



MERCY CORPS

2003
annual
report

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Mercy Corps 2003 Annual Report

Mercy Corps exists to alleviate suffering, poverty and oppression, by helping people build secure, productive and just communities. In 2003, our global resources totaled a record \$132.5 million and we reached six million people in 39 republics and countries.

Since 1979, Mercy Corps has provided more than \$830 million in assistance to people in 80 nations. With support from donors worldwide, our nearly 2,000 staff, volunteers and partners change lives each day, working hand in hand with those who seek to build a better future.

We renew **hope**.

We find **solutions**.

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



In the spring of 1980, the work of Mercy Corps began with the provision of humanitarian aid to Cambodian refugees in Thailand. Since then our work has reached millions of people in 80 countries, evolving over the years to meet the challenges of a changing world.

In this year's report, as we approach our 25th anniversary, we seek to connect the present with the past by tracing the origins of our work. Like an individual approaching a milestone birthday, we are engaging in a period of self-reflection, asking ourselves: **How did we get here? What path did we take? And how did the steps we took decades ago shape who we are today?**

In this report, we look at three critical areas of our work: **fostering economic development; responding to complex emergencies; and building stronger, more self-reliant communities.**

In each case, the ideas at the heart of our work today originated many years earlier — often half a world away, in very different settings. In each section, we present the first seed of an idea, and then the full flower that has bloomed today.



Dear Friends,

The war in Iraq wound sorrowfully through 2003 from start to finish, first with the buildup, then the invasion, and finally the guerilla war that continues today. The war has touched millions of lives in the United States, Britain, and Iraq, and we grieve for the families who have lost loved ones.

For Mercy Corps, the conflict and the humanitarian needs it created quickly became a consuming focus of our global operations. To be sure, our work continued in 39 countries and republics worldwide. New programs opened in Iran, India, and Jordan, while existing programs found innovative new ways to transform lives and build more peaceful and productive communities. With generous support from donors and partners worldwide, our global resources totaled a record \$132.5 million, enabling us to provide relief and development assistance to six million people.

Even so, a review of Mercy Corps in 2003 must begin with Iraq and the unprecedented challenges it presented, from keeping staff safe in a war zone, to maintaining our independence in

a complex political context. Like the young Iraqi girl on the cover of this report, we are all peering in, wondering what happened — and what might happen next.

Our work in Iraq began with the distribution of water, health supplies and other relief goods in the weeks following the conflict. By the end of 2003, we had 180 staff mobilizing communities to repair schools, libraries, water systems and other basic services and — most importantly — to leave behind a network of empowered citizens in a country emerging from decades of dictatorship. Our water and sanitation programs alone are improving health for two million Iraqis — one of every 12 citizens.

The work has been difficult, and dangerous, and our staff has responded with heroic efforts. Consider the case of Attilio Lenzi, our chief water and sanitation engineer in southern Iraq. For six months, Lenzi worked 14-hour days without a day off, working side by side with community members in Abdullah, a



Daniel W. O'Neill

village near Kut, in central Iraq. The result: a new irrigation and water system built and managed by the people of Abdullah that is providing clean, plentiful water for farming and drinking to 40,000 people at a cost of \$80,000. For just \$2 per person, it is the most significant improvement in daily life for generations in a community long neglected by the central government in Baghdad. On Lenzi's last day as project manager, the people of Abdullah made him an honorary sheik of the community.

Through it all, we have vigorously discussed within Mercy Corps the complex humanitarian, political, and security issues related to Iraq. We have pondered the vast resources devoted to Iraq, knowing full well how much good they could accomplish both at home and in alleviating poverty around the world. And we have worked hard to ensure that other crises, such as Liberia and Afghanistan, are not forgotten.

While we may question or share mixed feelings about the rationale for the war, we know full well that ordinary Iraqi citizens need hope now for a better, safer future. In the end, it comes back to the mission of helping those in need and leaving behind stronger communities — back to the girl on the cover. What will her life be like in five years? Ten years? Twenty years? Rebuilding and sustaining hope is the ultimate measure of success in Iraq — and everywhere where people suffer from poverty and oppression.

In 2005, we commemorate Mercy Corps' 25th anniversary. It will be a time for reflection and giving thanks to the people who make our work possible. But most of all it will be a time to look ahead and ask ourselves what we must do today to build a world where every child has the gift of peace and the chance to fulfill their dreams.

A handwritten signature in black ink that reads "Dan O'Neill".

Daniel W. O'Neill
President and Co-Founder

A handwritten signature in black ink that reads "Neal Keny-Guyer".


Neal L. Keny-Guyer
Chief Executive Officer



Neal L. Keny-Guyer

In nearly 25 years of work, Mercy Corps has reached millions of children with food, health care, shelter, education, and new opportunities. In this report, we're pleased to introduce you to 25 children who have a more hopeful future because you cared enough to make a difference.

Name: Zainab
Age: 7




What she wants to be when she grows up: An engineer, like her father.
Country: Iraq
How Mercy Corps has helped: Mercy Corps is building a new school in the village of Numaniyah, as well as repairing roads, providing essential medicines and medical equipment to the local hospital, and rebuilding the local water system.

Name: Prema Lama
Age: 7




What he wants to be when he grows up: A construction worker or a farmer.
Country: India
How Mercy Corps has helped: Mercy Corps and Tazo's joint project, CHAI, focuses on improving the lives of tea growers and their families in Darjeeling, India. Prema is a child of a tea grower.

Name: Snezana Mraovic
Age: 11




What she wants to be when she grows up: Perhaps a painter? She likes math, art and riding her bike.
Country: Croatia
How Mercy Corps has helped: With a local partner, we fund a Community Center in the war-devastated Croatian town of Gvozd, which provides a large range of educational, artistic and sports activities for children. Snezana is a regular visitor to the Center.

Name: Amanullah
Age: 9




What he wants to be when he grows up: Perhaps a doctor — he is certainly well qualified!
Country: Afghanistan/Pakistan
How Mercy Corps has helped: In 2002, Mercy Corps launched a program to combat tuberculosis in Quetta City, Pakistan. But Mercy Corps did not treat Amanullah for TB. *He is helping us* — by bringing his neighbors to Mercy Corps' health clinic to be tested and treated for TB.

Name: Zahra
Age: 9




What she wants to be when she grows up: A doctor.
Country: Iran
How Mercy Corps has helped: After the horrific earthquake in Bam in late 2003, Mercy Corps set up a camp for newly homeless survivors with winterized tents. Zahra and her family now have access to food, potable water, and other household goods, as their town is rebuilt with Mercy Corps' help.

Name: Sahbaz Sinanovic
Age: 10




What he wants to be when he grows up: A football (soccer) player.
Country: Bosnia-Herzegovina
How Mercy Corps has helped: Mercy Corps assists Bosnian refugees to return to their pre-war homes if they wish. We help rebuild war-torn communities by encouraging economic activity, job creation and a vibrant civil society.

Name: Hasime Sadiku
Age: 7



What she wants to be when she grows up: An actress.
Country: Kosovo
How Mercy Corps has helped: Hasime is from a very large, poor Kosovar family, with no steady source of income. Mercy Corps has helped her entire community by providing assistance for families who have returned to Kosovo since the end of the war in 1999.

Name: Irsan Ramadhani
Age: 5



What he wants to be when he grows up: A policeman.
Country: Indonesia
How Mercy Corps has helped: With a local partner, Mercy Corps has developed the Friendly Community Health Center. The Center monitors the overall health of children between the ages of three and five, and provides them with play equipment that helps develop their motor skills.



Beirut, Lebanon
June 4, Friday, 1982 — The day Ellis and I were supposed to meet with Yassar Arafat, we heard the loud roar of fighter jets in the distance. It was 3:20 pm. We were taken to Gaza Hospital's

June 5, Saturday
the day we were in the basement while we were unloading (Palestinian) helplessly a scene for

June 7, Monday
on take off from Beirut, we watched the airport go up in smoke behind us. At that moment, Ellis and I agreed that we just could not stand by and ignore this situation without trying to bring the American public into it— somehow...

THE ELUSIVE QUEST : CHANGE THAT ENDURES

Building vibrant, independent communities has been at the heart of Mercy Corps' vision since our earliest days. But years of work with communities taught us a profound lesson: teaching skills and transferring resources are not enough. Enduring change comes only when communities themselves take charge of their futures.

Beginning in Central America in the 1980s, how did Mercy Corps learn to mobilize communities to help ensure lasting change?

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IN 1982, Mercy Corps helped establish one of the first indigenous non-governmental organizations in **Honduras**, Proyecto Aldea Global (PAG). The early 1980s were an era of economic stagnation and political violence across Central America. While

Honduras was spared the civil wars that raged in neighboring Guatemala, El Salvador and Nicaragua, its economy foundered and human rights violations grew. Mercy Corps and PAG, inspired by the human rights movement, sought to build stronger communities as a means to advance social justice for poor people.

Mercy Corps' work was small in scale compared to most humanitarian standards — one staff person traveled back and forth between 12 remote, rural villages. Yet, despite an initial lack of resources, Mercy Corps and PAG supported programming in a region of Honduras where few — if any — other humanitarian organizations worked.

The lessons that emerged from Honduras helped shape Mercy Corps' commitment to grassroots, community mobilization. Out of our work there, we forged a model that integrated programs in health, literacy, environmental preservation, and agricultural development.

We also worked to strengthen local organizations, helping communities and individuals become agents of their own change. This too is a bedrock platform of Mercy Corps' work — the notion that humanitarian assistance must enable its recipients to move away from dependence on outside aid, and

re-establish reliance on their own efforts to create stability in their communities.

When Mercy Corps received its first Child Survival grant for Honduras in 1997, this was foremost in our minds. Rather than just building clinics — and staffing them with outside professional health care providers — we educated local community members about proper nutrition and preventive health care. These volunteers then returned to their villages and in turn taught their neighbors how to monitor and advocate for their own health needs.

This is community mobilization in a nutshell — educating and supporting people to identify and advocate for their own needs. It is at the center of Mercy Corps' civil society initiatives, and as such is at the heart of all our efforts. Our work in Honduras has proven to be a well that we return to again and again, taking the lessons we learn in this part of the Mercy Corps world and applying them elsewhere.



A HEALTHY AND SELF-RELIANT SOCIETY is built on a foundation of attitudes and behaviors — people believing change can happen, acting to improve their lives, communicating effectively with those in positions of authority. When people believe in their ability to change and improve their lives, the actions they take to do so are often powerful, effective and long lasting.

Enabling communities to solve their own problems — and thus act as agents of social change — is one of the main aims of Mercy Corps' work in **Georgia**. Seven decades under Soviet rule left the country ill-prepared for political and economic independence, and many communities faced a dramatic deterioration in basic services such as education, water and sanitation.

To counter the sense of powerlessness caused by the changes, Mercy Corps employs a community mobilization process that gives people a voice in solving local problems. This type of approach recognizes that everyone — men and women, youth and elders, religious and secular — contributes to progress, even though perspectives may differ radically. The process itself helps heal tensions within a community and increases social cohesion.

Shared community projects inspire hope, confidence, and the belief that things can change. To ensure that this process becomes common practice, Mercy Corps works with villages as they complete a total of three separate projects. With

each undertaking, the community's responsibility for securing necessary resources increases. As local contributions reach an unprecedented 75 percent by the third project, community ownership — one that emphasizes accountability over dependence — is assured.

Such strong relationships fostered at the local level create the preconditions for civic and political action at the national level. As part of our overall approach, Mercy Corps helps local organizations advocate for social and political changes that improve community life.

Over time, Georgians have realized that they themselves can initiate change, rather than waiting for assistance from governments or international aid groups. In the process, a new sense of independence has emerged, paving the way for more changes in the years ahead.



When the Soviet Union collapsed, the money to maintain its water system dried up. In the village of **Tskordza**, Georgia, the community had always taken access to clean, safe water for granted. But not anymore.

In addition to the health risks now posed, the loss had a psychologically depressing effect on the village as well. The lack of water caused tension. Residents felt a loss of hope, and many younger villagers who might have stayed felt compelled to leave. The demise of this community seemed inevitable.

When the villagers learned they could receive assistance from Mercy Corps, many were skeptical.

Other groups had

offered help before, but nothing had ever come of it. And even if something came of it this time, perhaps the money and power would end up with specific individuals — not the village.

Nonetheless, they decided to risk participation one more time. Working together in groups initially coordinated by Mercy Corps, the residents planned and carried out a project to bring clean water to their village. Based on Mercy Corps' model, the villagers brought their own resources — in the form of labor, materials and cash — to complete the project.

It wasn't easy. There was often a dearth of hands to do the work. But by allocating specific tasks to each family and getting together into large groups for heavy jobs, the villagers completed the project.

The impact has been dramatic. "Before, we thought we couldn't manage something like this," said one of the villagers. "But now, we can all see that we have achieved something worthwhile. We've changed our minds about what we can do." A new confidence was born, enabling the residents of Tskordza to take on a second project, fixing the village water distribution system.

Bringing water to the village has had another and no less important impact. "Before, people were aggressive and depressed," said one young man. "Now that we have water everyone is much happier — our attitudes have changed. Improving our water situation has also improved our relationships with each other.



Name: Shadi
Age: 5



What she wants to be when she grows up:

A mother.

Country: Iran

How Mercy Corps has helped: Shadi's family lost everything in the earthquake that leveled Bam in 2003. With help from Mercy Corps, her family received food, shelter, water and basic supplies. Today Mercy Corps is helping restore jobs and health services in Bam as part of a longer-term recovery effort.

Name: Edin Okanovic
Age: 8



What he wants to be when he grows up:

A policeman.

Country: Bosnia-Herzegovina

How Mercy Corps has helped: The war in Bosnia left hundreds of communities shattered — and children like Edin hoping for a better future. Mercy Corps provides jobs so families can earn an income and provide better nutrition and education for their children.

Name: Pema Sherpa
Age: 9



What she wants to be when she grows up:

A teacher.

Country: India

How Mercy Corps has helped: For young people in the tea-producing region of Darjeeling, India, there are few economic opportunities to look forward to. Mercy Corps is working to provide vocational education to give children like Pema the chance to learn skills, find jobs and live fuller lives.

Name: Ali
Age: 12



What he wants to be when he grows up:

A shopkeeper.

Country: Iraq

How Mercy Corps has helped: For children like Ali, the chance to go to school is a precious gift. Mercy Corps built a school in his village and helped provide school supplies so he and his classmates will have better educational opportunities and a brighter future.

Name: Sofa
Age: 13



What she wants to be when she grows up: An artist.

Country: Georgia

How Mercy Corps has helped: Sofa was homeless on the streets of Tbilisi when a friend told her about the Mercy Corps-funded Child and Environment Center. There, she found food, clothing and a place to live. Today she's back in school and working toward a brighter future.



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THE FRAGILE PATH : KNITTING TOGETHER FRACTURED COMMUNITIES

Delivering emergency relief has been part of Mercy Corps' mission since our founding in 1979. But in the past decade, more complex humanitarian crises have emerged, involving ethnic conflicts and economic collapse.

Beginning with the Balkans in the early 1990s, how did Mercy Corps learn to rebuild shattered communities in ways that brought ethnic groups together?

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THE WAR that swept through **Bosnia** in the early 1990s left a land in ruins. More than 200,000 people were killed and two million more were displaced from their homes. Roads, schools, housing, and the economy were all severely damaged.

Mercy Corps arrived in Bosnia to begin rebuilding homes in Brcko, a region that had seen heavy ethnic fighting. Mistrust, grief and anger were still prevalent among the residents who remained, as well as among the refugees beginning to return home. Tensions were so high in the area that in the first few weeks, several of the homes Mercy Corps rebuilt went up in flames — a warning from local residents that they would not take kindly to returning neighbors of “different” ethnicities.

It was clear that simply getting roofs over people’s heads would not lead to any kind of lasting stability if simmering hatred and mistrust still ruled the day. A way needed to be found to get past the trauma that had been caused by the war.

A primary concern of people who have lived through conflict is how to again provide for their families when peace is restored. If it will help improve their own situations, formerly warring neighbors are often willing to consider working together. And for countries undergoing any kind of transition — whether because of war and conflict or because of changes in economic or political systems — improving collec-

tive and individual livelihoods is a notion around which just about everyone can agree.

And so it proved in Brcko. Mercy Corps introduced and promoted local economic development projects. Encouraging these kinds of joint activities, as well as rebuilding schools and repairing water and road systems, allowed formerly warring neighbors an opportunity to return to a peaceful co-existence.

Shared economic interests provide an entry point

through which shattered communities can begin to rebuild their cohesiveness — and through which Mercy Corps can introduce peace building and participatory activities designed to foster stability.



FOCUSING EMERGENCY and humanitarian assistance around shared needs and interests can be an effective tool to bring together those who have been driven apart by conflict and violence. But what happens after the conflict ends? And how can violence be prevented from recurring?

In the Maluku province of **Indonesia**, four years of conflict divided the population, leaving nearly 6,000 dead and close to 700,000 displaced. Once peacefully coexisting towns and villages were divided and segregated along Muslim and Christian religious lines. At the same time, extremists pressured individuals to “take sides,” further heightening the tensions.

Since beginning work in Maluku in 2000, Mercy Corps’ approach was to recognize that local Indonesian organizations, when given an opportunity, were in the best position to apply the energy, creativity and skills needed to tackle conflict-created emergency situations. By providing technical and financial assistance, we supported the direct efforts of these organizations to implement their own solutions in conflict-affected communities.

Not only did this strengthen the local organizations’ skills, it helped rebuild relationships between Christians and Muslims that had been torn apart by the violence. Mercy Corps’ integrated Muslim-Christian team encouraged local organizations, government and individuals to cross religious boundaries — physically, mentally and emotionally.

One critical factor was creating neutral meeting space where people from all faiths could converse peacefully, share information and ideas, and build new relationships — without the pressure of having to align themselves with one side or another.

The people of Maluku saw dramatic changes in 2003. The Indonesian government lifted the state of emergency. Checkpoints and borders disappeared. Most displaced people returned to their homes as the intense violence subsided, and reconciliation and peace building became a priority.

Emergency assistance is no longer an imperative for residents of Maluku. People now envision a healthy, peaceful society. Mercy Corps continues to work with local organizations, but with a different focus now — rebuilding education facilities, providing clean water and sanitation, and enabling people to once more go about the business of making a living. Maluku is now a province where people look toward the future with a measure of hope.



HATUMETE was once a prosperous and religiously mixed community on Seram Island, Indonesia. But the village suffered widespread destruction during the conflict in Maluku, and many residents were forced to flee. As security improved in early 2003, however, Hatumete Christians began coming home — a return made possible by the fact that the neighboring Muslim community, Mosso, offered no hostility, and even extended a cautious welcome.

Most of Hatumete's residents had returned by March 2003. But the community's relationship with Mosso, although not overtly antagonistic, was still suspicious and traumatic. It was at this point that Mercy Corps began to meet with local organizational partners to discuss

ways in which both villages could return to peaceful communication.

It is not easy to encourage people who have been trapped in recent conflict to once again meet in friendship. But in July 2003, Mercy Corps found a way. In partnership with the local organization LKAB, Mercy Corps began assisting the people of Hatumete to rebuild their school — a project that needed the help and goodwill of neighboring Mosso. Besides responding to the very real need to rebuild the Hatumete school, the interaction with Mosso would also help reconnect the two villages in a healthy and positive way. Contributing their free labor would also help to cement both communities' sense of ownership and belonging.

All segments of village society — community and religious leaders, youth, their parents, the village elders — contributed opinions on how to make the school rebuilding project successful. The high level of involvement lent remarkable support to the project. Mosso and Hatumete villagers worked shoulder to shoulder to complete the school, and Mosso villagers even hand-carried materials to Hatumete.

"I am truly grateful that our brothers and sisters from Mosso could help us rebuild our school," says C. Lilihata, the Raja of Hatumete. And when Mosso began work on its own water system rebuilding project a few months later, Hatumete villagers were in the trenches along with them.



Name: Ibrahim
Age: 14



What he wants to be when he grows up:
A veterinarian.
Country: Eritrea
How Mercy Corps has helped: Ibrahim was excited about attending school, but after morning chores and a long walk to class he would arrive too hungry to learn. He was so dispirited he dropped out — until he learned that Mercy Corps was providing high-energy biscuits to students. "Finally, I have the energy to pay attention," he says.

Name: Gulumkan
Age: 8



What she wants to be when she grows up:
A doctor.
Country: Kyrgyzstan
How Mercy Corps has helped: Gulumkan's family fled civil war in Tajikistan, arriving in Kyrgyzstan with few possessions. Mercy Corps loans helped them start a flour mill and buy a cow. "Every day, Gulumkan asked me if the cow was ours to keep forever," her mother recalls. Today, the family has a steady income, nutritious food and a brighter future.

Name: Nelson
Age: 3



What he wants to be when he grows up:
Keeping his options open.
Country: El Salvador
How Mercy Corps has helped: When Nelson was just an infant, a devastating earthquake destroyed his home and left his family homeless. Mercy Corps provided food and water, and then helped rebuild homes in poor communities — including the one where Nelson and his family recently celebrated his third birthday.

Name (left): Latifa Eklima
Age: 10

What she wants to be when she grows up:

A doctor.



Name (right): Laila
Age: 10

What she wants to be when she grows up:

A doctor.

Country: Afghanistan
How Mercy Corps has helped: Under the Taliban, girls like Latifa and Laila had few educational opportunities. Mercy Corps provided the orphanage where they live with school supplies and sports equipment, giving them the first chance in years to attend school, play sports and restart their young lives.

Name: Ali
Age: 8



What he wants to be when he grows up:

A doctor.

Country: Iran

How Mercy Corps has helped: Like so many children in Bam, Ali lost his home and many loved ones in the devastating earthquake of 2003. Within hours Mercy Corps staff were on the scene providing food and water. Ali's family found refuge in a tent camp Mercy Corps created.



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Somehow...

THE ROAD TO STABILITY BEGINS WITH A JOB

Microcredit loans proved an essential way for Mercy Corps to re-introduce a measure of stability into Central Asia after the collapse of the Soviet Union. Poor families could improve their lives during vast social and economic upheaval.

But despite this early success, it became clear that loans were not enough. How did Mercy Corps' economic development programs evolve to meet the new demands of a changing, globalizing world?

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IVEN IN COUNTRIES FREE FROM WAR or natural disasters, political and economic transitions can create their own types of upheavals. Economic opportunity plays a significant role in laying the groundwork upon which democratic principles can

thrive — everyone wants to be able to support themselves and their families. Everyone wants a job.

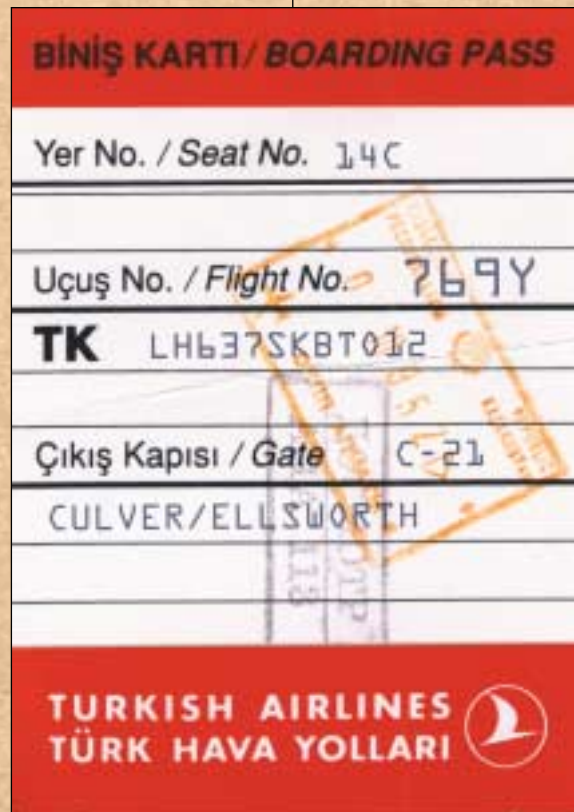
Access to economic opportunity is a cornerstone upon which a stable society rests, and the states of Central Asia are a classic illustration. After the fall of the Soviet Union, Central Asia was left in disarray. With state central planning and decision making gone, and many state institutions abandoned, the ensuing chaos created huge disruptions in people's lives. Fear and confusion were widespread, as was the potential for conflict.

Mercy Corps started working in **Kazakhstan** in 1992, initially to support local organizations attempting to provide the services previously offered by state institutions. It quickly became clear, however, that straightforward aid delivery would be entirely inadequate for a country facing radical political and economic transition.

So Mercy Corps began offering economic assistance, providing access to microcredit loans for Kazakh individuals, small businesses and associations. Our strategy differed significantly from other lending programs. Rather than being purely a vehicle for poverty alleviation, Mercy Corps' loans were

coupled with a business development program that helped increase economic security for entire communities.

As Mercy Corps' microcredit program developed, we encouraged those responsible for its day to day running to incorporate themselves as an independent, local non-governmental organization. The resulting association, the Asian Credit Fund, is now a leader in small scale lending in Kazakhstan. No longer reliant on Mercy Corps' assistance, ACF is constantly revising its knowledge of local markets and trade. ACF regularly introduces new financial loan products for customers, as well as improves existing ones. ACF is a powerful and energetic force working for economic change and autonomy, and represents a significant legacy for Mercy Corps in Kazakhstan.



ECONOMIC HEALTH AND VITALITY is critical to national stability. Viable businesses, thriving trade and access to jobs are all necessary to keep at bay downward spirals of economic depression — which if unchecked, could lead to social and economic chaos and upheaval.

Just as importantly, there needs to be give and take between urban and rural economies within countries. If a society supports laws and policies that favor one type of economic endeavor over another, an imbalance can occur, as one region of a country progresses only at the expense of another.

More than twelve years ago, **Mongolia** shook off its remaining ties with the Soviet Union and embarked on a far-reaching set of political and economic reforms, making significant steps toward establishing a market economy. Yet huge challenges still remain.

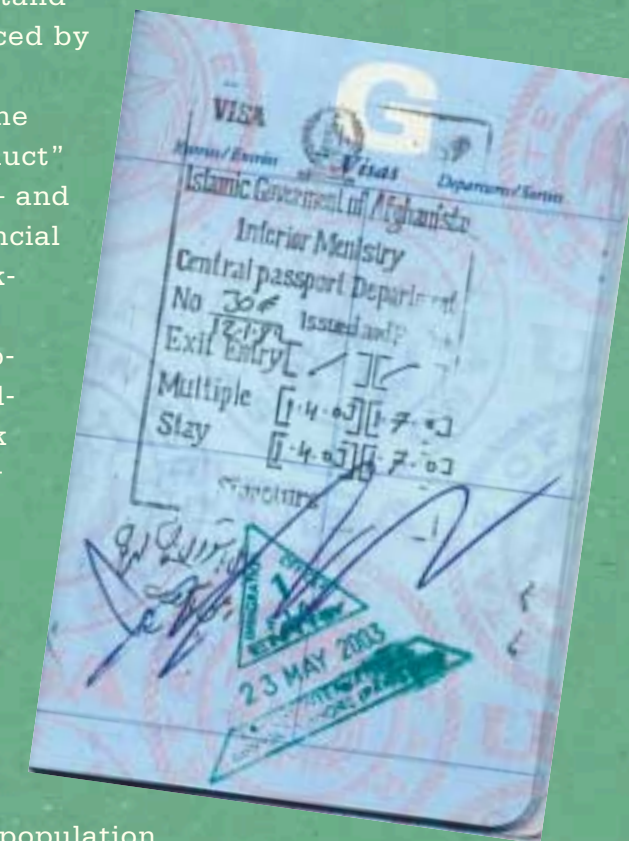
One of Mongolia's central tasks is to ensure that rural Mongolians are not left behind as the economy continues to grow. To that end, Mercy Corps' Gobi Regional Economic Growth Initiative is tailored for Mongolia's rural people. Our goal is to support the growth and development of the rural economy, and by extension, economic independence for rural residents.

The Gobi Initiative identifies the constraints to economic growth, and then works to repair or eliminate them. Activities center around agriculture and small business development, rural

financial services, and access to accurate market information.

Mercy Corps' understanding of the challenges faced by Gobi entrepreneurs has enabled us to address the problems of a "one product" economy — cashmere — and the need for better financial services and market linkages. As part of these efforts, we helped establish an independent, full-service commercial bank called XacBank, offering products specifically tailored to the needs of rural customers.

An ability to provide programming that addresses the needs of the people of the Gobi has enabled Mercy Corps to help this rural population on the road towards real economic growth. As the rural economy continues to diversify and expand — helped by policy changes, improved production skills, and access to financial markets and important business information — it will help to ensure that rural Mongolians are not left behind in today's modern global economy.



On the steppes of Mongolia, a nomadic herding family sits in its round ger, a traditional felt covered tent not unlike those used by their ancestors centuries ago. The quiet is deafening until someone in the family turns on a transistor radio and tunes the dial.

It is not the latest pop song they are looking for, but instead *Herder from the Future*, a fictional radio program wherein a futuristic herder travels back in time to present day Mongolia to observe current herding practices.

Herder from the Future, broadcast by Mercy Corps' Rural Business News Radio, is one way in which rural

Mongolians are gaining access to market information that directly affects their livelihoods. While entertaining people with its humorous

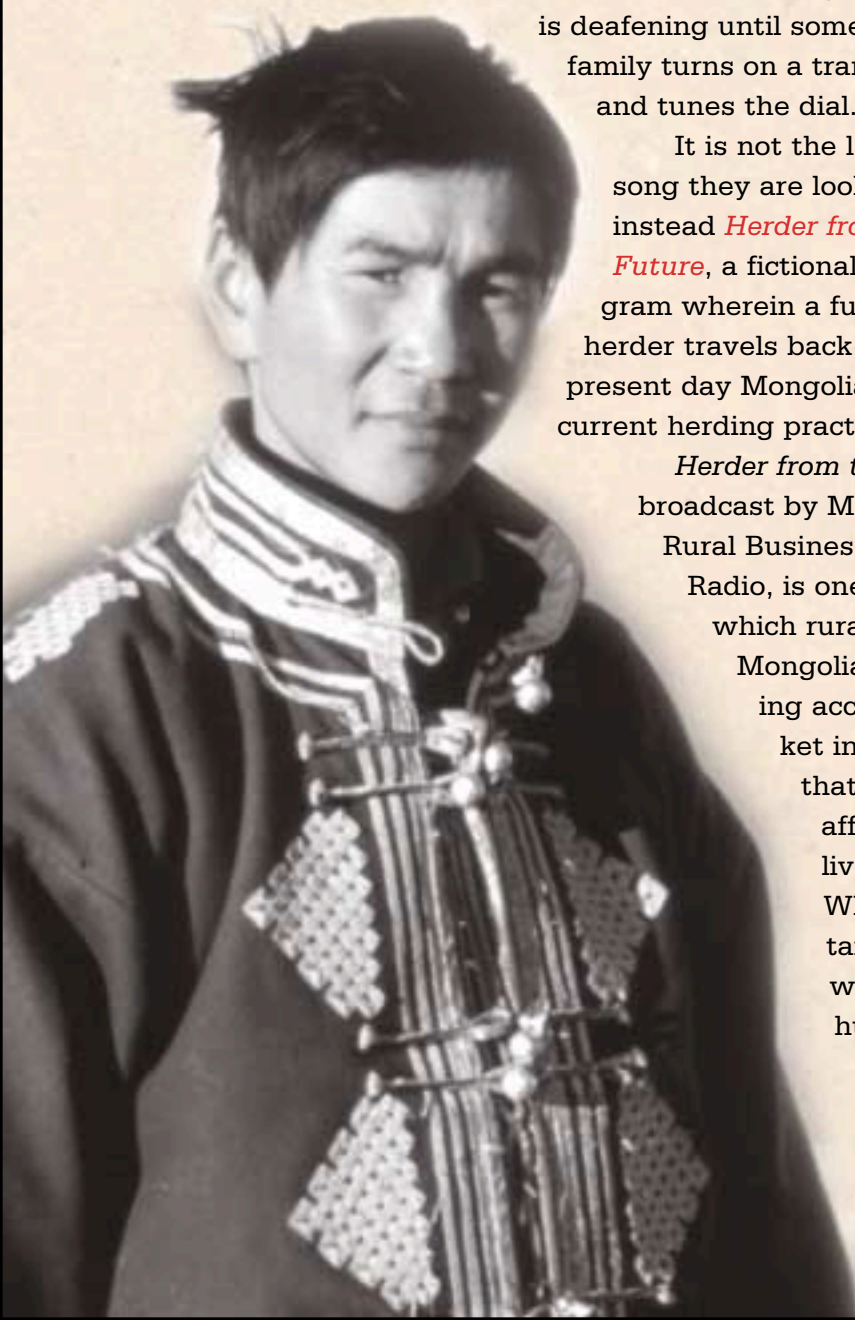
stories, the show provides vital information about how they can improve their agricultural and business practices.

"Everybody tries to listen to this show," says Mercy Corps Program Officer Carol Skowron. "That's why something like this is so empowering — it's helping families make better decisions about the issues that affect their daily lives."

Mongolia, the geographical size of Alaska but with just 2.6 million people, has one of the most rural populations in the world. The vast majority of its citizens earn their living through livestock herding. Mercy Corps introduced new herd management tools that produce healthier animals and better quality products to compete in local, national and world markets.

Mercy Corps also works with herders to better manage their herds, as well as steward natural resources such as water and grasses. This is particularly crucial, Skowron says, as increasingly unpredictable weather threatens traditional grazing areas.

The challenge in many ways is not introducing new ideas but getting accurate information to people. Along with radio programs, Mercy Corps' *Rural Business News* — a monthly magazine with a circulation of 100,000 — has become *the* economic news source for Mongolians. In a country where a herder can go days without seeing another family, more and more people are turning to Mercy Corps to stay connected.



Name: Fatima
Age: 13



What she wants to be when she grows up:

A teacher.

Country: Iraq

How Mercy Corps has helped: Mercy Corps is helping citizens in Fatima's hometown work together to plan and carry out community improvements, such as clean water and better sanitation. For Fatima, it means less risk of disease. But just as importantly, it means an empowered community will be able to solve problems for years to come.

Name (left): Bakhtiyar Khaydarov Shukhratovich
Age: 15

What he wants to be when he grows up:

A professional basketball player



Name (right): Sailyants

Ashot Vartanovich

Age: 15

What he wants to be when he grows up:

An economist.

Country: Kyrgyzstan

How Mercy Corps has helped: Mercy Corps helped form the Ferghana Valley Youth Basketball League, with teams consisting of Uzbek, Tatar, Kyrgyz, Tajik, Turk, and Russian kids. Both boys have received shoes and uniforms, and have made many friends from other countries.

Name: Jozefina Agotic
Age: 14



What she wants to be when she grows up:

A tour guide, because she likes learning foreign languages.

Country: Croatia

How Mercy Corps has helped: For residents of Jozefina's hometown, finding jobs to support a family is a major challenge. Mercy Corps provides loans to farmers and farming cooperatives to help spur job growth and increase household income.

Name: Hussein
Age: 11



What he wants to be when he grows up:

A journalist.

Country: Iraq

How Mercy Corps has helped: In Iraq, children are especially at risk of contracting waterborne diseases spread by poor sanitation and lack of access to clean water. Mercy Corps built a water system in Hussein's hometown, one of dozens across the country that are improving health for two million Iraqis — one of every 12 citizens.

Name: Bidhata Chettri
Age: 2



What she wants to be when she grows up:

She has no idea yet! But Bidhata's favorite food is squash.

Country: India

How Mercy Corps has helped: Clean water is central to the health of young children like Bidhata. In Darjeeling, Mercy Corps is working side by side with community members to improve access to clean, plentiful water. The result: a healthier future for Bidhata and her young friends.

The World of Mercy Corps

Where We Work

In 2003, the global resources of Mercy Corps and its partners totaled a record \$132.5 million. We managed 39 ongoing worldwide programs, assisting six 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 location of the partners that form the Mercy Corps family.

Worldwide Programs

Africa

1. Eritrea
2. Liberia
3. Sudan
4. Zimbabwe

Americas

5. El Salvador
6. Guatemala
7. Honduras
8. Nicaragua
9. United States

Balkans

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

Central and South Asia

17. Afghanistan
18. India
19. Kazakhstan
20. Kyrgyzstan
21. Pakistan
22. Tajikistan
23. Turkmenistan
24. Uzbekistan

East Asia

25. China
26. Indonesia
27. Mongolia
28. Nepal
29. North Korea
30. Russia

Middle East/Caucasus

31. Azerbaijan
32. Chechnya (*Russian Federation*)
33. Georgia
34. Ingushetia (*Russian Federation*)
35. Iran
36. Iraq
37. Jordan
38. Lebanon
39. West Bank

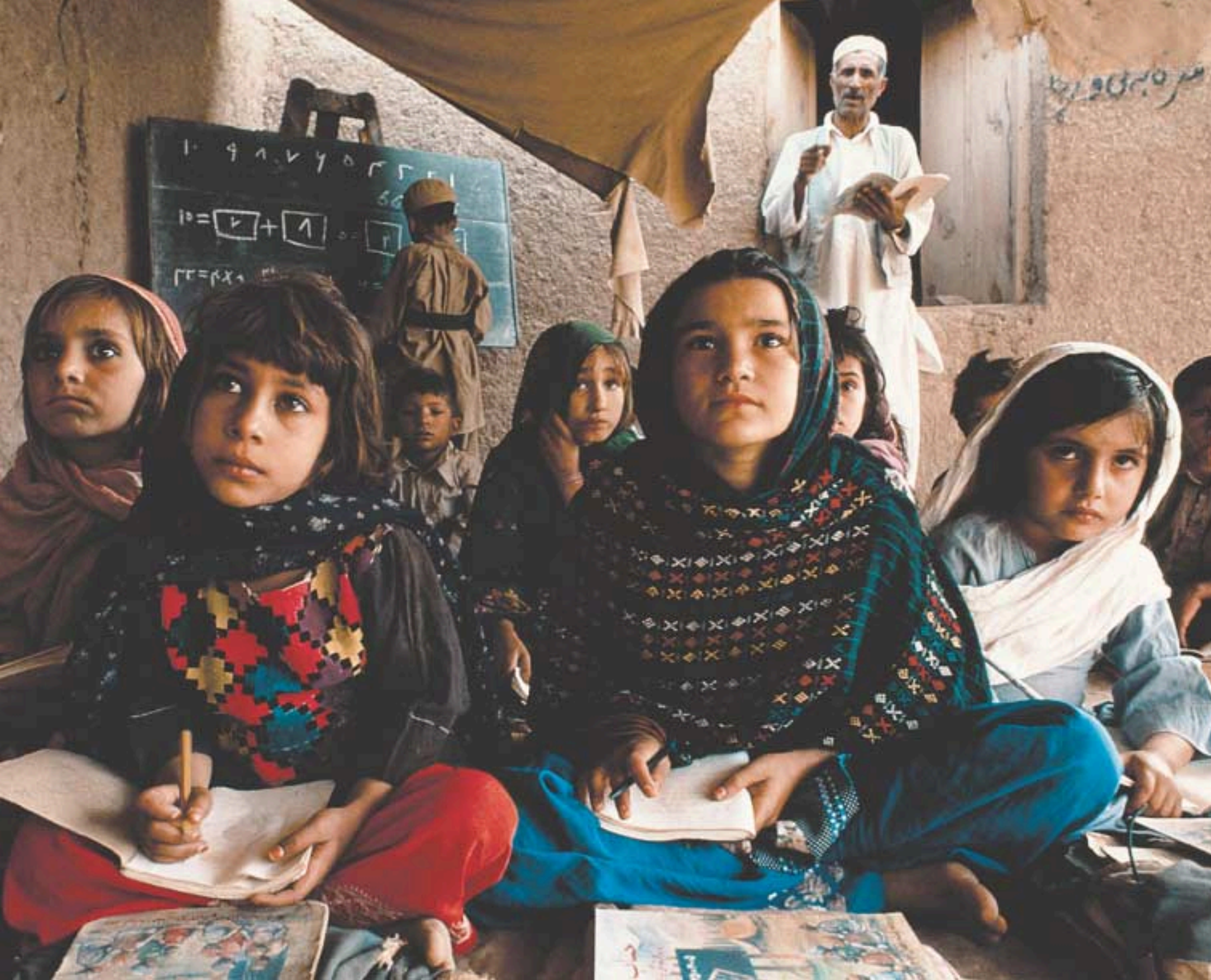


Mercy Corps provided material aid to the following ten countries, where at present, we have no ongoing development programs. Material aid shipments — food, construction supplies, emergency relief — totaled more than \$20 million in fiscal year 2003.

- Cambodia
- Cuba
- Haiti
- Kenya
- Laos
- Latvia
- Lithuania
- Mexico
- Thailand
- Uganda

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 (Seattle, WA, USA)
- E. Proyecto Aldea Global (Tegucigalpa, Honduras)
- F. Peace Winds Japan (Tokyo, Japan)



Mercy Corps Programs Around the World

In 2003, Mercy Corps reached six million people in 39 countries and republics with relief and development programs that build stronger communities and more vibrant civil societies. We began operations in three new countries, while ending our programs in three others. The following provides a closer look at our work country by country in 2003.

CHANGING LIVES

By design, the types of interventions we use vary significantly from country to country. What works in the Middle East may prove of little use in Central America. But one common thread links our efforts: the focus on leaving behind a stronger civil society as a means of ensuring that positive changes endure. We weave participation, accountability and peaceful change into all our programming — from emergency responses to long-term development to every stage in between — supporting a process of transformation that helps people build more secure, productive and just communities.

**Developmental Relief,
Peaceful Change and
Rebuilding Economies**

Mercy Corps recognizes a special synergy between developmental relief, peaceful change and the rebuilding of fractured economies. We introduce tension-reducing programming in the early stages of assistance that helps facilitate a smoother transition to rebuilding activities.

In the Middle East, Afghanistan, Pakistan, and North Korea, Mercy Corps worked to rebuild shattered societies and economies in 2003 by providing emergency relief in ways that help build stronger communities.

Working from a regional or “cluster” development model, Mercy Corps concentrates its efforts in **Lebanon** on generating jobs and income. By providing assistance to communities based on their geographic proximity, we help revitalize regional rural economies. We focus on private sector partnerships and programs designed to link con-



sumers with producers. Mercy Corps is also focusing on creating business opportunities and jobs in agribusiness and tourism in southern Lebanon.

Mercy Corps launched operations in **Iraq** shortly after the US invasion in March 2003, beginning with emergency

distributions of water and health care supplies. Our work quickly evolved into large-scale community mobilization efforts that involved Iraqis in rebuilding roads, water systems, and other vital infrastructure. Mercy Corps is also helping Iraqi small businesses to recover and expand, creating family-supporting jobs and bringing communities back to economic life.

In all these efforts, we seek to reinforce civil society principles of accountability, participation, and peaceful change.

In May 2003, Mercy Corps became the first US non-governmental agency authorized to work in **Iran** by both the US and Iranian governments. Iran hosts more than two million refugees and asylum seekers — the largest amount in the world — mostly from Iraq and Afghanistan. Mercy Corps’ work promotes self-reliance among Afghan

refugees by enhancing skills needed to earn a living, thereby preparing them for a voluntary return to Afghanistan. Mercy Corps also responded to the December 2003 earthquake in Bam, Iran, by providing shelter, water, hygiene kits and other vital supplies (see “Earthquake Relief for Iran” on page 38).

Rural poverty is a huge concern in **Jordan**. In partnership with the Jordan River Foundation, an organization chaired by Jordan’s Queen Rania Abdullah and committed to sustainable economic and cultural development, Mercy Corps launched new efforts to promote citizen participation in 2003.



Participants in our program identify and address critical needs in their communities. An important aspect of our work revolves around the establishment of cooperatives that create long-term employment and income generating opportunities via agriculture activities.

In **Afghanistan**, Mercy Corps is assisting communities recover from years of war and instability by helping families earn a living and rebuild local economies. We

support social services, work with families to rebuild, assist former refugees to re-establish themselves upon their return home, and strengthen local government and organizational partners. Mercy Corps also helps farmers develop agricultural techniques that strengthen rural

economies while fostering peaceful community life. In 2003, our newly established microfinance institution, the Ariana Financial Services Group, extended more than 1,200 loans to women and men, as well as provided small business training skills for women.

Reaching both Afghan refugees and Pakistani nationals, Mercy Corps sup-

ports health training, water access projects, and drug and disability rehabilitation in the Baluchistan Province of **Pakistan**. Currently, our staff advise five local organizations and governments, helping to strengthen their service delivery. One of Mercy Corps’ greatest successes in Pakistan in 2003 was furthering the fight against tuberculosis by bringing together 175 stakeholders —

from grassroots groups to local government officials — to exchange strategies for rural TB eradication.

Since 1996, Mercy Corps has played a leading role in **North Korea**, leading 18 delegation trips, and chairing

the US Private Voluntary Organization Consortium on North Korea. Mercy Corps' programs in North Korea have focused on distributing food and medical aid, rehabilitating agricultural systems to minimize future food emergencies, and increasing the exchange of visitors between North Korea and the United States. We also work with agriculture specialists to introduce new crop varieties and farming techniques to boost food production.

A Regional Approach to Conflict Prevention

Mercy Corps sees itself as a bridge between relief and development, and nowhere is this more clearly illustrated than through our work in the Ferghana Valley. A highly



populated region with limited resources and arbitrary borders spanning three Central Asian countries —

Kyrgyzstan, Tajikistan and **Uzbekistan** — have created the potential for regional conflict.

Mercy Corps' work in the Ferghana Valley has been designed with a regional, rather than national, approach. Our goal is to create a climate that encourages people in this small, crowded area to deal with problems together. With a multi-national and multi-ethnic staff, we have instituted projects that benefit participants from all three countries. Repairing a school shared by villages on both sides of the Tajik-Kyrgyz

border, constructing a water pipeline that provides water to towns straddling the Kyrgyz-Uzbek border, and helping build a health clinic for two Kyrgyz villages deep within Uzbekistan are only a few of the projects that Mercy Corps has undertaken.

Mercy Corps has also organized numerous cultural activities, including the formation of the Ferghana

Basketball League that participates in cross-border tournaments and holiday celebrations. The Ferghana Valley Women's Microcredit program has helped rejuvenate the regional economy. Loans are disbursed to "solidarity groups" of women who guarantee payment for each other, further reinforcing notions of community.

Reconciliation Via Community Determined Economic Development

Mercy Corps believes that community mobilization through economic development is one of the most viable ways to promote peace and stability in countries torn apart by war or

natural disasters. Our work throughout the Balkans is geared to help promote trust, respect and peaceful interaction across ethnic lines.

Because the ability to sell their agricultural products is the most viable way for many families in **Kosovo** to make a living, Mercy Corps' work reconnecting ethnic Albanians and Serbs — many of whom had strong economic ties in

the past — is essential. We provide technical assistance, training and grants to participants, while encouraging them to do business with members of the "other" ethnic group. Not only have the economic gains been far



reaching, but the interaction between Serbs and Albanians has allowed neighbors to rekindle relationships that have been troubled for nearly 20 years.

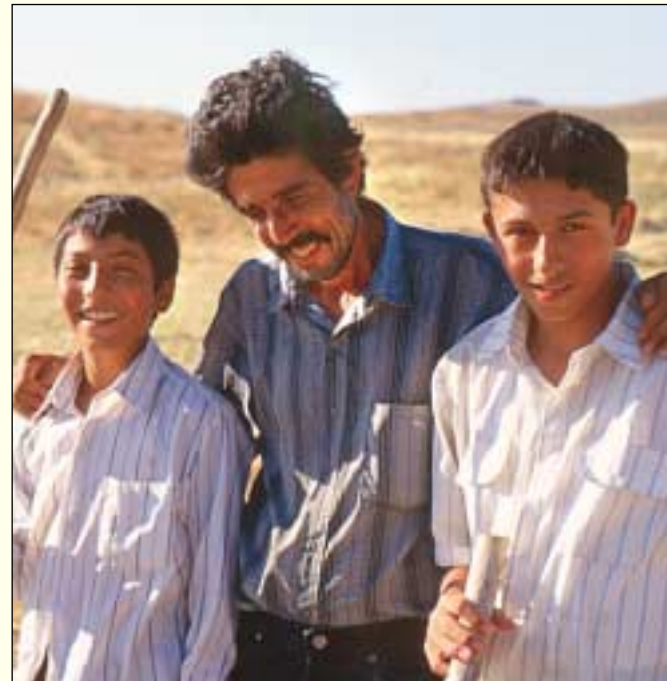
Reconciliation through economic development is also at the heart of Mercy Corps' programming in **Bosnia-Herzegovina**, where many families will not return home unless they feel their future will be secure. Small- and

medium-sized microenterprise endeavors have been key to helping rebuild local economies in Bosnia. Peace building is indirectly promoted by re-establishing economic links between formerly divided communities. A Mercy Corps-initiated — and now independent — micro-credit institution, Partner, has emerged as the largest lending institution in Bosnia, enabling nascent what

entrepreneurs to start or improve businesses. Partner's staff is multi-ethnic, and presents a model of what Bosnia can become.

Mercy Corps' work in **Serbia** helps citizens identify common needs and devise their own development projects, fostering increased cooperation and a sense of mutual ownership. We help people plan and implement projects that revitalize essential infrastructure, create jobs, and improve environmental conditions. Projects include building and repairing roads and bridges, expanding water and electrical services, providing health facilities, and improving the conditions of schools.

Mercy Corps' work in **Croatia** and **Macedonia** in 2003 also focused on revitalizing war-affected communities to build their own peaceful and stable futures. Through local partner organizations, we promoted economic recovery and growth in conflict affected areas, increased community participation, and improved levels of inter-ethnic cooperation.



Innovative Partnerships

Contributions from individuals, foundations and corporations have long been a critical funding source for Mercy Corps. But in recent years, hands-on involvement

from private donors has blossomed. These new partners are fully involved in specific projects where they each have significant knowledge and expertise.

In **India**, Mercy Corps and Tazo launched a joint project called Collaboration for Hope and Advancement in India (CHAI). The program focuses on improving access to high quality potable water, thus reducing waterborne dis-

eases. Strengthening community groups through self-directed projects, and developing young people's life skills are also CHAI program components. CHAI involves a coalition of growers, traders and brokers — everyone who has a stake in the production and selling of tea. CHAI also receives support from Starbucks Coffee Company, Tazo's parent company.

In partnership with a private family foundation, Mercy Corps works in **Guatemala** to improve health care among the indigenous Q'eqchi and Poq'omchi people in the rural municipality of Tukurú. We support health services in collaboration with local organizations, health practitioners and government health officials. This long-term program currently helps 30,000 people, 70 percent of whom are rural, indigenous women, and it is committed to integrating traditional medical practices into all Mercy Corps-supported health centers.

In 2003, the Baku-Tbilisi-Ceyhan Pipeline Company, a consortium of oil companies headed by British Petroleum (BP), began funding a Mercy Corps community investment program in the Kvemo-Kartli region of **Georgia**. This three-year program empowers communities through activities that improve social service infrastructure and livelihood options. Our program will benefit nearly 41,000 people in communities in eastern Georgia, adjacent to BP's new



oil/gas pipeline which originates in Baku, Azerbaijan, passes through Georgia and ends in Ceyhan, Turkey.

Community Determined Health and Economic Programming

Mercy Corps' umbrella grant mechanism enables local organizations to function independently and better support community mobilization. We provide technical assistance and program oversight to local and international partners, and offer broader programs that result in stronger humanitarian impact.

Mercy Corps' **Azerbaijan** Humanitarian Assistance Program is one such umbrella grant, providing leadership

that shapes the strategy of the largest humanitarian assistance initiative in Azerbaijan. We have altered the way in which many Azeri participants relate to their society and culture. Local organizations now see themselves as partners with the communities in which they work — not "aid providers." Communities themselves demonstrate greater involvement in advocating on their own behalf.

Mercy Corps' Child Survival program, the first of its kind in Azerbaijan, benefits three underserved mountainous districts in southeastern Azerbaijan. We help strengthen the ability of mothers, caretakers and communities to take responsibility for their own health and the health of their children. To date, the program has helped more than 3,000 mothers and children.

Economic Development and Civil Society Initiatives

As in the Balkans, the Ferghana Valley, and elsewhere, economic development has proven to be a strong and viable way for Mercy Corps to introduce civil society principles to Central Asia. In **Tajikistan**, we have helped build a network of local organizations and strengthened small businesses. We promote dialogue, improve standards of living, and facilitate cooperation among communities and local government through groups that determine their own priorities and design their own social and rehabilitation projects.



In **Kyrgyzstan**, Mercy Corps' work includes microfinance and community driven development programs, enabling local citizens and organizations to improve their lives and communities. We work with four women's micro-

credit organizations to help poor, rural women start or expand their own businesses, and work with a local partner to increase access to credit for small- and medium-sized businesses. These organizations started life as Mercy Corps programs, but now operate independently with limited support from us.

Mercy Corps has been providing small loans to entrepreneurs and farmers in **Uzbekistan** since 1994, along with business training and legal advocacy. Our current work has expanded to address the underlying causes of social tension and conflict in Ferghana Valley communities that straddle borders with neighboring Kyrgyzstan and Tajikistan.

In Portland, Oregon, **United States**, Mercy Corps promotes self-sufficiency and self-employment with

microenterprise for low-income individuals, women, minorities, refugees and immigrants. By supporting entrepreneurial enterprises, we encourage financial security and offer economic options for low-income people. We educate participants in basic business training, as well as provide ongoing mentoring and one-on-one business counseling, helping participants build their assets. We also offer matching grants to low-income clients when they save at a designated rate for a specific time period.

private water vendors to improve water quantity and quality for drought-affected communities.

Mercy Corps' work in **Liberia** helped increase food security, as we engaged communities in re-establishing

peace and justice amidst ongoing civil crises and political change. We provided war-affected Liberian communities with food and supplies, and promoted community participation in building wells and latrines that improved hygiene standards.

Once a major exporter of grains, **Zimbabwe** now faces a severe food shortage. In response, Mercy Corps helped set up 42 community vegetable gardens which will provide food for 1,200 families, while helping generate much needed income. Additionally, we are supplying nutritious food to more than 40,000 of the most vulnerable school children, improving the level of school attendance.



Long-term Solutions
Mercy Corps expanded its work in Africa in 2003 and laid the groundwork for new initiatives there.

Long-term Solutions

In **Eritrea**, Mercy Corps improved child nutrition while promoting self-reliance through parent-teacher associations and village health committees. Rather than simply providing food, we trained local residents to promote school improvement and girls' education, and helped supplement school meals. We also supported

gardeners which will provide food for 1,200 families, while helping generate much needed income. Additionally, we are supplying nutritious food to more than 40,000 of the most vulnerable school children, improving the level of school attendance.

To our Mercy Corps supporters, compassion knows no borders. From the Middle East to the Balkans, Central Asia to Central America, your generosity was overwhelming in 2003. Without each one of you, our work would simply not be possible.

Together, we are doing the things that matter most.

Thank you.



**THE MERCY CORPS FAMILY:
Two Headquarters;
One Global Organization**

With headquarters in the United States and Scotland, and vital partnerships and alliances around the world, Mercy Corps' global resources totaled a record \$132.5 million in 2003, enabling us to reach six million people in need. Both our Portland, Oregon, and Edinburgh headquarters play a critical role in managing Mercy Corps programs worldwide. The two headquarters — along with the other partners that make up the Mercy Corps family — give us the ability to secure resources, recruit staff and advocate policies on a global scale.

Proyecto Aldea Global

Mercy Corps/Proyecto Aldea Global (PAG) has been working in Honduras since 1982. We are recognized there for our high-impact programming in underserved communities, particularly in the areas of health care and civil society initiatives. Mercy Corps/PAG's programs currently serve more than 200 villages in 17 municipalities. We are one of the few non-governmental organizations working in rural north and central Honduras.

Pax World Service

Pax World Service formally affiliated with Mercy Corps in January 1998, creating a partnership that couples Mercy Corps' civil society expertise with Pax's interest in peace and reconciliation. The Mercy Corps/Pax merger also augments a unique relationship with the Pax World Fund, the first socially responsible mutual fund. Pax World Fund investors are able to designate a portion of their investment earnings to Pax World Service, providing critical support for relief and development programs around the world.

Peace Winds Japan

In 2001, Mercy Corps concluded an alliance with Peace Winds Japan, an international humanitarian organization based in Tokyo, Japan. Under the terms of the alliance, our two organizations work together in selected humanitarian crises, such as post-conflict reconstruction in Iraq and earthquake relief in Iran. In addition, we support each other in our efforts to secure resources and advocate policies that enhance humanitarian efforts around the world.

PARTNERSHIPS FOR A BETTER WORLD

Mercy Corps' message of hope inspired thousands of supporters around the world in 2003, resulting in near record contributions from individuals, corporations, foundations, religious groups, and other organizations. In all, private contributions totaled more than \$10.5 million in cash and more than \$5 million in commodities and services. In addition, more than 130 volunteers donated nearly 14,000 hours of work.

Clean Water and New Hope in Darjeeling



The partnership between Mercy Corps and Tazo continues to bring new opportunities to villages throughout Darjeeling, India, the source of some of the world's finest tea. Now in its second year, the joint project called Collaboration for Hope and Advancement in India (CHAI) focuses on improving access to safe, clean water, strengthening community groups, and developing young people's life skills. CHAI involves a coalition of growers, traders and brokers — everyone who has a stake in the production and selling of tea. Tazo, based in Portland, Oregon, is owned by Starbucks, which also has been a generous supporter of the initiative.

Earthquake Relief for Iran

Just hours after a deadly earthquake struck Bam, Iran, in December 2003, Iranian-Americans

rallied to support Mercy Corps' relief efforts. The National Iranian American Council (NIAC) mobilized individuals and groups to assist Mercy Corps. The quick response of NIAC was critical to Mercy Corps' ability to raise funds and quickly place an experienced disaster response team on the ground.

Mercy Corps also received generous support for earthquake relief in Iran from the Bill & Melinda Gates Foundation. The Foundation's support enabled Mercy Corps to provide 5,000 people with potable water, hygiene kits and other supplies.

Mercy Corps' Stewardship

The American Institute of Philanthropy has consistently given Mercy Corps an "A" rating for financial efficiency in the last nine of its rating guides, the most recent from December 2003.

Every Click Counts



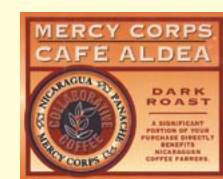
In 2003, support from The Hunger Site helped thousands of families live healthier lives. The Hunger Site, a Mercy Corps partner since 2001, generates vital support for programs that help communities affected by hunger and poverty. One of the most popular sites on the Internet, the Hunger Site donates enough money to help feed a hungry person every time you visit. To find out more, go to hungersite.org.

Spirit of Humanity Award

The Arab American Institute Foundation (AAIF) honored Mercy Corps with the 2003 Kahlil Gibran Spirit of Humanity Award in recognition of our innovative humanitarian programs worldwide. Previous honorees include the Robert F. Kennedy Memorial Center for Human Rights, St. Jude Children's Research Hospital, the YWCA, Queen Noor al Hussein of Jordan, and Sting. In particular, the AAIF noted Mercy Corps'

relief and development programs in the Arab world, and our efforts to build cross-cultural understanding among traumatized children in New York after September 11.

A Taste of Nicaragua



Mercy Corps Café Aldea™ — the new Panache® Collaborative Coffee™ — is the result of a creative partnership between Mercy Corps, our Nicaraguan partner Aldea Global, and Coffee Bean International, an Oregon based coffee roaster. CBI donates \$2 from the sale of every pound of Café Aldea™ to community improvements in the villages where the coffee is grown. You can receive a pound of Café Aldea™ by calling 800-292-3355, ext. 250, and making a gift of \$100 to Mercy Corps. You can also visit CBI at coffeebeanintl.com.

New Opportunities in Rural China

Mercy Corps and Nike have initiated a microenterprise program that will improve life for thousands of poor families in rural China. The program, organized by Mercy Corps and the China Foundation for Poverty Alleviation, will provide credit and

vocational training for poor farmers and fishermen. The three-year program will eventually evolve into a self-sustaining microfinance institution serving more than 8,000 people.

Envision a World without Poverty



In 2003, Mercy Corps' web initiative, GlobalEnvision, continued to examine how creating responsible market opportunities worldwide can offer new solutions to global poverty. Through GlobalEnvision, we share the stories and challenges of improving the lives of the poor. The more we know, the better our chances are that the global economy will create prosperity for all. To find out more or contribute your opinion, visit globale envision.org.

FirstHand Expeditions

In 2002, Mercy Corps responded to a frequent request from donors and friends to experience our work up close. Mercy Corps' FirstHand Expeditions, launched with a visit to our Mongolia program, inspires people to global service and philanthropy through personal experience. FirstHand Expeditions allows our supporters to come face to face with the community members we serve. Each FirstHand Expedition

includes briefings with country experts about economic and development issues, plus time for personal and group reflection. There are also visits to unique cultural sites and outdoor adventures. For information, contact Traci Schick, Private Resource Coordinator, at 1-800-292-3355, ext. 339, or tschick@mercy Corps.org.

Our First Landrum Bolling Fellow

For 50 years, Mercy Corps' Director-at-Large, Dr. Landrum Bolling, has helped bridge gaps across religions, cultures and ethnicities. In 2003, Mercy Corps honored this legacy by awarding the first Landrum Bolling Fellowship in International Service, in partnership with Earlham College. The Fellowship enables outstanding students from Earlham to work with Mercy Corps for one year, gaining hands on experience in international development. Our first Bolling Fellow, Su'ad Jarbawi, is a Palestinian from Ramallah. Su'ad graduated from Earlham with a degree in Political Science and is fluent in Arabic, English and French.



Su'ad Jarbawi,
Bolling Fellow

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

Mercy Corps is pleased to honor our Partners in Mercy, who put their faith into action with generous gifts each month to help children and families in need. Nearly 2,800 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 seven 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@mercycorps.org.



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 2003

Jane Aldrich
William and Madeline Arrigoni
Karan Baber
Jacqueline Babicky-Peterson
Jackie and Terry Backen
Mark and Linda Bassett
Ken and Maxine Benschopf
Mr. David Blucher
Martha and Michael Boesenberg
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Russell Hoffman
James Houston
Kevin and Karen Howard
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David and Sharron Johnson
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Eileen and Francis Mulvey
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Joseph and Lorayne Mutti
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Annette and Thomas O'Rourke
Ted Owen
Ken and Alicia Paist
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Margi Piorkowski
Ellen Power
Mr. and Mrs. Dan Purkey
Gary and Christine Quinn
Mark Raney and
Dixie Wyckoff-Raney
James and Sharon Rodda
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Robin and James Steele
Jeffrey and Twyla Steinberger
Lane Taglio
Kathleen A. Tank
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Mr. Robert Wessel
Howard Whitehead
Robert Wiencek, Jr. and
Lisa Wiencek
William and Mary Lynn Willis
Michael Wilson
Mr. and Mrs. Karl Zimmerman
Michele Zurakowski

FOUNDERS CIRCLE
Pat Boone,
Honorary Chair

There are 212 Founders Circle members, 53 of whom are anonymous, who give \$2,500 or more annually. The Founders Circle Honorary Chair is Pat Boone, whose actions demonstrate an authentic commitment to the neediest among us.

Founders Circle

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Ms. Sheryl Altman
Susan Ayers and Jeff Wiles
Maura and Nick Balaban
Edward Bartholomew
Celeste Becker
Stephen and Janet Blake
Jason Bonanca and
Kathryn Chen
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Precision Strip, Inc.
Purdy Corporation
Putumayo World Music
R & L Painting

R. Smith Paving Contractor, Inc.
READ
Relax The Back Store
Revolver USA
Richard & Mary Rosenberg
Charitable Foundation
The Robidoux Foundation
Rodgers & Associates
Room to Read
Ross and Associates
Environmental Consulting, LTD
Rural Art Center
Salon.com
Schamp Family Fund of the
Oregon Community
Foundation
The Schwab Fund for
Charitable Giving
The Seattle Foundation
September 11th Children's Fund
SG Foundation
Siemens AG
Sino - Golf (Hong Kong)
So-Hum Foundation
Somekh Family Foundation
Southern Cross Shipping Co.
Standard Insurance Company
Standard TV and Appliance
Starbucks Coffee
Steelscape, Inc.
Stichting Vluchteling (the
Netherlands)
Target Direct Marketing
Tazo Tea Company
The Anthro Corporation
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Foundation
The Diana, Princess of Wales
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The Foundation for Roanoke
Valley
The House of Bernstein, Inc.
The Hunger Site
The MSN Network of Internet
Services
The Paul and Daisy Soros
Fellowships for New
Americans
The Pelzner Living Trust
The Renaissance Foundation

The Servants Charitable Trust
The Baku-Tbilisi-Ceyhan
Pipeline Company
The University of Texas Student
Organization Fund
The Warrington Foundation
Thornwood Furniture
Manufacturing, Inc.
Tides Foundation
Torpet LLC
TOSA Foundation
Trout Lodge
Tulloch Family Trust
Tzu Chi Foundation (Taiwan)
UK National Lottery Charities
Board - Community Fund
Urban Wine Works
US BANK Community Relations
US Bank of Oregon
Vernier Software & Technology
Wanke Cascade
Wahl Clipper Corporation
Washington Mutual
Wieden+Kennedy
Wells Fargo and Company
Wells Fargo Corporate
Community Group
Wells Fargo HSBC Trade Bank
N.A.
Wichita Nursery
William & Marjory Varitz
Foundation
Williamette Week
Working Assets
World Reach, Inc.
Yamhill Valley Vineyards
Yost Grube Hall

Faith Communities

Adrian Dominican Sisters
Beaverton Mission Church-
Korean (Beaverton, OR)
Calvary Presbyterian Church
(Timonium, MD)
Calvin Synod Conference
(Butler, PA)
Cathedral of Joy
Church of the Brethren (Elgin, IL)
Church of the Sacred Heart
(Sauk Rapids, MN)
Community of Christ
Diocese of Montreal



First Christian Church of Eugene
First Korean Church in
Cambridge (Cambridge, MA)
Holy Gospel Church
Interfaith Council of Greater
Portland
Kang's Mission
Korean American Church
(Columbia, MD)
Korean Bible Church (Aloha, OR)
Korean Church Council of Triad
(Greensboro, NC)
Korean First Presbyterian
Church (Greensboro, NC)
Korean Orthodox Presbyterian
Church (McLean, VA)
Lake Grove Presbyterian Church
(Lake Oswego, OR)
Little Portion, Inc. (Berryville, AR)
Mary, Queen of Peace Parish
(Issaquah, WA)
Oregon Catholic Press
Oregon Episcopal
Presbyterian Church (Taiwan)

Protestant Chapel Community
(Bremerton, WA)
River Road Unitarian Church
(Bethesda, MD)
Sacred Heart Parish
Salem Presbytery (Clemmons, NC)
Sisters of Providence (Portland, OR)
Somerset Christian Church
St. Luke Lutheran Church
St. Stephen's Episcopal Parish
(Portland, OR)
St. Therese Catholic Church
(Mooresville, NC)
The Oriental Mission Church
Trinity Episcopal Cathedral
(Portland, OR)
Unitarian Universalist Church of
the Palouse
Vermont Hills United Methodist
Church
Washington Cathedral
(Redmond, WA)

Mercy Corps — An Exemplary Stewardship Record

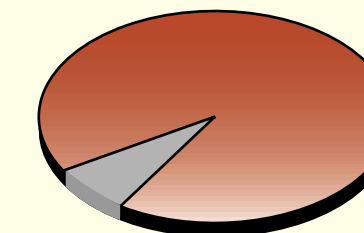
The resources of
Mercy Corps' global
operations totaled a
record \$132.5 million in
fiscal year 2003. Material
aid, government grants
and private fundraising
enabled us to provide
significant relief and
development assistance.
Some 91.6 percent of our
resources were directed
to programs. And every
dollar helped generate
\$16.51 in additional
resources (see "High-
value Giving" box on
page 44). Ensuring that
resources are wisely
spent is the cornerstone
of our values, vision and
strategy for growth in
the future .

Global Financial Summary

Support, Revenue and Expenditures of Mercy Corps
and Worldwide Partners

Support & Revenue	FY 2003	FY 2002
<i>Proyecto Aldea Global</i>	\$ 1,446,414	\$ 2,090,463
<i>Mercy Corps Scotland</i>	13,568,593	9,306,193
<i>Mercy Corps US</i>	97,178,510	78,243,532
Subtotal: Cash Revenue	112,193,517	89,640,188
Material Aid (In Kind)	20,453,843	27,967,144
TOTAL SUPPORT AND REVENUE	\$ 132,647,360	\$ 117,607,332
Expenditures		
Program:		
<i>Proyecto Aldea Global</i>	\$ 862,389	\$ 1,340,689
<i>Mercy Corps Scotland</i>	12,743,731	8,710,239
<i>Mercy Corps US</i>	86,589,153	68,660,528
Subtotal: Cash Expenditures	100,195,273	78,711,456
Material Aid (In Kind)	20,453,843	27,967,144
Total Program	\$ 120,649,116	\$ 106,678,600
Support Services:		
General & Administration	\$ 7,650,935	\$ 5,788,779
Resource Development	3,477,128	3,048,528
Total Support Services	\$ 11,128,063	\$ 8,837,307
TOTAL EXPENDITURES	\$ 131,777,179	\$ 115,515,907
NET	\$ 870,181	\$ 2,091,425

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

Support & Revenue	FY 2003	FY 2002
Government and Organizational Support:		
Government Grants	\$ 84,535,704	\$ 62,660,683
International Organization Grants	1,878,838	2,562,159
Material Aid (Government Commodities)	15,355,833	17,531,549
Subtotal: Government & Organizational Support	\$ 101,770,375	\$ 82,754,391
Private Support:		
Contributions	7,305,522	7,566,822
Grants	2,584,596	4,200,494
Gifts in Kind	5,098,010	10,435,595
Other Revenue	873,850	1,253,374
Subtotal: Private Support	\$ 15,861,978	\$ 23,456,285
TOTAL SUPPORT AND REVENUE	\$ 117,632,353	\$ 106,210,676
Expenditures		
Programs		
Project Expenditures	\$ 86,589,153	\$ 68,660,528
Material Aid	20,453,843	27,967,144
Subtotal: Programs	\$ 107,042,996	\$ 96,627,672
Support Services		
General & Administration	\$ 7,040,107	\$ 5,132,557
Resource Development	3,323,317	2,900,946
Subtotal: Support Services	\$ 10,363,420	\$ 8,033,503
TOTAL EXPENDITURES	\$ 117,406,420	\$ 104,661,175
NET	\$ 225,933	\$ 1,549,501

Balance Sheet

Assets	FY 2003	FY 2002
Cash	\$ 30,776,328	\$ 28,251,724
Receivables	19,832,604	18,594,570
Inventories	5,476,424	1,848,935
Property and Equipment (net)	444,380	144,824
Other	765,854	414,199
Total Assets	\$ 57,295,590	\$ 49,254,252
Liabilities		
Payables & Accrued Liabilities	\$ 13,965,564	\$ 11,760,279
Deferred Revenue	36,436,563	30,123,631
Total Liabilities	\$ 50,402,127	\$ 41,883,910
Net Assets		
Unrestricted	\$ 4,974,760	\$ 4,748,827
Temporarily Restricted	1,918,703	2,621,515
Total Net Assets	\$ 6,893,463	\$ 7,370,342
TOTAL LIABILITIES AND NET ASSETS	\$ 57,295,590	\$ 49,254,252

In recent years, humanitarian aid workers have faced new dangers as they seek to bring assistance in regions torn by war and conflict.

In our first 20 years of work, one Mercy Corps staff member was killed in the line of duty; in the past five years,

five have fallen, even as rigorous security measures designed to protect our staff have been implemented.

In this Annual Report, we wish to honor the Mercy Corps staff who died as they strove to make a more peaceful and just world.

Dr. Oscar "Tito" Giron



Dr. Oscar "Tito" Giron worked as Mercy Corps' staff pediatrician in Honduras in 1982. He often rode his small motorcycle back and forth between villages to treat his patients. Dr. Giron loved children. When asked once why he became a pediatrician, he replied, "because I believe children are the hope and the future of the world."

Dr. Giron was kidnapped, tortured and killed by a paramilitary death squad in 1982. Mercy Corps' Giron Legacy Society (page 41) was launched to honor the memory of his tremendous humanitarian work.

Raz Mohammad



Raz Mohammad never tired of driving his truck for Mercy Corps all over southern Afghanistan, no matter how harsh the conditions. A lover of music, he treasured his cassettes of Indian, Afghan and Iranian songs, which he always had on hand to help pass the time on his journeys. Raz Mohammad was honest, generous and funny, and was well loved by many.

In August 2003, Mohammad was on a trip in Helmand Province, spending the night at the district governor's office. Early the next morning, the office was attacked and he was killed, leaving behind a wife and seven children.

Dr. Mohammad Mossa



A veterinarian, Dr. Mohammad Mossa, joined Mercy Corps in 2000, in Shahwalikot district, Afghanistan. In 2002, he became our District Veterinary Supervisor. He was well known throughout all of Shahwalikot, lauded as extremely capable and well versed in diagnosing complicated livestock cases.

In late 2002, Dr. Mossa was killed in a robbery while making rounds at the veterinary clinics he supervised. He left behind many friends and family who mourn his loss.

Haki Kurshumlija



Haki Kurshumlija was Mercy Corps' warehouse manager in Mitrovica, Kosovo. During the height of the Kosovo conflict in April 1999, he remained at his post to secure humanitarian supplies and was shot and killed.

Kurshumlija left behind a wife and four young children.

Habtemariam Tsegay Tegbaru



Habtemariam Tsegay Tegbaru worked for Mercy Corps in Eritrea, originally as our Nutrition Program Officer. Dedicated to his work, he was swiftly promoted to Program Officer for Mercy Corps' OFDA funded water program, helping provide local rural villages with safe, clean water. Friendly and outgoing, Habtemariam loved to tell stories and jokes about his experiences to his colleagues.

In late summer 2003, Tegbaru and his colleague, Haileab Simret Yusief, were travelling to a village in northern Eritrea to discuss the construction of a reservoir. Their vehicle was ambushed, and they were killed.

Tegbaru left behind two wives and two children.

Haileab Simret Yusief



Haileab Simret Yusief was a mechanical engineer who also worked for Mercy Corps' OFDA funded Water Program in Eritrea. He was honest and supportive, with a compassionate and easygoing style.

Yusief had only been working with Mercy Corps for 10 days when he took the ill-fated trip with Habtemariam Tsegay Tegbaru to northern Eritrea, meeting his death in the same ambush that took Tegbaru's life.

Yusief left behind many friends and family who mourn his loss.

How You Can Help

Your support can make a crucial and enduring difference in the lives of families in need. To make a financial contribution, please call us at 1-800-292-3355, ext. 250, or visit our website at mercycorps.org. Please also consider including Mercy Corps in your bequest and estate planning. Such gifts can ensure Mercy Corps' ability to provide humanitarian assistance where it is needed most, far into the future. For more information on planned giving opportunities, please contact Traci Schick, Private Resource Coordinator, at 1-800-292-3355, ext. 339, or visit us at mercycorps.org/leavealegacy.

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Special Note: The background art on pages 7, 13 and 19 was excerpted from the journal of Dan O'Neill, Mercy Corps' President and Co-Founder.



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