Pathways to Stability
Our Mission

CHF International’s mission is to be a catalyst for long-lasting positive change in low- and moderate-income communities around the world, helping them to improve their social, economic and environmental conditions.
TRAVELING ACROSS THE GLOBE TO VISIT THE SMALL TOWNS WHERE CHF IS WORKING in the country of Georgia made me feel as if I had traveled back in time to the rural Midwestern states of my youth. Despite the cultural and geographic distance, I sensed the people of both places were cut from the same cloth: concerned about their community, and hungry for a chance to help make their town a place where their families could survive economically and even thrive.

But in other ways, the similarities made me feel as if I had traveled back in time only to find a country suspended in an economic holding pattern throughout 50 years of Russian occupation. Re-emerging into the modern world, they encountered a brand new world filled with new challenges, but few—if any—new opportunities.

At the same time, I was incredibly impressed and inspired by how much change could be effected in a short period of time through programs such as our Georgia Employment and Infrastructure Initiative (GEII). As is the case with most of our programs, at its core, GEII is helping communities unite and work together, identifying and solving their own problems through basic democratic decision-making.

As a result, Georgians are increasingly working together to create jobs, generate income, design viable management systems, and build infrastructure that serves their needs. Even as these projects address such critical community needs as utilities and rebuilt health clinics, the very process acts as a social glue, cementing bonds, drawing people together, and fostering a tradition of communitarian self-help.

All around the world, community building is moving societies and development efforts forward. In southern Lebanon, citizens are working together to create such essential community assets as irrigation systems, and in Gaza and the West Bank, the combined efforts of people from all walks of life are establishing parks and job training programs while simultaneously mitigating the detrimental impacts of conflict.

The staff of CHF are working tirelessly in some of the most difficult environments on earth to empower communities to hold their own governments accountable and make their own lives more productive.

In that same spirit of promoting accountability, CHF International’s Board of Trustees diligently seeks to provide organizational oversight to ensure our beneficiaries receive the most effective assistance possible. Consequently, we work to promote transparency at all levels, and to support and monitor the commitment that CHF meet all governmental standards, as well as those of our donors. We secure outside professional audits in every country where we work, and continue to hone our internal monitoring and evaluation systems to heed lessons learned, and further expand best practices into new and existing programs.

While CHF’s work is often fraught with challenges, our experience over the last 54 years has proven that providing communities with opportunities to address and solve their own problems not only empowers them to chart their own course toward reconstruction, but it helps build a better world for all of us.
AS I SURVEY THE INTERNATIONAL DEVELOPMENT LANDSCAPE and CHF International’s efforts to forge stability over the past 54 years, it feels as if the pathway we are on is rockier than ever before.

In fragile states, we are increasingly seeing how friction over ethnic traditions, religion or language can quickly erode community cohesion. Even within fairly stable societies, when people lack the participatory tools to work together, misunderstandings can erupt into a cacophony of ferocity that threatens to drown out voices of compassion, tolerance, and reason.

There is no doubt that raising one’s voice can feel cathartic – especially for disenfranchised groups in places where there is no opportunity for meaningful engagement or tangible results to improve their circumstances. But if the messages people share with one another and their leaders are rooted in assumptions and accusations – rather than in shared experiences and aspirations – not only will their grievances fail to be resolved, but the process could further fan the flames of internal conflict and stifle other development efforts.

It is with this core understanding that CHF International is working to help people find common ground on which to stand, often in some of the most conflict-prone and unstable places on earth, so that they can create a better life for themselves and their families.

In Iraq, our Community Action Program (CAP) has established 450 community groups, comprised of people from across a variety of religious, social and economic backgrounds. Through CAP, these groups have been using democratic decision-making to identify and complete over 420 priority projects in areas such as economic development, job creation, basic infrastructure, and conflict resolution. More than empowering Iraqis to proactively rebuild their own communities, CAP is building a national grassroots constituency for democracy and fostering critical conflict resolution skills.

Our core methodology for bringing community members together to identify and solve their own problems has been successful around the world, despite the varying needs and priorities of each community. For example, it has brought the people of Lebanon together to foster rural economic development, the women and men of the former Yugoslavia to engage in economic and infrastructural revitalization, and the people of Bolivia to generate sustainable jobs, access basic needs in education and health, and promote environmental protection.

As an organization, our staff continues to expand and become more diverse, while their professional competencies and cross-cultural awareness better enable them to respond to the multifaceted nature of the communities we serve. Their dedication to their work – and the heartwarming response they receive from our beneficiaries – makes all of us incredibly proud.

As perilous as our work has become, giving up on our efforts now would undoubtedly be the most dangerous path. Indeed, the surest pathway to stability is to continue our mission of empowering community members to take charge of their own futures, so that rather than just raising their voices, they are understood and heard. At CHF International, we pride ourselves on listening to the needs of the community and being proactive in looking for solutions to common problems, so that everyone has a chance to participate in this effort to help build a better world.
Tipping The Balance Towards Stability

**Perspective from the Senior Vice President**

**This Year’s Building a Better World Shows CHF’s Work** in relation to one of our major aims: enhancing stability and peace. We believe that this important work begins at the community level—wherever we are working and whatever the type of program. This has been brought home to me in innumerable and unexpected ways as I have traveled during the past year, but the one that stays with me most profoundly is the aftermath of the devastating tsunami which struck Asia and parts of Africa as 2004 ended.

**Where we work**

- Excluded and low-income communities
- Post-disaster Areas
- Transitional economies
- Fragile States
- Post-conflict zones

**Areas of Practice**

- Economic Development
- Development Finance
- Emergency Response & Recovery
- Governance & Civil Society
- Community Infrastructure, Housing & Services

**Cross-cutting Issues**

- Participatory Action for Community Enhancement (PACE)
- Environment
- HIV/AIDS & Global Health
- Gender
- Enhancing Stability
- Investing in Youth

**Unprecedented Catastrophe**

This natural catastrophe was unprecedented in CHF’s experience. It was certainly unprecedented in mine. The enormity of the catastrophe impressed itself upon me when I traveled to Indonesia and Sri Lanka shortly afterwards. I was moved by the personal tragedies and staggered by the destruction. I was determined that CHF would do all that we could to help people to look toward the future with hope.

During my first trip to Aceh, Indonesia – where the tsunami had exerted its greatest force – I came upon a young woman with a broken arm sitting alone, the only person in sight, in the midst of rubble. She told me she had lost her entire family; that her house had been destroyed; that she herself had been swept from the bridge by the wave and carried to the center of the town; that she had nothing left – nothing to say who she was or to bear witness to the life she had thus far lived; that even the clothes she wore were given to her, as her own had been stripped from her body; and that she came to this place to mourn, to remember and to strengthen her own resolve to re-build.

As I stood beside her on the flattened remains of what had been her house in what had been a thriving community, I realized a deep truth of former Secretary of State Colin Powell’s comments made shortly before. He had said Aceh looked like it had been hit by a nuclear bomb. And from where I stood, it surely did. The day of the tsunami had fundamentally changed her world.

**Human Impact**

The young woman’s story was both difficult for her to tell and for me to hear. And yet, without minimizing the trauma she had experienced, I sensed within her the spark of a new beginning. And I realized that in some ways she was at a tipping point; her hopelessness might equally turn to hopefulness as to despair and the vulnerability it brings. What happened next would be all important.
Building back after a natural disaster is not simply replacing the lost physical structures. At its best, it is restoring the human spirit. In post-disaster reconstruction, CHF’s methods have been honed to enable those whose lives have been uprooted to begin to take control of “what happens next” as soon as possible. The transformation from “victim” to “survivor” is subtle but profound. It enables recovery to accompany and to guide reconstruction.

In the case of Indonesia, there have been a menu of interventions and a host of generous supporters that have enabled CHF to help nearly 40,000 people to begin the long journey to normalcy. We have helped fishermen to rebuild boats and contracted with local firms to reconstruct markets where the fish are sold; we have helped women vendors to recover their livelihoods and their sense of dignity; we have helped artisans to acquire new equipment and find new markets for their handicrafts, we have helped community groups and cooperatives to come together under renewed leadership to work towards their own futures. And this work as well as that of reconstructing houses, infrastructure, and communities is continuing.

Implications
In retrospect, I realize that the sheer scope and scale of the tsunami’s impact in Aceh underscored the multiplicity of its effects. I realize, too, that as different as it seemed from the many other situations in which CHF is working there are shared characteristics: profound uncertainty, unreliable systems for security and governance, powerlessness, and lack of options.

CHF has learned both through research and empirically through observation that effective reconstruction, just like effective development, requires a strong focus on community. By this I mean enabling the people with whom we work to address both the obvious and less obvious challenges of their situations and to do so on a human scale.

CHF has successfully applied this philosophy also in post-conflict situations – ranging from Guatemala to Lebanon, Afghanistan to Iraq, Serbia to Liberia. CHF has found that there are two interrelated elements that are essential to establishing an environment that is stable enough for viable recovery and reconstruction: (1) creating or mentoring associations with membership that represents all parts of the community and (2) using quick impact interventions that allow people to earn a living and strengthen the local economy.

Tipping the Balance
CHF strives for broad and deep social and economic impact through our work. At the same time, like the woman who survived the tsunami, each individual is vitally important. We believe that when people are able to change things for the better on a scale that affects them directly, they are then able to believe in a better future. That belief, in turn, leads to long lasting change for the good for those individuals, their communities and their societies.

Pre-conditions for conflict occur when people -- whether for reason of conflict or catastrophe, pandemic or poverty -- do not have a reasonable chance for a decent life. Community-based initiatives, such as those undertaken by CHF, are small in the grand scheme of things. They do not by themselves “solve” the problems of poverty, demoralization, and instability. But I believe that they are an essential element in their resolution. They can tip the balance.
INSTABILITY AND CONFLICT SOMETIMES SEEM PERVERSIVE IN THE WORLD TODAY, from the ongoing conflict in Iraq, to increasing tensions on the Ethiopia-Eritrea border, to recurring gun battles and kidnappings in Haiti. Less frequently recognized, though, are the areas where stability prevails in the face of numerous challenges, especially challenges from individuals who stand to gain from instability.

In the fall of 2005, Liberia, emerging from 14 years of devastating civil conflict, achieved what many thought impossible only months earlier: peaceful and generally transparent elections that produced Africa’s first female head of state. In similar fashion, following widespread chaos and protests in the summer of 2005, Bolivia achieved a modicum of stability in the second half of the year and held free and fair elections in December 2005. With instability seemingly everywhere, these are just two examples of stability and progress prevailing against daunting odds.

CHF International’s role in these successes contributes to our increasing focus on stability and post-conflict reconstruction, which parallels that of the US and other governments around the world. There is abundant evidence to suggest that societies emerging from conflict are the societies most likely to find themselves back in conflict within several years – hence the imperative to “get post-conflict reconstruction right.” Furthermore, all of the effort and funds invested in post-conflict reconstruction are for naught if their products are destroyed within months or years by renewed conflict.

CHF International promotes stability and advances reconstruction by engaging citizens – and especially leaders – in activities that build an investment in peace that is stronger than any inducement to division. We engage individuals and groups with stakes in stability and support their efforts to identify and implement peaceful, progressive solutions to complex problems.

CHF led the assistance community’s focus on stability by recognizing it as a key issue in success and began a three-year study of how our programs affected conflict and stability in 2001. The ongoing Stable Society Study examines how CHF programs can support leaders and groups with stakes in stability, and we published findings in 2005. CHF continues to emphasize this with the recent creation of our Office of Strategic Initiatives and Analysis, charged with integrating a focus on stability into our programming and developing new opportunities to promote stability in fragile states.

We implement programs designed to address concerns likely to be among the sources of instability. The Locally Initiated Networks for Community Strengthening (LINCS) program works with rural communities in Lofa County, Liberia to form Community Peace Councils that mediate local disputes, many of them connected to the widespread displacement caused by the war and the conflicting property claims that result. These councils are also a critical building block for local governance and decision-making processes in rural communities where formal government has been absent for years.
In contrast, the Managing Conflict through Capacity, Leadership and Employment (MCCLE) program works in the urban area of El Alto, Bolivia, a “bedroom community” perched on the hills surrounding the capital city, La Paz, and the center of substantial protest and discontent in recent years. MCCLE engages vulnerable youth in El Alto – those most likely to participate in the protests and blockades that have crippled Bolivia in the past – in vocational training and leadership development to expand their options and provide them with positive peer role models. CHF International simultaneously works with the La Paz Prefectura (the regional government responsible for El Alto) to build its capacity to respond to constituent demands, manage emerging conflicts and communicate with the population.

Recognizing the concerns they present when disillusioned and mobilized, CHF International is increasingly focusing on youth in fragile states, as in Bolivia. Elsewhere in Latin America, multiple programs in Colombia engage youth vulnerable to recruitment into the armed groups that fuel the Colombian conflict. Through strategic partnerships with some of Colombia’s largest private sector employers, CHF International is helping these youth find peaceful alternatives to joining armed movements. Halfway around the world, the Alternatives to Conflict in Tajikistan (ACT) program counteracts the vulnerability of a large majority of the population, and young men in particular, to growing corruption, the rise in “conflict enterprises” and the fraying of social systems due to the drug trade in the often-neglected Sugd region of Northern Tajikistan. Stability promotion and conflict management are central objectives of CHF International programming in Sudan, Azerbaijan, Bosnia, Lebanon, Uzbekistan, Georgia, and West Bank/Gaza, as well. The success of these programs, as well as those in Romania, Serbia & Montenegro, and elsewhere demonstrate that groups with stakes in stability can be effective in influencing their governments to promote tolerance, transparency, equal access and other democratic values that build stability.

In all of these disparate locales, CHF International programs bring a realistic, grounded approach to stabilization and reconstruction that identifies and engages key actors, promotes grassroots inclusion, enhances economic access, and helps groups invest in peaceful and effective drivers of democratic change, all with a view towards helping societies and communities move from instability to long-term stability.

**PHOTO CAPTIONS:**
1 & 4 Conflict resolution in Liberia.
2 & 3 Community planning in Bolivia.
5 Asset restoration in Haiti.
OUR RANGE OF PROGRAMS IN ASIA IS BRINGING TO LIGHT the diversity of ways we can help transform societies grappling with stagnant development or natural and manmade disasters, so that they can achieve stability and prosperity. This year, we have continued helping the former Soviet bloc nation of Mongolia make a smoother transition towards a free market system, by rejuvenating its economy and private sector through vocational training and employment matching in sectors that support economic growth. Meanwhile, in Uzbekistan, we have been working to reduce tensions and alleviate the potential for conflict by establishing and strengthening the foundation for democratic community participation and leadership, by implementing physical, social and economic infrastructure initiatives, while also engaging people in activities that will help prevent and mitigate conflict. Similarly, in Tajikistan, we are specifically targeting young people who have had trouble securing work, and who are otherwise at risk for becoming engaged in conflict or violent crime, by providing them with training and apprenticeship opportunities, and by fostering dialogue between youth and community leaders to address systemic impediments that hinder stability. In Afghanistan, we are helping war-torn communities rebuild by constructing vital roads, schools and clinics, and providing microcredit to home owners and entrepreneurs so that they can improve their lives. Already strengthening infrastructure in northern Sri Lanka damaged as a result of internal conflict, we turned our attention southward after the December 2004 tsunami by building transitional shelters, schools and community centers for the displaced. We also launched a comprehensive tsunami reconstruction project in Indonesia, thanks to generous strategic partnerships that are restoring key infrastructure and markets, and returning economic livelihoods to those who saw not only their homes and loved ones – but also their means of employment – swept away by the rushing waters. In both countries, we are now moving forward with the next phase of reconstruction, by building permanent homes for many of those who were displaced.
Highlights of our Impact in Asia in 2005

- **20,509 individuals** received loans totaling **US$1,474,713** to start businesses and build homes.
- **32,394** people had a more comfortable place to sleep thanks to **new or repaired homes and shelters**.
- **1,476,377 people** had more stability and social cohesion through **community projects**.
- **504,319 men and women** were better able to support their families through **employment and training programs**.
- **839,208 individuals** involved with community-based organizations became more self-sufficient through **capacity building programs**.
- **Successful public/private partnerships** leveraged an additional **$5,758,276 in resources**.

**Total People Directly Impacted** 2,884,529
**People Indirectly Engaged (approx.)** 4,311,484
We have been working to reconstruct the remote Sumatran province of Aceh ever since an earthquake on December 26, 2004 unleashed a series of tsunamis that obliterated millions of homes, businesses and other key infrastructure, while claiming the lives of nearly a quarter of a million people.

With 54 years of experience in the aftermath of human and manmade disasters, we knew that the people of Aceh needed not only immediate food and shelter relief, but that also assistance with long-term reconstruction – to get people back to work, rebuild critical markets, and enhance economic and psychosocial recovery.

Thanks to the tremendous support of the AIG Disaster Relief Fund, acclaimed singer/songwriter Alanis Morissette, AmeriCares, Briggs and Stratton, Catholic Relief Services, Direct Relief International, DLA Piper Rudnick Gray Cary and countless concerned individuals, we were able to supplement activities funded through the longstanding support of USAID and the American people. Private sector support not only enabled us to respond immediately, but it helped CHF devise creative income generation opportunities that complemented US government support.

The international law firm and staff of DLA Piper Rudnick Gray Cary have been among CHF’s most steadfast partners in the reconstruction. They contributed to a holistic set of efforts that rebuilt damaged boats and boat building workshops, restored fish markets, erected shelters, strengthened the local handicrafts industry, provided the government with needed seismological equipment, and also provided vulnerable community members with targeted income generation and employment opportunities.

The impact of these comprehensive livelihoods efforts is palpable in Aceh’s Pidie District, where fishermen who lost their equipment saw their boats repaired and received new fishing nets, elderly women were provided with the materials to expand a popular home industry making edible chips, and itinerant traders received bicycles with baskets and start-up capital to purchase products and transport them for sale.

Nearly everyone who survived the disaster has his or her own harrowing tale of survival to tell. Tgk Husen, a trader in Pidie District, clung to a second-story piece of rebar in order to survive, and says he thought he could hear the earth cry when the tsunami came. After losing his home and business in the tsunami, support enabled by DLA Piper Rudnick Gray Cary allowed CHF to provide Mr. Husen and hundreds more in his community with about US$300 and a bicycle with baskets, so that he could resume work as a trader and open a small store.

Mr. Husen says, “The help I’ve received has given me hope that I can rise to new heights.”
Mongolia

Mongolia and its economy were greatly affected by the break-up of the Soviet Union and, while the country gained autonomy over its affairs, it lost a third of its national income in the process. Some of those hardest hit are the residents of Mongolia’s “Ger” areas, the peripheral areas around Mongolia’s cities, where approximately 30% of the country’s 2.7 million people live.

Although Mongolia is known for the nomadic lifestyle of many of its citizens, the Ger areas have continued to grow, as families move to the cities in search of stable livelihoods, higher standards of living, and educational opportunities for their children. However, in many cases, this population shift has only exacerbated the disparity between the have and the have-nots, with most Ger area residents lacking heat, water, sanitation services, and stable employment.

To increase the number of productive businesses and jobs for Mongolians, CHF International initiated the Growing Entrepreneurship Rapidly (GER) Initiative, which operates 15 branch offices in the Ger Areas around Mongolia’s four major cities of Ulaanbaatar, Erdenet, Darkhan, and Choibalsan, providing loans, job training and employment matching to potential entrepreneurs.

Initially, the prospects for Adiyasuren, a budding entrepreneur who wanted to operate his own machine-knitting business, seemed bleak. His modest income did not allow him to save needed capital to buy raw materials, nor did he have access to advice on how to start and run a business.

Fortunately, Adiyasuren learned of the business development services provided by the GER Initiative, and he completed the paperwork for start-up funding for his business in August 2005. Not only did the loan enable Adiyasuren to overcome his financial challenges, but he also received training in bookkeeping, business planning and management.

Today, Adiyasuren’s business produces and sells hundreds of machine-knit thermal pants for children in Ulaanbaatar, Darkhan, and Erdenet, and other parts of the country. Over time, he has refined his products and has created a tremendous demand for his clothing.

Adiyasuren’s excitement and optimism about the future are palpable, and he hopes to expand his enterprise even further. “With the help of GER Initiative, I’ve been able to realize my dream of running my own small business,” he says. “Now, as a small business owner and my own boss, I have more control over my future, and profits from my business have enabled me to provide better for my family.”
THROUGHOUT THE MIDDLE EAST, WE ARE HELPING COMMUNITY MEMBERS SURMOUNT the detrimental impacts of political instability and violence by providing women and men with a wealth of economic opportunities, restoring damaged infrastructure, providing youth and adults expanded educational and career opportunities, and enhancing the capacity of communities and civil society to resolve the issues that have been hindering development. In the West Bank and Gaza, we are generating employment through labor-intensive projects to improve educational and youth facilities, expanding entrepreneurship opportunities for women, providing loans to strengthen businesses and homeownership, creating new recreational facilities and parks to provide community members with a better quality of life, and engaging Palestinian citizens at multiple levels to encourage participation in governance issues among stakeholders that will create an enabling environment for local democratic governance. In Jordan, we are enhancing NGOs’ abilities to effectively engage with communities and manage economic development projects through technical assistance and capacity building, while the Middle East Micro Credit Company, a local microfinance institution created by CHF, continues to provide loans and other financial assistance to low and middle-income borrowers. In Yemen and Lebanon, our ACCESS-MENA program is combating the detrimental effects of child labor and getting children back into school. A separate program in Yemen also focused on improving the employment opportunities of youth aged 18-25 through vocational training and the fostering of entrepreneurship. In Lebanon, we have been establishing comprehensive, environmentally sound, and sustainable waste management systems in the Zahleh region to alleviate a potential environmental crisis, while a separate program is strengthening the agricultural sector in rural areas so successfully that it is not only revitalizing Lebanon’s economy, but it is now serving as a model of best practices for a new program in Serbia. Finally, our commitment to the people of Iraq has not waned despite the extraordinary challenges, with one program providing Iraqis much-needed access to microcredit services to rebuild their lives, and a separate initiative strengthening communities’ democratic decision-making abilities. These efforts are not only transforming the political landscape at the grassroots level, but they are also strengthening the stability of fragile states.

PHOTO CAPTIONS
1 Strengthening the agricultural sector in Lebanon.
2 Completed school construction project in Iraq.
3 School rehabilitation in Gaza and the West Bank.
4 Microcredit client in Lebanon.
Highlights of our Impact in the Middle East in 2005

- 158,895 people accessed loans totaling $44,510,595 to build or improve their homes or improve their businesses.
- 4,236,077 have benefited from a range of community projects.
- 835,071 people have expanded livelihoods through employment and training programs.
- 5,883,384 women and men are now better prepared to provide assistance within their communities through capacity building programs.
- 33,935 individuals are enjoying more social stability through community strengthening programs.

Total People Impacted Directly 1,147,866
People Indirectly Engaged (approx.) 10,590,547
> Gaza and the West Bank

Political instability and violence have contributed to the substantial deterioration of the infrastructure, economy, environment and human development potential of communities throughout the West Bank and Gaza Strip. Since 1994, our wide range of programs is generating much needed employment in impoverished areas, improving environmental conditions, rehabilitating and creating vital infrastructure, fostering entrepreneurship, and enabling the development of local democracy and good governance.

Half of all Palestinians the West Bank and Gaza are living in poverty, and unemployment is at critical levels. In addition, cultural norms, an unsupportive policy environment, limited local capacity and constrained markets have further hindered economic development for women. Approximately 23,000 Palestinian female heads of household support their families through home-based handicrafts businesses such as embroidery, ceramics, painting, weaving, copper, mosaics and sculpture. However, with only 13 percent of Palestinian women employed in the formal economy, their efforts to achieve economic parity are complicated.

As a result, in July 2005 we launched the Policies and Opportunities for Women Entrepreneurs’ Readiness (POWER) program to address policy level barriers through advocacy with the Ministry of Women’s Affairs, and to empower female artisans at the grass roots level through skills development and training.

POWER is training 103 women from Bethlehem, Samou’, Ramallah and Gaza in handicrafts production and export businesses. In addition, POWER is creating a Palestinian Women Handicraft Entrepreneur’s Association and Regional Handicrafts Network that is linking women to other groups throughout the Middle East that will support each other through cooperative activities and the sharing of advice.

The female artisans involved in the POWER program are not only learning critical business skills that are enabling them to better support their families, but the process of engaging them in business development is changing theirs and others’ perceptions about their innate abilities.

The program has criteria for participants to possess at least a basic education. However, two illiterate women from the Samou’ area insisted they receive training, and suggested that their daughters – whose university educations had been financed through the sale of handicrafts – could attend the trainings and help them write down their business plans. Both women successfully completed the training despite their educational barriers, and they are now even peppering their speech with English terms like “cash flow”.

One of the women, Hamdeh Hamdan Abu El-Kibash, said, “I never thought that at my age I would get a chance to sit in a class with 20 other women and receive information that I didn’t even know existed. Now, through the POWER program, I know there’s more that I can do.”
Yemen

Yemen is the poorest country in the Middle East and among the most impoverished worldwide, with millions of youth toiling as child laborers. Most drop out of school, never to return, and work up to 12 hours a day for a pittance in what are often unhealthy and hazardous conditions.

More than condemning children to a life of poverty and further exacerbating the country’s extremely low literacy rates, Yemen’s dearth of educational opportunities and generations of child laborers has created ripples that threaten to further hinder economic development.

To help offer Yemeni children more options for the future and transform the dynamics that place them at risk in the first place, CHF initiated the Alternatives to Combat Child Labor through Education and Sustainable Services in the Middle East and North Africa (ACCESS-MENA) program, supported by the US Department of Labor.

This comprehensive program is helping to get at least 3,000 of Yemen’s most vulnerable children aged 7-18 back into school by eliminating their barriers to an education. To date 1,300 have returned to school. Dilapidated schools are being renovated, community outreach is changing parents’ minds, and children are receiving psychosocial support, enhanced curricula and vocational training. And to ensure a lasting impact, ACCESS-MENA in Yemen and a similar project in Lebanon are addressing the institutional impediments at the policy and regional levels.

One of many children now back in school is Rougaya, an 11-year-old girl from Ibb Governorate. Before ACCESS, Rougaya had been out of school for a year, working at home in both agriculture and domestic labor. Without running water or a gas stove, a considerable portion of her day was spent fetching water and firewood for the stove, and collecting fodder for the family’s animals. Four other siblings went to school while she worked at home.

An ACCESS community outreach volunteer visited Rougaya at home, and was able to persuade her family that she should re-enroll in school; her school fees—and those of 40 of the 87 other children at her school enrolled in the program—were covered by matching contributions made by the community during outreach efforts. She and her classmates have also benefited from substantial upgrades, including a resource room dedicated to remedial education. Rougaya is very happy to be back in school, and she says her hope, one day, is to become a doctor.
WITH THE LIVES OF MANY AFRICANS IN TURMOIL as a result of recurring conflict, internal displacement, endemic food insecurity, grinding poverty and health epidemics, our work in Africa during FY05 rebuilt fundamental safety nets and provided vulnerable communities with the economic, natural, social and infrastructural resources they need to enjoy peace and stability. This year, we worked to enhance access to water in drought and war-affected communities throughout the Anseba and Dubub regions of Eritrea, by improving access to potable water, increasing food security, and developing strategies for combating the drought situation in the future. We are also mitigating pervasive food insecurity in Ethiopia, by assisting the government with economic initiatives, all the while amplifying community members’ access to key markets and a secure livelihood. In Kenya and Rwanda, we are strengthening the technical, organizational and programmatic capacity of nongovernmental and community-based organizations to more effectively respond to the HIV/AIDS pandemic, while providing them with grants to achieve their goals. In Liberia, we are bringing fundamental conflict resolution skills to the people of Lofa County – one of the areas most wracked by the civil violence – so that they can enjoy peace and security, in addition to constructing emergency shelters. In South Sudan, we are increasing access to water, repairing roads, establishing community centers and offering people concrete income generation opportunities. And in Sudan’s troubled western region of Darfur, we are helping to transition communities ravaged by civil war and ethnic strife into more stable societies, by providing women, men and children access to a secure source of food and land to till, creating community centers that are reestablishing once-severed social ties, and improving shelters for refugees. Our commitment to the people of Africa is as strong as the diversity of projects we have created to respond to their needs. None of our achievements would be possible without the resolve of local community members themselves, and together we are helping once devastated nations to thrive and prosper, and to surmount the impediments that might otherwise stand in the way of a bright future.
Highlights of our Impact in Africa in 2005

- **8,525 people** had a more comfortable place to sleep thanks to new or repaired homes and shelters.
- **1,436,112 people** had more stability and social cohesion through community projects.
- **656,334 men and women** were better able to support their families through employment and training programs.
- **929,210 individuals** involved with community-based organizations became more self-sufficient through capacity building programs.
- Successful public/private partnerships leveraged an additional $255,000 in resources.

**Total People Impacted Directly** 3,033,535  
**People Indirectly Engaged (approx.)** 785,324
Hadja Idriss Ahmed first arrived at the sprawling Abu Shouk camp for internally displaced persons (IDPs) in North Darfur with her husband and five children in November 2004, after the spreading conflict forced them to leave their hometown of Tawila. Arriving in Abu Shouk, the family received shelter and food, but conditions in the camp were harsh. Overcrowding made access to water a daily challenge. Hadja was constantly worried about the health of her children, and her youngest was suffering from frequent bouts of diarrhea.

In June 2005, the family moved to a new camp, Al Salam, with 22,000 other internally displaced people. Living in a cluster of shelters inhabited by fellow villagers from Tawila, including the local sheikh, the family now has easier access to clean water and is surrounded by familiar faces.

Several months after the move, Hadja heard from her sheikh that an organization called CHF International was planning to distribute chickens to IDP women. Hadja originally thought the idea was silly, but, “when we learned that these were all egg-laying chickens, my friends and I realized it was a good opportunity.”

CHF International delivered two chickens to Hadja during the Muslim holy month of Ramadan as a part of a larger distribution of 2,195 chickens to 750 families in the camp. Hadja and three women from her extended family built a chicken coop, and CHF’s animal health volunteers visited with the women to teach them about proper care and feeding.

Since January 2005, CHF International has distributed over 25,000 egg-laying chickens to approximately 8,000 displaced families (44,000 individuals) in Darfur; the chickens have produced over 2 million eggs for consumption and sale.

Chicken distribution constitutes one of 19 separate CHF activities in the areas of food security, shelter and livelihoods funded by USAID’s Office of Foreign Disaster Assistance that are helping the people of Darfur reestablish their lives and prepare for their eventual return home.

Since the distribution, Hadja’s chickens have been laying eggs regularly and she has incorporated eggs into the family’s meals to provide a good source of protein for her children’s diet. Hadja also started selling the extra eggs in the nearby market every few days and uses the income of about US$0.18 per egg to buy needed firewood, sugar and vegetables.

Hadja says the impact of the chicken program on her family has been substantial. “My children’s health is better, now that they eat a healthier diet, and they have more energy.”
Far from lurking in the shadows, the Nyarami Voluntary Counseling and Testing (VCT) Center in Migori stands brightly in the center of town as a beacon where people are coming to learn their HIV status.

Opened in June 2004 through the persistence of Migori’s Rural AIDS Prevention Program (RAPP), Nyarami became the first VCT clinic in Migori district to open its doors to the public.

Although this rural region feels a million miles away from the bustling capital of Nairobi, one thing that has reached this place in force is HIV/AIDS. The lack of a VCT clinic before now complicated ascertaining the area’s HIV infection rate. However most estimate it is between 30 and 35 percent – one of the most affected regions in the country.

While actually establishing Nyarami VCT was a success in and of itself, it was not enough to ensure that adequate services would be provided to Migori’s people. The staff needed training in testing and counseling; they needed to understand how to do outreach to community members; and they also needed the critical organizational and financial management skills that would put them on the path to long-term sustainability.

CHF International’s Local Prevention and Treatment of HIV/AIDS and Grants Management (LPATH-GM) Program identified Nyarami as an ideal recipient for capacity building assistance. Funded by the President’s Emergency Plan for AIDS Relief (PEPFAR) through the Centers for Disease Control and Prevention, LPATH-GM has been working since November 2004 with 31 NGOs spread all over Kenya, providing them with customized assistance that matches them with the specific resources they need.

LPATH-GM participants like Nyarami have learned the technical skills to provide better VCT services to their clients, the programmatic savvy to work more effectively despite limited resources, and the organizational and financial management skills that will put them on the road to fiscal responsibility - minimizing the need for international assistance in the future. LPATH-GM also provides each local NGO partner with grant money so that it can achieve its organizational growth goals.

Nyarami VCT is now able to provide better services to the people of Migori, reducing the stigma of the disease, and encouraging more people to get tested to know their HIV status. But moreover, LPATH is helping to link Nyarami with other organizations in Migori and other parts of Kenya, so that they too can benefit from new skills and best practices, and provide better care for those infected and affected by HIV/AIDS.
THROUGHOUT MUCH OF LATIN AMERICA, we are providing communities with viable economic opportunities so that they can start businesses, build or expand on their homes, recover from natural disasters, and avoid the persistent threats of violence, poverty and displacement that challenge their ability to enjoy stability and lead productive lives. In Colombia, we are providing emergency assistance with a long-term impact to men and women displaced by the country’s internal armed conflict, including emergency housing and household kits, psychosocial support and enhanced access to education and health care services, and longer-term economic assistance and new job creation. In the Tropics of Cochabamba in Bolivia, we are offering communities alternatives to “illegal” coca cultivation and fostering democratic processes, by strengthening collaborative efforts to access basic education, water, sanitation, economic alternatives and health care needs. Additionally in El Alto, CHF provides at-risk youth with vocational training, leadership training and job placement assistance. This year, we completed a long-term effort to help the people of El Salvador recover from a series of devastating natural disasters by rebuilding lost homes and enhancing disaster preparedness. We also expanded our tropical storm reconstruction efforts in Haiti by assisting with cleanup efforts, rehabilitating destroyed homes, roads, schools and clinics, and restoring assets to those who lost their livelihoods. Our diverse set of programs is economically empowering the people of Honduras, by providing microcredit to entrepreneurs and home owners, strengthening the sustainable tourism industry through public/private partnerships, enhancing opportunities for small-scale agricultural producers, strengthening disaster preparedness efforts, and improving the financial and administrative management of the country’s healthcare systems. In Mexico, two non-profit organizations that CHF created – Fundación Habitat y Vivienda (FUNHAVI) and Fundación para la Vivienda Progresiva (FVP) – are providing Mexican families along the US border with affordable loans to improve their homes and enjoy a better quality of life. Similarly, in Peru, we established a local microfinance institution, PROGRESO, which is providing progressive housing loans to low income residents in the mining town of Cajamarca so that they can build, expand or renovate their homes.
Highlights of our Impact in Latin America and the Caribbean in 2005

- **52,096 people** accessed loans totaling $6,632,825, to build or improve their homes or improve their businesses.

- **15,750 people** are now living in new or repaired homes and shelters.

- **4,319,275 men and women** have benefited from a range of community projects.

- **400,625 people** have expanded livelihoods through employment and training programs.

- **173,844 women and men** are now better prepared to provide assistance within their communities through capacity building programs.

- **218,727 individuals** are enjoying more social stability through community strengthening programs.

**Total People Impacted Directly** | 5,180,317
---|---
**People Indirectly Engaged (approx.)** | 8,687,757
THE **Crafts Center at CHF International** is committed to helping artisan entrepreneurs preserve their cultural heritage and lift themselves out of poverty through economic enterprise. Viable crafts businesses stimulate local economies, preserve cultural traditions, prevent migration by poor families to over-crowded urban centers, and contribute to the conservation of raw materials, which helps to maintain often fragile ecosystems. Flourishing artisan enterprises also put more money into the hands of women, who use their earnings largely for education, healthcare, and food for their children. In short, when craft businesses prosper, the effects are often far-reaching and profound. The Crafts Center’s goal is to provide the tools that allow local micro-businesses to meet these challenges by teaching artisans how to form successful businesses from craft production and linking them to the information and training they need to share their treasures with the world. CHF’s work in Colombia highlights the positive economic impact that technical training can have on artisans displaced by internal conflict.

The internal armed conflict in Colombia has been going on for more than four decades. In the last 15 years, more than three million people have been displaced, as illegally armed groups fight to maintain or increase their influence in the rural and urban areas of Colombia. In response, CHF International’s various programs in Colombia have been working to improve the lives of Internally Displaced Persons (IDPs) since 2002 by providing them with humanitarian assistance and longer term economic possibilities. CHF is also providing vocational training, support to micro enterprises, and both short- and long-term jobs in areas where there is high unemployment, especially due to displacement. In addition, CHF provides other support to IDPs in the form of shelter, social infrastructure, psychosocial support, and improved access to education and health care. Youth at risk of engaging in conflict are also receiving leadership training in areas where they are prone to being recruited by internally armed groups.

CHF International has assisted internally displaced artisans by improving the quality, packaging, and marketing of the various products to help them grow their businesses, improve their quality of life, and generate jobs for others. By providing the artisans with marketing, accounting, and product presentation support in their local markets, they are also being taught how to become better sales people. Since its inception, the program has helped an estimated 5,500 small businesses, including 1,600 producers of goods, crafts, clothes, candies, and so forth. While fostering artistic traditions and cultural vitality, CHF International has provided economic stability to thousands of IDPs by generating a production chain that energizes the economy of the citizens recovering from armed conflict.

Together, our conflict management and humanitarian assistance programs in Colombia are not only helping IDPs envision themselves economically integrated into the their new communities, but they are providing youth with a vision for the future that is putting them on the pathway to stability.
Haiti was already struggling with political instability and economic stagnation when Hurricane Jeanne hit in September 2004. For the dusty city of Gonaïves, located in the north of this Caribbean island, the effects on the more than 100,000 residents were devastating, as thousands of poorly-constructed homes were washed away, leaving their occupants homeless and largely destitute. It is estimated that the storm claimed approximately 3,000 lives and flooded the homes and businesses of more than 70,000 others.

In response, in January 2005 CHF International began work on the USAID-funded Tropical Storm Recovery Program (TSRP), in partnership with CARE. In addition to rehabilitating 600 homes, providing disaster preparedness training, cleaning up urban areas and rebuilding key infrastructure through local job creation efforts, TSRP has also worked to restore much-needed assets to Haitians in and around Gonaïves severely affected by the storm, while jump-starting economic activity.

CHF International worked with local leaders to develop a community-driven approach that would identify and assist the community’s neediest members. Working in 17 intervention areas, small scale business people and other beneficiaries attended a three-day seminar focused on marketing, price-setting, accounting and client management, before receiving modest grants (anywhere from 500 to 12,000 gourdes, or about US$12 to US$398) that would be used to rebuild and restock their stores, or otherwise reconstruct their businesses and livelihoods. Grants were used for a remarkable array of activities in and around Gonaïves that could promote economic reconstruction from the storm. For example, in Port-au-Paix, one woman started a cassava production station, while in Passereine, a group of women founded and stocked a chicken cooperative. In Port-au-Prince, a group of five young men returned to their native village of Cahodati to initiate a long distance telephone business that allows community members to contact friends and relatives with whom they had lost touch. An orphanage in Gonaïves used the funds to purchase books and food for their children, while in downtown Gonaïves numerous men and women restocked their stores with food, beverages and household supplies.

All told, the asset recovery program disbursed grants to over 3,000 individuals and more than 100 community groups. The process was not without its challenges, as ensuring the integrity of how the grants were used was complex, and turning away Haitians who did not qualify for grants was complicated by the overwhelming need and destruction wrought by the storm. But, by the time it was complete, the asset recovery program allowed thousands of Haitians whose lives had been washed away to regain their assets and livelihoods and – most importantly – their hope and self-confidence.
WITH SO MANY COUNTRIES THROUGHOUT EUROPE AND THE CAUCASUS undergoing massive social, economic and political transformations – or recovering from the aftermath of war – we are preparing people across formerly fragmented borders to face the challenges that come with increasing stability and the challenges of globalization. Throughout the Balkans – in Serbia and Montenegro, and Bosnia and Herzegovina – we have engaged in thousands of community led infrastructure and economic strengthening programs that are not only providing citizens with a strong voice and fostering regional development, but that are also bridging longstanding political, ethnic and socioeconomic divides. In Armenia, we are bringing together the local government, community groups and businesses to provide employment opportunities for vulnerable community members, by providing vocational skills training in the construction industry and identifying labor-intensive public works projects with high economic and social returns. In Azerbaijan, we are strengthening democratic processes through the empowerment of citizens, leading to greater stability through the creation of economic opportunities and improved cooperation with local governments. In Georgia, we are working to develop essential services and infrastructure in 400 small and mostly rural communities, by strengthening democratic processes and building the capacity of Community Development Councils (CDCs) that can have a stronger voice in identifying and redressing local needs. And in Romania, we are preparing the IT and tourism sectors to become more competitive in anticipation of EU accession, strengthening entrepreneurship through the provision of microcredit, and helping to alleviate the relief and reconstruction needs of vulnerable families impacted by the massive floods of 2005. Although the countries where we work in Europe and the Caucasus are at widely divergent stages of economic growth, we are helping them secure their own pathway to stability, by empowering local community members and giving them a stronger voice in defining their futures.
Highlights of our Impact in Europe and the Caucasus in 2005

- **15,400 people** accessed loans totaling $16,015,508, to build or improve their homes or improve their businesses.
- **1,285 people** are now living in new or repaired homes and shelters.
- **2,677,951 men and women** have benefited from a range of community projects.
- **477,517 people** have expanded livelihoods through employment and training programs.
- **2,283,079 women and men** are now better prepared to provide assistance within their communities through capacity building programs.
- **36,757 individuals** are enjoying more social stability through community strengthening programs.

Total People Impacted Directly: 5,491,918
People Indirectly Engaged (approx.): 13,944,342
At the break of the new millennium, Montenegro was still suffering from the consequences of a decade of massive civil and ethnic conflict and economic crises that tore apart the former Yugoslavia. Since May 2002, CHF has been working to bring once-fractured communities together again to solve their own development needs through democratic processes.

This work has been extremely successful in Northern Montenegro, where our Community Revitalization through Democratic Action (CRDA) program, funded by USAID, engaged 52 communities to complete over 400 development projects in the areas of infrastructure, economic development, citizen participation, and environmental protection and awareness.

These projects provided running water to those who had none, improved substandard electrical systems, and built roads and bridges that created physical connections across remote and mountainous regions. In addition to improving local economies, the CRDA program contributed to the reconstruction of Montenegro’s social fabric by fostering volunteerism across political, ethnic and economic boundaries. The participatory process utilized during CRDA has also contributed to healing longstanding rifts and feelings of mistrust amongst citizens.

Throughout the wars of the 1990s, ethnic divides were fueled by radio programming. After the wars, the absence of organized public radio enabled many existing stations to serve as platforms for various political bents. In other cases, the lack of radio served to isolate people and communities, such as in Andrijevica, a small mountainous town that did not have a radio signal and could only access the state-run television signal.

Through the CRDA program, the citizens of Andrijevica built their own music and information radio station and staffed it exclusively with local talent. The Andrijevica radio station was the first station launched in compliance with a new law permitting public access radio, completely independent from the government.

Today, in addition to providing news and entertainment, the Andrijevica radio station is helping to bring people together across ethnic and geographic lines, by promoting civil discourse and freedom of the media in the town, which has the highest per capita influx of internally displaced persons (IDP) from Kosovo. Since the new signal reaches towns as far away as Berane and Plav, local merchants can now benefit from radio advertising that reaches an increased number of potential customers. Meanwhile, the general and IDP populations now have access to a range of information about education, government services, and other important news.

The CRDA program was so successful that in May 2005, the CRDA-E (Economy) program was launched in northern Montenegro by USAID and CHF to implement 375 economically-focused projects in partnership with the public and private sectors. The CRDA-E program builds upon the success of CRDA by continuing to utilize a participatory approach to identification, selection and implementation of economic development projects that will move Montenegro even farther along on their pathway to stability.
Romania is casting off its legacy as a developing country, with accession to the European Union anticipated in 2007, and USAID’s longstanding assistance terminating in 2008. The 1989 revolution that forced the end of communism was transformative, but on its own, it was not enough to fully catalyze socioeconomic growth and change the ways in which businesses and the government were used to functioning. As a result, CHF International has been working in partnership with all levels of Romanian society for the past 11 years, so that the country can surmount these challenges, and the people can taste the fruits of an inevitably promising future.

To meet the specific needs felt by people and institutions at all levels, CHF’s work in Romania is among the most diverse of any country where we work. Our assistance has ranged from providing micro-credit to small businesses and entrepreneurs, and helping the IT and tourism sectors become more globally competitive, to working directly with the government in its efforts to reform outdated legal and regulatory frameworks. This year, in the aftermath of massive floods that destroyed homes and infrastructure throughout the country, our work expanded even further, to provide the most vulnerable communities with targeted humanitarian relief and reconstruction assistance.

Few places evoke the feeling of visceral change in Romania—and how CHF International is making a difference—more than Sibiu, a municipality nestled in the mountains of Transylvania with a treasure trove of historic buildings and cultural sites. A highly multicultural locale populated by Romanians, Germans, Hungarians and Roma ethnic minorities, Sibiu was named a European Capital of Culture for 2007 by the governments of the European Union Member States.

But with the city’s cultural gems in a state of severe disrepair, and its tourist infrastructure wholly unprepared for the massive influx of tourists to come, Sibiu needed help. Now, CHF is working in partnership with Sibiu’s city council and tourism associations to get ready. With assistance ranging from training small businesses how to use the internet and register their businesses online so that visitors can find them, to providing seminars so that the municipality can access the EU funding it needs to modernize its infrastructure, CHF is helping to ensure Sibiu—along with the rest of Romania—is fully ready to open its doors and economy to the rest of the world.
EACH YEAR, OUR WORK IS FURTHER ENRICHED BY THE GENEROSITY AND DEDICATION OF VISITING INTERNATIONAL PROFESSIONALS (VIPS). These women and men are experts in their respective fields who share their time and knowledge to improve people’s lives in the communities where we work. Whether they are assisting with engineering and construction, microfinance, business development, tourism, conflict management, crafts sector development, local governance, or any of a number of other projects, our VIPs bring real-world experience and problem-solving skills to our programs, and they are further enriching our ability to build a better world.

They Call Her ‘Clay’: VIP Rosalia Miller

As someone who has spent much of her life using art to help economically disadvantaged children, Rosalia Miller desperately wanted to find some way to help those impacted by the December 2004 earthquake and tsunami.

She was frustrated when her offer to volunteer with several humanitarian relief groups as an art therapist did not elicit any response. But, unexpectedly, a chance discussion with a friend quickly catapulted Rosalia and her family towards Sri Lanka, where they volunteered their technical expertise as CHF Visiting International Professionals (VIPs).

That friend, Sue Temkin, a lawyer at DLA Piper Rudnick Gray Cary – a major international firm, whose employees’ generous donations enabled our immediate disaster response efforts – immediately contacted her colleague and CHF Trustee David Weiss, who set the wheels in motion. Within 24 hours, Rosalia developed and submitted a proposal for her efforts. A few weeks later, thanks to a ticket donated by the Faculty Development Fund at the National Cathedral School, where she is a teacher of Spanish and fine art, she flew to Sri Lanka with art supplies and even a pottery kiln on board.

“When adults have trauma, the first thing they will usually do is put it in writing; but for children, what they usually need to do is to draw in order to have an emotional outlet,” said Rosalia, explaining the importance of art therapy in reconstruction efforts.

Working with countless tsunami-displaced children at CHF’s transitional shelter camps in Galle and Matara districts, as well as with homeless children at a Buddhist temple, Rosalia provided some of the tsunami’s most vulnerable survivors with the psychosocial support they needed to move forward.

The children painted many seascapes with boats and great turbulence, but also beautiful scenes that had nothing to do with the tragedy, which evidenced the enormous healing that was taking place.
But, even more than crayons and paint, the most powerful tool she found to help the children was natural clay, and the children even nicknamed her Mati – the word for clay in Sinhalese. “Clay is the most direct way to reach the inner emotions of these children, and it makes them more confident, as they turn a snake into a snail. As the clay grows and continues to develop, they feel better about themselves, like a daily vitamin that strengthens them.”

Rosalia was surprised to see that parents and teachers were as eager to participate in the art therapy activities as the children. Knowing that her time was limited, Rosalia trained several adults in CHF’s shelter camps to carry on the art projects, and gave training workshops for a number of local teachers.

Meanwhile, her daughter Cristina Miller, a student at Harvard Business School, also worked as a VIP exploring the potential of providing microfinance assistance as part of the reconstruction effort, and advocated for the displaced with the Sri Lankan government regarding some contentious resettlement regulations. Cristina’s friend and classmate Oliver Corlette also joined as a VIP and even Rosalia’s husband Richard – although not officially a VIP – joined the family and assisted with his daughter’s microfinance assessment.

Without a doubt, the experience not only brought the Miller family closer together and had a tremendous impact on children devastated by the tsunami, but it also instilled a strong desire within Rosalia to return to Sri Lanka to help again in the near future.
Development Finance at CHF

Consolidated Development Finance Portfolio
(11 country total, including CHF direct lending programs and its DFIs)

<table>
<thead>
<tr>
<th></th>
<th>September 2004</th>
<th>September 30, 2005</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Loans Outstanding</td>
<td>24,466</td>
<td>33,380</td>
<td>38.3%</td>
</tr>
<tr>
<td>Value of Loans Outstanding</td>
<td>$36.7MM</td>
<td>$54MM</td>
<td>47.7%</td>
</tr>
<tr>
<td>Portfolio at Risk (PAR) &gt; 30 days</td>
<td>2.1%</td>
<td>1.1%</td>
<td>N/A</td>
</tr>
</tbody>
</table>

The last 20 years, micro-finance has proven to be a tool for building financially sustainable institutions capable of providing vast numbers of low income people access to critical financial services. Investing in the poor has shown to be the most effective way to increase individual family expenditures on health and education, improve nutrition and food security, and protect against emergencies. And, because CHF aims to have women as at least 40 percent of our beneficiaries, microfinance is beginning to tackle the gender inequalities that hinder development in countless countries around the world.

Within the context of transitional societies, microfinance gives people the ability to establish their own livelihoods and the tools to manage and protect their households. It represents the power of choice and the ability to change one’s life for the better, and the spillover effect can benefit whole communities and local economies.

From our home improvement and reconstruction loans for flood victims in Romania, to the range of housing and business products we are offering to entrepreneurs...

We refer to our microfinance, small and medium business lending activities as Development Finance to reflect the broader objective of community development. By improving access to financial services for those unserved or underserved by the formal financial markets, CHF is:

- Creating jobs/gainful employment
- Improving living standards for borrowers and their families
- Contributing to local and regional economic development
- Providing expertise in business development and home improvement
- Bringing private and commercial capital into the microfinance markets
in West Bank/Gaza and Iraq – who continue to overcome tremendous odds in order to earn a living for their families – CHF is proving that those once thought “unbankable” actually make good customers and good business. At the end of FY05, CHF International and its local Development Finance Institutions together served over 33,000 borrowers, with nearly $54 million in loans outstanding, and a portfolio at risk over 30 days of less than two percent. Out of the 11 countries in which CHF International has microfinance lending operations, we have established the following local institutions to carry on the work we began:

<table>
<thead>
<tr>
<th>CHF Family of Companies: Development Finance Institutions (DFIs)</th>
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<tbody>
<tr>
<td><strong>DFI</strong></td>
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<tr>
<td>--------</td>
</tr>
<tr>
<td>FVP, Mexico</td>
</tr>
<tr>
<td>LIDER, Bosnia</td>
</tr>
<tr>
<td>MEMCC, Jordan</td>
</tr>
<tr>
<td>AMEEN, Lebanon</td>
</tr>
<tr>
<td>EXPRESS FINANCE, Romania</td>
</tr>
<tr>
<td>AMALCOM, Iraq</td>
</tr>
</tbody>
</table>

CHF is proving that those once thought “unbankable” actually make good customers and good business.
Strategic Partnerships: A Catalyst For Change

AT THE BEGINNING OF THE NEW MILLENNIUM, it is particularly clear that the survival of sustainable development efforts depends upon robust, long-lasting partnerships with both the public and the private sectors.

As always, the need for international development and humanitarian assistance vastly outweighs the amount of funding available. However, several emerging factors are transforming how we work. And while the US government and the American people continue to be generous supporters of our efforts, the paradigms we have long operated within are now in flux.

There are new funding mechanisms such as the Millennium Challenge Corporation, moving geographic and strategic priorities of bilateral assistance, and the evolving relationships among US government funding bodies. While the shifting topography of international development assistance leaves many questions unanswered, it also presents enormous opportunities if we maximize and expand the leverage potential of strategic partnerships with the private sector.

Strategic partnerships enable us to ensure a larger impact than with bilateral assistance alone, while also ensuring a more sustainable impact. We saw this in the aftermath of the December 2004 tsunami, where the support of the AIG Disaster Relief Fund, AmeriCares, Alanis Morissette, Briggs and Stratton, DLA Piper Rudnick Gray Cary, Direct Relief and many others ensured we could respond immediately with diverse livelihoods assistance that complemented funding for housing projects supported by USAID.

For the private sector, strategic partnerships with international development organizations can be seen as a social investment that leads to an improved reputation. But, aside from being the right thing to do, such partnerships can enhance new market development and long-term profitability when they support economic development, and a workforce and consumer base that are healthy, educated, have adequate housing and are economically empowered.

In Mexico, our strategic partnerships with Johnson & Johnson, the John D. and Catherine T. MacArthur Foundation, the Cummins Engine Foundation, the Eaton Corporation and Alcoa are providing housing loans and improving the lives of maquiladora workers along the US border, while also ensuring they will work better, have purchasing power, and contribute to social stability on a wider scale. Longer-term economic development programs – such as the fostering of small and medium enterprises – also integrate seamlessly with corporate goals of leveraging greater efficiency through local content investment and supply chain management.

CHF is increasingly looking to enhance our private sector partnerships so that they link economic development to market development, as we are doing with Dell Computers. In addition to facilitating our staff to work in remote and underdeveloped areas, our use of Dell Computers is improving the lives of our beneficiaries, providing them with access to information, connecting them to markets and services, and helping them grow their businesses – many of which will be powered by information technology and services. By working with CHF International in our economic development efforts, a computer manufacturer can expand its business to reach growing, untapped markets, while also improving the lives of thousands of men, women and children.

Together, CHF International and the private sector are forging new models for development, where our shared strategic vision will enhance the impact of bilateral assistance along with the long-term business objectives of our business partners, while fostering social stability through a full range of activities that support enduring growth and development of communities on the pathway to stability.
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