On the cover: From our work in Peru and Liberia (pictured on the front cover), to our work in Azerbaijan, South Africa and Afghanistan (pictured on the back cover), CHF International’s projects are interconnecting communities to the resources they need to build a better world.
THROUGH THE YEARS, I have learned that no newspaper ever went out of business printing bad news. And if newspapers were my only source of information, I might easily believe the world was filled only with hopelessness and despair.

But, as Chairman of the Board of Trustees of CHF International, I have been blessed with several opportunities to experience a new sense of hope that comes from meeting and talking with people in developing countries and seeing the work of CHF in action. I am always overwhelmed by how community members in those countries commit to working together. I also find myself astonished by the lack of anger so many of those living in extremely distressed countries actually feel about their circumstances. Instead, I find them hungry for a chance to improve their own lives, and those of their families and neighbors. They are desperate for the opportunity to have the life-changing alternatives CHF International’s programs provide, and they are doing an incredible job.

In Lebanon, I saw communities of people with different philosophical mindsets pulling together to build wells and irrigation ditches for their communities, thanks to CHF/Lebanon’s local and expatriate staff. I also watched the fantastic efforts of CHF’s staff in Kenya, who are empowering local nongovernmental organizations to create innovative and sustainable programs that are working towards meeting the challenges of the HIV/AIDS pandemic.

We work diligently to ensure accountability in all aspects of our work. In every country, we have audits that are clear and meet all government standards. And more than just financial oversight, CHF International’s Board maintains accountability by interacting at times with country staff, program beneficiaries and funders on-site.

I am tremendously impressed by the creativity and commitment of CHF International’s staff. Many of them have the special burden of working in extremely challenging countries. Minimizing the risks of country staff and improving security for them remains a top priority for CHF International. It is our fervent hope that all staff can continue their good work, without becoming pawns in a polarized environment.

CHF International’s Board members and staff believe strongly in the organization’s vision of building a better world. We are committed to the expansion of services with accountability, as CHF continues to grow and respond to the challenges facing those who live in the developing world.

—DON H. McCREARY
Chairman
LOOKING AT THE WORLD TODAY, it’s nearly impossible not to feel somewhat overwhelmed by the immense questions we face. How do we enable community revitalization after natural disasters—or work to eliminate poverty through economic empowerment—while grappling with the human and structural tolls of war, religious and political intolerance, and other ideological divides? And how can a development organization like CHF International maintain its resolve, when aid workers find themselves working in increasingly dangerous environments?

Despite the overwhelming odds, we can ill afford to stand still while searching for answers. There is no doubt that our world today is marked by sharp divisions, but we sometimes lose sight of our common bonds. And perhaps we forget that even being aware of those divisions is a sign of just how interconnected our world has actually become.

I feel great hope and promise for the future when I visit CHF International’s projects in vastly distinct countries, and see how we are providing those most in need with the skills and resources to better achieve universal goals and aspirations.

From Azerbaijan to Bolivia, from Afghanistan to Mongolia, each of the nearly 30 countries where CHF worked in 2004 has its own distinct language, culture, political system and intrinsic beliefs. But we all share the same desires—a warm and safe bed to lie down in at night, enough food to feed our families, access to the economic opportunities that will sustain our livelihoods, freedom to worship and think as we choose, and the promise of a better future for our children. Enabling communities to fulfill these dreams is the goal of CHF International’s work and the basic foundation of local democracy.

Recently, I attended a major housing conference in Bosnia, where CHF played a lead role in bringing together members of the private sector, multilateral institutions and nongovernmental organizations. I was excited to see how these connections are fostering increased stability and economic prosperity, while providing practical solutions that local communities can implement immediately. I was equally moved by my visits to Uzbekistan and Lebanon, where I saw how integrated efforts to foster job creation and democratic community leadership are improving both countries’ economic and social health.

There is no one-size-fits-all approach to international development, nor is there one answer to all of the questions that we face. The challenges loom large, and easy answers are nonexistent. As an organization committed to a better future, we can and will continue to be a force for positive change. To do this, I suggest that we continue to work toward realizing our common dreams. We should listen more than we talk, and respect local approaches, so that we can truly move forward on our mission of building a better world.

—MICHAEL E. DOYLE
President and CEO
CATALYZING CONNECTIONS: BUILDING STRONGER COMMUNITIES IN INDIA

A COUPLE OF MONTHS AGO, I had the opportunity to visit CHF International’s program in India. We are working in urban communities in Gujarat to help impoverished slum dwellers. Like most of our programs, the CHF/India program is hard to pigeonhole because it is multifaceted—just as the people’s problems are.

In its least complicated formulation, the CHF/India program helps to improve the basic conditions of slum communities—providing water, drainage, sanitary systems, and improved housing (many families very proudly showed me the new toilets and showers that had been installed). In addition, this program offers micro loans for the residents’ businesses and improvements to their substandard houses. In this way, self-reliance is reinforced, and the beneficial impacts of the physical improvements are maximized.

The India program is based on CHF’s basic approach to bring about near-term physical results through the initiative and drive of local communities, which participate through democratic decision-making, and transparent, efficient and cost-effective implementation.

This approach also develops human and social capital within and among the program participants. This capital is an investment in stability and increased prosperity for community members and the greater society of India.

Also like most of our programs, CHF/India works at many different levels and in partnership with many different organizations to help them to enhance their technical abilities. In light of the magnitude of the problems being faced, strengthened institutional capacity is also a critically important program outcome.

Harmonizing Roles

As I visited communities in Ahmedabad, I was struck by the many ways in which “interconnections” underlie the impressive results that have been achieved. They are many:

- The fundamental solidarity among people within a community, in which community participation and priority-setting are paramount to a program’s success;
- The relationships of that community with the greater society that it exists in and depends upon for its livelihood, and much of its quality of life, are essential and symbiotic;

JUDITH A. HERMANSON, PhD
Senior Vice President
The collegial partnerships and collaborative arrangements among organizations of many different types—community-based organizations, private businesses, local government, national non-profits (in this case the Self-Employed Women’s Association—SEWA), international funding organizations (in this case USAID and the World Bank) are all necessary to stimulate and enable broad-based positive change at the community level.

Greater prosperity results in integration of ‘excluded’ urban communities with the larger society. This in turn helps stability—which is of particular importance here, in light of the recent history of ethnic violence and devastating natural disaster in Gujarat;

Powerful symbolic value is to be derived from Gujarat itself, home of Mahatma Gandhi, and the originating place of his long “Dandi Salt March,” which successfully and nonviolently forced the governing powers to redress some of the hardships of the poor.

Reverberating Impacts

During one of the community meetings that I attended, I asked community members, “What is the most important change in your lives brought about by this program?” There was an upwelling of enthusiastic response and all aspects of the program were mentioned as being important, as if they were organically linked. It was clear that the “interconnectedness” of the components reinforced the general improvements to their lives—ranging from more durable housing, to more income, to greater community contentment—affecting all aspects of life.

When I pressed further—“What if you had to say a single thing?” a clear consensus emerged: Water. They told me that water was important to them both for reasons I might have guessed and for those that I had not imagined.

When I told them that I wanted to share the story of their accomplishments with others around the world, they were very proud and surprised to hear that what they had done might inspire others.

<table>
<thead>
<tr>
<th>Well Understood Effects</th>
<th>Subtle Effects</th>
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<tbody>
<tr>
<td><strong>Health:</strong> Everyone now enjoys better health; there is less sickness.</td>
<td><strong>Social Harmony:</strong> Having water available has contributed to greater harmony between the community and the greater society—as there were frequent arguments when the community tried to get water from nearby sources. Now relations are much more amicable, and disputes, which sometimes could even lead to violence, are avoided.</td>
</tr>
<tr>
<td><strong>Women’s workload:</strong> Water nearby lessens the workload of the women who often had to go quite far to get water.</td>
<td><strong>Productivity:</strong> Having water nearby and easily accessible means that those who have employment outside of the community (many of the men for example are laborers and the women are street vendors) can wash and prepare themselves for the day more rapidly. Thus, they are able to arrive at work earlier and earn more money.</td>
</tr>
<tr>
<td><strong>General cleanliness:</strong> Water allows us to be cleaner—in ourselves and our homes.</td>
<td><strong>Education:</strong> When water was difficult to get, children were not able to wash well, and in turn they would be made fun of or rejected at school. Consequently, children would sometimes not attend; now that is no longer a problem and lack of water does not negatively differentiate them.</td>
</tr>
<tr>
<td><strong>Dignity:</strong> Water allows us to go about our daily lives in a normal way.</td>
<td><strong>Dignity:</strong> Water means that we are as “good” as other people in the greater society; we are not afraid to meet them now.</td>
</tr>
</tbody>
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Building World Community

It is perhaps an overly ambitious extrapolation to go from the provision of water in a low income community in Gujarat to the enhancement of global harmony and peace. However, it is not an entirely speculative one. The interconnections among the program components, among the organizational partners, and among the community members make the possible results ring true. The interconnections among the communities, their societies, their histories and world events make the work being done in Gujarat, and in many thousands of communities facing similar challenges elsewhere, mean that the outcomes are a critical force for a better world.

A wise person once defined a "hero" as an "ordinary person doing an extraordinary thing."

I think that the lessons of Gujarat and elsewhere upend this definition: Here, the "heroes" are people, extraordinary in their resilience and determination to improve the hand that they have been dealt, being enabled to do ordinary things—earn a living, bathe their children, hold their heads up high.

At CHF, we believe in the goodness and the power of people to shape their own futures. We dedicate and design our programs to help find practical solutions so that in the process there will result, in small ways at least, a more equitable, prosperous and harmonious world.

“At CHF we believe in the goodness and the power of people to shape their own futures.”

1 2 3 Slum revitalization in Gujarat is not only interconnecting community members to improved livelihoods, but it is also having a reverberating impact on society at large.

2

3
At CHF International, we are dramatically expanding our programs to build economic stability and support conflict-resolution efforts in Africa. Increasing our reach in the past year, CHF now provides assistance to Liberia, Eritrea, Ethiopia, Kenya, and Morocco, among others. Ranging from supporting small businesses in the poorest parts of South Africa and helping internally-displaced people in Sudan improve their quality of life, to strengthening the capacity of local nongovernmental organizations (NGOs) in providing prevention, treatment and care services. With technical assistance that uses intensive participatory learning, on-site assistance, practical applications and monitoring, NGOs are now better able to manage grants, develop strategic plans, and respond to the evolving needs of community members.

**2004 AFRICA IMPACT DATA**

- Direct Beneficiaries of Community Projects **1,203,554**
- Direct Beneficiaries of Employment and Training Programs **25,740**
- Direct Beneficiaries of Capacity Building Program **1,332,020**
- Direct Beneficiaries of Community Strengthening Programs **5,584**
- Total Direct Beneficiaries **2,568,487**
- Total Indirect Beneficiaries **38,140,796**

By linking communities with sound urban development practices and a wealth of employment opportunities, CHF International’s programs in Asia are connecting people with the tools they need to improve their quality of life and pave the way for long-term stability. For example, with our assistance, housing construction in the Philippines has blossomed into the formation of independent cooperatives to build low and moderate-income housing. And our programs in India focus on upgrading the dire living circumstances in slums in Ahmedabad City—an undertaking marked by rich partnerships with women’s associations, public interest foundations, banks, and municipal representatives. We have been helping Sri Lankans displaced by civil conflict rebuild their lives by providing them with transitional shelters built with reusable materials, and we are ramping up our work there following the devastating tsunamis of December 2004. In Mongolia, CHF International is supporting entrepreneurship and facilitating employment opportunities for residents of the country’s Ger Regions, while, in Tajikistan, we are...
organizational capacity of NGOs fighting the HIV/AIDS pandemic in Kenya, we are working to bridge the divides that have long fragmented much of the continent. In the past year we developed a multi-pronged program to help communities in Lofa County, Liberia, manage and mitigate conflict while rebuilding after a devastating civil war. This includes strengthening the mediation skills of community leaders and developing communication channels to help resolve disputes over property and resources. Simultaneously, we are assisting communities in addressing the underlying causes and consequences of conflict. By infusing our Africa programs with a spirit of community partnership and hope, CHF International is demonstrating that strategic partnerships can enable communities to triumph over economic and political instability, so that they can embrace their fundamental interconnections.

5 3 1 CHF is connecting Africans to a more harmonious future by working to mitigate conflict, strengthen community cohesion and provide people with sustainable income-generating opportunities.

A range of housing, job creation and other economic initiatives in Asia are paving the way for long-term stability.

2004 ASIA IMPACT DATA

Direct Beneficiaries of Loan Programs 2,258

Direct Beneficiaries of New or Repaired Homes/Shelters 5,722

Direct Beneficiaries of Community Projects 757,396

Direct Beneficiaries of Employment and Training Programs 68,683

Direct Beneficiaries of Capacity Building Programs 15,629,864

Direct Beneficiaries of Community Strengthening Programs 81,907

Total Direct Beneficiaries 16,545,831

Total Indirect Beneficiaries 20,014,160

Creating employment opportunities for youth as an alternative to conflict. In Afghanistan, CHF’s bricks and mortar shelter development and road building infrastructure projects are accompanied by efforts to bring together municipal leaders to resolve land tenure and titling conflicts for returning refugees.

Eritrea Ethiopia Kenya Liberia Mali Morocco South Africa Sudan
Drawing lessons from previous efforts and from the communities themselves, CHF International’s projects in Europe and the Caucuses are interconnected by the common goal of increasing economic opportunities for people throughout the region, while meeting the needs of a diverse cultural and geographic landscape. In Azerbaijan, our economic development programs are helping internally-displaced persons improve their quality of life. In Romania, we are helping to empower entrepreneurs and small communities economically, as well. Guatemalans recovering from civil war are receiving assistance with innovative organic agro-forestry business development and reconstruction aid. Community development support for Bolivian farmers helps them develop alternatives to cultivating coca. All of these and our many other efforts in Latin America share a determination to infuse economic recovery with principles of reconciliation and democratic participation. By seeking out the

Direct Beneficiaries of Loan programs 11,991
Direct Beneficiaries of New or Repaired Homes/Shelters 1,830
Direct Beneficiaries of Community Projects 464,474
Direct Beneficiaries of Employment and Training Programs 281,012
Direct Beneficiaries of Capacity Building Programs 1,944,258
Direct Beneficiaries of Community Strengthening Programs 29,541

Total Direct Beneficiaries 2,733,107
Total Indirect Beneficiaries 11,250,611

Our Latin America programming over the past year demonstrates a commitment to reaching the most economically-isolated communities, and linking them to the resources they need to realize the universal goals of peace and prosperity. In Colombia, programs offer psychosocial support to people displaced by conflict, enabling them to overcome the traumatic effects of war. These efforts are paired with vocational training, seed grants, and job placement, to help them integrate into their new

Bolivia
Colombia
El Salvador
Guatemala
Haiti
Honduras
Mexico
Peru
businesses to become more competitive, through access to credit and improvements in the economic infrastructure. With a groundbreaking new project in Georgia that is expanding income generation opportunities and essential infrastructure through community involvement, these and many of CHF’s other programs in Europe and the Caucuses are poised for substantial expansion. Despite the challenges of working in the region, CHF tailors its programs to the unique needs of each country.

community-based, national and international partners who can ensure far-reaching impact, CHF has earned a reputation as a trusted partner, capable of helping communities most at-risk to strengthen their abilities to overcome the many obstacles to economic security and lasting peace.

Our programs in Latin America are fostering democratization and providing safer income generation opportunities for economically empowering isolated communities.

From internally displaced persons to burgeoning entrepreneurs, CHF’s programs in Europe and the Caucuses are equalizing opportunities for communities all over the continent.

2004 Latin America Impact Data

Direct Beneficiaries of Loan Programs 38,000

Direct Beneficiaries of New or Repaired Homes/Shelters 87,748

Direct Beneficiaries of Community Projects 173,574

Direct Beneficiaries of Employment and Training Programs 415,428

Direct Beneficiaries of Capacity Building Programs 1,487,190

Direct Beneficiaries of Community Strengthening Programs 106,070

Total Direct Beneficiaries 2,308,012

Total Indirect Beneficiaries 5,138,133
Across the Middle East, CHF International is using economic development and enriched job opportunities as a catalyst to empower local communities in their efforts to achieve peace, security and prosperity. In relatively stable countries like Jordan and Lebanon, we have helped to bridge the divide that has long separated the business interests of the commercial banking sector from international development efforts, by establishing successful development finance institutions (DFIs). Not only are our DFIs able to provide transformative loans to lower-income clients with otherwise limited options for personal economic growth, but we have also forged new strategic partnerships among formerly isolated sectors. In places like Yemen, we are addressing the lack of economic opportunity in the region, by creating long-term vocational training and internship programs that target youth so in need of hope. In unstable, conflict-weary societies like the West Bank and Gaza, our efforts ripple out in the form of jobs programs arising from broad infrastructure projects and entrepreneurial ventures. These programs improve quality of life, while offering the spark of hope that only employment can provide. By forming partnerships that bring critical resources to the table, and engaging residents in community-based decision-making, our programs encourage security and prosperity in war-torn regions. In these and all of our many other efforts throughout the Middle East, we emphasize community-led development to repair damaged social structures, an approach rooted in the belief that connecting communities to economic improvement is the surest route to lasting stability.

2004 MIDDLE EAST IMPACT DATA

- Direct Beneficiaries of Loan Programs: 130,411
- Direct Beneficiaries of Community Projects: 4,077,439
- Direct Beneficiaries of Employment and Training Programs: 360,793
- Direct Beneficiaries of Capacity Building Programs: 3,765,827
- Direct Beneficiaries of Community Strengthening Programs: 10,581

Total Direct Beneficiaries: 8,345,051
Total Indirect Beneficiaries: 9,612,144
LOCAL/GLOBAL

Connections
Lebanon offers many agricultural gifts: a long-standing agricultural tradition, favorable climate, ample land for cultivating diverse crops, rich soil and abundant water resources. These advantages provide opportunities to grow a wide variety of crops, including staples like bananas, which cannot be grown in neighboring countries. Despite these positive factors, farmers in Lebanon are continually hindered by a lack of agricultural investment and unfavorable trade policies.

As one example of CHF’s work in the Middle East, we are working to leverage Lebanon’s comparative geographical advantages through a program called Clustering Economic Development and Revitalization of Industry Sectors (CEDARS). The program’s goal is to strengthen the agribusiness sector, and prepare it for economic revitalization—interconnecting rural areas with the national economy and the product-to-market chain, while generating thousands of new jobs in the process.

Initially, the CEDARS program identified four geographic areas of the country with clear competitive advantages: North Lebanon, Saida, Tyre, and the Bekaa Valley. Each was selected primarily for its growth potential, but also for its economic need. These four “growth poles” are geographically dispersed throughout Lebanon, with the purposeful intent of creating a broad national network able to integrate economic activity across the country.

THE KARVAN ASSOCIATION OF AZERBAIJAN

On any given day, the open-air markets of Azerbaijan are a swarm of activity. Sellers call out, touting their wares as buyers examine the crafts, looking for quality workmanship and a good price. For thousands of years, Azeris have followed this tradition. Local artisans labor painstakingly to create textiles, carpets and other handiworks. Middlemen scour the rural areas, purchasing their goods and carting them to the markets of the city. It is a system that works well for the middlemen, but not so well for the artisans, who have little leverage, and therefore see little profit result from their hard work.

With many of the artisans displaced peoples or refugees, CHF International is working to impart them with the necessary business acumen to upend the traditional business model, while connecting them to more resources and markets. Eleven groups of artisans from across Azerbaijan have become partners in the Karvan Handicraft Association, an organization CHF International helped to establish, whose membership now numbers 400. The Karvan Handicraft Association has become a tight-knit group where artisans learn from experts and from each other, swap valuable business advice, and share financial resources and market knowledge.

Workshops have enhanced the artisans’ ability to plan and manage their businesses. CHF International is teaching artisans how to market their products, how to build clientele, how to assess and tap into new markets, and how to improve their understanding of credit. Our programs have improved access to quality business advice, advocacy and lobbying services, directly
The CEDARS program is designed to engage local communities, municipal governments, the private sector and the national government in a joint, transparent and democratically managed economic decision-making process. CHF International has assembled a dynamic partnership of exceptional organizations, such as the René Moawad Foundation and the Association d’Aide au Développement Rural. These partnerships ensure the involvement and cooperation throughout the planning and implementation process of various groups that might not work together otherwise, including women, municipal and local officials, NGOs, and other informal community leaders. These participatory and collective efforts are essential to establish relationships, obtain permits, link markets with one another, and deliver products, services and opportunities in a manner effective enough to compete at both national and international levels.

Within each of the four growth poles, we work closely with local communities, organizations, and governmental institutions to mobilize resources and identify local representatives for the Economic Development Advisory Committees (EDACs). EDACs are comprised of local stakeholders that serve as apolitical, voluntary committees who provide informal, public-private economic advice to the communities. EDAC representatives are selected based on their reputation, leadership and experience in agribusiness. Municipal and local leaders have been invited to participate as well, further solidifying the public-private partnerships.

Our CEDARS program in Lebanon is generating thousands of new jobs, and interconnecting rural areas with the national economy.

resulting in decreased costs, increased productivity and profitability.

Partnerships like the one with the Karvan Handicraft Association are designed to go beyond the mere enhancement of business skills, to also improve the artisans’ technical and aesthetic skills, as well. Carpet specialists hired by CHF provide skill-enhancing vocational training that improves the authenticity and quality of the products, so they are more marketable and the artisans are, consequently, more profitable.

Together, CHF International and the Karvan Association have designed innovative marketing plans and hosted exhibitions and trade fairs to further boost profits. And, in a concerted effort to help women, we specifically targeted micro-credit programs that help them purchase the supplies necessary to start their own businesses. The results have been significant in terms of job creation for women, productivity enhancement and improved self-reliance, through a program that preserves ancient crafts traditions, while incorporating modern business survival skills.

Our programs in Azerbaijan are successfully linking artisans and other displaced persons with financial resources and market knowledge.

The Crafts Center network was founded in 1986. In 2004, CHF International agreed to merge the Crafts Center into our organization. At its new home in Silver Spring, MD, the Center retains many of the same services that had been offered previously, including Crafts News, online resources for members, and the annual Trend Report.

This year, an emphasis was placed on translating the Crafts Center’s knowledge into practice, to generate more tangible benefits to artisans at the grassroots level. Program activities in the handicrafts arena, such as those that are reaching displaced persons in Azerbaijan, will continue to increase under the umbrella of our economic development initiatives worldwide.
In South Africa’s Eastern Cape, among the poorest provinces in the nation, more than two-thirds of the population lives below the poverty line, lacking education and business skills. Local government structures are still evolving in rural areas, and there is no safety net for the high numbers of unemployed people. Those who have managed to find jobs often cannot make enough to support their families.

Andile Mtshwane used to fall into that category, until he obtained technical assistance and training from CHF’s Community Entrepreneurship & Business Initiative (CEBI). The program facilitated Andile with computer-aided design so that he could develop his prototype, and helped him develop a plan that would maximize productivity, as well as an appropriate price. Andile was able to realize his dream of opening his own engineering business, and found a niche manufacturing dunnages—carriers for engines—for Volkswagen SA in Uitenhage. Now Andile’s business is strong enough that he can employ others.

Reducing poverty through income generation is a core component of CHF’s programming in the province. The effort began with the USAID-funded Cooperative Development Program in 2000, which focused on developing an approach to affordable housing through housing cooperatives. Those goals were broadened in 2002 to encompass community service delivery, recognizing that the power of collective action can be applied beyond the construction of housing units. Building partnerships with the Agricultural Cooperative Development International / Volunteers in Overseas Cooperative Assistance (ACDI/VOCA) and National Cooperative Business Association (NCBA), the program has evolved into CEBI, which now stands on its own as a small-, medium- and micro-enterprise development organization. CEBI focuses on forming cooperatives to improve

Just five years ago, Safaa spent her days sitting on hot pavement peddling a smattering of fruits and vegetables to passersby. She barely scraped out a living. Then, through CHF/Jordan’s microfinance program, Safaa borrowed US$200 to buy additional vegetables and a few simple crates to serve as a stand. Her business grew. Today, with the help of five rounds of loans—the latest for $20,000—Safaa is the owner of not one, but two shops and two trucks, one refrigerated.

CHF’s subsidiary organization, Middle East Microcredit Company (MEMCO), made this remarkable transformation possible by partnering with Jordanian banks to leverage more capital, to help people like Safaa obtain small loans that previously would have been off-limits. One agreement is with Societe Generale Bank, where MEMCO contributes 50 percent of the loan capital against the bank’s 50 percent. Another form of coordination between MEMCO and Jordanian banks is an agreement held with the Housing Bank for Trade and Finance, in which MEMCO utilizes the bank’s wide base of transferred salaries as collateral for disbursing loans. Many of these salaries are related to MEMCO’s business clients, who started a small business to support their income. MEMCO supports a wide range of business clients—from rural goat herders and urban pharmacists, to grocers like Safaa. The loans vary from $300 to $35,000 and are used for countless purposes, from purchasing sophisticated machinery, to helping expand distribution. To disburse the
business prospects for historically disadvantaged individuals. Membership in the cooperatives opens up previously unimaginable possibilities for members to earn a living and support their families.

The CEBI program provides cooperative business development and training for cooperative members and other entrepreneurs. CEBI also builds bridges by facilitating access to microfinance facilities for credit-worthy cooperatives and entrepreneurs, through partnership agreements with existing microfinance institutions in the Eastern Cape. CHF's CEBI program also draws in municipal authorities, creating opportunities for members of cooperatives to work with local governments to strengthen business development principles within their communities. To help the entrepreneurs succeed, CEBI offers guidance with regard to registering corporations, drawing up business plans and completing tender documents.

The success of this program and others like it can be credited to CHF's emphasis on community self-reliance. By linking municipal government representatives and community groups, CHF advocates the development of community participation in local governments, and illustrates the benefits of strong partnerships.

In South Africa, we are helping to reduce poverty through income generation initiatives that leverage the power of cooperative business development.

Over the past year, cooperation agreements were signed with the Nelson Mandela Metropolitan Municipality (NMMM), the Buffalo City Municipality and the National Cooperative Business Association to formalize, register and train 24 trading cooperatives in the NMMM. With CHF's support, these objectives were met and exceeded. More than 40 trading cooperatives, with over 850 members, received training on cooperative principles and practices, as well as business skills. Several of these cooperatives have secured contracts through the NMMM and in the private sector, and their success becomes contagious when they are able to offer contract work to community members.

capital, MEMCO loan officers spend time in the field, identifying worthy clients, helping them fill out loan applications, and introducing them to bank officials. Once a loan recipient is approved, MEMCO processes their payments and assumes administrative tasks on behalf of the bank. It is a process that makes a small loan worthwhile for even the largest of financial institutions.

In 2004, MEMCO received approval from USAID for an additional US$1.05 million in loan equity to enhance its operations in Jordan, as a result of its full financial and operational sustainability, and its outstanding relationship with the banks. MEMCO has also been recognized as having the widest outreach of any microfinance institution in Jordan.

CHF's microcredit program is a success because it interconnects small communities with national-level banks, providing support and the local-level touch needed to help small business owners succeed. Loan officers come from the same communities as the clients. They understand each other in a way that large banks never could. Loan officers gauge an applicant's credibility quickly, often because they know each other personally. It is an extremely effective way to select clients. For their part, recipients feel their reputation is at stake. Their incentive to make timely payments is a matter of personal pride and delays are rare. It's a sure sign that CHF's microcredit programs are a success for bank and borrower alike.

With the widest reach of any microfinance institution in Jordan, MEMCO is connecting small communities with the national level banks that were formerly out of reach.
**TEN PERFECT PLACES: PUTTING SERBIAN TOURISM BACK ON THE MAP**

On August 10, 2004, at a border crossing between Serbia and Hungary, the first of thousands of guide maps highlighting Serbia’s best tourist attractions were handed out. Those maps were the result of unique competition sponsored by CHF International, along with a key group of international partners.

Before civil war raged through the former Yugoslavia in the early 1990s, Serbia shared in the benefits of being part of a Federation that was a popular business and tourist destination—open to travelers and business people from the East, West and around the world.

In response to the enormous opportunity created by the 2004 Athens Summer Olympic Games, CHF/Serbia developed the “Ten Perfect Places Competition.” The project was designed to support the best local Serbian businesses in providing top quality goods and services to the millions of transit tourists traveling through Serbia to and from the Olympic games.

The competition organizers gathered proposals from communities across Serbia with a goal of selecting 10 “perfect” places that would be highlighted in a campaign to drive business at the local level.

Entrepreneurs submitted proposals to develop tourist attractions along the ancient travel corridors of Serbia. The 10 winners received up to US$10,000 in grant money to upgrade their facilities, improve accessibility, launch marketing plans and create new attractions. We also offered assistance to implement collaboration, economic stimulation, increased social infrastructure and environmental protection.

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The competition organizers gathered proposals from communities across Serbia with a goal of selecting 10 “perfect” places that would be highlighted in a campaign to drive business at the local level.

Entrepreneurs submitted proposals to develop tourist attractions along the ancient travel corridors of Serbia. The 10 winners received up to US$10,000 in grant money to upgrade their facilities, improve accessibility, launch marketing plans and create new attractions. We also offered assistance to implement collaboration, economic stimulation, increased social infrastructure and environmental protection.

From the time of the Incas, coca has been a cultural staple in parts of Bolivia. Indigenous Bolivians chew the leaves to alleviate altitude sickness, to conserve body heat, and to stave off fatigue and hunger; it is also used for indigenous religious ceremonies. Still, global controversy over coca production and its use in producing cocaine have led to violent struggles between forces intent on eradication of illegal production and the coca growers’ syndicates, which control local politics and cultivation. Caught in the middle are poor farmers who struggle to create a peaceful, secure and stable environment for their families, but who have few alternatives to coca production.

With assistance from USAID, CHF/Bolivia has undertaken an integrated development approach in Chapare, interconnecting communities that resist coca eradication with alternative development program efforts. Alongside aid for basic needs such as education, water sanitation and health, CHF provides resources to strengthen community collaboration, economic stimulation, increased social infrastructure and environmental protection.

In Chapare, CHF has selected the most marginalized communities that have traditionally rejected alternative development programs and in the past participated in the illegal production of coca. A recent agreement between the government and coca producers has provided temporary peace and stability, allowing CHF easier access to these communities.

CHF’s focus is now to ensure stability within the region. Working with
pockets of these populations who are tired of conflict and ready for change, CHF found that some of the strongest allies of the development programs are mothers who hope to build safer lives for their families—presenting a critical receptive pool for community development programs. Women are the primary educators of children, peacemakers and leaders. Development opportunities for these communities are designed in accordance with the Participatory Action for Community Enhancement (PACE) methodology—an approach that encourages community participation, independent decision-making and conflict-resolution skills. PACE builds the capacity of local communities to mobilize resources to address self-determined priorities through participatory democratic practices. The results are tangible improvements in the living standards and community self-reliance. In various coca-producing communities within the Chapare, PACE programs are helping communities envision a life free of coca and conflict, through development of five-year strategic plans that embrace new economic opportunities, strengthen their citizens’ participation and leadership, and provide tangible improvements of local infrastructure and services.

CHF’s goal is to transform local syndicates in Chapare from conflict-based organizations to leaders in their own peaceful democratic development processes. These efforts are progressively encouraging communities to embrace new opportunities and reduce coca production, paving the way for acceptance and viability of more peaceful livelihoods.

The Ten Perfect Places competition is but one of many examples of how CHF’s programs in Serbia are using market-driven approaches to connect communities to democratic decision making and lasting peace.

The long-term mission for Ten Perfect Places was to create lasting economic impact through market-driven programs. Evaluated for their potential to contribute to Serbian prosperity, create job opportunities, and spur economic growth, the winners had to demonstrate unique market insight, deliver products and services that showed an understanding of customer need, and ideas that produced real benefits for targeted market segments. As it was fostering market-based opportunities, the “Ten Perfect Places” competition also connected Serbians to the resources they needed to profit from their heritage and traditions. Special attention was given to opportunities with a decidedly Serbian touch, helping both local communities and satisfied travelers benefit from the initiative.

1 3 5 Our programs in Bolivia are providing lower income groups with the safer employment opportunities they need to avoid coca cultivation.
CONNECTING WAR-TORN COMMUNITIES

More than 10,000 families live in the Surkhjoy region of Waras District in the remote central highlands of Afghanistan. Until 2003, the region was accessible only by foot, or by horse or donkey. The nearest village center was five hours away by foot, and that was only during the best travel months. In winter, most villages were completely cut off.

The intimidating topography and harsh climate were only half of the story. Twenty-three years of war and five years of drought had further ravaged the area. The communities of Surkhjoy remained, as they had for hundreds of years, isolated and in dire need of assistance. Despite large-scale international aid efforts to Afghanistan in recent years, the people of Surkhjoy benefited little, and the war and drought had destroyed their livelihoods.

In collaboration with the United Nations Assistance Mission in Afghanistan (UNAMA), CHF International is helping to improve the standard of living of Afghan residents and refugees in the central highlands, by connecting isolated communities with the rest of the country, and providing residents with income-generating opportunities. The Assistance for the Sustainable Livelihoods of Afghan Refugees (ASLAR) program, funded by the US State Department’s Bureau for Population, Refugees and Migration (BPRM) and implemented by CHF International, has facilitated the return and repatriation of nearly 80,000 Afghan refugees and internally displaced persons (IDPs) to the region, by improving economic opportunities there.

Working with communities in need to identify priorities, ASLAR rehabilitated irrigation structures, dug wells, built schools, and provided vocational training. Yet communities needed something more: they requested a road. As in most of the world, roads are critical to economic development here. Roads ease the repatriation of displaced people. They help transport materials to markets. They lead to improved communication.
infrastructure, and allow other reconstruction projects to proceed on schedule. They provide a means to interconnect all of the hopes and opportunities available with the people who seek them.

CHF obtained financial support for the project from BPRM and the International Organization for Migration (IOM), as well as additional support from the local government and the Afghan Ministry of Rural Development. The United Nations World Food Programme supplied more than 1,000 tons of wheat as a food-for-work contribution.

ASLAR outlined its project plans with intensive community input. While CHF International staff designed the structures, supplied steel, cement and timber, and supervised construction, residents of Waras and 14 other remote villages were each given the responsibility for constructing their local sections of road. The manpower came from the communities. Local leaders aided in the planning and project management.

The road project succeeded because CHF involved these local communities from the outset. Interaction and partnerships with local villages and their shuras (local leadership councils) were not only key to completing the road, but critical to the transition of long-term responsibility for the road to local peoples. The communities now oversee annual maintenance of their road—the necessary and continual process of clearing, leveling and filling of holes.

In May 2004, the project was completed. For the first time, a smooth, modern road snakes 29 kilometers through the mountains of Surkhjoy, connecting the Surkhjoy Valley with Waras and its neighboring communities. To maximize the impact and benefits of the ASLAR project, CHF sought and received additional funding from BPRM in August 2004 to extend the road an additional 52 kilometers, under the project name Building Opportunities for Local Development (BOLD). They provide a means to connect people with the opportunities they need to achieve their dreams.

High technology is not one’s typical image of Afghanistan or, perhaps, the work of a development agency. But it is a vision for the future. Technology—like Eric’s Internet connection—is an investment that saves precious time, when time matters most. Technology increases the efficiency and reach of our work. Eric has project reports, equipment orders, and blueprints at his fingertips. He can make up-to-the-minute decisions about the best sources for labor and raw materials.

Not all technology is appropriate for our work, but partnerships with high-tech firms like I-Linx keep us on top of cutting edge technologies and enable us to tap into promising developments that can be applied to international development work. High technology raises the bar, improving our ability to expand reconstruction and development projects, by improving communication abilities in the underdeveloped countries where we do our work.
Successful partnerships with a wide range of corporations, foundations, nongovernmental organizations (NGOs), governments, multilateral agencies and individuals help ensure that our programs, such as our efforts to strengthen the capacity of NGOs fighting HIV/AIDS in Kenya, are a success.

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CHF International wishes to recognize the generosity of our individual, corporate, and foundation partners. We gratefully acknowledge their contributions in 2004, which have enabled us to continue giving vulnerable populations a voice and an active role in the development of their world.

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Fundación de Apoyo a Municipios de El Salvador (FUNDAMUNI)
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As a registered Civil Engineer employed in a managerial position in Wilmington, NC, Dennis Mialki could have taken an easy street-style vacation last year. Instead, he volunteered to return to El Salvador to help build housing for poor families through CHF International’s Visiting International Professional (VIP™) program. Thanks to his volunteer spirit, several hundred more families now have a better place to call home, 27 construction supervisors now have a better understanding of the detailed requirements of their jobs, and they have written guides to aid them in their daily tasks.

Initially, Dennis was motivated to volunteer for CHF in 2001, following the devastating earthquakes that hit El Salvador early that year. For his first assignment, he helped construct and repair homes. The need for adequate housing in El Salvador was, and still is to a great extent, a very real need. Nearly 25 percent of all the housing in the country, mostly in the rural areas, was either destroyed or damaged by the earthquakes of early 2001. Most of these houses were of adobe or other inadequate materials.

As a returning volunteer in 2003, Dennis built on his first experience by conducting a thorough review of the current construction supervision and quality control process that CHF is implementing under its AHORA Program. Dennis worked to share best practices based on his own experience as an engineer, and he also facilitated the sharing of best practices between the supervisors—leaving a lasting impact.

For his part, Dennis returned home with a renewed awareness of the needs and wants of people in the developing world—and their determination to play a role in improving their communities. “I learned very quickly that the Salvadorans were ready and willing to help themselves, and were active partners in the house building process, often working many hours in the hot sun hauling concrete and working on other construction tasks related to their houses. Everyone in the communities affected worked together on one house at a time, at times working late into the evenings, until all the participants’ houses were finished.” Dennis’ volunteer experiences have inspired a long-term commitment to international development.

Some important successes in 2004 can be attributed to the rich contributions of volunteers through the Visiting International Professional (VIP™) program. Volunteers like Dennis enhance our programs around the world by sharing expertise in such technical areas as cooperative housing, urban upgrading, municipal development, environment, microenterprise, microfinance, and capacity building of non-governmental organizations.

"For me, the opportunity to serve our neighbors, no matter how far away they may be, is really a privilege."

—VIP™ VOLUNTEER DENNIS MIALKI
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On the cover: From our work in Peru and Liberia (pictured on the front cover), to our work in Azerbaijan, South Africa and Afghanistan (pictured on the back cover), CHF International’s projects are interconnecting communities to the resources they need to build a better world.