



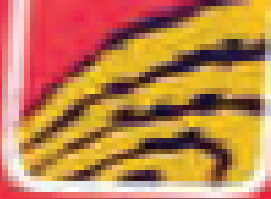
# *Impact*

*The Rockefeller Foundation 2006 Annual Report*



*Where We*

anywhere.



Rockefeller Foundation

# Are Today

*The Rockefeller Foundation 2006 Annual Report*

*Beginning in the spring of 2005, we took a hard look at the world in which we operate, the way we've worked and the way we think we need to work, how best to organize ourselves to pursue our mission, and the specific types of initiatives we think are most promising today. We've reached some conclusions about these questions.*

# *President's Letter*

*At the Rockefeller Foundation, 2006 was a year of beginnings. The formal process of reflection we initiated in 2005 came to an end, with many important lessons learned, although the discipline that comes from self-evaluation must be continuous. Even as we re-dedicated ourselves to our existing mission, a new approach to our work took hold. This report details that new approach.*

*The test of our work must be found in results, in literally changing the world, in impact.*

*The history of this Foundation, and of others like it, seems to us to teach that there can be no other meaningful yardstick for work such as ours. What endures from philanthropy is not how hard we try, or how clever we may be, or even how much we care. Hard work is indispensable, of course, to success in this as in any other field; intelligence is prized in our sector as in all others involving intellectual endeavor; and caring is what has drawn the best people into this line of work. But ultimately what is remembered is how we have been able to improve lives—whether, as John D. Rockefeller, Sr. enjoined, we have “promote[d] the well-being” of humanity around the world.*

*This report outlines who we are, how we see the world, what we do, and how we work. The work itself is our focus, and the report outlines the first three major initiatives we have begun*

**undertaking consistent with that new thinking: an alliance with the Bill and Melinda Gates Foundation to enhance agricultural productivity in Africa and ultimately, with additional partners and future initiatives, to yield a Green Revolution in Africa; key support for the rebuilding of New Orleans after Hurricane Katrina; and an effort to spur innovation models and bring knowledge to bear on problems in the developing world.**

**Of course, this is not all we did in 2006, so the pages that follow also spotlight other important work. Nor is the evolution of our efforts complete, so we conclude this report with a glimpse forward.**

**We look to the future with optimism about our new approach. We draw confidence from 94 years of distinguished history—including work that earned two Nobel Prizes, for the eradication of yellow fever and the launch of the original Green Revolution. But we are not unmindful that the world has grown more complex, the pace of change faster, many of the needs more urgent. In short, we turn to 2007 with the belief that the work of the Rockefeller Foundation has never been more challenging. Or more imperative.**

A handwritten signature in cursive script, reading "Judith Rodin".

**Judith Rodin  
January 2007**



# Who We Are

The Clinical Trials unit of the London-based Medical Research Council used a grant of over \$4 million to continue its field programs in Uganda and Zimbabwe, completing scientific monitoring and assessing the safety and effectiveness of two strategies for the use of anti-retroviral drugs in the fight against HIV/AIDS in sub-Saharan Africa. These trials have addressed important questions involving infrastructure, costs, and patient adherence.

Since 1991, the Rockefeller Foundation has been a key funder of a novel public private partnership of banks, insurance companies, foundations and a federal agency to revitalize low-income neighborhoods in 23 American cities. The Living Cities partnership has invested \$375 million and created \$14.3 billion in new assets in formerly distressed communities. The result: more than 125,000 units of affordable housing, new educational and health care facilities and stronger neighborhoods.

With a worldwide avian flu pandemic still a looming threat, proper surveillance for the earliest sign of an outbreak is crucial. Since 1999, the Rockefeller Foundation and the World Health Organization have supported the Mekong Basin Disease Surveillance Project, a collaborative arrangement among the ministries of health of the Greater Mekong countries to collect and respond to information about patterns of infectious disease in the region.

***The mission of the Rockefeller Foundation has remained the same since its founding in 1913 by John D. Rockefeller, Sr.: to “promote the well-being” of humanity. Moreover, the Rockefeller Foundation has, also since its founding, focused on addressing the root causes of serious problems, and on doing so around the world. As John D. Rockefeller said, “The best philanthropy is constantly in search of the finalities—a search for a cause, an attempt to cure evils at their source.” This approach has produced such breakthrough work as the professionalization of public health, the eradication of yellow fever, the “Green Revolution” in Latin American, Asian and Indian agriculture, and the creation of public-private partnerships to develop promising new vaccines.***

***Now, as at our founding, we work to identify and solve some of the world’s most pressing problems. Yet, while our mission has not changed, the world around us has, and we and our work must change with it, and are doing so.***

***Grants remain at the heart of our work. Some highlights of grants made in 2006 appear on these and the immediately-following pages. A full list of grants made by the Foundation can be found on our web site, [www.rockfound.org](http://www.rockfound.org).***

To address New York City’s shortage of affordable housing, the Foundation provided \$5 million toward an innovative financing facility designed to encourage banks and nonprofit developers to quicken the pace of affordable housing production. The New York City Acquisition Fund will leverage over \$200 million in private financing using \$41 million in commitments from a consortium of foundations and public agencies, resulting in over 30,000 housing units being built or preserved.

The Commitment to Development Index, a project of the Center for Global Development, is designed to rate the impact of economic and social policies of rich countries’ governments on the development of poor countries. The annual index generates widespread media coverage, and is published each year in *Foreign Policy*. The index has become known as a well-regarded catalyst of debate.

For most Cambodians, access to health care is limited. These limitations are particularly acute for those coping with HIV/AIDS. To respond to that challenge, the International Labour Organization used a Foundation grant to explore the feasibility of creating new insurance mechanisms which could reduce the hardships for poor families dealing with HIV/AIDS. Activities covered in the grant included research on the potential for positive impact on HIV-positive households.

# How We See

***For the arenas in which the Rockefeller Foundation works, the central reality of the modern world is globalization. Globalization is the product of world-wide revolutions in the technology of transportation, finance and especially information. It is in our time what industrialization was at the time of our founding: neither an intrinsically good or bad thing, but a pervasive and irreversible trend, with implications both beneficial and challenging.***

***Globalization represents increased interconnection and interdependence; it also spurs transitional conflict and sometimes exacerbates inequities. Globalization produces both increased risks and increased opportunities. New opportunities, many the result of the spreading benefits of scientific and technological innovation, create the potential for dramatic improvement in economic conditions, stemming poverty overall. At the same time, in some places and within some groups, risks are increasingly shifted to individuals, creating greater economic vulnerabilities for many and causing some people to fall farther behind.***

Women constitute a minority of the professional scientific staff of national agricultural research institutes in Africa. The International Centre for Research in Agroforestry used a Foundation grant to develop, implement and evaluate a program to bolster the ranks of women agricultural scientists in Kenya, Uganda and Tanzania. Program activities included mentoring from senior scientists, development of management skills and linkages to regional and global networks.

With nearly 200 million migrants around the world, the dimensions and policy challenges of migration are more complex than ever. To help chart the way forward, an eclectic group of scholars, policy-makers, advocates and others from 18 countries participated in a month-long series of conferences at the Foundation's Bellagio Study and Conference Center to examine and propose new policies to respond to these challenges.

Cervical cancer is the most common cause of cancer-related death among women in developing countries. Two effective vaccines now exist; many experts believe these vaccines may also point the way toward an eventual HIV/AIDS vaccine distribution plan. The Foundation helped convene a meeting in London for leaders from a variety of fields, including manufacturers and donors, to develop a plan to ensure access to this new life-saving technology.





# *the World*

A young child in a patterned shirt is seen from the back, looking out over a flooded field. In the distance, several other people are wading through the water. The sky is overcast and grey.

With widespread economic, social, and political dimensions, global climate change is one of the world's most vexing challenges. As the profound impacts of these changes become ever more apparent, the Rockefeller Foundation supported work to bring together experts from around the world to learn how governments, non-profits, communities and individuals are planning to help poor and vulnerable people cope with climate risks, with particular attention to those in developing countries.

The difference in maternal mortality rates between rich and poor nations is one of the starkest examples of inequity in global health. Building on work which previously supported organizations like the Program for Appropriate Technology in Health, the Foundation supported a symposium held at the Council of Foreign Relations which examined the impact of foreign policy and funding decisions on efforts to reduce the rates of maternal mortality.

With a \$3 million grant, RF joined other donors in launching United States Artists, a national organization devoted to support of America's finest living artists. An inaugural group of 50 Fellows, who each received \$50,000 awards, represent the vitality, diversity and vibrancy of individual artistry in America. Among this year's award recipients were trailblazers and innovators in architecture and design, dance, literature, media, music, theater, and the visual arts.



The threat of a worldwide pandemic raises especially troubling questions with regards to possible effects on the world's poor. A group of international experts, representing public health, virology, public policy, bioethics, law, human rights and other fields, met at the Foundation's conference center in Bellagio and adopted a set of principles intended to help protect the world's poorest people from the ravages of an influenza pandemic.

The Office of Health Economics, a U.K.-based research group, completed an analysis of the social value of investments in Product Development Partnerships (PDPs) such as the Global Alliance for TB Drug Development, launched by the Foundation in 2000. Many for-profit companies use similar approaches to estimate the commercial value of R&D portfolios. OHE found that R&D investments in six leading PDPs compare favorably to donor investments in existing interventions.

Important public policy and personal choices are too often framed and decided on the basis of inadequate or incomplete information. With seed funding from RF and other foundations, experts working with the National Academy of Sciences are developing the Key National Indicators Initiative, a comprehensive web-based portal—*The State of the USA*— that will help Americans chart their progress across a broad set of economic, social and environmental dimensions.

# What We Do

***The Rockefeller Foundation works around the world to expand opportunities for poor or vulnerable people and to help ensure that globalization's benefits are more widely shared. It is one of the few institutions to conduct such work both within the United States and internationally.***

***We relentlessly press the advantages of our history and structure. Among these: a capacity for the calculated risk that underlies most innovation, for venturing where others remain reluctant to go; an ability, while ultimately insisting on measurable results, to be patient in developing sustainable solutions rather than illusory quick-fixes; and our heritage, which provides us with both inspiration and standing, including our convening power and also the potential to move not just money but minds and policies.***

China's growing influence and involvement in Africa continues to be an area of profound international interest. The Asian Drivers Program, a joint project of two Rockefeller Foundation grantees, the Institute of Development Studies and the African Economic Research Consortium, is examining the dynamics of these challenges and opportunities as well as exploring policy options which can help benefit developing African economies.

The New America Foundation is using a \$1 million grant from the Foundation toward its "Next Social Contract" initiative, a program of research, meetings, and public education activities designed to address the growing insecurity of American workers, specifically with regards to retirement savings, health insurance, pensions and Social Security. A series of ten policy papers by leading experts will deal with questions including asset ownership and possible tax reform.

Understanding the impact of HIV/AIDS is an essential step toward formulating effective policy responses. The African Population and Health Research Centre used a grant to learn how HIV/AIDS is affecting poor urban communities in Kenya, and to provide better care and support for individuals and families. Key components of the grant provide for continued HIV testing, surveys of attitudes and behavior, training on HIV/AIDS prevention, and addressing stigma and discrimination.

# How We Work

***Our work begins not with some top-down plan for the improvement of societies or an official model of economic development, but with a search for new ideas with unusual potential for significant impact.***

***We seek out these ideas in both traditional and non-traditional manners. We seek ideas that are rooted in facts, and work to analyze facts from diverse sources and in fresh ways. We look to current academic thought and literature, and to the perspectives of those already working in fields we are exploring (grantees and prospective partners), but we also directly seek out the views of the ultimate beneficiaries of our work, and regard these views as a key element in shaping our own perspectives. We work with and value strategic partners who enhance our ability to listen to the potential beneficiaries of our investments.***

Developing countries invest over \$2 billion annually in public funds for health research. But many local research institutions lack the skills to form public-private R&D partnerships which can translate academic ideas into products. The Centre for the Management of Intellectual Property in Health Research and Development (MIHR) used a grant to build such capacity in the developing world and worked to ensure access to products that result from these investments.

Based on the value that policy decisions should be informed by evidence and rigorous analysis, the Foundation provided the Center on Budget and Policy Priorities with a \$1 million grant to advance its mission of improving federal and state policies which affect low- and moderate-income Americans. Over the past two decades, the Center has gained a reputation for producing materials that are balanced, rigorous, nonpartisan and authoritative.

In 1958 the urbanist Jane Jacobs received a grant from the Foundation to write *The Death and Life of Great American Cities*, a book which went on to become the seminal work in contemporary urban planning. Jane Jacobs died in 2006 at the age of 89. The Foundation is planning to honor her memory, promote her legacy and recognize visionary leadership with a new program to be announced in 2007.

***Our initiatives are situational. Almost all are selected because an opportunity for impact has been created by the potential to break a bottleneck, surface a new issue or re-frame an old one, take advantage of a current or anticipated tipping point, or, with partners, scale-up a proven solution.***

***Moreover, our initiatives are designed with specificity. Each has a clear timeframe, with identified activities and products, and a projected endpoint. While initiative timeframes will vary, each is both intended and required to yield some measurable outcomes within at most three to five years. Some of the complex problems we address demand longer-term solutions, but this requirement helps ensure that each initiative is either achieving impact, or being modified in order to do so, or is abandoned because impact has proven beyond our reach. This requirement of short-term outcomes as well as long-term objectives also helps promote flexibility in our operations, and constant receptivity to new ideas and new work.***

The flow of people and money between the United States and Mexico has resulted in profound economic and social changes in both countries. The Foundation's North America Transnational Communities program sought to gain a better understanding of these dynamics while encouraging changes in public policies and private practices in hopes of improving the livelihoods of migrants and their communities in both Mexico and the U.S.

The Social Research Institute at Thailand's Chiang Mai University used a grant to study the impact of China's rise on the agricultural sector of countries in the greater Mekong Sub-region. Also examined was how China's emergence is affecting poverty reduction strategies in the region, including job distribution, food safety, food security and access to biotechnology products. A planned database will compile the results for the region and each country.

Strategic donor and government investments in social programs are essential to reducing poverty in developing countries. But properly gauging the effectiveness of such programs has been uneven. To help improve the quality of evaluation methods, the Foundation hosted a meeting at its conference center in Bellagio for members of international development agencies, government and foundations to design a new entity, the International Evaluation Facility, devoted to that goal.

# Initiatives

*We select the ideas that form the heart of initiatives we undertake based on their potential for significant impact. Each such initiative addresses a problem with severe consequences and has the potential to positively affect a large number of poor or vulnerable people.*

*It is not the investments that determine how any great organization is judged, but the outcomes of those investments. For us, those outcomes are guided by our ability to innovate, influence, and, in the end, to generate impact.*

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# ***Innovate Influence Impact***

*In 2006, we launched three new initiatives, ranging from increasing agricultural productivity in Africa (in partnership with the Bill and Melinda Gates Foundation), to supporting an inclusive planning process in New Orleans, to spurring new models of innovation in support of development.*



# *Africa's Turn*

*A New Green Revolution for the 21st Century*





**In September 2006, we announced a new Alliance for a Green Revolution in Africa in collaboration with the Bill and Melinda Gates Foundation. Over the next 10 years, we estimate that this work can develop 400 new crop varieties and contribute to eliminating hunger and poverty for tens of millions of people. These are ambitious goals, but they build on both our history and our recent work—and they represent the sort of bold attempts we intend to make, as we continue to “promote the well-being” of humanity. →**

**Over four decades, beginning in the 1940s, annual crop yields surged in poor countries around the world. Dubbed the “Green Revolution,” this historic transformation of traditional farming methods began with Mexican wheat. It quickly spread to rice, corn and other crops, rippling across Latin America and Asia. The change was particularly pronounced—life-altering and frequently lifesaving—on the small farms where nearly half a billion of the world’s poorest people made their living.**

**The roots of this achievement were a combination of venturesome philanthropy, astute agricultural research, aggressive recruitment and training of scientists and farmers in the developing world, and determined government agricultural and water policy. The results were as massive as they were unprecedented.**

**What they were not was universal. The Green Revolution stopped at Africa.**

**It is time for a second Green Revolution, aimed squarely at Africa. It is Africa’s turn. And the Rockefeller Foundation, in alliance with the Bill and Melinda Gates Foundation, is leading the way. →**







**A main reason for African agricultural inefficiency is that the crops on the great majority of small farms are not high-yielding varieties like those commonly used on other continents. A small African farm is less than one-third as likely to use such crops as one of its Asian counterparts. Thus the only way to grow more and support more families is to cultivate more land. Yet, if better seeds could reach the farmer, along with techniques for using them effectively, the inefficiency and risk of food shortages could be reduced or eliminated. In time, the farm could be converted from subsistence to surplus, with the additional harvest available for sale. Still greater yields would come from the right combination of seeds and added soil nutrients from improved fertilizers.**

**It is possible to develop higher-yielding crops suitable to Africa's various regions, particularly if the region's farmers are part of the breeding, testing, and selection process. It is possible to deliver these superior seeds to farmers, and to help them use the seeds effectively. In fact, all of these things are already being done, at least in select regions.**



**The Rockefeller Foundation's six-year-old program on improved crop varieties for Africa has helped establish a credible, promising beachhead, at least in parts of the continent, primarily in the east and south. Now, working with the Gates Foundation, we are breaking out from this beachhead.**

**It would be a significant achievement just to reduce the hardships of subsistence farming and improve yields enough to lower the chronic risk of shortages and starvation. But a real Green Revolution requires a more expansive vision. Imagine that an eventual increase in harvests, due to superior seeds and nutrients, along with generally better farming practices, eventually results in regular surpluses. How would the additional crops get to market? How could they be stored and preserved in the meantime; who would process and otherwise add value to them? A successful revolution in African agriculture would depend on the growth of stronger market systems, better infrastructure, and the technology to make the various transactions efficient. →**



**The Rockefeller Foundation has already spent more than \$600 million (in current dollars) on Green Revolution work around the world, including nearly \$150 million during the last seven years in Africa.**

**The new alliance's first investment of \$150 million (\$100 million from the Gates Foundation and \$50 million from the Rockefeller Foundation) will support the Program for Africa's Seed Systems (PASS). PASS will help:**

▪ **DEVELOP IMPROVED CROP VARIETIES**

**PASS will fund around 40 national breeding programs a year that will use local participatory crop breeding to address these barriers and provide more robust, higher-yielding crops for small farmers. PASS will have a five-year goal of developing 100 new and improved crop varieties.**

▪ **TRAIN A NEW GENERATION OF AFRICAN CROP SCIENTISTS**

**PASS will provide graduate level training in African universities for roughly 200 of the**

next generation of African crop breeders and agricultural scientists upon which the seed system depends for growth and productivity.

▪ **ENSURE IMPROVED SEEDS REACH SMALLHOLDER FARMERS**

PASS will seek to ensure that improved crop varieties are produced and distributed through private and public channels (including seed companies, public community seed systems and public extension) so farmers can adopt these varieties.

▪ **DEVELOP A NETWORK OF AFRICAN AGRO-DEALERS**

PASS will provide training, capital and credit to establish at least 10,000 small agro-dealers who can serve as conduits of seeds, fertilizers, chemicals and knowledge to smallholder farmers, and in doing so help increase their productivity and incomes.

▪ **MONITOR, EVALUATE AND MANAGE**

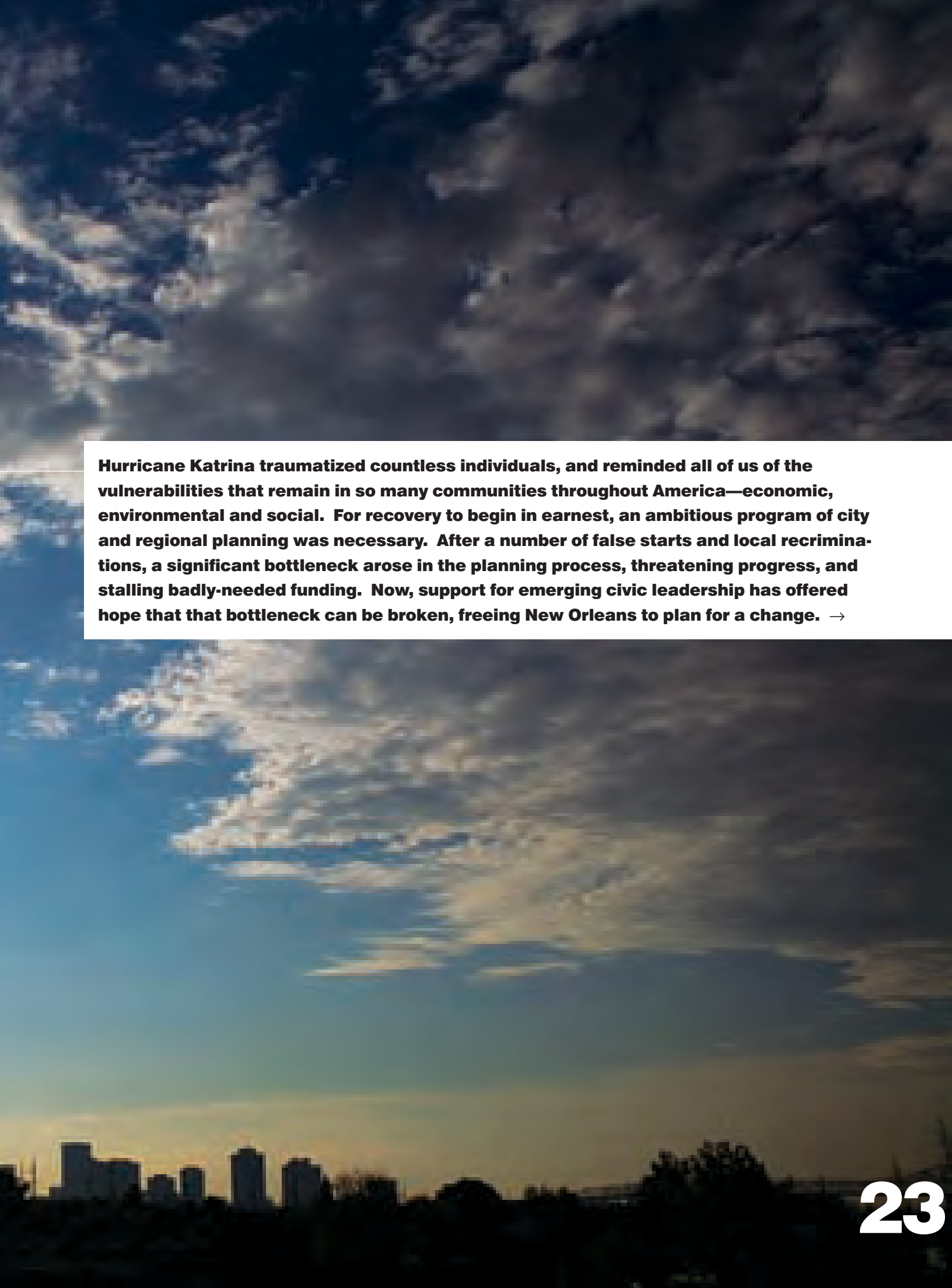
A new organization, based in Nairobi, Kenya will conduct monitoring and evaluation of PASS projects, oversee sub-granting and implementation of all PASS activities and carry out financial management activities.



# *New Orleans*

*Planning for a Better Future*





**Hurricane Katrina traumatized countless individuals, and reminded all of us of the vulnerabilities that remain in so many communities throughout America—economic, environmental and social. For recovery to begin in earnest, an ambitious program of city and regional planning was necessary. After a number of false starts and local recriminations, a significant bottleneck arose in the planning process, threatening progress, and stalling badly-needed funding. Now, support for emerging civic leadership has offered hope that that bottleneck can be broken, freeing New Orleans to plan for a change. →**



**Cities are characterized not only by their buildings and infrastructure—they are fundamentally composed of interlocking relationships, types of leadership, social and political activities, historic legacies and attitudes, and particular ways of getting things done.**

**Before Hurricane Katrina, New Orleans was one of the poorest cities in the U.S. For decades, the city's manufacturing base had atrophied, leaving a weak employment environment, diminished tax revenues and widespread poverty, along with a legacy of failing education and health care. Huge swaths of the city were characterized by lower-income, segregated neighborhoods, mostly African-American, with dilapidated housing and high crime rates. Politically, the city was steeped in an old world culture of insularity and patronage, with little precedent of cooperation between city and state officials. Reconstructing such a city would mean more than rebuilding the shattered infrastructure, more than replacing streets and sewers, schools and parks. It would mean acknowledging that the new city would be a different place. At the same time, the reconstruction process**



**held out the prospect of a better city— one that would be more open and collaborative, and that would extend opportunities to its residents more equitably.**

**The Unified New Orleans Plan entails considerable risk for all involved, for there can be no guarantee of ultimate success. Without doubt, some of the old frictions remain. Entrenched patterns, characterized by race and class divides, cannot so easily be dissolved. In a city still marked by suffering, in which many thousands are still displaced and in distress, and where emotions are still raw, there will continue to be good days, and less good days. The process remains at times disjointed. Many local institutions and some local leaders continue to lack trust in one another. Everyone knows that rebuilding New Orleans will require an extraordinary amount of hard work. But for New Orleans, after a long and difficult year, it might be said that the Unified New Orleans Plan heralds the end of the beginning. →**



The Foundation's New Orleans initiative has committed over \$7 million to a combination of leading organizations—including the Greater New Orleans Foundation for the Unified New Orleans Plan itself. More recently, we supported the production of Spike Lee's critically acclaimed documentary *When the Levees Broke* and an educational program to be distributed in 2007 based on the film. The Foundation funded electronic town hall meetings that gave voice to the vision of displaced New Orleans residents for the city.

These investments are linked directly to the focused goals of the initiative:

- create a new land use plan that engages local residents and those living in the diaspora communities of Houston, Dallas, Atlanta and Baton Rouge;
- redevelop the city using mixed-income, mixed-use development policies;
- equitably distribute infrastructure investment; and
- leverage the rebuilding to create jobs for residents.

Beyond this, the Foundation is committed to helping New Orleans sustain the rebuilding momentum by:

- supporting funds designed to encourage the development of affordable housing;
- training a new generation of local leaders and practitioners in the fields of housing and development;
- strengthening community development groups, universities, and local philanthropy that will serve as anchors for revitalization; and
- advancing fair and inclusive public policies that ensure poor and vulnerable residents are included in that revitalization.





# ***Finding Solutions***

***Innovation for Development***



**Our latest initiative aims to promote innovation in a manner that spurs development, and that specifically increases access to proven innovation models for work on behalf of poor or vulnerable populations around the world. In some cases, the initiative will also help to advance access to, or distribution of, specific innovations. The first step in this new initiative was an agreement with InnoCentive enabling researchers and entrepreneurs addressing the needs of the developing world to access one of the same cutting-edge opportunities to innovate now enjoyed by Fortune 500 companies. →**



**Too often the systems that drive innovation and distribute its benefits target wealthier consumers, especially in industrialized countries. The Rockefeller Foundation-InnoCentive agreement includes the creation of a new area on the [www.innocentive.com](http://www.innocentive.com) site that will bring to bear the talent of thousands of world-class scientists, innovators and entrepreneurs solving complex challenges posed by non-profit entities selected by the Foundation.**

**This “crowdsourcing” model, which InnoCentive has pioneered in the for-profit arena using challenges posed by R&D-focused companies, will now be turned, for the first time, toward technological problems faced by poor or vulnerable people in the developing world.**

**We will select non-profit entities and others with charitable intent eligible to use the platform under preferred conditions, and will pay access, posting and service fees on their behalf,**





as well as challenge awards to those researchers solving the technology problems the non-profits pose.

**Subsequent efforts within the Innovation Initiative will generally seek to:**

- extend other existing for-profit, commercial innovation models to development questions;
- scale up or replicate existing socially-focused or not-for-profit innovation models;
- influence innovation model owners to open up their models for use on development problems;
- influence other funders to create or revise existing innovation models;
- influence those working on pro-poor innovations to apply new innovation models to enhance their efficiency and productivity; or
- help innovators whose products promise to have a major positive impact on poor or vulnerable people overcome barriers to commercialization and distribution.



# About Us

The mission of The Rockefeller Foundation since its founding in 1913 by John D. Rockefeller, Sr. has been to “promote the well-being” of humanity by addressing the root causes of serious problems. The Foundation works around the world to expand opportunities for poor or vulnerable people and to help ensure that globalization’s benefits are more widely shared. It is one of the few institutions to conduct such work both within the United States and internationally.

The work of the Foundation is managed by its president and a staff drawn from professional and scholarly disciplines, and is overseen by an independent board of trustees.

#### **Numbers**

- **\$3.7 billion endowment (December 31, 2006).**
- **\$139 million in grants, fellowships and programmatic investments in 2006.**
- **158 employees worldwide (December 31, 2006)**

#### **Offices**

- **Headquarters in New York City (United States), regional offices in Bangkok (Thailand) and Nairobi (Kenya), and a conference and study center in Bellagio (Italy).**



# *Ideas?*

**We at The Rockefeller Foundation know that we don't have all the answers.**

**We welcome your ideas about how to pursue our mission most effectively. We seek high-impact ideas that have the potential to make a difference in the lives of large numbers of poor or vulnerable people and we require some results from such ideas to be measurable within three to five years.**

**We search for ideas in many different ways: in reaching out to experts, innovators, non-governmental organizations and associations, interested individuals and public**

**officials; in supporting competitions; and in new ways we're just beginning to test. An invitation to submit your ideas via our web site ([www.rockfound.org](http://www.rockfound.org)) is another way we reach out.**

**If you have an idea for consideration – regardless of whether you (or your organization) expect to be involved in its implementation – we encourage your contribution, and ask that you complete a form you can access on the web site. Please note that this is the only means by which we accept unsolicited inquiries from people and organizations with access to the Internet; if you seek to send us an**

**idea and don't have access to the Internet, please send a card or letter to our main address, 420 Fifth Avenue, New York, NY 10018 USA, and we will send you a paper form that asks the same questions that are on the web page.**

**Please note that while we review each submission, we are not able to respond to everything we receive. We generally respond within 4-6 weeks of receiving an idea if we require additional information to explore the idea further with the person or organization who submitted it.**

# 2006 *Financials*

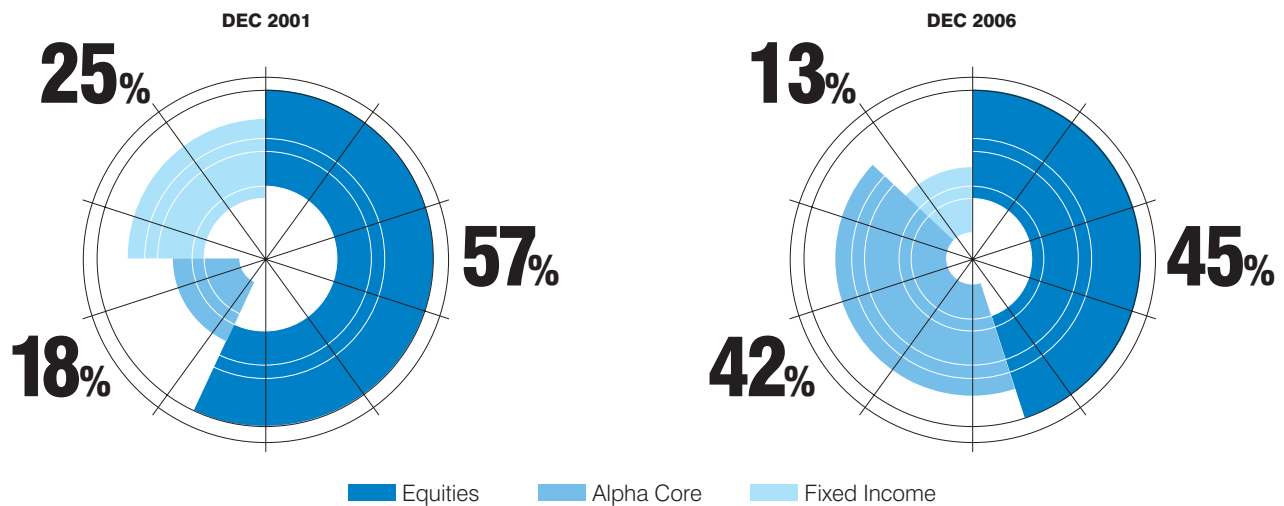


## ***2006 Treasurer's Letter***

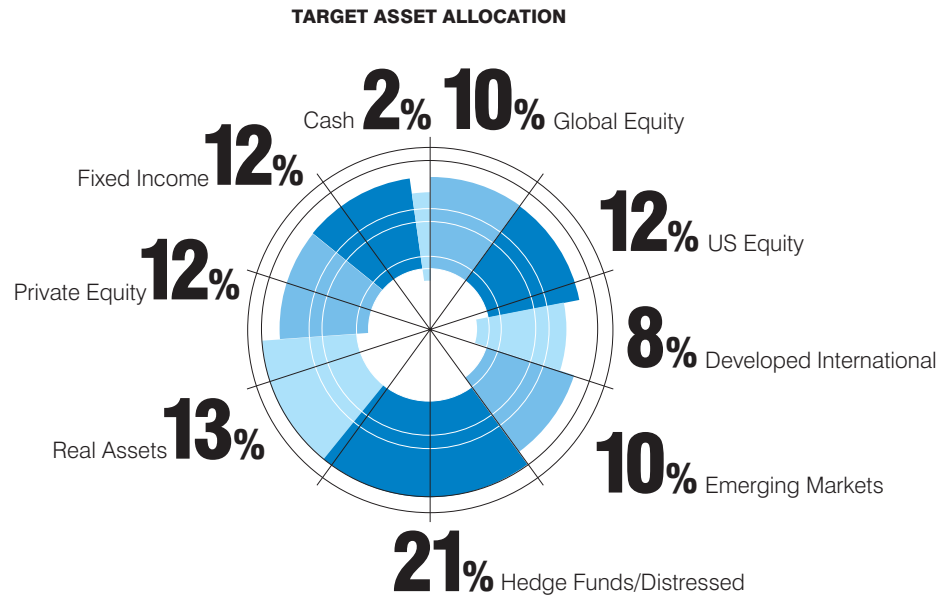
**For the year 2006, the preliminary estimated investment return for The Rockefeller Foundation's portfolio was 14.8% after fees. In the interest of publishing this report in a timely fashion, this estimate does not include final year-end valuations for alternative asset classes, which are a significant portion of RF's portfolio.**

**Including the preliminary return for 2006, the Foundation's portfolio generated an average return of approximately 13.2% after fees for the three-year period ending in December 2006. RF's portfolio is globally oriented, and allocations to developed and emerging international markets have benefited performance in recent years when non-U.S. equities have provided significantly higher returns.**

Over the past five years, the Foundation's exposure to alternative asset classes, which are referred to as the "alpha core", has increased steadily. The alpha core includes investments in hedge funds/distressed debt, real assets and private equity. Investors in these asset classes must make long-term commitments. Therefore, the Foundation strives to invest only with the highest caliber partners and conducts extensive due diligence prior to making a commitment. These investments will mature and add value over time, and the manager relationships which have been built will continue to benefit the Foundation for years to come. The following graphs show allocations to the alpha core, public equities, and fixed income for 2001 and 2006.



RF's long-term asset allocation targets are shown below. These targets will be reached over the next 2-3 years as commitments to private partnerships are drawn down.



### **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 touchstone for the Foundation. The original corpus, which was fully funded by 1929, was worth \$2.8 billion in 2006 dollars compared to its estimated \$3.7 billion value today. With the benefit of compounding investment returns, the Foundation has been able to make approximately \$14 billion (2006 dollars) in grants over the years while maintaining the value of the endowment in real dollars. This approach has allowed the Foundation to continue the grantmaking that is still benefiting the world today.

In providing oversight of the Rockefeller Foundation’s endowment, the 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 of the investment portfolio. The Foundation’s long-term target for annual spending is 5.5 percent of the market value of the endowment. Asset allocation policy is reviewed annually by the Foundation’s Finance Committee, which 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 underpinning for a long-term institutional portfolio.

The Foundation’s investment staff develops overall strategy, recommends investment managers, and oversees their performance and adherence to guidelines. Staff also researches new investment opportunities and monitors and controls portfolio risks. In selecting outside managers, the Foundation





seeks firms that, in addition to strong track records, have the people, management structure, disciplined process, fundamental research and operational controls to deliver superior results.

### **Portfolio Structure**

The Foundation's U.S. equity portfolio is allocated among eight active managers. Each manager has a distinct investment approach and can add significant value through sector and security selection. In most cases, this results in portfolios that are concentrated in a relatively small number of securities. Hedge strategies with a significant long bias are included in U.S. equities.

The Foundation's international equity portfolio has four active managers with EAFE benchmarks. In addition, there are two managers that specialize in Japan. At year end 2006, 9 percent of the endowment was invested with three specialist emerging markets managers. One of these managers focuses solely on the Asian markets outside of Japan.

In addition to U.S. and international equities, the Foundation has an allocation to global managers who have the discretion to hold U.S. and international securities. The Treasurer's Office believes that increasing worldwide economic integration requires that investment managers are thoughtful about the relative attractiveness of regions and are able to identify the best companies in global industries. It is difficult to find advisers with true global capacity. To date, the Foundation has three managers in this asset class, which is expected to grow over time.



The fixed income portfolio emphasizes exposure to high-quality, U.S. government securities. Approximately 40 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 that 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. As of December 31, 2006, the hedge fund/distressed asset class was 21 percent of the endowment and was invested with 26 managers.

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 experienced partners who have consistently added value to their properties or companies. 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 over 54 venture and buyout partners. During the past several years, the Foundation has been able to establish relationships with a number of new, high-quality private equity partners including investments in rapidly growing emerging markets. These commitments will be funded over time as the partnerships identify investment opportunities.

The real assets portfolio includes investments in public and private real estate, energy and timber. The Foundation has ongoing relationships with 24 partners that invest privately in commercial real estate. Energy investments include natural resource funds as well as private equity funds that invest in companies in the energy sector. Seven natural resources managers are primarily engaged in acquiring existing properties and enhancing their production capacity and operating efficiency. The Foundation has made one timber investment in a fund with strong environmental values that often pursues joint ventures with conservation entities.

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



# Statements of Financial Position

As of December 31, 2006\* and 2005  
(Amounts in thousands)

<b>ASSETS</b>	2006*	2005
Cash	\$ 2,000	\$ 3,590
Collateral Held for Securities on Loan	280,000	278,669
Interest, Dividends & Other Receivables	3,700	3,805
Investments	\$ 3,670,000	3,356,330
Property, at depreciated cost	19,900	21,298
Prepaid Pension Cost and Other Assets	55,600	54,474
<b>Total Assets</b>	<b>\$ 4,031,200</b>	<b>\$ 3,718,166</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts Payable and Accrued Liabilities	\$ 35,800	\$ 10,260
Payable for Return on Loaned Securities	280,000	278,669
Grants Approved for specific grantees/purposes but not yet paid	88,400	82,317
Bonds Payable (Net of Amort.)	22,000	22,750
Federal Excise Tax Payable	400	345
Deferred Excise Tax Payable	7,000	6,750
Accrued postretirement benefits	19,200	18,988
Total Liabilities	452,800	420,079
<b>Net Assets</b>	<b>3,578,400</b>	<b>3,298,087</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,031,200</b>	<b>\$ 3,718,166</b>

\*2006 estimated & unaudited and subject to change



# Statements of Activities

As of December 31, 2006\* and 2005  
(Amounts in thousands)

<b>CHANGES IN NET ASSETS</b>	<b>2006*</b>	<b>2005</b>
Investment return		
Realized and change in unrealized gain on investments - net	\$ 421,000	\$ 266,141
Dividends & Interest Income	70,400	96,256
Other Income	1,500	1,271
	<b>492,900</b>	<b>363,668</b>
Investment expenses	<b>18,500</b>	19,821
Net investment return	<b>474,400</b>	343,847
Other expenses:		
Approved grants and program costs	<b>142,600</b>	111,607
Program administrative expenses	<b>19,900</b>	18,037
General administrative expenses	<b>18,100</b>	15,902
Provision for federal excise and UBIT tax:		
Current	<b>13,100</b>	9,350
Deferred	<b>387</b>	235
Subtotal	<b>194,087</b>	155,131
Net Change in net assets	<b>280,313</b>	188,716
Net Assets at beginning of year	<b>3,298,087</b>	3,109,371
Net Assets at end of year	<b>\$ 3,578,400</b>	\$ 3,298,087

\*2006 estimated & unaudited and subject to change



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# *Moving*



# Forward

*2007 is the first full year of the Rockefeller Foundation's new approach. New initiatives will be launched, even as we pursue those described in this report. A number of possibilities are under consideration, from efforts to address the economic insecurity of American workers, to possible new approaches to climate change, to addressing new challenges in global health. As circumstances change, we'll aim to respond nimbly. But our goal will remain: the imperative of impact.*

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