



Save the Children®

Annual Report 2004



Critical Choices for the World's Children



Critical Needs
Critical Events
Critical Choices
for the World's Children

Save the Children
Annual Report 2004

Save the Children is the leading independent organization creating real and lasting change for children in need in the United States and around the world. It is a member of the International Save the Children Alliance, comprising 27 national Save the Children organizations working in more than 100 countries to ensure the well-being of children.

www.savethechildren.org



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Survivors of the December 26, 2004 tsunami in Aceh, **Indonesia**, where Save the Children has been working for nearly three decades. We responded immediately to the disaster, providing shelter, food, clean water and medical care. In the coming months and years, our work will continue to help children and communities recover and rebuild.

From the President and Chair Results for Children in 2004

To our contributors, colleagues and friends:

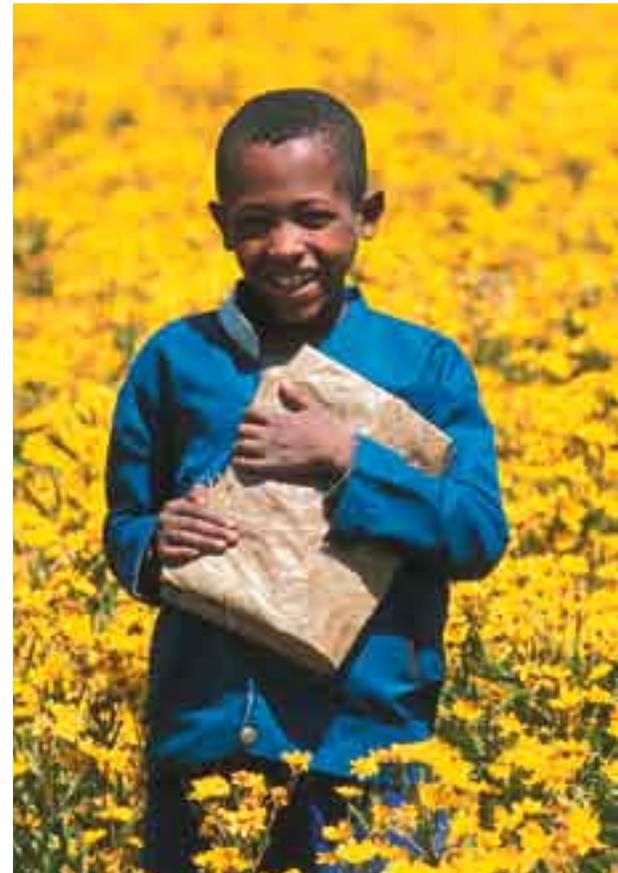
We are pleased to report that 2004 was a year of remarkable growth and achievement for Save the Children's work on behalf of children in need. Whether you are a donor, staff member, community partner or a person concerned about children in need, you can take pride in what has been accomplished for children during 2004 and draw inspiration from the continued expansion of our efforts.

Making critical choices, learning and looking ahead

Years vary. Like children and the communities they inhabit, each year presents a unique set of challenges. But some conditions seem to remain constant from one year to the next, and these constants are especially striking when we report to you on our annual performance.

The number of children living in poverty and in need of our help remains staggeringly high, but millions and millions of children have better health, nutrition, literacy, safety and hope as a result of our work. We have played a lead role in saving the lives of newborns and young children. We have ensured that innumerable girls have a fair chance for basic education. We have increased the income of mothers who are then able to see that their children receive a strong start in life. And here in the United States, we have broken new ground in delivering literacy to America's rural children, thus pioneering an important way to break the cycle of poverty.

A year ago we looked back on 2003 as a period "filled with news of war and famine;" in 2004, the same kinds of adversities were back. And once again, their pace seemed to quicken and their scope to enlarge – forcing us, as in years past, to balance the challenges of ongoing programs and planned growth with those of sudden



Nine-year-old Mulisa, of the Maru Sombo Community in Ethiopia, in a field of flowers planted with the help of Save the Children to make cooking oil. Mulisa attends a local school built by Save the Children.

emergencies resulting from natural disasters and armed conflict. We sought not to choose between populations of children in need, but to choose the best means of helping all those within our mandate of care.

Operating Highlights of 2004: Critical Events, Lasting Results

Looking back on a tumultuous year, it is difficult to single out a few highlights as “most significant.” But the following 10 events are individually important and form a representative overview of 2004:

1. Saving children’s lives in Asia, Sudan and elsewhere.

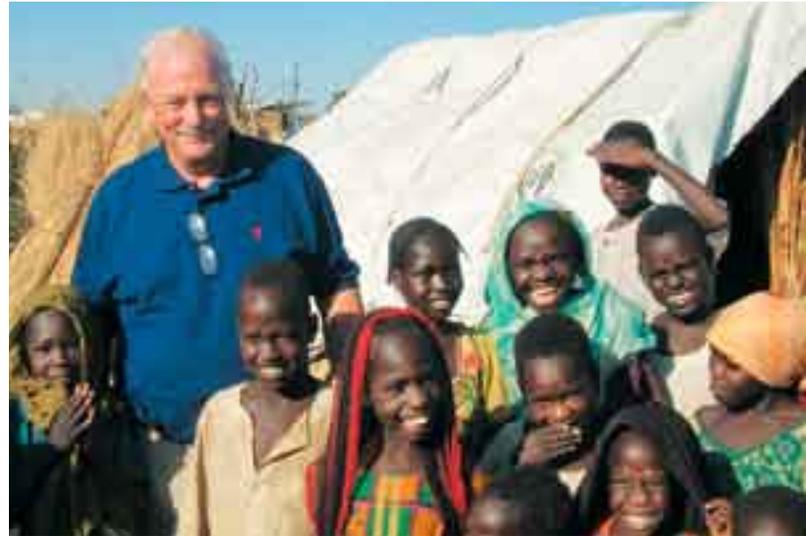
Prior to the tsunami disaster (see page 5) the largest-scale humanitarian crisis of 2004 was in the Darfur region of the Sudan, where approximately 1.5 million people were displaced by civil strife. Though food relief was crucial for the huge displaced population, attempts to provide it were complicated by armed conflict – and aid workers were at risk. Save the Children quickly assumed a leadership role in organizing food distribution while facilitating the involvement of other nongovernmental organizations. As of this writing, we are providing food, health care and water to more than 300,000 displaced children and families in the Sudan. We continued similar efforts in Afghanistan, Iraq, the West Bank and Gaza, and other locations. In Sudan and many of these embattled regions, gender-based violence and exploitation of children are being used for strategic purposes. Save the Children has been instrumental in raising public awareness of this alarming trend and in pioneering ways to safeguard children in the midst of war with concrete strategies to prevent the risk of further victimization. (For a closer look, turn to page 8.)

2. Improving child literacy among America’s rural poor.

American children remain a primary focus of Save the Children – specifically children isolated in rural poverty, who are often beyond the reach of conventional educational programs and reforms. We are achieving results in the classroom and with after-school programs to improve literacy so that children can both read and succeed. (For a closer look, turn to page 20.)

3. Higher survival rates for millions of newborns.

Now in its fifth year, Saving Newborn Lives, an initiative first funded by the Bill & Melinda Gates Foundation, continues to gain momentum. It helped reach more than 30 million mothers and



Save the Children President and Chief Executive Officer Charles MacCormack visiting a camp for displaced persons in Darfur, **Sudan**.



Thomas Murphy, Chair of Save the Children's Board of Trustees, visiting program activities in **Iraq**.

babies with critical health services in 12 developing countries and contributed to saving the lives of hundreds of thousands of newborns in 2004. This groundbreaking effort expands access to medical technologies such as immunizations and promotes culturally sensitive interventions to modify traditional practices affecting newborns' health. (For a closer look, turn to page 14.)

4. Speaking out on behalf of children and their mothers.

Increasingly, Save the Children's advocacy is influencing the media, opinion leaders and policymakers in the United States

and throughout the world. One prominent example: our fifth annual report on the *State of the World's Mothers*. Unprecedented in impact, it generated international media coverage, and sparked highly constructive discussion on Capitol Hill and elsewhere as it illuminated the leading cause of death among teenage girls in the developing world: childbirth. (To read more, turn to pages 17 and 38.)



Orphaned by AIDS, Mwamadi participates in Save the Children's STEPS program in Mangochi, Malawi. STEPS is helping children affected by AIDS throughout southern Africa and Asia.

5. Expanded HIV/AIDS initiatives. The worldwide HIV/AIDS epidemic has a particularly tragic impact upon children in Africa, where infection rates remain extremely high and millions have lost one or both parents to AIDS. Save the Children is expanding programs in 15 countries to halt the spread and counteract the effects of the disease: teaching preventive behaviors, destigmatizing victims, implementing treatment and stabilizing the lives of children who have been orphaned by AIDS. (For a closer look, turn to page 17.)

6. Rapid response to natural disasters.

Poverty and internal strife compounded the effects of natural disasters in Asia, the Caribbean and the Middle East in 2004. Save the Children secured shelter and critical supplies of food, water, cooking fuel and medicines to children and families victimized by the tsunami in Asia, earthquake in Bam, Iran and catastrophic flooding in Haiti and Bangladesh. We continued our food security work in Ethiopia, where drought conditions are expected to prevail next year as well. (To read more, turn to page 12.)

7. Building opportunity through basic education.

Around the world, Save the Children is working to remove the obstacles that prevent 104 million primary school-age children from attending school – almost two-thirds of them girls. In over 30 developing countries, we are building educational quality, capacity and access for a broad range of ages, starting with pre-school activities that prepare children to become avid and successful learners. (For a closer look, turn to page 17.)

8. Increased sponsorship impact for children. For many years, sponsorship has been at the core of Save the Children's funding initiatives. Today's sponsorship is changing and growing with the times, providing new opportunities to create community change in children's health and education. Sponsor-

ship funding accounted for more than \$29 million in donations in 2004 – up seven percent over last year. (For a closer look at the changing face of sponsorship, turn to page 25.)

9. Corporate and foundation donors making critical choices for children in need. Corporate philanthropic departments and charitable foundations closely analyze potential recipients' organizational and operational performance with a keen investor's eye. In addition to helping fund Save the Children's operations at record levels, corporations and foundations have partnered with us to focus on areas of particular concern and to shape programs for maximum effectiveness. (For a closer look at the critical choices facing a key officer at a philanthropic foundation – and the work behind making the right choices – turn to page 19.)

10. Helping children break through the cycle of poverty. For many mothers and children in the developing world, the key to lasting change is economic opportunity. Save the Children helps some of the poorest mothers around the world to improve the well-being of their families by starting and growing very small businesses with microloans starting at \$30–\$200. We and our partner microfinance institutions lent \$65 million to 278,000 clients in 2004, an increase in clientele of nearly 20 percent over 2003. (For a closer look, turn to page 19.)

We know that as a contributor to Save the Children and other worthwhile organizations, you face critical choices, too. That is why we seek to make ourselves accountable to you in print. It is our privilege to salute Save the Children staff professionals for their magnificent work during the past year. We can report to you that our staff met and surpassed our most critical goals in these critical times – creating not only lasting change, but also lasting knowledge to strengthen future operations.

Through the work of Save the Children and its partners, tens of millions of children are enjoying better lives and opportunities for the future. In parts of the world where need is overwhelming, the very act of helping can be dangerous. The courage of our staff, volunteers and partner organizations inspires us continually to do better. So does the generosity of our supporters – and, perhaps most of all, the resilience and inextinguishable humanity of even the poorest children with whom we work. You are all members of the Save the Children family, and to all of you we extend our thanks.

Sincerely,

CHARLES F. MACCORMACK
President and CEO

THOMAS S. MURPHY
Chair, Board of Trustees

Introduction

Our Critical Choices...and Yours

**Save the Children has come of age,
but we haven't slowed down.**

Founded in Appalachia in 1932, Save the Children has expanded its reach and its capabilities with each passing year. Developing new ways to safeguard the health of children and mothers. Bringing life-saving medical technologies to the developing world while respecting traditional cultural standards in the countries where we work. Restoring educational opportunities and creating new ones. Providing rapid relief to families caught in war and natural disasters, and leading an international movement to ensure the protection of children in these emergencies. Today we are globally recognized as a leader in our field, both as a source of direct help to children and an authoritative voice on their behalf.

But the factors that threaten children around the world remain all too potent, forcing us to make critical choices for the world's children. Our professionals in field locations

must make these choices every day, working with finite resources to combat seemingly endless needs...seeking positive change for the greatest possible number of children in the face of ongoing deprivation, sudden disaster, geopolitical instability and, increasingly, war and AIDS.

As a member of the Save the Children family, you make the same kinds of critical decisions through your informed concern and financial support of our organization and others. No one can presume to make these decisions for you, but we do seek to make your involvement with us worthwhile. Not only through the effectiveness of our work with the world's children, but also by reporting to you and holding ourselves accountable for our performance.

We hope this report will help you evaluate our critical choices and yours in 2004 and the years to come.

Aiding Victims of the 2004 Year-End Tsunami

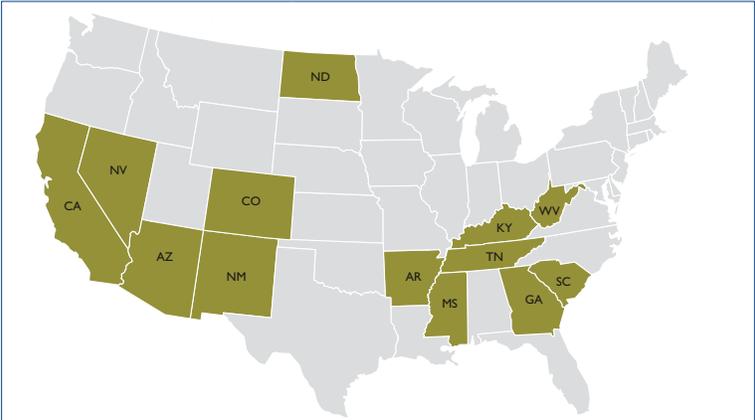
As this Annual Report goes to press, the devastating effects of the December 26 earthquake and tsunami in the Indian Ocean are still unfolding. They are historic in magnitude. Millions of survivors, half of them children, are vulnerable to disease and starvation in the short term. Families have lost their homes and their livelihoods. Whole communities have been destroyed.

Save the Children has been active in many of the worst-affected regions for nearly 30 years and moved immediately to deliver life-saving relief to children and families, providing shelter, food and clean water and access to medical care. In the coming months and years, our work will continue in full force to help rebuild lives, protect children and help them recover their physical and emotional health and well-being.

It is already clear that our response to this catastrophe will be the largest in our history. The generosity of the Save the Children family and the American public has been unprecedented.

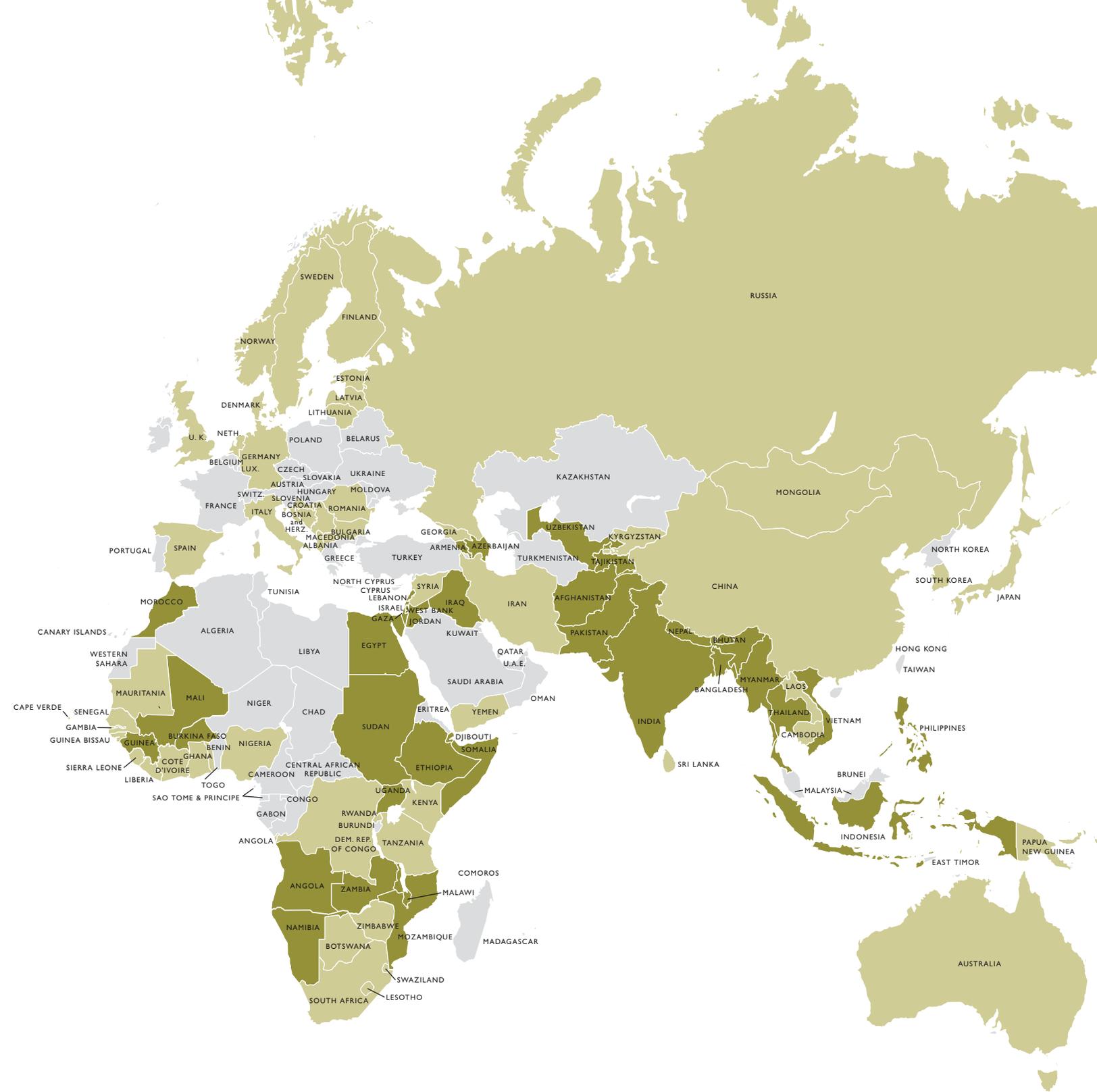
Rebuilding will require years of sustained commitment. To make your contribution to the work of Save the Children in Asia and the world, use the enclosed business reply envelope or visit us at www.savethechildren.org.

Where We Work



Save the Children in the United States

In the United States, Save the Children works with community partners serving thousands of children in nearly 150 impoverished rural communities in 13 states.



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

Our Global Neighborhood

Save the Children works in more than 40 countries, including the United States, serving more than 10 million children and 32 million others working to save and improve children’s lives, including parents, community members, local organizations and government agencies. It is a member of the International Save the Children Alliance, which includes 27 national Save the Children organizations working in more than 100 countries to ensure the well-being of children.

Children in Emergencies and Crisis

Children and their mothers receiving assistance at Save the Children's supplementary feeding center in northern Darfur, Sudan.

Outlasting the crisis headlines, Save the Children addresses sudden, short-term needs – then stays for the long haul.

A year like 2004 reminds us just how vulnerable the world's children are when disaster strikes. In responding to the tsunami in Asia, wholesale civilian displacements in the Sudan, war's aftermath in Iraq and Afghanistan, massive flooding in Bangladesh and Haiti and the earthquake in Iran, we were forced to make life-saving critical decisions quickly. In other locations including Nepal, and the West Bank and Gaza, Save the Children is re-claiming opportunities for children and their families, continuing programs that began as emergency response years ago.

"You can't predict emergencies," says Rudy von Bernuth, vice president and managing director for Children in Emergencies and Crisis. "You can only prepare." This preparedness is based on knowledge and experience that Save the Children professionals have built through experience. "Even though we don't know when emergencies will happen," says Robert Laprade, director of Save the Children's Emergencies and Protection Unit, "we often know what will happen when they strike." For example, flooding emergencies are becoming more frequent. "Public health is always a problem in flooding," says Laprade. "So is shelter. Children are the ones most at risk in these conditions. So we know we have to be prepared to treat diarrheal disease, to provide oral rehydration, to be ready with plastic sheeting to create temporary shelter."

Children at Risk in War Zones and War's Aftermath

Bringing stability to the lives of displaced children in Darfur. The emergency in Darfur demonstrates how the diverse family of Save the Children contributors, professionals and cooperating agencies can mobilize a quick, cohesive response when children are at risk. As the possible extent of the Sudanese emergency became clear, we fielded a team of experienced relief professionals for immediate assessment of

needs. Save the Children was able to mobilize very quickly to respond to the crisis in Sudan thanks to start-up funds provided by the Bill & Melinda Gates Foundation and our own Halaby-Murphy Revolving Emergency Fund (see page 41). Needs analysis and program planning began in March; life-saving relief measures for children and families were underway even before UN appropriations became available.

With 1.5 million civilians displaced and at risk, including more than half-a-million children, the sheer scope of the challenges for relief organizations in the Sudan is daunting. "The response has been mammoth," says von Bernuth. "We have the largest relief program on the ground in West Darfur, reaching about 300,000 people. And we're providing safe water for many thousands more."

Iraqi children and the legacies of war. Save the Children's emergency response in southern Iraq began in April 2003 and quickly became the largest humanitarian assistance program in southern Iraq, focusing on meeting the basic needs of children and their families. We delivered essential social, health, and education services in nearly 100 communities.

More than a year later, Save the Children employs more than 250 Iraqi humanitarian workers and has completed more than 600 grassroots community projects such as repairing and equipping schools, rehabilitating water treatment plants, and providing training to teachers, doctors and nurses. More than a million Iraqi children and their families have benefited from these projects. In 2004, our efforts shifted from relief to reconstruction and development programs that make lasting change, and the results are evident: Children are back in renovated schools and are benefiting from the training and school kits that Save the Children has supplied. Several hospitals are better equipped to deal with the ongoing problem of malnutrition among children under 5 years old. Communities are mobilizing





In Iraq, girls receive child-to-child training on participation through a Save the Children educational program.

themselves into action groups and implementing projects that meet their priority needs.

Countering the effects of violence in the West Bank and Gaza. Save the Children has worked in the poorest and most marginalized areas of the West Bank and Gaza since 1973. Family poverty has soared to 56 percent in the West Bank and 81 percent in Gaza, compounding the stresses of escalating violence – especially on children, who comprise the majority of the population.

Almost 600,000 children, women and men living in these regions benefit from Save the Children’s programs in health, education, economic opportunity and humanitarian assistance. In response to the current crisis, we are providing emergency medical equipment, water, infant formula and baby milk, and

implementing employment programs for families that have lost incomes. In addition, more than 40,000 children in 500 schools are benefiting from our state-of-the-art psychosocial, safe play and youth development programs.

Helping Afghanistan’s children build a future. Decades of war, political turmoil, oppression and economic ruin have made Afghanistan one of the world’s most dangerous places to be a child. But today, in a new environment of hope and possibility, Save the Children is building on nearly 20 years of experience to help children, their families and their communities to build a bright future. Threats to Afghan children’s well-being are real, especially those who are malnourished, sick or disabled, who must work to help support their families, or are former child soldiers or orphans. This year, Save the Children has continued to help Afghan children draw on their admirable strengths – especially their ability to be agents of change for their families and communities.

On the Front Lines of Child Protection

During wars, conflicts and natural disasters, girls and boys often face dangers beyond even a child’s imagination: death and injury, the increased risk of sexual violence and abuse, and separation from their parents and loved ones. Almost all children in emergencies suffer some degree of psychological distress. Their schools are often closed or inaccessible, leaving them without educational opportunities or structured routines. Under these circumstances, boys and girls – some as young as 7 years of age – have been abducted or coerced into joining armed forces, serving as fighters as well as porters, spies and sexual slaves.

What can be done to safeguard children in the midst of armed conflict and natural disasters? In 2004, Save the Children continued to work actively on this issue – supporting legislation to protect women and children in war zones, establishing model programs for child protection, and raising public awareness of these horrors.

What is child protection? In situations where children’s emotional and physical well-being is threatened, protection programs prevent the worst forms of abuse as well as take steps to help children recover when violence has already marked their lives. During emergencies, protection activities ensure children not only survive but also continue to thrive by addressing the threats of underage recruitment and exploitation, ensuring children have access to education and other developmental opportunities, that they receive the emotional and psychological support needed to recover, and that families remain together.

Save the Children’s focus on children war victims arose because of the shift in modern warfare, which increasingly targets

civilian populations. Wars are now fought in backyards, city streets, schools and villages as children see their communities torn apart. Some 90 percent of all war casualties are now civilians, primarily women and children.

Hands-on assistance backed by technical expertise.

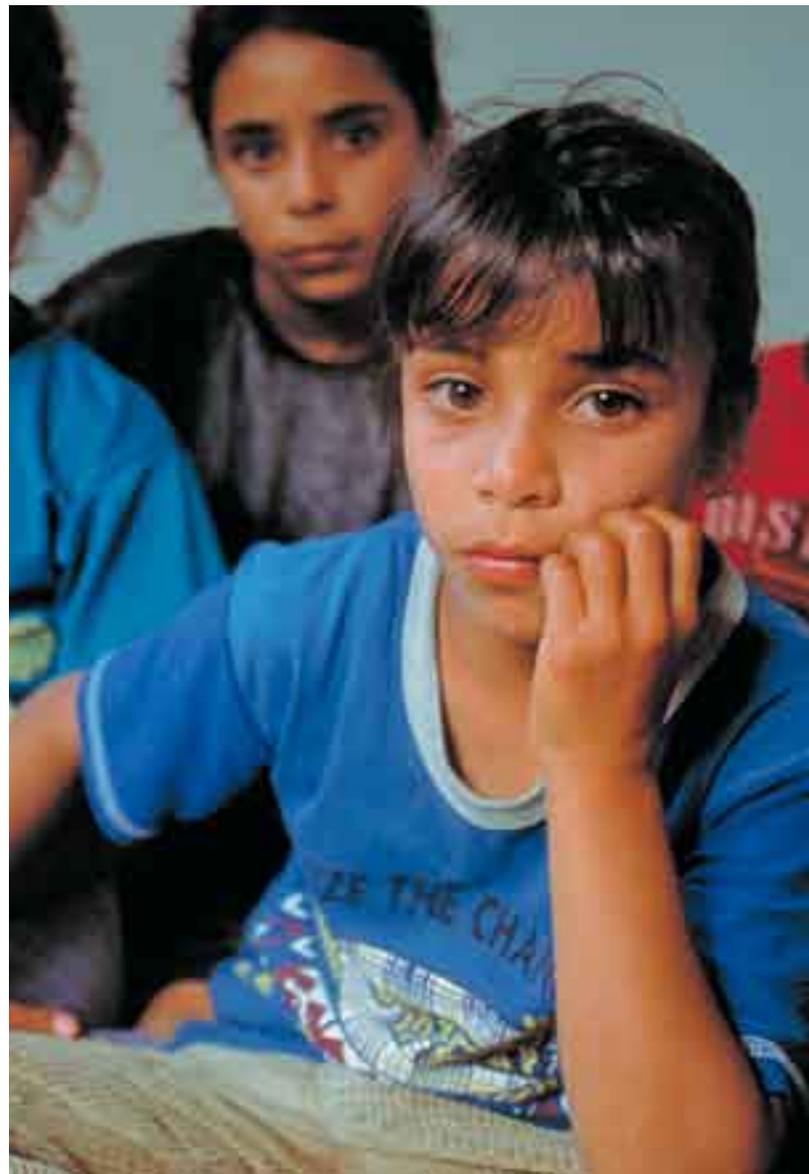
In venues such as the Darfur region of Sudan, Save the Children is putting the practical lessons of protection to work. These can be as simple as working with children and women to organize themselves into groups when collecting firewood to reduce the chances of being raped, or locating lighted latrines within safe walking distance.

For Sudanese children whose lives are disrupted by the trauma of violence, structured educational and recreational programs are a critically important protection strategy, providing an emotionally “safe zone” where children can reclaim their childhood and begin coming to terms with their new environment as well as learn how to deal with new risks such as land mines.

“We focus on child protection in all of our emergencies, be they natural disasters or conflict-related,” says Christine Knudsen, Save the Children’s senior protection officer. “The needs may be different, but the children need to feel secure, parents need to be able to support their children’s emotional recovery, and a web of support often needs to be rebuilt around children and their future.” With programs in Indonesia, the West Bank and Gaza, Nepal, Afghanistan, Iraq and Liberia, Save the Children launches several different kinds of responses to children’s urgent protection needs. “In the West Bank and Gaza, for example, we’re helping children to cope with continuing violence and helping their parents become skilled in supporting their children emotionally and physically,” says Knudsen. “In Nepal, we’re promoting schools and safe zones for the protection of children. And in Guinea, we are working to reintegrate former child soldiers, child mothers, rape survivors, and child heads of households – trying to provide them with the elements they need to recover their lives.”

Making child protection a priority. Save the Children is committed to ensuring that child protection is a priority in all emergency responses, and is leading the call for the international community to share this priority. All too often, with pressure to provide emergency relief, the physical and emotional security of children becomes a secondary concern, addressed only after the humanitarian crisis is over.

To make the protection of children in emergency situations a priority for policymakers, Save the Children has played a leadership role in advocacy and public awareness-raising efforts. We helped craft and introduce the *Women and Children in Armed Conflict Protection Act of 2003*. Then in 2004, we mobilized the Save the Children Action Network to send thousands of letters to policymakers in support of the legislation. These efforts



In Al Kararah village near the city of Khan Yunis in **Gaza**, children and families who have been severely traumatized by violence learn to cope with psychological distress, working through their fears and reclaiming normal lives.

resulted in 26 new congressional co-sponsors of the bill and led to a recommendation of \$45 million for protection activities in the foreign operations appropriations bill for fiscal year 2005. We also continued our partnerships with *Marie Claire* magazine to raise public awareness and support for this issue.

“The crucial element is that Save the Children is taking this issue and working together with colleague organizations and policymakers to ensure that other humanitarian relief actors and donors share these priorities,” says Knudsen. Communications from the field assure that as new knowledge is gained, it filters up to national leaders who set policy and guide the funding and programmatic response in every emergency. “There is a conduit of understanding and learning,” she says, “so that with each new crisis and each new deployment, the children are never forgotten. Their concerns are always present.”



Children and families flee floodwaters on **Haiti's** National Highway in Gonaïves. Assistance is ongoing in Haiti, which was struck by two separate floods in 2004.

Rapid Response in Times of Natural Disaster

In natural emergencies such as earthquakes, floods and famine, we seek to respond quickly, making the right critical decisions to meet children's urgent needs. As the headlines subside, the work continues, striving to ensure their full recovery from disaster. The year 2004 will be remembered for its cluster of catastrophic natural disasters. Those where we assisted – and where our assistance continues – include:

- **Iran.** In the last days of 2003, an earthquake devastated the ancient city of Bam, Iran, killing tens of thousands. An estimated 70,000 residents were left homeless. Save the Children immediately responded with staff and resources for the massive emergency relief effort. We addressed the protection needs of Bam's children and provided dislocated families with basic shelter assistance and medical care.
- **Haiti.** After two separate hurricane-driven floods, Save the Children moved quickly to support relief efforts in Haiti, partnering with other groups to gain access to remote

villages. Our work to meet the basic needs of infants and children included assembling kits containing mosquito nets, clothing, soap, washcloths and other basic necessities.

- **Bangladesh.** Severe flooding in Bangladesh submerged two-thirds of the country and left 10 million people homeless. Even after many took shelter in public and private buildings, millions of children needed assistance and hundreds of thousands of families needed food, shelter, clean water and health services. To help meet their immediate needs, Save the Children provided food, water purification tablets, plastic sheeting for temporary shelter, and survival kits.

Food Security: Freedom from Hunger

The idea behind food security is simple: To survive and thrive, every child needs access to food on a sustainable basis – enough nourishing food to prevent malnutrition or stunting, uninterrupted by disaster or crisis. “To be truly secure, a food supply must be sustainable over the long term,” says Ina Schonberg, director of Save the Children's Food Security Unit. “We can't stop a flood, but we can try to stop it from cutting off a child's food supply.”

In the developing world, food supplies are often vulnerable to interruptions such as cyclical droughts or other natural disasters, as well as outbreaks of disease and conflict. Save the Children addresses these threats with appropriate coping strategies. Food security programs also help people to prevent future crises by identifying and developing sustainable solutions to the underlying causes of hunger and malnutrition.

The global dimensions of hunger. Hunger and malnutrition remain one of the most fundamental challenges to the poor in developing nations. Economists estimate that millions of dollars in productivity is lost each year due to hunger and malnutrition. Worldwide, over 840 million people experience hunger on a daily basis, including about one in three children. Every year, 6 million children younger than 5 die of malnutrition and hunger-related causes. In addition to a loss of physical resilience to illness, of energy and of learning capacity, children are also increasingly vulnerable to other forms of abuse and exploitation when faced with increasing hunger and poverty.

Save the Children is working in 15 countries with populations which are among the most chronically malnourished. For example, programs in Guatemala, Haiti and Angola are serving populations where well over 50 percent of children are chronically malnourished (rates of up to 75 percent have been measured in project sites). In these countries, Save the Children's programs help families grow more and better quality food, increase their incomes, better use water resources, and adopt child care and feeding practices that improve the nutritional status of children.

Food aid is a significant part of Save the Children's relief work around the world. In 2004 we allocated \$46 million to children and families in immediate need. In Darfur, the provision of food and water is the only hope for survival for displaced populations who have banded together in camps for safety.

However, it takes more than food to fight hunger. In Malawi, where drought and crop failure were endemic in 2002 and 2003, Save the Children is now working to re-establish long-term food security. Following the distribution of emergency food aid to vulnerable families, especially those affected by HIV/AIDS, Save the Children is establishing programs with a long-term impact. By increasing agricultural productivity and incomes, diversifying diets, and helping mothers

In **Bolivia**, we are helping families to grow more food and improve their knowledge about nutrition so children are healthier and better nourished.

better care for their young children we are helping to prevent future food emergencies.

In Mozambique, after identifying and replicating a disease-resistant strain of the dietary staple cassava, we are now also working to further diversify food crops, and improve nutritional knowledge.

In Ethiopia, where rangelands were damaged by drought and overgrazing, we have mobilized pastoralist communities to improve their livelihoods and food security. Pastureland rehabilitation efforts, as well as the establishment of individual veterinary service providers and improvement of herd management practices have resulted in livestock herds that are healthier and more sustainable – this group's main food source and asset base. This, along with improved maternal, infant and child feeding practices have made the pastoralists much less vulnerable than other communities in the area to the recent drought – evidence of increased food security.

In Nicaragua, the value of situation-specific strategies like these is clearly visible where our work with local farmers increases their ability to grow food for their families and increases their cash incomes. Young children receive food and nutritional supplementation at early childhood centers where mothers receive counseling regarding child care and nutrition. Among target populations, preliminary statistics indicate a reduction in the rate of stunting among children by more than one third.



Building a Brighter Future for the World's Children

A mother weighs her baby boy as part of a Save the Children program in Malawi to monitor the health of young children.

Save the Children's technical leadership and program innovation help create lasting, positive change for children

The good news: Globally, Save the Children programs are helping to save 18 million children each year and are increasing access to education and income generating opportunities for many more. And, a large increase in donor funding is beginning to bring hope to many who are HIV-infected, or affected, by HIV/AIDS.

The bad news: Despite these achievements, the number of children and mothers living in poverty who need our help is increasing, and many children – and especially the poorest – have not yet been reached with even the most basic services. Meanwhile, the AIDS epidemic continues largely unabated, with more than 40 million people now living with HIV/AIDS, nearly 3 million of whom are children under 15.

Saving Young Lives and Giving Children a Healthy Start

Globally, child deaths have declined by 50 percent since 1960. “Basic, low-cost services, such as oral rehydration therapy for treating diarrhea, vaccination against polio, tetanus and measles, vitamin A supplementation, and breastfeeding are making a real difference” says David Oot, director of Save the Children’s Office of Health. “Yet, over 6 million children still die each year because they have not yet been reached with these technologies and approaches we know work. Save the Children is working worldwide to: advocate for those without a voice on important issues affecting child health; extend access to, and promote, life-saving health practices and services; and find new and better ways to improve the health and survival of those most in need. Focusing on communities, and especially poor and marginalized populations, we seek to improve maternal and child health services and practices along a continuum from pregnancy through adolescence including school health and nutrition programs to help children perform better in school, attend more regularly and longer, and develop into more productive adults.

Saving Newborn Lives: a global signature initiative.

Save the Children’s innovative Saving Newborn Lives program is now in its fifth year. Made possible by a grant from the Bill & Melinda Gates Foundation, it began with two astonishing facts: 40 percent of all deaths among children under 5 occur within one month after birth – two-thirds of them within the first few days of life.

Saving Newborn Lives works to improve global and national policies and – with health practitioners and communities – to improve newborn survival. In Nepal and in India, where 25 percent of the world’s newborn deaths occur, Saving Newborn Lives is successfully promoting basic life-saving practices such as gently washing newborns with warm, rather than cold, water, and use of skilled community health workers who have been trained to help save the life of a newborn who is not breathing, or treat common life-threatening infections. In rural Bolivian towns such as Oruro, Saving Newborn Lives is training volunteer health promoters who provide child survival services to families without ready access to clinical care, and to medical professionals in eight priority districts.

Saving Newborn Lives has also helped to prevent neonatal tetanus – a major cause of mortality among Pakistani newborns. Through community education and extension of vaccination services by trained female community health workers, initial resistance to life-saving immunization was overcome, and acceptance rates rose from around 50 percent to over 90 percent, ultimately providing protection against this deadly disease to 10 million women and their newborns. In Pakistan we are also promoting immediate breast-feeding, and have helped to alter the traditional practice of discarding the colostrum – the first three days’ breast milk, which contains critical nutrients and helps improve the ability of newborns to fight infections. And in sub-Saharan African and Asian nations, Saving Newborn Lives



is training mothers to protect premature and low-birthweight babies with their own body warmth in areas where incubators are in short supply. Termed “Kangaroo Mother Care,” this technique also helps promote breast-feeding and beneficial contact between mother and baby.

Healthy mothers and healthy children. More than 500,000 women die each year from pregnancy and childbirth-related causes, multiplying the risk that any young children they may have will also die. More than 70 years of experience has taught Save the Children that the best way to ensure children’s health is to ensure their mother’s health through a continuum of mother-child care, from reproductive health and family planning to safe delivery and post-natal care.

Save the Children’s reproductive health programs help prevent needless death and disability by improving the availability, quality, and use of reproductive services – especially among those who are underserved. We seek to ensure that women and men have access to accurate, culturally-appropriate information and services, and are empowered to make healthy decisions related to their sexual health, birth planning and family size. In 2004, we continued our commitment to working with partner

Cesaria, a 22-year-old mother in Huancarani, **Bolivia**, feeding her 3-year-old son, Eddy. Her newborn is one week old. Cesaria participates in our Saving Newborn Lives program.

organizations at the global, national and local levels to increase understanding and awareness of the critical relationship of a woman’s health to the well-being of her child. Through our work in countries such as Mali, Ethiopia and Vietnam, we have established and evaluated innovative models for delivering life-saving emergency obstetrical care to poor, underserved rural areas.

Adolescent Health: Providing the Choices Young People Need

Worldwide, there are nearly 1 billion people between the ages of 10 and 24 – 86 percent of whom live in developing countries. The reproductive and sexual health decisions they make, or that are made for them, will profoundly affect their future. Young people, and especially adolescents, typically have poor access to health services, and many have already been devastated by sexually transmitted infections including HIV/AIDS. Globally, young people between the ages of 15 and 24 represent almost one-third of the 40 million HIV-infected persons worldwide, and 60 percent of all new HIV infections.

Young people face other health risks, as well. In some countries, they are initiating sex earlier but marrying later, while in others, such as Bangladesh, the average age at marriage is as low as 14 years. Given these realities, we know that approximately 15



million adolescent girls between the ages of 15 and 19 give birth, accounting for more than 10 percent of all births annually. Births to such young mothers endanger the life of both mother and infant, especially in impoverished communities.

Save the Children's programs reach nearly 1 million young people annually with high-quality, youth-friendly services, and enable, encourage, and promote the use of healthy protective practices. These programs help reduce the risk of unintended pregnancy, as well as the transmission of sexually transmitted infections, including HIV.

Bringing young motherhood to the fore. In a groundbreaking report, Save the Children helped advance the world's understanding of children's health and its connection to maternal health again in 2004. The risks of early motherhood were highlighted in the 2004 edition of *State of the World's Mothers*, the fifth in this landmark annual series of reports. "You really shouldn't talk about developments in maternal and reproductive health without looking at our Mother's Day report," says Mary Beth Powers, Save the Children's senior advisor for reproductive health. "It's one of the most influential publications the field has ever produced. Brilliant. This year's report has caused a huge resurgence of interest in the whole issue of children having children. Everyone in the field is referring to it, in Washington, D.C. and around the world."

Children and Families Living with HIV/AIDS: The Crisis Continues to Grow

In the developing world, especially in southern Africa, the devastation of the AIDS epidemic is escalating year by year. An estimated 15 million children around the world have lost one or both parents to AIDS, a figure that is projected to grow to 25 million by 2010. The fact that so many of these children live in impoverished countries only magnifies the socioeconomic impact.

"With HIV/AIDS, the catastrophe strikes in three phases over time," says HIV/AIDS Program Director Stacy Rhodes. "First, you've got the infection spreading quietly and inexorably over a long period. Then a sharply rising wave of increased deaths follows among people in their twenties, thirties and forties, most of them productive, working adults who are also parents. And then you get the wave of orphaned kids, who must be dependent upon others for a chance in life." In many of the communities Rhodes has visited, it's the norm for children to be raised by their grandparents. The middle generation – young adults – seems to be missing.

Save the Children is approaching this crisis on many fronts, working to help communities mobilize to provide care and support for orphans and other affected children in their own villages. To develop a replicable model for helping children and families affected by HIV/AIDS, we began in Malawi – which

suffers from one of the highest rates of HIV/AIDS infection in the world. Our program there supports community efforts to provide in-home care for the chronically ill, and supports community-based childcare so women can perform home-making tasks. We also work with communities to renovate local schools to assure a better learning and social environment for children, and we support community efforts to secure adequate food (through community farms/gardens) for AIDS-affected families. Since the inception of the Malawi program in the late 1990s, Save the Children has helped mobilize some 1,500 Village AIDS Committees, reaching over 50,000 children in that country alone. Similar programs are already under way in Ethiopia and Mozambique, with additional work planned in Uganda. Other programs for prevention of HIV infection among youth are being carried out in the Asia region, including Bangladesh, Myanmar and Nepal.

In 2004, we were able to expand our HIV/AIDS programming for children thanks to generous funding from many individuals and organizations, including the U.S. government, The Global Fund to Fight AIDS, Tuberculosis and Malaria, UNICEF and the World of Hope Foundation.

Helping infected babies and mothers. When health care providers know a pregnant mother is HIV-positive, the risks of HIV-transmission to her baby can be greatly reduced at a relatively low cost. By working within communities to help overcome the stigma of AIDS, by encouraging testing and healthy practices, and by supporting linkages between communities and clinical service providers of maternal and child care, we are seeking to reduce the transmission of HIV from mother to infant. We are also advocating on behalf of HIV-positive mothers for increased access to antiretroviral treatment – which not only reduces mother-to-child transmission, but also allows them to live longer to care for their children, reducing the tragedy and burden of additional orphans.

Educational Opportunity: More than Schools, Books and Teachers

It takes education to break the generational cycle of poverty. Around the world, Save the Children is working to remove the obstacles that prevent 104 million primary school-age children from attending school – almost two-thirds of them girls. In over 30 developing countries, we are building educational quality, capacity and access for a broad range of ages, starting with pre-school preparation – critically important for sustaining enrollment rates among older children. In addition, we are helping crisis-torn communities respond to challenges to educational systems and to children's ability to learn brought on by AIDS, armed conflict and their traumatic effects. In every case, we help local government agencies, teachers and parents create relevant educational programs they can maintain on their own.



A children's health class in Arzan Qimat, **Afghanistan**. Save the Children is enabling thousands of young Afghans, both boys and girls, to attend school.

The ABCs of early childhood education. “What we’ve done in recent years is to take what we’ve learned from some remarkable successes in countries such as Nepal, apply them in other countries, and learn how to make them even more successful,” says Chloe O’Gara, director of Education programs. In 2003, our Nepalese preschool learning centers confirmed that when 3- to 5-year-olds have a chance to develop social, cognitive and physical skills before the first grade, they are more likely to do well as students and to remain in school. Their test scores averaged 32 percent higher than children who did not attend the centers, and fewer dropped out. Bringing this model to Central America, we enrolled young boys and girls in a preschool pilot program. In addition to learning about colors, shapes, sizes, basic concepts and the body, the children developed social, motor, cognitive and language skills in their preschool activities. They also received nutritional supplementation. In the next few years, we plan to open up to 40 such centers for approximately 2,500 children in Central America.

Education for a change. Save the Children’s educational programs provide equal access to girls and boys, an idea that requires special sensitivity to local culture in many of the communities where we work. In Egypt, rural adolescent girls not in school are the most disadvantaged demographic cohort of children we work with. For example, 54 percent of upper-Egyptian girls aged 13 to 15 are not enrolled in formal education, as compared to 11 percent of the boys.

After just two years in operation, a program to improve the life opportunities of these girls in four target villages produced remarkably promising results. Participating girls scored huge gains on statistical measures of self-confidence and life skills with 52 percent believing themselves “strong and able to face any problem” – an increase of 200 percent over figures from before the program. Equally impressive, 95 percent of them passed the official standardized test of adult education with an average achievement rate above 90 percent – even though 83 percent entered the program with no prior schooling. We are working with partner organizations to expand the program.

Afghan girls and women: using schools to secure their own future. In Afghanistan, school enrollment for girls and women was almost nonexistent throughout the 1980s and 1990s. With funding from the Asian Development Bank, Save the Children has been working with 10 northern communities to improve access to, and demand for, quality basic education. Each community involves girls, boys, men and women in Education Action Groups to assess local education and to create action plans to improve it. Around 7,000 children, 200 teachers and Ministry of Education staff, and 700 parents and other adults are directly involved and benefiting from the project.

One of the program’s most important achievements has been the involvement of many local stakeholders – especially women and district and provincial staff from the Ministry of Education. Because it is rarely acceptable for women and men to attend meetings together in Afghanistan, Save the Children hired

women for its education team to facilitate separate meetings for women, thereby ensuring their involvement in education decision-making and improvement. The results: Enrollment of girls in 2004 increased by 28 percent. And among boys, the increase was 13 percent.

Economic Opportunity: Building Futures

Economic opportunity programs support our work in health and education by helping poor mothers earn modest incomes to raise their families. The need is great: Approximately one-fifth of the world's population, or 1.3 billion people, is considered "desperately poor," subsisting on the equivalent of a few dollars a day or less. Their survival is at risk because they cannot afford basic life necessities. And about two-thirds of the desperately poor are women.

These women are unlikely candidates for commercial loans, so Save the Children is helping to make microfinancing available to many of them through partnerships with organizations such as British Petroleum, Citigroup and the U.S. Agency for International Development (USAID). The ingenious concept behind microfinance could be termed "scaling down" – loans usually less than \$100 and sometimes as small \$30, are issued to women who use the funds to finance home-based micro-enterprise businesses, such as sewing crafts. Organized into communal cooperatives, participating women guarantee each other's loans, eliminating the need for formal collateral. Each loan opens a line of credit that increases as each micro enterprise expands. In 2004 we lent \$65 million to these clients in 18 countries in Africa, Asia, the Middle East, Eurasia and Latin America. Participation rose from 225,000 to 278,000 clients, 95 percent of them women. Highlights include:

- In Azerbaijan, our group-lending program became an independent institution with a client base of 3,900 active borrowers, up 67 percent in 2003.
- With approximately 1,000 clients after only one year of operations, our thriving microfinance program in rural Vietnam expanded, inaugurating an urban program in Hanoi.
- By the end of 2006, a large grant from USAID to Save the Children and our partner will help us reach up to 20,000 very poor, potentially entrepreneurial women involved in agricultural work in Mali.
- In Ethiopia, our lending partner – Specialized Financial Promotion Institution (SFPI) – currently serves 9,552 active clients. It is working with us to expand capacity and develop new products for rural areas, speeding the growth of micro-enterprise in Ethiopia.

David Fleming, M.D.

**Director of Global Health Strategies, the
Bill & Melinda Gates Foundation,
Talks About Strategic Philanthropy**



"Everyone believes we have to save the children.... Save the Children has the vision and vitality to get the job done and the ability to deliver results."

The Bill & Melinda Gates Foundation has emerged as one of the most effective private foundations in the

United States. "Bill and Melinda created the foundation to improve equality in global health and learning," says Dr. David Fleming, director of global health strategies. "They feel it's simply not fair that someone's opportunity to be healthy or to get a good education should be determined by the accident of where they're born."

It didn't take long for the foundation to recognize the goals they share with Save the Children. "To do something about health inequality," says Fleming, "you've got to address the causes head-on. We saw 11 million children dying each year before the age of 5, and 98 percent of those in developing countries. Two-thirds of these deaths are preventable with existing interventions and tools. Well, one of the very highest priorities of the foundation is to do everything possible to prevent those children from dying. And that's one of Save the Children's priorities, too."

This shared priority is reflected in the foundation's five-year funding of Saving Newborn Lives. "This grant is taking a groundbreaking, innovative approach," says Fleming. "Saving Newborn Lives has identified a huge potential to save lives in the first critical hours and weeks of life. It is pointing the way for the rest of the world, showing how lives can be saved with innovations that are easily practiced: drying off the newborn, attending to the first few breaths. Simple therapies and vaccines. These things have been transforming, not just additive." But cutting-edge, Fleming notes, need not require high technology or expense. "Often, simple things are the things that work the best and cost the least. That's one of the lessons of Saving Newborn Lives."

Together Save the Children and the foundation are advancing these breakthroughs through a principle Save the Children calls *scaling up*. "Resources are limited," says Fleming, "so we introduce tools and strategies that work and we support programs where direct delivery is ultimately taken on by governments. When ideas are new, innovative and catalytic, our investments can yield benefit beyond the dollar amount."

Opening Doors for Children in America's Isolated Rural Areas

An after-school reading program in **Hogansville, Georgia**. Throughout rural America, Save the Children is unlocking students' potential by improving their ability to read – and to enjoy reading.

The disadvantages of growing up in poverty are universal, but the remedies are local.

Though the United States is the world's most affluent country, the percentage of the nation's children living in poverty has grown steadily in recent years after falling in the 1990s. In 2004, approximately 13 million American children were living below the poverty line. In rural America, where the poverty rates are highest, more than 2.6 million children live in poverty.

Being poor is tough on children no matter where they live, but in rural areas, the challenge of breaking the cycle of poverty is greatest. Children living in rural poverty are often forgotten, hidden beyond the reach of public assistance programs. With transportation extremely limited and community resources often nonexistent, these children can't take a bus to a nearby library, school, health clinic or after-school program. Education is one of their most direct pathways out of poverty, yet rural children continue to lack the literacy skills they need to be successful. Over 50 percent of rural fourth-grade children read below grade level, as compared to the 38 percent national average. In the communities in which we work, the statistics are often far worse. For example, in California's Central Valley, between 82 and 91 percent of fourth graders cannot read at grade level.

"A strong foundation in literacy gives children in even the most impoverished and remote rural areas a chance for a good education, a meaningful career and a way out of poverty," notes Mark Shriver, vice president and managing director of U.S. Programs. "As Nelson Mandela has said, education is the most powerful tool you can use to change the world. Nowhere is that more true than in America."

Improvements for children through strengthened program performance. Save the Children is taking dynamic steps to strengthen its education programs in the United States. Started during the 2003-2004 school year, Save the Children's

literacy initiative offers children in 13 states throughout Appalachia, the Southeast including the Mississippi River Delta, California's Central Valley, and Native American and Hispanic communities in the Southwest access to high quality supplemental literacy support programs. Save the Children works in partnership with local schools and community-based organizations to provide a combination of in-school, after-school and summertime literacy programming.

With Save the Children's assistance, partner organizations have created and expanded libraries; and they have hired additional literacy staff to provide individualized help to children. Staff have introduced or improved the use of reading practice and assessment software that tests children's reading grade levels, allows independent reading that is motivating, and provides invaluable information to staff. Save the Children is also working to guarantee the sustainability of the literacy programs by building community and family commitment to local educational institutions and is assisting local partners to secure diversified and sustainable sources of funding so programs can grow, evolve and endure on their own over time.

Technological advances help deliver better programs for children. In the past, the remoteness of rural program locations made it difficult to share knowledge gained in the field, standardize successful practices and measure results for children. But advances in technology are changing that. Save the Children is using some of the most advanced tools available to design better programs, and increase the effectiveness and sustainability of our work for children.

To track progress in achieving Save the Children's goal of increasing the proportion of children who can read at grade level, Save the Children supports the use of a web-based data collection system. To use the system, program staff enter data



on each child and record participation in specific literacy activities each day. The system also records the results of twice-yearly standardized literacy tests, taken to gauge literacy progress over the year. With this information, Save the Children's partners can monitor a child's attendance, engagement in literacy learning activities, and success in achieving literacy skills. Partners can use the data to fine-tune literacy support to meet a specific child's learning needs. Moreover, a program can use the system to provide longitudinal data on individual children or any subset of children and for the program as a whole. The national and regional offices of Save the Children use the system to analyze and monitor program-level and regional performance.

Achieving results for children in the United States.

Children at the Jones Fork Elementary School in the Knott County Kentucky town of Mousie are an example of the progress that is being made. Just a few years ago, more than 60 percent of children were reading two levels or more below their grade level.

Save the Children worked in partnership with the Mousie community to introduce a wide range of early-childhood and

A parent volunteer reading to children at the Willard Elementary School in Busy, Kentucky.



Actress Maria Bello, right, visiting with students from the Dowa Yalanne Elementary School after-school program. Dr. Judith Reichman, a Save the Children Trustee and correspondent for NBC's Today Show, is at left. The school is part of the **Zuni Pueblo** reservation in New Mexico.

school-age literacy interventions including tutoring and vocabulary development activities during kindergarten, after-school literacy support, and guided reading opportunities at the Family Resources and Youth Service Center run in collaboration with the school. The change has been impressive. Among third graders, comprehensive tests in basic skills have increased by 20 percent in



the areas of reading and language. And all 20 of the first graders read well above grade level, with the majority of children scoring in the second, third and fourth grade range. In a state that ranks seventh-worst in high school education completion, and in a county in which 67 percent of adults are reading at a fifth-grade level, these results are more than encouraging.

Mousie is not alone in its success.

A first-year evaluation produced by Policy Studies Associates, an independent evaluation firm, found that children across the country participating in Save the Children's initiative experienced clear gains in reading proficiency, moving closer to grade-level performance. An assessment at the start of the initiative found that 71 percent of the children read below grade level. On the next assessment, administered just five months later, that number had dropped to 67 percent, which is a statistically significant change. The largest change in reading at grade level was achieved by first graders (18.2 percent).

Additionally, the analysis found that on average, children participating in the initiative were offered more than 15 hours of literacy programming each month. Children also dramatically increased the number of books they read and their comprehension levels improved. The 3,769 children participating in the initiative read over 66,000 books and passed comprehension quizzes more than 85 percent of the time. These results tell a story not only of increasing basic literacy skills, but also of gaining the confidence and imagination it takes to enjoy reading.

Through the national literacy initiative, Save the Children is providing the support and resources needed to help children in Mousie, Kentucky, and in nearly 150 other similar communities in the Southeast, Southwest, Appalachia, and in California's Central Valley, realize their potential to lift themselves and their communities out of poverty.



Children in Busy, **Kentucky** learn skills that will help them to succeed in school.

Valery Junerick

**First Grade Teacher, Brooks Elementary School,
Furthers a Heritage of Learning — and Teaching**



First grade teacher Valery Junerick. In January 2005, Ms. Junerick returned to Delta State University to work toward a Master's degree in education — a commitment that doesn't deter her from arriving at Brooks Elementary at 6:40 every morning to teach in the school's Early Bird program.

When Valery Junerick was growing up in Duncan, Mississippi in the 1970s, it was a sharecropping town where poverty, unemployment, infant mortality, poor health and low rates of academic achievement were endemic. But Valery and her schoolmates did have a couple of things going for them. One was Save the Children. Another was Tempie Shaw, a dynamic woman who helped Save the Children establish the Bonanza Buying Center — a cooperative that provides food at wholesale prices to families. As a child sponsored through Save the Children, Valery became active in programs at the Buying Center in primary school, and has been involved ever since.

“Things began changing for us when these programs started up,” she says. “We learned that reading is key, there's not much you can do without it. Save the Children helped us with our studies in all of our subjects: science, math, social studies, everything.” Valery continued to be active at the Center throughout high school and into college, serving as a mentor for the younger children and learning to help manage the program finances.

With a year and a half of college behind her, Valery — then a single mother with a baby girl to care for — found work at her old school, Brooks Elementary, as a teacher's aide. “My love of teaching began back at the Buying Center when I tutored after school and on Saturdays,” she says. “At Brooks Elementary, the teacher I worked with, Florence Prentice, insisted that I return to college for my teaching credentials. When I said I couldn't afford it, Florence said we'd figure out a way in spite of the bills.”

Valery Lynn Junerick received her BS degree in child development from Delta State University in 2002. But by then she was already accomplished in the classroom, known to many parents in Duncan before her first day in charge of a class at Brooks Elementary. “One man asked to have his daughter placed with me because he remembered being in my class when I was an aide, and that I didn't let him get away with anything. He said ‘I want her teacher to make sure she learns.’ That's a responsibility I take very seriously. I don't want to let anybody down.”

Corporate Partners for Children in the United States

Major corporations play an active role in Save the Children's work in the United States. In 2004 and every year they not only contribute funds, but also involve their employees and customers in supporting Save the Children – increasing awareness of our organization, its work, and the children who benefit from our united efforts.

T.J. Maxx

At back-to-school time, T.J. Maxx conducts its annual “Happy Heart” promotion, encouraging shoppers to donate \$1 at the checkout register. Every contribution earns a personalized “Happy Heart” pinup posted in the store. In 2004, the promotion – which underscores our commitment to education and child literacy – was supported by a Save the Children video celebrating 20 years of working together to benefit children in need. The promotion yielded well over \$1 million in donations. T.J. Maxx also supports 816 sponsorships totaling an additional \$225,000 in support.

Scholastic Book Clubs

Scholastic Book Clubs shares Save the Children's commitment to child literacy. Through its ClassroomsCare initiative, Scholastic has been a consistent donor of new books to our after-school reading programs. And their generosity is growing: In 2004, Scholastic doubled its pledge of the previous year, contributing a total of 500,000 books.

IKEA

IKEA, the home furnishings retailer, raises funds for Save the Children through a variety of imaginative promotions. For example, this year, \$2 from the purchase of every Mala children's easel benefited Save the Children. IKEA's contributions, which approached \$150,000 in 2004, support the structure and substance of our child literacy programs in the United States.



The grand opening of the IKEA store in **New Haven, CT**. Accepting a donation from IKEA is Mark Shriver, vice president and managing director of U.S. Programs.

Brookstone

Through its in-store and online greeting card promotion, “Give the Gift of Hope,” Brookstone is helping to provide children with the tools they need to thrive. In addition, Brookstone sponsors over 280 children in the United States, one for each of its stores and headquarters divisions. In total, Brookstone's contributions to Save the Children exceeded \$150,000 in 2004.

Mott's

The links between healthy eating habits, successful learning and healthy development are clear. Mott's – a company synonymous with the healthful apple – is supporting these goals with funding for Save the Children's healthy snack and physical activity and nutrition programs.

Hertz

Hertz is an active partner in Save the Children's continuing efforts to keep administrative costs low, so children can get the most possible benefit from contributions. Car rental days and vehicles donated by Hertz helped us reduce the costs of necessary travel.

US Airways

US Airways, another partner in keeping our administrative costs low, matched mileage points donated to by its customers to Save the Children. Their combined contributions provided air passage valued at nearly \$100,000, so our staffers could go where they could do the most good for our beneficiaries.

Today Show

Thanks to the generous corporate donations facilitated by the NBC Today Show Toy Drive during the holiday season, children and youth in the Appalachian Mountains were showered with an array of gifts that included over \$50,000 worth of action figures, toy trucks, stuffed bears, videos, winter coats, sports equipment and even colorful toothbrushes for boys and girls.

ClearVision Optical Group

ClearVision has been a generous supporter of Save the Children for a decade. Available at eyewear retailers everywhere, the Save the Children Eyewear Collection by ClearVision Optical contains eyeglasses, eyeglass cases and accessories, and each purchase benefits programs in the United States.

Jo-Ann Stores

Jo-Ann Stores, the leading home sewing and crafts retailer with more than 860 stores nationwide, is our newest corporate partner to benefit U.S. Programs. It has licensed Save the Children original children's artwork to create a collection featuring quilting, fleece and holiday fabrics. Save the Children spokesperson and former Miss America Phyllis George is working with Jo-Ann and Save the Children to promote the fabrics in a nationwide quilt contest with the theme “Look into the Eyes of a Child.”

Revitalized Impact for Children Through Sponsorship

How one of Save the Children's signature concepts has evolved for the 21st century.

It began with a simple, potent idea: matching donors with the individual children who benefit from their generosity, and tracking progress as the children mature. In the early years of Save the Children, this window on our work became known as a defining feature of the organization, creating a personal connection between people who often lived half a world apart and providing motivation on both sides. And sponsors provided long-term support for communities to tackle poverty over time.

But the sponsorship model's survival was in danger. Almost seven decades old, its highly individualized approach was sometimes at odds with the growing emphasis on broad-based productivity, technical advances, and quantitative analysis of global development efforts. Would these external factors render sponsorship obsolete despite its steady growth and historically constructive role in Save the Children?

The answer to that question proved to be a powerfully re-envisioned sponsorship model for the 21st century – a model fully aligned with Save the Children's leadership position in creating lasting change for children in the United States and throughout the world. Changes began taking shape several years ago, and the results are now evident in stronger program results, new methods of monitoring and evaluating these results, and broader, more flexible funding options for potential sponsors.

Core programs: education is key. No one understands better than sponsors that creating lasting change requires sustained commitment. While sponsorship does not lend itself as readily to emergency short-term relief efforts such as disaster response, it does address the critical areas of a child's development from early childhood through adolescence. The five key areas of emphasis for sponsorship programs share one common focus: the school. "Education is at the center for us," says Earl Moran, associate vice president for Donor and Field Operations.

"All of our programs tap into the local institutions where children learn." The programs in 20 countries and 13 U.S. states include:

- **Early Childhood Development.** At childhood developmental centers for children aged 3 to 5, children learn from curricula tailored to the needs of the community. The



Nine-year-old Halima is a third-grade student in a school in Mogal Gawn, Bangladesh supported by Save the Children.



Sisters Christine, 12, and Charmine, 11, of Manila, the **Philippines** work on their homework.

centers are built and upgraded as part of this program, which also provides caregivers with supplies and training in child development, education, hygiene, nutrition and disease prevention. In the United States, programs are providing training and educational materials including books to promote parents' reading to their preschool children.

- Primary Education.** Children aged 6 to 15 attend schools based on community needs under this program, which builds and supplies the schools as well as training faculty and administration in active, student-centered education. Curricula and academic schedules are responsive to local culture. U.S. education programs focus on improving literacy through after-school, summer and in-school support. These programs



Children at a Save the Children-supported school in **Mali**.

provide children with opportunities, tools and guidance: opportunities to improve their reading and writing skills, tools such as books, learning materials, literacy games and computers to develop their reading comprehension skills, and guidance and support they need to grow as readers.

- School Health and Nutrition.** Students from 6 to 12 years of age receive prevention and treatment for malaria, anemia and intestinal parasites under this school-based program. The programs also provide vitamin supplementation, potable water, hygiene facilities, vision and hearing screening, and health education. In the United States, programs provide children with opportunities for regular physical activity, and for nutrition to prevent obesity.
- Adolescent Development.** Improved learning opportunities and greater access to health information and health services help adolescents aged 12 to 18 prepare for the challenges facing them as they mature. These programs seek to ensure a healthier transition to adulthood, with lower rates of HIV/AIDS and the literacy, numeracy and livelihood skills needed for success in life.
- HIV/AIDS Care and Prevention.** Focusing on the needs of orphans and vulnerable children of all ages, HIV/AIDS programs provide assistance with school fees, support for basic food and shelter, economic opportunities for older children and caregivers, planning for bereavement and guardianship, and preventive information.

Monitoring and evaluation: a “feedback loop” of knowledge. Children aren't the only ones learning in sponsorship programs. Central to the modernization of sponsorship is its improved monitoring and evaluation system, or “M&E,” enabling field workers and technical staff to track the performance of program initiatives more closely than ever before – learning what's working and why, so successes can be replicated and strengthened. “Our updated M&E system is huge news for sponsorship,” says Moran. “It's not just for setting and meeting performance goals, important as that is. It will also enable us to take a closer look at the biggest factors that lead to positive change in children's lives, and then make sure that our activities are structured to make the most of those factors.” Save the Children launched this new focus on M&E in 2003; Moran expects the new evaluation methodology to be fully in place by 2005.

Funding trends: continued growth, greater loyalty, increased flexibility. Since its inception, sponsorship has been the deciding factor behind many contributions and a vivid showcase for success in the field. In 2004 sponsor contributions accounted for more than \$29 million in total donations – up seven percent over the previous year. Retention of sponsors from year to year has also been improving, and has reached the highest level we have ever recorded – over 84 percent.

Impact on a broad scale, but with a human face. Today, more than 100,000 people around the world participate as sponsors in the Save the Children family. New technologies and programmatic advances continue to add impact to sponsors' contributions. But if the tools for helping sponsored children are developing, the seminal idea – to provide a window on our work with children and families in need – has remained unchanged since it was conceived more than 68 years ago. For many contributors, remaining in touch with the children they sponsor is one of the chief rewards of giving, sometimes growing into friendships that extend over decades. Others, including overseas sponsors, contribute through programs such as Lifeline sponsorship, where many sponsors learn about the programs they support through the eyes of an ambassador child who represents all the children in his or her community; and through program sponsorship, which benefits specific sponsorship programs. These alternatives enable sponsors to learn about the programs they support in the way that resonates most with them. Yet the human dimension remains vivid, conveyed to sponsors through the experiences of representative beneficiaries like these:

- **Ty**, (see photo) a 6-year-old in rural Georgia. Ty didn't like to read, and especially not aloud, before one of Save the Children's literacy specialists paired him with Yolanda, a senior citizen volunteer in an after-school reading program. After Yolanda read each book aloud to him once, he participated with increasing confidence and skills in each second reading, eventually becoming an eager reader. After one recent book Ty boasted, "I'm going to take a computer quiz on this book, and I'm going to get 100 percent!" He may well have been right; reading assessments show he made significant gains over the year and will soon be able to read independently, well above the reading level of an average first-grader.
- **Alpati**, (see photo) a 14-year-old girl in the Kailali District of Nepal. Where Alpati lives, the lack of routine health care visits and basic health education leads to very high rates of illness in school-age children, sometimes causing lifelong disability or even premature death. But as a sponsored child, Alpati received a medical exam from a local Save the Children partner after experiencing stomach pain and other symptoms during the past year. After she was referred to the district hospital for further treatment, doctors discovered she had kidney stones. She received treatment and is now back in school, finishing the year with her classmates. Her father, Hariram, says "Save the Children's programs helped to save my daughter's life."

For sponsors, the experiences of children like Ty and Alpati illuminate the statistical evidence of progress through the very real changes Save the Children programs make for children.



In Georgia, 6-year-old Ty has become an avid reader.



In Nepal, 14-year-old Alpati got treatment for a serious medical problem thanks to Save the Children.



Six-year-old Jose from **El Salvador** is a cardiac patient for whom Save the Children facilitated heart surgery. He also participates in Early Childhood Development programs.



Financial Report

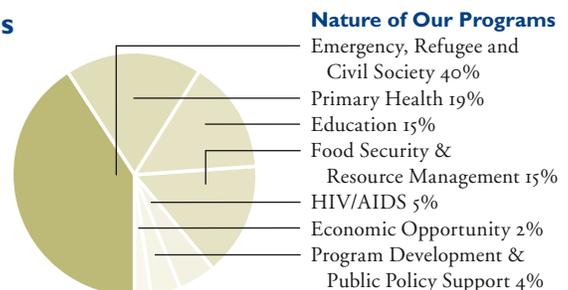
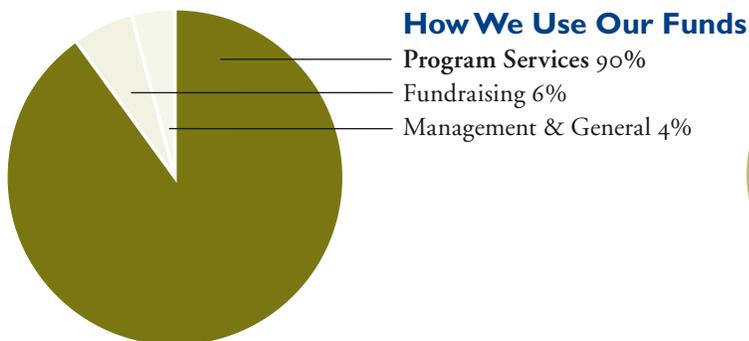
It is my pleasure to report that fiscal year 2004 was another successful year for Save the Children. Total revenues were in excess of \$271 million including all restricted and unrestricted sources representing an almost 10 percent growth over fiscal year 2003. Operating revenues exceeded \$250 million and non-operating revenues were just over \$21 million. The 4 percent increase in operating revenues was led by our government grants portfolio, which at \$107 million, grew by 13 percent from fiscal year 2003. Child sponsorship provided \$29 million and private gifts, grants, and bequests generated \$65 million in revenues showing solid annual growth of 8 percent and 6 percent, respectively. These gains were slightly offset by a decline of \$8 million or 15 percent in agricultural commodities revenues. The initial phases of our Capital Campaign produced a resounding 214 percent increase in non-operating revenues at \$21 million as opposed to nearly \$7 million in fiscal year 2003.

Throughout 2004, we continued to ensure that program delivery remained the primary use of Save the Children's resources as 90 percent of total Save the Children expenses were spent on Program Services. This mark was first reached in fiscal year 2003, and we are happy to report that we have been able to repeat this performance in fiscal year 2004. In order to align our reporting with our program priorities, we have broken out expenses incurred for our HIV/AIDS efforts separately that heretofore have been included in Education, Primary Health and other program areas.

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



VICKIE BARROW-KLEIN
*Vice President, Finance and Administration
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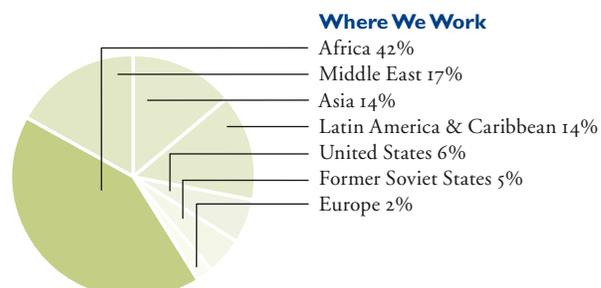
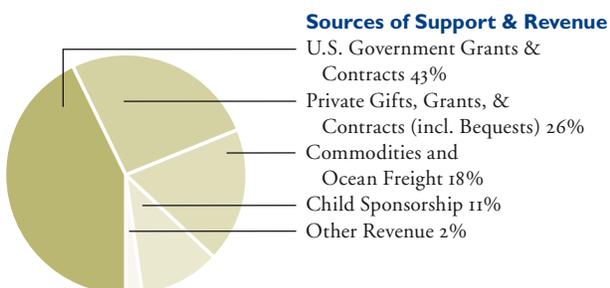


Condensed Audited Financial Information

	FY 2004	FY 2003 RESTATED
Operating Revenue		
Child Sponsorship	\$28,725,000	\$26,569,000
Private Gifts, Grants, & Contracts (incl. Bequests)	64,851,000	61,255,000
U.S. Government Grants & Contracts	106,569,000	93,918,000
Commodities and Ocean Freight	45,611,000	53,944,000
Other Revenue	4,754,000	4,555,000
Total Operating Revenue	\$250,510,000	\$240,241,000
Operating Expenses and Changes in Net Assets		
Program Services		
Education	\$33,428,000	\$35,676,000
Primary Health	40,450,000	43,851,000
HIV/AIDS	9,785,000	4,418,000
Economic Opportunity	5,336,000	7,139,000
Food Security & Resource Management	33,857,000	30,242,000
Emergency, Refugee and Civil Society	87,423,000	87,578,000
Program Development & Public Policy Support	8,597,000	6,683,000
Total Program Services	\$218,876,000	\$215,587,000
Fundraising	\$16,251,000	\$14,015,000
Management & General	9,405,000	8,566,000
Total Operating Expenses	\$244,532,000	\$238,168,000
Excess of Operating Revenue over Operating Expenses	\$5,978,000	\$2,073,000
Excess related to Unrestricted Fund	786,000	-
Excess related to Temporary Restricted Funds	5,192,000	2,073,000
Non-Operating Activity (Endowment Campaign gifts & pledges)	21,011,000	6,686,000
Total Operating Revenue and Non-Operating Activity	\$271,521,000	\$246,927,000
Total Operating Expenses	244,532,000	238,168,000
Increase/(Decrease) in Net Assets	26,989,000	8,759,000
Net Assets, Beginning of Fiscal Year	50,282,000	41,523,000
Net Assets, End of Fiscal Year	77,271,000	50,282,000

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In fiscal year 2004 based on 2003 costs, Save the Children charged 13 percent (10 percent for fundraising and management and 3 percent for program development and public policy support) for supporting costs for restricted gifts donated for current use.



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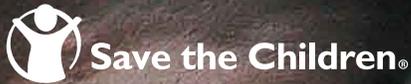
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sustainability standards.

These children and their mothers
participate in a Save the Children's
health program in **Jordan**.





These seven children in **Nicaragua** are among thousands benefiting from early childhood development programs around the world and in the United States.



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www.savethechildren.org

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