

EDUCATION PROGRAM

UPDATES AND HIGHLIGHTS

Evidence-based decision making has long been a guiding principle for the Foundation. To the extent possible, we build our Program's strategies and make our grants based on independent research that directly addresses the issues we target. The challenge is that the evidence base in the education reform sector is often weak. This especially affects relatively new strategies such as Open Educational Resources (OER) and Deeper Learning. When we can find suitably strong research, we use it as the foundation for our decisions; when we cannot, we use what is available to guide our direction and make grants to support the development of a solid research base. This commitment has helped us develop stronger core strategies and adjust course in the face of real-world conditions, refining the aim of our investments in all three of our areas of focus: Deeper Learning, OER, and California Education. Throughout this report, we will illustrate how data and evidence continue to guide our decisions, informing grant recommendations and our planning for the coming year.

A good example is the evolution of our Deeper Learning agenda. Our primary goal was to increase the economic opportunities and civic engagement of U.S. students. Research and the recommendations of experts prompted us to focus on advancing this goal through an approach to schooling that emphasizes a powerful mix of knowledge and skills we refer to as "deeper learning." Prominent studies by labor economists plus surveys of business and higher education leaders have all indicated that critical thinking and problem solving, communication, collaboration, and learning to learn—applied to challenging academic content—have become preconditions for achievement in a competitive global economy. The focus on these cognitive skills is not new; they have been emphasized in elite schools for years. But research indicates they will be the keys to success for every American in the new economy.

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

Establishing a new North Star for our education system focused on deeper learning is a challenging proposition. Fortunately, a relatively new national education reform initiative already adopted by forty-five states, called the Common Core State Standards, is significantly advancing this agenda. It marries most of the deeper learning skills to a set of fewer, higher, clearer, internationally benchmarked academic standards in two subjects: mathematics and English language arts. Over the past year, the Common Core movement has developed a great deal of momentum; promoting the standards' implementation with fidelity to deeper learning is a central strategy of the Program.

Of parallel importance is the success of the related assessments now being developed to measure student achievement on the standards. Two consortia—each with a membership of more than twenty states—have been formed to design new common tests that all participating states will deliver. These assessment consortia, commonly called PARCC and Smarter Balanced, represent a strong opportunity to dramatically increase the focus on deeper learning in an environment where what gets tested is often what gets taught.

Since receiving Board approval to launch the Deeper Learning strategy in 2010, we have worked to expand the knowledge base for our decisions by supporting twenty-three research projects designed to shed light on key areas of uncertainty in our strategy (see examples below).

Selected Deeper Learning Research funded by Hewlett

Grantee	Strategic Question to be Answered
SRI	What gaps exist in the research literature on deeper learning?
Educational Policy Improvement Center	To what extent do the Common Core State Standards align with deeper learning outcomes?
RAND	To what extent do current state tests measure deeper learning?
UCLA National Center for Research on Evaluation, Standards, & Student Testing	What Is the increase in deeper learning measurement offered by the new PARCC and SBAC state tests of the Common Core Standards?
American Institutes for Research	What are the outcomes of deeper learning school models?

As we have learned more, the Program has continued to refine its strategy. For instance, evidence increasingly shows that a student's academic mindset (e.g., conscientiousness and persistence) is critical for success in school and later life—and that these traits can be taught, learned, and reinforced. Recent studies by the National Research Council and The University of Chicago Consortium on Chicago School Research have prompted us to consider adding these important new factors to our original Deeper Learning framework of academic knowledge and cognitive skills next year.

Moving into 2013, we are also engaging The Bridgespan Group to conduct a strategic review of our Deeper Learning work to date. The review will address whether or not we are making expected progress, which factors are key to meeting our goals, and our likelihood of success by 2017. Evidence from that analysis will help us refine our path from 2014 through 2017.

In parallel, our OER initiative is building both the evidence base and the tools needed to improve the quality and scalability of OER so they become more common in mainstream education. To advance our California Education strategy, now in its second year, we plan to evaluate organizations' impact on state policy reform goals and the degree to which they are collaborating to reach these goals. We hope that evaluation results will help inform grantee selection criteria used by Rockefeller Philanthropy Advisors, the grantmaking intermediary for this strategy.

In addition to its work in the three strategic components, the Program provides support to a range of services to disadvantaged communities in the San Francisco Bay Area and Central Valley.

Deeper Learning

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

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

1. Reset the learning goals and requirements for schools to emphasize deeper learning.
2. Encourage assessment of student progress against those goals.
3. Strengthen the capacity to teach deeper learning skills.
4. Learn, evaluate, and demonstrate what works.

RESETTING LEARNING GOALS AND REQUIREMENTS FOR SCHOOLS

In 2012, our grantees focused on addressing policy innovation at the state level. Key areas of activity included support for states in their efforts to incorporate deeper learning throughout their K-12 and postsecondary systems and to better align the expectations of both systems for student achievement. Grants addressed policy reform in two important spheres: governmental policy, which shapes K-12 education; and institutional policy, which guides the practices of colleges and universities.

GOVERNMENTAL POLICY

The Alliance for Excellent Education serves as the anchor grantee for federal K-12 policy reforms, and the Council of Chief State School Officers (CCSSO) is the lead for state-level reforms. Together, they have developed recommendations for policies to advance deeper learning, analyzed existing legislation to find good models for policy change, and helped states establish deeper learning goals as they applied for waivers to requirements of the No Child Left Behind Act. As a result, eleven of the thirty-eight states that have applied for waivers demonstrate high alignment with deeper learning, and sixteen more underscore the importance of knowledge and skills. In addition, the nine state superintendents participating in CCSSO's Innovation Lab Network have gone further, signing memoranda of agreement to set deeper learning as the goal of their education systems, adopt assessments that measure deeper learning, and reform their school accountability policies to emphasize student achievement in these areas.

2013. In the coming year, we will continue to expand the breadth and impact of constituency groups to support deeper learning reform. For example, our grantees will build on nascent engagement of the business sector, and we plan to explore potential interest among civic organizations, parent groups, educational equity and civil rights advocates, and others. In addition, we will support new research on effective policies in order to strengthen the relatively weak research base that directly links policy changes to increased student achievement in deeper learning. We also will employ a rigorous policy dashboard to track progress in (1) implementation of Common Core State Standards with fidelity to deeper learning, and (2) specific reforms related to state goals, assessments, and accountability. By 2017, we expect five to ten targeted states to adopt new policies, to develop and share models of education reform, and to attract additional states to take action on deeper learning.

INSTITUTIONAL POLICY

There are two reasons our Deeper Learning initiative concerns itself with higher education. First, as explained below, deeper learning skills are important for success in subsequent education. Second, to the extent that postsecondary institutions clarify their expectations for college success, states will be pushed to make them part of the curriculum for all students.

A key emphasis in our strategy is to increase student success by developing a better alignment between the deeper learning expectations of colleges and what is taught and emphasized in the K-12 system. Currently, students moving through the U.S. education system face vastly different expectations from one level to the next: while high schools emphasize rote learning and memorization, higher education demands deeper learning skills like complex thinking and problem solving. Typically, high schools don't prepare students adequately for postsecondary work; as a result, only 18 percent of ninth graders go on to graduate from a two- or four-year college.

To bring the two systems closer together, we, along with other foundations, are providing over $7 million to a ten-state effort. Grantees are working to get postsecondary institutions to use the new Common Core assessments—which test for deeper learning skills—to gauge students' readiness for college work. Selection of the states for the project—known as Core to College—was based on research conducted by our grantee the National Center for Higher Education Management Systems, which identified the critical characteristics of states ready to take a leadership role.

2013. Our goal for the coming year is to support the engagement of higher education faculty in setting college-readiness performance standards for the new Common Core assessments, boosting their buy-in, and ensuring their strong voice in standards development. That will give the new assessments validation by the higher education systems that will ultimately use them to decide whether to place students in remedial education or to allow them to enroll directly in credit-bearing coursework.

TESTING FOR DEEPER LEARNING

From the conception of the Deeper Learning strategy, we have recognized that success depends in large part on the design and adoption of state assessments that measure deeper learning. A number of our earliest grants supported the inclusion of deeper learning in tests of the Common Core State Standards being developed by the PARCC and Smarter Balanced consortia. To evaluate the success of those investments, we supported a RAND study to examine the level of deeper learning assessed under current state tests; in turn, UCLA's National Center for Research on Evaluation, Standards, & Student Testing analyzed how well the emerging consortia test designs reflect deeper learning. Both grantees found early indications that the new assessments will measure many of the key deeper learning skills at a far higher level than current state tests.

Today's state assessments are much more likely to include simplistic mathematics problems like Question A below. It has a low level of complexity because it merely asks students to apply a memorized, step-by-step process—in this case, division—without requiring them to justify their thinking or eliciting a deep understanding of key mathematical concepts. While mastering simple division is an important building block for math competency, the Common Core and the new state assessments are much more likely to require students to demonstrate that they understand the full range of concepts behind their answers. For example, while Question B also requires that students know how to perform a basic procedure (in this case, calculating a percentage), it better assesses deeper learning because it goes further, requiring that students understand and apply the concept of how a percentage relates to the entire question. In this instance, students must show how Max could be either right or wrong, depending on the cost of the items. Additionally, in Question B, students are asked to justify their thinking, which could take the form of writing a response, displaying their math work, or both.

7th GRADE MATH TEST QUESTIONS	
Question A: Simple Test Item	**Question B: Deeper Learning Test Item**
Roberto paid $43.08 for three CDs. All three were the same price. How much did each CD cost? A. $11.36 B. $14.36 C. $40.08 D. $46.08	**Max bought two items that were on sale; one item was 10% off and one was 20% off.** **Max says he saved 15% all together.** A. Could Max be right? B. Could Max be wrong? Justify your answers.

2013. Next year, our grantees will focus on ensuring that states fully adopt these assessments with fidelity to deeper learning. Although there are still political and financial risks that the consortia might change course, the key threats to widespread adoption are (1) state budget pressures, since the new assessments may cost more than current tests; (2) political backlash, since initially the more demanding tests are likely to classify far fewer students as academically proficient; and (3) potentially weak understanding and support from key policy leaders, given expected turnover in state boards of education, governors, and legislatures. We will be looking to make grants in these areas to help improve the breadth and depth of implementation.

STRENGTHENING TEACHING CAPACITY

Ensuring a change in classroom practice requires curricula that reflect the principles of deeper learning, take advantage of the Common Core standards, and are taught by teachers prepared to make the most of the new standards. Yet, when WestEd surveyed the materials and professional development markets, it found that only a small number of teacher development programs met those requirements. We have since invested in helping those programs increase the scale of their offerings and improve training in mathematics. At the same time, our grantee The College Board is working to emphasize deeper learning in its AP exams and is conducting a study to evaluate the efficacy of alternative models of teacher professional development.

In the curriculum arena, WestEd found that few publishers were adequately redesigning their materials to reflect Common Core standards and deeper learning. Based on this research, we refocused our investments to stimulate stronger marketplace demand for materials that closely match the standards. We made grants to develop tools, such as Achieve’s Educators Evaluating Quality Instructional Products tool, to help states evaluate educational products for their alignment with these new standards. These are expected to help districts and states drive demand for deeper learning curricula.

2013. Over the next year, we will use the results from The College Board's study to help determine where we should focus our funding to support online professional development. We also will continue to invest in grantees who will ensure that the tools and rubrics developed to help states and districts evaluate curricula get into the hands of decision makers and influence demand.

LEARNING, EVALUATING, AND DEMONSTRATING WHAT WORKS

In our quest to determine how deeper learning influences students' success after high school, the Program has made significant investments in research. Earlier this year, the National Research Council (NRC) produced a report summarizing the literature on the connection between deeper learning skills and college and career outcomes. While the NRC found limited research to date verifying a causal relationship between deeper learning and adult success, it did find correlational evidence and recommended that policymakers pave the way for "the systemic development, implementation, and evaluation of educational interventions targeting deeper learning processes."

The American Institutes for Research is in the midst of a three-year study of a national network of schools dedicated to deeper learning. To help fill the gaps noted in the NRC report, this study will focus specifically on the relationship between deeper learning and high school and postsecondary outcomes.

2013. Our next step is to explore how school systems change in response to shifts in testing, such as the new assessments being developed in connection with the Common Core standards. The Program is making an initial investment in a RAND review of the literature to identify evidence that shifts in more rigorous testing lead to changes in instructional practices—as is anticipated by the Program's logic model. This study will focus especially on situations in which new tests required higher levels of thinking.

Open Educational Resources

ULTIMATE GOAL: Equalize access to knowledge for teachers and students around the globe and improve the practices of teaching and learning through OER: high-quality educational materials that can be reused, remixed, and redistributed through open licensing. At the heart of the OER movement is the simple and powerful idea that the world's knowledge is a public good and that technology in general—and the World Wide Web in particular—provides an extraordinary opportunity for everyone to share, use, and reuse knowledge.

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

MAINSTREAM ADOPTION OF OER

This year brought the open educational resources movement closer to the goals of joining the mainstream and becoming sustainable. As global expectations for openness, transparency, and sharing continue to rise, increased awareness about the great potential of open education has drawn attention beyond the OER community. For the first time, OER was a topic of discussion at conferences of South by Southwest Edu and TED-Ed. In addition, the new popularity of Massively Open Online Courses (known as MOOCs)—which can engage more than 100,000 eager students at a time—drew widespread attention to the topic of open education. Most MOOCs are not available under an open license, which would allow users to reuse, remix, and redistribute content; we see a strategic opportunity to encourage open licensing for these course materials at this early stage.

However, while increased awareness was a strong catalyst for growth of the OER field this year, it is only part of a multipronged strategy. To make "openness" as tangible a concept as the environmental field's use of the word "green," high-quality examples of OER must be easy to find, use, and reuse. Furthermore, supportive policies that provide incentives to support OER and remove restrictions on OER funding and implementation must also be in place.

Work by our grantees and other supporters led to the accomplishment of an important milestone for high-quality OER. For example, we made a grant to support OpenStax College. A nonprofit initiative with the goal of improving student access to high-quality learning materials, OpenStax is producing free, open, market-quality textbooks for five common introductory classes at community colleges. OpenStax is expected to reach 4 million students, saving them more than $125 million per year; if successful, the initiative will garner funding support from additional sources to create materials for fifteen more classes.

On the policy front, support for OER grew in the United States and abroad. With the U.S. economy still in recovery, open educational resources are drawing more attention as a means to reduce education costs. Over the past year, Washington, Utah, and California paved the way for OER by approving legislative and administrative policies supporting open textbooks. Internationally, representatives of nations from around the globe unanimously endorsed the Paris Declaration on OER at the UNESCO World OER Congress. Foundation grantees Commonwealth of Learning and UNESCO hosted regional forums for six months in advance of the meeting to gather input for the Declaration, which includes a clear definition of open licenses and encourages governments to use them for educational materials developed with public funds. Over the next few years, we hope that the number of institutions and governments adopting open licenses will continue to grow. Strong precedents were set this year with the Declaration's endorsement, the World Bank's new requirement that all future research publications it sponsors be openly licensed, and the Polish government's multimillion-dollar national investment in openly licensed textbooks for fourth, fifth, and sixth grades.

2013. Given the mounting evidence that the generation of OER content is now well supported in the United States, we plan to focus more of our upcoming investments on widening access to it through supportive policies, core organizations, and research on how teaching and learning are affected by open licenses. Finally, we will continue to support the exploration of additional accreditation pathways through OER and enlist funding support for the field from other philanthropic organizations, institutions, and agencies.

INCREASED LEARNING GAINS

This has been a pivotal year for OER research. Building on an earlier pilot study, Brigham Young University researchers embarked upon a large-scale study to investigate whether students achieve more when they can use open textbooks as expendable texts (in place of proprietary textbooks) to practice good study habits, such as note taking and highlighting. Another study conducted at Leadership Public Schools, a small charter network in the San Francisco Bay Area, showed that openly licensed materials led to significant learning gains among students and improved teacher engagement. We also renewed a grant to The Open University in the United Kingdom for two years to support its issuance of a limited number of research fellowships and eight research projects investigating the impact of "openness"—the free sharing of materials that users may modify to fit their needs. The projects will test hypotheses regarding OER's role in ensuring equity of access to education, their effectiveness in improving retention of at-risk students, and their impact as a catalyst for improving teaching.

2013. Final study results from these three grants should be complete in mid-2013. We plan to concentrate future grants on the core elements of openness shown by this research to improve teaching and learning.

California Education

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

THEORY OF CHANGE: This theory of change relies on revisions of state policy and support for an infrastructure for effective policymaking that will encourage continuous improvement in educational practices. To address the most significant barriers to this goal, the Program invests in grantees working to improve conditions for education policymaking in California.

With funding from the Foundation, the California Education Policy Fund (CEPF) was designed to create an ecosystem of nonprofits working collaboratively across tactical and policy areas in K-14 systems throughout the state. Managed by our grantee Rockefeller Philanthropy Advisors (RPA), CEPF aims to raise standards and accountability, improve state data systems, and increase college readiness, especially among low-income students.

Entering its second year, CEPF added eight new organizations in August to its roster of groups working toward education reform in California. The new grantees were selected by RPA in a competitive process to receive general operating support grants for a period of three years. Altogether, seventeen organizations now have received a total of $6.8 million in funding to continue the Foundation's long-standing commitment to improving outcomes for the state's students.

To gauge the effectiveness of the new fund, RPA commissioned an evaluation in May to measure both the increase in capacity of grantee organizations and the level of coordination and collaboration among them. It also is tracking policy change as a result of CEPF's investments. The initial survey of the first round of grantees found a high degree of collaboration. Eighty-six percent are working on standards, assessments and accountability, and college readiness. A similar percentage is working on policy advocacy, and 77 percent are using communications and public engagement as means to achieve their goals.

2013. As CEPF moves forward, grantees will develop a shared message and actively sustain each other's work to produce change in California. The results of RPA's evaluation will also inform future grantmaking.

Serving Bay Area Communities

GOAL: Support local organizations in work that coincides with our strategic goals.

The Program uses funds allocated for San Francisco Bay Area communities to foster a local laboratory for testing the key hypotheses underpinning our broader strategies. For example, in 2012, we made a grant to Envision Education to expand the reach of deeper learning performance assessments involving the arts to more Bay Area schools. Unlike traditional fill-in-the-blank or multiple-choice tests, these assessments better gauge students' proficiency in deeper learning competencies by requiring them to create in-depth responses or work products.

THE WILLIAM AND FLORA HEWLETT FOUNDATION

2012 REPORT TO THE BOARD*

ENVIRONMENT PROGRAM

UPDATES AND HIGHLIGHTS

The Environment Program has three long-term goals:

- Conserving the ecological integrity of the North American West for wildlife and people.
- Ensuring the global average temperature increases less than two degrees Celsius.
- Ensuring energy is produced and used cleanly and efficiently, with limited impacts on human health and the environment.

In 2012, CO2 emissions in the United States continued to decline. The causes include reduced energy demand due to the global economic slowdown, switching from coal to natural gas power generation due to low natural gas prices, and stringent new pollution control requirements. Globally, grantees were successful in securing new policies that will reduce greenhouse gas emissions by 1.7 gigatons, roughly equivalent to the carbon emissions from 350 million cars in a year.

In the western United States and Canada, grantee conservation policy efforts continued to deliver wildland and river conservation gains with an additional 28 million acres and nearly 1,300 river miles to be cared for in ways that will provide healthy habitat, clean water, and clean air.

Among the Environment Program's greatest challenges in 2012 were the leadership transitions at the ClimateWorks Foundation. These took considerable time from its board and staff and as well as engagement from ClimateWorks Network institutions. Perhaps the most significant effect was a delay in ClimateWorks' development of an updated strategy and business plan. Despite these challenges, the Network continued to spur policy wins that achieved major greenhouse gas reductions. Since its formation in 2008, ClmateWorks has funded projects that will eliminate 4.7 gigatons of greenhouse gas emissions by

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2030. In 2012 alone, new policies were adopted that will cut 1.7 gigatons by 2030.

In 2013, we expect policymakers in key venues in the United States, China, Europe, India, and Latin America to remain highly focused on job creation and economic growth. Consequently, natural resource protection and climate change solutions will need to be achieved in a way that helps stimulate local and national economies.

Western Conservation

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

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

We are on track to meet Western Conservation goals for land and water protection across the broad array of ecosystems and watersheds found in western North America. What follows are examples of grantee work to meet those goals in 2012 and estimates for progress in 2013. By the end of 2013, we will be close to achieving, or will exceed, the five-year goals found in this strategy, which expires at the end of next year. We anticipate bringing the draft of a new five-year strategy to the Board for review and discussion this Fall.

CONSERVE WESTERN LANDS

Grantees increased protection of important lands throughout western North America in 2012. Three actions deserve highlighting. First, several grantees, led by The Wilderness Society, succeeded in securing off-road vehicle closures on public land in several western states through work with local land management agencies. The closures will diminish stream siltation and wildlife habitat disturbance caused by irresponsible off-road vehicle use. Second, our support of The Pew Charitable Trusts' Boreal Forest Initiative resulted in the protection of 7.5 million acres of Canadian boreal forest (important to woodland caribou survival) that had been slated for timber harvest. Finally, grantee Grand Canyon Trust succeeded in securing a decision from the Department of the Interior to keep 1 million acres of the north rim of the Grand Canyon adjacent to the national park from being mined for uranium, protecting both the park and the Colorado River from contamination. The river supplies water to millions of people downstream in Arizona and California and is a major source of irrigation water in the Imperial Valley. Grantees expect to make additional significant progress in 2013.

INCREASE WESTERN RIVER FLOWS

Grantees made excellent progress in 2012, exceeding the 853-river-mile target by improving flows on 1,293 river miles. Trout Unlimited worked to improve 1,000 river miles in five western states through reforms of state water law, purchases and leases of water from ranchers and farmers to leave the water in rivers, and removal of dams that impede fish spawning. Capping two successful dam removals in 2011, grantee American Rivers saw its efforts to secure removal of the Condit Dam on the White Salmon River in Oregon come to fruition in the winter of 2011–12 when the 100-year-old dam came down. Its removal has restored fifty miles of river for spawning salmon and other native fish and provided a boost for the local recreational boating economy. Grantees plan to improve 2,038 river miles in 2013.

INCREASE WESTERN CLEAN ENERGY

Grantee efforts to promote a West-wide policy for solar energy development paid off in 2012, as did grantees' support for individual, appropriately sited solar energy projects. Resources Legacy Fund, the Natural Resources Defense Council, and The Wilderness Society engaged the solar industry and utilities through a solar energy working group to produce common recommendations to the Department of the Interior on its long-term plan for solar development on public lands. The groups advocated for a plan that would identify zones in public lands where utility-scale solar energy development should, and should not, occur and give companies incentives to locate within those zones. The Department of Interior adopted strong policies in this area. Utility-scale solar development is now set to proceed in an orderly fashion on public lands. Grantees exceeded their goal of permitting 3,500 megawatts of solar energy on public lands in 2012, with 6,900 megawatts permitted, and they expect to have another 3,200 megawatts permitted in 2013.

This year, our grantees reduced the area impacted by fossil energy development, primarily through successful work to keep oil shale from being leased for commercial development. Much of the credit goes to grantee New Venture Fund's Western Energy Project, which coordinated a broad coalition of conservation and sportsmen groups working to protect wild places and important wildlife habitat. An excellent example is this project's work to keep carbon-intensive oil shale from being developed in Colorado, Utah, and Wyoming. A superb education effort in 2012 helped the Department of the Interior issue a draft plan that would allow only research on oil shale extraction technologies to occur, helping conserve precious western water resources for ranching and residential use and protecting some 2 million acres of important wildland and wildlife from full-scale commercial oil shale development. Grantees expect to focus much of their work in 2013 on ensuring that leasing reforms issued by the Department of Interior in 2011 are fully implemented. These reforms are designed to keep sensitive lands from being leased for fossil energy development.

BUILD BROAD SUPPORT FOR WESTERN CONSERVATION

Latinos are an important constituency in many western states. The Building Broad Support portfolio will fund an experimental partnership between a national environmental organization (League of Conservation Voters Education Fund) and a local Hispanic organization (Southwest Organizing Project) to identify, engage, and educate Hispanics in New Mexico who are supportive of conservation and clean energy issues. The goal is to reduce polluting fossil fuel development in New Mexico while building a new base of active Latino communities, testing innovative cultural communications messages, and building trust and skills-sharing between Hispanic and environmental groups.

Energy and Climate

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

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

ADVANCE CLEAN ENERGY AND CLIMATE POLICY

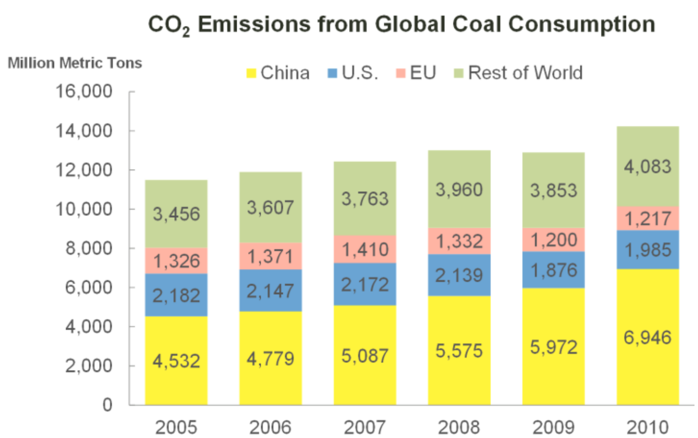
Coal combustion, used mainly for electricity generation, is the largest global contributor to CO2 emissions, representing 45 percent of total emissions. Sixty-five percent of those emissions occur in two countries, China and the United States. The next nation to surpass the United States in CO2 emissions from coal will be India, which is planning to build the equivalent of all the coal-burning power plants in the United States in the next ten years. Reducing coal use in China and India—or at least slowing the rush to coal in favor of renewables and efficiency—is the key to addressing global warming.

In 2012, energy and climate grantees shifted their emphasis from implementing national and global climate policy toward seeking the closure of coal plants in the United States. In 2012, we began to examine the growth of coal use in China and India.

In 2013, Foundation grantees will be looking to educate decision makers about air and water quality in China as it relates to coal. Finally, our grantees will explore the implications of shale gas development in China and India to see if that is an effective alternative to coal in those countries.

In 2011, CO2 emissions in the U.S. power sector continued the decline begun in 2009. By all indications, 2012 measurements will show even further declines. The recession reduced energy demand, while low natural gas prices and stringent new pollution control requirements facilitated an unprecedented makeover in the fuel mix of the electric generation fleet. As a result of these factors, coal generation has declined significantly. In 2012, coal generation represented 37 percent of total megawatt hours, down from 50 percent a few years ago.

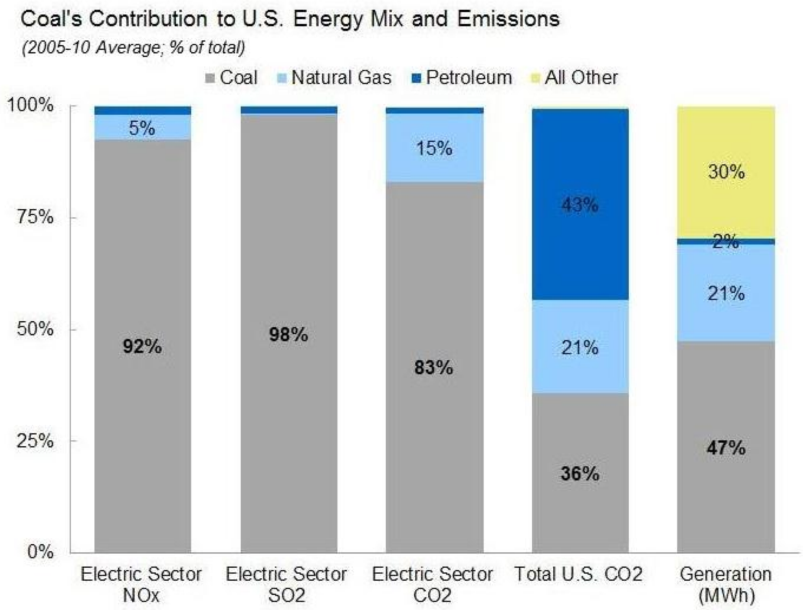
As the economy improves, natural gas prices should increase, and generators may switch back to coal. However, gains in reducing CO2 could be made permanent and expanded if advocates can successfully utilize new EPA rules designed to clean up the dirtiest coal plants. Indeed, one of the biggest victories in 2012 was the successful defense in Congress of the Clean Air Act, which gives advocates additional tools to close coal plants. Nevertheless, this change could be fleeting.



A major focus in the United States in 2013 will be to achieve lower emissions by shutting coal plants. Our grantees expect to utilize public campaigns, Public Utilities Commission proceedings, and litigation to garner support for closing the plants. They will also continue to defend the EPA's authority to protect public health and regulate carbon.

BUILD BROAD SUPPORT FOR ENERGY AND CLIMATE POLICY

U.S. global warming emissions have fallen for several years. Yet, to avert the worst impacts of climate change, the rate of reductions must be doubled. To achieve this, policymakers must be willing to advance policies for climate and clean energy at the state and national levels. To accelerate progress toward these reductions, many types of groups will need to engage in policy education efforts, which will spur further progress while making gains more durable.



The Building Broad Support portfolio is aimed at engaging constituencies not normally involved in climate and clean energy. In 2013, we will continue funding grantees in the U.S. West and mid-West and will explore expanding efforts in the South.

INCREASE CLEAN TRANSPORTATION

Our Clean Transportation portfolio focuses on reducing greenhouse gases and local air pollutants from vehicles. Our strategy has three components: clean vehicles, clean fuels, and reduced vehicle use. To reduce vehicle miles traveled, we support grantees that promote efficient public transportation systems and improved urban planning. We work in the United States and in three key developing countries: China, Brazil, and Mexico.

2012 was a year of clean vehicle policy adoption. Mexico is expected to follow the United States to finalize advanced vehicle efficiency standards. By 2016, both countries will have harmonized standards with an average of 35 miles per gallon for new cars (including SUVs and pickup trucks). The U.S. administration has recently finalized the strongest fuel economy standard in the world—54.5 mpg by 2025. Implementation of all these standards will avoid close to 740 million metric tons of CO_2 in 2030, which is roughly equivalent to shutting down about 40 percent of today's coal-fired power plants in the United States.

Moreover, this year Brazil became the first Latin American country to implement advanced emissions control standards for heavy-duty vehicles. These standards, known as Euro 6 standards, prevent smog-forming and toxic emissions from the tailpipes of trucks and buses. The new standards require the supply of low-sulfur diesel, with just 50 parts per million of sulfur. Petrobras, the Brazilian oil company, has successfully delivered this higher-quality fuel since January and is phasing out dirtier fuels across the country. This standard will reduce particulate matter emissions from diesel vehicles by 44 percent in 2020.

With strong clean vehicle standards now in place in Mexico, Brazil, and the United States, our next challenge is to fund grantees that will focus on the successful implementation of these standards and to expand funding in other countries with high or growing air pollution rates from cars and trucks. One of the immediate priorities for clean fuels is to encourage implementation of the California Low-Carbon Fuel Standard, the only policy in place that limits the carbon content of fuels, requiring a reduction of 10 percent by 2020. This policy, enabled under the California Global Warming Solutions Act, was passed in 2007, but has yet to be implemented. The ethanol and oil industries have challenged the standard.

Finally, we continue to make progress toward our goal to reduce vehicle use in cities, with big milestones set for 2013. Last year, the Chinese government made a strong commitment, including a target of 3,000 km (1,875 miles) of Bus Rapid Transit (BRT) in its 12th Five-Year Plan. This was the result of successful demonstration projects in key cities such as Jinan, Kunming, and Guangzhou, with the active participation of our grantees. In the coming year, the Ministry of Transportation will publish the workplan for how to attain this goal; ensuring its implementation is a priority for our grantees. High-quality BRT systems are critical to maintaining high public transit use in China as passenger cars become more popular.

BUILD BROAD SUPPORT FOR CLEAN TRANSPORTATION IN THE UNITED STATES

The state of California is required to reduce its global warming emissions to 1990 levels by 2020 (about a 20 percent decrease from current levels). As nearly 40 percent of the state's emissions come from transportation sources, the Building Broad Support portfolio funds community, health, labor, and faith groups working for cleaner state transportation and land-use policies. This work is part of a larger effort to implement the state's landmark global warming law and set precedents that can spur deep reductions from transportation sources across the United States.

Serving Bay Area Communities

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

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

In 2012, the Hewlett Foundation continued its support of organizations working to get more urban children outdoors by building parks in their neighborhoods and supporting youth programs to get them out hiking and biking. Last year, grantees Bay Area Wilderness Training and Trips for Kids helped 7,000 underserved children experience the joy of riding and owning a bike or being outdoors in the Sierras or a natural area closer to home. The Trust for Public Land completed work on Hayes Valley, Boeddeker, and Balboa parks in San Francisco's Hayes, Mission, and Tenderloin neighborhoods, respectively.

The Serving Bay Area Communities grants also continued to support grantee efforts to improve transit, increase mobility, and reduce air pollution and sprawl. Relatively new state laws requiring planning agencies and cities to meet greenhouse gas targets in their development plans are beginning to be implemented, with low-income and minority communities gaining the most. This is a multiyear effort by many grantees working together on a strategy called the Great Communities Collaborative. Last year, they successfully secured transformational transit-oriented development plans in Oakland. Their Broadway Valdez plan includes planning for new homes for residents with varied income levels, progressive parking policies, and major investments in new pedestrian plazas and open spaces.

In 2013, we will continue to focus Serving Bay Area Communities grants on ensuring access to parks and the outdoors for underserved youth and supporting efforts to improve air quality and mobility in the region's poorest neighborhoods through better transit and improved city planning. It is expected that the number of children served and community organizations supported will be 7,700 next year. Additionally, three urban parks and five transit-oriented neighborhoods will move closer to completion in the Bay Area.

THE WILLIAM AND FLORA HEWLETT FOUNDATION

2012 REPORT TO THE BOARD*

EFFECTIVE PHILANTHROPY GROUP

UPDATES AND HIGHLIGHTS

Good philanthropy is a serious undertaking, requiring knowledge and expertise in the craft of grantmaking, as well as in our fields of giving. In summer 2012, the Foundation created the Effective Philanthropy Group to support our continued excellence in philanthropic practice and our contributions to developing and improving the field of philanthropy overall. The group's creation is part of the evolution of the Foundation's emphasis on and commitment to outcome-oriented philanthropy.

This is a hybrid operation, with responsibility for both internal strategic functions and external grantmaking. While this is a new team, it is really a coalescence of related functions that, up to this point, have resided in different parts of the Foundation. The group's work will include the following five components:

- Strategy Support
- Evaluation Support
- Organizational Learning
- Organizational Effectiveness Grantmaking and Support
- Philanthropy Grantmaking

We describe each of these functions below: what we understand them to be, as well as what is on the horizon for 2013. First and foremost in the coming year, we will clarify our group's aspirations and articulate how we intend to be more than the sum of our parts. We plan to work with others across the Foundation to set a clear and compelling course for the group's future, under Fay Twersky's leadership.

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STRATEGY SUPPORT

A hallmark of Paul Brest's presidency was the development of outcome-oriented philanthropy—ensuring that donors and their grantees articulate clear objectives for what they hope to accomplish, design realistic strategies to achieve those objectives, assess their progress, and modify their strategies as needed. For more than a decade, the Foundation has devoted considerable energy to developing principles and standards for this approach, tackling the theoretical construct of outcome-oriented philanthropy and reworking the framework based on practice. Every Foundation program has thus conducted an extensive and rigorous strategic planning process, as well as commissioned evaluations to assess progress for important initiatives. With the idea that an outcome-oriented mindset can and should be embedded throughout the whole institution, our administrative departments also develop and present annual plans to the Board.

Given the Foundation's extensive experience with strategy, the Effective Philanthropy Group is not starting from scratch in providing support. We will build upon what has been accomplished to date. Not the least of our efforts will be a strategic planning process for our own Effective Philanthropy Group. We expect to learn a great deal from this experience and to incorporate those lessons into how the Foundation conducts and refreshes strategies.

EVALUATION SUPPORT

Evaluation became a key focus for the Foundation this past year. With strong endorsement from Foundation leaders, we undertook an effort to advance evaluation practice across our programs in order to better understand the impact and effectiveness of their grantmaking strategies and where we might do better.

In January 2012, we launched an internal Evaluation Working Group, with the active leadership of the program directors. The purpose of the Working Group was to bring more coherence and clarity to how the Foundation approached evaluation. All the programs were doing evaluation, but all wanted to do it better. To that end, we developed a set of evaluation principles and a practice guide to be used as a reference for the various stages of evaluation design, implementation, and use of results. We provided opportunities for conversation, skill building, and consultation on evaluation efforts in all programs and departments. There was enthusiastic engagement by staff in this process, demonstrating great will to systematically learn and improve. We also consulted with grantees and field colleagues when developing the principles and practice guide and received helpful feedback. Our overtures to grantees and the field similarly were met with enthusiasm, and there seems to be a high level of interest in this work.

In 2013, we will build on this momentum. We will hire an evaluation officer to provide ongoing support and advice to program staff and continue to enhance Foundation-wide resources for evaluation practice. We will launch an Evaluation Community of Practice (a group with common interest in the topic and a desire to learn how to do it better) for staff who want to increase their practical problem-solving skills and share ideas and experiences. Finally, as a long-term goal, we will work with programs to consider how to best build the evaluation capacity of our grantees.

ORGANIZATIONAL LEARNING

As programs are implementing more complex strategies, there is a need and appetite to learn more thoroughly from each other's experiences—about the craft of grantmaking, the different approaches we use to help create change in the world, and our successes and failures. This past year, we experimented with new ways of using our in-town weeks and other program-wide meetings to support and create effective, enjoyable ways for program staff to learn and improve.

In 2013, we will work with others in the Foundation to develop a plan for organizational learning. We expect to consider different methods of learning, including supporting staff reflection, training, and workshops; experimenting with new efforts to integrate performance measurement; and involving grantees in some of our learning.

ORGANIZATIONAL EFFECTIVENESS GRANTMAKING

Strong grantee organizations are the engines that power the Foundation's success. With highly capable grantees, we are more likely to solve the social and environmental problems the Foundation cares about. Yet for most grantees, including the highest performing, organizational challenges are common and ongoing. These are not necessarily caused by an organization's weakness or poor management, though this is sometimes the case. Most often, grantee organizational challenges result from healthy risk taking, institutional growth, or the need to adapt to a rapidly changing environment.

Organizational Effectiveness (OE) grants are a flexible and responsive way to support activities that strengthen grantee organizations. Since the Board approved the OE program in 2004, staff have made over 400 OE investments with the goal of making meaningful contributions to grantees' health and resilience. Grantees typically use the supplemental OE funds to hire consultants to support leadership and board development, financial management, external communications, and alliances; to develop internal operations like performance management systems; and to address other organizational challenges or imperatives such as mergers.

In 2013, OE staff will continue to partner with colleagues across the Foundation's programs to make effective OE grants. We also will support the annual Hewlett Communications Academy for grantees. We will share the Foundation's new grantmaker training resources with the broader field so that other foundations can benefit from them. Finally, we will continue to play a leadership role in the field: facilitating a new OE funder community of practice and seeking ways to both learn from the field and proactively share the lessons we have gathered in a near decade of OE grantmaking.

PHILANTHROPY GRANTMAKING

As big as the Hewlett Foundation is, we represent only a tiny fraction of philanthropy in the United States. With our relatively modest Philanthropy Grantmaking investments, we have the opportunity to influence philanthropic practice more broadly and, by extension, help improve the effectiveness and impact of the overall nonprofit sector.

Since 2006, the Philanthropy Program's grantmaking has been guided by two primary strategies. First is the Nonprofit Marketplace initiative, intended to give donors easy access to high-quality information about nonprofits in order to inform their charitable giving. Second is investment in key institutions that are devoted to improving philanthropic practice more generally.

In 2013, the Effective Philanthropy Group is pleased to be bringing on a new program officer to guide Philanthropy Grantmaking: Lindsay Louie will replace Jacob Harold, who recently left to become CEO of GuideStar. We expect to not only maintain focus on existing strategies but also consider new ways of supporting the sector.

IN SUM . . .

We are excited to launch the Effective Philanthropy Group, hopeful that it can be more than the sum of its parts, and mindful that we have a lot of work to do. We look forward to playing our part in helping The William and Flora Hewlett Foundation continue to be an excellent grantmaker and philanthropic leader. This includes both big things, like developing strategies and measuring results, but also everyday things, like actively learning and supporting grantees to be highly effective. As public servant and nonprofit luminary John Gardner said, "Excellence is doing ordinary things extraordinarily well."

Organizational Effectiveness

ULTIMATE GOAL: Grantees funded by the Foundation's Organizational Effectiveness program bolster their ability to be high-performing organizations and achieve the goals that they share with the Foundation.

THEORY OF CHANGE: Targeted capacity-building grants help strategically central grantees strengthen their core organizational capabilities, which, in turn, improve grantees' overall effectiveness. Healthy grantee organizations minimize risk in the Foundation's grant portfolios and increase the likelihood of achieving the Foundation's goals.

The Foundation's OE efforts reached an important maturation point this year. OE investments are no longer a disconnected thread only occasionally integrated into programs' grantmaking strategy and activities; today, OE is deeply woven into the fabric of the Foundation's work. It is increasingly factored into programs' multiyear strategic planning efforts, annual processes, and ongoing grantmaking.

The following is a sample of recent OE grants:

- A $15,000 grant to The Abdul Latif Jameel Poverty Action Lab at MIT, a Global Development and Population Progam grantee, enabled a restructuring of its financial management systems so that its global affiliate offices could accurately and efficiently report on their finances.

- A $25,000 communications and fund-raising grant to the Greater Yellowstone Coalition, an Environment Program grantee, increased its Internet visibility, fund-raising success, and membership.
- A $150,000 "Deep OE" grant to Young Audiences of Northern California, a Performing Arts Program grantee, supported a comprehensive organizational assessment and then a multiyear sequence of capacity-building activities, ranging from strategic planning to board development to financial management.

Beyond such OE grantmaking, this past year we introduced new resources for program staff.

NEW STAFF TRAINING

The Foundation's program officers—typically domain experts—begin their eight-year terms with varying degrees of knowledge about nonprofit management. The 2011 Staff Perception Report confirmed our sense that additional knowledge and resources would buttress our colleagues' OE work. In response, the OE team designed and delivered custom in-house workshops aimed at strengthening program staff's skills in assessing grantee organizations. Over fifty Foundation staff participated in the daylong trainings and found them to be both valuable and relevant to their day-to-day grantmaking practices.

To supplement these training sessions, we developed a comprehensive OE grantmaker guide and created basic assessment and planning tools to help staff identify grantee capacity needs, prioritize projects, and select appropriate types of support to offer grantees. As program staff begin to test drive the new tools, we observe a promising shift: staff are increasingly targeting their limited OE funds to the most strategically important grantees in their portfolios.

Philanthropy Grantmaking

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

THEORY OF CHANGE: Donors are more likely to maximize the impact of their dollars if they use good information about nonprofit performance to inform their decisions (Nonprofit Marketplace) and have access to high-quality research and analysis (Philanthropy Infrastructure). Donor behavior based on performance will help drive stronger nonprofit performance.

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

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

2012 was the year our Philanthropy Grantmaking ceased to be a solo effort. Building upon our work over the last several years, we partnered with the Bill & Melinda Gates Foundation and the financial firm Liquidnet to launch a "Markets for Good" campaign. This campaign asks a simple question: "What can we do to make the social sector more effective?" and then offers a simple answer: "Organize information about the creation of social good."

There are many efforts to use the Internet to advance social good. Our research has found a total of 381 Web platforms for good:

- 171 sites for online giving
- 111 sites aggregating information about what works
- 86 sites with social indicator data
- 13 sites with data about resource flows

The field's challenge is to weave together this extraordinary activity and ensure it helps us all achieve our shared goals.

This is a challenging undertaking, as we learned from a recent evaluation of the Nonprofit Marketplace initiative by Arabella Advisors. The evaluation underscored that our focus on data-driven donors is not sufficient to transform nonprofit performance. The bulk of donors have not shown themselves to be heavily swayed by data, so the mere availability of good information will shift behavior for only a subset. Instead, we must consider the needs of other audiences: policymakers, beneficiaries, and nonprofit leaders. Most notably, the evaluation made clear that we must strengthen the incentives for nonprofits to share more information about their work.

As we refresh our Philanthropy Grantmaking strategy in 2013, we will explore new ways to generate and apply high-quality performance information for decision making, as well as other forms of support for the sector, as experience and opportunities suggest.

THE WILLIAM AND FLORA HEWLETT FOUNDATION

2012 REPORT TO THE BOARD*

GLOBAL DEVELOPMENT AND POPULATION PROGRAM

UPDATES AND HIGHLIGHTS

The Global Development and Population Program is designed to improve well-being and opportunity for low-income people both in the developing world (with a particular focus on sub-Saharan Africa and Mexico) and, in a more limited way, in the United States. We organize our international work into two lines – one focused on transparency, accountability, and the generation and use of evidence for policy making; the other supporting the empowerment of women, particularly through significant investments in reproductive health and rights around the world. We also have been engaged in a large-scale, time-bound initiative to improve the quality of education in developing countries. In the U.S., we focus on reproductive health and rights, including the reduction of teen pregnancy.

Transparency and Accountability

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

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

We selectively pursue opportunities to fund organizations that advocate for policies that promote the adoption of global norms and standards for greater transparency. In Kenya, for instance, the government has already taken impressive steps to provide online access to information about the public sector through its Open Data Initiative. In addition, in 2013 the World Bank will

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release the Foundation-supported Service Delivery Indicators survey data for Kenya, which for the first time will provide comparable, objective measures of quality of service delivery in both urban and rural parts of the country. With Kenya's growing strength as Africa's technology hub, we are hoping to see a groundswell of interest in finding creative ways to use this data set.

We anticipate progress in 2013, building on momentum in 2012, in international efforts to set even higher standards for publicly sharing information about the revenues derived from oil, gas, and mining exploitation. Following the example set by the United States in adopting rules that require oil, gas, and mining companies to report more detailed financial accounts of their activities, the European Union is likely to adopt similar mandatory reporting requirements. Members of the Extractive Industries Transparency Initiative are also reviewing and strengthening their reporting standard, including the disclosure of contracts, so that citizens can ensure that their governments are managing well their natural resource wealth.

Building Blocks for Effective Development and Think Tank Initiative

ULTIMATE GOAL: Ensure that development policies and programs are grounded in evidence, subject to rigorous evaluation, and informed by African perspectives and expertise.

THEORY OF CHANGE: Our strategy to achieve this goal has four parts: (1) expand the supply of high-quality policy research, in particular by building the capacity of policy research institutions in developing countries (Think Tank Initiative); (2) ensure that more development programs are subject to rigorous impact evaluation, and that evaluation findings are used to improve program design; (3) amplify the influence of leading thinkers from Africa within global policy debates; and (4) stimulate the development of innovative, future-oriented solutions to persistent development challenges.

A major portion of our work in this component in 2013 will be the conclusion of an independent evaluation of the first four years of the Think Tank Initiative, which was commissioned by the Initiative's five funders, including the Hewlett Foundation. The evaluation will inform the design of the Initiative's second phase. The lessons we expect to emerge from the evaluation should include how effective the flexible institutional support has been in permitting think tanks to pursue an independent agenda of research and policy engagement; what impact the organizations' research is having on national policy; and what contributions the initiative is making to building the think tank field, including funding practices.

Quality Education in Developing Countries

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

THEORY OF CHANGE: Our strategy to achieve this goal has two parts: (1) strengthen accountability for children's learning by promoting international and national learning goals and supporting civil society assessments of children's learning and education expenditures; and (2) identify how to improve children's learning by supporting organizations in sub-Saharan Africa and India that improve instructional practices, learning outcomes, and policies; and by collecting, evaluating, and sharing evidence about practices and policies to improve children's learning.

In 2011, the Hewlett Foundation's Board committed additional funding over three years to the Foundation's work on quality education in developing countries. This permits us to continue a line of work that has yielded important returns, both at the policy level and for individual children. It is, however, a lower level of grantmaking than was possible when the Bill & Melinda Gates Foundation cofunded the work. As a consequence, we have had to make some targeted, and at times painful, choices. The new orientation takes advantage of some key opportunities for policy change based on new knowledge about what works and what doesn't.

In many countries—notably including the countries in which Foundation grantees work—data gathered by testing millions of children has persuaded governments, donors, and parents alike that current levels of student achievement in basic reading and math are unacceptably low. Governments and major donors now recognize that there is a global learning crisis.

Some are pursuing solutions to the crisis. However, there is still some distance to go for governments to use learning outcomes as their metrics of success and move beyond a "business as usual" focus on more teachers and other inputs. Nearly all the major donors to basic education in developing countries have now adopted student mastery of reading and basic math as key goals and the foundations for learning later skills, including critical thinking. Many donors are developing indicators to track progress against these goals, and some are beginning to invest in improving instructional practice on a large scale.

The other major change since 2006, due in part to our investments in expanding and testing different teaching-and-learning models, is a growing body of evidence about how to make the most of education dollars to improve learning outcomes. We are still far from a sufficient base of knowledge about how to scale up effective models, and much of what we have learned through rigorous evaluation is humbling. But the demand for strong evidence is growing, and we see genuine hunger for tested solutions from developing country governments, large nongovernmental organizations that operate school networks, and international donors.

Given these changes, as well as the reduced level of grantmaking, we have reoriented the work of the Program in five ways:

- We are consolidating and will publish the evidence from impact evaluations that we have funded, and we are encouraging others to continue to fill in evidence gaps.
- At the international level, we are focusing advocacy activities on pressuring donors to use learning outcomes as the measure of an education system's success. We are supporting a range of technical and advocacy organizations to work on establishing a "learning goal" within the post-2015 international development goals—a task that requires both technical advances in measuring learning and consensus building within a contentious field.
- At the country level, in general, we are leaving the work of tracking education dollars to organizations supported through the Transparency and Accountability portfolio that have an education or broader social sector focus, and are not directly supporting that work through this component. At the same time, we are maintaining and even strengthening support for civil society learning assessments. This approach—linked to the Program's efforts to understand how information can help citizens effectively place demands on government officials—has shown tremendous promise and merits ongoing support.
- We plan to put fewer dollars into funding large-scale projects to demonstrate that learning is possible and identify effective instruction taking place in many schools.
- Rather than pursuing country strategies that include building a full network of organizations working on education and learning, we have identified and will continue to support in-country grantees that have a vision of system change and the institutional profile to promote it.

International Population, Family Planning, and Reproductive Health

ULTIMATE GOAL: Stabilize population growth rates and ensure reproductive rights.

THEORY OF CHANGE: By capitalizing on the Foundation's tolerance for risk and long-term commitment to the family planning and reproductive health (FP/RH) field, this component tackles some of the world's most intractable FP/RH issues, with a focus on sub-Saharan Africa. Our outcomes include ensuring no woman dies of unsafe abortion, achieving equitable access to quality FP/RH services through proven policy reforms in strategic geographies, and helping to prepare the FP/RH field for future challenges and opportunities.

The international population, family planning, and reproductive health work supported by the Foundation has sought influence in a mature field primarily through support to major institutions and other advocacy groups focused on the U.S. and European donor community. Much of the Foundation's support has been in the form of general operating support. This has been complemented by more targeted project investments, including a portfolio of research on the links between economic outcomes and demographic change (“PopPov” research) and specific investments to advance the development and market introduction of the female condom.

While this approach has yielded important benefits for the field, in 2012 we took a fresh look at a strategy that had been in place for more than five years in order to increase the impact of Foundation funding. We started by considering how the work on population, reproductive health, and family planning, now within an integrated Global Development and Population Program, could take best advantage of links to our transparency and accountability activities, possible future work on women’s economic empowerment, and other development issues.

We then examined implications of important changes in the external context. For example, more than ever, the role of international donors is secondary to the role of national governments in determining the level and type of reproductive health and family planning services that are available to low-income women in the developing world.

Other foundations such as the Bill & Melinda Gates Foundation and new funders of international reproductive health, including Bloomberg Philanthropies, have become more prominent players. This has prompted us to look at where our resources can make the most difference, both within individual organizations that benefit from diverse funding streams, and overall in the field.

We also observe a growing optimism about addressing high fertility and poor women’s health in Francophone West Africa. This region, which has received relatively little donor attention, now has somewhat more progressive government leadership, greater awareness of the economic costs of rapid population growth, and stronger representation in civil society. Given the Foundation’s existing relationships and prominence in the reproductive health field in the region, we believe we can have a major impact with relatively modest funding, strategically deployed.

Although our new approach is still in formation, and in the end will form part of a coherent strategic framework for the Program, at the time of this writing we are homing in on two focus areas for our grantmaking:

- Ensuring that no woman dies of unsafe abortion—by expanding access when abortion is legal and advocating for reforms when policies are restricted.
- Increasing equitable access to quality family planning and reproductive health services through policy action in strategic geographies, particularly Francophone West Africa—by establishing models of success, advocating for proven policies and practices, and empowering young women to choose their desired fertility level.

We will also continue to support demographic training, data collection, and research, although in ways that link to our broader work to advance the generation and use of evidence for policymaking.

U.S. Family Planning and Reproductive Health

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

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

The context for the protection of reproductive rights and promotion of reproductive health in the United States has changed dramatically in the past several years, with shifts in opposing directions. With the passage (and later ratification by the Supreme Court) of the key elements of the Affordable Care Act, millions of women will now have access to free contraception. At the same time, attacks from political factions have extended beyond a focus on restricting abortion to curtailment of access to contraception. For example, in 2011, the Texas state legislature cut the state's family planning budget by two-thirds, and as a result sixty health centers, including twelve run by Planned Parenthood, were forced to close their doors. Comprehensive health care for women became one of the most contentious issues in the U.S. presidential campaign—a situation that led to setbacks in some states, and at the same time mobilized millions of Americans in support of access to reproductive health services.

Our 2012 grantmaking focused on modest but important funding on leading-edge questions that will, we believe, have major implications for effective, affordable family planning and access to abortion. For example, we supported a small-scale effort to test ways to reduce the stigma surrounding abortion. Through book clubs and other gatherings, women have been given the opportunity to tell their story about abortion. This project is testing the idea that when a woman who has had an abortion talks about it with her friends and acquaintances, it will affect their opinion on abortion and move them in a pro-choice direction. The experience on other issues such as gay rights has been that when one knows a gay person directly, it tends to make one more likely to support gay rights. With one-third of American women having had an abortion at some time during their lives, reducing stigma can not only help women place their experiences into context and feel less isolation but also can help change opinions and build grassroots support.

Special Initiative to Reduce the Need for Abortion

ULTIMATE GOAL: Reduce the U.S. abortion rate by 50 percent over ten years by reducing unplanned pregnancy.

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

In July 2012, we presented to the Board an evaluation of the largest grantee under the Special Initiative to Reduce the Need for Abortion: The National Campaign to Prevent Teen and Unplanned Pregnancy. That evaluation was overwhelmingly positive, affirming observations we have made over the years about the effectiveness of The National Campaign's activities and approach. The evaluation found that The National Campaign has fulfilled the ambitions of the grant in essential ways. It has done so by advancing science-based public policy that expands access to effective services and by developing innovative ways to reach young women with messages relevant to their lives, both through intermediaries such as community colleges, and directly through television and online media. While methodological obstacles prevent us from estimating the impact on the incidence of abortion, the effect of The National Campaign's activities on the factors that influence the rate of unplanned pregnancy strongly suggests that those activities are resulting in fewer abortions than would otherwise have occurred.

THE WILLIAM AND FLORA HEWLETT FOUNDATION

2012 REPORT TO THE BOARD*

PERFORMING ARTS PROGRAM

UPDATES AND HIGHLIGHTS

In 2012, we began to fully implement our new strategic framework. For the first time in several years, we added a cluster of new grantees in the Serving Bay Area Communities component. These organizations were identified through county-level scans by Program staff in conversation with regranting intermediary partners. As identified in our new strategic framework, we sought community-based organizations focused on arts engagement in high-risk neighborhoods and disadvantaged communities in our region. These organizations continue to diversify the types and aesthetics of performing arts organizations within our portfolio to represent the changing demographics of the San Francisco Bay Area.

Building upon our new strategic framework, we also launched three major research and evaluation projects this year. Each of these helps us to understand the arts ecosystem and the specific role our grantees play within it.

1. ***Capitalization Indicators and Analysis of the Program's Portfolio***, conducted by Olive Grove Consulting and Fiscal Management Associates, LLC. Using financial data from the California Cultural Data Project, this research report identifies seven indicators of organizational financial health, including short-term liquidity, net asset composition, debt load, and operating results. Following the prolonged recession, arts organizations have slim operating margins, low levels of liquidity, and minimal reserves. By building financial literacy and encouraging surplus budgets, arts organizations will increase their capacity to achieve their missions over time.

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2. ***The Faces of the Future: An Assessment of California's Next Gen Emerging Arts Leadership Initiative,*** a collaboration by the Irvine and Hewlett foundations, prepared by Harder+Company Community Research. This evaluation report assesses and documents the process of building the Initiative in its first three years and identifies early lessons that can inform the strategy's ongoing funding. Leaders actively involved in the Initiative's activities report a high level of satisfaction and impact, particularly in the areas of professional networking and management skill development. The evaluation informed our decision to recommend renewed funding and to modify the Initiative to meet participants' evolving needs.

3. ***Collecting Standardized Demographic Information***, by a leading national arts marketing consultant, Alan Brown of WolfBrown. The results of this research, anticipated in early 2013, will help us understand who participates in the arts and which communities benefit from the Hewlett Foundation's Performing Arts funding. It will enable us to update baselines and better clarify long-term targets of our new strategic framework.

Continuity and Engagement

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

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

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

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

Arts Education

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

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

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

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

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

Our grantees' Arts Education activities fall into three categories:

- ***Program Delivery***, to support outstanding K-12 arts education programs in school, after school, and out of school.
- ***Policy and Advocacy***, to advance research and advocacy to improve state and local arts education policy.
- ***Pre-professional Training***, to foster world-class training opportunities for exceptional young performing artists.

Infrastructure

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

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

The Infrastructure component has three strategies:

- Encouraging ***connections*** within the arts community to promote best practices and collaboration.
- Providing tools for collecting, organizing, and accessing organizational and ***field information***.
- Ensuring proper ***human and financial capitalization*** for arts organizations.

Our ***Connections*** strategy covers all Program activities to encourage increased cooperation and information sharing across the field. Grantees in this activity cluster are intermediaries that, through regrants and other funding mechanisms, enable arts organizations to collaborate to solve shared problems and address collective needs. These grantees also help engender a sense of community, encouraging artists and arts administrators to broaden their understanding of issues facing their field as a whole. Some of this work includes conferences and workshops, such as those on marketing and pricing strategies, which spread knowledge and best practices throughout the arts community. The Program fosters connections mainly through support for arts service organizations and discipline-specific groups.

Our ***Field Information*** strategy includes continuing investments in activities that provide tools, standards, and services for collecting, organizing, and accessing field data. This work aims to address the need for reliable information about the state of performing arts in the Bay Area. Artists, arts administrators, funders, and policymakers are able to make better, more-informed decisions when they have access to information that describes the overall state of the Bay Area's arts environment as well as the conditions of individual organizations. Key data on finances, participation, and performance activities are collected using flexible information standards, so that new kinds of data can be tracked in the future.

This strategy currently consists of two major initiatives, the Bay Area Cultural Asset Map (BACAM) and the California Cultural Data Project, financed in collaboration with other major California arts funders and The Pew Charitable Trusts. In 2012, our BACAM tool was adopted by a national arts research project at Harvard University's Hauser Center for Nonprofit Organizations, and it will be replicated in six regions across the United States as part of the Initiative for Sustainable Arts in America.

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

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

THE WILLIAM AND FLORA HEWLETT FOUNDATION

2012 REPORT TO THE BOARD*

SPECIAL PROJECTS

UPDATES AND HIGHLIGHTS

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

- Initiatives (Nuclear Security Initiative and Community Leadership Project)
- Collaboration with Programs and Departments
- Opportunistic Grantmaking

Over the years, Special Projects has incubated numerous initiatives that either went on to become larger Foundation programs or were stand-alone efforts aimed at taking advantage of unique opportunities. We currently support one such initiative, the Community Leadership Project.

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Initiatives

In 2007, we began an exploratory Nuclear Security Initiative to combat the threat posed by nuclear weapons and illicit nuclear technology. In 2011, the Initiative received grant funds to continue this work through 2014.

NUCLEAR SECURITY INITIATIVE

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

THEORY OF CHANGE: Reducing the probability that a state or terrorist uses a nuclear weapon or acquires the fissile material to make one requires coordinated work on three fronts that reinforce one another:

- Promoting changes in the defense policies of nuclear weapons states like the United States and China that reduces their reliance on nuclear weapons.
- Bringing emerging-power nations making key decisions about nuclear technology into the global debate on nuclear policy.
- Where nuclear power is being pursued, championing the importance of keeping fissile material safe and secure.

The Nuclear Security Initiative pursues these goals by supporting grantees focused on nuclear policy in nuclear weapons states like the United States and China; in key emerging power countries like Brazil and Turkey; and in countries playing an important role in nuclear power exports like South Korea. The Initiative also supports grantees working to strengthen trust, communication, relationships, and understanding between policymakers in the key nations mentioned above.

In the past, gains in nuclear security have traditionally been made via legislative action in the United States. However, Congress has been largely unable to pass authorizing legislation in recent years, so grantees have employed the following strategies to make progress:

- Educating members of Congress on the effect of nuclear weapons spending, and focusing on actions the executive branch could take on its own.
- Beginning pilot projects in Brazil and continuing work in Turkey to make progress in emerging-power countries that are likely to have a large impact on nuclear policy in the medium term.

We anticipate continuing to fund these strategies in 2013.

Progress in 2012

Because nuclear arms treaties are very unlikely to be ratified by Congress for the foreseeable future, our Washington, D.C.–based grantee, the Ploughshares Fund, began a campaign to reduce the amount the United States spends on nuclear weapons—estimated to be approximately $31 billion annually. Ploughshares brought together organizations engaged in advocacy, research, communications, and media to educate policymakers about the impact of nuclear weapons spending. So far, the nuclear budget campaign has helped delay the production of nuclear submarines and is poised to eliminate a program to create a new type of nuclear weapons material and a facility to produce bomb components. These changes would save an estimated $26 billion over the next ten years.

Reducing the nuclear weapons budget is not an end in itself, but a means to the end of shrinking the U.S. nuclear weapons arsenal. By educating policymakers and the public about how much we spend on nuclear weapons and highlighting the weapons' lack of military utility in the current strategic environment, grantees can build political pressure to shrink our nuclear arsenal and change the way Americans think about nuclear weapons.

Our second strategy is to make grants to organizations in emerging-power countries that will make key decisions about nuclear security policy and nuclear energy that are likely to have ripple effects internationally. We have continued to support the Center for Economic and Foreign Policy Studies in Turkey, which is using its unusual combination of energy and national security experts and its relationships in Turkish government to inform Turkey's acquisition of nuclear power reactors. The Center is positioning itself to become the primary extragovernmental resource that staff at Turkey's Ministry of Foreign Affairs, Ministry of Energy, and Atomic Energy Agency rely on to understand how their nuclear power decisions affect proliferation. In addition, the Center is working to ensure that, as the recent Middle East tumult continues, Turkish policymakers understand that the international community is looking closely at their reaction.

Priorities in 2013

In 2013, grantees will work to (1) enlarge the capacity of key emerging-power nations to engage in the global debate about nuclear weapons and nuclear power, (2) build upon progress in reforming U.S. nuclear weapons policies with activities that do not require legislative action, (3) develop and encourage implementation of measures that would build trust between the United States and China, and (4) ensure the long-term sustainability of the Nuclear Power Exporters' Principles of Conduct.

COMMUNITY LEADERSHIP PROJECT

ULTIMATE GOAL: Increase the sustainability of a group of approximately sixty small, community-based organizations serving low-income people and communities of color in the San Francisco Bay Area, San Joaquin Valley, and Central Coast of California.

THEORY OF CHANGE: We believe that a sustainable organization has three characteristics: resilient leadership, adaptive capacity, and financial stability. Multiyear general operating support, combined with targeted technical assistance and leadership development, can strengthen organizations' governance, strategic planning, infrastructure, fund-raising, and management systems. Intermediary organizations that have strong local and regional networks are best poised to deliver effective capacity-building and leadership development programs to grassroots organizations serving low-income people and communities of color.

The Community Leadership Project (CLP) was launched in 2009 as a $10 million, three-year collaboration between the Packard, Irvine, and Hewlett foundations to build the capacity of small and midsize organizations serving low-income people and communities of color in targeted regions of California. Guided by a three-pronged strategy of regranting, technical assistance, and leadership development, the three foundations funded twenty-seven grantmaking intermediaries to advance an assortment of capacity-building approaches that address the core components of effective nonprofit management. In 2012, the foundations allocated up to $10 million for a second phase of the CLP for an additional three years.

Progress in 2012

In the final year of Phase 1 of the CLP initiative, we are on track to meet our goals and targets, based on written reports, telephone interviews, and site visits with all intermediaries conducted by the three foundations and consultants from Learning Partners. In addition, a formal evaluation of the initiative is being conducted by Social Policy Research Associates and Leadership Learning Community. Information about the CLP is available at www.CommunityLeadershipProject.org.

Regranting intermediaries have committed all funds, with 104 community organizations receiving general operating support and technical assistance grants. This surpasses our three-year goal of reaching 100 organizations with budgets ranging from $25,000 to $2 million that serve low-income communities and communities of color.

Leadership development intermediaries are on track to meet the goal of reaching 550 people. Trainings have addressed issues of race, class, and culture; development of analytical skills; and leadership renewal. Because leadership programs recruit multiple time-lagged cohorts of participants, additional recruiting will occur over the next several months to achieve the goal.

Technical assistance has been provided by five intermediaries to 350 organizations and individuals, achieving our three-year goal. Trainings include finance, board development, fund-raising, and technology.

Capacity-building Strategies 2009–12	**Amount**	**Phase 1 Targets**	**Status**
Regranting by 12 intermediaries	$6,830,000	100	100%
Leadership development by 10 intermediaries	$1,770,000	550	100%
Technical assistance by 5 intermediaries	$1,400,000	350	100%
Totals	**$10,000,000**	**1000**	**100%**

Priorities for 2013

1. **Initiate Phase 2 selection process for community grantees in collaboration with Packard and Irvine foundations and intermediary grantees.**

   Through five regranting intermediaries, the CLP's next step in spring 2013 is to make grants to a group of approximately sixty small, community-based organizations serving low-income people and communities of color in the San Francisco Bay Area, Central Coast, and San Joaquin Valley of California. These community grantees will receive a combination of multiyear general operating support and structured technical assistance to increase their sustainability.

2. **Finalize formal evaluation of Phase 1, and initiate process for Phase 2 evaluation, including selection of consultant.**

The Foundation will receive the final evaluation from Phase 1, and the same consulting firm has been engaged for Phase 2. The evaluation will seek to measure the CLP's impact based on our belief that a sustainable organization has three characteristics—resilient leadership, adaptive capacity, and financial stability—with these indicators:

Resilient leadership

- Board, staff, and volunteers with a unified sense of purpose and well-developed management skills.
- Leaders connected to the community they are serving and networked to peer organizations.

Adaptive capacity

- Clear, strategic organizational goals and a plan to achieve those goals.
- Ability to adapt fluidly to unexpected changes, particularly in economic circumstances.
- Commitment to reflect on and learn from successes and challenges, using evaluation when possible, with the goal of continually improving performance.

Financial stability

- Clear business model and the resources (or the potential to mobilize needed resources) to achieve the organizational mission over time.
- Diverse sources of earned and contributed revenues.
- Ability to attract new donors.

Comparison of CLP Phases 1 and 2

	Phase 1	Phase 2
Project duration	3 years: 2009–12.	3 years: 2013–15.
Budget	$10M; 100% granted in 2010.	$8M granted in 2012 with consideration for final grants up to $2M in late 2015/early 2016.

Goal	Strengthen organizations and leaders serving low-income people and communities of color.	Increase the **sustainability** of small organizations serving low-income people and communities of color.
Strategy	Experiment and learn: • Regranting to 100 organizations. • Technical assistance to 350 organizations. • Leadership development to 550 individuals.	Offer integrated support to 55–60 organizations, with each receiving: • General operating support of $60K over 3 years. • Self-directed capacity-building of $20K over 3 years. • Structured menu of leadership development and technical assistance.
Target population	Nonprofit organizations working in any field to serve low-income people and communities of color in California's: • San Francisco Bay Area • Central Coast • San Joaquin Valley Annual budgets of $25K–$2M.	Same target population, within this adjusted budget range: Small organizations that have achieved a certain level of operational stability but still have *relatively small operating budgets, preferably $50K–$500K*.
Number of grantees	27 intermediaries reaching: • 104 organizations (high-touch support). • 550 organizations (lower-touch support).	5 regranting intermediaries reaching approximately 55-60 community grantees with high-touch and integrated support. 5 technical assistance providers reaching approximately 90 organizations.
Evaluation and communications	Additional commitment of ~$500K over 3 years, divided by the foundations.	Continued separate funding, likely at a similar level.

Collaboration with Programs and Departments

Special Projects collaborates with other programs and departments to support opportunities for impact in their primary areas of work. These collaborations may be financial, intellectual, or both. Financial collaborations use Special Projects funds to enhance another program's commitment to one of its grantees or to support an organization whose focus is beyond the scope of a program's specific strategy, but is still aligned with its overall goals. Intellectual collaborations enable Special Projects to make a grant from its portfolio of funds, while taking advantage of another program's expertise and oversight to aid in the grant's success.

As an example of intellectual collaboration, in 2012 Special Projects awarded a planning grant to Carnegie Hall for its Open Educational Resources (OER) initiative, aimed at developing a comprehensive collection of open educational resources for K-12 music learning. The initiative does not fit directly within the strategies of either the Performing Arts or Education programs, but staff from both provided their expertise and contacts to inform this undertaking. The project will help advance Carnegie's implementation of OER, support teachers' needs for skill-based music education resources, and raise awareness of OER among music educators and nonprofit music organizations.

Special Projects also continued its collaboration with the Foundation's IT department to provide programs with matching funds to make videoconferencing systems available to grantees. This was the fifth year such grants were awarded, and in 2011, we commissioned an external evaluation of the nearly fifty grants made to date. The evaluation yielded important findings that helped inform a substantial refresh of the strategy in 2012. For example, while more than two-thirds of grantees saved time or money by using their videoconferencing systems to reduce travel, the ambitious reductions forecast in grantees' proposals were rarely achieved. At the same time, almost all grantees reported other significant benefits, including improved internal communications, new opportunities for external partnerships and staff development, and improved recruitment through video interviews with job applicants. The revised strategy will substantially increase the use of existing and new videoconferencing equipment by addressing software compatibility problems caused by the proliferation of videoconferencing services (e.g., Skype and Google+) over the last five years.

Finally, Special Projects also allocated a modest amount of funds for technology-related grants that seek to strengthen the Foundation's work as a whole. These grants aim to increase the impact of nonprofit organizations by improving their use of technology and to support innovative technology projects that align with our programs' strategies. The allocation recognizes the growing importance of technology to virtually every aspect of the Foundation's work.

Opportunistic Grantmaking

Special Projects funds are also used to explore areas of potential future interest to the Foundation, beyond the current program areas. In 2012, this included grants to several organizations working to strengthen democracy and media both in California and nationwide.

Nationally, the Foundation provided funding to the Bipartisan Policy Center (BPC), a think tank that supports deliberations by former elected and appointed officials, business and labor leaders, academics, and advocates. This grant will allow BPC's recently launched democracy work to expand beyond a focus on campaign finance and election administration to include the creation of a Commission on Political Reform, which will address current problems of political polarization.

We also renewed funding to two related programs: the Aspen Institute's Congressional Program and the Wilson Center's recently redesigned Congressional Foreign Policy School. Each organization offers nonpartisan educational programs that give legislators and legislative staff an opportunity to learn about critical domestic and foreign policy issues from top scholars and practitioners. However, the programs take distinctly different approaches. Each year, the Aspen Institute hosts members of Congress for several multiday conferences and a series of breakfast seminars on topical issues. By contrast, the Wilson Center will enroll select congressional staff in a more intensive series of six- to eight-week courses. Currently no other foreign policy program caters to these staff, despite their need for a functional, nuanced knowledge of complex foreign policy issues in order to effectively advise members of Congress.

In California, the Foundation continued its support of Strategic Concepts in Organizing and Policy Education, which works to increase civic participation across the state and to expand the capacity of California's community-based organizations working on issues of civic engagement.

Special Projects also continued its support of two key national media institutions that provide high-quality, independent information: National Public Radio (NPR) and the PBS NewsHour. NPR creates and distributes award-winning news, information, and music programming to a network of over 950 independent stations, reaching 34 million listeners every week. The PBS NewsHour continues to provide straightforward, informative news reporting and analysis on a variety of distribution platforms.

In California, funding was also renewed for California Watch, a project of the Center for Investigative Reporting. The Center employs a collaborative approach (e.g., cost-sharing with other journalism outlets) and innovations in distribution, which together present a possible new model for nonprofit journalism. The Center's California Watch project, seeded in 2009 with Hewlett Foundation funding, now represents California's largest team of investigative reporters and producers.