



Save the Children®

CREATING REAL AND LASTING CHANGE



Annual Report 2003



About Save the Children®

Save the Children is a leading nonprofit humanitarian relief and development organization working in more than 40 countries throughout the developing world and the United States. Our mission is to create lasting, positive change in the lives of children in need.

Save the Children is also a member of the International Save the Children Alliance, comprising 29 independent, national Save the Children organizations working in more than 100 countries to ensure the well-being of children.

www.savethechildren.org

Results for Children in 2003

In partnership with community leaders, local organizations, national governments and international agencies, Save the Children created lasting, positive change in the lives of more than 15 million children and families in need. Highlights include:

- 1. Positive results for more children and their mothers worldwide** Save the Children improved education opportunities for over 330,000 primary school students in Malawi with a total of 455 village schools ... immunized tens of thousands of children against life-threatening measles, polio, tuberculosis, diphtheria and tetanus ... and gave more than 225,000 women in 18 countries access to microcredit, bringing the agency's portfolio of small business loans to a record \$26 million.
- 2. Life-saving assistance for children in war-torn Iraq and Afghanistan** Save the Children delivered critical supplies of food, water, cooking fuel and medicines to thousands of children and families throughout southern Iraq, and continued to help Afghans restore and rebuild schools and provide health services during their post-war recovery.
- 3. Improved literacy levels for America's poorest children** Adult mentors and tutors, trained by Save the Children, provided literacy and support programs to help children who are struggling in school in many of America's poorest rural communities.
- 4. Fighting famine in Ethiopia** Save the Children provided critical food assistance for millions of Ethiopians at risk of starvation and malnutrition during the worst food shortage in their history, saved thousands of children's lives with specialized feeding therapy and taught families new agricultural skills to minimize their risk of hunger in the future.
- 5. Higher survival rates for millions of newborns** *Saving Newborn Lives*, an initiative funded by the Bill & Melinda Gates Foundation, immunized 14 million women in Pakistan and Mali against potentially fatal tetanus infection. A program in Gadchiroli, India cut newborn deaths in half by training village health workers in maternal and newborn care, and informing families about essential measures for newborn health.
- 6. Increased sponsorship impact** Sponsorship-funded programs increased the number of children attending early childhood centers and primary schools, reduced deaths from malaria and other diseases among schoolchildren and promoted safer health practices among adolescents to minimize their risk of HIV infection.
- 7. Ground-breaking worldwide initiative to protect children and women in war** Save the Children's *One World, One Wish* campaign increased public awareness of the urgent need to protect children and women from gender-based violence and exploitation during armed conflict. Save the Children's *Women and Children in Conflict Protection Act* called for funds and programs to prevent, detect and provide protection from the ravages of war.
- 8. Expanded HIV/AIDS prevention and support** Many more communities in Malawi and Ethiopia adopted Save the Children's model program to protect against HIV infection, eliminate stigma and isolation, care for people living with HIV/AIDS and safeguard the well-being of orphans and vulnerable children left behind.
- 9. Grassroots advocacy helped create lasting change for children** More than 5,000 individuals joined the new Save the Children Action Network (SCAN), a nationwide grassroots movement advocating for children's issues. They phoned and e-mailed Congress and the President, urging them to fulfill their promise of funding for HIV/AIDS, AmeriCorps and other programs affecting children.
- 10. Record growth and record change for children** Save the Children reached fiscal and efficiency milestones in 2003. Lower administrative and fund-raising costs, combined with record revenues, translated into the highest ratio of agency expenditures ever – 90 percent – going to program services. This growth enabled us to increase our beneficial impact on more than 15 million children and families. The excellence of Save the Children's programs and performance was recognized by Charity Navigator, a leading independent rating service, with its highest rating – four stars – for the second consecutive year.

The Commitment of Many

For more than 70 years, Save the Children has been an independent force for change in the lives of children in need, making it possible for them to grow up healthy, safe and prepared for a better future. With the trust and support of millions we have accomplished much, but we've never lost sight of the goal of increasing our impact and efficiency and reaching even more children.

Today, Save the Children is taking success for children to a new and higher level. Record donations, the highest efficiency ratings, growing private and federal grants, increased recognition in the media and involvement with policymakers, and accredited global leadership in critical emergency relief as well as sustainable development have positioned us at the forefront of the most important children's issues of our time.

There are many reasons for Save the Children's success:

- **Board of Trustees**, a body of exceptional individuals, from major international corporations and nonprofit institutions, that guides the organization and takes fiscal responsibility for its actions
- **Dedicated Advocates**, including a growing roster of distinguished personalities, such as Sally Field, Cokie Roberts, Dr. Judith Reichman and Bono who have brought our message eloquently to millions through the media and before the U.S. Congress
- **Legislative Champions**, from both parties in the Senate and House, who have spoken in support of Save the Children and sponsored our groundbreaking *Women and Children in Conflict Protection Act*
- **Philanthropic Foundations** committed to helping children, such as the Bill & Melinda Gates Foundation and the David and Lucile Packard Foundation, whose generosity and respect for our work have translated into live-saving initiatives on an enormous scale
- **Donors and Sponsors**, both individuals and corporations, whose compassion for children and confidence in our responsible use of resources enable Save the Children to efficiently deliver health care, education and economic opportunities where the need is greatest
- **Humanitarian Partners**, dedicated career professionals at the U.S. Agency for International Development (USAID), several U.N. agencies, the International Save the Children Alliance and dozens of other colleague agencies whose skills and resources support and complement the work we do
- **Professional Staff**, with top credentials in the fields of humanitarian development and emergency relief, who design and implement quality programs for the well-being and protection of children
- **Monitoring and Evaluation** systems to ensure program efficacy and accountability
- **Financial experts**, the respected firm of PricewaterhouseCoopers LLP, conducting internal and external audits to attest to our fiscal integrity
- **Operations Management** to reduce administrative and fund-raising expenses and increase the ratio of funds going to programs that benefit children in the field – currently at an all-time high of 90 percent
- **The Highest Mark** of four stars for two years in a row from Charity Navigator, the independent charity rating service assisting the public in choosing recipients of their charitable donations
- **The Children** themselves, who not only are beneficiaries, but also partners, along with their families and community volunteers, in helping determine the programs that best meet their needs



Mozambique - Mothers with their children on the way to a mobile health clinic.

From the President and Chair

Dear Friends,

When many people look back on 2003, they will remember a year that was filled with news of war and famine. At Save the Children, we will remember how we helped not only millions of children and their families to survive these crises, but also how we built foundations for lasting change for them and millions more.

In southern Asia, for example, we will remember how Save the Children worked with community health officials to immunize millions of mothers and newborns against tetanus, a common but easily preventable cause of maternal and newborn death ... and how villagers from the mountains of Bolivia to the plains of Malawi worked with us to provide their children with an education, using our innovative early childhood and primary school programs ... and how thousands more women were able to begin or expand small businesses

to help provide for their children through our successful micro-finance activities.

The crises and emergencies in the headlines were ones that demanded the very best and bravest efforts of our staff and community partners. And they met that challenge superbly, saving children from starvation in Ethiopia, providing oases of peace amid conflict and stress in the Middle East, rebuilding schools, hospitals and places to play in safety for thousands of children in war-torn Afghanistan and literally risking their lives to bring water, food, medicine and relief services to the children and families in Iraq.

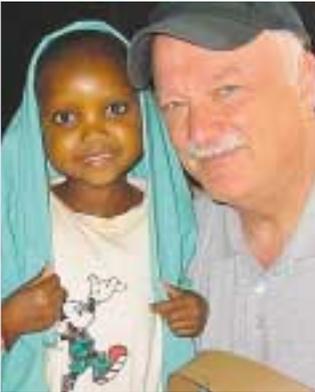
In the United States, many local organizations and volunteers will remember partnering with Save the Children in after-school programs to help America's forgotten children living

in rural poverty to develop the literacy and communication skills they will need for success in school and in life, and instilling in them the confidence to achieve it.

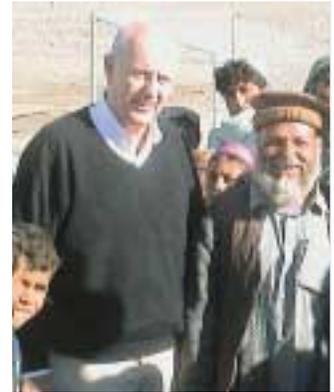
From Egypt to El Salvador, from Malawi to the Mississippi delta, many of Save the Children's community-run health and education programs were funded by caring and generous sponsors, enriching children's lives from birth through young adulthood.

Finally, we will remember 2003 as a year of mobilizing citizens around the country to participate in our advocacy efforts and increase our government's support for the urgent protection needs of women and children caught in the crossfire of the world's many armed conflicts.

As we move into another year of challenges and achievements, we thank you for your continued involvement and support, and look forward to working together for even greater impact and lasting, positive change for children around the world.



Charles F. MacCormack



Thomas S. Murphy

Charles F. MacCormack
President and CEO

Thomas S. Murphy
Chair, Board of Trustees

Every Mother/Every Child



Changing the Future, Together

Millions of children are living longer and healthier lives today than they did only a few decades ago. In just the past 40 years, the death rate of children under 5 has declined by 42 percent. Routine immunization against common childhood diseases saves at least 3 million lives every year. During the 1990s, polio cases were reduced by 99 percent, and deaths from tetanus and measles were reduced by 50 percent and 40 percent, respectively.

Despite this progress, more than 10 million children still die every year before they reach the age of 5, most from preventable or treatable causes. The deaths of an estimated 500,000 women annually – one every minute of every day – during pregnancy or childbirth have led to many of these early childhood fatalities. Yet when women are denied access to education and economic autonomy, they lack the knowledge and means to improve their situation.

The struggle for survival is further complicated by the devastating spread of HIV/AIDS. More than 40 million people are now living with the disease. Of these, 2.5 million are children under 15, with 2,000 more children becoming infected every day; at least 14 million have become orphaned during the epidemic.

Even with these daunting statistics, Save the Children is transforming the lives of mothers and children in some of the poorest regions around the world. We know from experience that children's survival is inextricably linked to the survival and well-being of mothers, and that lasting change is possible only when societies provide women with access to certain basic resources: health care, education and income-earning opportunities. Our goal for mothers and children is to establish effective, self-sustaining methods for communities and governments to provide these essential resources.



Indonesia - Children's centers provide education programs for youngsters in rural Jakarta.

Every Mother needs access to health care for herself and her children.

As children's primary caregivers and managers of the family's well-being, women play a crucial role in the health and stability of their community. But for women who live in poverty and have limited access to health care, pregnancy and childbirth are often life-threatening experiences. And when mothers die giving birth, their infants are three to

10 times more likely to die as well, usually before their second birthday.



Mali - Maimouna's newborn gets a medical exam by a Save the Children-trained nurse to ensure the baby's health and survival.

For young girls in rural Nepal, who are married on average by the age of 14, problems that arise from having children before they are physically or emotionally ready can last a lifetime. In Mali, where more than three-quarters of the

women give birth alone and without any medical assistance, childbirth carries a serious risk of infection and other life-threatening complications.

In Quang Tri province, Vietnam, where one woman in seven faces complications in childbirth, Save the Children works with local and national health officials in training hospital staff to properly treat obstetric emergencies, such as hemorrhages, infections and obstructed labor, and in teaching local birth assistants to recognize the danger signs and take appropriate action. As a result, in-hospital deliveries increased an average of 161 percent in the span of one year, saving hundreds of mothers' and children's lives.

Save the Children has reduced the risks for women and young girls by providing voluntary family planning to delay or space births at longer, healthier intervals; prenatal care that includes nutrition counseling and vitamin supplements; and immunization against tetanus, one of the most common causes of newborn mortality. The programs also include making sure husbands and other community members know what to do when an emergency arises, and training health workers in the use of clean delivery practices to reduce potentially fatal infections for both mothers and their infants.

By working in partnership with local nongovernmental organizations, ministries of health and village health-care workers, addressing each community's issues and respecting local traditions, Save the Children helps ensure the programs' continued success.



Vietnam - These new mothers use "Kangaroo Mother Care" to strengthen their low-birthweight babies through close body contact and breastfeeding

Saving Newborn Lives – Key to Lasting Change

Every year, 4 million babies – almost all in developing countries – die before they are one month old. Yet two-thirds of these newborn deaths could be prevented with simple, low-cost measures during pregnancy and childbirth, such as immunization to prevent tetanus, improved maternal nutrition, skilled birth attendants, clean delivery practices, immediate, exclusive breastfeeding and better management of newborn and obstetric emergencies.

In 2000, Save the Children launched *Saving Newborn Lives*, a global initiative to reduce newborn deaths. In a few short years, *Saving Newborn Lives* has achieved remarkable advances toward this goal:

- Immunized 14 million women in Pakistan, Mali and Ethiopia against tetanus, a measure that protects both mothers and newborns against this deadly infection;
- Integrated newborn health into existing training programs, building the skills of 35,000 health workers to provide better maternal and newborn care;
- Began to develop, test and evaluate new and better ways to prevent and manage birth asphyxia and infections at the community level in Bangladesh, Pakistan and Indonesia;
- With the support of national level policy makers, integrated newborn survival into the national health agenda in countries where the most newborn deaths occur
- Introduced new projects in Ethiopia, Guatemala, Indonesia, Myanmar, Vietnam and India.

Saving Newborn Lives is supported by a generous grant from the Bill & Melinda Gates Foundation.

Every Child needs a basic education and skills to lead to a successful life.

For any child living in the developing world, education is the path to a better life. Yet over 100 million children never make it to a single class. The reason may be that parents need their children to work and help support the household, or that there are not enough teachers or schools nearby, or that it simply has been that way for generations.

Strong Beginnings®, Save the Children's signature education program, has helped families in many of the world's poorest communities to overcome these and other obstacles that deprive their children of an education.

In the Siraha district of Nepal, numerous students had to repeat grades to pass their primary school exams, or simply dropped out. Save the Children changed that by helping their communities establish *Strong Beginnings* preschool centers, where 3- to 5-year-olds have a chance to develop social, cognitive and physical skills. Children who attend are better prepared to make the transition to primary school, and are being promoted each year. In the first grade, they score on average 32 percent higher than children who don't attend the centers, and fewer drop out.

Parents help make these programs successful by becoming actively involved in managing the schools and helping plan the curriculum. For example, in Bangladesh, where female literacy is extremely low, parents developed a reading initiative for newly literate mothers to read to their children. This allowed them to practice their own reading skills while helping children with theirs.

For other children, particularly in remote areas, primary school is the sole form of education. Yet many still don't attend regularly because of family needs or cultural norms. Families often keep girls at home to prevent them from walking long distances where they are vulnerable to abduction or sexual violence. This results

in high adult female illiteracy, which is strongly associated with higher child mortality rates.

Save the Children's innovative Village School program offers a solution by providing children with access to primary education close to home. Schools are built, operated and often financed by the parents, teachers and communities themselves, with curricula and class schedules that reflect village life and seasonal demands, and enroll equal numbers of girls and boys.

In Malawi, 330,000 children now attend 445 Save the Children village schools. In Mali, more than 47,000 children attend 800 village schools, often surpassing the academic performance of government school students. Village schools have been successfully replicated in 23 countries around the world.

Afghanistan's Teachers of Tomorrow

In many cultures, girls are discouraged from getting an education, and are pushed instead to marry and have children while still in their teens. But early motherhood usually means an end to schooling, and can be physically detrimental, even dangerous for the girls and their children.

Najiba, 15, is part of the change that is taking place in the refugee villages of Balochistan Province, Pakistan. Nearly 10,000 Afghan girls now go to primary schools that Save the Children supports in 39 refugee villages. Girls can also go to school safely in one of the 53 home-based girls' schools, where enrollment has risen from 600 to over 6,000 since 1997.

Along with about 40 other refugee girls, Najiba recently completed six years of primary school and also received training in primary education. Now she is teaching pupils in the first and second grades in the morning, while continuing her own studies in the afternoon. "Today I have become a teacher," Najiba says. "Tomorrow my students will become teachers."



Pakistan - With her newly earned teaching certificate, Najiba is now teaching younger children to read and write.



Guatemala - Maria Lucas can now afford to pay the school fees and health care costs for her children with the profits from her successful vegetable stand.

Every Mother should be able to help support her family.

Every mother wants her children to be healthy and find success in life. But for the world's roughly 850 million women who eke by on less than a dollar a day, just feeding their family is a daily struggle. Health care and education are beyond their reach, and without them, their children are trapped in the cycle of poverty.

Save the Children helps some of the very poorest women improve their situation by creating or

partnering with existing local micro-finance institutions to create a program of viable economic opportunities. It is a collaborative effort that teaches women how to form

groups that collectively guarantee the loans of each individual member and help her to earn an income from a small business of her own. It may be weaving or sewing clothes, preparing foods, raising animals, or buying and selling vegetables and other household staples. Initial loans average \$75. When their loans are repaid – in most groups the repayment rate is at or near 100 percent – the women can expand their businesses with larger loans and further increase their income.

From Guatemala to Ethiopia and Morocco to Myanmar, more than 225,000 women in a total of 18 countries today can provide their families with a steady diet of nutritious foods with the money they earn from their businesses. Many are also now able to provide medical care and better education for their children.

Save the Children will continue to launch more of these programs, particularly in the poorest countries, where HIV/AIDS is seriously undermining economic growth and social stability.

Every Child needs protection from the devastating impact of HIV/AIDS.

In parts of the world where HIV/AIDS is epidemic, the need to strengthen and expand prevention, care and support programs has never been greater. In just the past few years, HIV/AIDS has destroyed hundreds of thousands of families throughout the world and undermined decades of social and economic development.

Health-care systems throughout much of southern Africa and Asia have become overwhelmed by the huge numbers of patients. Communities are losing health-care workers, teachers and other service providers every day.

Save the Children's programs, in some of the worst HIV/AIDS-affected areas of Africa and Asia, focus on the most vulnerable, yet often overlooked, members of the population.

The youngest of those affected are newborns, who may be infected with HIV from their mothers during pregnancy, childbirth or breastfeeding. Adolescents, who are extremely vulnerable, now make up the largest and fastest growing group of those newly infected. Save the Children helps them in many ways: by creating greater awareness among mothers and youths, making prevention services more available to those who need it most, and helping people to overcome social and cultural challenges and better protect themselves.

The escalating epidemic is only part of the crisis. Nearly 14 million children have been orphaned by AIDS worldwide, and by 2010 that number is projected to reach 25 million. Without the emotional and financial support of their parents, children in AIDS-affected families often have to drop out of

school to take charge of the household and raise their siblings. This not only ends their education and limits their future opportunities, but also increases their vulnerability to neglect, abuse and exploitation.

The STEPs™ program (Scaling-up HIV/AIDS interventions Through Expanded Partnerships) addresses these issues in Malawi by mobilizing village AIDS committees made up of local leaders and members of the community. Committee members ensure that orphans and other vulnerable children have homes to live in, caring relatives or guardians to live with, enough food to eat, appropriate emotional support and the means to continue their education. As the base of support for orphans and vulnerable children expands, the stigma and discrimination often associated with the disease diminishes. Save the Children is now expanding and adapting this successful approach for use in Mozambique, Ethiopia and Uganda.

Save the Children is also a founding partner of the Hope for African Children Initiative (HACI), a consortium of six leading nonprofit humanitarian and development organizations that deals specifically with the challenges faced by children in some of the African countries most affected by HIV/AIDS.



Ethiopia - Five-year-old Mekdes attends a local school supported by Save the Children for children orphaned or affected by the HIV/AIDS epidemic.

Children in Emergencies and Crisis



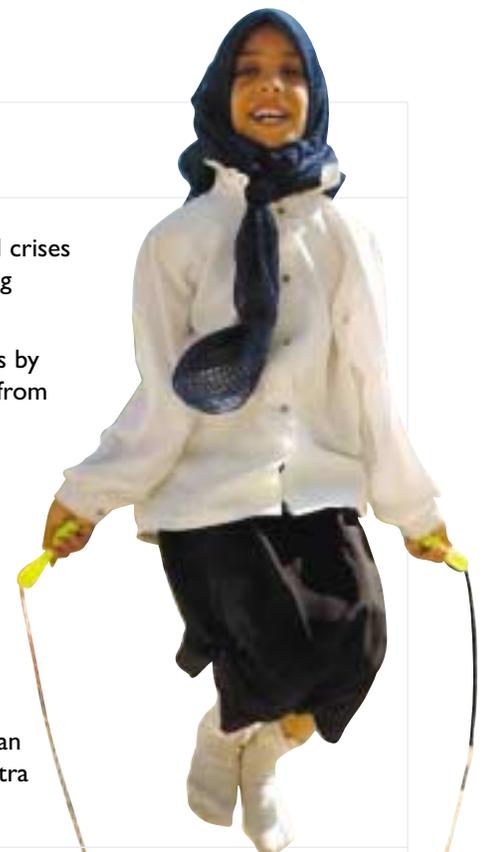
Saving Lives, Building Futures

In a world where every year 2 billion people are confronted with emergencies and crises such as floods, earthquakes and war, Save the Children is a global leader in providing special care to those who are most vulnerable: the children.

When emergency strikes, Save the Children mobilizes a rapid response to save lives by providing food, water, medicine and shelter. We also take steps to protect children from additional or future harm. This includes managing emotional trauma and stress, a serious but frequently overlooked threat to children's overall well-being.

Beyond this, and equally important, every emergency response has a long-term component to help communities recover and move past the immediate crisis as well as to strengthen their basic resources for years to come. This includes rebuilding schools and hospitals, and training teachers and health-care workers, to ensure education and better health care in the future, and creating micro-finance opportunities for women to improve their families' income.

This year more than ever, we became aware of the dangers for humanitarian workers that exist in the wake of armed hostilities. The situations in Iraq, Afghanistan and in the West Bank and Gaza, for instance, required Save the Children to take extra precautions in order to ensure the safety of our staff and those we serve.



Iraq - Save the Children's summer camps gave thousands of boys and girls a chance to forget about the war for a while and to just be children again.

Women and children caught in the crossfire

Over the past century, the nature of war has changed dramatically. Today, 90 percent of war's casualties are civilians, most of them women and children, compared with 5 percent only a century ago. During the 1990s, more than 2 million children were killed in armed conflicts. About 4 million have suffered lasting physical injuries, and more than 1 million were orphaned or separated from their families. Nearly 40 armed conflicts are still being waged around the world today.

For many years, Save the Children has worked with children and their families through the horrors of war, and currently we are active in several conflict areas around the world. In each situation, amid difficult conditions that make ensuring security a major challenge, our staff helps to protect and support those caught in the crossfire.

Iraq

Nowhere have the challenges been greater than in post-war Iraq. Save the Children began responding to emergency needs in southern Iraq in April 2003. Very quickly, activities began to focus on rebuilding the social, economic and physical infrastructure to help the Iraqi people and their country recover from years of wars, sanctions and neglect. While continuing to operate crucial relief activities, Save the Children embarked on a massive community development initiative throughout the south. Save the Children is now operating the largest humanitarian assistance program in southern Iraq, delivering essential social, health, and education services and development support to nearly 100 communities and thousands of children and their families. We have:

- Supported the ministry of health treating more than 30,000 malnourished children and providing over 200,000 vaccinations for children against infectious diseases;
- Trained over 1,000 ministry of health staff to improve health care and nutrition services;
- Organized 14 summer camps with structured recreational activities for more than 8,500 children;
- Trained 85 teachers to provide land-mine education for children;
- Supported 20 rural primary schools with furniture, teaching materials, recreational supplies and teacher training;
- Repaired seven water treatment and major pumping stations to increase the water supply for communities in Basrah;
- Worked with communities to rehabilitate 27 schools, establish 10 school libraries and rebuild two safe water systems serving nearly 100,000 people.

West Bank and Gaza

In this war-torn region of the Middle East, Save the Children is paying particular attention to the emotional needs of children, in addition to caring for their physical safety. Since schools play a central role in the educational and social lives of communities, Save the Children has worked with school



Afghanistan - Basic education for girls as well as boys, is a critical part of Save the Children's program to help Afghans rebuild their society.

officials and teachers to implement a number of psychosocial support programs that help to restore trust, self-confidence and normalcy to the children's lives.

Teachers, counselors, social workers and volunteers received training in

specialized activities – both academic and recreational – to allow children much-needed opportunities to express their thoughts and worries and receive the support of adults and peers. The schools also serve as safety zones where children can socialize and play with friends without risk.

More than 40,000 children in 500 schools throughout the West Bank and Gaza are participating in Save the Children's psychosocial, safe play, child-to-child and youth development programs to improve their self-esteem and coping skills.

Afghanistan

Save the Children is well known in communities of the northwest provinces of Afghanistan, in the capital city of

Kabul, and in the Afghan refugee border villages in Pakistan. Since we began working with the Afghans in the 1980s, our staff of over 200 has reached hundreds of thousands of children and families who have lived through some of the worst times of war and a four-year drought in the northwest.

Since the establishment of an internationally accepted government, the children and families of Afghanistan are beginning to enjoy new experiences and opportunities, but it would be impossible to overestimate the work that is still to be done. Save the Children continues to address children's protection issues, for example, by organizing child-to-child groups that help create land-mine awareness as well as opportunities for children to talk about other dangers that make them feel unsafe.

Working in partnership with the ministry of health, Save the Children has greatly expanded efforts to immunize children and women of childbearing age against common but often fatal diseases. We are supporting treatment for acute respiratory infections and diarrheal diseases – which together account for the deaths of 40 percent of Afghan children under the age of 5 – as well as access to general health care for hundreds of thousands of children and women at local health facilities.

Not every conflict makes headline news. Save the Children works in many other countries where various tribal or political factions are openly fighting and posing risks to local civilian populations and staff. For more information on our work in Iraq, Afghanistan, the West Bank and Gaza as well as Nepal, Indonesia, Sudan, Guinea, Angola and other areas, visit our website at www.savethechildren.org.

One World, One Wish – Protecting Women and Children in War

Save the Children continued the groundbreaking *One World, One Wish* campaign and its commitment to produce lasting solutions – through legislative change, model programs and a broad-based awareness-raising effort – to the growing problems of violence against women and children in modern warfare.

In its fourth annual *State of the World's Mothers* report, Save the Children introduced a new Conflict Protection Scorecard that analyzed and graded 40 conflict zones in terms of how well women's and children's protection needs were being met.

The cornerstone of the *One World, One Wish* campaign is an effort to persuade Congress to pass the *Women and Children in Conflict Protection Act* introduced in Congress in 2003. It calls for development of an early-warning system to identify increased risk of gender-based violence and exploitation of women and children in conflict situations, and for \$45 million to fund new initiatives to prevent and respond to such risks. Major portions of the legislation were included in the final omnibus funding legislation adopted by the House and Senate at the end of the year.

Partnerships with *Marie Claire* magazine, Donna Karan/DKNY, the United Nations Foundation and the Fashion Accessories Benefit Ball (FABB) have raised the campaign's visibility and support. Several editorial features ran in *Marie Claire* magazine throughout the year, raising public awareness about the tragedies of war and ways to get involved and make a difference.

Another key component of the campaign is the development of model protection programs in conflict zones, such as the one in Afghanistan, where Save the Children teaches community members how to help children talk about their concerns and the risks they face. In the West Bank and Gaza, children receive psychological assistance in all schools to alleviate their stress. We've also developed safe playgrounds and other safe places in embattled neighborhoods, and emergency employment opportunities for families without regular incomes.

The complete *State of the World's Mothers 2003* report, as well as more information about the campaign and how to contribute, can be found at www.savethechildren.org.

“So many times I just cried inside, because I didn’t dare cry out loud.”

– Mariama, 14-year-old girl soldier from Sierra Leone



Guinea - With Save the Children’s vocational training, refugees learn a trade so they will be able to support themselves and their children once they leave the camp.

When war thrusts children and adolescents prematurely into adulthood, they often witness or endure unspeakable brutalities. Sometimes they are forced to commit them, in order to survive or protect their families.

Today there are more than 300,000 children, some as young as 10 or 11, who have been recruited or abducted from their families to serve in militias. Every year, many thousands of children and women are trafficked across borders. Commercial sex work, early motherhood, drug and alcohol abuse are other horrible legacies of war and conflict

Save the Children has always recognized that children need protection from violence and abuse as much as they need food, shelter and water to survive. In refugee camps in Guinea, we are addressing those protection needs for children who fled conflicts in Liberia, Sierra Leone and Côte d’Ivoire. Because many of these children have missed out on their childhood, sports, recreation and social activities provide opportunities for them to be children again. Special counseling helps them to deal with the traumas they experienced. Vocational programs offer literacy and job training, as well as education in many other life skills. We work with the young people to help them make plans for their own future, and with the communities so they can help with the healing and reintegration process.

Fighting famine, creating food security

The people of Ethiopia have known drought and hunger before, but the magnitude of the food crisis in 2003 reached unprecedented proportions. At its worst, nearly 13 million people, half under the age of 15, were in need of immediate food assistance. Several factors converged to cause this disaster, including drought, chronic poverty, years of armed conflict, the rapid spread of HIV/AIDS and a population increase of 50 percent over the past 20 years.

Save the Children has worked with the people of Ethiopia for nearly 20 years, and because of improved famine early warning systems, was among the first to warn that a hunger crisis was imminent and to deliver food, water and other emergency assistance. In contrast to the catastrophic famine of 1984 in which over a million people died, this time millions were saved, a direct result of the swift and massive response.

Daily miracles took place at Save the Children’s therapeutic feeding centers, where the most critically ill children were treated. Children who arrived at the centers – sometimes as many as 100 a day – were so malnourished that they would have died within a matter of days had they not received emergency treatment. That treatment required feeding with a special, fortified formula, as well as a course of antibiotics, vitamin supplements and medicines to prevent or cure life-threatening infectious diseases, such as malaria and measles. Nearly 4,000 children’s lives were saved at these centers last year.

Developing Future Food Security

The hunger crisis has abated somewhat since last summer, but in Ethiopia, as in many other drought-prone countries, the problem of securing an adequate and reliable food supply remains. Without food security, children can become severely malnourished and develop an increased risk of infectious diseases. Save the Children works with

families and communities to secure their steady access to food by helping them increase agricultural production, improve livestock care and develop their ability to generate income.

In Mozambique, for example, 80 percent of the cassava crop – a mainstay of the local diet – rotted from brown streak disease last year. Save the Children distributed seeds for virus-resistant cassava and alternative plants to better ensure against future crop disasters. In Guatemala, we helped farmers in almost 100 communities to survive a drought and an economic crisis caused by a decline in the world price of coffee, with a combination of agricultural and micro-finance programs that increased both their food supply and their disposable income.

Taken together, food assistance made up the largest portion of Save the Children’s relief work in 2003, with a record \$60 million going to programs that delivered immediate food and water, reduced malnutrition and addressed the root causes of hunger.



Mozambique - Andre and Manuela are planting disease-resistant cassava, provided by Save the Children, to help ensure against future crop failures.

The Continuing Crisis of Global Hunger

- 842 million people worldwide – one in seven – experience hunger on a daily basis.
- 153 million of those who suffer from chronic hunger are children under 5.
- Over half the deaths of children under 5 are related to malnutrition.
- Populations in countries experiencing conflict face the greatest risk of dangerous food shortages.

“The State of Food Insecurity in the World 2003.” U.N. Food & Agriculture Organization

America's Forgotten Children™



Breaking the Cycle of Poverty

Whether the national economy rises or falls makes little difference to the 2.5 million children living in extreme poverty in some of the most isolated rural areas in the United States.

In the poorest counties of Appalachia, the median household income ranges from \$15,000 to \$19,000, and less than one-third of the adult population has a high school diploma. On the Navajo nation in New Mexico, per capita annual income was most recently reported at \$4,106, and only 7 percent of the children ever go on to college.

This correlation between poverty and limited education is no coincidence. Children who grow up without a good education and basic community resources often find themselves trapped in the same cycle of poverty as their parents.

Helping provide education for America's rural poor is the primary objective of Save the Children's community after-school programs, and it begins with a focus on literacy. From advocacy at the national level for programs and funding, to training volunteers as mentors to individually tutor children who need help, improving children's ability to read and learn is the single most important way to build the skills and confidence they need to earn a better living for themselves.

Save the Children supports its literacy programs with physical activity and nutritious foods that keep children fit and alert. Today, our programs reach more than 125,000 children in the poorest rural areas from the southeastern United States to the Mississippi River delta to California's Central Valley.

Literacy is top priority

Education has always been the foundation of Save the Children's U.S. community programs, and literacy its cornerstone. Given the importance of reading and comprehension skills in our information-based society, literacy has never been more critical for both job and personal success.

Yet in the poorest rural areas, where many children read below grade level, schools lack resources to provide the time, attention and professional instruction that children need. Without this support, they fall further behind, and as many as two-thirds never graduate from high school.

How we work

Save the Children helps children who are struggling by giving them the means to improve their reading ability and

get back on track with their school work. There are now approximately 200 rural locations in 18 states where special programs are offered every day before, during and after school hours to supplement the children's classroom education with individualized instruction. The programs are organized and run by Save the Children's partner organizations in each community, and work out of local schools and youth centers. Save the Children, already a familiar, long-standing presence in these communities, assists the organizations with program guidance, staff training, technical support and funding.

Save the Children's literacy programming combines several key activities that improve children's reading ability. These include:

- One-on-one tutoring in reading basics
- Independent reading time and group or paired reading activities
- Homework assistance
- Access to age-appropriate, high-quality children's books
- Enrichment activities, such as book publishing and group book discussions, that foster social interaction and reinforce skills learned in the classroom
- Parent and family involvement to encourage reading at home and support for children's progress



Arizona - Children enjoy their reading time at the Whiteriver Elementary school on the Apache reservation.

Physical activity, nutrition support better learning

Just as rural schools need help in meeting children's education needs, rural families need help in assuring the health and well-being of their children, many of whom don't get enough physical exercise or proper nutrition. Several studies have confirmed that poor eating and exercise habits have a direct, adverse effect on a child's ability to function well in school, and contribute to the growing epidemic of child obesity.

Save the Children incorporates nutrition and physical health education and activities into its after-school literacy programs as a way to reduce children's health risks and enhance their overall ability to learn.

In many cases, this becomes a fun community-wide project. In Spartanburg, South Carolina, for example, Save the Children helped reclaim and restore an abandoned recreation center so that the town's 5,000 children could play on its athletic fields and tennis and basketball courts. The project was accomplished in partnership with a local tenants association and with support from the Youth Sports Bureau, neighborhood business and civic leaders and a crew of community volunteers. The town's children can now play team sports and improve their health at the same time.

Tennessee - The Parent Child Resource Center in White Oak created a preschool center for children like Brady, 4, to enjoy supervised play and social development.



Our network of support for U.S. children

The success of Save the Children's U.S. programs heavily depends on the cooperation and support of many groups and individuals.

Parents are critically important when it comes to fighting chronic absenteeism, a primary reason for children's academic difficulties in many poor areas. Save the

Children's program at the Carr Creek Elementary Family Resource and Youth Service Center, which works with 550 children in Littcarr, Kentucky, addresses this issue by running family activities that help parents improve their own reading skills. When they begin to appreciate the benefits of reading, they become more involved in making

sure their children attend school regularly.

Community partners are the local organizations that run the programs and make them work. Save the Children has strong, established connections with partners in many of the poorest rural communities, and provides training and technical assistance to staff as well as funding.

Volunteer mentors and reading assistants often provide the extra, personal attention some students need but don't receive in their overcrowded, understaffed schools. In 2003, Save the Children trained and placed hundreds of AmeriCorps, VISTA and Foster Grandparent volunteers from the Corporation for National and Community

Service to tutor and encourage the children as they progressed through the program.

Corporations are some of Save the Children's biggest supporters and contributors. (See "Partners for Children" on next page.) Their assistance comes in many forms, such as providing books and pens for our literacy programs as well as some of the nutritious food and drinks that children have for after-school snacks. Several companies sponsor hundreds of children in our U.S. programs or conduct in-store fund-raising promotions, engaging both employees and customers in the effort.



New Mexico - Volunteer tutors provide the helpful personal attention and support often lacking in overcrowded schools.

The Fight to Save AmeriCorps

America's poorest children faced a new crisis in 2003. The Corporation for National and Community Service AmeriCorps program was cut by 55 percent; and Save the Children's AmeriCorps program, along with many other AmeriCorps programs, were cut entirely.

In response to the funding cutbacks, Save the Children helped lead a major grassroots advocacy campaign to reinstate federal funding for AmeriCorps.

"AmeriCorps plays a key role in helping children who live in some of America's poorest areas ... children who are teamed with AmeriCorps members improve academically, gain confidence and receive strong guidance in bettering their own lives." —Mark Shriver
Vice President and Managing Director, U.S. Programs

Our efforts were bolstered by an enormous wave of support for the program from governors, mayors, college presidents, corporate leaders, community-based organizations and newspaper editorial boards. The final results will be learned in the spring of 2004. However, last December, the U.S. House of Representatives passed an omnibus appropriations bill that provided \$444 million for AmeriCorps in the fiscal year 2004. If passed by the Senate and signed by the president, the bill should be enough to restore and expand the AmeriCorps program.

Partners for Children

Save the Children creates better opportunities for children living in poverty by working in partnership with families, schools, communities and businesses. Today, many leading U.S. companies are becoming active partners in that effort.

Happiness is a happy heart

In its fourth annual back-to-school promotion, T.J. Maxx raised more than \$1.25 million for Save the Children programs. In exchange for donating \$1 at the check-out register, customers' names were inscribed on colorful "Happy Heart" pin-ups posted in the store. The company also supports 770 sponsorships, contributing another \$250,000 to our cause.

Books, books and more books

Scholastic Book Clubs knows that too many children living in extreme poverty are growing up today in homes without books. Through its ClassroomsCare initiative, Scholastic helps to meet the needs of children in Save the Children's after-school programs by donating new books – 250,000 books last year and a pledge of 500,000 in 2004.

Greetings of hope

Brookstone is helping to provide children with the tools they need to thrive through "Give the Gift of Hope," an in-store and online greeting card promotion that raised



New Mexico - Several private corporations donate goods and services that help reduce Save the Children's administrative costs, such as reading and writing materials for literacy programs.

almost \$50,000. In addition, Brookstone sponsors over 270 children in the United States, one for each of its stores and headquarter divisions.

Feeding body and mind

Product and funding donations from Mott's help to support Save the Children's healthy snack and physical activity and nutrition programs. In addition, Mott's provides children with learning opportunities by sponsoring activities such as educational tours of its plant for a behind-the-scenes look at food manufacturing.

On the move

In 2003, generous support from two transportation leaders helped underwrite Save the Children program travel expenses. Miles donated by US Airways customers and matched by US Airways supplied travel valued at over \$150,000; Hertz donated car rental days as well as vehicles.

Building support for literacy

IKEA stores across the nation helped to raise over \$75,000 in 2003 in support of Save the Children's U.S. programs. Through a number of promotions, including pajama parties to promote bedtime reading, IKEA's contributions reinforce the structure and substance of vital literacy programs.

Inspired Donations

Candlewick Press, publisher of high-quality children's books, marketed an inspiring book entitled *This Place I Know, Poems of Comfort* in response to the events of September 11th. To date, sales from this book have generated almost \$100,000 to support Save the Children's U.S. programs.

Visions of the Future

ClearVision Optical has been a licensee of Save the Children since 1994, generously supporting Save the Children's *Eyes on the Future* program with royalties from their Save the Children collection of licensed eyewear, as well as the gift of over 1,000 eyeglass frames each calendar year.



Kentucky - Nathaniel and his mother receive regular visits as part of an outreach program to evaluate his progress and keep him on track.

Changing Lives Through Sponsorship



Supporting Lasting, Positive Change for Children

Save the Children began in the United States in 1932, providing assistance to children living in the poorest and most isolated rural communities in Appalachia. Thousands of caring individuals built on that beginning, and developed closer connections with the children they were helping, by becoming sponsors.

Since then, Save the Children has grown, but sponsors are still essential members of the Save the Children team. Their support helps develop community-run programs that provide basic health care and education, from early childhood through adolescence, to children living in the most extreme poverty.

In 2003, Save the Children ushered in a new era of global sponsorship, with just over 20 percent of our total number of supporters now coming from outside the United States.

Sponsorship funds are pooled together to help communities in the sponsor's chosen area reach the greatest possible number of children with programs that communities and partners manage themselves. Together, sponsors, parents and communities, like the ones described below, are bringing lasting, positive change in many different ways to children in the United States and around the world.

Toddlers are bound for success with new village preschool program

Save the Children has implemented preschools around the world, and seen first hand the positive impact they have on children's healthy development. In sponsorship programs from El Salvador to Nepal, children who attend community-based preschool centers consistently perform better and stay in school longer than children who don't. Their success, in turn, strongly influences parents' commitment to continuing their children's education.

In the rural communities of Central America, fewer than 20 percent of the children under 6 have access to any sort of early childhood program. The consequences are disheartening. More than a quarter of the children under 3 in a recent study were found to be malnourished; for children over 3, that ratio rose to more than one-half. The study also found that many older children in primary schools had difficulty keeping up and needed to repeat one or more grades, or simply dropped out. Only slightly more than half ever reach the fifth grade.

But with 62 early childhood education programs now in operation reaching thousands of children, Save the Children has been steadily reversing these negative trends. Experiences in early childhood centers help children cross the bridge between home and school, and give them a strong developmental base for their learning in primary school. Like our early childhood programs in Egypt and Bangladesh, the centers in Central America are collaborative projects, run by active partnerships of trained teachers, caregivers, the students' parents and community leaders, who together decide all matters from curriculum to administration. These centers are creating lifelong change for children in Central America by making it possible for them to attend and succeed in school.



El Salvador - This preschool in Corral Viejo is one of many in Central America, established by Save the Children together with community members, to nurture the children's early development and prepare them to succeed in primary school.

Primary schools team up with primary health

Once children start attending school, keeping them there is often difficult. One of the reasons is frequent and serious illness and lack of available treatment. This jeopardizes not only their health, but their education as well.

Children in southern Malawi faced such a challenge. Malaria used to be the leading cause of absenteeism and death among young students in the Magochi and Balaka districts, and proper treatment was difficult because health clinics are usually too far away and medicines incorrectly given.

Save the Children began a sponsorship-funded health program there that trained teachers how to recognize the symptoms of malaria and administer proper treatment.

Within the first few years, it reduced the number of deaths from malaria by 70 percent. We also provided teachers with pupil treatment kits and training, enabling them to diagnose and treat common illnesses and injuries. These benefits were a valuable incentive for parents to keep their children going to school, and resulted in lower rates of student dropout and grade repetition. In 2003, the number of children reached by Save the Children's school health programs rose to more than 142,000, in a total of 171 community schools throughout these two districts in Malawi. The result is many more healthy children attending and staying in school.



Malawi - Hundreds of teachers, parents and community leaders have implemented Save the Children's school health program in the country to provide basic care and to treat the early onset of malaria, the leading cause of absenteeism.

For every one of Save the Children's more than 100,000 sponsored children, living in 22 of the poorest and least developed countries in the world or the United States, there is a story that starts with need and ends with solutions. Whether it's early childhood development, primary education, school health and nutrition, adolescent development or HIV/AIDS prevention, sponsors know that establishing programs that are community-based and that effectively address current, local situations can make a life-changing difference that lasts for generations.

Teens teach, and learn, from each other

As children reach their teenage years, new life challenges present themselves. Very often, they have to face them without family support.

That is the case in some of the poorest neighborhoods of downtown Manila in the Philippines, where it is common for children to begin sexual activity at an early age, sometimes even before adolescence.

Yet in this socially conservative culture, parents generally do not discuss or teach their children about sexual health, there is no sex education in the schools and there are no youth-friendly health services in their neighborhoods where information and help might be available. This leaves many young people unaware of the value of waiting to begin sexual activity and the possible consequences or risks of their behavior. Most either do not know about, or choose not to use, modern contraception.

But sponsorship support is helping Save the Children provide some solutions. By taking advantage of the rapport that exists naturally among teenagers, Save the Children selected and trained several youths to become peer facilitators.

Rose, a 16-year-old high school senior who grew up with seven siblings in the Manila slums of Paranaque, was one of those selected. After her training, she began to hold awareness-raising sessions in community centers and in schools. The youths were more receptive to information about abstinence and reproductive and sexual health from a peer. Her groups also work on interpersonal skills and healthful decision-making.



Philippines - Teens gather at local centers like this one in Manila, where peer facilitators, trained in Save the Children's sponsorship program, provide them with reliable information about reproductive and sexual health and making responsible lifestyle choices.

Today Rose continues to work with girls who have left home, physically abused teens and teenage mothers who, she says, had hoped that marriage would take them out of poverty.

Collectively, the peer facilitators document an 85 percent increase in reproductive health knowledge among youths in their neighborhoods. The 17 health centers that Save the Children helped establish in their area cater to the needs of adolescents by setting aside special hours and facilities specifically for treating and counseling them on reproductive and other health concerns.

Small community schools offer big opportunities for girls

What makes Nana Zalsa's story so special, is that it is not really special any longer. In fact, in the villages of many African countries, hers is a story told many times over.

As a young girl in Borogho, in the west African country of Burkina Faso, her parents taught Nana to help with the farm, take care of the animals and go for the family's daily water and firewood. This was what was expected of her, and the other girls in her village. School was far away, and taught in a language she did not understand, so it was never even considered.

When Save the Children established a community school in Borogho, Nana's parents agreed to let her try it, but they were not convinced it would be worthwhile. She did well, however, first studying in her native Mooré, then learning the country's official language, French. After four years, she was accepted into the public school to finish her primary education, and now, at 14, Nana attends Doulougou secondary school with many other girls from her village. She is second in a class of 79 students and speaks fluent French in addition to Mooré. She is frequently asked to read and write letters for people in her village, and is continuing her studies to become a teacher.

Nana says she sees the difference between herself and others who did not have the chance to go to a community school. "Had I not been able to attend school here, and then in Doulougou," she says, "I would have been forced into an arranged marriage by now."

In addition to the school, Nana says Save the Children helped build a large well, so now everyone has access to clean water right in the village. Equally important, this means that girls no longer have to spend several hours every day carrying water from distant wells.



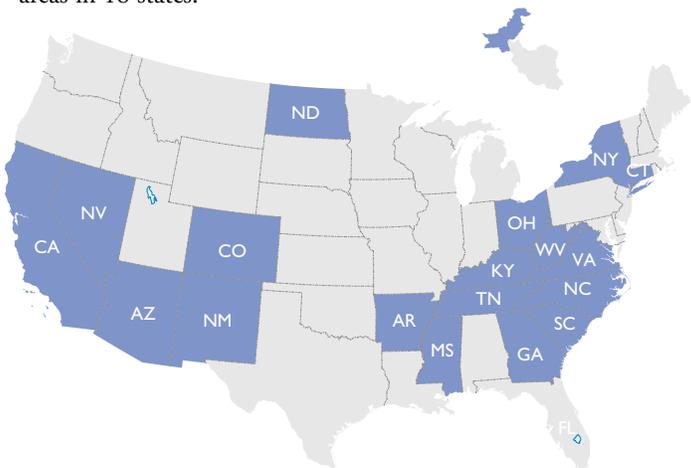
Burkina Faso - Nana Zalsa, 14, attributes her achievements in secondary school to the preparation she received at the community school started by Save the Children in her remote village.

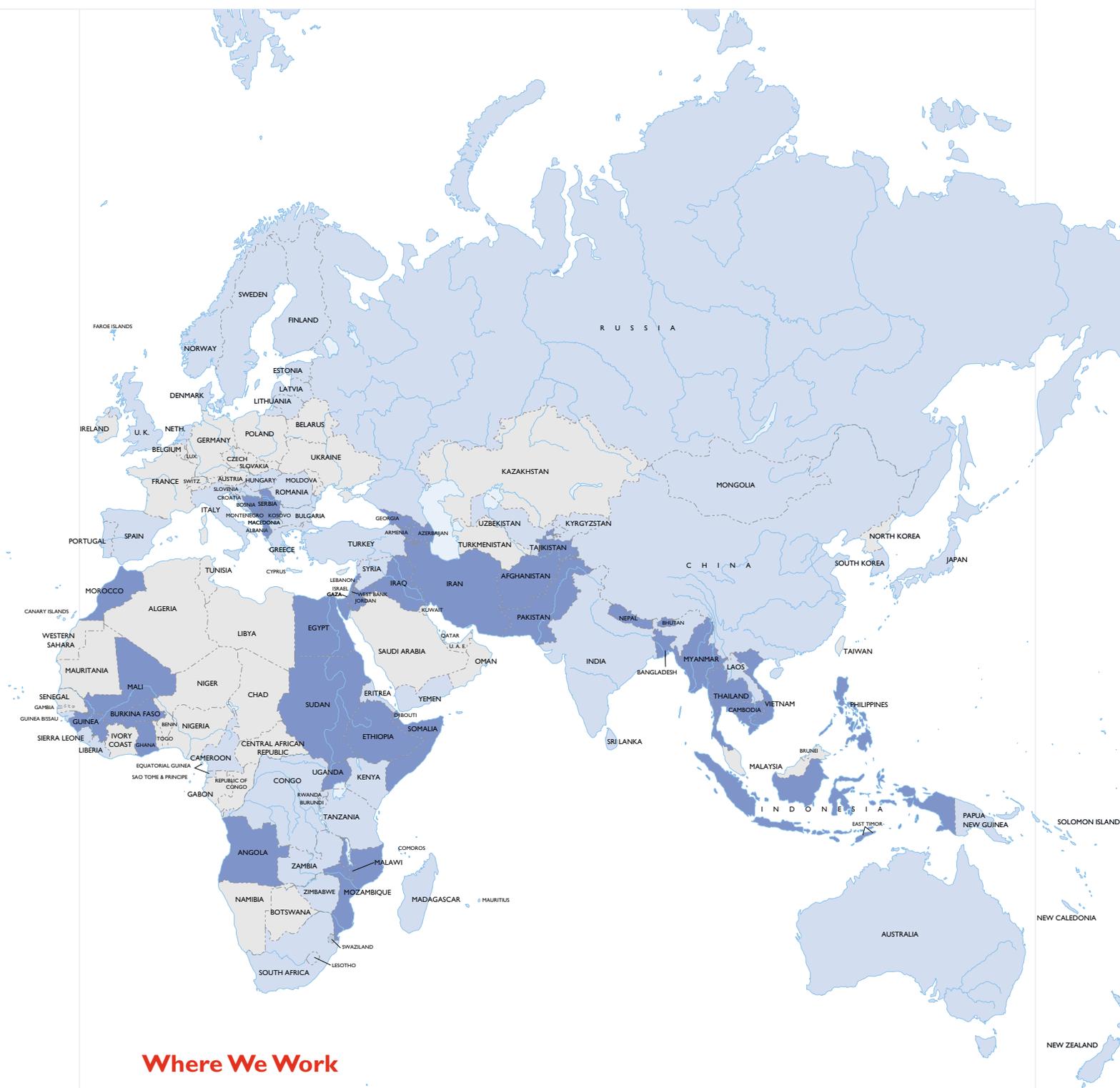
Our Global Neighborhood



Save the Children in the United States

In the United States, Save the Children works with community partners serving approximately 125,000 children in mostly rural areas in 18 states.





Where We Work

Save the Children works in over 40 countries, including the United States, serving more than 15 million children and families. It is a member of the International Save the Children Alliance, which includes 29 independent, national Save the Children organizations working in more than 100 countries on behalf of children in need.

- Save the Children
- International Save the Children Alliance
- No programs

Financial Report

I am pleased to report that Save the Children's operating revenues for fiscal year 2003, including all restricted and unrestricted sources, exceeded \$240 million, an increase of 19 percent over the previous fiscal year. Our large portfolio of government grants has grown 14 percent and now totals \$94 million. Save the Children's agricultural commodities had unprecedented growth of 42 percent and totaled \$54 million. Private fundraising remains strong and overall increased 14 percent. The total amount of private gifts, grants, child sponsorship and bequests totaled \$88 million.

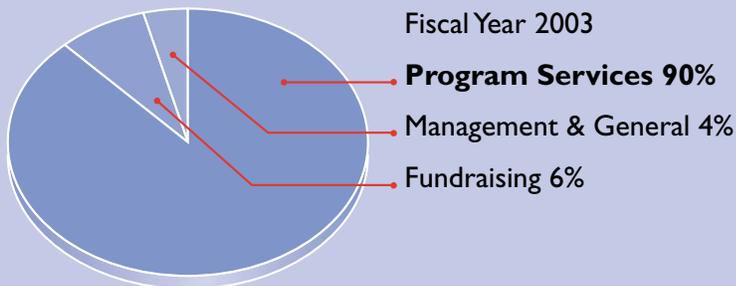
Save the Children continues to focus on maximizing the amount of funds expended on program services and we are very proud to report that in 2003 the percent of expenditures directed to program services reached 90 percent. We are committed to raising funds and operating the organization as efficiently as possible in order to provide the maximum amount of resources to quality programs for children.

The full financial statements, audited by PricewaterhouseCoopers LLP, are available upon request by calling 1-800-728-3843 and on our website at www.savethechildren.org.



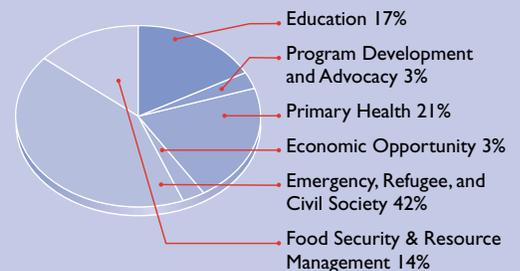
Patricia Long
Vice President, Finance and Administration
Treasurer

How We Use Our Funds



These percentages are averages for activities worldwide. The percentages in any particular program may vary.

Nature of Our Programs



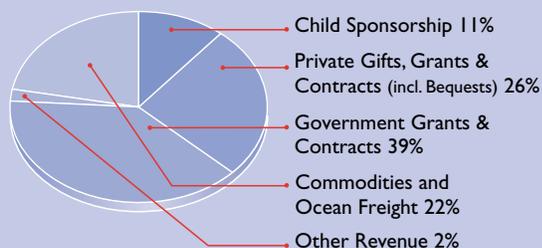
Condensed Audited Financial Information

	FY 2003	FY 2002
Operating Revenue		
Child Sponsorship	26,569,000	25,205,000
Private Gifts, Grants, & Contracts (incl. Bequests)	61,255,000	52,095,000
U.S. Government Grants & Contracts	93,918,000	82,182,000
Commodities and Ocean Freight	53,944,000	37,906,000
Other Revenue	4,555,000	4,506,000
Total Operating Revenue	240,241,000	\$201,894,000
Operating Expenses and Changes in Net Assets		
Program Services		
Education	35,676,000	30,501,000
Primary Health	45,619,000	35,817,000
Economic Opportunity	7,139,000	6,964,000
Food Security & Resource Management	30,242,000	28,694,000
Emergency, Refugee and Civil Society	90,228,000	67,999,000
Program Development & Advocacy	6,683,000	6,561,000
Total Program Services	215,587,000	176,536,000
Fundraising	14,015,000	15,146,000
Management & General	8,566,000	7,766,000
Total Operating Expenses	238,168,000	\$199,448,000
Excess of Operating Revenue over Operating Expenses	2,073,000	\$2,446,000
Non-Operating Activity	6,686,000	2,017,000
Increase/(Decrease) in Net Assets	8,759,000	4,463,000
Net Assets, Beginning of Fiscal Year	41,523,000	\$37,060,000
Net Assets, End of Fiscal Year	50,282,000	\$41,523,000

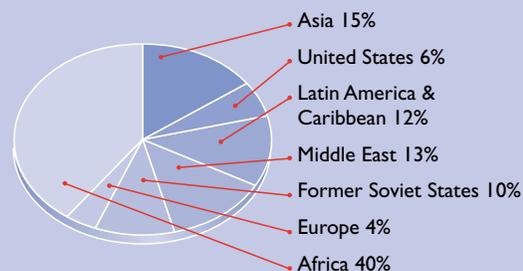
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In fiscal year 2003, based on 2002 costs, Save the Children charged 15% for supporting costs for restricted gifts donated for current use.

Sources of Support and Revenue



Where We Work



For more information:
www.savethechildren.org



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