



2007 ANNUAL REPORT

About Our Cover: All over the world, strong women are working to create better lives for their families – and Mercy Corps is helping them succeed. Our cover photo features the capable hands of a former bonded laborer in Nepal. Today, with the support of Mercy Corps, she is building a new future.

Read more about amazing women starting on page 33.

Contents

- 1 From Our Executives
- 2 About This Report

Who We Are

- 4 The People We Serve
- 5 The People of Mercy Corps
- 6 Mercy Corps Timeline
- 8 Where Mercy Corps Works

What We Do

- 13 Build: enabling community-led and market-driven recovery and development
- 23 Innovate: advancing innovations that create lasting social change
- 29 Engage: inspiring people to engage on global challenges
- 33 Up Close: equity for women and girls

Next Up

- 45 Climate Change
- 50 Financial Services
- 54 Action Centers

Stewardship

- 58 Financials
- 60 Supporters
- 69 Leadership
- 70 Get Involved
- 73 For More Information

People often ask us,
“How do you know
it works?”

From Our Executives

What they want to know, naturally, is whether Mercy Corps is making a positive difference in the lives of others.

We help people put their ideas into action – ideas about how to build better lives in the face of the toughest challenges imaginable. Over the 29 years Mercy Corps has engaged in this work, we have continually refined our approach. We start with the core principles we know to be effective. Then we explore new insights, test them on a small scale, and put into wide practice those that prove most successful.

This annual report highlights our approach to social change and the tangible results we produce in partnership with the people we serve. In our professional world of international development, our donors, partners, and colleagues speak the language of outcomes, impact, and sustainability. These are vital and necessary measures of the work we do. We take accountability very seriously, and for that reason we chose to center this report on case studies demonstrating the lasting gains our programs help bring about.

But behind the data the real story is, of course, about people.

People who answer adversity with imagination – and muscle. Parents who are determined to send their children to school. Communities that find a way to put aside old grievances, come together, and build something new. Individuals who have remarkable stories to tell. You will hear some of them in this report.

This year we chose to focus our up-close profiles on women. Listen to Teresa, Takhmina, Hu Yan, and Sharmila. Like the thousands of aspiring women we meet in our work, they amaze us with their resilience and perseverance. They are the reason we begin each day keen to tackle the demanding issues of our times. They are why we're proud to be able to say, “Yes, it works.”

We invite you to read on to learn how.



Nancy Lindborg, President



Neal Keny-Guyer, Chief Executive Officer



This report provides an inside look at the way Mercy Corps works.

As you will see in these pages, our work focuses on three areas:

- > Enabling community-led and market-driven recovery and development.
- > Advancing innovations that create lasting social change.
- > Inspiring people to engage on global challenges.

Or, in three words: **Build. Innovate. Engage.**

SUDAN

Who We Are

People

History

Programs



The People We Serve

No one is more motivated or better equipped to create change than the person whose life and future is at stake. And no one is smarter about what help is needed than the one who will benefit from that boost. At Mercy Corps, our role is to help catalyze the change that communities want to see. It is their potential, their energy, and their ideas that ultimately will conquer the difficulties they face. Our job is to listen, assist, and connect them with the resources that will help them succeed.

As you can see from the examples below, our efforts – and theirs – are making a difference. These are the people we serve – and the programs that work.



Our Indonesia health program provides fortified soy milk to improve the health of 240,000 elementary school children in 1,000 schools across four impoverished provinces.



We are preventing and mitigating HIV/AIDS through 12 programs reaching 300,000 people in 10 countries.



Mercy Corps operates 23 market development programs that support 34,400 businesses, increasing incomes by 37 percent in 1.4 million households across six countries.



Our Phoenix Fund apple project in Kyrgyzstan helped villagers grow quality organic fruit and market it for higher prices. In just one year, it increased family apple incomes by 33 percent.



Our US MicroMentor program has linked 328 volunteer mentors with protégé entrepreneurs and boosted business survival to 74 percent, well above the national average. It is now being expanded to other countries.



The People of Mercy Corps

Walk into a Mercy Corps field office anywhere in the world and you might not immediately distinguish between our team and the people we help. Around the world, 95 percent of our employees are nationals of the countries where they work – some are former beneficiaries themselves – and they personify our core belief in local solutions to local problems.

Our programs are led by people of the region who speak its language, know its history, and actively invest in developing its human network. While our expatriate team members make a critical contribution, we don't import foreign cures or impose developed-world perspectives. There are no one-size-fits-all solutions at Mercy Corps. Rather, our teams involve local residents – who deeply comprehend the challenges and have the greatest stake in how they are solved – in designing and pursuing the best strategies for their communities.



One-quarter of our international team has worked in Mercy Corps programs in two or more countries.



Our Indonesia program team includes representatives of seven tribes.



Among the 500 members of our Sudan team, 43 tribal and ethnic groups are represented.



Around the world, 95 percent of Mercy Corps team members are nationals of the country in which they work.



The team in our Bosnia and Herzegovina program is 100 percent nationals.



Mercy Corps Timeline

For 29 years, in the midst of economic collapse, political transitions, armed conflict, and natural disasters, Mercy Corps has been activating human potential to create sustainable, positive change in millions of people's lives.



1979
Cambodian refugee crisis

Dan O'Neill's new Save The Refugees Fund raises \$1 million for Cambodian refugees.

1982
Save the Refugees Fund is incorporated as Mercy Corps International.

In Lebanon, Mercy Corps helps rebuild houses and provides job training.

1984
Famine in Ethiopia

Mercy Corps headquarters established in Portland, Oregon.

1986
Mercy Corps begins assisting 2.5 million Afghans with agriculture and development.



1989
Fall of the Berlin Wall

Mercy Corps begins lending programs that evolve into a dozen microfinance organizations.

1993
Mercy Corps uses a \$3 million grant to assist 175,000 people in war-torn Kosovo.

1981
First AIDS diagnosis

1982
In Honduras, Mercy Corps partner Project Global Village teaches soil conservation and watershed management.

1985
First Live Aid and Farm Aid concerts
In Sudan, Mercy Corps works to improve food security and accelerate development.



1988
Mercy Corps distributes \$7 million in supplies, including seeds to Ethiopians and medicines to Afghans.

1990
Persian Gulf War
Mercy Corps provides medical supplies and relief to refugees in Jordan.

1991
Collapse of Soviet Union
Mercy Corps and Scottish European Aid provide medicines, supplies, and services to Bosnians.
In Iraq, Mercy Corps ships food, medicines, and blankets to Kurdish refugees.
Mercy Corps ships medicines, food, and clothing to 12 million Sudanese.

1994

Mercy Corps ships health kits to 1 million Rwandan refugees in Goma, Zaire.

1995

Mercy Corps distributes \$20 million in supplies to people in need, in Bosnia and Kosovo.



1996

Mercy Corps ships food to avert widespread malnutrition in the Democratic People's Republic of Korea.



1999

Mercy Corps delivers food and supplies to 250,000 people in Kosovo and helps 100,000 refugees in Macedonia.



2000

Mercy Corps provides shelter and medical supplies to families displaced by war in Eritrea.

Mercy Corps ships 70,000 trees from Oregon to the Democratic People's Republic of Korea.



2003

In Iraq, Mercy Corps begins to help vulnerable displaced families. More than 1 million flee to Jordan and Syria. Mercy Corps helps thousands of refugees with humanitarian aid, education, and job training.



Mercy Corps founds one of the first microfinance institutions in Afghanistan.

2005

Hurricane Katrina

Mercy Corps provides water, food, bedding, and tools and assists in recovery.



Pakistan earthquake

Mercy Corps provides medical supplies, food, and shelter.



In Niger, Mercy Corps helps feed 4,000 children and trains health care workers.

1997

In Azerbaijan, Mercy Corps provides clothing and bedding to thousands who lost their homes in recent war with Armenia.

1998

Hurricane Mitch strikes Central America

Mercy Corps provides \$3 million in assistance.



Mercy Corps Northwest begins to help low-income individuals in the Portland-Vancouver region.



2001

Earthquake in Gujarat, India, kills 20,000 people

Mercy Corps provides \$1.4 million in aid.



In Tajikistan and Uzbekistan, Mercy Corps installs water pipelines and rehabilitates schools.

September 11

Mercy Corps launches Comfort for Kids to help children in New York City.



In China, Mercy Corps fosters school-to-work programs, small loans, and farmer training.

2004

In Ethiopia, Mercy Corps administers 1.2 million vaccinations to animals.



Kofi Annan declares Darfur the world's worst humanitarian crisis

Mercy Corps delivers food, water, and shelter materials to thousands of displaced Darfur families.

Indian Ocean tsunami kills 240,000 people

Mercy Corps is one of the first responders, providing supplies, cash-for-work programs, and loans to thousands of people in tsunami-affected areas.



2006

Muhammad Yunus, founder of Grameen Bank, wins the Nobel Peace Prize

Mercy Corps provides 155,000 residents of Darfur with health services, household supplies, and education for their children.

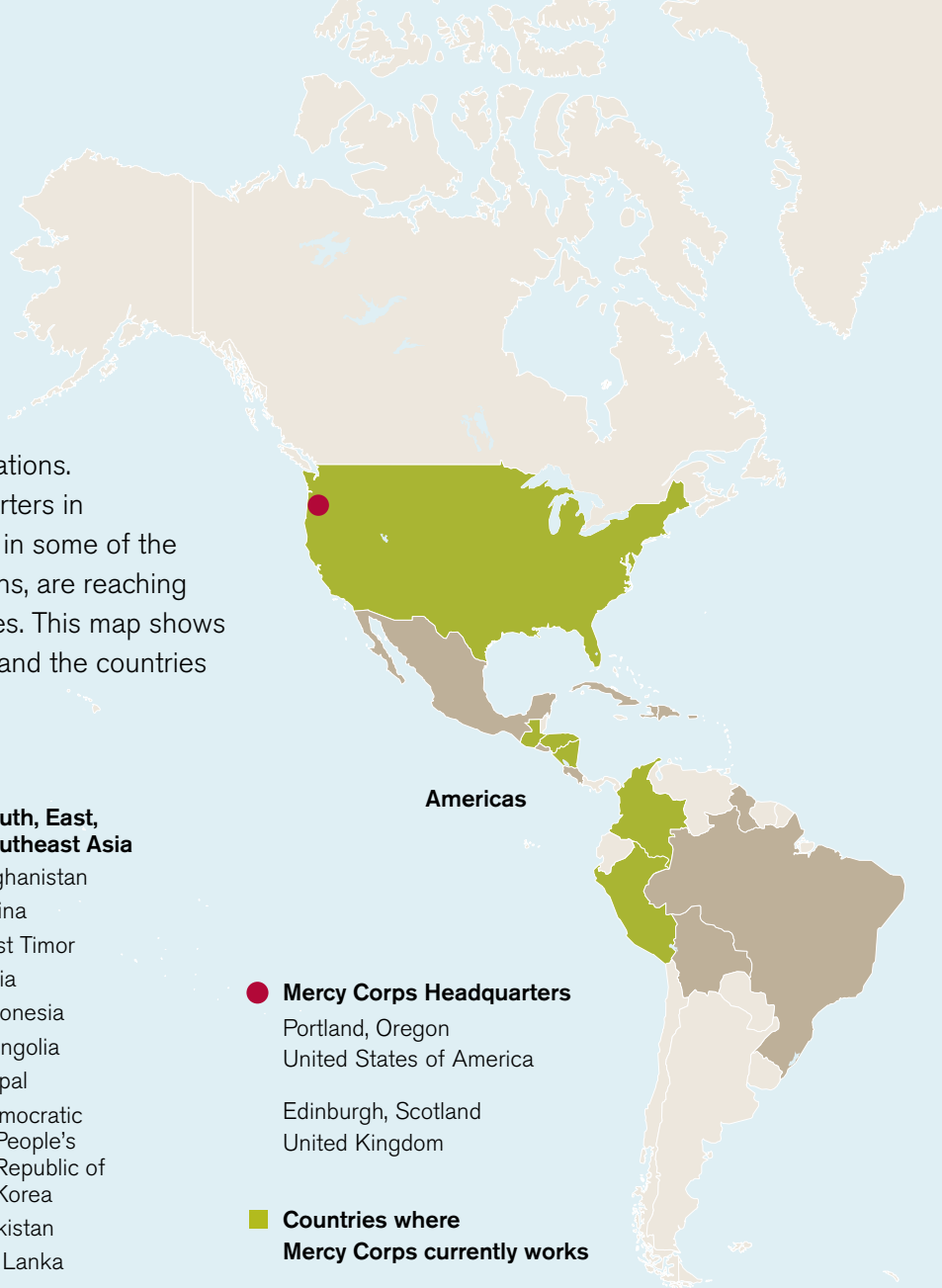
In Indonesia, Mercy Corps helps more than 1,000 farmers restore rice fields ravaged by the 2004 tsunami.

2007

In the Democratic Republic of the Congo, Mercy Corps delivers water for drinking and hygiene to 50,000 people a day.

Where Mercy Corps Works

Since 1979, Mercy Corps has provided \$1.5 billion in assistance to people in 106 nations. Our global programs, supported by headquarters in North America and Europe and field offices in some of the world's most troubled and challenging regions, are reaching 16.4 million people in more than 35 countries. This map shows where Mercy Corps has worked in the past and the countries in which we currently operate.



Africa

- Central African Republic
- Democratic Republic of the Congo
- Ethiopia
- Liberia
- Niger
- Somalia
- Sudan
- Uganda
- Zimbabwe

Balkans

- Bosnia and Herzegovina
- Kosovo
- Serbia

Caucasus/ Central Asia

- Azerbaijan
- Georgia
- Kyrgyzstan
- Tajikistan
- Uzbekistan

South, East, Southeast Asia

- Afghanistan
- China
- East Timor
- India
- Indonesia
- Mongolia
- Nepal
- Democratic People's Republic of Korea
- Pakistan
- Sri Lanka

Middle East

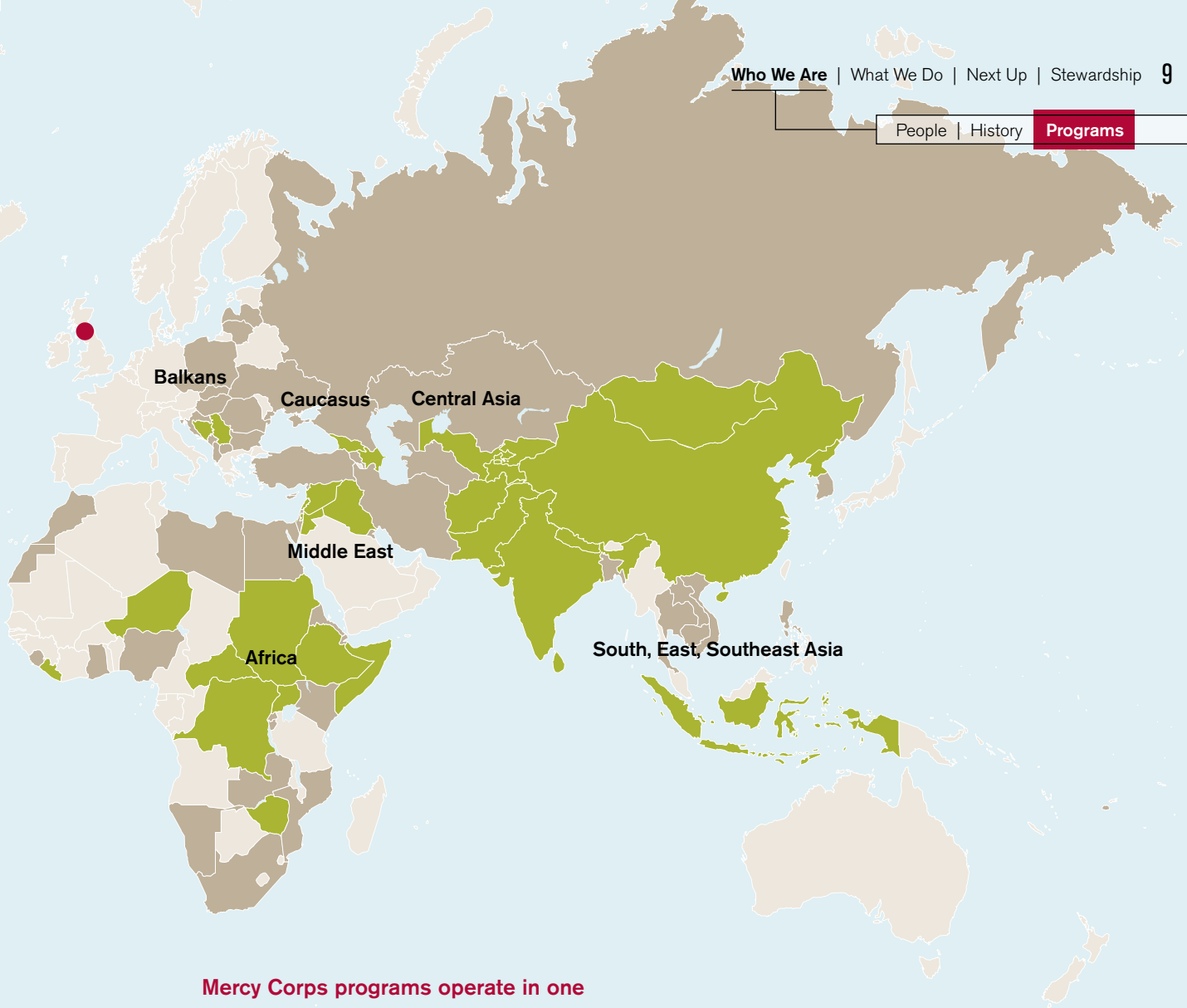
- Iraq
- Jordan
- Lebanon
- Syria
- West Bank and Gaza

Americas

- Colombia
- Guatemala
- Honduras
- Nicaragua
- Peru
- United States

- **Mercy Corps Headquarters**
Portland, Oregon
United States of America
- **Countries where Mercy Corps currently works**
- **Countries where Mercy Corps has worked**





Mercy Corps programs operate in one or more of the following sectors:

Global Challenges

- Climate Change
- Conflict Management
- Emergencies
- Global Engagement
- Youth

Economic Opportunity

- Agriculture
- Financial Services
- Food Security
- Market Development

Strong Communities

- Civil Society
- Education
- Gender
- Health

AZERBAIJAN



GAZA



INDIA





KYRGYZSTAN

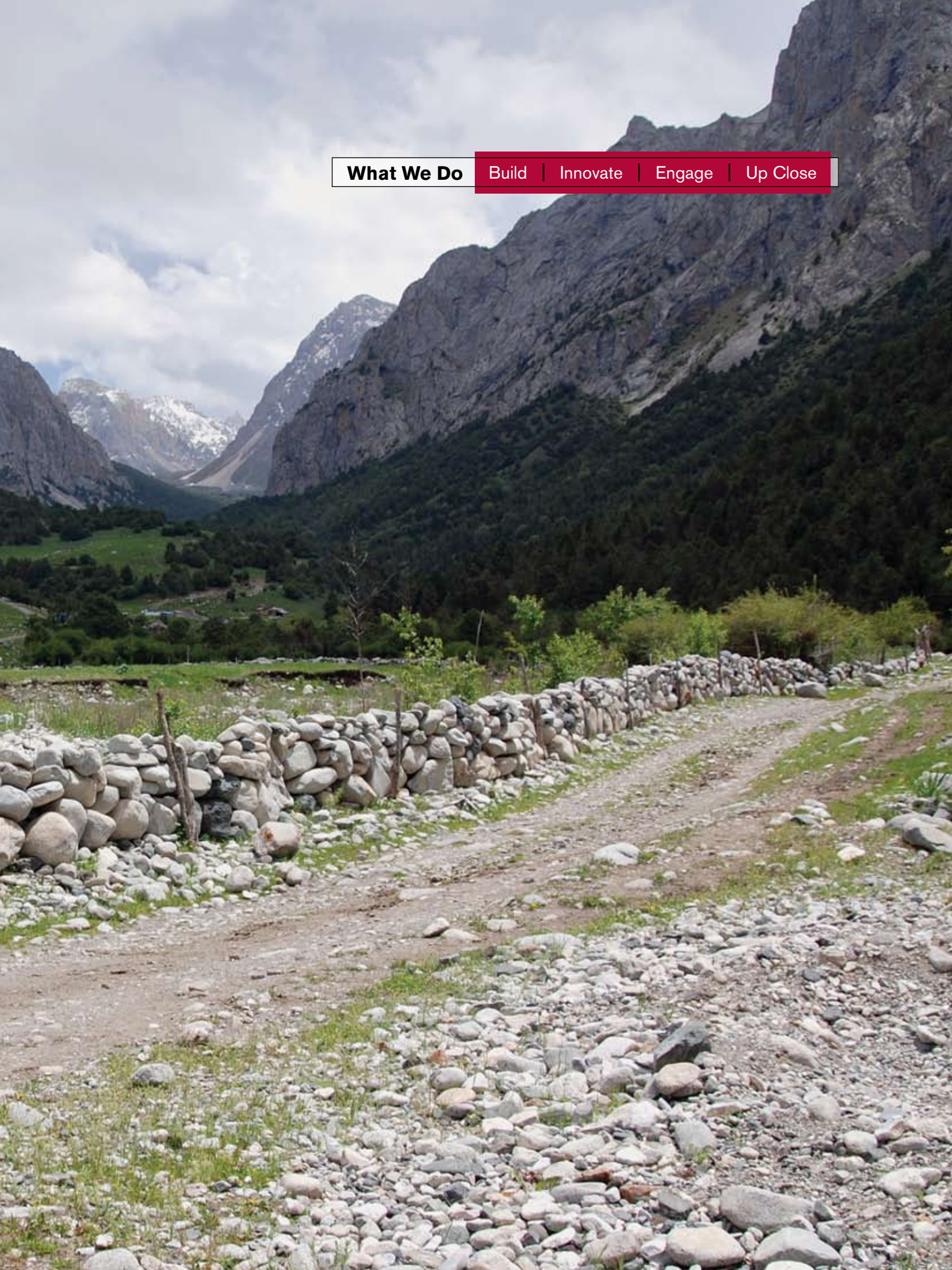
What We Do

Build

Innovate

Engage

Up Close





HONDURAS

BUILD

Enabling community-led and market-driven recovery and development

Mercy Corps works where conflict or disaster has created opportunities for change. Within the very challenges each community must surmount there are chances to build back better. That's why we view our rapid-recovery efforts as a natural entry point for longer-term civil society and economic development initiatives.

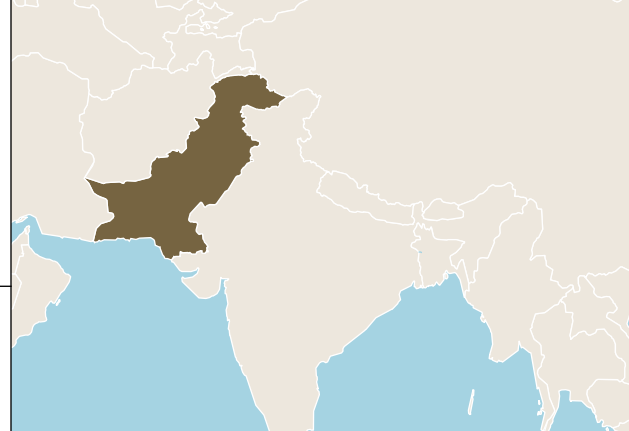
After any crisis, people want to return to work quickly so they can support their families. To that end, we immediately start cash-for-work programs and replace assets – seeds for farmers, boats for fishermen. If they are needed, we provide financial services to let people get back to business. We respond to needs in health and education; help strengthen cooperation among the public, private, and civic sectors; and work to improve market systems.

We focus on building sustainable economies because markets can be the most powerful force for lifting people out of poverty. Market solutions arise from local needs, cross ethnic and religious lines faster than governments do, and stimulate prosperity. We tailor our initiatives to each situation, taking its history and culture into account. This approach speeds recovery and allows communities to sustain the gains they want to see.

In this section you will learn how Mercy Corps' community-led and market-driven programs are delivering sustainable benefits to people in transitional environments all over the world.

How We Know **It Works**

Pakistan



Cash-for-Work Quickens Recovery

The 7.6-magnitude earthquake that shook Pakistan in 2005 killed more than 85,000 people and left nearly 3 million homeless – triple the number displaced by the Indian Ocean tsunami. As winter fast approached, the residents of the affected mountainous region were at risk of dying from exposure. Mercy Corps hired local community members to quickly build shelters – a good example of our ability to fast-forward communities beyond aid, to recovery and development programming.

Cash-for-work, a signature Mercy Corps approach, helps people quickly get back on their feet by providing temporary employment on public infrastructure projects such as rebuilding roads, re-establishing water supplies, and repairing medical facilities. Workers earn fair daily wages while communities get vital infrastructure back online.

Mercy Corps employed local Pakistanis in the high-altitude Konch and Siran valleys – areas most vulnerable to the bitterly cold winter – to clear debris, recover usable building materials, and build warm, dry shelters. We directly employed 13,356 residents in 61 villages to build 1,385 winter shelters.

Advantages Over Old-Style Aid

Cash-for-work has distinct advantages over traditional aid packages. It's fast, as there are no goods to assemble and transport and no delays due to spoilage, theft, or road

damage. Workers earn their pay and are empowered to prioritize their own most urgent economic needs. Their purchasing power infuses critical currency into local markets; the ensuing ripple effect speeds the transition from recovery to development. As important, cash-for-work gives people a direct role in the recovery of their livelihoods. The sense of purpose and focus they gain helps heal despair and restore dignity.

Stimulating Local Markets

In recent years, Mercy Corps has successfully used cash-for-work in countries affected by natural disasters – most dramatically in Indonesia, Sri Lanka, India, and Somalia in the aftermath of the Indian Ocean tsunami. We also use the approach in places plagued by ongoing violent conflict such as Iraq, Sudan, Kosovo, Lebanon, and Afghanistan. Since 2005, our cash-for-work programming has provided short-term employment to more than 445,000 people in six countries living in post-emergency or post-conflict environments, while indirectly helping countless others by revitalizing local markets and restoring shared public assets.

Flexibility is central to this approach. Mercy Corps tailors its cash-for-work projects according to the type of emergency and local needs. In Pakistan, freezing winter dictated the need for shelter. In the wake of the tsunami, residents of coastal Sumatra told us that their priorities were to first bury the dead, then to clear debris and rehabilitate major roads so they could get home and assess the damage. We employed residents to accomplish those tasks.





Did You Know?

Since 2005 Mercy Corps has provided short-term post-crisis employment through cash-for-work to 445,000 people across six countries.



Proven Effective

The value of Mercy Corps' cash-for-work approach has been independently verified. According to a two-year study conducted with the Johns Hopkins Bloomberg School of Public Health, our program in Aceh, Indonesia, at its peak employed more than 18,000 people a day in 60 villages. Over a seven-month period, the program pumped more than \$4.5 million in government and private funds into local economies. Participants reported that 93 percent of their household income came from our cash-for-work program. More than 91 percent said the income helped them return home and begin rebuilding their own houses, which was the top local priority after the tsunami.

Cash-for-work is one of the most effective ways Mercy Corps provides humanitarian assistance following a disaster or conflict. It encourages direct, dollar-for-dollar reinvestment of wages back into local economies, restores infrastructure in damaged areas, and revitalizes markets. When disaster-affected communities labor together to rebuild their lives, it's not just homes and neighborhoods that are repaired; human dignity itself is healed. And, once cash-for-work has helped return a region's basic functions, Mercy Corps helps communities transition into development programs with longer-term goals. ■

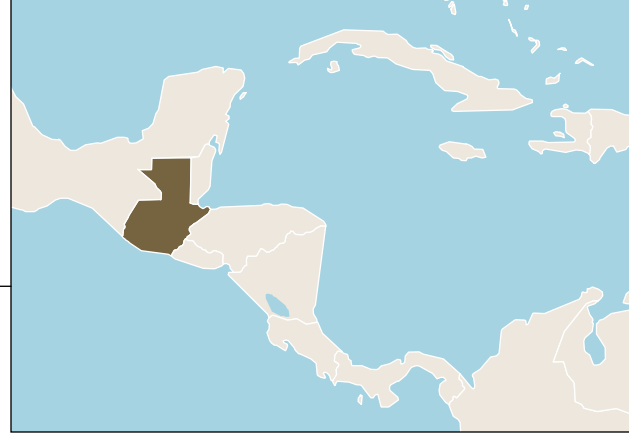
SECTORS

Emergencies, Market Development

To read the complete Johns Hopkins report, visit mercy Corps.org/annual.

How We Know **It Works**

Guatemala



From Peaceful Mediation to Pineapple Marketing

The end of Guatemala's 36-year civil war in 1996 was welcome, but it didn't stop all conflict: land disputes persisted. So in 2003 Mercy Corps began a four-year program funded by the United States Agency for International Development (USAID) to help mediate and resolve land tenure for poor highland farmers. That successful program led to an agriculture pilot project that dramatically boosted annual incomes among the poorest farmers. It has now expanded to include a major US government and Wal-Mart partnership that's connecting farmers to lucrative new markets. These programs demonstrate how Mercy Corps is creating useful alliances with corporations and governments to achieve progress on a large scale, helping communities advance from post-conflict poverty to sustainable livelihoods.

Guatemala's northern Alta Verapaz region, home to about 700,000 people, has a long history of conflict over the use and ownership of land. In 2003, realizing that residents would be unable to reap the benefits of the peace accord until more than 400 documented cases of land conflict were resolved, Mercy Corps, together with local partner JADE, launched a novel program promoting the peaceful mediation of such disputes. We saw the program as a vital step toward the region's recovery and took care to establish our role of trusted broker without bias toward either side. In most cases, poor farmers gained the right to receive concessions or purchase the land they farmed; in others, landowners established their fair title to property. Our aim throughout was to mediate fair solutions that were acceptable to all involved.

New, Higher-Value Crops

Most of the people who benefited from our dispute resolution program were indigenous families. Having gained their rights to own and work the land, these farmers sought ways to support their families, pay off the property, and improve their lives. As their needs evolved, so did Mercy Corps' approach.

In response to this new reality, Mercy Corps instituted a pilot project with 27 Q'eqchi' Maya farming families. It was seeded by our own social venture fund, the Phoenix Fund, which makes strategic investments in creative, locally led economic

development projects. The idea was to introduce the farmers to higher-value foodstuffs that would generate more profit than traditional subsistence crops. The Q'eqchi' farmers decided to plant pineapple and citrus fruits to sell to canning and juice companies.

In just two seasons, with 12 acres under cultivation, the farmers grew and sold 200,000 pounds of pineapple. Farmers' annual earnings shot up, from just a few hundred dollars before the program to about \$1,500 after two seasons. With this new and sustainable income, the fledgling entrepreneurs are well on their way to paying off their agricultural land.





Did You Know?

Mercy Corps is helping indigenous farmers in Guatemala diversify their crops and sell them to higher-paying retail markets.

Modern Marketing Ideas

Key to the success of the program was cultivating modern marketing concepts as well as pineapples. Mercy Corps worked with the Q'eqchi' farmers to help them understand the importance of adhering to buyer specifications, maintaining quality standards, and meeting delivery deadlines. Because Mercy Corps first identified market demand and then developed the farmers' capacity to meet it, this approach is sustainable over the long term.

The pilot program's success attracted the attention of Wal-Mart and the US government. The retailing giant and USAID are investing \$2.2 million in partnership with Mercy Corps and the Guatemalan nonprofit Fundación ÁGIL to help an additional 600 families diversify into tomatoes, onions, and potatoes – and sell those crops in higher-paying retail markets. The funding expands the initiative far beyond the initial participants in the Alta Verapaz dispute resolutions.

Farmers Have Choices

As the majority owner of the largest Guatemala supermarket chains, Wal-Mart has an increasing demand for quality produce. Now, through the expanded program, farmers have fair access to Wal-Mart's projections about consumers' preferences and the amount and type of produce it expects to purchase. Armed with this knowledge, farmers can make smart decisions about what to plant. They're also increasing their profitability by cutting out the middleman and selling

directly to Wal-Mart. The world's largest retailer, in turn, is working with Mercy Corps to become a more positive force for social change.

Vital to the program is its built-in provision that farmers remain free to sell their crops to any buyer. All purchase agreements with Wal-Mart are non-exclusive. If the farmers do not agree with a proposed price, they need not accept it, and they can pursue a number of alternate markets for their crops, including the hospitality industry, luxury retailers, exporters, and commercial juicers.

This project epitomizes Mercy Corps' vision for change. By establishing healthy partnerships between government, nonprofits, the private sector, and the low-income communities we serve, we can significantly improve lives.

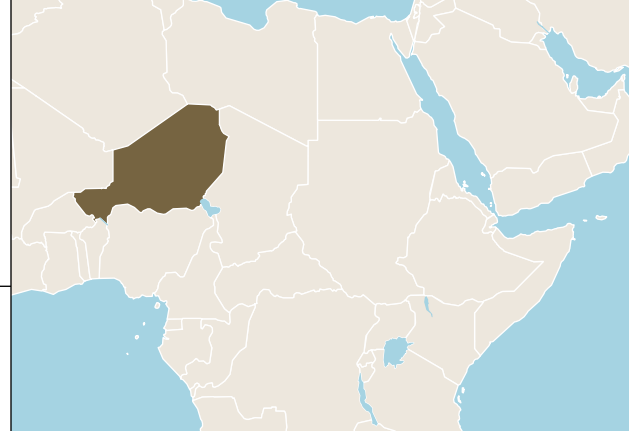
Today, what started as a groundbreaking Mercy Corps land conflict program is contributing to the transformation of Guatemala's poor rural workforce. Thanks to the unmatched ability of the private sector to lift people out of poverty, former subsistence farmers are becoming a community of savvy agricultural producers leveraging free markets to build better lives for their families. ■

SECTORS

Agriculture, Civil Society, Market Development

How We Know **It Works**

Niger



Reducing Severe Child Malnutrition by Half

Due in part to changing seasonal climate patterns, Niger's struggle with food insecurity and malnutrition has become a cyclic occurrence. At present, Niger is ranked by the United Nations Development Program as one of the poorest countries in the world. More than 60 percent of the population lives below the world poverty level. Mercy Corps is connecting community members, health care providers, and local governments to help the growing population combat malnutrition, now and in the future.

Addressing hunger issues is never as simple as serving a bowl of soup. Climate change, a rapidly growing population, traditional dietary habits, and trading patterns are among the complex root causes of malnutrition in Niger.

Mercy Corps' response to pervasive under-nutrition and malnutrition in Niger is multi-faceted. We're providing immediate treatment through community-based delivery of food aid, medicine, and nutritional supplements. Our program is effective, sustainable, and original in the way it works directly with Niger's existing state-run system of local health clinics, helping them better identify and treat moderate and severe malnutrition. We're improving the health of communities by providing logistical and technical support to feeding centers for malnourished pregnant and

lactating women and children under five. Since 2005, our programs in 130 feeding centers have reached more than 60,000 children and women.

Improving Child Health

Since its inception, Mercy Corps' health program in Niger has seen a dramatic decrease in the number of cases of severely malnourished children in the areas where we are working. In the past year alone, this number has been reduced by half. We've been most effective in reaching children earlier, when their malnutrition is considered moderate, and helping them get healthy again. Our program, funded by the Joshua and Anita Bekenstein Charitable Fund and in partnership with the World Food Program and UNICEF, helps stabilize emergency operations and needs while introducing activities that empower communities to identify and address health issues.

Mercy Corps' program increasingly responds to short- and long-term needs at the family and community levels by helping mothers, health workers, and volunteers recognize illness and malnutrition at an early stage – and prevent them altogether through health education, income-generation, gardening, breastfeeding, and malaria protection.

We have had success in educating communities and building trust between communities, and health care workers. These positive results are largely thanks to our collaborative relationships with nurses, health management committees, and health district staff. Much credit is also due to the interest and motivation of community members, who do not hesitate to trek 20 miles to conduct health education sessions.





Did You Know?

Our child survival programs in Niger, Tajikistan, and Guatemala are reducing mortality in the regions where we work by 50 to 60 percent.



Partnering with Local Governments

Mercy Corps is also piloting a model in which community health workers are linked to local governments. As Niger's national government begins to decentralize certain services, Mercy Corps is helping local governments adjust to the increasingly important role they will play in delivering community health services. At the same time, we're helping community teams and residents participate more fully in managing the services provided by the public system.

In the future, we expect to see communities not only sounding the alert when a nutritional crisis is imminent, but

working to prevent and reduce the effects of such crises. Our programs are cultivating competent and engaged communities that will be able to negotiate their needs with local governments.

To ensure that Nigeriens are heard by their local governments, we're involving elected officials in health activities at the district level and the more local commune level. The idea is to improve their understanding of local health issues, engage them in discussions about specific health topics, and equip them to advocate at the regional level.

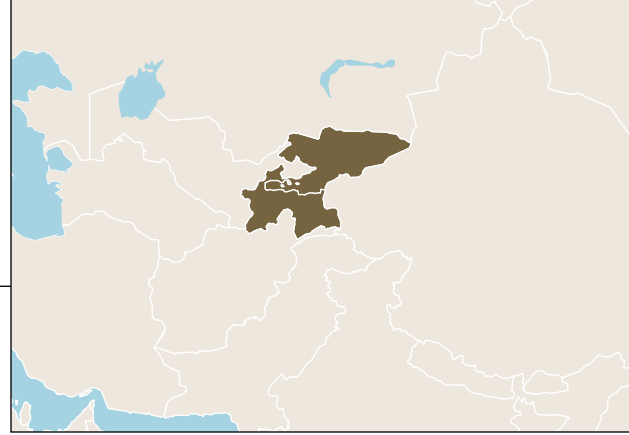
Mercy Corps is also promoting encounters among a wider range of government and nonprofit leaders. By encouraging connections with groups that support good governance, access to credit, and livelihood training, among other topics, we are helping create a broader and more sustainable foundation for health and well-being in Niger. ■

SECTORS

Food Security, Health, Youth

How We Know **It Works**

Central Asia



Mobilized Communities Continue to Share Responsibility

All Mercy Corps programs aim to create lasting benefits. That's why we sometimes return to a region to study the ongoing effect of our work long after it is finished. Recently we revisited Central Asian communities where we conducted two large-scale civil society initiatives. Our findings were heartening: 93 percent of the infrastructure facilities we surveyed continue to be collectively used and well maintained one to three years after our programs closed.

The 1991 breakdown of the Soviet Union left Central Asia reeling. By 2000, political transitions in Kyrgyzstan and Tajikistan had led to economic collapse and, in the case of Tajikistan, a bloody civil war. In 2001, Mercy Corps set out to discover what stood in the way of recovery. We found border disputes, resource conflicts, youth migrating to other countries in search of jobs, and scant opportunity for economic development. To make matters worse, public infrastructure – schools, clinics, irrigation systems – was dangerously old.

The problems went deeper than physical structures: the populace was scarred, wary, and disinclined to get involved in civic life. One legacy of the Soviet era was a passive citizenry accustomed to government control and lacking a sense of shared responsibility for public property. This, coupled with the new nations' limited resources, pushed basic services deeper and deeper into disrepair.

Local People Step Up

Mercy Corps has deep experience working in communities struggling to recover from political or economic collapse, conflict, or disaster. We view these ruptures as windows of opportunity where our community-led and market-driven programs can help people rebuild and recover.

First, however, we must find locals who are committed to the recovery process. We call that community mobilization: engaging people in identifying their priorities, then proposing solutions that promote participation, good governance, and peaceful change.

Mercy Corps set out to help Central Asian communities reduce conflict, rebuild infrastructure, and regain a sense of ownership. We aimed to address the root causes of local tensions through dozens of economic development and social and physical infrastructure activities, from starting businesses to providing training in women's health to repairing electricity and gas lines.

Building New Structures – and Shared Pride

Working with USAID, Mercy Corps launched two large-scale community programs. One mobilized residents to work on natural resource issues, build bridges between ethnic groups, and help the ethnically disenfranchised connect to their governments. The other brought citizens together to create economic opportunity. Both programs aimed to reduce conflict by empowering people to prioritize and implement social service projects and improve livelihoods. Our goal





Did You Know?

Civil society refers to groups, both formal and informal, that convene to advocate for change, deliver services, or represent community interests and concerns. Mercy Corps supports such groups because it believes a robust civil society enhances the prospects for healthy relationships between individuals, local government, and business and contributes to strong communities.

was not merely to build, say, a school, but to help at-odds communities build back better – to create at once a school, a relationship, and a sense of shared responsibility and pride.

Our programs required communities to contribute to the projects through donations of labor, materials, cash, or fundraising totaling at least 30 percent of the cost. Mercy Corps has learned that such contributions ensure community ownership of the built facilities and create confidence that communities can maintain them. In this case, as in every other in which we stipulate such contributions, the communities gave significantly more than our target amount.

Over six years we conducted 140 projects to get young people from different ethnic groups talking and playing sports. We funded 1,297 new businesses, including bakeries, honey processing, and fruit drying. We created 6,126 short-term and 2,376 long-term jobs, from welding to teaching. In all, Mercy Corps trained more than 46,000 people to take control of their economic futures.

Lasting Impact

In 2007, we returned to Central Asia to discover the lasting impact of these projects. Are communities engaging in decision-making? Do citizens hold leaders accountable? And do people solve problems together?

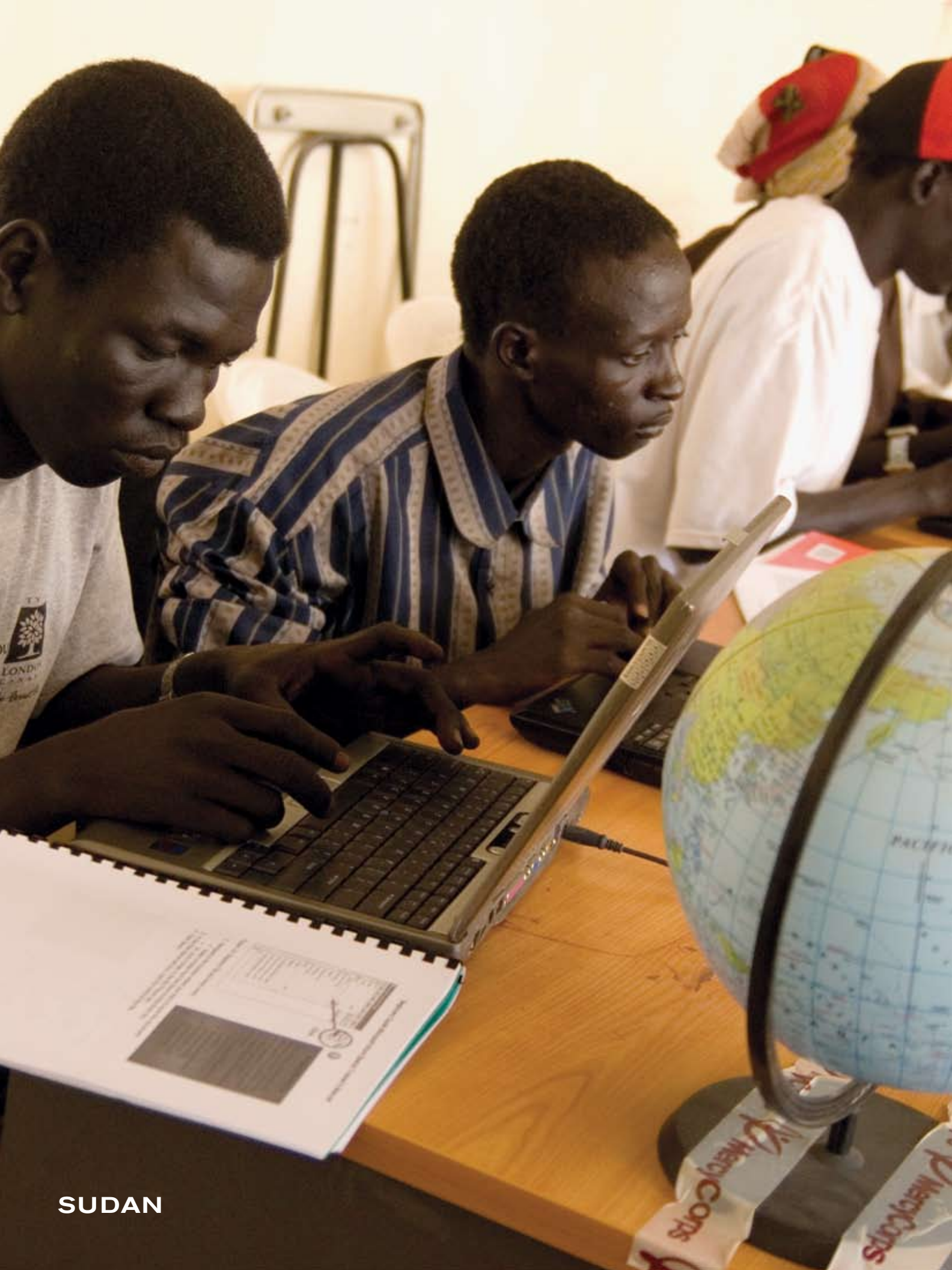
We interviewed people in 51 communities where Mercy Corps had programs and found that they're using and maintaining 93 percent of the surveyed projects. Seventy-three percent of participants find it easier to approach local government. Three-quarters of the youth who learned sewing, construction, journalism, and cooking are continuing to use those skills.

This field study demonstrates that Mercy Corps' mobilization approach is creating lasting benefits in Central Asia's transitional environments. Communities are taking action. Investments in infrastructure are maintained. And long after our programs conclude, people have the skills and confidence to actively participate in creating their own futures. ■

SECTORS

Civil Society, Conflict Management,
Market Development

To view our Central Asia photo essays, visit mercy Corps.org/annual.



SUDAN

INNOVATE

Advancing innovations
that create lasting social change

Mercy Corps sees tremendous energy and promise in the power of social entrepreneurship, which applies the best thinking and techniques from the private and civil sectors to create social change. We are encouraging our worldwide team of social entrepreneurs to invent fresh approaches and pursue new partnerships that will enable our best solutions to deliver lasting benefits to more people.

Most of our entrepreneurial ideas arise from the communities where we work. We identify those with the potential to become widely used and achieve high impact, testing them in the field and refining them as needed. We then design ways to scale and sustain the most promising approaches, using existing delivery systems or creating our own through local, regional, or global partnerships.

In this section you will read about
Mercy Corps' entrepreneurial approach to
creating lasting social change.

How We Know **It Works**

Mongolia



In Remote Mongolia, Modern Banking Services for All

Mongolia is the least densely populated country in the world. So it's perhaps not surprising that nomadic herders and other marginalized people historically lacked access to financial services. What is surprising – and encouraging – is that today Mongolia boasts one of the world's most dynamic financial institutions, XacBank, which Mercy Corps co-founded. XacBank is helping rural Mongolians connect to the banking economy through innovations such as mobile banking.

Nearing its sixth anniversary, XacBank is one of the more dramatic microfinance success stories: A fully licensed commercial bank, Mongolia's second-largest bank measured by number of clients, and a leading source of the development finance nurturing the country's emerging economy. It is also one of Mercy Corps' largest financial affiliates, serving 180,000 depositors and more than 60,000 borrowers in a region extending from the capital of Ulaanbaatar to the thinly settled Gobi Desert.

From its inception, XacBank (pronounced "hass bank") focused on establishing a nationwide presence that would make it feasible, for the first time, for Mongolia's far-flung people to join the banking economy. By the end of its first year of operation, the bank had locations in each of the

country's *aimags*, or provinces. Now it has a network of 68 branches and continues to open new offices to fulfill its strategy of delivering financial services to all citizens, including nomadic herders. It's also actively expanding into branchless banking. Sixty-two percent of XacBank's clients reside in remote areas, and more than half are women.

Mobile Banking for Nomads

The bank offers Mongolia's rural population a full range of financial products and services, including various forms of credit and secure, flexible savings mechanisms. XacBank provides assistance with business planning and herder loans tailored to the seasonal needs of nomads. It provides consumer loans, debit and credit cards, home mortgages, and remittance services for the sizable Mongolian community living abroad.

Now XacBank is introducing innovative ways to reach remote clients at lower cost than full-service bank branches. These services, based on Internet and mobile phone banking, include deposits, withdrawals for loan and bill payments, and money transfers, as well as mini-statements and real-time commodity prices. Because they use simple SMS messaging, all existing mobile phones are instantly capable of delivering the new services to XacBank clients. Rural customers don't even need to travel to a city branch to sign up – they can activate the services in their own *soum* (district), using mobile phones and the postal service. It's true branchless banking.





Did You Know?

We're providing rural herders in Mongolia with a suite of modern financial services, including consumer loans, credit cards, remittances, savings, and mobile phone-based Internet banking.

Young Clients, Young Staff

XacBank is sowing seeds for the future by investing in young people. In an industry where the average executive is 35 years old, the average XacBank employee is just 28. It's a strategy they call "hire for attitude, train for skill" – and it's proving a smart approach because it keeps ingrained Soviet-era attitudes from inhibiting progress. By grooming young recent graduates, XacBank is developing a culture that's open to new ideas, new technologies, and progressive management styles.

XacBank's track record is impressive. By the end of 2007, the bank had an active loan portfolio of \$86 million (a 69 percent increase over 2006), representing 60,000 loans held by 73,000 clients. Since its founding, the bank has disbursed 377,000 loans worth more than \$289 million. Loan quality remains high, with fewer than one percent in default. XacBank also had more than 180,000 depositors, with deposit balances of \$62 million. Its inventive Future Millionaire children's savings accounts and Age Gracefully retirement accounts have made XacBank a leader in consumer deposit development.

Building Shareholder Value

XacBank is not only a driver of economic growth among Mongolia's citizens, but a competitive business in its own right. As it continues to build market share, XacBank is maximizing value for its shareholders by creating a profitable, forward-looking financial institution. It has attracted investments from leading microfinance players including the European Bank for Reconstruction and Development, the International Finance Corporation, the US-based funds Microvest and Shorecap International, and the Netherlands-based Triodos. Above all, XacBank is demonstrating that successful, profitable, and non-predatory lending is viable in difficult environments, like Mongolia, that many in the private sector mistakenly dismiss as too risky. ■

SECTORS

Financial Services, Market Development

To watch *The New York Times'* Nicholas Kristof interview Mercy Corps Afghanistan's microfinance specialist Storai Sadat, visit mercycorps.org/annual.

How We Know **It Works**

Microfinance



One Decade of Microfinance, One Billion Dollars Loaned

In the 10 years since it began offering microfinance services, Mercy Corps and its partner institutions have achieved a remarkable record, disbursing more than \$1 billion in loans to more than 1 million clients while maintaining outstanding repayment rates – in most cases, higher than 98 percent. It should come as no surprise to those familiar with the world of microfinance that more than half of our clients have been women – women whose dreams of a better life for themselves, their children, and their families are coming true thanks to their own hard work.

Working in challenging environments from Afghanistan to Guatemala, we have developed a network of a dozen retail microfinance institutions. Many have evolved to commercial viability. And in building them, Mercy Corps has earned invaluable practical understanding of the financial needs of the urban and rural working poor. ■

Ten Years of Microfinance (1997–2007)

| | |
|----------------------------------|---------------|
| Number of disbursed loans | 1.17 million |
| Total amount of disbursed loans | \$1.1 billion |
| Average amount of disbursed loan | \$930 |

Microfinance This Year (as of 12/31/2007)

| | |
|------------------------------|---------------|
| Amount of loans outstanding | \$267 million |
| Total assets | \$329 million |
| Total equity | \$53 million |
| Number of active clients | 209,831 |
| Active clients who are women | 59% |

Mercy Corps Microfinance Partners (as of 12/31/2007: sorted by number of active clients)

| Financial Institution | Number of Active Clients | Country | Average Amount of Disbursed Loans | Amount of Loans Outstanding | Percent at Risk (30+ days) |
|---|--------------------------|---------------|-----------------------------------|-----------------------------|----------------------------|
| XacBank | 60,719 | Mongolia | \$844 | \$86 million | 0.63% |
| Partner Mikrokreditna Organizacija | 50,544 | Bosnia | \$2,478 | \$119.8 million | 0.62% |
| Kompanion Financial Group | 40,326 | Kyrgyzstan | \$569 | \$21.2 million | 0.20% |
| China Foundation for Poverty Alleviation | 24,735 | China | \$279 | \$9.0 million | 0.70% |
| IMLF "IMON" | 16,969 | Tajikistan | \$493 | \$15.2 million | 0.33% |
| Ariana Financial Services | 9,292 | Afghanistan | \$244 | \$1.9 million | 0.67% |
| Borshud | 2,284 | Tajikistan | \$1,136 | \$877,000 | 0.00% |
| Agency for Finance in Kosovo | 2,080 | Kosovo | \$4,640 | \$6.9 million | 1.52% |
| Poverty Alleviation in the Tumen River Area | 1,873 | China | \$408 | \$601,000 | 0.00% |
| Asian Credit Fund | 607 | Kazakhstan | \$4,675 | \$4.5 million | 2.90% |
| Community Health and Microcredit Project | 403 | Guatemala | \$172 | \$40,000 | 0.00% |
| Mercy Corps Northwest | 55 | United States | \$9,312 | \$393,000 | N/A |



Did You Know?

Mercy Corps microfinance institutions serve nearly 210,000 active clients in 10 countries. To date we have disbursed loans totaling \$1.1 billion.

Phoenix Fund Appeals to Social Entrepreneurs

Over the past decade there has been a marked shift in the way people think about the relationship between capital, philanthropy, management, and strategy. People want to understand the impact their dollars are having on the world.

One of the ways Mercy Corps is making and measuring this impact is through the Phoenix Fund, an example of its commitment to social innovation. The Phoenix Fund gathers privately raised seed capital (minimum investment is \$10,000) and underwrites high-risk, high-reward projects in some of the world's poorest countries. The fund plays an important role in our roster of market development activities because it's dedicated to innovative and time-sensitive projects. These are the initiatives that large foundations and government agencies are often unwilling to support, or to which they are unable to quickly respond.

Social entrepreneurs are people who are ready to take such targeted risks. Contributors to Mercy Corps' Phoenix Fund include individuals, businesses, and foundations that are able to invest in the market-driven projects on which we focus. They appreciate our model, in which their capital is dedicated to promising initiatives carried out on a fast-track schedule with a minimum of overhead and bureaucracy.

Phoenix Fund social entrepreneurs often seek involvement beyond their gift; they may help select projects, assist with on-site management, visit a project site, and help develop a network of like-minded individuals. Mercy Corps keeps social entrepreneurs informed about the progress of the projects they support, creating a degree of engagement that fuels a new generation of philanthropists. For more information about the Phoenix Fund, contact phoenixinfo@mercy Corps.org. ■



NEPAL

ENGAGE

Inspiring people to engage on global challenges

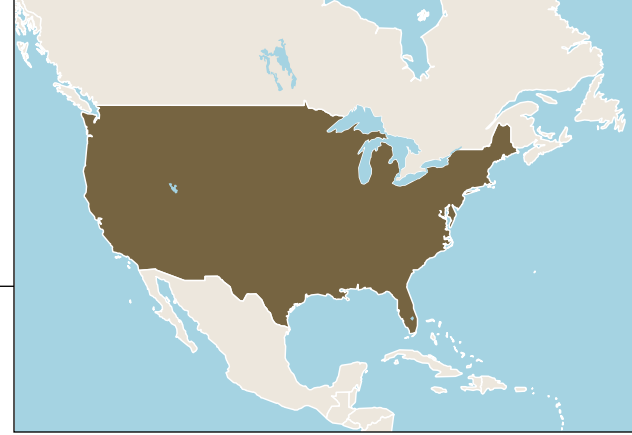
Mercy Corps is known for its focus on communities. Our programs engage local people in local solutions to the urgent struggles of their lives. Yet determined as they are, they cannot do this difficult work alone. Since these challenges belong to the great issues of our time, Mercy Corps believes we all share responsibility for the solutions. Eliminating global poverty requires the involvement of a new generation of activists. That's why we're expanding our focus to include communities of the developed world and mobilizing people in the US and UK to act locally and nationally on global issues of poverty and hunger.

We're paying particular attention to educating and inspiring the young people who represent the hope and reality – and one of the great untapped resources – of our planet's future. Our youth-oriented programming seeks to inspire a new generation of global advocates to help solve the difficult issues of our time. Our programs are lively, empowering, and fun. Best of all, they get young people hooked on the power of real action.

In this section you will discover what Mercy Corps is doing to cultivate new communities of globally engaged youth and adults and meet some of our most passionate young advocates for change.

How We Know **It Works**

United States



Cultivating Communities of Activists

Mercy Corps has developed a comprehensive family of education and outreach programs aimed at connecting developed-world youth with the challenges of the planet we all share.

Global Action Awards

Mercy Corps' Global Action Awards recognize high school students who have taken bold steps to fight global poverty. In 2007, 3,300 students from across the US submitted their projects for consideration. The finalists' projects ranged from creating computer labs for girls in India to designing a nutrition program for young mothers in South Africa. Award winners raised money, boosted volunteerism, and organized advocacy campaigns to address such poverty-related issues as hunger, human rights, HIV/AIDS, access to education, and climate change. Mercy Corps celebrates this new generation of leaders who are putting their ideas into action.

Global Citizen Corps

Through the Global Citizen Corps, Mercy Corps is empowering American students to mobilize their schools and communities on global issues. Students are using the public, youth-oriented Global Citizen Corps website to learn, exchange ideas, take action, and rally their peers in the fight against global poverty. Each school year, the program chooses a diverse group of committed high school students to become Global Citizen Corps Leaders. For 2007–2008, close to 200 leaders have been selected. Many will attend our Annual Leadership Summit. And they're having a broad influence; our leaders have reached 300,000 people with their poverty-fighting efforts.

Public Advocacy

Mercy Corps is playing an increasingly public role in international development topics. We draw from our on-the-ground experience to contribute timely, credible information on key issues and connect our supporters to US, UK, and EU leaders who shape policy on poverty, conflict and hunger alleviation. As specific topics near critical junctures – legislation, funding, or policy shifts – we encourage our supporters to speak out. More than 130,000 people currently receive our Action Alerts. We also circulate petitions endorsing measures favorable to international development, connect citizens with elected representatives, and provide updates as bills make their way through the legislative process. ■



SECTORS

Global Engagement, Youth, Education

Lauren and Emily **Up Close**

Healing Tsunami-Ravaged Lives



She was just 16 when the Indian Ocean tsunami struck, but its destruction moved Lauren Prince, like thousands of others, to help. She became a Global Citizen Corps leader and was honored with a Mercy Corps Global Action Award in 2007 for her efforts to help tsunami survivors in India.

In the first days after the tsunami, Lauren hatched an ambitious idea: to raise \$11,000 to help rebuild a fishing village. She rallied her school and community behind the effort. In the first week alone she doubled her goal, and within one month her Chennai Tsunami Relief project brought in more than \$100,000 – enough to assist 10 villages instead of just one. The money repaired boats, replaced lost school supplies, and established a microloan program, still active today, to improve the livelihoods of local women.

Lauren even visited the villages she helped. “The tsunami changed me permanently,” she says. “Our project proved to me that even limited funds can create sustainable differences and self-sufficiency in a community oppressed by poverty.”

Today a college student, Lauren remains dedicated to creating solutions to extreme poverty. She studies international relations and journalism, works as a Foreign Relations Committee intern on Capitol Hill, and traveled to Kenya and Uganda to photograph the benefits of microloan programs.

Battling AIDS and Hunger



When Emily Guo was a high school freshman, she learned that half the people in India live on less than \$1 a day. “The worst part,” she says, “is that many of us have the resources to help, yet don’t.”

Since joining Global Citizen Corps and attending its Annual Leadership Summit, Emily has acted on the world problems that trouble her. “I saw the potential in my generation,” she says. “I realized we can make a difference.”

Emily – a daughter of Vietnamese refugees who speaks English, French, and Chinese – is passionate about raising money and awareness around AIDS, hunger, and education. Her community dance yielded \$4,000 for AIDS-fighting education for Zambian girls. She conceived a benefit to help AIDS-orphaned children in Kenya and got her entire school involved in World Food Day.

Emily traveled to Washington, DC, to ask her senators and representative to support the bipartisan Education for All Act of 2007. “We will never eradicate poverty if developing countries rely on foreign countries for financial assistance,” she states. “We must arm future generations with tools to help themselves. And political leaders must hear youth speak out. If they see that the next voting generation feels strongly about universal education, they will make it a priority.”

To meet and join other youth taking action, visit mercycorps.org/annual.





GAZA

UP CLOSE

Equity for Women and Girls

A strong civil society promotes and enables the participation of all people in the activities and choices that affect their lives. However, in many of the places where Mercy Corps works, women have traditionally been excluded from the public arena. This is a loss for all. Today, Mercy Corps is reaching out to help women become active members – and leaders – of the economic and political life of their communities.

Mercy Corps works to ensure the equitable involvement of women in all of its recovery and development initiatives. The inclusion of women and other marginalized groups is central to our vision of creating sustainable change. In every Mercy Corps program – economic development, peace-building, health – we seek the positive results that only come about when both women and men plan and act together to create positive social change.

We recognize that living with war, conflict, and poverty has very different effects on women and men, and that transforming these conditions requires solutions that take such differences into account. For that reason, many Mercy Corps programs include a focus on women. Mercy Corps builds on the courage and resourcefulness of women to help them realize their own potential while improving life for their families and communities. Mercy Corps thus places special importance on gender as a cross-cutting issue. Gender equality is essential for the promotion of sustainable development.

With the full participation of women and men, girls and boys, communities can feel ownership and pride in the positive changes they achieve by working together – and create a shared vision of the future.

In these pages you will meet six amazing women. We invite you to read about Teresa (page 34), Takhmina (page 36), Hu Yan (page 38), Sharmila (page 40), and Lauren and Emily (page 31) – powerful women who are, in the words of Maya Angelou, turning dust into butter.

Teresa Up Close

Sudan



Teresa Helps Build a New Civil Society in Sudan

Teresa Deng bends her six-foot frame and squeezes through the doorway of her office *tukul*, the round mud hut with a conical straw roof that's common in this part of Sudan. Inside, she unfurls several knitted chair covers and bedsheets with stitched floral designs made by members of her women's self-help organization, Dot Baai.

Dot Baai is one of 70 civil society organizations – half of them women-led – that are using Mercy Corps grants and trainings to help strengthen the peace and play a leading role in postwar Sudan. Through a program funded by USAID, Mercy Corps is supporting grassroots organizations whose projects in health, education, agriculture, and peace building have reached more than 8,000 people.

Dot Baai is committed to helping the most vulnerable women living in Juol Jok, a village smack in the middle of the Abyei area – one of the most politically sensitive areas in Sudan. It's one of three border regions – Southern Kordofan and Blue

Nile state are the others – singled out for special treatment in the 2005 peace agreement that ended Africa's longest civil war.

Mercy Corps works to build a strong and capable civil society in all three areas, each of which is experiencing a surge of returnees. Teresa fled south from Abyei during the worst years of the war and came back in 2001. She welcomes each wave of new arrivals. "The more people," she states, "the more development."

Carving out a role for women in that development is Teresa's challenge. Dot Baai provides both a means for upward economic mobility and a political voice for local women, many of whom are war widows. "Civil society organizations are important," Teresa says, "because they are the eyes of the community" and a link between citizens and their government. "Women have power when they speak as one group."

Did You Know?

Mercy Corps helped convene one of the largest civil society conferences ever held in southern Sudan. "These exchanges are the first of their kind," said one grassroots leader. "People died so we could have this opportunity to sit and discuss."





Teresa's office *tukul* is a stone's throw from the school supply warehouse that represents the origins of Dot Baai. "One day," Teresa recalls, "I saw children sent out of school because their mothers couldn't pay the fee." After discussions with teachers and the destitute mothers, Teresa spearheaded a community volunteer team that donated material and labor to build the warehouse in exchange for the school fees owed by 16 children. The project galvanized Teresa to start Dot Baai.

Today, Dot Baai operates on similar principles of giving back: new members provide a five-kilo bag of sorghum or a mosquito net that is donated to a family in need.

“I saw children sent out of school because their mothers couldn't pay the fee.”

Teresa says Mercy Corps taught her the basics of running an organization through seminars in budgeting, management, and proposal writing. She's also flown to places in Sudan she'd never before visited to attend Mercy Corps networking conferences, where she met organizational leaders doing similar work in other regions, as well as government officials, whose cooperation is critical to her success.

In a country shattered by war, these nearly 100 Mercy Corps-sponsored dialogues are invaluable steps to healing. "It has helped me feel connected," says Teresa.

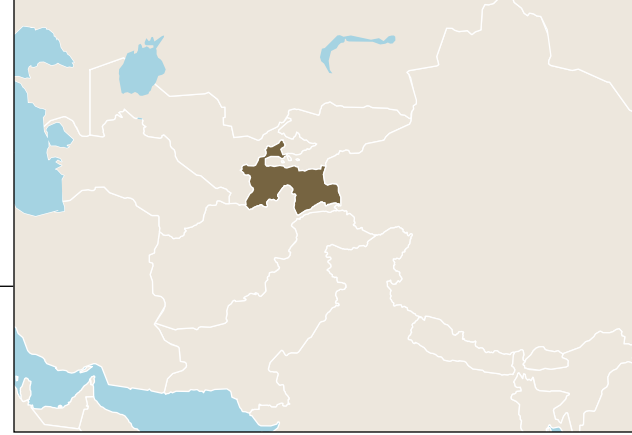
Dot Baai, she notes, is "still a newborn," but she is already picturing a bricks-and-mortar school where women can learn to read and write and gain other marketable skills. "When I see women succeeding because they are generating an income," comments Teresa, "and able to send their kids to school, I also feel like I am succeeding." Indeed she is – and in a Mercy Corps project covering six regions and 15 counties, she's not the only one. ■

SECTORS

Civil Society, Gender

Takhmina Up Close

Tajikistan



Takhmina Speaks – and Works – for Health

The vast majority of Mercy Corps field staff are nationals of the countries in which they work. Takhmina Sirojova is one of them. She's a 31-year-old Tajik surgeon who manages a Mercy Corps program that's improving the health of pregnant women and young mothers through education and awareness. Partly through Takhmina's efforts, mothers are taking more precautions during pregnancy, adopting higher rates of breastfeeding and growing more – and more nutritious – food for their families.

Our program has a broader societal impact, too: in some villages, Mercy Corps seminars have marked the first time women have congregated outside their homes. Takhmina is the ideal emissary for this message of female empowerment. In the isolated regions of Tajikistan where she works, the vast majority of women hew to traditional gender roles. They're quiet and demure, typically neither seen nor heard.

Takhmina is cut from different cloth. She's outspoken and unafraid to upset traditional gender conventions, whether by choosing the male-dominated profession of surgery or by being the only person walking down the rows of a village squash patch in high heels. Her iconoclastic views and sharp tongue equip Takhmina to chip away at the mountain of silence that prevents women from leading healthier lives in the rural hamlets of her homeland.

Her services are sorely needed. Tajikistan is one of the poorest countries in the world, with annual per-capita income of just \$390 and the fewest doctors in all of Central Asia. The country ranks near the bottom in maternal and child health indicators. Roughly one in three children under five years of age is stunted, and an estimated 10 percent of pregnant women are undernourished.

Since 2002, Mercy Corps' Development Assistance Program has been working with pregnant women and new mothers to





reduce chronic food insecurity. Mercy Corps is responsible for two objectives of the multiagency, USAID-funded program: to make nutritious food more available and to help families adopt better health, hygiene, and eating habits.

The program is helping women become more involved in keeping their families healthy and well fed. Households are planting more crops and preserving more of their harvest using Mercy Corps-taught canning and processing techniques. Ninety percent of mothers surveyed now practice breastfeeding exclusively until their child is five months old, up from 60 percent before the program began. Today, the program includes more than 4,600 women, most of whom live cloistered lives.

Women in Tajik villages don't usually gather with other women; some rarely leave their homes. So Takhmina needed permission from the husbands to convene a Safe Motherhood group that would teach women the importance of prenatal care, danger signs during pregnancy, optimal breastfeeding techniques, and how to prepare nutritious food. Getting the men to listen, however, required the full force of Takhmina's inventive and driven personality; in one village, she even entered the men's mosque to give her pitch. "Fortunately," she says with a laugh, "they didn't kill me."

Takhmina began her career as a small-town general practitioner. But rural Tajiks have a historic mistrust of doctors, and she found that few sought medical care. "Nobody wanted to go to a doctor for help," she recalls. Eager to make a difference, she swapped her scalpel for a

“Here, I have more opportunity to help all women adopt healthier behaviors, and especially to see a doctor during pregnancy.”

clipboard. “When I heard about Mercy Corps’ program, I applied. I realized that women’s health problems were not being addressed.”

Now Takhmina can see the result of her efforts. She explains, “Here, I have more opportunity to help all women adopt healthier behaviors, and especially to see a doctor during pregnancy. If they could go to the doctor earlier, we could prevent a lot of illnesses and deaths.”

She’s even making inroads against social barriers, helping the Mercy Corps program reach the unprecedented milestone of women and men attending meetings together. “This,” Takhmina beams, “is progress.” ■

SECTORS

Gender, Education, Health

Hu Yan Up Close

China



Hu Yan Finds Home, School, and a Path to Work

Hu Yan was just two when her father died in a mine accident and her mother became the sole supporter of her two children. The small family left their native mountain village of Xiabiayang and joined the 150 million migrant workers who travel from city to city in search of work. Like the rest of China's "floating population," Hu Yan's family had no choice: rural life offered little but subsistence farming, while the burgeoning cities held at least the promise of greater opportunity.

But Hu Yan and her family paid a steep price for the move. The Chinese *hukou* household registration system largely defines where people are allowed to live and work. As a result, migrants sacrifice both job options and the social benefits to which they would otherwise be entitled, such as health care, time off, pensions, and public education. That meant Hu Yan and her brother, Hu Bing, missed years of school as their mother looked for employment.

The family weathered a dozen moves before Hu Yan's mother finally found a job and they settled in Daxing District, one of Beijing's poorest neighborhoods. Here, amid the crumbling tenements and grimy factories, Hu Yan's life at last began to turn around: she and her brother returned to school. In spite of their rural *hukou*, the siblings were able to enroll at an innovative school located right in their district. The not-for-profit Dandelion School, begun in 2005, is the capital's only middle school for the children of migrant workers. The school has 530 students and 36 teachers, many of whom are migrants themselves.

Hu Yan signed up for a full course load, including math, English, science, and ethics. Having endured harsh lessons in her short lifetime, she was grateful for the opportunity to finally get back to learning and proved a diligent student. Soon she was ready for the next step.





Did You Know?

China's migrant workers provide low-cost labor to fuel the country's exploding economy. Their relocation to industrial centers forms the greatest migration in human history. The Dandelion School, supported by Mercy Corps, is Beijing's only middle school for migrant children.

To help her graduates turn their schoolwork into career skills, the Dandelion School director, Zheng Hong, partnered with Mercy Corps, a number of businesses, and the Chinese government to create the School-to-Work Project. Hu Yan was selected to participate. Through this program, she's receiving intensive vocational and life-skills training and apprenticeships that will prepare her to join China's skilled labor market.

“We have to learn how to make good use of time by ourselves, since teachers give us more flexibility. We can't just sit and wait for teachers' orders.”

Hu Yan now attends the Waidan School, a vocational high school financed by Mercy Corps' Phoenix Fund. She's taking business and computer classes, as well as courses in tourism and hotel management, to learn how to start and run her own enterprise.

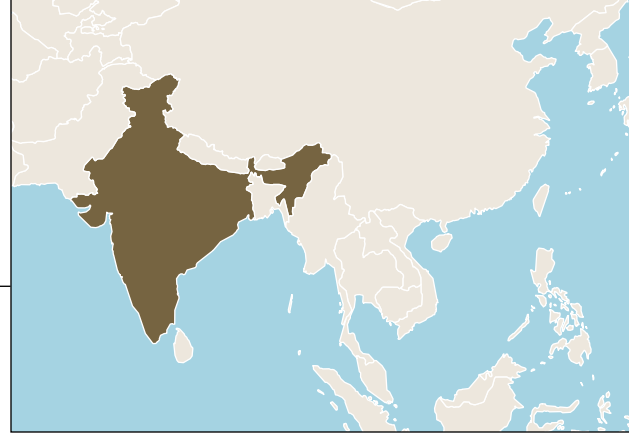
For Hu Yan and her classmates, their most valuable lessons may be how to take initiative – and work together. “We have to learn how to make good use of time by ourselves,” she reflects, “since teachers give us more flexibility. We can't just sit and wait for teachers' orders. Some of us were not accustomed to this before – but now we help each other. We believe that we can overcome difficulties together.” ■

SECTORS

Education, Gender, Youth

Sharmila Up Close

India



Sharmila Learns the Craft and Business of Papermaking

The Himalayan foothills around Darjeeling, India, are home to scores of poor villages where unemployment and underemployment have been widespread for years. In one of those villages, 24-year-old Sharmila Gurung is crafting a new future. Sharmila and her seven co-workers manufacture handcrafted paper that's used to package the famous teas of Darjeeling. While turning local plants and labor into beautiful paper, the factory also is turning a profit that signals a new era of sustainable economic development for the region.

The paper factory was built with a \$32,000 investment from Mercy Corps' Phoenix Fund, in collaboration with in-kind construction labor and materials from the community. This investment provided the necessary boilers, shredders, and presses, as well as employee training.

Sharmila knew about Mercy Corps before she started working at the paper factory. For two years she was a member of her

village's youth committee for our Community Health and Advancement Initiative, which engages people, especially youth, to raise their living standard. In fact, it was her youth committee that voted to offer Sharmila the paper factory job. Members chose eight unemployed people, among the poorest in Sharmila's village, who they felt would apply themselves and benefit most from work opportunities. For these eight, including Sharmila, the job is a life-changing opportunity.

Soon after learning she had the job, Sharmila was sent to a 10-day training at the only other paper factory in the vicinity, in the hilltop city of Kalimpong. There, she and her co-workers studied the techniques of a master. "My favorite part," recounts Sharmila, "was learning how to press things like tea leaves, ferns, and flowers into the wet paper to make it more decorative. There was really something magical about seeing the finished product for the first time."

“I learned about collaboration from working with Mercy Corps on the youth committee.”





Today the factory produces 4,400 pounds of handmade paper monthly. Workers strip the bark from a local tree called *argeli*, boil it into pulp, place it in a shredder, add organic plant dyes, press the mixture into sheets of paper, and hang them to dry.

From sourcing local materials for the paper recipe to packing the dried sheets for shipping, Sharmila's new craft is a team effort. "I learned about collaboration from working with Mercy Corps on the youth committee," she explains. "And now I have learned to work as one with my co-workers."

Their cooperation is paying off. A tea estate recently ordered 24,000 sheets of paper at 20 Indian rupees (about \$.50) per sheet. When the order is completed in six months' time, the co-workers will share the profits. Each of the eight will make approximately \$1,010 – about seven times what they would earn plucking tea leaves, the most commonly available work in the area. With new skills, a new factory, and local demand for an essential component of the tea industry supply chain, the papermaking project is paying off for Sharmila and her team, while offering a new model of economic development for the region. ■

Did You Know?

With their new skill, the papermakers will earn seven times the amount they used to make picking tea leaves.

SECTORS

Gender, Market Development



INDIA

Next Up

[Climate Change](#)

[Financial Services](#)

[Action Centers](#)





TAJIKISTAN

NEXT UP

Mercy Corps Forges Ahead

Much of this annual report is dedicated to case studies and profiles that demonstrate how Mercy Corps works – and why its approach is so effective. After nearly 30 years of collaborating with communities to create the changes they want to see, we have gained a wealth of knowledge that informs our everyday actions. This report documents just a few of the amazing transformations in the lives of individuals and communities we have been proud to support.

Today, there is plenty more to be done.

As we look to the daunting challenges our world now faces – thorny issues like the effects of climate change and globalization – we draw upon our experience to guide our next steps. But we're never content to rely solely on the lessons of the past. We let our imaginations loose to consider novel ideas that hold great promise. That's why Mercy Corps is actively testing new approaches, forming new partnerships, and exploring new technologies.

In this section you will learn where Mercy Corps is headed next. The initiatives described here stand to achieve truly global impact, as they affect the living and working environments of all who share our planet.

Next Up

Climate Change



Three Practical Solutions to the Impact of Climate Change

Climate change cuts across all development challenges on a global scale. Mercy Corps is profoundly aware of the threat posed to the communities it serves. Already-vulnerable communities are likely to be more severely affected by changing climate patterns. Because poor nations generally lack the resources and coping mechanisms that protect lives and livelihoods in richer countries, the threat is greatest for those who are least able to endure it.

Current predictions suggest that climate change will worsen an already unprecedented scarcity of resources, including water and arable land, in some of the world's most volatile and impoverished regions. It is expected to drive large numbers of people from coastal areas, where most of humanity resides, raising the risk of conflict and intensifying existing social and economic challenges.

Mercy Corps is committed to helping the communities it serves prepare for and mitigate threats from these environmental changes. We're working to help people, particularly marginalized poor families and refugees, recover from and improve their readiness to tolerate future natural disasters, gain access to sufficient water, and address the underlying causes of conflicts stemming from resource scarcity. Many of our recovery and development programs are now incorporating assessments and strategies to take climate change into account.

The news is not all grim, however. Because while climate change threatens the communities we serve, it also affords development opportunities. Mercy Corps is incubating new businesses that provide people – especially the young – with environmentally sustainable livelihoods while easing the risk of resource-based conflict.

Read about three promising
Mercy Corps initiatives related
to climate change.



NEXT UP

1 Making Communities Less Vulnerable

Mercy Corps is working with communities to mitigate the consequences of natural disasters and climate change on vulnerable populations. Whether they're caused by natural events such as earthquakes or by the effects of climate change, such as landslides and flash flooding (which we predict will become more common), our disaster risk reduction activities, such as training and emergency planning, will prove increasingly valuable in helping people prepare for crises, safeguard lives, and lessen the damage.

We recently completed a pilot study in Padang Pariaman, Indonesia, an especially poor region situated along the same coastal fault line as Aceh, the hardest-hit area of the 2004 Indian Ocean tsunami. Despite its risky geography, the region has received little support for disaster preparedness.

Learning to Be Ready

In nine Indonesian villages and 89 schools, our pilot project taught people how to minimize the loss of life and assets during disasters. As the implementing agency in a humanitarian consortium, Mercy Corps engaged community members in identifying and planning for natural disasters and mapping area hazards. Putting particular emphasis on school safety, we provided disaster alert lessons, led drills, and established evacuation routes for students, teachers, and staff. More than 23,000 community members took part in our disaster preparedness activities.



By chance, we almost immediately saw the result of these efforts. When an earthquake struck the region toward the end of our program, residents weathered it better than they ever had. Instead of fleeing to the mountains as they had during an earlier temblor, causing mass displacement, community members who took part in our activities recognized that there was no tsunami threat – and stayed put. Children responded in orderly fashion and resumed normal school schedules soon after the quake.

Mercy Corps is already scaling up the disaster risk reduction model its team developed for Padang Pariaman so it can be replicated in other at-risk communities. By ensuring that communities are better prepared, we are reducing the threats of climate change to vulnerable people. ■

NEXT UP

2 Developing New Energy Sources

Climate change can be viewed as a market failure – a result of flawed choices made because human beings do not fully understand the long-term consequences of their short-term actions. As such it demands, in part, a market response. Mercy Corps, with its community-led and market-driven approach, is developing solutions that are both sustainable and economically viable – solutions that make sense to humanitarians like us as well as to the businesses with which we partner.

We are collaborating with corporate partners to help deliver and promote cleaner, safer energy solutions. Our sustainable business models are socially and environmentally



responsible, profitable, and affordable for consumers in emerging markets.


New Energy Ecosystems

Mercy Corps is keen to contribute to an environmentally balanced approach that factors in market concerns, such as cost, as well as ecological concerns, such as safety, cleanliness, and sustainability. Our goal is to help design sustainable ecosystems that generate returns to investors, provide economic opportunity to poor communities, and decrease the strain on the earth's resources, while the human health hazards associated with burning fossil fuels are reduced.

Our early efforts are focused on heating and cooking fuels derived from agricultural biomass. We're helping not only to introduce new products that will be affordable for emerging-market consumers, but also to design what could be called an entire energy ecosystem. This approach takes into account such complexities as the distance agricultural waste destined for biofuel production can be hauled before the greenhouse gasses generated by its transport outweigh any advantages.

Mercy Corps is enthusiastic about this exciting new direction, which promises to benefit both emerging markets and the planet. Mercy Corps contributes social innovations, and corporate partners add industry-specific knowledge and resources. Together we can help people and the planet. As Mercy Corps' expertise in the most emerging of emerging markets is embraced by companies seeking new ways of doing business, we are increasingly considering the advantages of such corporate-humanitarian collaborations. ■

To learn how Ethiopian women are turning trash into cash, visit mercycorps.org/annual.



NEXT UP

3 Greening Our Offices

The people of Mercy Corps are as committed to addressing climate change at home – in its headquarters and field offices – as they are in its programs around the world. To that end, we are making changes to ensure that our facilities and activities will be carbon neutral. We have switched to 100 percent renewable energy in both our UK and US headquarters locations, will reduce travel and other energy usage, and are actively implementing green energy and procurement strategies. ■

Did You Know?

Mercy Corps' new global headquarters in Portland, Oregon, features an energy-efficient design that's expected to achieve LEED Platinum certification, the highest rating of the US Green Building Council.

Next Up

Financial Services



Financial Services for the Working Poor

Mercy Corps has a decade of experience in microfinance. Now we are dramatically extending financial services to millions of hardworking poor people who have high potential to move up the economic ladder – if they can get access to the financial products and services people in the developed world take for granted. In any recovery setting, these are the people we view as the most promising agents of change; often they are also the people to whom banks will not lend.

To help rectify this market failure, we are helping private sector banks support the efforts of poor people to recover from disasters through such services as guarantees against commercial loans. Our newest programs represent an important advance, beginning to integrate microfinance with commercial banking at the wholesale level. We envision creating a seamless web of products that serve everyone, including the poorest borrowers, with the full range of financial services that signal equal access to economic opportunity.

Creating new financial services for the poor is as exciting an endeavor as any in Mercy Corps' history. And it's ripe for success. The World Bank recently pointed to better access to financial services as a key element of a pro-growth poverty alleviation strategy. The private sector has discovered that lending to improve the lives of the poor can be profitable. And the field is broadening from its narrow focus on credit to include savings, insurance, remittances, and longer-term lending. Globalization and technology are spawning new financial services; companies are racing to deliver these services to emerging markets.

Mercy Corps aims to ensure that the benefits of globalized, high-tech financial services extend to the working poor. Read about two of our initiatives here.



NEXT UP

1 Leveraging the Power of Microfinance

Despite having one of the world's most mature microfinance sectors, with more than 50,000 microfinance institutions (MFIs) making loans to 45 million people, Indonesia has persistently high poverty. Nearly half the population lives on less than \$2 a day, and 40 million Indonesians lack access to financial services. The current microfinance industry provides only the most basic banking services.

Mercy Corps recognized that the missing link was not more retail-oriented MFIs, but correspondent banking services that would augment the ability of retail MFIs to deliver meaningful, innovative products and services to their customers. With funding from the Bill & Melinda Gates Foundation, Mercy Corps created MAXIS (Maximizing Access to Innovative Financial Services for All), which includes a wholesale "bank of banks" and an MFI support institution. These initiatives will supply the missing link, providing Indonesia's MFIs with expanded financial tools, including credit and other services, which we expect will help 12 million Indonesians rise out of poverty over the next ten years.

Benefits for Millions of People

MAXIS will offer Indonesian MFIs state-of-the-art technology, as well as diverse new products such as microinsurance

(insurance products tailored to the needs of the poor), remittances, and electronic banking. These products will help poor working Indonesians build and preserve assets, access capital at affordable rates, take advantage of business opportunities, plan for and withstand financial shocks, and, ultimately, build a financial identity with which to enter the formal economy.

MAXIS represents an original idea that's designed to be replicated. Instead of reaching 200,000 people via one institution, it will benefit millions via thousands of MFIs. Working with commercial partners that offer insurance, ATMs, mobile banking, and remittances, we're providing market incentives to create new products that serve the poor while expanding the sector itself.

MAXIS will make needed financial services available to the poor and, in so doing, revolutionize the way microfinance operates in Indonesia. Mercy Corps already is exploring the concept elsewhere. A planned expansion to the Philippines could extend such services to tens of millions of poor people. Other countries in Southeast Asia may follow. It's just the kind of pioneering thinking that's making Mercy Corps a leader in social entrepreneurship. ■



Did You Know?

MAXIS represents exactly the scaling-up of innovative ideas at which Mercy Corps excels. Instead of reaching 200,000 people via one institution, it will benefit millions of people via thousands of retail microfinance providers.

NEXT UP

2 Money Sent Home Improves Lives

Migration is having a huge effect on global citizenship and economic trends. Take remittances, the money sent home by migrant workers, which have become a powerful force for improving lives. The numbers alone are staggering: expatriate workers sent home \$300 billion in 2006. In the last five years, the value of such remittances has doubled. The amount of money sent in remittances from rich countries to poor countries each year is three times the amount of all government foreign aid budgets combined.

Mercy Corps is keenly aware of the importance of remittances in helping families back home improve their lives. Regular injections of capital can positively change the landscape of the communities in which Mercy Corps and our partners work.

Helping Migrants and Their Families

Now Mercy Corps is entering a partnership with Western Union that's designed to help migrant workers and their families gain greater advantage from their labor and the funds they send home. The initiative, which is under development, will help workers and their families strengthen their economic standing through financial planning, save for future needs, and develop their skills and assets – all key elements of success in today's global workforce.

Mercy Corps, as the primary implementation partner in this initiative, will develop a range of projects to reach migrants and their families and will deliver these projects with the help of other non-government organizations (NGOs). Western Union's worldwide network of agents will help promote the program. All projects and services of this program are available to anyone who sends or receives remittances, whether or not they are customers of Western Union.

Workers who leave home to find better jobs can bring vital new opportunities to their families. Even though families must weather the hardships of geographic separation, their ambition and hard work can help children and adults advance to a better life. That's why Mercy Corps views these periods of transition as fertile ground. They are just the



times when social interventions such as this new partnership, and the improved economic standing it promotes, can have the greatest impact. Mercy Corps is dedicated to helping hardworking poor families gain greater security and mobility from their labors and welcomes Western Union's investment in this effort. ■

Our partnership will help people who use remittances – migrant workers abroad and their families back home – strengthen their economic standing.



Next Up

Action Centers



Inspiring People to Get Involved

Information is vital to cultivating a globally engaged citizenry. But information alone is mere prelude. What matters is action: what do people do as a result of what they've learned? Just as our Global Citizen Corps student leaders (page 31) instigate real projects that reap concrete results – and thereby, we hope, get hooked for life on the power of active engagement – we want to see many more people find out about, and act on, the great issues of our day.

NEXT UP

Two Street-Level Action Centers

Mercy Corps is developing two walk-in interactive learning centers, its first storefront initiatives to engage people directly. Beyond simply providing visitors with information or objects on display, our centers are conceived as places where people are immersed in an experience that prepares and motivates them for civic engagement. To ensure that our visitors can successfully translate their experience with us into real action at the local, national, or global level, our centers offer a spectrum of meaningful, concrete action opportunities.

In New York, New York

The Action Center to End World Hunger, slated to open in New York City in 2008, is designed to help eradicate hunger around the globe. We will educate visitors about the root causes of hunger and poverty and inspire them to take action in the ongoing struggle against poverty. The center targets visitors of all ages – with an emphasis on students, parents, and teachers – and helps them understand how they can build a better world. Media-rich exhibits will include video, interactive training, multimedia resources, and suggested

actions for short- and long-term time commitments. The Action Center, located adjacent to the World Trade Center site, will welcome an estimated 100,000 annual visitors, including students, educators, local residents, and tourists.

In Portland, Oregon

A companion Action Center, using much of the same interactive content developed for the New York center, will be housed in Mercy Corps' new global headquarters in Portland, Oregon, slated for completion in summer 2009. Like the New York center, this dynamic learning and action-oriented experience in Portland will feature lively, current dispatches from Mercy Corps field staff working in our offices around the world, as well as a rich variety of video, multimedia, and interactive content. In addition, our Portland headquarters will house Mercy Corps Northwest and showcase our economic development programs in the Pacific Northwest. ■



Mercy Corps hits the streets (literally) with our two new Action Centers. We invite you to plan a visit.

Did You Know?
Four interactive training towers in our Action Centers will teach visitors about development challenges and solutions in Afghanistan, Guatemala, Indonesia, and Niger.





PERU

Stewardship

Financials

Supporters

Leadership

Get Involved

A Record of Exemplary Stewardship

Mercy Corps has long been recognized as an excellent steward of the resources entrusted to it. Over the past five years, more than 89 percent of our resources have been allocated to programs that help people in need. Ensuring that resources are wisely spent is the cornerstone of our values, vision, and strategy for growth in the future. We are proud of the awards, endorsements, memberships, and honors that substantiate our track record of accountability.

American Institute of Philanthropy

The American Institute of Philanthropy, a leading charity watchdog agency, awarded Mercy Corps an A for financial efficiency in its May 2008 rating guide.



Better Business Bureau

Mercy Corps meets all 20 of the Better Business Bureau's standards for charity accountability.



Charity Navigator

For five years in a row, Mercy Corps has been awarded the four-star rating for sound fiscal performance from Charity Navigator, the premier American charity evaluator. Only three percent of the rated charities have achieved this distinction.



Fast Company

Mercy Corps was selected as a winner of the fifth annual *Fast Company*/Monitor Group Social Capitalist Award. For the 2008 award, *Fast Company* identifies Mercy Corps as a "top-performing nonprofit" that "insist[s] on serving up smart, bold solutions to seemingly intractable problems."



InterAction

Mercy Corps is a member of InterAction, the largest coalition of America's most reputable international NGOs. We adhere to InterAction's financial and ethical standards in our fundraising and program operations.



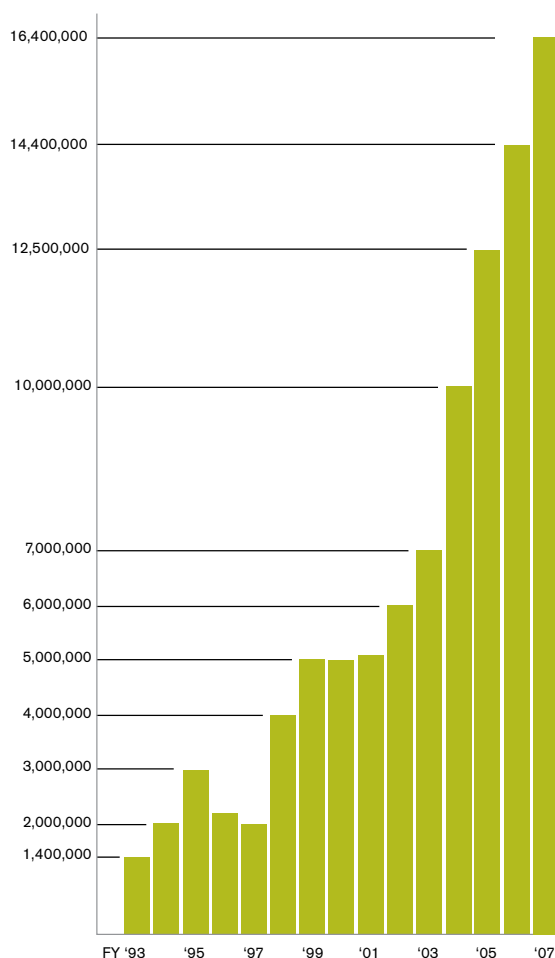
Nobel Peace Prize Nomination

Mercy Corps is honored to have been nominated for the 2007 Nobel Peace Prize.

As our community of donors grows, we are able to help many more people around the world. The generosity of our supporters sustains the life-changing work we do.

Growth in Number of People Served

From 1.4 million in FY 1993 to 16.4 million in FY 2007



Did You Know?

In fiscal 2007 Mercy Corps assisted 16.4 million people in more than 35 countries.

Mercy Corps 2007 Audited Financial Summaries

With headquarters in the United States and Europe, programs in more than 35 countries, and vital partnerships around the world, Mercy Corps is working on a global scale to help people build secure, productive, and just communities. Since 1979, Mercy Corps has provided \$1.5 billion in assistance to people in 106 nations. In fiscal 2007 (July 1, 2006 to June 30, 2007), the resources of Mercy Corps' global operations totaled more than \$223 million – a record – enabling us to reach 16.4 million people in need.

Audited Financial Summary

Condensed Summary of Support, Revenue and Expenditures of Mercy Corps

| | FY 2007 | FY 2006 |
|--|-----------------------|-----------------------|
| Support and Revenue | | |
| Government and Organizational Support | | |
| Government Grants | \$ 83,461,222 | \$ 85,297,654 |
| International Org. Grants | 6,157,623 | 7,094,593 |
| Material Aid (Gov. Commodities) | 2,549,634 | 23,956,285 |
| Subtotal: Gov. & Org. | \$ 92,168,479 | \$ 116,348,532 |
| Private Support | | |
| Contributions | 28,110,628 | 38,108,965 |
| Grants | 11,755,437 | 7,787,101 |
| In Kind | 48,598,887 | 33,440,002 |
| Other Revenue | 6,299,264 | 4,492,446 |
| Subtotal: Private Support | \$ 94,764,216 | \$ 83,828,514 |
| Total Support and Revenue | \$ 186,932,695 | \$ 200,177,046 |
| Expenditures | | |
| Program Services | | |
| Humanitarian assistance – relief | \$ 69,783,468 | \$ 87,593,672 |
| Humanitarian assistance – recovery | 26,044,813 | 29,727,835 |
| Livelihood/economic development | 39,163,801 | 27,415,281 |
| Civil society | 16,518,950 | 18,176,649 |
| Health | 6,952,938 | 8,057,934 |
| Subtotal: Program Services | \$ 158,463,970 | \$ 170,971,371 |
| Support Services | | |
| General and Administration | 15,667,506 | 14,090,596 |
| Resource Development | 9,992,856 | 9,221,998 |
| Subtotal: Support Services | \$ 25,660,362 | \$ 23,312,594 |
| Loss | 2,701,199 | |
| Total Expenditures | \$ 186,825,531 | \$ 194,283,965 |
| Net | \$ 107,164 | \$ 5,893,081 |
| Balance Sheet | | |
| Assets | | |
| Cash | \$ 52,673,855 | \$ 55,479,250 |
| Receivables | 36,281,836 | 31,930,440 |
| Inventories | 11,816,341 | 9,099,943 |
| Property and Equipment (net) | 4,705,254 | 3,569,527 |
| Other | 2,802,260 | 2,365,698 |
| Total Assets | \$ 108,279,546 | \$ 102,444,858 |
| Liabilities | | |
| Payables & Accrued Liabilities | 37,640,228 | 31,307,817 |
| Deferred Revenue | 25,656,274 | 22,917,154 |
| Total Liabilities | \$ 63,296,502 | \$ 54,224,971 |
| Net Assets | | |
| Unrestricted | 15,942,307 | 15,835,144 |
| Temporarily Restricted | 29,040,737 | 32,384,743 |
| Total Net Assets | \$ 44,983,044 | \$ 48,219,887 |
| Total Liabilities & Net Assets | \$ 108,279,546 | \$ 102,444,858 |

Global Financial Summary

Support, Revenue, and Expenditures of Mercy Corps and Worldwide Partners

| | FY 2007 | FY 2006 |
|------------------------------------|-----------------------|-----------------------|
| Support and Revenue | | |
| Projecto Aldea Global | \$ 2,526,782 | \$ 2,152,496 |
| Mercy Corps Scotland | 34,114,455 | 19,625,526 |
| Mercy Corps U.S. | 135,784,173 | 142,780,759 |
| Subtotal: Cash Revenue | \$ 172,425,410 | \$ 164,558,781 |
| Material Aid (in kind) | 51,148,521 | 57,396,287 |
| Total Support and Revenue | \$ 223,573,931 | \$ 221,955,068 |
| Expenditures | | |
| Program | | |
| Projecto Aldea Global | \$ 2,090,228 | \$ 1,795,905 |
| Mercy Corps Scotland | 30,848,398 | 17,266,538 |
| Mercy Corps U.S. | 107,315,449 | 113,575,084 |
| Subtotal: Cash Expenditures | \$ 140,254,075 | \$ 132,637,527 |
| Material Aid (in kind) | 51,148,521 | 57,396,287 |
| Total Program | \$ 191,402,596 | \$ 190,033,814 |
| Support Services | | |
| General and Administration | \$ 16,952,176 | \$ 15,681,689 |
| Resource Development | 10,862,768 | 9,634,420 |
| Total Support Services | \$ 27,814,944 | \$ 25,316,109 |
| Loss | \$ 2,701,199 | |
| Total Expenditures | \$ 221,918,739 | \$ 215,349,923 |
| Net | \$ 1,655,192 | \$ 6,605,145 |

To view or download our audited US financials, visit mercycorps.org/annual.



To Our Donors: Thank You

Mercy Corps' message of hope inspired thousands of supporters around the world in 2007, resulting in record contributions from individuals, organizations, corporations, foundations, and faith communities. In all, private contributions totaled more than \$46 million in cash and \$48.5 million in commodities and services. In addition, 140 volunteers donated 5,100 hours of work. Your generosity in 2007 was overwhelming. Without each one of you, our work simply would not be possible. As we express our deep gratitude to you, we renew our commitment to helping people around the world activate their potential to create lasting change.

A Message from Our Founder

When we started Save the Refugees in 1979, I never could have imagined the Mercy Corps of 2008.

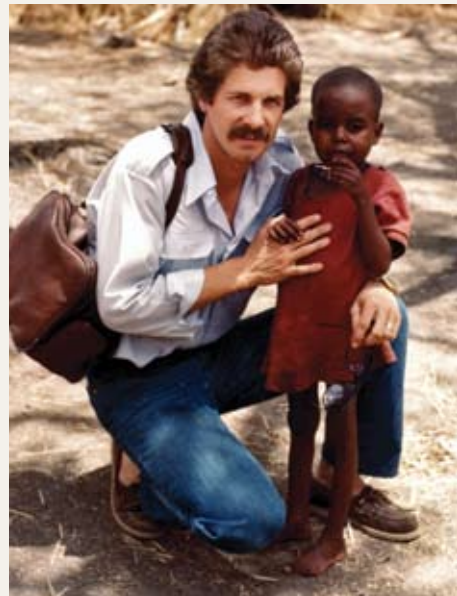
We're helping more people in more ways than ever before. We're combining the tried-and-true with the fresh-and-inventive, doing what works – and always challenging ourselves to do it better. That's the Mercy Corps of today, and it is profoundly gratifying to me.

Those of us who were there at the beginning are now watching the next generation of Mercy Corps team members take up the baton. As you've seen in this report, they're full of amazing ideas. I am immensely proud to witness their passion to "be the change," their commitment to help others, and their readiness to confront the great challenges before us.

Today the world needs Mercy Corps more than ever. As always, I thank you for your unwavering support of this vital work we do.



Dan O'Neill, founder



Dan O'Neill comforts a young famine refugee in Ethiopia in 1985.

Founders Circle

There are 990 Founders Circle members who give \$2,500 or more annually. The Founders Circle Honorary Chair is Pat Boone.

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Be the Change: The Campaign for Mercy Corps is the first capital campaign in our history. It is vital to our future because it will give us the independence to apply our proven approach to the toughest challenges of our generation. Our campaign to raise \$37.5 million in private and public funds focuses on three initiatives: a unified global engagement program, a new global headquarters, and a fund for emergency response and social innovation. Each of these initiatives will help Mercy Corps build a more stable and independent financial and programmatic base, and together they will allow Mercy Corps to address the great challenges of the 21st century. For more information, contact Johanna Thoeresz, Vice President for Development, at 503.595.0532 or jthoeresz@mercy Corps.org.

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The Phoenix Fund (see page 27), currently supported by 51 businesses and entrepreneurs, provides strategic investments through seed capital grants and loans that sustain locally implemented economic development projects. The Phoenix Fund has made grants to Mercy Corps microenterprise programs that enhance the livelihoods of local participants in China, Colombia, Ethiopia, Guatemala, India, Kyrgyzstan, Liberia, Nepal, and Serbia. Donors give a minimum of \$10,000, and they often participate in project selection and provide guidance to project managers. To find out more, contact phoenixinfo@mercy Corps.org.

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Show Your Commitment by Giving

There are a number of programs through which you can support Mercy Corps' work around the world. We invite you to look into one or more of the following ways to express your commitment:

Monthly Giving Societies

Our three monthly giving programs offer you a convenient and efficient way to provide steady support to children and families around the world. For information, call 800.292.3355, ext. 250, email donorservices@mercy Corps.org, or visit mercy Corps.org/monthlygiving.

1) Partners in Mercy. By becoming a Partner in Mercy, you help us keep our commitment to rapid, decisive action in response to disasters, as well as long-term assistance that helps communities recover. In 2007, 6,937 Partners in Mercy put their convictions into action with generous monthly gifts that helped families in need around the world. John Michael Talbot serves as honorary chair of this program.

2) Heroes Against Hunger. For most people, hunger arises not only from a shortage of available food or a famine, but from severe poverty and a lack of opportunity. In 2007, 792 Heroes Against Hunger donors helped Mercy Corps work with local farmers to increase food security.

3) Give for Kids. Children living in areas of conflict and disaster should have every chance to grow up in safe, healthy, and supportive environments. With the support of nearly 1,800 Give for Kids donors in 2007, Mercy Corps improved the well-being of children in some of the world's most troubled regions.

Planned Giving

You can be the change beyond your lifetime by including Mercy Corps in your estate plans. Your legacy gift is a testament to the lasting value you place in our work. For information, call our planned giving office at 800.292.3355, ext. 418, email plannedgiving@mercy Corps.org, or visit mercy Corps.org/donate/plannedgiving.

Mercy Kits

Mercy Kits are a great way to honor friends and family while making a difference in the world. It's easy to send your personalized gift announcement by mail, by email, or by printing your own card. Simply go to mercy Corps.org/mercykits to browse our catalog and select your gift.

Click Against Hunger

The Hunger Site, a Mercy Corps partner since 2001, generates vital support for programs that alleviate hunger and poverty by donating money to feed a hungry person every time you visit. To find out more, visit hungersite.org. ■



Take Hands-On Action Now

More than ever, Mercy Corps is encouraging its supporters to get involved in the issues and communities that help achieve positive, lasting change. We invite you to participate in one or more of the following hands-on, action-oriented programs for youth and adults:

Visit Our Action Centers

Mercy Corps Action Centers in New York, New York, and Portland, Oregon, will engage visitors through interactive experiences. Dynamic exhibits will educate the public about the root causes of world hunger and poverty and motivate people to take action. The Action Center to End World Hunger in New York will welcome visitors beginning in the fall of 2008, and the Mercy Corps Action Center in Portland will open in the summer of 2009. For more information, visit actioncenter.org.

Advocate for Policy Change

Mercy Corps' advocacy efforts articulate and advance its program goals and policy positions by actively engaging and shaping the perspectives of government officials and policy makers, donors, the foreign policy community, the general public, and the media. To sign up for our Action Alerts, visit mercycorps.org/getinvolved/advocacy.

For Students: Global Citizen Corps

Our Global Citizen Corps is a national network of high school students who mobilize their peers to fight global poverty. Our website offers resources and tools to help youth engage their classmates in global action. To learn more, visit globalcitizencorps.org.

For Students: Global Action Awards

Our Global Action Awards honor US high school students who lead projects that have a direct, positive impact in poor countries or raise community awareness about global poverty. Honorees are awarded \$5,000 for their education, or to give to a poverty-fighting cause of their choice. To learn more, visit globalactionawards.org.



Join the Dialogue: Global Envision

Global Envision is a Mercy Corps online community that focuses on the role of global markets in poverty alleviation. The website offers in-depth content, timely analysis of issues, and discussion of the global marketplace. Join the dialogue and contribute to our worldwide community of insightful citizens by visiting globalenvision.org.

Become a Business Mentor

You can give your best assets – your time and experience – to help an emerging entrepreneur succeed. Sign up to be a business mentor in Mercy Corps' MicroMentor program and use your professional skills to help traditionally underserved entrepreneurs – women, minorities, immigrants, the poor, and the disabled – build their businesses into wealth-generating enterprises. To learn more, visit micromentor.org. ■



Tell Us What You Think

This annual report provides our most in-depth look to date at Mercy Corps' programs – and the concrete results of the work we do. We took this creative direction because our supporters have told us they want to learn more about our approach. People ask us, "What makes Mercy Corps unique? Does your approach work? Why?" We welcome your interest and offer this report as part of a continuing dialogue.

Now that you have read it, we'd like to know what you think. We invite you to offer your candid comments via a brief survey. We appreciate your feedback and will carefully consider your suggestions as we prepare next year's annual report. Visit www.mercycorps.org/arsurvey.

About the Paper and Production of This Report

Mercy Corps takes its environmental responsibilities seriously. To minimize the environmental impact of creating this report, it was printed with vegetable-based inks on domestically processed fiber certified by the Forest Stewardship Council. Our report was printed near our Portland, Oregon, headquarters in a plant that runs exclusively on wind power.

Please visit mercycorps.org for a downloadable PDF of this report to share with others.



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NICARAGUA

Our Mission

Mercy Corps exists to alleviate suffering, poverty, and oppression by helping people build secure, productive, and just communities.

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ZIMBABWE

“You must be the change
you wish to see in the world.”

– Mahatma Gandhi



Be the change