President's Report
Future Generations Boards of Trustees Meetings
21 & 22, November 2008
New York City

This President's Report focuses on the fund raising challenge before the organization. It omits detailed reports on the country programs, recognizing that a detailed report on the Graduate School has been prepared by the Dean to guide discussions of the Graduate School Trustees Meeting. The fund raising focus of this President's Report applies to both NGO and the Graduate School.

My first point relates to the fiscal challenge before the two organizations. We have had a consistent deficit each year for several years in the order of three to four hundred thousand each year. While year-specific explanations exist for these deficits the underlying explanation is that the organization has never had an organized development program extending from well thought out strategy to coordinated implementation, coordinated through a professional development team. (We started to create such several times and these were ruptured by auto accidents, budget cuts, and pressing fieldwork.) But, lacking such a formal program, the fiscal challenges will not go away.

Second, at this board meeting we must not get pulled off the task of creating such an integrated development program. In prior years it was OK to be pulled off, but this year we have closed off the option of taking on more debt. Even though the organizations are not deeply in debt, our long-term loan was taken out with a clause that precludes more debt.

Many issues could pull us off this core need. First is to talk unnecessarily about the deficit. I say unnecessarily because the Board wisely a year ago created a Budget & Audit Committee; that committee has been active and has reviewed the budget and the deficit. The Chairman of the B & A Committee has prepared a report. I propose we accept his report without discussion so we can keep attention on the fund raising planning.

The other key issue relates to the budget looking forward. Last year we completed a budget on time for the new fiscal year, as we agreed as a board preparation would be done by late spring. That budget was ready for our May meeting, but was not in a format that the B & A Committee wanted. Revision of the budget would have taken only a few weeks, except that our central computer server crashed and we lost all the worksheets. Then several months delay followed due to the higher priority of preparing end of year fiscal reports and the audit (unusually complicated this year). If management is given adequate personnel support, there is every reason to expect the new budget will be submitted on time at the May meeting.

A further issue that could pull off action at this meeting from adequate action on creating the fund raising systems is discussion of our amazing programs. We have had HUGE successes in all fields in all countries. The maturing research programs alone could usefully consume a full board meeting as important issues are arising with import for institutional direction. The country

programs each have very large new opportunities. I urge attention away from those and to the key task. Please focus on the fund raising document that follows.

Future Generations
Fund Raising Strategy Proposed for 2009:

To: Boards of Trustees (Grad School & NGO)
From: Daniel Taylor, President
Date: 13 November 2008
Intent: Strategy Proposed for Board Action

As noted in all recent communications from me to the trustees, fund raising is the top institutional priority. Future Generations has been remarkable in raising four million dollars every year with no full time dedicated staff. What has worked has been teamwork—which of course is what works for all successful fund raising—but the absence of a clear strategy coupled to full time and adequate fund raising personnel have not allowed us to achieve the fund needs our institutions worldwide require, and it has also caused accumulated annual deficits.

Fund raising leadership by the board is more than the need for the Board to give—by and large trustees are giving at levels they can afford, although it is important that the board give 100% (which has only happened once). The fact that 100% has only happened once (the year we had a major challenge grant) is indicative of the fundamental point that we need a more formalized program. If four million dollars comes in without such, imagine what will come with a formal program. Recent exchanges with Jim Brasher (who knows this area as I do not) advises me that we need to attend to the following if we are to raise money.

> "…continue to streamline the message, map new markets, identify new prospects and make additional successful solicitations, develop new fund-raising vehicles, enlarge its request to like donors in the audiences that it is currently working, etc. And what is most important, to ask board members and the founder/CEO to do what only they can do."

While I know little about fund raising, I do know a good bit about creating plans: keep them simple, and never put them away but keep making them better. A plan that seeks to be a tree on which money grows must keep growing. It grows out of the sun and rain that come down from the board drawing strength through its limbs in the staff and its roots in the communities we serve. What follows is a strategy that links together the board, the staff, and our communities.

Jim's first point, what he said before the above quote, is the imperative of staff work, adequate staff work. Therefore, the number one priority is to staff up an adequate fund raising office in order to coordinate the rest of the global team (trustees, staff, and organizational friends). Toward this, significant achievements were established during the past year due to some special funding that came in. An Executive Vice President (who brings a new skill set to the organization), a Vice President for Advocacy (who is laying the groundwork for fund raising), a Communications Office (creating a systematic information base), and a full-time Development Associate (with good writing skills) all are now at work and are new since last year. There still

are two major gaps: one in a Development Director and another in a researcher.

It is also noteworthy that in the past year we have a) expanded the types of donor support we receive (from primarily private donors with minor bases in foundations, corporate, and government) to both stronger government and corporate potential. In addition, with the Auction we have successfully done our first fund raising event. The result is that the institutions have diversified their broader funding base, finding the distinct niches that best support each of our sectors.

My strong sense is that we need a broad funding base given the complexity of our programming. Future Generations is distinctive in its diversity—that is what allows us to create the synergies that drive our programs unlike other organizations that drive their programs primarily through budgets (which is why the budget at Future is not the defining document). The point of our complexity needs to be understood by our Boards of Trustees, for with our global reach we must adapt to very distinct fund raising strategies for each major sector and cannot adopt a dominance in one or two sectors as do universities or other NGOs.

But recognizing our complexity does not diminish the validity of Jim's initial point above "to streamline the message." Indeed, he has made that point for three years and it confused me until recently because I heard that as misunderstanding the richness of the organization. But Jim is right: a streamlined message begins simply, comprehensibly, and then it grows diversified. Two actions this past six months have made major progress in that direction.

> The Communications Division has streamlined from simple to complex using the Website as the vehicle and now with results in ancillary publications. Our new site opens emphasizing what Jim has long requested *our distinctive branding* (applied research, graduate school, global impact). We rigorously develop ideas that are on the frontier of social change and conservation, extend them through a unique graduate school, to have global impact. Future Generations is scholarship leading to solutions.
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> Under the Executive Vice President each country program is "mapping new markets and identifying new prospects". Already (as reflected in the accompanying) this process is initiated for Peru and China. The process is forming for the Graduate School where the fund raising challenge is framed as one of recruitment where students are funded, plus funding for each research project. This is a departure from prior years which sought core support first (although clearly that is needed, but now not the priority). Mapping and prospect identification are in the initial stages with Afghanistan and Arunachal, and will begin this spring with India.

Prior efforts to define the whole institution with a streamlined fund raising focus (for instance our two year effort in 2003-4 to build a donorbase to which we could mail, or our effort in 2005-6 to get large core funding around the various efforts for a single institutional theme are being put aside. Underway now is streamlining each division (the country programs and grad school) and then as Jim says "identifying new prospects and making additional successful solicitations."

Grad School — is our weakest funded division. Managing our time very efficiently, until now we focused energies on developing a pedagogy optimally targeted toward the relevant words from the Mission Statement of "as a school for communities… teaching a process of equitable and sustainable social change." To allow us to do this we were blessed by a series of grad school institutional support grants. This allowed us to determine the academic niche to be filled then to start optimizing the process to fill that. The result is our pioneering pedagogy. A second consequence of this approach allowed us to bring in a globally diverse group of students that provides our most uncommon identity. While some students have been academically or linguistically weak, they have more than compensated by their relevance as practitioners from across the globe. This global practitioner identity is now a resource equal in value to our distinctive pedagogy.

With a distinctive pedagogy and a truly earthy and whole Earth student body we have a dual featured base that will now facilitate fund raising. *Specifically the priority now for fund raising must be "to identify new prospects and make additional successful solicitations" to recruit Class 4 with paying students.*

"Mapping of new markets" has been done for Class 4. Two broad markets have been identified—as reflected in the submitted strategic plan for the graduate school. One of these broad markets is to use our website and word-of-mouth to find outstanding students, then with candidates identified to seek funding for these students through established donor agencies. The second market is to seek donor groups that already have relationships and investments with potential candidates (foundations, local governments, and NGOs). The intent then is to build depth among their leadership with our masters—so their programs can expand or so these projects can transition from leadership to a next generation of effective leadership.

A "mapping of markets" process has also been established to bring forward both individual candidates (approach one above) and also establish our credibility with donor groups (approach two above). This mapping of markets approach formalized the workshops that the grad school has been conducting for the last six years into three tiers of workshop, certificate program, and Masters degree. Through this mapping we can identify both new individuals and organizations.

To achieve the above functions of mapping and solicitations (in accord with Jim's advice) "new vehicles" for recruitments are being developed. These include concept statements, targeted publications, enhanced outreach, and with these now we must start implementing "what is most important, to ask board members and the founder/CEO to do what only they can do:"

The challenge before all parts of the organization is to USE THESE. I have been struck in a most frustrating way how our board in particular (pardon the word) nit-picks at our documents, using their critiques as excuses not to get to work. While I do not disagree with the content of the nit-picking this is non-productive action by the trustees. Approved budgets have not supplied the adequate staff. The trustees need to start acting at levels commensurate with their responsibilities not their anguish.

It is imperative that the whole organization jump in and do each person's part in recruiting. Use what we have. There is six months now to recruit Class 4; each paid-for student counts toward

making the $600,000 match.

China—The Mission of the China program has been streamlined to “sustainable livelihoods for rural China.”

The Green Long March is a demonstration of that Mission, and the last months (in accord with Jim’s dictum) has “continued to streamline the message, map new markets, identify new prospects and make successful solicitations, development new fund raising vehicles, enlarge its request to like donors in the audiences that it is currently working.” While as yet we do not have on the line a full spectrum of donors for the 2009 March, what we do have is a focused message (around energy), new markets and prospects (BP, Lexus, Arcandor, Johnson Controls), enlarged requests to like donors (John Swire & Sons, Suntech, Li&Fung, Zhesan Foundation). Different from the two years before, this year our team has articulated more specific and relevant returns each of these companies can expect in return for participating with the March—and also we’ve articulated dates when they must make payments. Equally important, should the commitment and payment dates be missed; then the March automatically downsizes to operate within the funds it has.

The whole China country team did a superlative job in making this change over the last three months working under guidance from the Executive Vice President, but from the board Caroline Van deserves special commendation. Her focused action on one program is a model for how to make a difference as a trustee.

For the China Program, however, a very important funding challenge remains: our Tibet work. Tibet conservation is our founding success. The global treasures we led in creating (some of the most magnificent places on Earth) need continued help from Future Generations. The attention our organization had to place on starting up the March over the last two years combined with a weakness in developing a Tibet-focused fund raising strategy (such as the above) and very importantly the political difficulties in Tibet made it difficult to work there (and gave us cover for the difficulties above so we did not look bad). But the consequence is that we lost momentum in Tibet. This needs to be turned around. Not only is there important work to be done and work that we are uniquely positioned to do, but implementing that work will continue to distinguish the organization globally and help our overall fund raising; no other international group can do what we can in Tibet.

Note that the funding base for China is focused now. The primary funder is seen to be corporations, whose support will be part of their corporate strategies. This forces a new way upon Future Generations to focus our actions—toward corporations and also toward communities simultaneously. There will be learning pains here. A secondary funder will be family foundations with a particular interest in China. While funding from private philanthropy and government sources will not be turned away, the China programs are being structured to respond to corporations and family foundations.

Afghanistan has been the fund raising conundrum that for six years has at times challenged the organization’s very existence, twice hemorrhaging major fiscal crises. While a month ago it

appeared we had adequate contracts so that not only were all country costs covered, but also the North Mountain support costs, the USAID funded contract suddenly collapsed. My recent trip to Afghanistan with strong work by our team may have salvaged that contract. We expect to know by the time of the Board Meeting. The Afghan fund raising strategy follows Jim's dictum

"…continue to streamline the message, map new markets, identify new prospects and make additional successful solicitations, develop new fund-raising vehicles, enlarge its request to like donors in the audiences that it is currently working, etc. And what is most important, to ask board members and the founder/CEO to do what only they can do."

The Afghan Mission is: *Focusing on resourcefulness of Afghan families to enhance their self-reliance for a sustainable future that avoids dependency*. Points of note here are the focus on the family and directing our actions against the growing dependency being promoted by almost all other international work. To achieve that we plan to focus on three initiatives in the next year that are poised to scale up:

- Participation in the National Solidarity Program, engaging more with Seed-Scale. Participating in this program is assured for another year with four district contracts, and in accord with mandate "make additional successful solicitations…in audiences that is currently working" discussions began to link our Engaging People in Peacebuilding Research with this project to initiate larger understanding of this project.

- Our USAID funded contract with the Local Governance and Community Development project is now under review (following what appears to be a hostile audit). To the auditor's surprise we made a powerful rebuttal, and if this stands it is likely that this contract will be renewed and expanded.

- The health research project (Pregnancy History) that points to what may become an innovation in health care cannot be continued as a research project in Afghanistan due to security dangers. However, project findings may be able to be streamlined so it can evolve into a health education program to upgrade Afghanistan's Community Health Workers. A proposal is under discussion with the Ministry of Public Health and a USAID contractor that would apply our blended learning expertise in setting up a Certificate program for the continuing education of the CHWs.

- A new program (targeted to grow significantly) is being planned, the purpose of which will seek to assemble lessons from the best development projects across Afghanistan (projects increasingly isolated) and extend their lessons nationwide through community radio, a medium that not only can cross into insurgency areas but also to women isolated inside homes. A national network of partnerships will be established where the intent is to take the partial answers that each project possesses and link these to show Afghan families the full range of options possible in health, literacy, income generation, agriculture, conflict resolution, and the like.

Among the above five areas, to keep our presence in Afghanistan, Future Generations must win contracts in at least two, contracts that total at least two million dollars a year, although at this level North Mountain will not recover all its administrative costs. Significant synergies will be

achieved (programmatically and financially) if three or more of the above contracts are achieved, and in that event North Mountain will more than recover its administrative costs.

Contrasted with all other programs now underway in the Future Generations family, all the above (those underway and those planned) will be funding by government grants, in particular the Afghan Government through donor supplied funds or USAID through subcontracts. Adopting this funding strategy requires setting up our Afghan program in a very different manner from our other programs. It requires larger scale projects than Future Generations customarily has (there are 1,000 employees now with our LGCD project), very specific forward planning, and careful project implementation in order to meet promised deliverables.

This strategy also carries some significant risks (as we learned this fall) because of the rising insecurity in Afghanistan and the fact that this exposures us for default and perhaps penalties should our performance not meet contract specifications, a danger that gets double complicated by the always present and high risk of corruption in Afghanistan.

Peru—operates with the following mission focus: Future Generations Peru enables self-reliant community change through the entry point of improved health in the poorest, most remote homes.

For its financing, Future Generations Peru has been operating under a four-year USAID grant that concludes this next year. Unfortunately this grant has not covered its full costs as there was a match requirement. In addition, other Peru related (but not USAID billable) costs also required adding institutional monies. Fundamentally, the challenge for Peru has been that to run our national program we had too narrow a funding base. There is very little private philanthropy and USAID interest in Peru.

But now going forward, the Peru program has benefited significantly from the following aspects of Jim's dictum: "map new markets, identify new prospects and make additional successful solicitations, develop new fund-raising vehicles, enlarge its request to like donors in the audiences that it is currently working, etc."

We are currently working to get corporate support for Peru through one or several mining companies. Under Peruvian law, a mining company must reinvest four percent of its revenue into the communities around which its mines operate. Seed-Scale appears to offer these communities a significantly more effective way of community engagement than the gifting of services approach that has been employed until now. The Peru Country Director working together with the Executive Vice President contacted twenty five mining companies, met with twelve and have follow up meetings representing different degrees of potential with the following companies:

- Anglo/American. A follow up meeting with Daniel Taylor, Laura Altobelli, and Vic Arrington, with Tim Beale, General Manager, to brainstorm possible solutions to their potential $ 400 million social investment program in the Cajamarca region.

- Barick Gold. They have requested that we submit a proposal to the province of La Libertad for a multi year contract in the range of $ 3-4 million. Discussions have commenced and the proposal is being drafted.
- Buenaventura. A follow up meeting will be scheduled to discuss a pilot project with Future Generations Peru.
- Hoschschild mining company. They have offered to set up a follow up meeting with their CEO and head of corporate responsibility. Our contact is with the CFO.
- Castrovierreyna mining company. This is a small gold mining company with revenue of approximately $ 10 million. The CEO is interested in a follow up meeting.
- Minera Quechua. Requested a small $ 100,000 proposal to work in the Cusco region where we currently have the majority of our activities.
- Extrata. Operates in Cusco. They may ask us to do a small baseline survey. We may not decide to pursue this due to small scale.
- Volcan. A very large company. Agreement reached for follow up meetings.

Several very positive features warrant basing our Peru program on income from the extractive industries. First, these companies have a lot of money they need to invest; unlike all other options for Peru the extractive industries appear to be able to pay all our operational costs. Second, the extractive industries have made long-term commitments to their communities, a feature that connects very well with the Seed-Scale approach. While targeted funds from donors such as USAID and private philanthropy may be possible for Peru (a discussion is underway now for conservation work with the Moore Foundation) the future of Future Generations Peru appears to lie with the extractive industries (a significant departure from prior fund expectations). Finally, mining companies for the most part have a positive CSR reputation in Peru and are the primary source for most community development initiatives.

For Future Generations Peru to be fully self-supporting and effective, it is essential that the above contracts exceed a million dollars a year of revenue. At two million dollars a year, the Peru country program will probably become a positive revenue generator.

If the mining support does not come through promptly, given an increase needed in unrestricted funds in the final six months of the USAID grant, the Peru program will be cut back so our outlays match our income from USAID.

Arunachal—the mission of Future Generations Arunachal is to work statewide to promote integrated community change and conservation.

But first, affecting finances, an immediate payment of funds (at an amount to be determined) will need to be made soon to the families of the three staff members who recently died. Doing so is the Arunachal tribal custom since Future Generations does not own the customary wild ox (*mithun)* which would otherwise be expected. A thoughtful utilization of staff and trustee end-of-year personal contributions will be to this important cause of solidarity.

Major progress was made during September 2008, in accord with Jim's dictum, to "to streamline the message, map new markets, identify new prospects" with the expectation then that once 2009 commences of "making additional successful solicitations."

The Arunachal program of Future Generations has an obvious source of potential funding in the very generous grants that come to this state from India's central government. Over the years, repeated efforts were made to secure such funding but these have been now abandoned when bribes were expected in excess of 30% of the grant totals. A second intriguing source of significant potential funding was from corporate interests investing in the state's very large hydroelectric sector. These initiatives also failed. There are at this time no significant donor sources on the horizon. So, the planning is shifting to building self-financing, a strategy with a number of components and which will take years to evolve.

At the same time that the financial challenge is noted, it must also be noted that in no other area where Future Generations works is there such a natural, wide-open community-based entree for applying the Seed-Scale approach. It is for that reason that Future Generations has continued to gather unrestricted institutional funds to apply to Arunachal Pradesh work. But from the streamlining exercise of this past autumn, a plan is shaping for how to build the in-state financing of this program; to do so, some aspects of prior work will be dropped. Now, as a result there are five major initiatives:

- Taking the very significant achievements in community-based health (that were pioneered in our Sille site) to extend these through the State Health Department. These aspects are twofold: community-based management of primary health facilities growing off our learning from the CLAS experience in Peru (we took Arunachal leaders to Peru to study that) and also using the state's primary health centers to educate a significant proportion of the mothers of Arunachal. *Note the funding strategy here has been to move our independently-funded, experiment-proven innovations back into government funding for scaling up.*

- Scaling up the significant achievements of Women's Action Groups/Men's Farmers Clubs/Youth Future Clubs through promoting the evolution of Future Generations Arunachal from an NGO model of operations to a dues supported society model of operations. *While dues are unlikely to be able to even pay for one-quarter of the costs, this is a step toward both financial self-sufficiency* and it should also cause members to feel more empowered and promote the scaling up.

- Extending the achievements of Women's Action Groups/Men's Farmers Clubs/Youth Future Clubs into other organizations so they can be similarly effective in social mobilization. Particularly promising initial groups for such sharing of methodology are the Catholic Church, Village Panchayats, the Donyi Polo Mission, etc. *In this instance the financial support will be the budgets of these other organizations*.

- The Pregnancy History Research project morphed into an experiment to measure the impact of the Women's Action Groups/Men's Farmers Clubs/Youth Future Clubs model. It will combine the empowerment that comes from the pregnancy history sharing with the array of other actions that have been developed over the last decade by these groups. Three new sites were selected for this experiment, places where no prior work was done

by any group. (For this a baseline survey, it was on returning from the most remote of the three sites that the fatal accident occurred to our three ladies.) During 2009 the improved intervention will be designed and introduced. Then a year later, plus every year thereafter, subsequent surveys will be conducted to measure impact. *For this project external funding must be raised from sources not yet identified (but some hope exist for Gates funds).*

- The proceeds from the Travel & Leisure Auction are to support ecotourism in the Siang Valley. How these funds will be utilized remains currently not yet finalized.

India—Nationwide work by Future Generations India remains on hold pending both clarification of its mission and its funding. A meeting of the Board of Directors of Future Generations India on November 11th, pointed to the possibility of transforming this organization into a funding strategy like that used by The Nature Conservancy, using India's significant new hyper-wealthy as the bankrolling agency in which moderate sized private conservation areas are created to which the wealthy will have access. The above is just one option. Considerable more planning is needed for the strategy for Future Generations India.
During this next year it is a priority to move some funding strategy forward. Unless activities scale up in the next year Future Generations India may be in some jeopardy of losing its very desirable tax-exempt status.

Research Projects (Peace, Conservation, Pregnancy, Himalayan, Primary Health Care/publish, Seed-Scale). By and large, each of these projects has a funding base that covers costs. Each project currently is supported by foundation funding (with the exception of the endowment supported Himalayan project). Foundation funding is an ideal support strategy for these programs, an area of funding the organization understands. As *continuing research is fundamental to developing the forward motion of Future Generations*, a significant need is to raise funds to pay the salary of the Director of Research, and continuing funds to enable both institutions to persist in their global leadership on understanding the dynamics of social empowerment.

General Support—Retirement of the $1,300,000 long-term debt is a priority, for which monthly payments of $15,000 must be made. The most promising way to retire this debt will be to apply a percentage of each project's overhead to debt retirement, beginning June 30, 2009 with the commencement of the new fiscal year, a percentage to be determined with the preparation of the new budget during the spring of 2009. In addition, another institutional loan exists of $300,000. Therefore the total debt retirement obligation is in the order of $200,000 per year.

Discuss and Assign Roles for Trustees in the Above
Bill Carmichael, Chair NGO
Chris Cluett, Chair Grad School
Tom Acker
Pat Rosenfield
Bettye Musham
Mike Stranahan

Jim Brasher
Peter Ide
David Schwimmer
Caroline Van