



**The Rockefeller  
Foundation  
2007 Annual Report**

*Smart Globalization:  
Benefiting More People,  
More Fully, in More Places*

## *Smart Globalization*


John D. Rockefeller, Sr., envisioned and established the Rockefeller Foundation during the early years of the 20th century, an era of momentous transition and consequence around the world. The forces of industrialization unleashed unanticipated challenges and opportunities, and the Foundation helped, in Rockefeller's words, to "promote the well-being" of humanity amidst the currents of historic change.

These early moments of the 21st century are equally transformational because of globalization. As with industrialization at the time of our founding, globalization's effects can be both beneficial and burdensome.

The work of the Rockefeller Foundation for the 21st Century is to enable "smart globalization." It attempts to harness the creative forces of globalization to ensure that the tools and technologies that have significantly improved the human condition in many parts of the world during the past half century are accessible today to more people, more fully, in more places.



## President's Letter



**G**lobalization has released sweeping commercial and cultural energies that have transformed the ways we lead our lives, relate to one another, participate in our communities, and engage with the world. While many have benefited, many more have not.

Our shared challenge is to harness these creative energies and direct them to drive sustainable progress in communities around the globe. Our common efforts must serve to assure that as economic conditions improve, the world's most vulnerable people can access tools and techniques, ideas and innovations, strategies and solutions to build better futures. We call this "smart globalization," and the Rockefeller Foundation for the 21st Century helps make it a reality.

This begins with our philanthropic grant-making function, but we aspire to generate an impact that far exceeds the sum of our — or any individual institution's — charitable giving. Against the backdrop of a changing world, we leverage our legacy, assets, institutional experience and expertise in concert with others. We

recognize that intractable, interconnected challenges require integrated solutions. And we are thoughtful and intentional about *how* we work, not just *what* we work on — the *way* we work together, not just *why* our efforts matter.

In these pages, we explain the Foundation's approach to that obligation and opportunity, articulating our vision of the Rockefeller Foundation for the 21st Century, and illustrating how our work animates our commitments.

The nature of global leadership in today's world has evolved dramatically. Old patterns and relationships of international influence are fragmenting. Foundations, NGOs, corporations, and governments are less capable of instituting substantial social improvements from the top down or by themselves. Globalization has decentralized leadership, often creating gaps in service and support precisely where the global community's needs are greatest — not just in developing nations, but, during this time of profound economic and cultural transition, in the United States as well.



Leadership and influence are nuanced as a consequence. Partnerships are essential, and problem-solving must recognize, welcome, and mobilize the resources and actions of others.

In the 21st century, no single funder or philanthropy can seed, support, and sustain transformational change alone. But if we all play our parts — if we nurture an enabling environment — change can take root and flourish. For the Rockefeller Foundation, this means:

- engaging partners with diverse perspectives in meaningful, collaborative alliances;
- encouraging efforts to transform innovative products, processes, and practices that solve problems in some fields and apply them to others; and
- empowering beneficiaries to cultivate and spread progress throughout their communities and countries.

We are privileged to build on a remarkable legacy of achievement. In the 20th century, our forbearers led collaborative efforts to conquer some of the greatest challenges of their time: eradicating yellow fever and hookworm,

creating the field of public health, fostering the ideas that evolved into the United States Social Security system, supporting the earliest efforts to open the doors of higher education to African-Americans, and mobilizing an agricultural Green Revolution that saved billions of lives.

We now face new economic challenges, different social strains, and unprecedented environmental threats. We must exercise a fresh approach to leadership — recognizing that none of us can tame the difficult challenges of globalization alone and that we can only realize the promise of “smart globalization” together.

The year 2008 marks the 95th anniversary of the Rockefeller Foundation’s charter. We forge boldly ahead, toward our second century, steadfast in our conviction that the Rockefeller Foundation’s role — as a partner and a leader — has never been more crucial.

*Judith Rodin*

Judith Rodin  
June 2008





# *At a Glance: Who We Are*

Since its establishment in 1913, the Rockefeller Foundation has sought to identify and attack at their source the underlying causes of human suffering. The Foundation pioneered the frontier of global philanthropy and continues to find and fund solutions to many of the world's most intractable challenges.

Today, the Foundation supports work around the world to expand opportunities for poor and vulnerable people and to help ensure that globalization's benefits are more widely shared. The Foundation allocates grants, convenes partnerships, promotes innovation, and influences public discourse

in response to five interconnected challenges: repairing weak, outmoded health systems; building resilience to environmental degradation and climate change; addressing the risks of accelerating urbanization; reweaving frayed social contracts; and easing basic survival insecurities.

With assets of more than \$4 billion, the Rockefeller Foundation operates both within the United States and around the world. The Foundation's efforts are overseen by an independent board of trustees and managed by its president through a staff drawn from scholarly, scientific, and professional disciplines.

## *The Rockefeller Foundation for the 21st Century*

**T**he Rockefeller Foundation for the 21st Century is committed to harnessing the enterprising, creative forces of globalization to propel breakthrough solutions. We aspire to produce impact that far exceeds the sum of our grant-making by leveraging our history, assets, expertise, and convening power.

The Rockefeller Foundation allocates grants to individuals and institutions to support a portfolio of interconnected, mutually reinforcing initiatives.

We broker partnerships, helping people and institutions with diverse perspectives connect in meaningful, collaborative alliances.

We support the development of policy proposals, new products and services, and better research data to help inform and influence public discourse.


We expand access to and distribution of already existing tools, technologies, and practices to benefit more people, more fully, in more places.

We encourage and cultivate innovation — ideas that change the way we understand and solve problems.

And, in all our endeavors, the Foundation focuses on expanding opportunity for poor and vulnerable people and helping to ensure that globalization's benefits are more widely shared.

→ *Perspective* →





# *Action → Impact*

THE ROCKEFELLER FOUNDATION  
2007 ANNUAL REPORT

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# *Globalization: How We See the World*

**A**round the world, people reap the positive benefits of revolutionary advances in health and medicine and profound progress in physical and social sciences. We share markets and capital, knowledge and ideas, and dramatically more diverse communities. In the last three decades, illiteracy worldwide has dropped by half. Eighty percent of the world's population lives in countries where poverty is declining. A decade into the new century, we have much to be optimistic about.

Not everyone's lives, though, are improving fast enough, nor are they improving equitably. Half of the people on earth subsist on less than two dollars a day. A billion people live in abject poverty, with neither running water nor enough to eat. Ten million children succumb to preventable or treatable diseases every year. Climate change and environmental degradation pose the greatest dangers to the communities least prepared to weather them.

Both the benefits and burdens — the opportunities and risks — of worldwide





progress are propelled by globalization, the economic and social process by which economies and communities grow inextricably interdependent.

Under that broad headline — and building on our history, legacy, and insight into the evolving world in which we operate — the Rockefeller Foundation for the 21st Century recognizes and responds to several major currents of change: shifting geopolitical relationships, widening economic inequalities, deteriorating natural ecosystems, accelerating

migration to ill-prepared and poorly planned urban areas, and growing threats to social, physical, and economic security in communities around the earth.

Only if we are intelligent, inventive, and socially conscious — only if we work together — can we harness globalization to develop and spread sustainable solutions to these challenges. This is “smart globalization”: connecting individuals, institutions, and communities with tools and techniques, ideas and innovations to build better futures.

→ *Perspective* → *Action* → *Impact*

## *How We Work*

**T**he Rockefeller Foundation for the 21st Century employs and infuses several guiding principles in its work: ways of operating made easier and more necessary by globalization.

We develop and deploy solutions that are grounded in learning and knowledge, science and data.

We seek and support work that sparks innovation, fresh approaches to problems and their resolutions.

We work across and between disciplines, bridging the public, private, and nonprofit sectors.

We bring diverse people and parties together and engage them in meaningful alliances.

We search for and work with partners to leverage as many elements as possible to maximize opportunities for success.

We work to strengthen individual, institutional, and community capacity —



empowering more people in more places to build and maintain better lives and futures.

We strive to stay nimble and agile. Almost all of our work is selected because the Foundation sees an opportunity to break a bottleneck, surface a new issue or reframe an old one, take advantage of a current or coming tipping point, or expand a proven solution in concert with others.

The Foundation vigorously and regularly measures impact and outcomes.

Our initiatives specify clear time frames, identify anticipated results, and require monitoring and evaluation. This does not mean that we expect to solve the world's thorniest problems overnight. It does mean that Foundation-supported work defines hypotheses, articulates both short- and longer-term objectives, foresees and adapts to changing circumstances, and fully integrates verifiable methods of assessing progress.

→ *Perspective* → *Action* → *Impact*





# *Integrated Initiatives*

The Rockefeller Foundation funds a portfolio of linked initiatives. Individually, and together, they draw on the Foundation's deep-seated commitments to nurture innovation, build individual and institutional capital, pioneer new fields, expand access to and distribution of resources, and, ultimately, generate sustainable impact.

Each initiative is designed to achieve specific, measurable goals within a projected time frame, and we reassess its effectiveness within three to five years. These requirements enable the Foundation to evaluate our work frequently, seize unanticipated opportunities, maintain flexibility, shift tactics when necessary, and recalibrate our approach when a problem demands shorter- or longer-term investment.

→ *Perspective* → *Action* → *Impact*

## *Our Focus*

The Rockefeller Foundation for the 21st Century focuses its resources and energies on five interconnected – overlapping – issue areas, selected both because they are critical global challenges and because the Foundation is distinctively positioned to address them effectively and with measurable results.



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- **Repairing weak, outmoded health systems** — making modern health systems stronger, more affordable, and more accessible in poor and vulnerable communities.
  - **Building resilience to environmental degradation and climate change** — developing plans and products to protect those with the fewest means from an imperiled environment and warming global climate.
  - **Addressing the risks of accelerating urbanization** — shaping efforts in planning, finance, infrastructure, and governance to manage a world in which, for the first time in history, more people live in urban communities than rural ones.
  - **Reweaving frayed social contracts** — reinforcing American workers' social and economic security, reimagining the regulatory framework that governs our economy, and reinvigorating the notion of citizenship.
  - **Easing basic survival insecurities** — supporting sustainable efforts to provide the basic building blocks of increased labor and land productivity and economic growth: nutrition, water, health care, and shelter.



# Our Work

*Grants are fundamental to the Rockefeller Foundation's work. Highlights of the Foundation's 2007 and early 2008 grants appear on the following pages. A complete list of our grants can be found on the Rockefeller Foundation's Web site: [www.rockfound.org](http://www.rockfound.org).*





## Strengthening Health Systems

Over the Foundation's storied history, international health has been a major focus of its work. The Foundation established the United States' earliest institutes of public health and helped extend the field's benefits around the world. It led control efforts against 20th century scourges of the poor, including hookworm and malaria. Max Theiler, a Rockefeller Foundation virologist, earned a Nobel Prize in Medicine for developing a yellow fever vaccine. And more recently, the Foundation organized a worldwide effort to create public-private partnerships that are accelerating the search for vaccines and medications to combat HIV/AIDS, malaria, and other diseases.

In that tradition, the Rockefeller Foundation is exploring three interconnected efforts to strengthen the 21st century's public health systems:


- monitoring and controlling potential pandemics,
- expanding the use of technology in health care, and
- engaging the private sector in providing and financing health services for the poor.

The last few decades have witnessed the rapid emergence of new infectious diseases over vast geographic regions — Ebola, SARS, and highly contagious avian influenza among them. These illnesses threaten lives and livelihoods around the world, especially in poor

→ **The Mekong Basin Disease Surveillance Network facilitates and coordinates monitoring efforts within and across the six countries of the Greater Mekong Sub-region, where the potential for pandemics is especially grave. The Foundation has made a series of grants of \$350,000 to \$550,000 to the governments of Cambodia, Laos, Thailand, and Vietnam to strengthen national and sub-regional capacity in disease surveillance and response through the network.**

→ **The Mekong region suffers from a dearth of public health professionals trained in information and communication technologies. To fill this need, the Department of Tropical Medicine at Thailand's Mahidol University, in collaboration with the University of Washington, is using an \$800,000 grant to develop the Center of Excellence for Informatics in Health Sciences and graduate programs in health informatics.**

→ **Out-of-pocket spending for private health care constitutes the bulk of health care costs for people in developing countries. Several leading scholars suggest, however, that the private sector might more effectively serve the needs of those with the fewest means. A \$1.7 million grant to the Results for Development Institute is supporting continued study to discover and replicate the best private sector practices in health systems in four key areas: risk pooling, regulation, innovative business models, and new methods of product supply chain management.**



communities. The causes are complex. Populations are migrating across borders with greater frequency, concentrating in densely inhabited urban areas; climate change is transforming ecosystems and incubating diseases in new places. And still, today's global and regional disease recognition and response systems remain weak.

The Rockefeller Foundation, therefore, is fortifying disease surveillance networks — improving collaboration across countries, within regions, and between regional and global monitoring efforts. The Foundation's grantees, ultimately, will improve the detection of and response to potential outbreaks in developing countries.

Similarly, the Rockefeller Foundation is promoting new and stronger links among information technology and health systems in developing countries, building the field of eHealth. We expect these efforts to dramatically improve the efficiency, equity, affordability, and quality of health services.

Finally, while the private sector provides the majority of health services in developing countries, it has been relatively neglected in national and global health policy. The Foundation, in turn, is investigating the role of the private sector in health and the possibilities of connecting private and public health resources to construct comprehensive health systems that expand access and quality of care for the poor.

*OurWork* →


# *Planning for an Urban World*

The world's population is moving to and growing in cities at an astonishing rate. One of every ten people lived in urban areas a century ago. In 2007, for the first time, a majority of people lived in cities. By 2050, the United Nations projects, almost three-quarters of the world's population will call urban areas home.

In too many cities around the world, this growth has multiplied populations of slum dwellers, overburdened housing, transportation, and infrastructure systems, and left hundreds of millions vulnerable to new health threats.

In the summer of 2007, the Rockefeller Foundation hosted a Global Urban Summit at the Rockefeller Foundation Bellagio Center. It was convened to explore solutions to the challenges of urbanization, and included a diverse ensemble of voices — government officials, finance experts, urban thinkers, and other leaders from every walk of life.

A consensus emerged from the summit: if cities and countries are to successfully manage this great migration, they need better financing, planning, and governance.



The world's population is expected to increase by 2 billion people over the next 50 years, with 90 percent of that growth occurring in urban areas of developing countries. Accommodating this will require a doubling of existing urban infrastructure.

Summit attendees also urged the Foundation to consider an initiative supporting work on American transportation policy. Transportation solutions are a crucial part of mitigating climate change, promoting healthy urban expansion, and

widening economic opportunity — all core Rockefeller Foundation commitments.

Transportation does not just move people from one place to another; it is a conduit to the American dream. Our subways and railways, roads and bridges connect communities to good schools, well-paying jobs, and affordable homes. Today, the Foundation is helping to inform new policies and elevate the stature of transportation challenges — especially those faced by low-income and working families — on the national agenda.

→ **The University of Cape Town's African Centre for Cities is using a \$700,000 grant to help train African community leaders in urban planning. To achieve this, they've developed three projects: 1) the Revitalization of Planning Education in Africa (focused on higher education); 2) the African Innovations Workshop (convening academic, professional, NGO, and government leaders); and 3) the Web-based Urban Public Culture Network (to broaden knowledge of the continent's rich and varied cultural practices and traditions in cities).**

→ **Shack/Slum Dwellers International (SDI) — a grassroots confederation of country-level federations, NGO leaders, and other professionals — helps urban poor people access services and claim basic rights. Through SDI, once-marginalized urban residents have a greater voice in shaping the policies that most affect them, participating in a forum with governments, banks, financial institutions, and academia. SDI is using a \$500,000 grant to improve its internal governance and operational procedures.**

# Rebuilding New Orleans

When Katrina's storm surge drowned much of New Orleans, Americans saw firsthand what can happen when the effects of accelerating climate change, shoddy planning, failing urban infrastructure, and abiding poverty collide and combust. An irrepressible tide ravaged homes, washed away communities, and set off a modern American diaspora. The circumstances that aligned in New Orleans are not unique. These same vulnerabilities fester latently in cities around the world.

To create lasting, structural change in New Orleans and to model inclusive urban planning for complex metropolitan environments, the Rockefeller Foundation supported the development of the Unified New Orleans Plan (UNOP), which focused on improving flood protection, stabilizing neighborhoods, providing affordable housing, expanding public services, and building state-of-the-art education and health care systems.

UNOP, now approved by the New Orleans City Council and the Louisiana Recovery





→ The University of Pennsylvania's Center for Urban Redevelopment Excellence is using a \$2.2 million grant to manage the Rockefeller Foundation Redevelopment Fellowship Program, which has placed 25 fellows in the organizations and government offices most directly responsible for rebuilding New Orleans.

→ For nearly 30 years, the New Orleans Redevelopment Authority (NORA), a quasi-governmental organization chartered by the State of Louisiana, played only a minor part in the city's revitalization because of underfunding and a lack of a public vision. With a \$300,000 grant, NORA is recruiting professional staff to develop organizational capacity and to make a significant contribution to the city's recovery.

→ With Rockefeller Foundation funding, the Greater New Orleans Foundation (GNOF) played a crucial role in New Orleans' creation and adoption of the Unified New Orleans Plan. GNOF is now using a \$600,000 grant to establish the Community Revitalization Program, a fund that supports efforts to rebuild and maintain an affordable and mixed-income housing system in the crescent city.

Authority, has enabled the city to access millions of dollars in federal funding for rebuilding. The Office of Recovery Management, the Downtown Development District, and the New Orleans Redevelopment Authority all use the UNOP as their primary development guide. It serves today as the basis for the City Planning Commission's Master Plan.

Although their work is far from finished, the people and communities of New Orleans

are sowing the seeds of renewal. Week by week, another streetlight switches on, another home is restored, and another storefront is reoccupied. The silence of New Orleans' streets after the deluge is giving way to the sounds of a city on the rise: the syncopated clangs of construction, the refrains of men and women at work, the laughter of children playing in reclaimed parks, and the cadences of strong community organizations and civic participation.

# Mobilizing a Green Revolution in Africa

In 2006, the Rockefeller Foundation joined with the Bill & Melinda Gates Foundation to create the Alliance for a Green Revolution in Africa (AGRA). This partnership brings together scientists and smallholder farmers, the business and nonprofit communities, policymakers and African governments in a shared endeavor to help millions of farmers produce more plentiful harvests and lift themselves from poverty and hunger.

Specifically, AGRA is planted in the perspective that smallholder farmers can yield a bounty that will ease basic survival insecurities if they can sow resilient varieties of seeds, access affordable fertilizers, irrigate their land, move their harvests to market, and get fair prices for their produce.

In its beginning stages, AGRA supported nearly 30 organizations in eight African countries for training African crop scientists at African universities so they can work in their African



communities. It helped create the critical mass of talent needed to develop approximately 400 new seed varieties. And it began connecting a network of agro-dealers to ensure that these new, better seeds are available in even the most remote places.

In 2007, AGRA focused on soil health and fertility as a complement to improved crop varieties — helping smallholder farmers acquire small packets of fertilizer and training them to use these materials synergistically with organic fertilizers

already at their disposal. This is especially critical as food and fertilizer prices skyrocket.

Today, sub-Saharan Africa includes 16 of the 18 most undernourished countries in the world, and it remains the only region where per-capita food production worsens year after year. AGRA is not just a response to that moral challenge; it represents the Foundation's bold commitment to continue promoting — and partnering with others to advance — “the well-being” of humanity.

→ The Alliance for a Green Revolution in Africa (AGRA) is using a \$9.3 million grant to lay the groundwork for efficient, integrated markets — to help farmers both buy supplies and sell their harvests. The Foundation also awarded AGRA a \$15 million grant to improve the health of Africa's soils by providing smallholder farmers with nutrients to fertilize their crops and with training to utilize these materials more effectively and sustainably.

# *Bolstering Resilience to Climate Change*


**C**ommunities around the world have already begun to experience the wide-ranging effects of climate change, whether in more frequent heat waves, droughts, violent storms and floods, eroding coasts, receding arctic ice, salinated water sources, or the spread of heat-related diseases like malaria.

While these conditions threaten people everywhere, the poorest are most vulnerable since they are the most dependent on climate-sensitive ecosystems for survival: clean water for drinking and fishing, protected habitat for hunting and grazing, and productive soil for agriculture. Poor communities are also the least equipped to prepare for and recover from the devastation that can result from weather

extremes and their repercussions. For people with meager means, climate change is not just another challenge; it creates a multiplier effect that intensifies the dangers they already face.

The Rockefeller Foundation supports work to help more people in more places cope with the climate change that's coming — bolstering resilience to a challenging environment through a three-pronged initiative.

First, the Foundation is reinforcing AGRA's poverty reduction work, and strengthening the potential for its impact, by helping poor African communities prepare for the consequences of a warming world. The projections are alarming. More than a third of Africa's population lives in drought or drought-prone areas where climate change could shorten the growing season by



→ **Stanford University is using a \$350,000 grant to research better integrated food security and agricultural resilience strategies in sub-Saharan Africa. This work will identify more adaptive seed and crop varieties and new approaches to expand their use.**

→ **The Center for Clean Air Policy (CCAP) is a world leader in influencing climate and air quality policy. A \$900,000 grant to CCAP's Urban Leaders Adaptation Initiative will help cities and counties in the United States increase their resilience to the negative effects of climate change. This work will encourage and enable government leaders from partner regions to share best practices and offer recommendations to support policy development and implementation.**

several weeks and decrease yields from rain-fed agriculture by as much as half. In response, the Rockefeller Foundation supports several important efforts:

- investing in water and other natural resource management programs;
- restoring the ecosystems that support human survival and subsistence;
- improving meteorological capacity and expanding the use of local climate data in forecasting; and
- weaving a crop-insurance safety net to protect farmers and their families from floods, droughts, and pests that devastate yields.

Second, the Foundation is working to build resilience in Asia, where, during the next 30 years, 60 percent of the increase in the

world's population will occur in urban areas and 80 percent of countries are threatened by rising sea levels. We are supporting vulnerability analyses and pilot projects that include coastal restoration, land-use, and building-code reform. We will evaluate what works most effectively. And then we will engage partners to reproduce and expand best practices.

Third, the Foundation is promoting response planning and best practice modeling in the United States. In 2007, we collaborated with the City of New York to launch a housing design competition that sought innovative approaches to shelter the city's population in the aftermath of a disaster; these can serve as an example for large, densely populated urban areas around the world.

# Reweaving Frayed Social Contracts

**M**any Americans were fortunate enough to grow up during a time when the social contract among government, business, and workers guaranteed a basic level of social and economic security.

Today, however, the 20th century's social contracts are fraying, leaving American workers of all income levels vulnerable to new dangers. A shifting social and economic landscape causes considerable turbulence and unease — politically, socially, and interpersonally —

within and across communities, companies, and the country.

The Rockefeller Foundation has launched the Campaign for American Workers, which focuses on economic security in an environment where jobs are leaving communities, health care costs exceed workers' ability to pay, employers are trimming benefits, the government no longer guarantees a safety net, and inequality and disparities are widening.

→ According to a Foundation-funded survey by the polling firm Yankelovich, nearly 40 percent of American households would fall below the poverty line within three months of an unexpected income interruption. Some 25 percent of households in the bottom income quintile have no assets at all. To address this vulnerability, Doorways 2 Dreams, a nonprofit organization that expands access to financial services for working families, is using a \$250,000 grant to promote public policies that encourage short-term savings and expand access to savings bonds for low- and moderate-income workers.



Indeed, the profile of today's work force is dramatically different. Most workers no longer have a single employer for their entire career, often by their own volition. Many workers perform their duties freelance or without a formal employer, and thus neither expect nor are able to receive traditional pension or health care benefits. And soon the government will lack sufficient resources to support the substantial and increasing social service needs of its citizens. New ideas are desperately needed,

and the Rockefeller Foundation is supporting work to shape several including,

- accessible and liquid savings bonds for low- and middle-income workers at tax preparation sites;
- portable, affordable, health insurance and retirement savings vehicles for the self-employed; and
- new mechanisms for individuals and families to reduce medical debt.

→ A \$3 million grant to the Freelancers Union, previously known as the Working Today Education Fund, will help establish the Independent Worker Employment Benefit System, a program providing portable, affordable health insurance for independent low- and moderate-income workers who lack access to employer-based coverage.

→ Medical debt is the leading cause of personal bankruptcy in the United States, preventing many debtors from acquiring necessary health care. Criterion Ventures, a company that develops solutions to major societal problems, is using an \$867,000 grant to convene three summits, which will analyze the growing crisis of medical debt, explore solutions, and develop models to manage this challenge at the individual, intermediary, and government levels.

# Nurturing an Enabling Environment

**T**o generate enduring, self-perpetuating impact, the Rockefeller Foundation for the 21st Century is committed to nurturing the preconditions that enable its work — and others' work — to take hold and flourish.

**Innovation:** The Foundation is currently exploring ways to better understand the processes and practices that lead to innovative solutions in some areas and then apply them elsewhere. This can both accelerate develop-

ment efforts and transform how we think about seemingly intractable problems. Specifically, our work identifies the models and approaches that private companies use in achieving breakthroughs and then adapts them to solve societal challenges.


**Capacity Building:** The Foundation builds the capacity of individuals and institutions to spark transformational change. We believe we can most effectively promote a sustainable cycle of development by supporting work that

→ The first phase of the Rockefeller Foundation's work on innovation keyed on "crowdsourcing," which looks for creative ideas within a community of experts. We partnered with InnoCentive, an online services company, tapping into a network of engineers, scientists, entrepreneurs, and thought-leaders, and then developing a Web-based platform to gather and organize possible solutions to development challenges. One success story was the invention of the water- and shock-resistant, long-lasting, solar-powered BoGo Light, which illuminates new possibilities for productivity, education, and safety in poor countries after dark.

Now, the Foundation is applying approaches to innovation that incorporate the needs and ideas of consumers into shaping solutions. In 2007, we funded the efforts of IDEO, a leading design company, to apply user-driven innovation models to two projects: distributing low-cost hearing aids in poor communities around the world and expanding physician-staffed pharmacies in India's slums. As an integral component of both, IDEO is developing a methodology for making these innovation models applicable to similar work in different places.

The Rockefeller Foundation sees innovation as a process, not just a product. We will continue to foster breakthrough solutions that improve lives and livelihoods around the world.





enhances beneficiaries' resilience and equips them to build better futures for their families, businesses, communities, and countries.

**Impact Investing:** Throughout the financial world, interest in impact investing — managing investments for both social and financial benefit — is growing. The Rockefeller Foundation is supporting this emerging field by working to create and cultivate an environment in which social entrepreneurs can connect more readily with sources of available capital and

thus more effectively solve social problems.

**The Rockefeller Foundation Bellagio Center:** The Foundation believes that collaboration is essential to growing shared knowledge, setting high impact agendas for change, and unleashing human capacity. The Rockefeller Foundation Bellagio Center regularly hosts policymakers, professionals, and thought-leaders, from around the world, for residencies, conferences, and candid, robust exchanges of ideas.

→ **The Rockefeller Foundation partners with a number of enabling organizations, whose work fosters the environment necessary for substantial and sustainable change. In 2007, for example, the Rockefeller Foundation supported Dr. K.Y. Amoako's vision to create the African Center for Economic Transformation (ACET), an African institution, led and staffed by African experts, that will provide expert policy counsel to senior members of African governments. The idea is that if Africans affected by policy have a meaningful role in shaping it, reform programs will gain greater credibility, political traction, and ultimately have a greater impact. Building on-the-ground capacity, ACET will help develop and implement strategies to spur economic growth and poverty alleviation, reinforcing the efforts of African governments to build better futures for their countries.**

→ **In 2007, we started the Rockefeller Foundation Impact Investing Collaborative, a global network of impact investors committed to accelerating the growth of this emerging field. Through the collaborative and other efforts, the Foundation is helping to expand opportunities for investors and beneficiaries alike, ensuring that globalization's resources and rewards are more widely shared.**

*OurWork* →



# The Rockefeller Foundation: A New York Citizen

The Foundation has contributed to New York City since our founding in 1913.

Over the ensuing nine decades, we helped support significant advances for the people of the city's myriad communities — in science, medicine, and the arts.

Today, New York's diverse and dynamic streetscapes serve as more than a setting for

our work. Our city has inspired and informed an active appreciation for and investment in the strength of cities around the world.

While the Rockefeller Foundation may fix its eyes and lend its hands globally, we also exercise an unwavering commitment to civic responsibility in our hometown.

→ In 2007, the Foundation helped launch several activities to strengthen the social fabric of New York City:

- *Opportunity NYC*, administered by the New York City Center of Economic Opportunity, is the United States' first conditional cash transfer (CCT) program. In the short term, it provides additional income to poor families. Over the long run, it seeks to break the cycle of intergenerational poverty by offering monetary incentives to parents for enrolling in job training programs, bringing their children to medical appointments, and committing to other activities that prepare children to build better lives.
- *The Rockefeller Foundation Jane Jacobs Medals*, named in honor of the activist, author, urbanist, and Rockefeller Fellow, recognize and reward two extraordinary New Yorkers every year for their outstanding contributions to the vibrancy, variety, and vitality of the city. The inaugural medals were awarded to architect and urban planner Barry Benepe for his lifetime of leadership and Omar Freilla, the founder of Green Worker Cooperatives, for his new ideas and activism.
- *The Rockefeller Foundation New York City Cultural Innovation Fund* sponsors an annual competition to stimulate breakthrough and innovative cultural and artistic work in the city.





# Chief Investment Officer's Letter



The Rockefeller Foundation returned 16.9 percent on its portfolio in 2007. Returns for the three- and five-year periods ending December 31, 2007 were 15.2 percent and 16.4 percent respectively. The Foundation has enjoyed strong returns from hedge funds, real assets, private equity, and emerging markets — and our emerging markets portfolio has benefited especially from allocations to local specialists in Asia, Latin America, and Africa. As of December 31, 2007, the market value of the Foundation's portfolio was \$4.1 billion.

The financial markets have been much more challenging in the early months of 2008 as deterioration in the housing and credit markets has led to distress in the banking

sector and a sharp reduction in lending capacity across the financial system. Overall, the global financial system has seen large scale deleveraging and risk reduction.

Every period of financial upheaval has unique characteristics, and it is always challenging to navigate uncharted territory. Nevertheless, the Foundation's portfolio is in a better position to weather this downturn than the 2001 bursting of the tech bubble. The Foundation's investments in long-biased public equities have been substantially reduced, and significant allocations have been made to managers who employ hedging strategies. Targeted commitment levels in private equity and real assets have been achieved. The Investments Office staff now has the opportunity to refine the manager



lineup in these sectors so that the Foundation has the best partners for the long term.

**PORTFOLIO OVERSIGHT**

The concept of generational neutrality — maintaining the long-term purchasing power of the endowment to ensure the Foundation’s robust grantmaking ability over the long term — remains a core value of the Foundation. The original corpus, which was fully funded by 1929, was worth \$3.0 billion in 2007 dollars compared to its estimated \$4.1 billion value today. With the benefit of compounding investment returns, the Foundation has been able to make approximately \$15 billion (2007 dollars) in grants over the years while maintaining the value of the endowment in real dollars.

In setting policy for the endowment, the Foundation’s board of trustees strives to balance two long-term objectives — maximizing funds for current programs and maintaining generational neutrality — through policies on spending rate and asset allocation for the investment portfolio. The Foundation’s long-term target for annual spending is 5.5 percent of the market value of the endowment.

The Foundation’s Finance Committee reviews the asset allocation policy annually and establishes a target allocation for each asset class. The combination of an equity bias and broad diversification among equity-oriented asset classes provides a powerful platform for a long-term institutional portfolio.



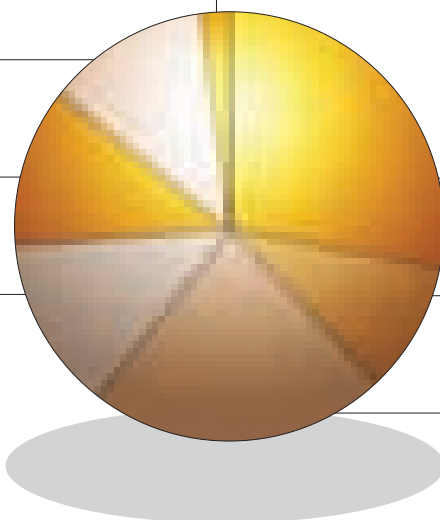
The long-term asset allocation targets are:

**2%** Cash

**12%** Fixed Income

**12%** Private Equity

**13%** Real Assets



**28%** Developed Equities

**10%** Emerging Market Equities

**23%** Hedge Funds/Distressed





The Foundation's investment staff develops overall strategy, recommends investment managers, evaluates their performance, and monitors and controls portfolio risk. The investment staff also researches new investment opportunities and reaches out to talented partners. In selecting outside managers, the Foundation seeks firms that have the human capacity, management structure, disciplined process, fundamental research, and operational controls to deliver superior results.

#### **PORTFOLIO STRUCTURE**

During 2007, the Foundation's developed market public equities, which had been divided into U.S., international, and global categories, were consolidated into one "developed equities" asset class. As noted

on the opposite page, the target allocation for this asset class is currently 28 percent. The portfolio is allocated among 14 active managers. Hedge strategies with a significant long bias are included in this asset class.

The Foundation's target allocation to emerging market equities is 10 percent. Managers for this asset class include two firms with broad expertise across the emerging markets, plus local specialists in Asia, Latin America, and Africa.

The fixed income portfolio emphasizes exposure to high-quality, U.S. government securities. Approximately 50 percent of this asset class is invested in passively managed index funds that hold intermediate-maturity Treasury bonds and Treasury Inflation Protected Securities (TIPS). Another segment of the fixed income portfolio is invested with



three managers who achieve exposure to Treasury securities using futures and overlay this exposure with opportunistic investments in a variety of market sectors. This “portable alpha” approach preserves the Foundation’s exposure to Treasury securities, but gives the managers the potential to generate higher excess returns.

The hedge fund/distressed asset class includes investments in event-driven strategies, long/short equity strategies, and distressed debt. These investments are expected to provide equity-like returns that are not highly correlated with the public equity and fixed-income markets. The hedge fund/distressed debt asset class currently includes 24 managers. Commitments to distressed debt will increase during 2008

as opportunities arise out of the bursting of the credit bubble.

The Foundation makes investments in private equity and real assets through limited partnerships. The inefficiency of private markets offers long-term institutional investors, who can tolerate illiquidity, the opportunity to benefit from working with experienced partners who have consistently added value to their portfolio companies. Because these investments require making long-term commitments, the Foundation strives to invest only with the highest caliber partners and conducts extensive due diligence prior to making a commitment. Our strategy is to build relationships with leading firms with whom we can invest in a series of funds over time and to structure partnerships that align our interests with those of our partners.



In private equity, the Foundation has ongoing relationships with more than 30 venture and buyout partners. As of December 31, 2007, venture capital represented 40 percent of this asset class and buyouts 60 percent. Allocations to U.S. managers were 75 percent of the asset class, and Asia and Europe were 15 percent and 10 percent respectively. During the past several years, the Foundation has been able to establish relationships with several new private equity partners, including some that invest in rapidly growing emerging markets. These commitments will be funded over time as the partnerships identify attractive investment opportunities.

The real assets portfolio includes investments in public and private real estate, energy, timber, and commodities. The Foundation has ongoing relationships with

16 partners that invest privately in commercial real estate. Energy investments include natural resource funds and private equity funds that invest in companies in the energy sector. The Foundation also invests in alternative energy, both in renewable energy assets and companies enabling the transition to a low-carbon economy.

Building a portfolio that respects the abiding principles of diversification and alignment of sponsor/manager interests, but also takes advantage of new approaches and unexplored territory, requires a deft balancing of creativity and discipline. The Foundation's investment staff strives to creatively push the bounds of traditional asset allocation and find exceptional partners while maintaining the discipline to carefully underwrite investments and rigorously evaluate risk/return trade-offs.

# Statements of Financial Position

December 31, 2007 and 2006 (Amounts in thousands)



## ASSETS

	2007	2006
Cash and cash equivalents	\$ 704	\$ 1,962
Collateral held for securities on loan	401,006	395,846
Dividends interest and other receivables	2,201	3,765
Investments, including securities on loan of \$390,533 and \$383,438 for 2007 and 2006	4,136,712	3,751,762
Program related investments	8,789	7,457
Property, furniture, fixtures and equipment, net	21,617	21,160
Prepaid pension cost and other assets	44,398	54,439
<b>Total Assets</b>	<b>\$ 4,615,427</b>	<b>\$ 4,236,391</b>

## LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	\$ 14,027	\$ 41,482
Payable for return of collateral on loaned securities	401,006	395,846
Grants payable	45,753	81,576
Bonds payable, net of unamortized discount of \$191 and \$203 for 2007 and 2006	21,134	21,962
Deferred Federal excise tax	14,375	11,251
Post retirement benefit obligation	17,894	19,426
<b>Total Liabilities</b>	<b>514,189</b>	<b>571,543</b>
Unrestricted Net Assets	4,101,238	3,664,848
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,615,427</b>	<b>\$ 4,236,391</b>



## REALIZED INCOME

Realized Investment Income		2007		2006
Net realized gain on investments	\$	408,671	\$	288,377
Dividend and interest income		68,022		70,427
Other investment income		1,511		825
		<b>478,204</b>		359,629
Less Investment Expense		14,797		18,448
Net Realized Investment Income		463,407		341,181
Other Income		3,099		652
Net Realized Income		<b>466,506</b>		341,833

## EXPENSES

Grants and direct charitable activities		123,787		143,104
Program cost		15,469		19,985
Operations		20,757		17,627
Provision for Federal excise and unrelated business income taxes		7,596		12,522
Total expenses		<b>167,609</b>		193,238
Excess of Net Realized Income Over Expenses		<b>298,897</b>		148,595
Unrealized appreciation on investments, net of provision for deferred Federal excise tax of \$3,124 and \$4,501 for 2007 and 2006		<b>152,094</b>		218,166
Change in Net Assets Before Adoption of Recognition Provisions of FASB Statement No. 158		<b>450,991</b>		366,761
Effect of adoption of FASB Statement No. 158		<b>(14,601)</b>		-
Change in Net Assets		<b>436,390</b>		366,761

## NET ASSETS

Beginning of year		3,664,848		3,298,087
End of year	\$	<b>4,101,238</b>	\$	3,664,848

The Foundation's complete audited financials can be found on our Web site: [www.rockfound.org](http://www.rockfound.org)

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THE  
ROCKEFELLER  
FOUNDATION

420 Fifth Avenue  
New York, New York 10018-2702 U.S.A.  
212-869-8500  
www.rockfound.org

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420 Fifth Avenue  
New York, New York 10018-2702 U.S.A.  
212-869-8500  
[www.rockfound.org](http://www.rockfound.org)