



spokojnost, pace, t'rendā, pokoy, fred **Roots of Peace | 2008 Financial Summary and Program Activities**

ROOTS OF PEACE (ROP) IS A HUMANITARIAN NON-PROFIT ORGANIZATION BUILDING SUSTAINABLE LIVELIHOODS ON LANDS ONCE TOO DANGEROUS TO TRAVERSE DUE TO THE REMNANTS OF WAR.

2008 | Roots of Peace: The Year in Review

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OUR DEMINE/REPLANT/REBUILD MODEL HAS CREATED UNPRECEDENTED LEVELS OF ECONOMIC VIABILITY FOR THOUSANDS OF FAMILIES LIVING IN WAR-TORN COUNTRIES. THROUGH GENEROUS SUPPORT FROM GOVERNMENTS, FOUNDATIONS, AND INDIVIDUALS, WE HAVE GREATLY IMPACTED GLOBAL COMMUNITIES IN AFGHANISTAN, ANGOLA, BOSNIA-HERZEGOVINA, CAMBODIA, CROATIA, IRAQ, THE KYRGYZ REPUBLIC AND VIETNAM.



ROOTS OF PEACE (ROP) CONTINUED TO EXPAND OUR innovative demine-replant programs in 2008 with an increase of programs in Afghanistan. ROP ended the year with 14 programs totaling over \$31 million in funding for work in Afghanistan and Croatia. With the launch of five new programs, revenues increased to \$5.0 million, up from \$4.3 million in 2007.

In the agricultural fields, ROP programs in Afghanistan continue to plant hope in the form of fruit trees. By the end of the year, ROP had planted over 1.2 million fruit trees establishing over 5,000 new orchards for small rural farmers. Each orchard will increase the farmer's income 2-4 times when the fruit trees mature. Vegetable inter-cropping is trained so that these farmers maintain income during the transition from poppy or wheat fields to higher valued crops like fruit orchards.

ROP continues our pioneering efforts to upgrade Afghan grape farmers from old style grape growing methods to the new modern trellis-style method. This upgrade has proven to double the farmer's income in less than 2 years. ROP pioneered this effort in 2004 and is happy to see other development organizations following our lead and spreading this improvement throughout the country. For it is through collaboration, not competition that we will lead the way.

To support the future development of the almond industry, ROP is working with the European Community (EC) to develop the country's first national industry board for the promotion of a single crop. ROP worked to form the Afghan Almond Industry Development Organization and continues to support its work to promote almond nursery system, best cultivation practices in the field and coordinated marketing.

ROP is expanding the number of crops and products we are now supporting. In addition to fruit and nut crops, ROP is now working to support carpet production and cooking oil production. ROP continues to seek out high market value activities for the rural population, as 80% of the country is dependent upon agriculture.

We continue our steady growth within Afghanistan and are now pursuing expansion into post-conflict countries in Southeast Asia. ROP will continue to develop its expertise in perennial, high market value crops. We will also broaden our program focus to address related activities, covering the entire agricultural spectrum from policy to production, trade, credit, and branding.

We are proud to visit our program areas to see the thriving vineyards and orchards flourish on fields which once lay abandoned and unapproachable only a few years ago. Together we strive to restore the legacy of Afghanistan as the "garden of Central Asia".

Heidi Kuhn
Chief Executive Officer

Gafy Kuhn
Executive Director





Focus on high market value crops, like cocoa, can lift rural highland peoples from poverty

Programs

AFGHANISTAN

Afghanistan is making several strides forward with the aid of the international donor community while also experiencing the growing pains endemic to a country that has experienced such a prolonged period of war. Roots of Peace is making a difference in this war-torn nation through a number of projects, which promote sustainable, agricultural development that is market driven.

RURAL BUSINESS SUPPORT PROGRAM (RBSP)

Funding From the Asian Development Bank

Since November 2007, ROP has been working closely with the Afghan government to develop and implement the Asian Development Bank funded Rural Business Support Program (RBSP) with the goal to increase rural income by developing market-driven value chains. ROP is now working on potatoes in Bamyan Province, edible oils in Balkh and Nangarhar Provinces, and wool and carpets in Bamyan and Balkh Provinces.

Work with the potato value chain includes intensive master training programs for extension advisors and subsequent farmer training programs in best practices and the construction of underground buildings for potatoes held beyond harvest time to gain better prices.

With edible oil value chain, ROP is conducting intensive master training programs of extension staff and farmers for sesame, cotton, sunflower and safflower production. Modern and more efficient edible oil processing and packaging equipment will be introduced.

In the wool and carpet value chain the team has assisted over 1,370 weavers, who were mostly women in accessing improved inputs, looms, and carpet designs and in exercising more independent carpet marketing decisions. The RBSP team is working with carpet traders associations to improve carpet cut and wash operations and exports to western markets by assisting exporters to develop internet websites and with trade missions.

To support these development activities, a credit line for value chain stakeholders was initiated. Total micro and small/medium enterprise (SME) financing is estimated at \$2.1 million.

PERENNIAL HORTICULTURE DEVELOPMENT PROGRAM ALMOND INDUSTRY DEVELOPMENT PROJECT (AIDP)

Funding from the European Community

This \$1.1 million project is being implemented over the period April 2007 to April 2010. The project is focusing on the development of a national almond industry organization, the Afghanistan Almond Industry Development Organization (AAIDO), modeled on those found in the USA and in Australia. The development of the AAIDO marks the first time an agricultural industry organization has been formed in Afghanistan. The mission of the AAIDO is to link producers, traders, support businesses, NGOs and government into a collaborative effort to build the Afghan almond industry. The AAIDO has committees representing nursery operators, almond producers and merchants. It has programs (implemented by ROP staff) to increase efficiency at the nursery, orchard and market levels.

ROP has been supported by experts from the University of California at Davis (UCD) who provided consultation and training to AAIDO member producers and merchants on agricultural and marketing practices. In turn, ROP staff has provided training to almond producers on best orchard practices and integrated pest management practices. The result has been significant increases in production. One intervention was a simple demonstration of the impact of bees on production. Yields jumped 30–70% in our demonstration area.

The marketing plan is an evolving document that codifies the industry's ideas and efforts to improve production and marketing practices. The marketing plan also calls for the production of a Trade Directory to facilitate communication among merchants, nurseries, producers and external buyers. An Almond Catalogue is also being developed to showcase Afghanistan's wide variety of almond products.

ALTERNATIVE DEVELOPMENT PROGRAM—EAST
Funding from US Agency for International Development

Afghanistan is the world's largest producer of poppies, which unfortunately, are refined into opium and heroin. Many farmers have little choice but to grow these crops for a number of reasons. With that in mind and with funding from USAID, ROP is offering better agricultural alternatives to poppy cultivation. Through the development of high market value perennial crops, ROP is able to show farmers a financially viable alternative to poppy production.

Commercial orchards have been planted and private nurseries have been established to propagate the best of local and imported varieties of a number of different fruits and nuts. The project's goal was to establish 7,400 acres of new commercial orchards. To date, 7,420 acres were planted and over 5,000 new orchards have been established, exceeding our goals.

Farmers were able to choose from a wide range of high value fruits that included citrus, pomegranates, almonds, in addition to other varieties. New citrus orchards were planted, the first such plantings since the conflict years. ROP established a citrus nursery in Jalalabad to promote the resurrection of the citrus industry and to date, 65,000 citrus trees have been

planted. ROP's project also includes vegetable intercropping during the early years to provide income as the saplings mature.

In Nangarhar province, pomegranates, citrus, almonds, and apricots were planted. In Nuristan and Kunar, walnut orchards were established. A women's nursery was constructed and provided with 250,000 pomegranate saplings. This project will be completed in 2009.

ALTERNATIVE DEVELOPMENT PROGRAM—NORTH,
ORCHARD PLANTING PROJECT
Funding from US Agency for International Development

From 2006 through December 2008, ROP implemented the ADP-N, Orchard Planting Project aimed to increase rural farmer's income in Badakhshan Province by assisting farmers to upgrade their farm to fruit and nut orchards and improve marketing. Farmers participating in this program can increase their annual income from below \$1,000 to above \$3,000. Funding for the 28-month project was \$2.4 million. A major focus of the program was the development of a series of 93 small-scale commercial nurseries with the capacity to produce a continuous supply of 400,000 high-quality saplings to support the expanding orchard industry. ROP brought the mother-stock trees from



Afghanistan has 30 varieties of almonds and over 60 varieties of grapes.

certified international or national sources. Saplings are produced by grafting budwood from the mother-stock trees onto locally produced rootstock. The result is a tree well-adapted to local soils that produces fruit or nuts with the international quality characteristics of the mother-stock trees. New larger Bing-style cherries have been introduced into the Badakhshan region.

The second focus of the ADP/N project was assistance to farmers to establish commercial orchards, using the types of trees that would become available from the locally established nurseries. The project established 1,000 new commercial orchards. This expansion can continue into the future without the assistance of a development project.

The third focus of the ADP/N project was assistance to farmers and merchants designed to increase the efficiency of the marketing system, providing an expanding market for the production from the new nurseries and orchards. Export marketing successfully linked walnut and cherry producers in Shohada to Kabul, Iran, and Pakistan buyers. The entry into the local markets by new Kabul buyers increased competition for the product causing walnut prices to increase by 20%.

ROP promoted the use of new apricot drying techniques with participating farmers resulting in a new cash crop to cul-

tivate. Previous efforts to dry apricots had resulted in products that were unmarketable.

USDA HORTICULTURE PROMOTION PROJECT *Funding from US Department of Agriculture*

This project is assisting Afghan farm families in Ghazni, Wardak and Logar Provinces (just south of Kabul) to up-grade from annual crops such as wheat and barley to perennial fruit crops such as grapes, apples, apricots and almonds. Farmers appreciate this assistance because the perennial crops generally produce higher incomes in comparison to the annual crops being replaced. As part of the project, ROP is shipping the first refrigerated apples out of Afghanistan to international markets.

This project is funded by the sale of US wheat flour provided under the US Food For Progress Act, managed by the United States Department of Agriculture through the US Commodity Credit Corporation. ROP sold the wheat flour in Kabul through a public, closed bidding process monitored by representatives of the Afghan government. The sale of the wheat flour raised some \$3,200,000.



There are over 1,450 students at ROP built schools with coins from American, British and Italian students.

CROATIA

True to our “roots,” we remain deeply committed to Croatia. Miljenko “Mike” Grgich, owner, Grgich Hills Estate, established a Roots of Peace Fountain at the entrance of his Napa Valley winery—a global wishing well for peace. Over 30 million “pennies” have been raised to date, and international visitors contribute towards our MINES TO VINES initiative as the coins continue to flow...

Roots of Peace has also proudly partnered with the Rotary Club of San Francisco #2 and the Rotary Club of Zadar, Croatia—raising over \$40,000 through a 4-way matching grant with Rotary International.

Bastica, which translates into “Little Garden,” landmines have been removed by funds generously donated by Mike Grgich and matched by the International Trust Fund (ITF). Today, over 25,000 grapevines and 12,500 apple trees have been planted by the University of Zadar in partnership with Roots of Peace. Other villages who have been the recipient of our MINES TO VINES initiative include Vukovar, Ilok, Karlovac, Ciste Male, Ciste Velika, Bibijne and Dragalic—turning “swords into plowshares” on lands which were once ravaged by The Balkan wars.

ROP PENNY CAMPAIGN

Funding from American, Italian and British students

This ongoing program initiated in September of 2003 has raised over 30 million pennies to date (\$300,000). Through their efforts, American students have raised enough money for new schools, playgrounds, and landmine clearance. In 2007, Mrs. Shamim Jawad, wife of the Afghan Ambassador to the U.S. and the International Chairperson of the ROP Penny Campaign, helped secure a \$10,000 grant from AYENDA—the Afghan Children Initiative. This generous grant allowed ROP to build a soccer field, four restrooms, and a wall enclosure surrounding the Kyleigh Kuhn Roots of Peace School. This school serves more than 250 students as well as the youth and adults in the surrounding community. ROP is extremely pleased to report that the Afghan Ministry committed additional funds in 2008 to build a new library and two additional classrooms.

Since then ground has been broken on a new girl’s school in Bamyan Province able to accommodate 600 students. Slated to complete in November of 2009, the new ROP school in Bam-Saray village has the full endorsement of the female governor of Bamyan Province and will provide a platform for education that the majority of the students would not have otherwise received.





Future Programs

VIETNAM

Over 30 years since the Vietnam War ended, the country of Vietnam is still feeling the resonating effects. With more tons of bombs dropped on the country than all of the bombs dropped in all of the theaters of the Second World War combined, and with many of these bombs experiencing a failure rate of up to 30% (as is the case with the preferred weapon used to target the Ho Chi Minh trail, the cluster bomb), unexploded ordnance (UXO) still remains a major problem. Counting the unexploded baseball-sized explosives discharged from cluster bombs alone, the total UXO produced from the war is a staggering 50,000,000–60,000,000, which is roughly translated to one unexploded ‘bombie’ per citizen. These ‘bombies’ still plague the fertile landscape of the Vietnamese highlands.

HIGHLAND ECONOMIC REHABILITATION PILOT PROJECT *Funding from a private donor and The Skoll Foundation*

The Highland Economic Rehabilitation Pilot Project funded by a private donor and the Skoll Foundation, will attempt to improve the production systems of rural highland Vietnamese farmers beginning in September of 2009. This project will focus on the development of the value chain for cacao while piloting demo

plots for bamboo and eel. Through new methods of cultivation, and marketing, these rural farmers located in the Southwestern province of Binh Phuoc, can increase their annual income from nearly nothing to \$2,500 per year.

Rural highland farmers and fisherman have for the most part been left out of Vietnam’s fast-pace economic growth, which has been primarily located in its urban centers—like much of Asia. By utilizing new methods, this pilot program seeks to introduce methods and equipment that will allow high value crops such as cacao, bamboo, eel and cashew to be produced and collected more efficiently and marketed more aggressively.

This program will also be testing a new concept for mine and UXO clearance in Vietnam. This concept would have ROP purchasing UXO contaminated land, clearing it of all mines, and reselling it to program participants. By doing this, ROP can recycle money for UXO clearance and continue clearance operations without having to continually raise new funds.



New orchards planted will increase average income for small rural farmers from below \$1,000 per year to over \$3,500

AFGHANISTAN

HORTICULTURE AND LIVESTOCK PROGRAM (HLP)

Funding from World Bank

The HLP program, to begin in July of 2009, is the newest endeavor by Roots of Peace in Afghanistan. This World Bank-funded initiative will utilize 113 extension agents on the ground in the Central and Northern regions of Afghanistan to provide new orchards, vineyards, and new methods for existing orchards and vineyards.

This initiative will help to plant 4,200 acres of new orchards. Crops such as pomegranates, apricots, grapes, and almonds will be among species planted. ROP will also work with local farmers to care for the newly planted 1,730 acres and will assist in the planting and cultivation of the remaining orchards. laborious

Grape vineyards will have trellising implemented to double their yield. Afghan farmers will be taught these methods and included in the process so that they will be able to sustain these crops and provide better lives for themselves and their communities long into the future.

GRAPE VALUE CHAIN PROJECT

The Grape Value Chain Project will connect farmers to new markets. Funded by the World Bank, fresh grape harvests will be exported to secured markets in Pakistan and India. By using the ROP fresh fruit pack house in Mir Bocha Kot and replicating the model that ROP has successfully implemented in previous projects, these grapes will be cold transported, so that they may reach distant markets, and arrive fresh. This project will begin in July of 2009, with the first exports of fresh grapes to Pakistan in September 2009.



Financials

FINANCIAL OVERVIEW

ROP grew programs by 20% during 2008 from \$4,262,409 to \$5,099,181. Expansion of our programs in Afghanistan, which numbered 14 at the end of the year, resulted in this increase. While program revenue grew, general and administrative expenses fell. Fundraising expenses grew as a result of less than expected donations from private donors and higher fundraising costs. The growth in fund-raising expenses was the result of less than expected donations from private donors and higher fund-raising costs. Total overhead costs as a percent of total income grew to 19.84% from 17.70%. The budget for 2009 will bring this rate down to 16.43%. ROP will continue to focus on this expense to bring it in line with our objective of keeping it below 16.00%.

For the year, ROP had a loss of \$65,010. This loss was caused by less than expected donations from the private sector.

ROP achieved success in two key focal areas: diversification of major donors and improved cash flow management. ROP continued our effort to expand programs with new donors. By the end of the year, ROP had programs funded through private funding, as well as funding from USAID, USDA, US Department of Defense, European Community and Asian Development Bank. Cash flow remains an issue, but due to a Bank of Marin line of credit, 2008 cash management was relatively smooth.

ROP financial team has grown from 4 at the beginning of 2008 to 12 at the close of the year. ROP continues to invest in financial systems and training for our team.

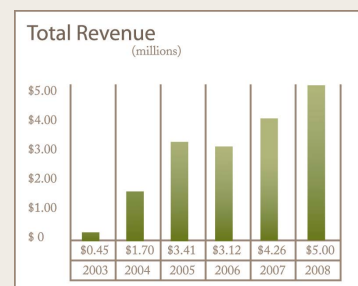
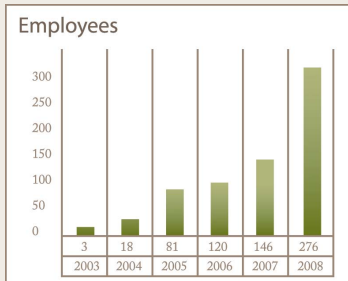
For 2009, ROP financial objectives include increasing the new assets of the company through sound fiscal management, financial reserves and management of fixed assets.

BALANCE SHEET

	2008	2007
ASSETS		
Cash	\$1,047,787	\$529,536
Cash (temporary restricted)	89,967	88,601
Accounts Receivable	1,144,889	1,139,032
Prepaid Expenses	<u>35,509</u>	<u>10,839</u>
TOTAL ASSETS	<u>\$2,228,185</u>	<u>\$1,768,008</u>
LIABILITIES		
Accounts Payable	\$660,328	\$502,291
Accrued Liabilities	182,308	853,707
Deferred Revenue	1,135,155	0
Line of Credit	251,160	347,000
Note Payable	<u>0</u>	<u>0</u>
TOTAL LIABILITIES	<u>2,228,951</u>	<u>1,702,998</u>
NET ASSETS		
Unrestricted	(90,733)	(23,591)
Temporary Restricted	<u>89,967</u>	<u>88,601</u>
TOTAL NET ASSETS	(766)	65,010
 TOTAL LIABILITIES & NET ASSETS	 <u>\$2,228,185</u>	 <u>\$1,768,008</u>

INCOME STATEMENT

	2008	2007
REVENUE		
Fees from Government Agencies	\$2,967,400	\$3,203,033
Contributions	136,498	595,614
Program Service Fees	1,810,241	373,143
In-kind Contributions	0	88,272
Interest	2,152	378
Other Revenue	<u>117,114</u>	<u>0</u>
TOTAL REVENUE	<u>\$5,033,405</u>	<u>\$4,260,440</u>
EXPENSES		
Program Services	\$4,087,283	\$3,507,8332
Management & General	714,632	644,733
Fundraising	<u>297,266</u>	<u>109,843</u>
TOTAL EXPENSES	<u>5,099,181</u>	<u>4,262,409</u>
CHANGE IN NET ASSETS	(65,776)	(1,969)
NET ASSETS, BEGINNING OF YEAR	65,010	66,979
NET ASSETS, END OF YEAR	\$ (766)	\$65,010





Directors, Key Staff & Partners

MANAGING DIRECTORS

Heidi Kühn
Chairwoman & Chief Executive Officer
Roots of Peace

Diane Baker
Director of Acting
Academy of Art University, San Francisco

Marguerite Bachand
Consultant

Chris Benziger
President & Owner
Benziger Family Winery

Noel Brown
Director (former)
United Nations Environmental Programs

Miho Glavic
Managing Director and Partner
AWT International d.o.o.

Jan Hartke
Clinton Global Initiatives

Tor Kenward
Owner
Tor Kenward Family Wines

Gary Kühn
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Roots of Peace

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KEY STAFF As of October 2009

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Gary Kühn, *Executive Director*
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Tucker Kühn, *Program Manager*
John Mundy, *Financial Director*
Kathy Budzinski, *Operations Manager*
Spencer Baird, *Program Specialist*
Robert Thomas, *Director of Technology*

AFGHANISTAN

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Sharif Osmani, *Deputy Country Director*
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Ferenc Sandor, *Program Director*
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Judd Robertson, *ADB Team Leader*
Peer Mohammed, *Deputy Team Leader*
Alem Alemi, *Deputy Team Leader*
Shoeb Uddin Ahmed, *Finance Manager*
Oneua Xomsihapangna, *Procurement Manager*
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Flavia Taggiasco, *European Director*

KEY PARTNERS & FUNDING

AECOM International Development
Anonymous donor
Asian Development Bank
Bank of Marin
Chemonics International
Croatian Mine Action Center
Development Alternatives Inc.
European Community
Global Partnership For Afghanistan
Grgich Hills Cellars
Heitz Cellars
International Relief and Development (IRD)
Islamic Republic of Afghanistan
 Ministry of Agriculture, Irrigation & Livestock
 Ministry of Economics
Mines Action Group (MAG)
Rotary Club of San Francisco
Rotary District #5150
Socialist Republic of Viet Nam
 Ministry of Agriculture & Rural Development
Skoll Foundation
Spiriterra Vineyards
UN Mine Action Service
United States Government
 Agency for Int'l Development (USAID)
 Department of Agriculture (USDA)
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ROOTS of PEACE

spokojnost, pace, Frieden, pokoj, fred
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LUANDA ~ MAZAR-E-SHARIF ~ MIR BOCHA KOT ~ PANJSHIR ~ PULI KHUMRI ~ SAMANGHAN ~ SARIPOL ~ WARDUK