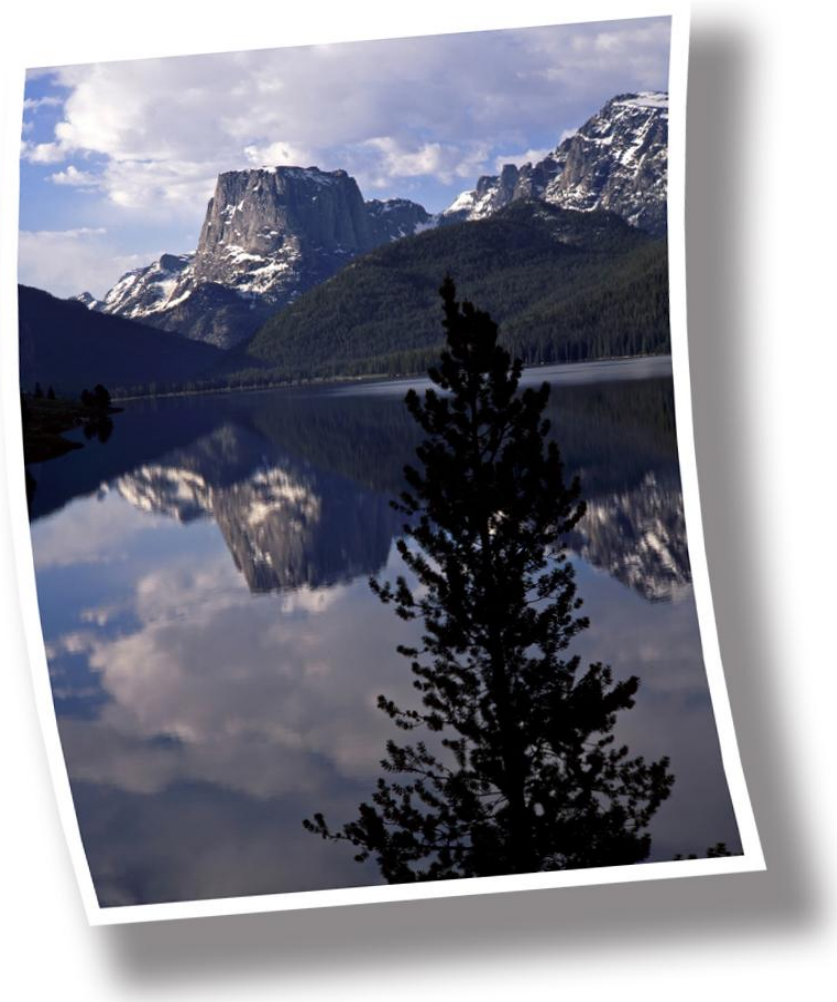
Doing good today and better tomorrow

A roadmap to high impact philanthropy through outcome-focused grantmaking



The William and Flora Hewlett Foundation Environment Program

June 1, 2009

Table of Contents

Summary

Philanthropy resides at a chaotic crossroads between science, art, and moral intuition. Navigating this intersection requires creativity and a unique mode of decision-making. Hanging in the balance, of course, is the ability to do good in the world. By stepping back and taking a moment to think about how to achieve the highest possible impact, philanthropy can do good today, and learn how to do better tomorrow.

This paper is part of the Hewlett Foundation's effort to increase the impact of its grantmaking. Over the last year, several programs at the Foundation have worked with Redstone Strategy Group to implement a new decision-making process called outcome-focused grantmaking (OFG). This step-by-step process (described more fully in Appendix 1) takes program officers from planning to implementation to evaluation, and back again, and provides a guide for identifying the highest impact portfolio of grants.

This paper – the third in a series documenting the OFG experiences of Hewlett's programs – has three chapters that discuss where OFG has been so far, recent innovations that have improved the process, and where it will need to go in the future.

1. Trial and error on the road to OFG

OFG is about ensuring maximum possible impact for philanthropic investment. That's a tall order when it involves some of the most intractable social and environmental problems in the world, but the Hewlett Foundation believes that it's worth the effort. Through the pioneering efforts of the Global Development, Population, and Environment programs, it has developed a rigorous process for choosing the best investments.

2. New and improved

Improved expected return techniques were instrumental in this implementation of OFG. Structured individual and group interviews enabled the Program to gather information from experts more effectively prior to estimating expected returns. Improved evaluation of policy options, and a more sophisticated optimization model for selecting policy and other investments both contributed to a high-return grantmaking portfolio. In addition, the Program was able to use a final set of checks and balances to manage imperfections in the ER analysis. Finally, the first fully outcome-focused budget developed at the Foundation ensures that OFG planning is followed through in implementation.

3. OFG and the future of philanthropy

OFG is far from set in stone – on the contrary, it has much growing and changing to do. In order to continue to improve the impact of philanthropic efforts, OFG will need to evolve and overcome challenges presented by a lack of data, complex modeling requirements, and hard-to-quantify value judgments. If it can tackle these roadblocks, OFG will drive better philanthropic outcomes and a more effective relationship between foundations and grantees.

1. Trial and error on the road to OFG

OFG is about ensuring maximum possible impact for philanthropic investment. That's a tall order when it involves some of the most intractable social and environmental problems in the world, but the Hewlett Foundation believes that it's worth the effort. Through the pioneering efforts of the Global Development, Population, and Environment programs, it has developed a rigorous process for choosing the best investments.

It's common sense to try to get the best value for your money, no matter what you're buying. For philanthropy, that means finding well-targeted and cost-effective solutions to some of the toughest problems on the planet. Unfortunately, identifying optimal ways to protect rare Western ecosystems or enhance reproductive rights for impoverished women is a lot harder than shopping for groceries.

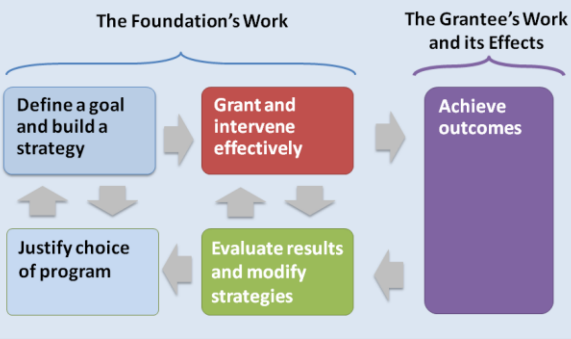
But that's no excuse not to try. In this spirit of trial and error toward an ambitious goal, the Hewlett Foundation is working to develop a system of outcome-focused grantmaking (OFG) to ensure that its resources achieve the greatest possible impact (Figure 1, with a more detailed explanation in Appendix 1). OFG was first piloted by Hewlett's Global Development Program in 2007, and was successively improved by application within the Population Program. These early experiences with OFG are documented in two prior papers: *Making Every Dollar Count* and *Making an Impact*. Both papers are reviewed later in this chapter, and summary excerpts are included in Appendix 2.

Now, this third paper in the series documents the successes achieved and challenges faced by the Western conservation component of the Environment Program as it applied OFG during its strategic planning process in 2008.

Why we do OFG

OFG is a way of thinking about philanthropic decisions that encourages careful introspection about goals and impact. Obviously, any philanthropy worth its salt is thinking about these issues on some level when making grantmaking decisions. However, there are several major advantages to a systematically outcome-focused approach like the one being developed by Hewlett. The following are some of the benefits that have been realized by the three programs within the Foundation that have implemented OFG.

Figure 1
The OFG process



A more cost-effective grant portfolio. This is the crux of OFG. By systematically and consistently estimating the cost-effectiveness of each potential investment, programs using OFG are able to maximize the impact of their overall grantmaking portfolios. OFG involves a rigorous analysis that helps program staff compare seemingly disparate investments on the same scale and make trade-offs between them. This goes well beyond what can be achieved through case-by-case or ad-hoc impact assessment.

Clarity about goals and values. What goes unsaid within a program or foundation is often especially opaque for grantees and partners trying to understand from the outside. Reflecting on – and explicitly stating – goals and values through OFG improves clarity and communication both internally and externally. Internally, clear definition of goals provides a common language with which to understand points of agreement and disagreement, and leads to better targeted (and consequently more effective) spending. Externally, helping grantees understand the foundation's vision allows them to focus on relevant issues and strategies, and to provide more constructive information and feedback to inform future grantmaking decisions.

Transparent assumptions. The decisions facing philanthropies are complex, and perfect understanding is still beyond our reach. When good faith decision-making can't wait until the science is perfect, OFG makes assumptions transparent and open to adjustment. This approach not only leaves room for improvement as knowledge expands, it actually encourages the development of better information and analysis by highlighting specific questions and uncertainties.

Metrics and targets for robust M&E. Effective monitoring and evaluation requires foresight, both to know what information will be needed down the road and to make arrangements to collect it before it is needed. Defining practical metrics that are both relevant to the foundation's goals and measurable in the real world is a crucial step in this process. Collecting data takes time, but defining the terms in which to measure success has to happen now. In the long run, this information will lead to more sophisticated grantmaking based on relevant, comparable measurements of success and failure in the field.

Early efforts

Two programs at the Hewlett Foundation implemented early, partial versions of OFG. The lessons learned by the Global Development and the Population programs and documented in two earlier papers paved the way for an improved OFG process.

Global Development. The first program in the door was Global Development, which is committed to the broad goal of improving the lives of those in poverty around the world. The task of choosing the best from among potential investments as diverse as promoting equitable road-building in east Africa, providing tutoring for children in India, and supporting freedom of information in Mexico is extremely complex.

The Program addressed these tough tradeoffs by implementing an early version of expected return (ER) analysis that compared potential investments based on their costs and benefits adjusted for relative likelihood of success. These techniques subsequently became one of several steps in OFG and are described in the paper entitled *Making Every Dollar Count* and summarized in Appendix 2 of this paper.

The basic method used to calculate a comparable expected return on investment for diverse grants included measuring the expected benefit 'in a perfect world', estimating the likelihood of success, and identifying the cost.

The key successes of this early ER analysis were the development of holistic poverty measures as program outcomes, a rigorous discussion about geographic scope, and preliminary modeling of complex socio-economic outcomes. The biggest single challenge for the Program was to choose outcomes that balanced the multi-faceted reality of poverty against measurability. Beginning with the example set by existing poverty measures developed by organizations such as the United Nations Development Programme and the World Bank, the Program decided to focus on the wellbeing and number of people in the world living on less than $2 per day, as the best measurable proxy for global poverty.

The choice of a geographic scope was also difficult. The Program considered working in any of the 95 countries with significant poor

populations, but felt that it would achieve greater impact if it focused resources more narrowly. By looking at economic and overall need, political stability, and positive implementation conditions in each country, the Program narrowed the pool to 16 countries where it felt it could make the most positive difference. The selected countries still encompassed 40 percent of the world's 2.9 billion poor people.

After defining the goal and choosing target countries, the task remained to identify the specific investments with the highest ER. The challenge was that the impact of most interventions on socio-economic outcomes is not well understood, even by experts in the field. How much will improved transportation networks raise the income of rural farmers bringing their goods to bigger markets? Will paying teachers higher salaries raise literacy rates? If so, how many newly literate people will in turn escape poverty? These interventions are almost certainly positive, but quantifying exactly how positive is difficult. In the end, practical assumptions based on the best available information provided working estimates of ER, which the Program has improved over time.

Population. The next program at Hewlett to pick up the torch was Population. Realizing that ER only accounted for one aspect of the desired outcome-focused grantmaking process, the Program developed a larger set of steps that subsequently formed the core of the consistent foundation-wide OFG process that is outlined in Appendix 1. This evolution of the first full incarnation of OFG is fully documented in the paper called *Making An Impact* (and summarized in Appendix 2 of this paper), but some highlights are described below.

The Population Program began with the same goal-setting steps as Global Development. The resulting goal was to stabilize global populations in ways that promote social and economic wellbeing and sustain the environment, and to enhance and protect reproductive health and rights. It chose to focus its work in Sub-Saharan Africa, the U.S., and the San Francisco Bay Area. Population then built a logic model that maps out potential strategies for achieving the Program's goals through six activity clusters.

The addition of the logic model explicitly drew out the causal connections between grants and outcomes, and helped the Program develop a common language in which to discuss impact. This led to challenging internal discussions about how to evaluate goals and achievements, which in turn illuminated important tradeoffs within the grantmaking portfolio that might otherwise have been implicit or overlooked. Program staff asked themselves tough questions about both values and analytical approach. Should grants place precedence on teen births or teen pregnancies? How can improvements in reproductive rights actually be quantified without losing important nuance? How should the Program consider the tradeoff between grants with different geographic distributions of benefits?

This increased clarity about impact facilitated better communication with grantees, who now understand the Program's goals better, and helped ensure that funding is being directed toward agreed-upon goals. It also provided a baseline from which to develop monitoring and evaluation in cooperation with grantees.

Although the application of OFG by the Global Development and Population Programs were successful overall and produced a great deal of learning about the process, both ran into roadblocks. Given the complexity of the issues involved, it was often difficult to model investments in a way that led to fully-comparable and credible ER estimates. In part as a result, establishing metrics and targets for evaluating progress was challenging.

As a result of the hard work by the Global Development and Population Programs, and the lessons from encountering these challenges, the Environment Program was able to continue to improve the OFG process as described further in this paper.

Moving forward with Western conservation

The Environment Program built on these prior efforts when it set out to refine its investments in conservation in the North American West. Centuries of extraction, hard use, and an exponentially expanding human population have taken a harsh toll on the West. However, the Environment Program believes that through careful and conscientious stewardship, the West can continue to provide the natural, cultural, and economic amenities at the heart of Western life for many generations to come.

The Environment Program envisions an ecologically vibrant West where the landscape is unspoiled and people and wildlife thrive. "The West," as defined by the Foundation, stretches from the uplift on the eastern edge of the Rocky Mountains to the Pacific coast, and includes all or part of the 11 western-most states of the continental US as well as Alaska and three Canadian provinces. Using a combination of West-wide and place-based work, combined with investments to build lasting support for conservation, the Program will work to ensure the ecological integrity of Western ecosystems and species.

Through its strategic planning process, the Program wanted to select a course of action that would further ecological integrity while building in mechanisms to adjust the strategy based on lessons learned along the way. Using OFG, the Program was able to balance the goals of ecological integrity in Western ecosystems and species and respect for sustainable human uses, while keeping an eye on the effects of climate change and building a lasting, broad base of support for conservation.

This was the first application of OFG to environmental work, and the first full application of the planning steps in any program. The resulting lessons promise to be important both for environmental philanthropy and for future use of OFG in other fields. Most importantly, the Program has already improved its impact per dollar spent by carefully estimating the value of each strategy and choosing an optimal portfolio.

The following sections highlight the key benefits and lessons for future applications of OFG, and the next chapter will discuss new ideas and methods of analysis that came out of the Program's work. For more details on the analysis and results associated with Western conservation, see Appendix 3.

The benefits to Western conservation

The implementation of full OFG in Western conservation resulted in improvements to the Program's grantmaking and strategic decisions. Most importantly, the Program sought to improve its impact per dollar spent by carefully estimating the value of each strategy. The Program also increased clarity about its goals, and as a result has begun to develop a set of practical metrics and targets that it can use to track its success. Finally, the Program is now able to more effectively communicate its goals and priorities to grantees and others outside the Foundation.

Improved impact per dollar spent – The Program has been able to use the results of the ER analysis in shaping its portfolio of grants to pursue the Foundation's goals in a cost-effective way. As described in the next chapter of this paper, calculations based on a combination of environmental data and expert interviews were refined by program staff judgment to get working estimates of ER across many potential investments. This success was aided by the large amount of available data related to Western conservation. For instance, publicly available GIS data allowed inexpensive, accurate modeling of ecosystems and ecosystem threats across the western US and Canada.

Of course, the environmental situation in the West will change, and new information will become available over time. For these reasons, the Program ensured that its OFG assumptions are completely transparent. The reasoning

behind the Program's strategy is meant to be perfectly clear, so assumptions can be updated over time.

Clarity about Program goal – Before going through the OFG process, the Program knew that it was important to invest in a variety of conservation strategies and to balance the needs of the environment with human activities and a changing climate. It was difficult, however, to know how to make trade-offs between these issues. By fleshing out the idea of ecological integrity, and the measurable contribution of different strategies toward it, the Program is now creating a portfolio that balances strategies in a complementary way.

Specific metrics and targets for robust M&E – The development of specific, quantitative metrics and targets has helped prioritize activities, and allocations of funds between strategies. Estimating impact for diverse strategies in common units made it clear when there are several ways to accomplish some of the Program's goals, and thus investments could be rebalanced as necessary to achieve maximum total impact. Over time, if one goal is ahead of target, as measured by tracking metrics, funds and attention can be shifted to other components that may be lagging behind.

Improved ability to explain goals and progress to external audiences – By thoughtfully and explicitly defining its vision of success, the Program has been able to communicate a story about its work that is clear and cohesive, as well as inspiring. The logic model and metrics also improve communication by laying out assumptions about the causal path that leads to ecological integrity in the West. When these assumptions are made explicit, it has opened the way for productive discussion, disagreement, and revisions with grantees, funding partners, and Foundation leaders.

Budget and funding plan linked to measurable outcomes over time – The Program is also piloting an innovative budgeting approach that ties funding to specific outcomes. This allows the Program to track the cost effectiveness of each investment and facilitates any necessary reallocation of funds between strategies. The funding plan is also a long-run road map for closing the gap between Foundation resources and total funding need, which can guide the Program's investments in public policy and coordination with other private funders.

* * *

Building on the work done by the Global Development and Population programs, the Environment Program has advanced OFG through its recent strategic planning. It has made particular strides in improving expected return analysis and building an outcome-focused budget, as well as pushing forward the development of quantitative and practical metrics and targets. The next chapter will describe some of the particular innovations that made these improvements possible.

2. New and improved expected return techniques

Improved expected return techniques were instrumental in this implementation of OFG. Structured individual and group interviews enabled the Program to gather information from experts more effectively prior to estimating expected returns. Improved evaluation of policy options, and a more sophisticated optimization model for selecting policy and other investments both contributed to a high-return grantmaking portfolio. In addition, the Program was able to use a final set of checks and balances to manage imperfections in the ER analysis. Finally, the first fully outcome-focused budget developed at the Foundation ensures that OFG planning is followed through in implementation.

Although many improvements to OFG resulted from the Environment Program's experience, a few innovations stood out. This chapter highlights new and improved expected return techniques that were particularly beneficial. Each is specific to the Program's goals in some ways, but also contains tools and ideas that will be useful to many different philanthropic perspectives.

Delphi interview process

Previous iterations of OFG solicited input into expected return (ER) calculations from outside experts in an ad-hoc way. To formalize and improve the use of expert advice, the Program created a modified Delphi interview process using structured individual and group interviews.

In a classic Delphi interview, experts on a panel provide individual input which is discussed as a group. Then, each expert re-answers questions based on the discussion. However, the Program faced a roadblock in implementing a standard Delphi process: few people have both deep issue-specific knowledge and understand the full range of considerations in the Foundation's large study area. Therefore, asking issue-specific experts to answer questions that required ranking or comparing many solutions across a wide geographic area seemed impractical.

The solution was a multi-round Delphi interview process. In the first round, issue-specific experts completed in-depth surveys asking them to evaluate the benefits, likelihood of success, and cost of specific strategies. For instance, experts on oil and gas issues were asked to evaluate policies such as low-carbon fuel standards, renewable portfolio standards for electricity providers, and stricter extraction regulations. In the second round of the process, a different group of experts, with experience relevant to the entire region, met and discussed the results of the interviews, and ranked strategies according to both the results and their own knowledge and judgment.

In the end, there was broad agreement between the data gathered by Redstone, the results of the issue-specific interviews, and the judgment of the regional experts. In a few areas, important revisions were made as the interviews progressed. For instance, a consensus emerged that work on fuel standards and energy efficiency should be ranked lower than initially planned – not because these strategies aren't important, but because they are already part of the national climate change agenda, and therefore not the issues on which Hewlett's resources and influence are the most needed. This sort of insight from a perspective outside the Foundation was immensely valuable.

Overall, external validation of research, combined with the tough scrutiny and occasional corrections of prominent experts raised the Program's confidence in its calculations, enabling more productive ER comparisons.

Applying ER to large scale policy change investments

Because foundation resources are small compared to government resources, a major strategy pursued by many programs is to advocate for public policies and funding through non-lobbying activities. However, calculating the ER of these advocacy strategies so that they can be weighed against more direct on-the-ground investments has been a major challenge in past OFG projects. With some new modeling approaches, the Environment Program was able to successfully estimate ER for large scale policy changes in order to trade off between West-wide policy and on-the-ground investments.

First, the Program estimated the benefits that would accrue from specific West-wide policy changes. For instance, the land area that would be affected by improving Utah's state oil and gas development standards can be estimated by using spatial data to look at the intensity of oil and gas development in the state. The resulting change in ecological integrity is the reduction in environmental threats due to oil and gas extraction over the land area that would be affected. This calculation is described in detail in the 5-year strategic plan for the Western conservation component of the Environment Program. The benefit of many other policies – such as land placed under private easement or converted to Wilderness Area by increased federal funding – were similarly estimated and translated into comparable terms.

Next, the Program estimated the likelihood of success and total cost for each policy change. These estimates drew both on relevant data and on expert opinion gathered through the Delphi process described above. For instance, likelihood of success analysis included voter preferences in different regions, using League of Conservation Voter scores, and expert opinions on the level of support likely in various counties and congressional districts. Cost estimates drew on published budgets and staffing plans from Hewlett grantees and other organizations pursuing similar policy changes.

Benefit, likelihood of success, and cost estimates were then plugged into an ER equation, and compared with other policy and on-the-ground strategies. The Program chose between these options using an optimization model described in the next section.

Optimization of the grantmaking portfolio

The most difficult aspect of strategy selection remains even after ER has been calculated for each potential investment that a Program considers: picking the *combination* of investments that accomplishes the most with the Program's resources. To address this challenge the Environment Program used a formal optimization model (called a "strategy planning tool") that sought to achieve the desired improvements in ecological integrity while minimizing cost. A separate document entitled *A Strategy Planning Tool for Western Conservation* describes the optimization in detail, but a short summary is provided below as well.

Previous approaches have used a more informal, ad-hoc method of optimization to pick grant portfolios, often choosing the most cost-effective individual strategies across a number of investment categories. For the Environment Program, however, picking the right portfolio is not as simple as choosing among individual grants that achieve local goals. The challenge is that integrity requires a mix of protection for certain ecosystems, species' habitats, and corridors, not just an overall acreage. And this mix can be achieved in many ways, so seeking a low-cost solution requires considering many combinations of possible grants.

For instance, some unique ecosystems are located in places where conservation is unavoidably difficult or expensive, such as in the Central Valley in California. Most land in this area is privately owned, and property values are high. Meeting representation targets for local ecosystems and species may require strategies such as private land acquisition, which will not rank in the top ten most cost-effective on a West-wide list. Nonetheless, an optimal portfolio for the Program must include these strategies, even if the Program relies on others to get them done.

To arrive at a strategy that accomplishes the Program's goals at the lowest cost, the team used a computer optimization program to establish its initial portfolio of grantmaking goals, which was then subjected to significant refinement by Program staff and other experts. This optimization was able to take into account a complex set of constraints (e.g. conservation requirements for many different individual ecosystems and species), by focusing on ER tradeoffs.

The optimization analysis suggested a portfolio including 16 strategies to protect land, 12 strategies to protect water, 8 strategies to regulate energy development, and a general toolbox of 10 interventions to build lasting support in 31 priority areas. This portfolio was estimated to be the lowest-cost combination of grants that will meet integrity targets.

The optimization also used sensitivity analysis to test whether the ranking of strategies or the overall portfolio changed drastically depending on the underlying assumptions about issues such as the damage caused by different types of human activity, or the predicted pattern of climate change in the West. Analysis showed the core strategies to be relatively constant with changing assumptions, suggesting that the resulting portfolio was generally correct, even if the details of calculation turn out to be imperfect.

The optimization analysis is currently undergoing an expert review process, which will increase its accuracy and act as a reality check on estimates. With luck, this review will also provide general lessons for how to build better optimization models and expected return analysis in the future.

Designing a final strategy based on rough ER calculations

ER remains a rough approximation for almost all investments, even though the Environment Program made significant improvements to modeling techniques. An important lesson from the Program's OFG work is that the uncertainty involved in ER results can be managed. As described above, the Program used modeling results as a starting point for its grantmaking strategy, but is relying on continual internal review and external feedback to manage the limitations of the results. The resulting strategy benefits from the clear targets and quantitative tradeoffs of ER, but is not slavishly committed to the rough assumptions involved.

More specifically, by engaging in a collaborative planning process with many checks and balances, the Program built a strategy that draws on the best aspects of many resources without suffering from overreliance on any of them. (Figure 2)

First, the Program engaged in the quantitative ER estimation and optimization modeling described above, which resulted in a rough, first-pass selection of high-impact activities. Next, the results of the analysis were subject to the tough scrutiny of external experts, who confirmed many of the tradeoffs between strategies, but also suggested new ways of looking at the problem and corrected some estimates.

The strategy was also reviewed by the Hewlett Board of Trustees. The Board acted as a check on the overall strategy, ensuring that the big picture was in accordance with the Foundation's values and long-term priorities. Finally, the proposed strategy was presented to funding partners and major grantees for their feedback and additional expertise.

Reception of the strategy has been consistently positive, culminating in the Foundation Board's endorsement. But reviewers have provided important reality checks based on field experience, and revisions have been made to ensure the highest possible impact and better funding coordination. For instance, the process led to adjustments to likelihood of success estimates for policy strategies and clarified the relative value of working at the state versus federal levels on certain policy decisions, such as roadless area designation.

Outcome-focused budgeting

Finally, for the first time, the Program's budget was a fully integrated part of OFG, linked explicitly to ER and to related metrics for success. An outcome-focused budget describes the funding that will be needed to achieve ecological integrity in the long-run, and ties funding to specific strategies – and consequently to the metrics and targets corresponding to those strategies. A relatively straightforward idea in theory, this budget is actually a versatile tool that enables several innovations.

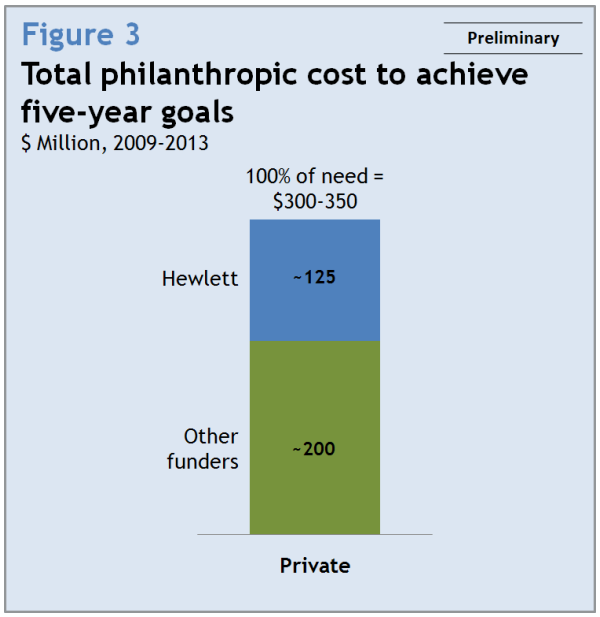
First, it allows the Program to track spending and outcomes together. Over time, this will facilitate measuring the cost-effectiveness of individual grants, as well as broad grantmaking categories. The Program will be able to make clear, simple statements about a specific investment, its target benefit, what it actually achieved, and how much money was spent on it, all in quantitative terms.

Budgeting isn't intended to tie the Program to imperfect estimates – inevitably, various targets and cost estimates will be too high or too low, or program officers will find in the process of working with grantees that the real goal ought to be something different than planned. This is the sign of a healthy philanthropic program engaged in a constant learning process and willing to acknowledge and correct its misunderstandings. The outcome-focused budget will be a tool in these situations for pin-pointing and communicating exactly what was different than initially planned and why.

The second innovation made possible by the outcome-driven budget and the associated funding plan is the ability to locate the best role for the Program in a larger landscape of funders, governments, and NGOs. By estimating the funding required to accomplish its ultimate goals – rather than merely stating

what will be spent by the Foundation itself in the next few years – the Program is better able to understand the importance of long run interactions between its own decisions and those of other stakeholders.

The total philanthropic cost of the activities the Program plans to tackle over the next five years is estimated at $300 to $350 million. The Program itself plans to contribute about $125 million to key elements of these activities in accordance with its long term strategy (Figure 3). Given that the plan's total cost exceeds the Program's resources, it is planning significant effort aimed at encouraging co-funding from philanthropic and government partners.



By mapping out its own investments alongside those of other philanthropies and stakeholders, the Foundation can position itself more strategically within this funding landscape. For instance, if the predicted funding available to address a certain issue rises more quickly than expected due to new federal commitment of funds, the Program can redirect its own spending to other areas of importance.

Outcome-focused budgeting is particularly important when coalitions work together toward long-term goals. Sharing metrics and building a cooperative budget that details the role of many organizations working toward a joint ultimate outcome may be an effective way to tackle a problem that is too big for one organization alone.

* * *

The OFG process is only as accurate and useful as its component parts and analysis. This chapter has described some of the recent improvements that contributed to making OFG more accurate and useful. The next chapter lays out some remaining challenges, and presents improvements that could expand OFG's usefulness even further.

3. OFG and its future in philanthropy

OFG is far from set in stone – on the contrary, it has much growing and changing to do. In order to continue to improve the impact of philanthropic efforts, OFG will need to evolve and overcome challenges presented by a lack of data, complex modeling requirements, and hard-to-quantify value judgments. If it can tackle these roadblocks, OFG will drive better philanthropic outcomes and a more effective relationship between foundations and grantees.

Remaining challenges

OFG has come a long way over the course of its application by three programs at the Hewlett Foundation. It began as an attempt at more sophisticated cost-benefit analysis of potential grants, and grew into a full decision-making process. As described in this paper, the most recent application of OFG has used technical innovations to overcome some early challenges, including more sophisticated ER and optimization analysis, and the first attempt at outcome-focused budgeting.

However, there are a number of technical areas where OFG still has significant room for improvement. These fall into three general categories described further in the next section: data availability, modeling accuracy, and hard-to-quantify values. However, the most important thing is simply to be aware of the limitations of the analysis, and to avoid pushing conclusions further than is warranted.

A number of broader questions about the role that OFG should play in the future of philanthropy are also worthy of discussion. The final section of this paper considers how OFG can help align the goals of funders and their grantees, and addresses the question of whether OFG might dampen grantees' experimentation.

Opportunities for technical improvement

Data availability

Limited availability of relevant, high quality data is perhaps the most prevalent and consistent challenge in OFG. In order to understand the benefit or cost of a specific investment, it is necessary to have accurate information about both the investment itself and the context in which it will be implemented. So far, OFG projects at Hewlett Foundation have encountered many such limitations, whether the topic is the distribution of contraceptives in rural parts of Africa, the quality of education in remote villages, or the distribution of species in certain landscapes.

Fortunately, many of the challenges posed by limited data are relatively straightforward to solve – although not necessarily easy or inexpensive. Over time, foundations can increase their knowledge base, broadly speaking, in three ways. First, they can track their own grantmaking and make use of past experiences to estimate the likely outcomes of future work. This tactic is especially important in areas where academic research doesn't usually tread; for instance, programs may want to reference how much they spent on past advocacy work to predict the costs of a new campaign. Second, working with grantees to improve monitoring and evaluation (M&E) systems can give programs insight into what

happens on the ground; many foundations are increasing investments in M&E as a result. Finally, many programs may choose to directly support research and data collection through grants to investigate broader questions.

Several more difficult questions have also arisen about how to use data most effectively. One of the most critical is to know when to say 'enough'. Collecting information is costly, both financially, and in energy and attention required from grantee and foundation staff. On the one hand, grantmaking will almost always be better when it is based on better information. On the other hand, there is a tradeoff between the value of better information and the time and resources that could otherwise be spent to further philanthropic goals more directly.

One of the central lessons of OFG is that there has to be a balance between taking action on the best currently available information and working to make that information better. Calibrating this balance is one of the toughest challenges inherent in implementing OFG – as this document's title says, doing good today *and* doing better tomorrow.

Finding the most effective ways to support grantees in upgrading their monitoring and evaluation capacity presents an additional logistical challenge. Grantees are by far the best source of information, but simply imposing new reporting requirements is likely to detract from their missions and is unlikely to result in high quality data. Many grantees will need advice and some will need financial or technical support. Likewise, most foundations will need the cooperation and input of grantees to understand what information is really useful and how to interpret it. Foundations can work with grantees to identify what sort of support will be needed to develop better monitoring and evaluation systems in the long run, and how to implement them in a way that satisfies all of their various funders to prevent each funder from imposing a different measurement scheme.

Modeling accuracy

Accurate modeling is an issue that will challenge some types of philanthropic programs more than others. Even given good historical data, estimating the future effects of interventions relies on modeling complex social, economic, and biological processes, and identifying the changes caused by the proposed investment. Understanding the causal mechanisms of change in human communities or natural ecosystems is often beyond the reach of the foremost research universities in the world. Even in areas where theory is more solid, it is unreasonable to think that philanthropic programs will have the human resources to produce state-of-the-art in-house forecasts.

The expectation that philanthropists be good Samaritans, theoretical scientists, and encyclopedias of topical information – simultaneously – is relatively new. The driving intuition behind this shift is a good one: if we have a moral responsibility to help make the world a better place, surely we have a corollary responsibility to do the most good with the resources at our disposal.

The practical implications of this expectation, however, are pushing real-time grantmaking into uncharted territory. Social scientists who spend their lives modeling complex human behavior will tell you that our understanding of these behaviors is very limited. The same is true in most fields of interest to philanthropy. And yet, OFG seems to be asking program officers to untangle these knots before making a granting decision.

Yes, and no. The push for robust impact evaluation, for questioning assumptions, and for looking at the big picture before making investments is generally for the best. But doing so requires a healthy dose of pragmatism; philanthropies can recognize the limitations of existing models while still making decisions based on current analysis.

Even for smaller philanthropies with limited resources, the use of an "expected return mindset" as investment decisions are

considered may well be helpful in setting broad strategic directions even if detailed analysis is not practical.

Looking forward, ER modeling and optimization will need to improve in order to consistently offer accurate, believable conclusions even for those philanthropies for whom detailed analysis is justified. But the worst of all worlds would be to be paralyzed by the imperfections in current analysis. Grantmaking decisions will be made – one way or another – so they might as well be based on the best analysis that can be mustered. Making practical, working assumptions while flagging things that need improvement will help carry forward the process of modeling innovation.

Working within the context of externally-imposed values

OFG emphasizes clarifying and quantifying complex decisions, but there are important non-quantitative values – often externally imposed – that must be taken into consideration as OFG is implemented.

A common values issue that has repeatedly surfaced in OFG projects is a commitment to a particular topic or region by a philanthropy's founders or board of directors. For instance, some organizations may want to invest in their home region, others in women's or children's issues, and so on. Usually, these values help establish the goals and scope defined at the beginning of the OFG process. Quantitative analysis and trade-offs will then occur within predefined parameters that safeguard essential values.

OFG's role in the world of philanthropy

OFG has the potential to revolutionize the way philanthropy thinks about impact and grantmaking. By proceeding with caution and introspection, this change can be positive for all involved.

One of the benefits of most philanthropy is the long time horizon inherent in perpetual endowments. This allows philanthropy to take on tough issues and set ambitious goals without the short-term pressure that is common in business. So it is important that shortened time horizons or narrowed goals are not accidental effects of implementing OFG. In other words, it is important for philanthropies to be patient about OFG. The good news is that they can afford to do so. The following are some of the issues that will determine the role that OFG plays in the future of philanthropy.

Alignment between funders and grantees

Navigating the alignment, or lack thereof, between grantee and foundation goals is a perennial issue in philanthropy. OFG is intended to explicitly connect foundations' goal-setting with their impact assessment, which should result in increased clarity about expectations from their grantees. However, OFG can also lead to concerns about an excessively top-down funding approach. The worry is that connecting grantmaking decisions to impact assessment driven by funders' goals might lead to micromanagement, or in the extreme, to grantees acting as mere implementation arms of funding organizations that make all the strategic decisions.

To avoid this pitfall, philanthropies must acknowledge that different strategic approaches are appropriate under different circumstances. When a foundation's goals exceed the work done by any single institution – as is the case in the West, where each grantee works only on a limited geographic or policy portion of the overall problem – it can make sense for a philanthropy to do overall strategic planning. This approach allows the foundation to play a coordination role to solve a big problem.

However, when a single grantee or consortium of grantees addresses the full range of desired outputs, it may be better to rely on a more bottom-up planning approach. In general grantees who are close to the ground and able to see the full range of relevant issues will have insights that funders do not. Asking them to

determine the best strategic approach not only draws on this insight, but also provides them with the flexibility to respond to new challenges and information in real time.

Similarly, if a foundation is trying to help build an organization or field, it may suggest a more grantee-driven approach that allows leeway to pursue promising but unproven strategies. This may be particularly important in new fields, where the best strategies are not yet clear.

Used carefully, OFG can be part of a productive and cooperative relationship between funders and grantees, in which both are able to create and communicate positive impact. The central question driving the specifics of this relationship is the degree and type of alignment between funder and grantee goals.

For tightly focused organizations that are able to communicate their goals and effectiveness to funders, OFG may result in more funding with greater flexibility. For organizations that do many things, some of which are aligned with funder goals, and others of which aren't, funders may ask that their resources go toward the things they are focused on. Finally, funding targeted at very specific strategies may be called for in some cases. This may actually open up the door to lesser-known organizations, because funders will feel comfortable giving highly targeted funding and measuring the impact after the fact.

Risk-taking and experimentation

Of course, the fact that something is measurable doesn't mean that it addresses the real issue at hand. As OFG orients foundations toward improved impact evaluation, they must take care to not pick activities simply because they are quantifiable. There are many good reasons to invest in tried-and-true strategies: they are predictably effective, realistic, and often implemented by long-term partners. But experimentation with new ideas of unknown parameters and value is often equally important in moving the field forward.

Nothing inherent in OFG need make funders more risk-averse than they wish to be. If used properly, OFG should help foundation staff choose the most promising new investments and create plans for tracking and measuring them over time. This approach should most definitely include leaving the door open for experimentation and opportunistic grantmaking where a high potential for return justifies the investment.

So while OFG can provide a useful roadmap to help program staff make well-informed judgments, its goal is not to replace judgment, but to enhance it.

* * *

OFG is still very much a work in progress, but based on experiences thus far, the Hewlett Foundation is confident that it will continue to develop into a tool for helping philanthropy to do good today and better tomorrow. The Foundation hopes that this paper will stimulate discussion about the OFG approach and its role in the future of philanthropy.

Appendix 1 - The OFG process

OFG consists of a repeating cycle of activities that describe a full and successful grantmaking process, from planning to implementation to evaluation, and back again (see the exhibit at the end of this Appendix). The description below focuses mainly on the planning stages, as those are the steps that are newest in practice.

Assess the field – The first phase of OFG involves information gathering and reflection in preparation for a new round of grantmaking decisions. Drawing on the most recent data, ideas, and field experiences allows for the best possible analysis in the next stage.

1. **Read studies and interview experts.** In this step, program officers consult externally on topics, interventions, and organizations being considered for potential investment. Activities often involve reading academic and policy publications, studying pilot projects and new technologies, and talking with experts outside the foundation.
2. **Review previous interventions and Hewlett role.** This step is a chance for internal reflection and study. It often includes talking to grantees or reading grantee reports on past interventions, identifying standout successes and failures from past grants, and drawing on expertise within the foundation.

Define a goal and build a strategy – The second phase of OFG is about defining philanthropic goals and identifying the best portfolio of investments for achieving them.

1. **Define success.** In this step, the program decides what it is trying to achieve, where and for whom, and brainstorms the possible ways of accomplishing it. First, the program sets one or more overriding goals that encompass what it is trying to accomplish. In general, this goal is broad enough to capture indirect long run aspirations, but narrowly tailored enough to be actually achievable through the program's efforts.

   Second, the program defines a scope for its investments, to focus resources on places where its marginal impact will be greatest. This choice often takes into account factors such as need, paucity of other funders, potential for improvement through investment, and availability of good grantees to carry out work. This scope can be as broad as a continent, or as narrow as a particular eco-region, depending on the topic and the human and financial resources available.

   Finally, the program builds a logic model describing the range of possible investments it could make toward the goal. The logic model ensures not only that all potential grantmaking strategies are carefully considered, but also requires the program to make an explicit, causal connection between an investment and the desired goal. A good logic model will show the exact path that distant interventions will follow in impacting the ultimate goal.
2. **Assess return on investment.** Once a range of possible investments has been laid out in the logic model, the program assesses the expected social return on investment for each in order to pick and choose between them. In general, this step involves estimating the expected benefit per dollar spent by the program, accounting for the difference in the likelihood of success between strategies, as well as the variation in the need for the foundation's investment. In the end, the program can use these estimates to select a portfolio of investments that will accomplish the most toward its goal within the available budget.
3. **Plan for implementation.** In this step, the theoretical portfolio of investments becomes an implementable grantmaking strategy. First, the program develops a budget, driven by the selected portfolio of grants. This budget connects particular pots

of funding over time to specific grantmaking topics and expected outcomes. This enables the program to look at the return on different types of investments in retrospect and to reallocate funding as needed.

A funding plan follows from the budget, and outlines the total amount of funding needed from both public and private sources to accomplish the program goals. It describes any existing funding sources outside the foundation that contribute to this need, the remaining gap funding, and how that gap will be filled.

Next, an organizational plan is developed to describe the human resources available for grantmaking and monitoring. Often, this aspect of planning will remain relatively constant over many years, but revisiting it allows the program to ensure that grantmaking responsibilities match grantmaking strategies and spending in an effective way.

Finally, the program constructs a phasing and exit plan for responding to both expected and unforeseeable changes in the real-world grantmaking context. Generally, program officers will identify trends or potential volatile issues that could have a large impact on the costs or benefits of particular grantmaking strategies. This highlights issues to keep an eye on, and provides a contingency plan for how grantmaking may need to shift in response.

4. **Create measures of success.** Having chosen a set of strategies and made plans to implement them, the program next defines ways to track their progress. Practical metrics set the terms of measurement for different kinds of grants – these are the data that the program will ask grantees to collect to understand the impact of investments. Targets are the level in each metric which the program hopes to achieve through its medium- or short-term investments; for instance, if an environmental metric is acreage under strict protection, then a corresponding target might be 100,000 new acres brought under strict protection in the next five years.

   The program also develops a monitoring and evaluation plan in this step, which describes a method of collecting information and feedback from grantees as interventions play out in the field. This plan often includes the metrics that the program will ask different grantees to track, as well as resources and support that may be provided to grantees to help them develop their monitoring capacity. It also describes an evaluation plan for analyzing and communication about the data and qualitative feedback gathered through monitoring.

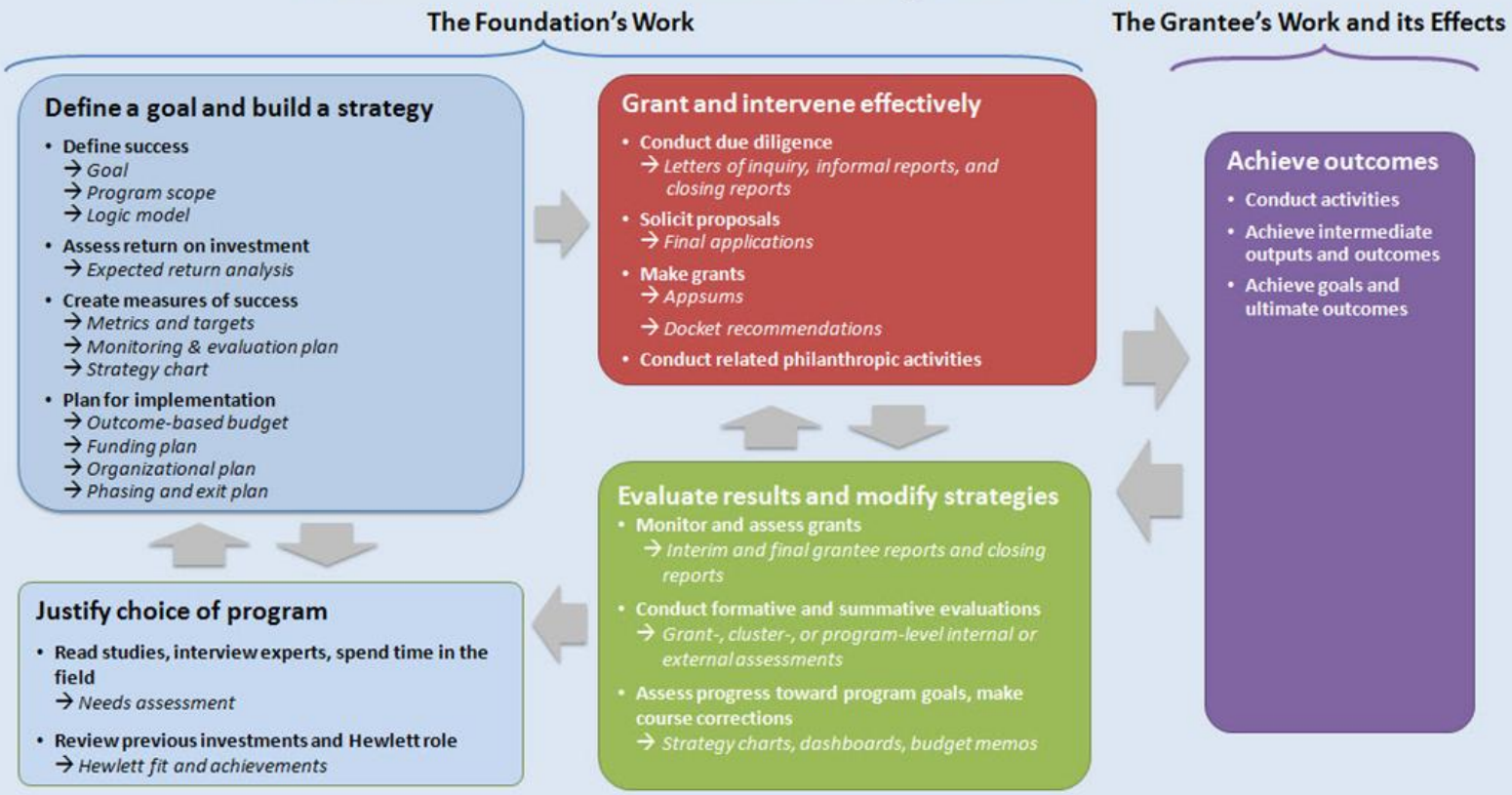
Grant and intervene effectively – This phase of OFG is exactly what it sounds like. Following the strategic plan developed in the first two phases, the program chooses grantees and provides them with resources and support in implementing interventions in the field. The challenges of this phase have yet to be fully explored at Hewlett, but challenges will likely include identifying grantees to effectively implement new strategies, and supporting grantees in new monitoring requirements and processes.

Evaluate results and modify strategies – The test of OFG's success will be the program's ability to draw on lessons learned and information gathered through grantmaking on monitoring, and feed them into an improved next round of grantmaking. Ideally, OFG encourages programs to make tough, imperfect decisions, but to be aware of those imperfections and to use new information and experience to be constantly improving them.

Appendix

The OFG process

Outcome-Focused Grantmaking Framework



Appendix 2 – Excerpts from prior papers

Excerpts from *Making Every Dollar Count*

In early 2007, the Hewlett Foundation decided to experiment with the use of expected return in its grant making. In choosing a test case, Hewlett looked for a program that would push the method's limits by posing difficult-to-quantify investment decisions. Fortunately, the Foundation's Global Development Program volunteered; **Making Every Dollar Count** *documents the learning and improvements in granting that came out of its experience. Established in 2004 "to promote equitable growth in the developing world," the Global Development Program spends more than $60 million a year on a variety of initiatives aimed at reducing poverty.*

* * *

Imagine you're a program officer at a foundation devoted to reducing poverty. You get the joy of investing in projects that improve people's well-being. You're also in the painful position of turning down projects that could improve society, or even save lives. Deciding where to allocate resources can be nerve-wracking at best, heartrending at worst. There's an abundance of worthy causes and a limited amount of cash at hand. By saying "yes" to an investment, you could deprive another worthwhile initiative of funding. How do you decide which investments to take on? How can you make every dollar count?

Faced with nearly infinite need but decidedly finite resources, philanthropies consistently grapple with the challenges of funding allocation. Does influencing trade negotiation deserve more money than teaching children to read? What about improving how government funds are allocated in impoverished countries? To make matters worse, it's difficult to get accurate information about projects' potential benefits, let alone compare the value of diverse investments.

In spite of these challenges, the desire to do as much good as possible has always driven philanthropies to ask tough questions of themselves when comparing potential grantees. What is the ultimate goal? What are the most effective ways to reach that goal? How much is it going to cost? These questions are as old as philanthropy itself. What is often missing is a systematic method of answering them.

Enter expected return, a consistent, quantitative process for evaluating potential investments. Although still in its infancy, expected return has the potential to help maximize the return on scarce resources. Flexible, dynamic, and applicable to a broad range of topics, expected return asks and answers the right questions for every investment portfolio:

- What's the goal?
- How much good can it do?
- Is it a good bet?
- How much difference will we make?
- What's the price tag?

The first section of this paper presents the preliminary benefits of using expected return to systematize a philanthropy's grant-making process. Section two describes the expected return calculation, which is comprised of four components: *benefit in a perfect world*, *likelihood of success*, *the philanthropy's contribution*, and *cost*. The result is a systematic estimate of the return on each potential investment and the ability to compare disparate projects. Section three shows how expected return will become more robust through better estimation techniques and new applications.

The Foundation recognized that expected return is no panacea: its results are only as accurate as the professional judgments and assumptions that drive them. The early applications described in this paper greatly simplified complex elements of the estimation process, such as quantifying interdependencies between investments and discounting future costs and benefits.

Still, expected return delivered a valuable process for identifying high impact granting strategies, and a structure in which Program Officer judgment could be codified and applied consistently across investment decisions. It helped Global Development move toward preliminary quantification of the returns to different strategies. Consequently, program officers can now quantify high-level tradeoffs between investments. The next step is to add ground-level, grant-specific measurement and fine-tuning.

The Hewlett Foundation's experiment with expected return reflects a longstanding commitment to improvements in the execution of philanthropy, and a strong belief that foundations are responsible for ensuring that their investments maximize benefits to society. While still in the early days, the experiment with expected return is clearly helping the Foundation in its commitment to make every dollar count.

Excerpts from *Making an Impact*

The Hewlett Foundation's Population Program next volunteered to serve as the test bed to formalize a larger process of outcome-focused grantmaking (OFG). The Program helped invent and implement a set of OFG steps, resulting in increased clarity and consistency in its grantmaking. The Program, which aims to stabilize global populations in ways that promote social and economic wellbeing and sustain the environment, and to enhance and protect reproductive health and rights, documented its experiences in **Making an Impact**. *The paper offers lessons and recommendations based on the Program's experiences for future applications of OFG.*

* * *

In 2007, Hewlett's Global Development Program piloted an approach to grantmaking called expected return, with the aim of ensuring the greatest possible philanthropic impact by clarifying and quantifying grantmaking decisions. This trial run revealed many potential advantages, but also recognized that expected return was one step in a larger process of outcome-focused grantmaking (OFG) and that there was much more learning to do.

The Population Program picked up the baton, and during 2008 it collaborated with Redstone Strategy Group to become the first Program within the Foundation to formally document its grantmaking using OFG. This process illuminated the practical benefits of OFG and identified the real challenges to be overcome where theory meets the reality of philanthropic practice.

Initially, the Population Program worked through the first four steps of the OFG process. Preliminary results from the experience showed that even in the early stages of implementation, OFG was a vehicle through which a program could make significant improvements in the clarity, consistency, and rigor of its grant-making. OFG improved communication about impact both within the Program and with grantees, suggested new ways to think about grantmaking tradeoffs, and laid the groundwork for future monitoring and evaluation.

Philanthropic programs have long worked to measure and document their grantmaking, but the OFG approach is still a new one. Along with important successes, the Population Program also identified some serious challenges to be overcome in future implementations, including how best to handle the complexity involved in some grantmaking decisions and the lack of information during some steps of OFG.

With that as background, the paper's three chapters describe the successes of the Population Program's OFG effort and offer lessons and recommendations for future applications of OFG.

1. Worth the effort: OFG brings clarity and consistency to the grant-making process, helping foundations to achieve the greatest possible impact. The Population Program's preliminary work on implementing OFG has

resulted in tangible benefits and identified challenges to overcome in future efforts.

2. Learning by doing: The first four steps in the OFG process improve the clarity, consistency, and rigor of grant-making, and lay the groundwork for full OFG implementation. This chapter describes the Population Program's experience in implementing these four steps: set a measurable outcome and scope; research the field; establish a logic model, metrics, and targets; and compare the expected social return of potential investments.

3. New horizons: To achieve the full potential of OFG, future efforts can learn from the Population Program's experiences to improve on the first four steps and expand into new parts of the process. The Population Program itself is also committed to furthering the Foundation's learning through ongoing OFG work.

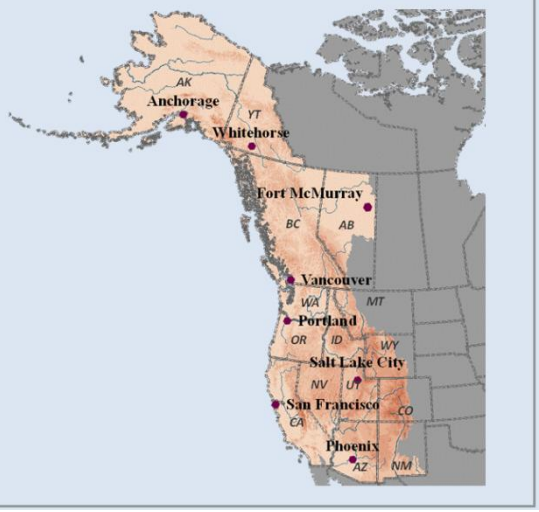
Appendix 3 – OFG and Western conservation

Through the OFG process, the Program developed a strategic plan that focuses on four key outcomes: protect land, protect water, reduce fossil fuel development, and build lasting support. It will conserve 150 million acres and 2,400 river miles, reduce fossil fuel development on 85 million acres and increase renewable use and energy efficiency by 100k GWh per year, and build lasting support in 30-40 priority areas, with an expected private philanthropic cost of $300-$350 million over the next five years, and $1-2 billion over the long term.

Much of the innovation achieved through Environment's implementation of OFG came in the planning phase. This section goes step-by-step through the process followed by the Program, and discusses some of the difficult decisions that were made.

Figure 4

The West: geographic scope

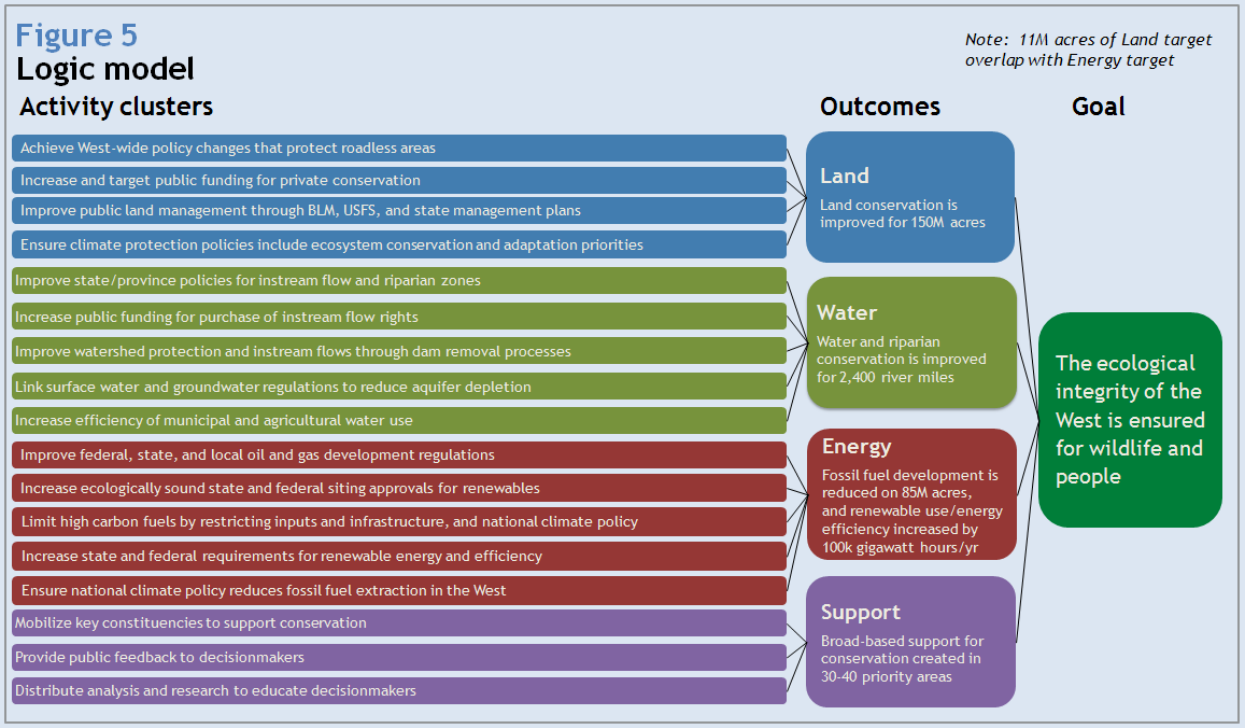


Define success:

Goal: The Program's goal is to ensure the ecological integrity of the West for wildlife and people. Ecological integrity, for the Foundation's purposes, means that natural systems function similarly to their cycles in the absence of human activity. It does not imply exclusively strict protection (such as National Parks or Wilderness Areas), but it does require that sufficient habitat be protected to allow core ecological functions and key species to be sustained over time. The Foundation selected ecological integrity as its primary goal because the basic functioning of natural systems in the West underpins the economic, scenic, and biological values in the region.

Scope: "The West" as defined by the Foundation stretches from the uplift on the eastern edge of the Rocky Mountains to the Pacific coast, and includes all or part of the 11 western-most states of the continental US as well as Alaska and three Canadian provinces. (Figure 4) This area contains 358 ecosystems and threatened and focal species, a number of which are currently below the Foundation's targets for ecological integrity. In total, the Foundation's area of interest covers 1.5 billion acres and contains about 77 million people.

Logic model: The logic model specifies the outcomes that will lead to the achievement of overall ecological integrity in the West, describes quantitative targets for each outcome, and maps out the range of strategies that the Foundation will support. It begins with the Foundation's ultimate goal for its western work. At the second level of the logic model, the goal is divided into four grantmaking sectors, with specific quantitative targets: land conservation, freshwater and riparian areas, energy development, and lasting support for conservation. (Figure 5)



- Open landscapes are protected on 150 million acres of land
- Freshwater flows are restored and riparian areas are conserved for 2,400 river miles
- Intensity of fossil fuel development is reduced on 85 million acres of land, and renewable use and energy efficiency increased by 100 thousand gigawatt hours per year
- Broad-based support for conservation is created in 30-40 priority areas

The third level of the logic model describes specific activities that are required to achieve the outcomes and goal. Each outcome requires a combination of West-wide policy change (e.g., changes in national energy policy) and place-based work (e.g., improving management in a specific Bureau of Land Management district).

Assess return on investment:

Expected return analysis: The Foundation used an analysis of current integrity to identify areas that need to be improved through West-wide policy change or place-based work. The Foundation set habitat conservation goals for 358 ecosystems, species, core areas, and corridors that served to quantify its overall goal of conserving ecological integrity in the West. Specifically, the average conservation value for all the habitat area for a given species or ecosystem must be at least equivalent to some percentage (30-35% for ecosystems; 30-60% for species) of the conservation value that would be achieved if the entire area were pristine wilderness. These assessments of the relative conservation values of all types of land in the West were developed through analysis and expert input.

The resulting ER analysis divided 1.5 billion acres of the West into 12,000 'parcels'. Each parcel was assigned a 'baseline ecosystem integrity level' based on the type of land ownership, with Wilderness Areas having the highest integrity level and privately owned lands the lowest. The analysis then adjusted the integrity status of each parcel based on human uses in the area. Eleven main types of terrestrial human uses were considered, including oil and gas extraction, mining, and nine freshwater threats, such as dams and agricultural water use.

Finally, the analysis averaged the integrity levels for the areas relevant to each ecosystem and species, and identified the ecosystems and species currently below the habitat conservation goals.

Plan for implementation:

Outcome-based budget: The Foundation is piloting an innovative budgeting approach that ties funding to specific outcomes. Based on the portfolio of grants selected using the expected return analysis, the five-year budget represents a step forward in the Foundation's new OFG process. The budget ties spending directly and explicitly to outcomes and their associated targets.

The total philanthropic funding needed over the long term to protect the West's land, water, and energy, and to establish lasting support, is estimated at $1 to $2 billion. Over the next five years, the Program plans to spend about $125 million on key elements of this long-term strategy, with a total expected private cost during this period of $300 - 350 million.

Funding plan: The funding plan maps out ways to close the gap between Foundation investments and total funding need. The Foundation already shares significant co-funding for Western conservation with several major philanthropies and NGOs, and expects coordination to continue to grow, as exemplified by a collaborative project on Western energy issues currently in development. Because staff from other organizations participated in the OFG process, there is likely to be increased opportunity for coordination on shared priorities.

The Foundation is also actively seeking funding opportunities from public sources, particularly following the recent changes in the federal administration. To achieve the Program's five year targets, approximately $7 billion of public funding is needed. Some of this funding ($2.4B) is already available from known resources. Additionally, a large amount (~$3.8B) may be possible through policy investments that either increase the amount of funding or redirect current funds to high priority areas. For example, fully funding the Land and Water Conservation Fund and directing 10% more of the funds toward the West would lead to ~$850M more for conservation over five years.

Organizational plan: Staffing is expected to remain constant, but budgeting and organizational structure will be flexible to allow for budget adjustments and other course corrections. The organizational structure of the West component of the Environment Program is expected to remain lean over the next five years with a Program Director and three program officers, all based in California. The Program also has one program officer for international climate and energy who will not work on the West.

Western grantmaking responsibilities will continue to be divided between the three program officers and the program director.

Phasing and exit plan: Even the best planning will inevitably need adjustment based on new information. A major aspect of the Foundation's OFG approach, therefore, is to ensure that new learning is consistently incorporated into improved grantmaking. Three issues in particular may drive unpredictable future course corrections. First, rapid climate change is likely to be a crucial factor in the long-run ecological viability of the West, and may affect the relative urgency of conservation in different regions and types of ecosystems. The Foundation is supporting efforts to better understand the long-run impact of rapid climate change, and to develop new policy instruments that may be required to mitigate it.

Second, the Foundation will adjust its priorities as needed in response to decisions made by other funders or major stakeholders. Hewlett resources should be directed where the marginal benefit will be the largest, and as other funders are successfully brought on board in

one venture, the Foundation will move on to another where resources are scarcer.

Third, unexpected encroachments on migration corridors or core areas may necessitate a readjustment of place-based prioritization for place-based investments. In this event, the Foundation will reconsider the distribution of funding for place-based campaigns to address any urgent threats.

Create measures of success:

Metrics and targets: To ensure the ecological integrity of the West, the Foundation will conserve 150 million acres and 2,400 river miles, reduce fossil fuel development on 85 million acres and increase renewable use and energy efficiency by 100k GWh per year, and build lasting support in 30-40 priority areas. Quantitative metrics and targets will measure progress toward this overall goal. Metrics and targets in the Foundation's work are mostly defined as a number of acres or river miles improved by investments. For instance, one metric of success in land conservation is the number of acres of Forest Service land designated as Wilderness Area. Another is the number of acres closed to off-highway vehicles. Some metrics are all-or-nothing: either an area is declared a Wilderness Area, or it isn't. Others are incremental, such as the number of acres for which conservation funding is created in a state budget. In either case, the Foundation measures success as quantitative progress towards its overall goal. All of the activity clusters in the logic model have specific targets (in acres, river miles, etc.), which are to be achieved in specific places.

Monitoring and evaluation plan: A robust system of continuous monitoring and regular evaluations will track progress and suggest course corrections. Monitoring will involve regular collection of information on the progress of individual grants. It is a continuous process that relies on proactive and detailed communication between grantees and program officers. Monitoring provides the information base for later evaluation of achievements and revisions to the grantmaking process. It is composed of two parts: grantee reports and program officer observations.

Evaluation will consist of a set of periodic assessments of the Foundation or some sub-set of its grantmaking, based on information gathered continuously through monitoring processes, and in-depth reviews of particular grants or clusters of grants. Evaluations are intended to give the Foundation an opportunity to reflect on its knowledge in greater depth and more formally than is possible on a day-to-day basis.