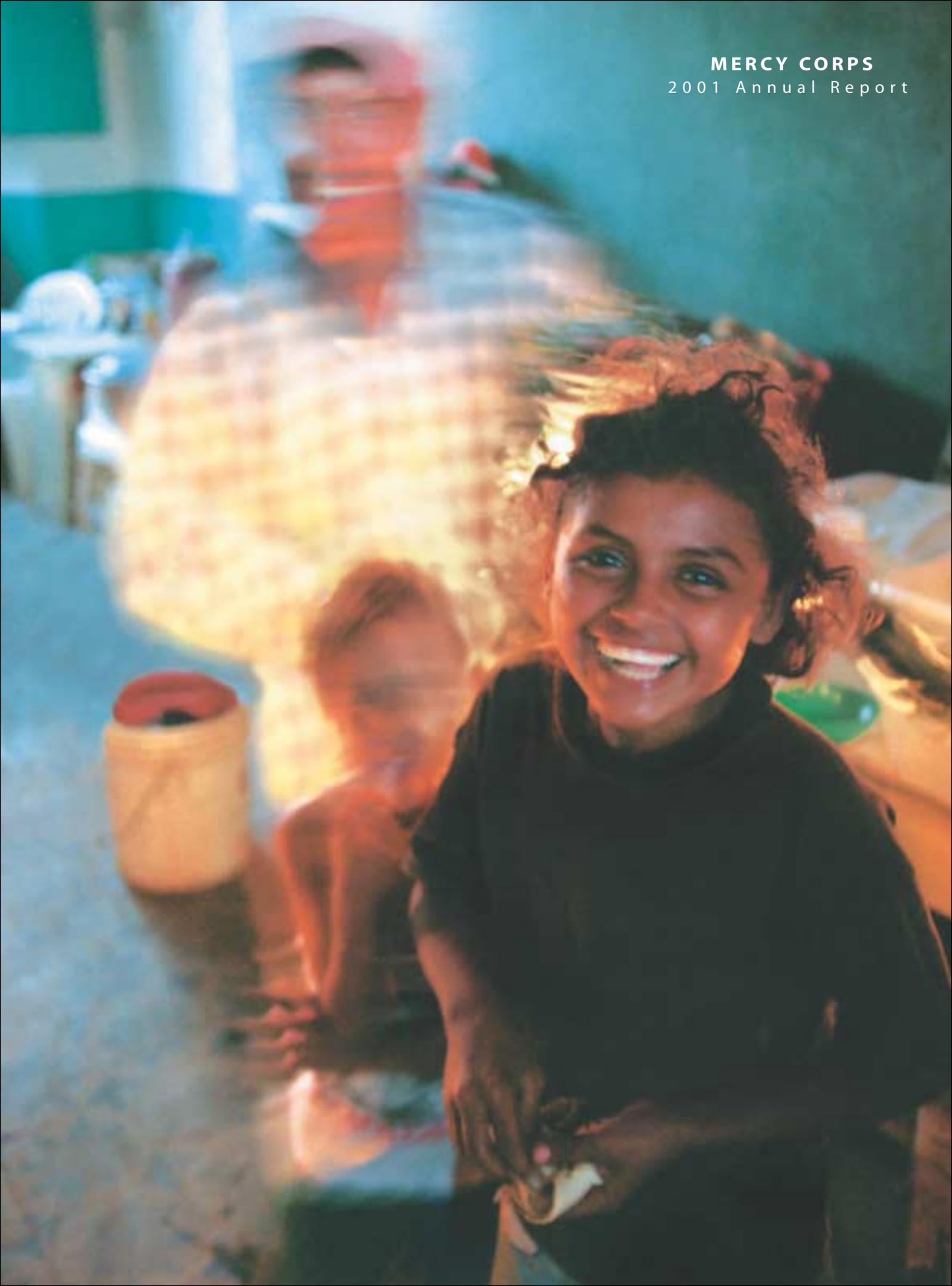


**MERCY CORPS**  
2001 Annual Report



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## Mercy Corps 2001 Annual Report

Mercy Corps is an international relief and development organization that reaches 5 million people in 37 countries torn by poverty and conflict. With support from donors worldwide, the 1,400 staff, volunteers and partners of Mercy Corps work side by side with the world's poor each day.

We renew **hope**.

We find **solutions**.

We leave behind a legacy of **change**.



**O**n September 11, the United States experienced a tragedy of immeasurable proportion. As we watched, thousands died in New York City and Washington, DC, and our illusions of security vanished, perhaps forever. The immediate global outpouring of support and grief was electric. And in the time since then, we have paused to reflect on our increased connection to people from all nations. At Mercy Corps, we also paused to rededicate ourselves to alleviating suffering and oppression around the world. For more than 20 years, Mercy Corps has worked in regions and countries like Afghanistan, the Balkans, Central Asia, Indonesia — places torn by conflict and natural disasters. This year, we initiated new programming in New York City to address psychosocial trauma in the wake of the tragedies. By helping children confront their grief and fear, we promoted the healing that is essential in moving forward and resuming a normal childhood.

Mercy Corps has been providing humanitarian assistance in Afghanistan and to Afghan refugees in Pakistan since 1986. Long before September 2001, Afghanistan was a devastated country. Decades of civil war and the worst drought in living memory had reduced the country to rubble and created 3.5 million refugees.

Mercy Corps' mission in Afghanistan since September 11 has not so much altered as expanded. With efforts underway throughout Afghanistan to provide direct relief, we are assisting thousands of additional refugees. Our long-term projects in the region — establishing hospitals and health clinics, providing agricultural support, aiding refugee repatriation — continue as ever, and have been extended to incorporate this most recent crisis in the lives of the Afghan people.

In a world that seems so changed, one fact remains constant: people everywhere want a world where their children will be safe, healthy and secure. While this goal may sometimes seem distant and elusive, it is worthy of our greatest efforts and our most fervent beliefs.



## A Letter from the Executive Team

Dear Friends and Partners,

**T**he year 2001 will be forever remembered as a year of immense sorrow for the United States and the world. The attacks of September 11 plunged us into the unknown of a new and undefined era.

Whatever turn the future takes, the need for Mercy Corps and our mission seems greater than ever in a world torn by conflict. And whether a hurting child is in Harlem or Helmand, our enduring mandate is to make a positive difference by offering real hope for a better tomorrow.

In 2001, we met this responsibility by helping 5 million people in 37 countries and republics find lasting solutions to hunger, poverty and despair. We launched new programs in Serbia, Croatia, Azerbaijan, and New York City, and formed a vital new partnership with Peace Winds, one of Japan's largest nongovernmental organizations. Even as our global programs were expanding, September 11 presented Mercy Corps with yet

a new challenge: reaching out to share comfort with kids in New York City and beyond — innocent lives savaged by fear and violence beyond their control.

None of this would be possible without the strong and consistent support of our growing network of donors worldwide. Individuals, corporations, foundations, faith communities, and governments provided more than \$87 million in support, one of the highest totals in our history.

But more important than numbers is the spirit and philosophy behind our work. Especially in light of September 11, it is no longer enough to attack the physical conditions of poverty — income levels, inadequate housing, health care, infant mortality rates. Pure acts of mercy and relief may help alleviate individual suffering, but they do not redress or affect root causes and conditions.

Even if we were somehow able to dramatically lower global infant mortality rates tomorrow (a noble goal we should pursue in any event), it is not clear at all that the world would be a more stable, less violent place. Only a sustained assault

against those conditions on which aggression breeds and feeds — abject poverty and social inequality, mass ignorance and disease, despair, intolerance, and conflict — can help create peaceful, more just societies.

It is no longer enough to be angels of mercy. In today's world, we need to be ambassadors of peace, reconciliation and hope — hope for a more secure, just and meaningful future. Despite all the new challenges we face, we believe passionately that this better future is indeed possible. Our belief is not built on naiveté or idle optimism. It stems instead from seeing dreams attained, one by one, in places written off by much of the world. It stems from our commitment to see an Afghan child reach her fifth birthday in good health and spirits — with hope for a meaningful and productive future as an educated woman fulfilling her birthright in her own land.

In a year full of vivid memories, one moment that stood out for us at Mercy Corps was the powerful expression of solidarity and compassion from our national staff overseas in the days following September 11. From Indonesia and Eritrea, from Kyrgyzstan and Kosovo, from Bosnia and Lebanon, came a flood of emails and phone calls with words of encouragement and offers of assistance. So many of our staff members (the majority of whom are Muslim) have themselves lived through war and terrorism. Clearly, they understood. And in their understanding, they conferred upon us a hope that out of tragedy something strong and good might take root and begin to grow.

Through our work together, that hope becomes an uplifting reality in our hearts, in our communities, and in so many suffering communities around the world.



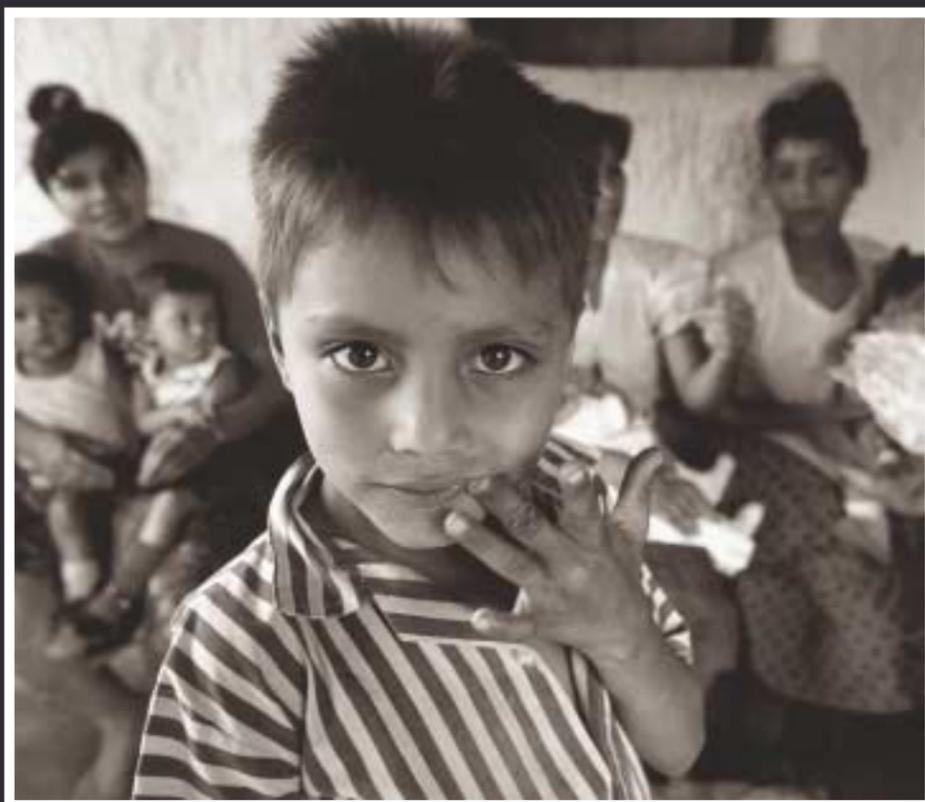
Dan O'Neill  
in Pakistan,  
October 2001.



Neal Keny-Guyer  
at Mercy Corps  
headquarters  
in Portland,  
Oregon.

Dan W. O'Neill  
President and Co-Founder

Neal L. Keny-Guyer  
Chief Executive Officer



# DEVELOPMENTAL RELIEF

## An Integrated Approach

**M**ercy Corps is committed to providing humanitarian relief that is appropriate, timely and respectful of people's dignity, empowering recipients to move beyond crises and regain control of their futures.

But *what kind* of relief? Which steps are the most effective? Natural disasters and conflict driven emergencies are by their very nature inherently uncertain. Once the immediate crisis has passed, deeper social issues that perpetuate poverty, insecurity and intolerance are often uncovered.

A strong and functioning civil society can reduce the need for relief operations and help address the root causes of complex humanitarian situations. Mercy Corps weaves the principles of *participation, accountability* and *peaceful change* into all our emergency response programming, supporting a process of transformation that helps prevent the recurrence of conflict or chaos.

Mercy Corps recognizes a special synergy between developmental relief and the civil society principle of peaceful change. Many of the regions in which Mercy Corps works — Afghanistan, the Balkans, Indonesia, and more — are affected by

war and civil strife, primary obstacles to reducing poverty and turmoil. Providing relief in tandem with conflict management is critical, since tensions and discord hamper stabilization and development.

Mercy Corps utilizes a situation based approach to understand the root causes of a specific dispute. We introduce tension reducing programming in the early stages of relief, facilitating a smooth transition to development without a gap in activities. We help people collaboratively identify the root causes of conflict and design ways to overcome them.

Since communities often have long-standing coping mechanisms already in place, Mercy Corps engages recipients in ways that build a sense of ownership and responsibility. We have also found that the most effective activities for reducing tensions center on practical issues. By offering economic programs designed to revitalize interdependent communities, Mercy Corps creates a mechanism through which livelihoods can be quickly secured.

Mercy Corps' Global Emergency Operations (GEO) team coordinates our response to humanitarian emergencies. We have also assumed a leadership role in advocating on behalf of disaster affected populations. Mercy Corps is one of 20 international agencies integrating the Sphere Project's *Humanitarian Charter and Minimum Standards in Disaster Response* standards into program operations to help societies mitigate conflict and initiate nonviolent cultural transformations.

Even prior to September 11, decades of civil war and the worst drought in living memory had reduced **Afghanistan's** infrastructure to rubble and created millions of refugees. Since the onset of the current crisis, Mercy Corps' work in Afghanistan has been a case study in providing flexible relief in tandem with long-term development and conflict management programming.

As this report goes to press, Mercy Corps is pursuing a two-tiered approach in Afghanistan. While recognizing the need to provide emergency food and supplies, we are committed to the immediate introduction of programming designed to stimulate the

Afghan economy. A cash for work program is providing the population with much needed income while rehabilitating vital infrastructure. Community initiatives such as this are key to long-term solutions in Afghanistan, as they lay the groundwork for local communities to take the lead in rebuilding their health, educational and other necessary social service systems.

Mercy Corps staff in Kandahar met with senior community representatives of southern Afghanistan in autumn 2001. Discussions centered on what role the community, together



with humanitarian organizations, can and should play in the reconciliation and development process. Representatives advocated key civil society initiatives, including participatory planning, community self-identification of needs, integrated activities across ethnic lines, and mechanisms to hold community and

international leaders accountable for their decisions. All parties agreed on the importance of creating and supporting women's grassroots organizations as a part of the development process.

Mercy Corps' efforts in Afghanistan date back 15 years, during which time we were one of the few agencies working in both

Taliban and Northern Alliance controlled areas. We continue to provide services in southern Helmand province and in Baluchistan, Pakistan, where our medical and health programs serve more than 370,000 women and children in Afghanistan and Afghan refugees. In addition, Mercy Corps has introduced an agricultural support program, providing incentives for local farmers to grow higher quality seed, and we have established a full time orthopedic workshop to aid the many Afghans disabled by landmines. We are assisting thousands of

refugees in camps in Baluchistan, Pakistan, while at the same time encouraging refugees to voluntarily repatriate to Afghanistan by providing agricultural and health care assistance to those who return.

Spread across thousands of islands, **Indonesia** is the world's fourth most populous country and has the world's largest Muslim population.

Over the last four years, the fall of the Suharto regime, the succession of governments that followed, the Asian economic crisis, and the independence of East Timor, have brought unprecedented turmoil to Indonesia. Parts of Indonesia are beset by separatist uprisings and

bitter ethnic and religious conflict, and the country is home to one of the world's largest populations of internally displaced persons.

Mercy Corps works with a large number of local Christian and Muslim organizations in volatile Maluku Province, responding to emergency needs while also promoting the self-sufficiency of people forced to leave their homes, strengthening economic recovery, and increasing opportunities for peaceful interaction. In the divided city of Ambon, Mercy Corps made a critical decision to become the



only international non-governmental organization to maintain a mixed Muslim and Christian office, which greatly contributed to our ability to work across conflict lines.

Mercy Corps supports community projects that have helped revitalize the local economy. We opened a resource center in a neutral zone of Ambon, which now provides a crucial space for communication between Muslim and Christian groups and promotes understanding and cooperation among local organizations serving populations on both sides of the conflict.

Mercy Corps' developmental relief approach in Indonesia has met

immediate needs while strengthening the ability of local community organizations to implement projects that meet the changing needs of their constituents. Reaching across these conflict lines will contribute to long-term peace and stability.

In 2001, **Macedonia** failed to stave off the inter-ethnic violence that had befallen its fellow Yugoslav republics during the last decade. A poor economy, high unemployment, rampant corruption, crumbling infrastructure, and inadequate social services have aggravated

tensions between the main ethnic groups. As a result, more than 54,000 ethnic Albanians and other Macedonians left the country, while a similar number became internally displaced. Few have returned to their homes.

Mercy Corps' 2001 programming in Macedonia centered on launching economic revitalization activities, much as we have in Kosovo and southern Serbia (see page 14). These interventions not only address the need to restore economic livelihoods, they re-establish trust and interdependence between formerly warring neighbors. Out of these relationships grow the foundation needed to address larger community stabilization and ethnic cooperation issues.

Although it appears that tension will linger in Macedonia for some time to come, Macedonian communities have strong traditions of tolerance and ethnic cooperation. Mercy Corps will continue to help re-establish community links by providing members of different ethnic groups with positive experiences working together, creating the peace and stability necessary to encourage displaced families to return home.

Hundreds of thousands of homeless Chechen families are living in **Ingushetia**

without adequate ways to make a living — and fearful of returning to their homes in neighboring **Chechnya**. Mercy Corps is committed to promoting self-reliance in this region by providing both direct humanitarian assistance and helping strengthen local government and non-governmental

organizations. A Mercy Corps Flexible Assistance Fund provides essential food and other items, while also generating economic opportunities and structured activities for children. In Chechnya, Mercy Corps provides returned families with essential supplies, including shelter materials that ensure there will be at least one warm and dry room to live in while

they repair their homes.

Mercy Corps also enhances the capacity of local Chechen government and humanitarian agencies to effectively assist returned families. This ensures that local interventions can continue, and ultimately reduce the need for humanitarian assistance.

**A strong and functioning civil society can reduce the need for repeated relief operations. Mercy Corps weaves the principles of *participation, accountability* and *peaceful change* into all our emergency response programming.**

## Snapshots

In early 2001, major earthquakes struck **El Salvador** and **India**. The Mercy Corps GEO team immediately assessed needs, identified local partner organizations, and developed response strategies. In both cases, Mercy Corps partnered with well regarded local organizations to implement relief activities for families hardest hit by the quakes. These organizations are now better equipped to address developmental needs in their communities.

In **Peru**, Mercy Corps is assisting a local agency, the Popular Education and Christian Studies Center (CECYCAP), in conducting community outreach in earthquake impacted regions. CECYCAP is monitoring the distribution of aid and developing community preparedness plans for future emergency situations.

In 2001, Mercy Corps met the needs of earthquake victims in **Turkey** by building a women's center, providing additional medical units and youth centers, and carrying out public awareness campaigns and disaster training workshops. We have assisted more than 24,000 vulnerable Turkish people with these programs.

## Alvis Matlija A Lesson in Empathy



**Alvis Matlija** of Shkodra, Albania, remembers the first time he spoke with a Kosovar refugee. It was at the height of the war in 1999, and Mercy Corps was implementing an emergency food program.

Alvis, one of Mercy Corps' food monitors, was

checking production at a bakery when one of the refugees told Alvis about the destruction in Kosovo.

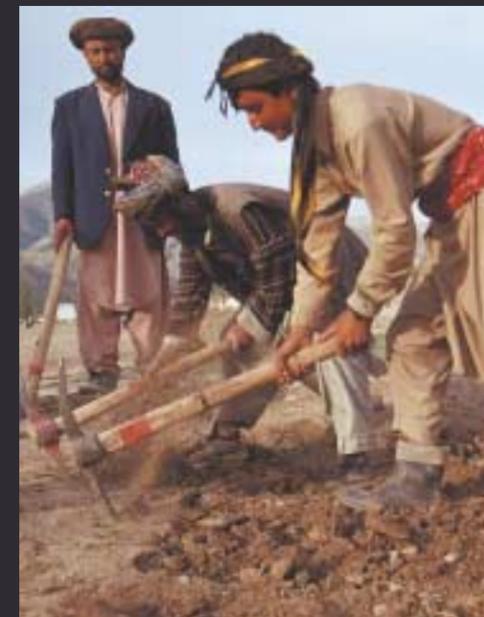
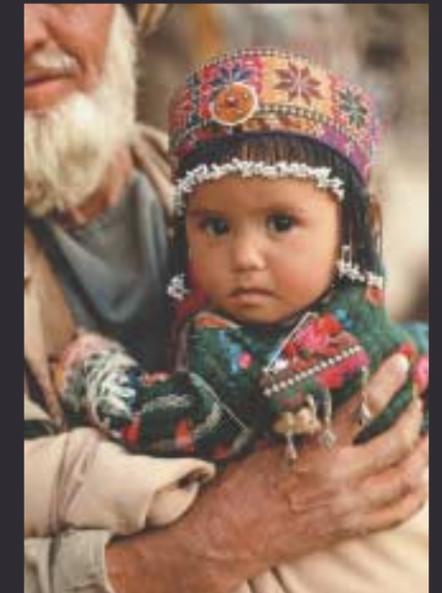
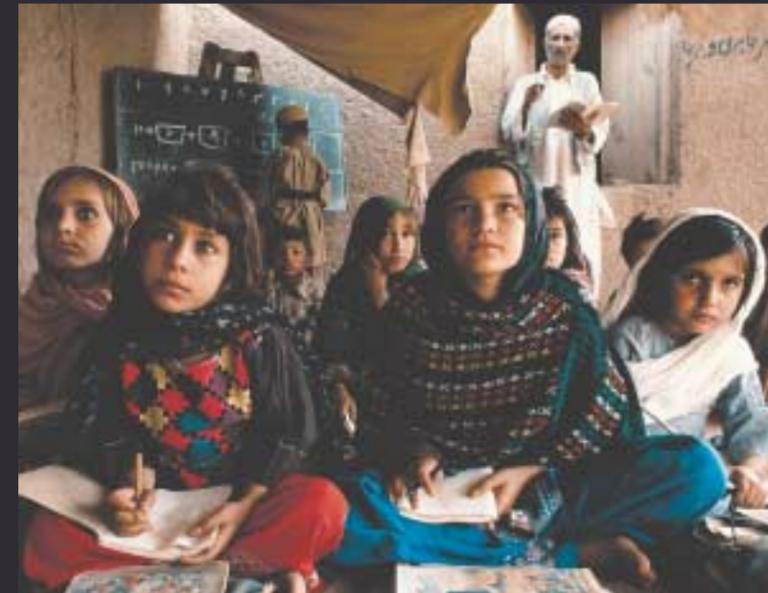
"His story made it real for me," says Alvis. "I could imagine myself in his position."

Until then, 18 year-old Alvis had traveled very little and had never held a job. By the end of the war, his work for Mercy Corps had taken him to 12 refugee camps. Alvis worked long days — 12 or 14 hours — but didn't seem to mind. "I saw I could do something that could help others," he explained.

With the return of the refugees to Kosovo, Alvis stayed with Mercy Corps in Albania, managing our Social Sector Rehabilitation and Support Program, which assists local partners in rehabilitating schools and health centers.

"Humanitarian aid is still needed here," says Alvis, "but Mercy Corps teaches people to fish, instead of giving people fish." He credits Mercy Corps with introducing him to new perspectives and allowing his skills to blossom. During his time with Mercy Corps, Alvis has traveled to many other Balkan nations.

"Everyone can develop this skill, but I had the chance to develop it in only two years, working with Mercy Corps," Alvis says. "We really help, we touch everything with our own hands. If you can help people, you should do it — no matter who they are."



## AFGHANISTAN

Afghanistan is a nation plagued by two decades of invasion, conflict, civil war, and — most recently — the confusion and chaos of events since September 11. Millions of Afghans live as displaced persons within the country or as refugees in neighboring countries. Mercy Corps has been working in this region since 1986. In Afghanistan, we have successfully implemented health provision and training programs, construction projects, agriculture, animal health programs, and infrastructure rehabilitation. In Pakistan, Mercy Corps provides health care and community development services to more than 10,000 Afghan women and children each month.



# CIVIL SOCIETY

## Participation, Accountability and Peaceful Change

“**M**ercy Corps exists to alleviate suffering, poverty and oppression by helping people build secure, productive and just communities.” This goal permeates every strategic decision we make, every program we initiate, every interaction with communities in need.

Yet how can we consistently counter the insecurity found in the conflict and crisis-ridden environments where we work? How do we design activities that promote citizen involvement and government accountability and create positive change?

Mercy Corps’ civil society framework has proven to be the single most important element in determining the success of our work. While local context ultimately determines the final direction of a program, all our planning incorporates three core principles drawn from the 1948 United Nations Universal Declaration of Human Rights — **participation, accountability and peaceful change**.

These three core principles provide a critical lens through which Mercy Corps reflects on how to best optimize local participation, promote accountability and transparency in decision making, and help people identify and

address root causes of conflict. All are essential components in empowering communities to assume responsibility for changing their own societies in sustainable ways.

Mercy Corps’ civil society framework promotes cooperation between civic organizations, businesses and government, emphasizing their joint role as agents of peaceful social change.

If citizens engage in determining solutions to community problems, if government, business and civic leaders are held accountable, if peaceful avenues for change replace violent upheavals, then our work results in communities that look optimistically to the future.

In two decades of programming, Mercy Corps has learned that strengthening civil society initiatives in any project will lead to a successful and locally sustainable program. Coalition and network building among local organizations is critical, as it enables all participants to coordinate and plan effective and relevant programming. And by linking these local organizations with national policymakers, marginalized groups are heard at the national level.

Mercy Corps engages representative community groups, including marginalized ethnic and religious minorities, the disabled, internally displaced persons, remote rural residents, and many more. Our civil society programs help people feel safer, work more productively, and gain confidence that they can create a more egalitarian and just society.

Since 1993, Mercy Corps' commitment to a civil society framework in the Balkans has enabled us to move our relief and rehabilitation work quickly to long-term social and economic recovery.

Mercy Corps' work in **Kosovo** is a case in point. Our programs there focus on introducing economic development activities that reconnect Serb and Albanian neighbors around common goals: increasing income and revitalizing their communities. By assisting Serb and Albanian participants in identifying areas and implement projects that will improve the quality of life for both groups, Mercy Corps brings people together in productive activities that promote tolerance, trust and mutual respect. This fosters dialogue and helps speed the region's stabilization.

Mercy Corps' programming in **Serbia** is being launched in response to 10 years of economic sanctions and the break up of the centralized state of Yugoslavia. We have formed 60 Community Initiative Groups, which include women and ethnic minorities in 18 southern Serbian municipalities. Open meetings are held in which community members identify and prioritize development needs, directly engaging local authorities in the process. The groups then



develop specific proposals, advocate for necessary public support, and hold elected officials accountable for their level of cooperation. Mercy Corps requires that communities contribute at least 25 percent of financial and material resources, giving all participants a sense of ownership and responsibility for their projects.

After the collapse of the Soviet Union in

1991, newly independent **Tajikistan** endured a power struggle between competing leaders that resulted in 60,000 deaths and more than 150,000 displaced citizens. Coupled with high unemployment, the demise of important social services previously provided by the state, and a severe four-year drought, the potential for conflict is real and immediate.

To mitigate this instability, Mercy Corps is helping form citizen working groups to focus on fundamental human rights and peace issues by exploring problems in their own communities and developing solutions. Each group includes officially registered local organizations, individual citizens, community groups, and often local government officials. Once information is gathered, public awareness campaigns are created to bring important messages to the general population. We are supporting these groups as they disseminate information on the

rights of women, people with disabilities, children and youth, free speech, and general conflict mitigation.

In Jinotega, **Nicaragua**, Mercy Corps has incorporated a greater community wide focus in our ongoing civil society programming. Although there was already a wealth of civil society organizations in Jinotega, there was very little communication or collaboration among them. Mercy Corps brought together 23 of these local civil society groups to form the Jinotega Civil Society Network (JCSN).

At the same time that the JCSN members were strengthening their common goals and management practices, they also initiated relationships with national level civil society groups. JCSN members were invited to participate in important dialogues around the creation of a national Nicaraguan strategy for poverty alleviation. Members also served as presidential election observers to ensure a free and fair electoral process.

In 2000, Mercy Corps and the JCSN held a Democracy Festival in Jinotega to promote citizen awareness of mayoral aspirants' political agendas, and to provide a forum where these candidates could be held publicly accountable. By combining resources, JCSN members have



empowered local people to participate in social and political processes that greatly impact their lives.

Mercy Corps' East Georgia Community Mobilization Initiative in the **Republic of Georgia** addresses the economic, political and social challenges that developed there after the break up of the Soviet Union. As one of only a few humanitarian organizations working in eastern Georgia, Mercy Corps incorporates the strong Georgian traditions of self-help and community cooperation, stressing group identification of, and advocacy for, needed social services and economic improvements.

Through village action planning meetings, communities learn how to mobilize themselves to resolve social, economic and cultural issues. Because most Georgians are new to the idea of a participatory civil society, Mercy Corps focuses on confidence building and assistance in recognizing community strengths and assets.

Action planning participants include community leaders who represent a wide range of already existing local non-profit organizations, cultural and business associations, youth, and women's groups. Participants frequently choose projects that focus on physical rehabilitation, such as well repair or school rebuilding.

As in Serbia, Mercy Corps requires that the community literally “buy into” the project, providing at least 25 percent of financial and material resources locally.

Many Georgians are not aware of current national laws that might aid — or impede — their pursuit of social and economic betterment. An important component of Mercy Corps’ program is the Social Policy Unit managed by Horizonti, a local Georgian organization. The Social Policy Unit aims to strengthen local organizations and governments so they can identify and change legislative roadblocks to economic and political improvements.

As communities continue to grow in confidence and vision, they identify ever more

complex areas in health, education, micro-enterprise development, and inter-ethnic cooperation that they feel are pertinent to stability and peace in their local regions. Mercy Corps will continue to provide technical assistance and guidance during the four-year project life of this grant.

For the last 13 years, **Azerbaijan** has suffered from the results of a devastating territorial war with neighboring Armenia. More than 850,000 Azeri citizens have been displaced from the disputed area. Many still live in refugee camps.

Mercy Corps’ \$45 million Azerbaijan Humanitarian Assistance Program (AHAP) provides grants for programs that organize and mobilize communities to address self identified needs. By providing leadership that shapes the strategy of the largest humanitarian assistance initiative in Azerbaijan, Mercy Corps ensures that programs involve the input of and benefit

the greatest number of Azeri participants.

Through Mercy Corps’ management of subgrants, international partners are required to involve program participants at the community level, enabling local priorities to be addressed. Villages initiate their own projects and individual participants are far

more supportive, as they are intimately involved in the creation of the programming that affects their daily lives.

Currently, more than 256,000 displaced and conflict affected people participate in community development, financial and business development, and health care programming under Mercy Corps’ AHAP. An additional 760,000 extended family members indirectly benefit from increased access to social and economic services.

**Mercy Corps’ civil society framework has proven the single most important element in determining the success of our work. All our planning incorporates three core principles drawn from the Universal Declaration of Human Rights — participation, accountability and peaceful change.**

## Snapshots

In **Indonesia’s** volatile Maluku province, Mercy Corps has emerged as the only international relief and development organization to keep an office in space that is neutral to both Muslims and Christians, turning a “no man’s land” into a safe zone where a thriving market serves both groups. And at the Mercy Corps initiated NGO Resource Center, staff from local Christian and Muslim organizations interact with each other around practical training.

Mercy Corps’ \$10 million Economic and Community Revitalization umbrella grant helps promote minority refugee return to **Croatia**. Since jobs and income are key to sustainable refugee return and community reintegration, Mercy Corps focuses on increasing and expanding economic opportunities in war affected municipalities. Active community involvement is an essential component of this grant, from project design to implementation and evaluation.

In **Montenegro**, Mercy Corps provides funding and technical assistance to local microcredit organization, Alter Modus. Together, we launched the Network for the Affirmation of the NGO Sector, which provides development assistance, an advocacy forum, and networking possibilities for the newly emerging NGO sector in Montenegro.

## Chilolo Garcia Public Representative



Bacilio Isidoro Chavarria Garcia — Chilolo, as he prefers to be called — heads the Board of Directors of Proyecto Aldea Global Jinotega (PAGJINO), a local Mercy Corps partner in Jinotega, Nicaragua. He is also PAGJINO’s representative in the Civil Society Network of Jinotega.

Mercy Corps formed the Civil Society Network to promote cooperation and coordination among diverse humanitarian organizations, local governments and private enterprises working in the Jinotega community. The Network has been a great success in ensuring that previously marginalized citizens in Jinotega now have a voice in decision making that affects their lives.

Today, the Civil Society Network has 26 active institutional members. As PAGJINO’s representative, Chilolo has been participating in the Network since its formation in early 2000.

“When I was presented with the opportunity, I immediately wanted to join the Civil Society Network,” Chilolo says. “I realized that this was an opportunity to contribute to the development of my community.”

Chilolo’s participation in the Network has allowed him to bring new leadership skills to his role as the President of PAGINO’s Board of Directors. “I feel more responsibility and have increased knowledge regarding my work with PAGJINO,” he says. “I have a heightened sense of representation in public life.”

“My message to the people of Jinotega is this,” Chilolo continues. “Unite strongly with the Civil Society Network to create a just democracy for everyone. Men, women and children need to be involved because we are all living this life.”



## GEORGIA

While many former Soviet states are making progress, the economic and social situation in Georgia is deteriorating. Unemployment is rampant, and the government has been unable to provide even basic services such as electricity, water, heat, health services, and pensions. Mercy Corps is committed to bettering these dire economic and social conditions. Our support for local organizations strengthens the ability of communities to respond to the needs of vulnerable populations. We award grants to local groups to implement programs such as winterization of homes, health care, education, local economic development, environmental protection, human rights advocacy, and activities that support women and build bridges among diverse communities.

# ECONOMIC DEVELOPMENT

## Building Sustainable Communities

**E**conomic health and vitality is critical to national stability. A viable, functioning business sector, access to jobs that increase household income, a populace engaged in productive endeavors — all these elements are necessary to create stable and self-sustaining communities.

In the transitional environments in which Mercy Corps operates, making a living and supporting one's family are goals that everyone can agree to work towards. Since economic development and microcredit often prove an ideal entry point towards re-establishing trust in post conflict areas, Mercy Corps links economic development in a region across political and ethnic boundaries, promoting peace and stabilization.

It is essential that economic development initiatives be tailored to fit local environments, and that budding entrepreneurs receive business training to ensure the success of their nascent ventures. Rather than being purely vehicles for poverty alleviation, Mercy Corps' micro, small and medium sized enterprise development programs work to increase the economic security of an entire community.

Each loan has the potential to dramatically change many lives. A successful business means steady jobs and income for the owners and employees. Families can invest in better health care, shelter and education for their children. As public and individual economic self-confidence grows, positive effects reverberate throughout the entire community. Economic health becomes self-sustaining and communities can then devote collective time to implementing the legal reforms and removing the unproductive regulatory barriers that are necessary to achieve economic and civic success.

Mercy Corps' lending programs are designed to be managed by local institutions, who receive technical assistance and organizational help from us. Mercy Corps has successfully nurtured independent microcredit lending organizations in Bosnia-Herzegovina (Partner Microcredit Organization), Kazakhstan (Asian Credit Fund), Kosovo (Agency for Finance), and Mongolia (Goviin Ekhlel, or "Gobi Start").

Mercy Corps' umbrella grant mechanism is another means through which local organizations are able to function more independently and better respond to community needs. Through the management of subgrant agreements, we provide technical assistance, program oversight and impact evaluations to local and international partners. These integrated partnerships enable Mercy Corps to offer broad, sustainable programs that result in stronger humanitarian impact.



**M**ercy Corps' economic development programming throughout the Balkans incorporates civil society principles and promotes stabilization and peaceful change across ethnic lines. As we focus on those most in need, we help build a foundation for prosperity and tolerance.

Our programming in **Kosovo** is a case in point. Kosovo's economic future lies in reintegration with the region's largest economy, Serbia. For many Kosovars, the most immediate and tangible way to make a living requires the revival of the rural economy and the small-scale processing of agricultural products.

Re-connecting with their Serb neighbors is key to this enterprise, despite the recent history of ethnic conflict. Shared economic interests provide an entry point through which Mercy Corps introduces civil society initiatives to foster stabilization.

In 2001, Mercy Corps expanded the successful Eastern Kosovo Stabilization Program, which encourages rural development and ethnic tolerance in mixed communities throughout Kosovo by providing technical assistance, training and grants. The Agency for



Finance in Kosovo, a successful Mercy Corps lending institution, continues to receive technical advice from Mercy Corps along with assistance in finding additional loan capital. To date, 217 loans have been made totaling more than \$2,250,000.

#### Much of **Bosnia-Herzegovina's**

infrastructure and economy were destroyed in the war that began in 1992. Small and medium micro-enterprise endeavors have been key to helping rebuild local economies. By supporting programs that focus on refugee reintegration, Mercy Corps assists returnees to Bosnia to attain self-sufficiency as we promote

prosperity and stabilization in the region.

Mercy Corps introduced the Economic Development Department into our Bosnia programming in 1997 precisely to address this struggle. In 2000, it became a local, independent institution, Partner Microcredit Organization, offering loans that help create jobs, income and a more stable environment for both returnees and current residents. Just as importantly, Partner is helping to create a healthy small business sector that links entrepreneurs of all ethnicities.

As Bosnia emerges from its recent conflict into a market economy, Partner is the only microcredit organization that works primarily in the heavily destroyed area of the former frontline. Partner employs more than 61 people and serves clients in 38 Bosnian municipalities. Its staff is multi-ethnic — employing Serbs, Croats and Muslims harmoniously, presenting a model of what Bosnia can become.

Although the political situation in **Croatia** has improved, there continues to be intense fear and resentment between the majority Croatian population and the minority Serb population. Mercy Corps is committed to

building sustainable multi-ethnic communities in Croatia by focusing on projects that increase economic development and decrease lingering ethnic tensions.

With partner agency Urban Institute, Mercy Corps' Economic and Community Revitalization Umbrella Grant provides funding to organizations rebuilding communities in Croatia. The grant supports projects that focus on the importance of economic opportunities in quelling ethnic tension, ensuring active community involvement from project design to implementation, and



partnering with local non-governmental organizations to implement community-based programs.

After the collapse of the Soviet Union, many Central Asian countries were left adrift, struggling to define their cultural, political and economic identities. When Mercy Corps initiated credit programming in these transitional environments in 1993, there was widespread demand for microcredit but no existing, reasonable source of financing.

Mercy Corps' economic development strategy in **Kyrgyzstan** centers on three distinct lending programs — loans tailored for women, agricultural

loans and small business microcredit. Together, we serve more than 5,800 active clients with an outstanding portfolio of more than \$2 million.

In the women's microcredit program, which boasts a 100 percent repayment rate, loans are given under a group lending scheme in which recipients collectively guarantee each other's loans. The success of this program, implemented by local organizations, has led to both geographic and loan product expansion. Small business loans are issued to eligible entrepreneurs in partnership with the Central

Asian American Enterprise Fund. Mercy Corps is currently initiating a plan for creating a sustainable lending institution modeled on the successful Mercy Corps program in neighboring Kazakhstan.

**Mongolia** has struggled in recent years in its transition to a democracy and market economy. Mercy Corps' Gobi Regional Economic Growth Initiative is a market led economic growth and development program tailored for Mongolia's nomadic peoples. The Gobi Initiative identifies informational, organizational and policy constraints to economic growth and assists participants in developing programming to alleviate such constraints. Activities center on agriculture, small enterprise development, rural financial services, and market information needs.

In 1999, Mercy Corps formed a for-profit, non-bank lending institution to meet the credit needs of the Gobi region. Called Goviin Ekhlel (Gobi Start), it helps finance the working capital and fixed assets needed in retail trades, light industry, transportation, agriculture, and manufacturing. Clients consist of small and medium sized business enterprises, as well as pastoral herders who require a unique loan structure tailored to seasonal needs.

As it became clear that a great need existed for micro and small business credit, Mercy Corps initiated a strategic merger between Goviin Ekhlel and XAC, the largest and most successful microfinance institution in Mongolia. In late summer 2001, the merger was finalized and XacBank was formed.

Previously, Mongolians had very limited access to financial services, especially in poor rural areas. XacBank's mission is to provide a broader array of choices to clients in locations that lack access to formal banking and credit services (65 percent of XacBank's clients reside in rural areas and more than 70 percent are women).

As a shareholder of XacBank, Mercy Corps establishes and builds relationships with businesses, cooperatives, and herders through a mix of training and technical assistance. In addition, Mercy Corps is able to design and deliver training programs that meet the evolving needs of XacBank clients, allowing XacBank to focus on its core business.

**E**conomic health and vitality is critical to national stability. Mercy Corps links economic development in a region across borders, promoting peace and stabilization.

## Snapshots

Mercy Corps believes that strengthening local institutions is the best way to achieve economic development. In **Kazakhstan**, Asian Credit Fund, a Mercy Corps initiated lending institution, promotes small business growth and creates more family-wage jobs and greater financial security.

The Madador Farmers' Association in **Uzbekistan** runs Mercy Corps' Bulungur Institutional Strengthening and Microcredit Project. With staff trained by Mercy Corps, Madador will continue to implement credit programs and provide other important services to its member farmers. Mercy Corps is applying the lessons learned from this program to our newly launched Women's Microcredit Program in the **Ferghana Valley**.

In partnership with the Guanghua School of Management at Peking University, Mercy Corps established the Center for Small and Medium Enterprise Development in **China**. The Center, staffed by Chinese and American business professionals, provides private entrepreneurs with training in corporate governance, business financing and fiscal management.

In the **United States**, Mercy Corps' economic development program in Portland, Oregon, promotes self employment and microenterprise opportunities for low income, minority, refugee, and women entrepreneurs who cannot access mainstream support channels.

## Makmum I am a Musician



*"Like a musician playing music with a guitar or a piano, I play my own music. Hammer, metal sheets, nails, and metal cutter in a chorus producing a sweet melody. My music produces stoves and a living for my wife and kids."*

My name is **Makmum**. I am 43 years old. I live in

Citeureup, West Java, Indonesia, where I am a stovemaker. We have always been poor. But I always wanted my children to have a better life.

When my father first taught me how to make stoves, we didn't work with machines and I learned to make each separate part of a stove. I knew I could run a successful stovemaking business, but getting the cash to begin never seemed possible.

One day a friend told me about a microcredit organization called Bina Swadaya, funded and supported by Mercy Corps. I discussed my business plan with them and was eventually approved for a \$277 loan.

I bought new equipment to make stoves. I wake up very early every morning and start my music at the house. Clang — clang — tok — tok — it sounds so beautiful to my ears.

My stovemaking business is thriving now. Plus, with some money left over from the loan, my wife was able to open a food kiosk in the market, providing our family with additional income.

Life is so much better now. I will see my business grow and provide employment to many others. I am sending my children to school. I will be able to build a better home for us.

Through my hammer, nails, metal, and hard work, I can make my dreams into a reality.



## INDONESIA

In Indonesia, citizens are struggling to overcome poverty and instability as their nation goes through a period of political and economic transition, with more than one quarter of the population subsisting below the poverty line. One of the many consequences of this economic instability has been the eruption of violent regional conflicts. Through local partnerships, Mercy Corps helps alleviate hardship, reduce poverty and build resilience among vulnerable populations through food security programs, sustainable economic development and health services. We have also established programs in volatile Maluku Province designed to improve opportunities for people from opposing groups to work together toward a more peaceful co-existence.

# HEALTH SERVICES

## A Healthy Start for Children and Families

**A** strong and healthy populace is vital to sustain lasting social change. Mercy Corps' health programs not only provide community health services, but educate local populations in the management of disease prevention, nutrition and proper hygiene.

Mercy Corps provides an integrated approach to health services, strengthening local providers' ability to meet community health care needs and providing immediate disaster relief when necessary. We emphasize community based public health interventions, ranging from health education and preventive approaches to clinic and hospital construction.

Health issues serve as an excellent catalyst through which communities can come together to advocate for other kinds of civic changes. Mercy Corps' health programming involves participants in the design and implementation of their own health care solutions.

The following priorities guide Mercy Corps' worldwide health programming:

■ **Preventive community based health education in disaster situations.** Lack of food and water, homelessness and family separation, loss of

income and stress all threaten to compromise the health of people in crisis. Mercy Corps provides education in hygiene, sanitation and infectious disease prevention — particularly to women and children, who are especially vulnerable when disaster strikes.

■ **Maternal and child health.** In many places around the world, the needs of mothers and children are often eclipsed due to gender discrimination, low literacy, unemployment, and lack of access to basic health information. Mercy Corps provides community health education that includes safe birthing practices, newborn care and nutrition, immunizations, and breastfeeding promotion — all geared towards improved child survival.

■ **Women's health care.** While overlapping with maternal and child health, Mercy Corps' women's health care programming also includes services for non-pregnant women. Through counseling and community outreach, Mercy Corps provides women with information on safe motherhood, avoiding sexually transmitted infections, health benefits of child spacing, and sexual and gender based violence. We also support local providers in dispensing birthing and gynecological care.

■ **Psychosocial Support.** Development of community oriented psychosocial programming is an ongoing strategic priority for Mercy Corps. Mercy Corps' psychosocial approach is preventive and community based rather than targeting individuals for treatment or referral to mental health services.



**M**ercy Corps' hospitals, clinics and rural basic health units serve more than 370,000 people in southern **Afghanistan** and Afghan refugees in Baluchistan, Pakistan. By training community health workers to provide health awareness education, program participants in turn help educate their communities about the importance of high health care standards. Mercy Corps also provides orthopedic services to Afghan refugees in Pakistan, many of whom have been disabled by landmines.

Helping children and families cope with the trauma of September 11 is the focus of a new Mercy Corps program in the **United States** called Comfort for Kids. Supported by partners Bright Horizons Family Solutions, JP Morgan Chase, and The Dougy Center for Grieving Children, Mercy Corps distributes Comfort Kits to children and provides educational materials and training sessions to guide parents, teachers and other childcare providers. Comfort for Kids is especially reaching out to immigrant, refugee and low-income families. Vital support for the Comfort for Kids program was provided by the Latter-day Saint Charities, the Church of Jesus Christ of Latter-day Saints and its network of volunteers, who assisted with logistics, procurement, assembly, and storage of the Comfort Kits.

In partnership with Proyecto Aldea Global, Mercy Corps' Results that Last child survival project in **Honduras** helps reduce infant, child and maternal mortality rates for more than 35,000 mothers and children. The program provides community based instruction, monitoring and evaluation, and supports participants as they advocate for their own health care needs.

When massive floods hit **Venezuela**,

Mercy Corps partnered with local agency Servicio de Apoyo Local to assist communities in recovering from trauma and loss. Taking a longer-term psychosocial approach, the program brought area leaders together to work with a psychologist to help communities recover.

Mercy Corps' health care programming in **Azerbaijan** requires that our sub-grant partners initiate projects that are focused on community based preventive health care. More than 130,000 participants help design health strategies specifically for their own communities, allowing them to breach some of the cultural barriers that currently exist in Azerbaijan. In 2001, we began a Child Survival project in southeastern Azerbaijan that helps mothers and caretakers strengthen their own health and the health of their children.

**M**ercy Corps' global health programs provide community health services and educate local populations in the management of disease prevention, nutrition and proper hygiene.

## Snapshots

Mercy Corps is implementing its first long-term development program in **Guatemala**. Based in the rural municipality of Tucuru in the highlands of Alta Verapaz, Mercy Corps is working to strengthen the health status of the indigenous Q'eqchi and Poq'omchi people by collaborating with local organizations, health practitioners and government health officials.

While rapid change continues in **Russia**, Mercy Corps' programming in the Russian Far East provides crucial support that offers alternative social services to families, lessening the risk of family breakdown and child abandonment.

Mercy Corps is improving health and public education through a \$7.3 million Social Sector Rehabilitation and Support Program Umbrella Grant in **Albania**, one of the poorest countries in Europe.

When flooding and cyclones hit **Mozambique**, Mercy Corps responded with emergency medical supplies and the technical assistance of a water and sanitation specialist. Through our partner Health Alliance International, Mercy Corps helped train health workers and produced educational materials.

## Ziba Guliyeva A Voice for Communities



Ziba Guliyeva brings seven years of field experience with community health groups to her role as Mercy Corps' Community Development Program Officer in Azerbaijan. Being a refugee herself — she and her husband were forced to flee Azerbaijan in 1991 — Ziba is familiar with the needs of the displaced population.

Working from the perspective that community involvement in health programming is essential, Ziba was instrumental in instructing one of Mercy Corps' umbrella grant implementing partners to really understand and embrace community participation.

Ziba's experience has taught her that training community volunteers to bring health information back to settlements is more important than simply distributing relief items. "I realized that distribution was not the answer," she explains. "It was the component of community development in the health education programs that I found crucial."

"I work for Mercy Corps because of my personal commitment to community development. I help improve people's ability to solve their own problems and develop partnerships.

"My favorite activities are seeing ongoing projects in the field, visiting communities and listening to the people. Only by incorporating their voices can we design appropriate programs. Mercy Corps' integrated strategy allows for this very demand driven approach.

"My long-term goal is to establish a local organization that could identify the most critical needs of vulnerable people. I feel it is everyone's responsibility to care for each other. Honesty, mutual understanding and respect for others — it is these qualities that draw people together."



# FOOD RESOURCES

## Alternative Solutions

**N**o one can hope to achieve self-sufficiency if they are starving. Millions of families around the world experience hunger every day. Food shortages due to disasters, conflicts and breakdowns in economic systems lead to malnutrition, disease and death.

Mercy Corps works to reduce community and individual dependence on outside assistance by strengthening food resources. By helping to ensure that people have both physical and economic access to a sufficient variety of foods to meet their dietary needs, we lay the groundwork for a more just and equitable civil society.

Mercy Corps' food programs, whether responding to large scale emergencies or endemic poverty, concentrate on those who are most vulnerable — children, the elderly, pregnant women, and the homeless. Our food for work programs involve participants directly in rebuilding and development efforts — from bridge building to garden planting to nutrition and awareness classes for women — even as they receive much needed supplemental nutrition.

Monetization — using food and other goods as resources rather than distributions — is another aspect of Mercy Corps' food resources strategy that helps support many of our long-term development programs around the world. Instead of directly distributing large amounts of bulk food, we take donated commodities and sell them through local businesses. Proceeds are used for critical agricultural and economic development programs that build independence and self-sufficiency.

Mercy Corps' food programs are designed to work in partnership with resident community organizations, ensuring local control and sustainability. Local officials and staff are included in every stage of project design, implementation and assessment.

In 2001, Mercy Corps embarked on an ambitious program to standardize and upgrade commodity distribution around the world. FACTS, the Food and Commodity Tracking System, is a web based program that allows humanitarian workers to more accurately track vast quantities of food and other commodities shipped by air, land and sea. Created with financial and technical support from Microsoft, FACTS helps Mercy Corps know how much food is on hand, what is needed, and what has been delivered. The FACTS system improves efficiency and reduces waste, allowing donated dollars and commodities to accomplish more.

**M**ercy Corps' programming strategy in **Kosovo** has worked to transition all direct food aid to long-term economic recovery efforts. Since 1999, we have assisted more than 200,000 people with a Food for Peace program that has evolved into local agricultural and microcredit projects. As the economic infrastructure stabilizes in Kosovo, Mercy Corps has been able to reduce direct food aid, distributing to only the most vulnerable populations, while focusing the majority of our efforts on providing microcredit to small businesses and multi-ethnic training programs for local farmers.

In **Indonesia**, more than 5,000 people participate monthly in Mercy Corps' food for work programs in Jakarta. We partner with local community organizations and leaders to provide training and strengthening activities that help families without adequate food or income. Mercy Corps has also used nutritional and socio-economic studies to ensure that food reaches those who need it the most — the truly destitute among the urban poor.

Mercy Corps' overarching objective in **Lebanon** is to create a vibrant and healthy rural environment with economic opportunities and an equitable community life for all. Bulk

food sale proceeds help directly fund agricultural development, land rehabilitation, road improvements, and repairs to water storage and irrigation systems. Monetization dollars also contribute directly to Mercy Corps' Rural Community Development Cluster program. Clustering allows Mercy Corps to group programs geographically and is an excellent

avenue through which different ethnic and religious groups in Lebanon can come together to work collaboratively.

Mercy Corps' food strategy in **Kyrgyzstan** involves direct distribution to critical institutions such as kindergartens, orphanages and community food for work projects. This

allows communities to rehabilitate water systems, repair rural schools and implement sustainable food production. Mercy Corps also uses proceeds from food sales to support microcredit lending and school and hospital repair.

Mercy Corps uses proceeds from the sale of donated food to improve the educational environment for 35,000 students in 150 rural primary schools in **Eritrea**. Students receive locally produced, high-energy biscuits every school day and Parent Teacher Associations are strengthened through training and small grants for school improvement projects.

**No one can hope to achieve self-sufficiency if they are starving. Mercy Corps works to reduce community and individual dependence on outside assistance by strengthening food resources.**

## Snapshots

As part of the Private Voluntary Organization Consortium In **North Korea**, Mercy Corps has delivered and monitored distribution of 305,000 metric tons of food aid — enough to provide supplemental food to more than 400,000 people for one month — and \$5 million of medical supplies. In addition, we have independently delivered \$13.3 million of critically needed food, agricultural aid, medicines, and medical supplies.

When drought struck the Horn of Africa in 1998, **Ethiopia** faced a familiar threat — hunger. Within two years, more than 10 million people needed emergency food assistance. Mercy Corps provided food seed and agricultural tools to 35,000 people. This assistance enabled Ethiopian farmers to avoid increasing personal debt and provided them with a chance to re-establish their livelihoods.

Civil war, political instability and abject poverty have taken hold in the **Democratic Republic of Congo**, devastating all aspects of Congolese society. Eighty percent of the population now lives in absolute poverty and the educational system is in ruins. With partner Concern Worldwide, Mercy Corps is addressing the critical need for repairs to schools and employing local craftspeople in the process.

## Azeb Bahta One Family's Recovery



Ten distant villages make up the rocky mountaintop community of Dogmomet in Debub, Eritrea. The villagers in Dogmomet must walk two and one-half hours each day to collect water. They are four hours from the nearest health facility.

Mercy Corps' supplemental food and health

education program grew out of a clear need to improve nutritional health among the homeless and displaced people of Dogmomet and other villages in southern Eritrea. We provide assistance to more than 23,000 of the most vulnerable — malnourished children and pregnant women displaced by the war with Ethiopia. The children are weighed monthly to ensure that they are thriving, and the women receive health and nutritional education as well as supplemental food.

**Azeb Bahta**, a farmer in Dogmomet with seven children, was one of many who participated in Mercy Corps' program. Her two year-old son Daniel was underweight and often sick.

"There was not much food in the community because of the drought and war. Before this program, there were many sick children in the village," said Azeb.

Azeb and Daniel went to Mercy Corps' growth monitoring outreach site. There, Daniel was weighed and Azeb acquired more knowledge about health and nutrition — and both received supplemental food.

Little Daniel Bahta is now completely recovered from his early brush with malnutrition. He has put on weight and is now a healthy, active child.

"Mercy Corps' project helps our children grow in good health," says Azeb.

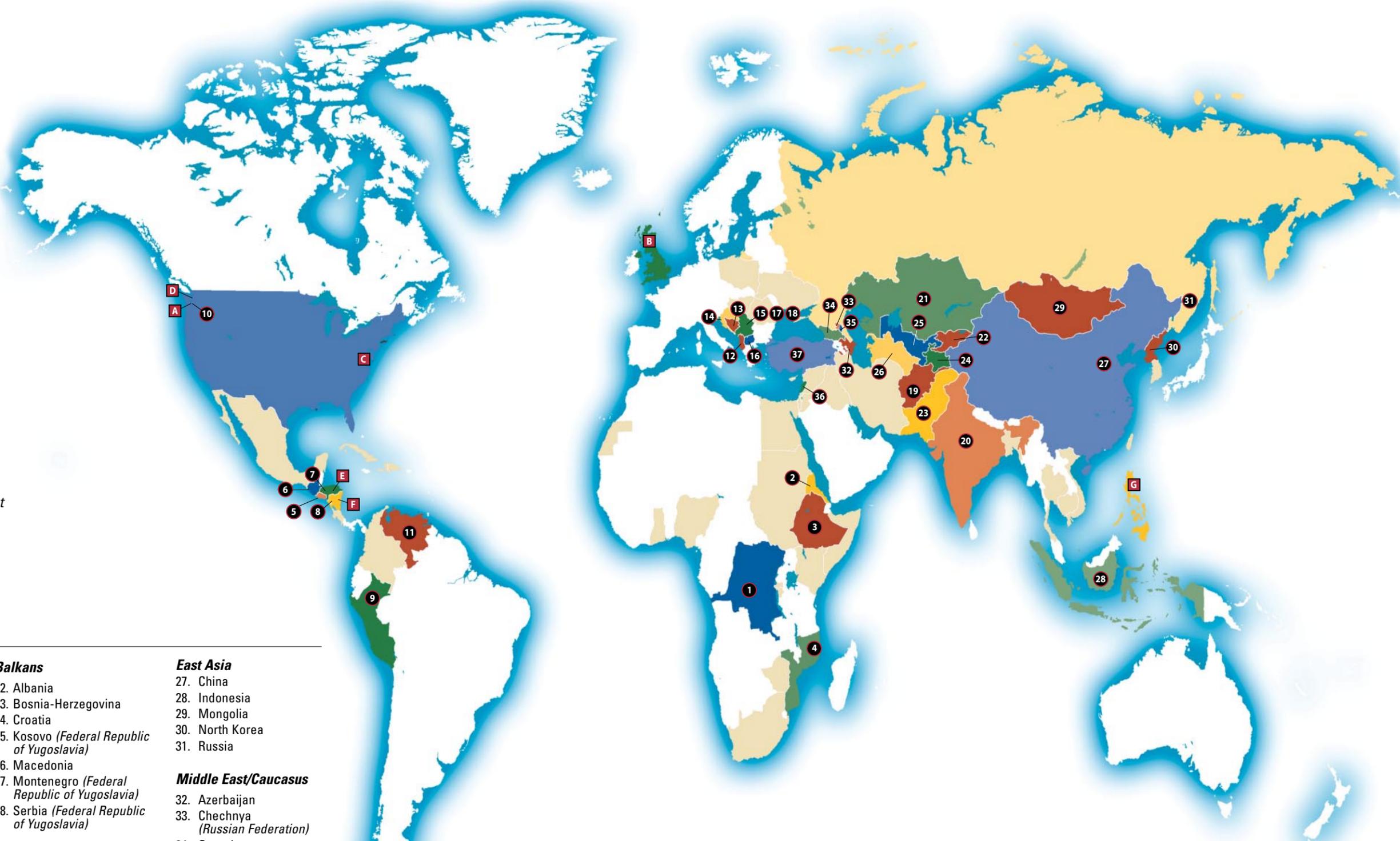
"There are not so many sick children in the village anymore."

# The World of Mercy Corps

## Where We Work

In 2001, the global resources of Mercy Corps and its partners totaled more than \$87 million. We managed 37 ongoing world-wide programs and delivered material aid to another two countries, assisting 5 million people in need.

This map highlights where we currently work (shown in color), where we have operated in the past (shown in beige), and the headquarters of the partners that form the Mercy Corps family.



## Worldwide Programs

### Africa

1. Democratic Republic of Congo
2. Eritrea
3. Ethiopia
4. Mozambique

### Americas

5. El Salvador
6. Guatemala
7. Honduras
8. Nicaragua
9. Peru
10. United States
11. Venezuela

### Balkans

12. Albania
13. Bosnia-Herzegovina
14. Croatia
15. Kosovo (*Federal Republic of Yugoslavia*)
16. Macedonia
17. Montenegro (*Federal Republic of Yugoslavia*)
18. Serbia (*Federal Republic of Yugoslavia*)

### Central and South Asia

19. Afghanistan
20. India
21. Kazakhstan
22. Kyrgyzstan
23. Pakistan
24. Tajikistan
25. Turkmenistan
26. Uzbekistan

### East Asia

27. China
28. Indonesia
29. Mongolia
30. North Korea
31. Russia

### Middle East/Caucasus

32. Azerbaijan
33. Chechnya (*Russian Federation*)
34. Georgia
35. Ingushetia (*Russian Federation*)
36. Lebanon
37. Turkey

## The Mercy Corps Family

- A. Mercy Corps (Portland, OR, USA)
- B. Mercy Corps Scotland (Edinburgh, Scotland, UK)
- C. Mercy Corps DC and Pax World Service (Washington, DC, USA)
- D. Mercy Corps Seattle (Bellevue, WA, USA)
- E. Proyecto Aldea Global (Tegucigalpa, Honduras)
- F. Proyecto Aldea Global Jinotega (Jinotega, Nicaragua)
- G. MerçiPhil Development Foundation (Manila, Philippines)

## Material Aid

Mercy Corps provides material aid to its programs worldwide. In addition, Mercy Corps shipped material aid to Cuba and Mexico in 2001. Material aid shipments — food, construction supplies, emergency relief — totaled more than \$23 million in 2001.

# ACKNOWLEDGEMENTS



**T**o our Mercy Corps supporters, compassion knows no borders. From Afghanistan to Indonesia, the Balkans to the United States, your generosity was overwhelming in 2001. Without each one of you, our work would simply not be possible.

As we express our deep gratitude to our many dedicated partners, we would like to renew our commitment to share mercy, justice and compassion around the world. With your help, we will continue to work to overcome hate, violence, poverty, and despair.

Together, we are doing the things that matter most.

Thank you.

## Making a Difference, Changing the World

*Mercy Corps' message of hope inspired thousands of supporters around the world in 2001, resulting in near record contributions from individuals, corporations, foundations, religious groups, and organizations. In all, private contributions and grants totaled more than \$8.5 million in cash and an additional \$8.5 million in commodities and services. In addition, more than 155 volunteers donated nearly 7,000 hours of work.*

### **Mercy Corps' Stewardship is Honored**



*Worth* magazine named Mercy Corps one of America's 100 Best Charities in its December 2001 issue, selecting us from a poll of 800,000 US charities. Mercy Corps also received the Charity of the Year Award at the National Charity Awards Dinner in Washington, DC, in December 2001, for outstanding work in both New York City and Afghanistan in the wake of September 11. And the American Institute of Philanthropy has consistently given Mercy Corps an "A" rating for financial efficiency in the last eight of its rating guides.

### **The MSN Network of Internet Services**

After the tragedies of September 11, the MSN Network of Internet Services contributed 100 million impressions of advertising space on its various properties (including MSN Hotmail) to Mercy Corps to help raise support for our Comfort for Kids program. As the crisis in Afghanistan continued, MSN extended its generous gift to include an additional 40 million impressions of advertising space.

### **Microsoft**

Microsoft awarded Mercy Corps a Disaster Assistance Technology grant totaling \$150,000 in cash and \$329,000 in consulting time, hardware and software. Working with Microsoft consultants, staff from Mercy Corps and five partner agencies developed FACTS, the web-based Food and Commodity Tracking System to move goods faster and more efficiently to people in need.

### **Anna M. Pont**

*Blind Chickens and Social Animals* is a timely study, authored by Anna M. Pont, Mercy Corps' Community Development Specialist for Afghanistan/Pakistan. While much has been heard from urban Afghan women about the impact of the Taliban, this book gives more than 200 rural women a voice, and reveals the complexity of women's positions in Afghanistan. To order a copy, please call 1-800-292-3355, ext. 250, or email us at [donorservices@mercy Corps.org](mailto:donorservices@mercy Corps.org).

### **The Hunger Site**



In 2001, The Hunger Site selected Mercy Corps as one of two partners to receive funding from its popular "click-to-give" website. The Hunger Site is one of the most visited sites on the Internet. Every time you visit, advertisers on the site donate enough money to provide a cup of food to a hungry person. Visit [hunger-site.com](http://hunger-site.com) to find out more.

### **Dr. Landrum Bolling — The Bolling Fund for Peace Building**

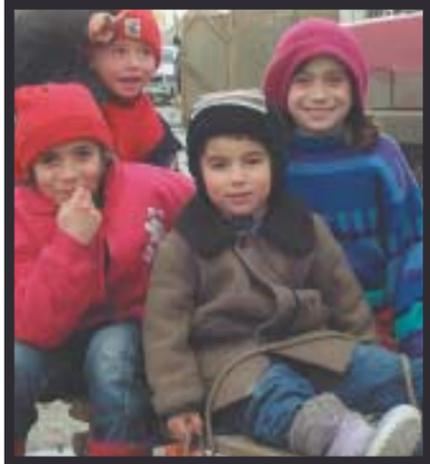
Dr. Landrum Bolling, Mercy Corps' Director-at-Large and Pax World Service President, is an international expert at bridging gaps across religions, cultures and ethnicities. Dr. Bolling's approach emphasizes global and grassroots initiatives that foster reconciliation as a foundation for building lasting peace.

To honor and continue Dr. Bolling's work, Mercy Corps is establishing the Landrum Bolling Fund for Peace Building to support our civil society initiatives worldwide.

## The Mercy Corps Family

*With headquarters in the US and Scotland, and vital partnerships around the globe, Mercy Corps reaches far more people in need than would otherwise be possible.*

*We are proud to honor the organizations that make up the Mercy Corps family. These special relationships are essential as we pursue our commitment to alleviating global suffering and poverty.*



### **Peace Winds Japan**

In December 2001, Mercy Corps concluded a worldwide strategic alliance with Peace Winds, an international humanitarian organization based in Tokyo, Japan. This alliance strengthens both organizations, as each brings new ideas and resources to combat poverty and oppression.

The Mercy Corps and Peace Winds Japan alliance is committed to achieving social justice, equity and respect for human rights. By incorporating civil society initiatives into all joint projects, we will promote citizen participation, accountability, conflict management, and the rule of law. And by incorporating each others' diverse working styles, we will create an environment where each organizations' strengths can be maximized for the good of those we seek to serve.

### **Goviin Ekhlel and XacBank**

In 1999, Mercy Corps formed a for-profit lending institution to meet the credit needs of the Gobi region in Mongolia — Goviin Ekhlel, or "Gobi Start." Clients consisted of small and medium sized business enterprises, as well as pastoral herders who merited a unique loan structure tailored specifically to their seasonal needs.

As it became clear that there was a greater need for micro and small business credit, Mercy Corps initiated a merger between Goviin Ekhlel and XAC, the largest and most successful micro-finance institution in Mongolia. In late summer 2001, the merger was finalized and XacBank was formed.

As a shareholder of XacBank, Mercy Corps establishes and builds relationships with businesses, cooperatives, and herders through a mix of training and technical assistance. In addition, Mercy Corps designs and delivers training programs that meet the evolving needs of XacBank clients.

### **Mercy Corps Scotland**

Based in the United Kingdom, Mercy Corps Scotland is one of the leading international humanitarian agencies in Scotland, and our European headquarters. In 2001, Mercy Corps Scotland managed a wide spectrum of relief and development programs in the Balkans, Central Asia, Turkey, Afghanistan, Pakistan, and Eritrea. Current activities include emergency support for refugees and war affected populations, health and educational programming, economic development for rural communities, and microcredit loans.

### **Proyecto Aldea Global**

Mercy Corps/Proyecto Aldea Global (PAG) has been working in Honduras since 1982. We are recognized for our high impact programs in underserved communities, particularly in the areas of health care and civil society initiatives. Mercy Corps/PAG builds capacity in local communities and empowers people to become agents of their own change. Mercy Corps/PAG's programs currently serve over 200 villages in 17 municipalities and we are one of the few non-governmental organizations working in rural north and central Honduras.

### **Proyecto Aldea Global Jinotega**

Mercy Corps played a critical role in the founding of Proyecto Aldea Global Jinotega (PAGJINO) in Nicaragua in 1996. PAGJINO currently works in 32 communities, offering assistance to more than 1,000 farm families. In 1999, Mercy Corps and PAGJINO implemented a civil society strengthening program in Jinotega. One critical element of this program involves technical assistance to strengthen PAGJINO's Board of Directors and local management team, which has helped PAGJINO establish itself as a self-sustaining local organization.

### **Pax World Service**

After frequent work together overseas, Pax World Service formally affiliated with Mercy Corps in January 1998. With Mercy Corps' emphasis on civil society initiatives and Pax's interest in peace and reconciliation, the merger has enhanced both agencies' commitment to advancing equality and social justice around the world. The Mercy Corps/Pax merger also augments a unique relationship with the Pax World Balanced Fund, the first socially responsible mutual fund. Pax World Balanced Fund shareholders are able to designate a portion of their investments to Pax World Service, helping to increase Mercy Corps/Pax World Service's support for those most in need worldwide.

### **MerciPhil Development Foundation**

MerciPhil Development Foundation, Inc., was established in the Philippines with Mercy Corps' assistance in 1991, and currently consists of three regional field offices and a national headquarters in Manila. MerciPhil provides training, short-term loans and income-generation opportunities for more than 6,000 low-income farmers, women and the urban poor. MerciPhil also works with the Aeta Indians and other marginalized groups to improve health, agriculture, literacy, and economic opportunity.

## PARTNERS IN MERCY — John Michael Talbot, Honorary Chair

Mercy Corps is pleased to once again honor our Partners in Mercy, who put their faith into action with generous gifts each month to help children and families in need.

More than 2,700 Partners in Mercy provide Mercy Corps with a steady, vital flow of private income to help us respond aggressively to disasters around the world, as well as implement long-term projects that help people to help themselves.

The number of Partners has more than tripled in the last six years as more and more donors find monthly giving the most convenient way to help build the kind of world they want to live in. Our Partners in Mercy provide food for the hungry, shelter for the homeless and care for the sick. This committed group of donors enables Mercy Corps to do more to alleviate the suffering and poverty we encounter as we strengthen communities worldwide.

For information on becoming a Partner in Mercy, please call (800) 292-3355, ext. 250, or email [donorservices@mercy Corps.org](mailto:donorservices@mercy Corps.org).



**John Michael Talbot**  
Honorary Chair  
Partners in Mercy

**John Michael Talbot** is the world's leading Catholic recording artist and Founder and Minister General of the Brothers and Sisters of Charity monastic community in Eureka Springs, Arkansas. No other single individual has done so much for so many around the world, in partnership with Mercy Corps.

### Partners in Mercy

Those giving \$1,000+ during 2001

Jane Aldrich  
Mark Amann  
Mubin Amin  
Henry Apostol  
Scott and Jill Atkinson  
Joe Baber  
Earl and Jean Bailey  
Robert Bard  
Mark and Linda Bassett  
James A. Beaugh  
Perry and Cathryn Belmont  
Ken and Maxine Benshoof  
Carole Anne Best  
Adam and Sharon Bigos  
Paula and Gerald Bramlett  
Richard Bright  
Trale and Marjorie Broudy  
Mr. and Mrs. William Brunnett  
Colleen and Joseph Carreiro  
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Steve and Naomi Johnson  
Martin and Carla Jones  
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Martha Miller  
Mr. and Mrs. William Montemer  
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Mr. and Mrs. Michael Nelson  
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Andrew W. Mellon Foundation  
Mentor Graphics Foundation  
Meyer Memorial Trust  
Microsoft  
Miller Equipment  
MJ Murdock Charitable Trust  
The MSN Network of Internet Services

MTV Interactive  
Neil Kelly Construction  
Newman's Own  
Nick Balaban Music, Inc.  
Nike, Inc.  
Odwalla, Inc.  
Open Door Incentives  
The Oregon Community Foundation  
Oregon Jewish Community Foundation  
Palm Computing  
Pax World Management Corp.  
Pax World Funds  
Pennzoil Caspian Corporation (a Subsidiary of Devon Energy Corporation)  
Pittsburgh Valve and Fitting Company  
PN Best & Company, Inc.  
Portland General Electric  
Precision Strip, Inc.  
Purdy Corporation  
Quest International  
Red Wing Shoe Company  
Red's Electric Company, Inc.  
Redi-Fab, Inc.  
Rejuvenation Incorporated  
Richardson Metal Works Inc.  
The Seattle Foundation  
Seed Programs, Inc.  
The Servants Charitable Trust  
SG Foundation  
Shamiana  
Vera L. Smith Charitable Foundation  
So-Hum Foundation  
Somekh Family Foundation  
Split Diamond Media  
Standard TV and Appliance  
Steeler Supply Inc.  
Stewardship Foundation  
Stoll, Stoll, Berne, Lokting and Shlachter, PC  
Tarala Floors, Inc.  
Thornwood Furniture Manufacturing, Inc.  
The Times Mirror Foundation  
The Tree Farm  
Tufenkian & Sons  
Turkon Line  
Turtle & Hughes  
Tzu Chi Foundation (Taiwan)  
Unigard Insurance Group  
Urban Millwork and Supply  
US Bank Foundation  
US Institute of Peace  
William R. and Marjory G. Varitz Foundation  
Verado Data Center  
Waitt Family Foundation  
Walsh Construction  
Wanke Cascade  
Wells Fargo and Company  
West Coast Wire Rope and Rigging, Inc.  
Wheelchair Foundation  
The Elie Wiesel Foundation for Humanity  
Working Assets  
WPH Architecture, PC  
The William Wrigley Company Foundation  
Wy'east Color  
xpedx  
Yahoo!  
Zhongfu

**HOW WE STRETCH YOUR DOLLAR**

\$1 vs \$12.72

Every dollar donated to Mercy Corps enables us to obtain grants, contracts and donated goods from governments, international organizations, churches, and other partners worth \$12.72.

### Faith Communities

Beautiful Savior Lutheran Church (Portland, OR)  
Beaverton Mission Church-Korean (Beaverton, OR)  
Calvary Presbyterian Church (Timonium, MD)  
Catholic Charismatic Renewal Service of Little Rock (Little Rock, AR)  
Catholic Community (Silverdale, WA)  
Chinese Bible Church of Maryland (Rockville, MD)  
Christ Centered Ministries (Spring Valley, NY)  
Church of the Brethren (Elgin, IL)  
Church of the Brethren (New Windsor, MD)  
Convent of the Sacred Heart (New York, NY)  
Crimean Church of Istanbul (Turkey)  
Downtown Chapel (Portland, OR)  
Dungeness Community Church (Sequim, WA)  
Episcopal Parish of St John The Baptist (Portland, OR)  
Eternal Perspective Ministries (Gresham, OR)  
Evangelical Congregational Church (Grafton, MA)  
First Baptist Church of Gravel Ridge (Jacksonville, AR)  
First Unitarian Church (Portland, OR)  
Global Mission Church (Silver Spring, MD)  
Korean American Church (Columbia, MD)  
Korean Central Presbyterian Church (Vienna, VA)  
Korean Church Council of Triad (Greensboro, NC)  
Korean First Presbyterian Church (Greensboro, NC)  
Korean Immanuel Presbyterian Church (Hoboken, NJ)  
Korean Methodist Church of Queens (East Elmhurst, NJ)  
Korean Orthodox Presbyterian Church (McLean, VA)  
Los Angeles Hanmi Church Presbyterian (El Monte, CA)  
Mary, Queen of Peace Parish (Issaquah, WA)  
Peace Lutheran Church (Salem, OR)  
Portland Korean Methodist Church (Beaverton, OR)  
Red Mountain Christian Center, A/G (Mesa, AZ)  
Redmond Assembly of God (Redmond, WA)  
Salem Presbytery (Clemmons, NC)  
Sisters of Providence (Portland, OR)  
Sisters of St Joseph of Medaille (Cincinnati, OH)  
Son Rise Fellowship (Eastlake, CO)  
St Andrew Catholic Church (Rochester, MI)  
St Anne Outreach (Ferndale, WA)  
St Joseph Church (Ferndale, WA)  
St Mary's Church (Lake City, MN)  
St Therese Catholic Church ( Mooresville, NC)  
Supreme Master Ching Hai International Association (Portland, OR)  
The Reorganized Church of Jesus Christ of Latter Day Saints (Independence, MO)  
Trinity Episcopal Cathedral (Portland, OR)  
Trinity Lutheran Church and School (Franktown, CO)  
Vineyard Christian Fellowship (Salem, OR)  
Washington Cathedral (Redmond, WA)

## Mercy Corps — An Exemplary Stewardship Record

The resources of Mercy Corps' global operations totaled more than \$87 million in fiscal year 2001. Material aid, government grants and private fundraising enabled us to provide significant relief and development assistance. Our efficiency reached 91.6 percent and our leveraging factor reached 12.72. Ensuring that resources are wisely spent is the cornerstone of our values, vision and strategy for future growth.

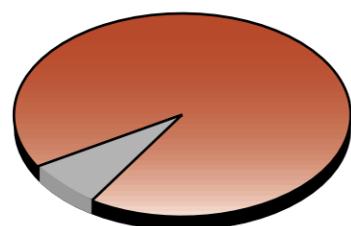
### Global Financial Summary

Support, Revenue and Expenditures of Mercy Corps International and Worldwide Affiliates

	FY 2001	FY 2000
<b>Support &amp; Revenue</b>		
Affiliate Revenue		
<i>Proyecto Aldea Global</i> <sup>1</sup>	\$ 3,920,000	\$ 1,796,188
Mercy Corps Scotland	7,640,173	13,067,706
Mercy Corps International	52,917,831	60,785,864
<b>Subtotal: Cash Revenue</b>	<b>64,478,004</b>	<b>75,649,758</b>
<b>Material Aid (In Kind)</b>	<b>23,361,848</b>	<b>52,953,891</b>
<b>TOTAL SUPPORT AND REVENUE</b>	<b>\$ 87,839,852</b>	<b>\$ 128,603,649</b>
<b>Expenditures</b>		
<b>Program:</b>		
Affiliate Expenditures		
<i>Proyecto Aldea Global</i> <sup>1</sup>	\$ 3,920,000	\$ 1,887,402
Mercy Corps Scotland	7,008,533	12,767,385
Mercy Corps International		
<i>Project Expenditures</i>	45,350,883	54,408,437
<b>Subtotal: Cash Expenditures</b>	<b>56,279,416</b>	<b>69,063,224</b>
<b>Material Aid (In Kind)</b>	<b>23,361,848</b>	<b>52,953,891</b>
<b>Total Program</b>	<b>\$ 79,641,264</b>	<b>\$ 122,017,115</b>
<b>Support Services:</b>		
General & Administration	\$ 4,631,831	\$ 3,993,475
Resource Development	2,714,803	2,161,253
<b>Total Support Services</b>	<b>\$ 7,346,634</b>	<b>\$ 6,154,728</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 86,987,898</b>	<b>\$ 128,171,843</b>
<b>NET</b>	<b>\$ 851,954</b>	<b>\$ 431,806</b>

<sup>1</sup> Affiliate's data is from preliminary audited statements for FY2001.

### How Our Resources Were Spent



■ = Total Global Programs: 91.6%  
 ■ = Total Global Support Services: 8.4%

### Audited Financial Summary

Condensed Summary of Support, Revenue and Expenditures for Mercy Corps Global Operations

	FY 2001	FY 2000
<b>Support &amp; Revenue</b>		
<b>Government and Organizational Support:</b>		
Government Grants	\$ 40,588,411	\$ 41,813,948
International Organization Grants	2,224,727	8,799,185
Material Aid		
<i>(Government Commodities)</i>	14,795,944	36,521,260
<b>Subtotal: Government &amp; Organizational Support</b>	<b>\$ 57,609,082</b>	<b>\$ 87,134,393</b>
<b>Private Support:</b>		
Contributions	6,259,134	6,049,692
Grants	2,298,531	3,740,511
Gifts in Kind	8,565,904	16,432,631
Other Revenue	1,547,028	382,528
<b>Subtotal: Private Support</b>	<b>\$ 18,670,597</b>	<b>\$ 26,605,362</b>
<b>TOTAL SUPPORT AND REVENUE</b>	<b>\$ 76,279,679</b>	<b>\$ 113,739,755</b>
<b>Expenditures</b>		
Project Expenditures	\$ 45,350,883	\$ 54,408,437
Material Aid	23,361,848	52,953,891
<b>Subtotal: Project Expenditures &amp; Material Aid</b>	<b>\$ 68,712,731</b>	<b>\$ 107,362,328</b>
Support Services		
<i>General &amp; Administration</i>	\$ 4,283,812	\$ 3,993,475
<i>Resource Development</i>	2,557,043	2,161,253
<b>Subtotal: Support Services</b>	<b>\$ 6,840,855</b>	<b>\$ 6,154,728</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 75,553,586</b>	<b>\$ 113,517,056</b>
<b>Net</b>	<b>\$ 726,093</b>	<b>\$ 222,699</b>

### Balance Sheet

	FY 2001	FY 2000
<b>Assets</b>		
Cash	\$ 20,426,370	\$ 11,525,144
Receivables	11,513,407	7,924,923
Inventories	2,859,245	5,074,972
Property and Equipment ( <i>net</i> )	399,209	643,316
Other	342,050	335,425
<b>Total Assets</b>	<b>\$ 35,540,281</b>	<b>\$ 25,503,780</b>
<b>Liabilities</b>		
Payables & Accrued Liabilities	\$ 9,620,375	\$ 5,506,232
Deferred Revenue	21,038,382	15,363,251
<b>Total Liabilities</b>	<b>\$ 30,658,757</b>	<b>\$ 20,869,483</b>
<b>Net Assets</b>		
Unrestricted	\$ 3,199,326	\$ 2,473,233
Temporarily Restricted	1,682,198	2,161,064
<b>Total Net Assets</b>	<b>\$ 4,881,524</b>	<b>\$ 4,634,297</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 35,540,281</b>	<b>\$ 25,503,780</b>

## Who We Are

Mercy Corps exists to alleviate suffering, poverty and oppression by helping people build secure, productive and just communities. Our more than 1,400 staff, volunteers and partners worldwide provide food, shelter, health care, and economic opportunity to more than 5 million people in 37 republics and countries. In 2001, our global resources totaled more than \$87 million. Since 1979, we have provided more than \$640 million in assistance to people in 74 nations.

## Our Vision

Mercy Corps envisions a world in which acts of mercy, justice and compassion overcome hate, violence, poverty, and despair — a world where children experience a caring family, a nurturing community, a sacred environment, love and the opportunity to fulfill their God given potential.

## How You Can Help

Your support can make a crucial and enduring difference in the life of a family in need. To find out more about how you can help, please call us at 1-800-292-3355, ext. 250, or visit our website at [mercy Corps.org](http://mercy Corps.org).

## Please Consider Making a Bequest

Carefully planned, lifesaving bequests can deliver disaster relief and long-term recovery to those most in need. We invite you to include Mercy Corps in your will and explore other estate planning options. For more information, please contact Vic Gilliam, Mercy Corps' Director of Private Resources, at 1-800-292-3355, ext. 312.

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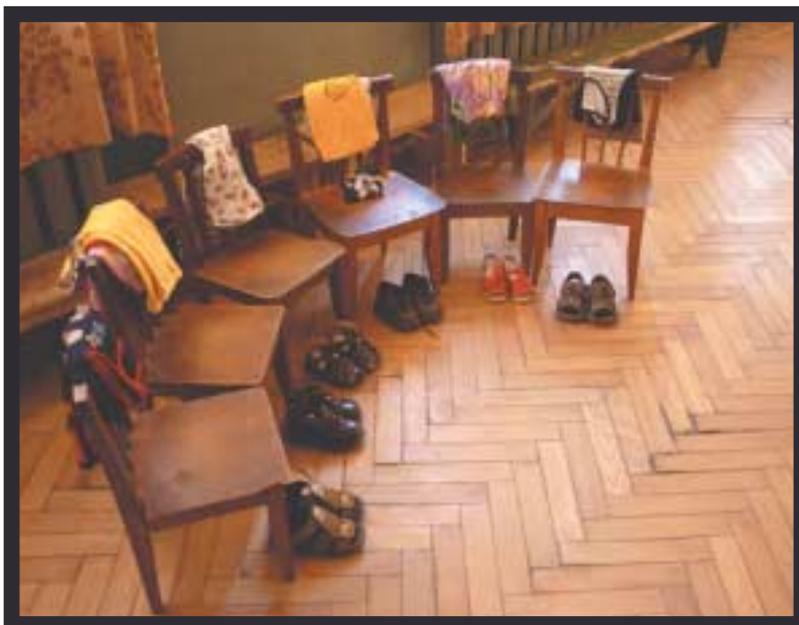
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